PUBLIC INVESTMENT FOR PRIVATE ENTERPRISE
A STUDY OF THE ROLE OF PARASTATALS AS AN ACTOR AND INDICATOR OF SOCIAL CHANGE IN KENYA

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A B S T R A C T

Public enterprise is a common feature of many economies throughout the World. It is a formula that has been applied in both Socialist and Capitalist States and is pervasive in Africa. The study of the phenomenon in Africa reveals that Public Enterprise is not only an instrument of economic policy, it also has set social and political goals. The case of African Countries seems that after the euphoria of political independence, the exigencies of economic independence called for increased State intervention.

In Kenya this intervention has been motivated by a desire to promote private (indigenous mainly and to a lesser extent, other) enterprise. The consequences have been the perpetuation and amplification of social and regional disparities that were already in existence or incipient at independence.

The paper is divided into two main parts. The first part deals with the theoretical and historical origins of State enterprise, as well as the definition of the concept. The second part deals with the results - economic and social of this type of intervention in Kenya.

INTRODUCTION

Public Enterprise seems to play a decisive role in the development strategy of several African countries. Morever, and this is of no mean importance, the proliferation of the phenomenon leads to think that there is a general belief that the promotion of economic growth is too important to be left in the hands of the private sector.

The promotion of economic progress seems to have surpassed the competence of the classic bureaucratic machinery. The concrete response to this problematic has been the establishment of public enterprises, autonomous or semi-autonomous units with the mandate to operate (at least most of them) like commercial organisations serving the interests of the nation as expressed by the political leadership. Under these circumstances, the growing interest that the public enterprise factor arouses amongst researchers cannot be overestimated.

It is in this context that one laments over the lack of indepth research on public enterprise in Africa given the partial nature of the studies carried out until recently.

In fact the jurists have for a longtime exercised a kind of monopoly (de facto") in this field, reducing the public enterprise to a mere juridical instrument of public authorities in the economy. Thus they have dwelt mostly on the institutional and legal structures adopted by different states: "etablissement public", "soci'et'e d'etat" "soci'et'e nationale, "re'gie" etc. in public law countries.[1] public corporation, limited liability company etc. in common law countries.[2]

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1. See mainly Les Societies D'Economice Mixte Dans pays en voie de Development: A Partir de L'Exemple Malgache. Paris: Librarie Generale de Droit et de Jurisprudence 1970, and Dutheil de la Rochere J. L'Etat et le Develonment en Cote D'Ivoire. Paris: Pedone, 1974.

2. For exemple KATENDE J, et al. (editors) - The Law of Business Organizations in East and Central Africa. Nairobi/Kampala/Dar-es-Salaam: East African Literature Bureau, 1976: FRIEDMANN. N.G. GARNER J.F. (eds). Government Enterprise: A Comparative Study. New York: Cambridge University Press, 1970.

Since the jurist is always fascinated by the frame and the structure, the purely legalistic approach has tended to limit the scope of study to a mere description of legal and institutional dispositions. This approach is certainly insufficient for two reasons. First, the confusion of legal texts and the reality can lead to erroneous conclusions: the ideal and the concrete are not always the same. Secondly, and more important, legal dispositions constitute part of a whole ideological framework that incarnate the wishes of the political class.

Even the purely economic approach, despite its stimulating aspects, still is, in my opinion, insufficient. Such a study does not indicate the political and social stake of public enterprises. Defining for example, the public enterprise phenomenon simply as 'a stage in the attempt to modernise the economy"[3] does not tell us the objectives, the goals and the interests of the actors in this "modernization' exercise.

More recent studies manifest a certain evolution in posing the real problem: Why the omnipresence of public enterprise on a Continent so rich in conflicting ideologies. The question that one should ask is whether it is a fashion, or model on a conjunctural imperative.

It is in trying to answer this question that we realise that public enterprise is not only a juridical entity or just an economic unit but that its very existence is intricately linked to the socio-economic environment. It must thus be treated as part of an ensemble. As recent works show, the study of the public enterprise provideds a unique and privileged opportunity to observe the array of political and economic choices that confront the political leadership.[4] To really uderstand the public enterprise phenomenon in Africa today, the following questions must be answered Why, How and What.

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3. See PAROT, F. L'Enterprise Publique Instrument de l'Intervention Economique de l'Etat en Cote D'Ivoire. Unpublished Ph.D. thesis, Faculty of Economic Sciences, University of Bordeaux 1, 1976, p. 1.

4. GAUTRON, J.C , ZUBER, B. "Les Entreprises Publique et semi-publiques au Senegal" and CONSTANTIN, F. COULON, C. 'Entreprises publiques et changement politique au Mali in Institut D'Etudes Politiques de Bordeaux, Centre, D'Afrique Noire, Les Enterprises Publiques en Afrique Noire, Tome I Paris, Pedone 1979.

The "Why" corresponds to the reasons influencing the establishment of public enterprise (i.e. state intervention) and also answers the question of when. The period factor is important in that it gives us a historical perspective enabling us to establish an objective analysis of the problematic The time of the establishment or restructing of public enterprise provides us with an insight into the underlying structural factors (economic, social or political) influencing such a move.

The 'how" part of the tiple -question asks the following: now that the enterprise has been established, what institutional arrangements have been made to ensure its efficient fulfilment of laid down objectives?

The final part, the "What corresponds to an appraisal of not only the statutory objectives per se, (i.e. efficiency analysis) but also the overall consequences of the role that the public enterprise has played in the economic and social transformation of the society. We ask as to whether, public enterprise activities have contributed in reducing or entrenching social or regional disparities. In the case of Kenya we find that public enterprise, far from contributing to social justice, has on the contrary entrenched the social and regional inqualities that were incipient at the time of political independence.

In conclusion we find that the African State, through public enterprise, is playing a historic role, in creating social classes who in the past were responsible themselves in moulding the state.

I OBSERVATION

From the onset, the omnipresence, whatever the political regime, of public enterprise seems obvious. As Professor LAVROFF observes in his introduction to the studies on Senegal, Mali and Madagascar:

"The analysis (made) by the authors of various studies indicate that global ideological options do not play a determining role in the creation of public enterprise, nor in their mode of organization..."[5]. Although he rightly observes that there are certainly differences that appear depending on the historical period under consideration (especially in the cases of Mali and Madagascar) these are less important when considering various other countries.

5. Ibid, Preface, IV.

This remark is particularly consistent when we take the examples of Kenya and Tanzania. The two States have both adopted the public enterprise system (in most cases with similar internal structures), although they have opposite political objectives. For Tanzania, the creation of a socialist economy is through public enterprise, whereas for Kenya the same means serve the exact opposite and public enterprise as we shall see, is used to promote private enterprise. The use of similar instruments in such cases leads us to the fundamental questions as to why the state intervenes in the economy.

CH. I. THEORETICAL REASONS FOR STATE ENTERPRISE

Many theories have been advanced to explain the reasons behind State intervention in the economy.[6] This interventionism has a double characteristic: on the one hand it takes the indirect form i.e. planning, whilst on the other, it is by way of direct participation, through public enterprise. It is this latter form of participation that constitutes the object of this study.

In many 'Third world" countries, and specially in Africa today, the role played by the post-colonial State in the economic affairs has drastically increased as a result of exigencies imposed by a new reality. It is in this respect that public enterprise has become a fundamental element in the pursuit of different economic policies. Some scholars even consider public enterprise as an indispensable instrument for economic development. As Professor Hanson has remarked, "Whatever its ultimate perspectives, any country aspiring for economic development has no alternative but to use public enterprise on a large scale at least for taking off".[7]

But why, one may ask, should public enterprise be a stimulant for the economic development of these countries? The answer to this question is two fold. The first is for reasons of practicality: public enterprise turns out to be the most practical means to undertake certain public ventures. Secondly, and probably more important, the creation or readjustment of public enterprise has been motivated for reasons consistent

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6. See mainly CAREY-JONES (N.S.) et al. Politics, Public Enterprise and the Industrial Development Agency. London: Croom Helm 1974. pp. 7-30 See also L'HERITAU (M.F.) Pourquoi Les Entreprises Publiques? Paris: Presses Universitaires De France, 1967, p. 67.

7. HANSON A.H. Public Enterprise and Development. London: Routledge and Kegan Paul, 1965 p. 23. Underligned by us.

with the "commanding heights" theory of Estate enterprise origins. Under this theory, Estate enterprises are established primarily to gain State (or national control) over key economic sectors thought vital for national development and sovereignty. It is in this respect that the 'indigenization of the economy' (or economic nationalism) factor emerges. These are the two basic reasons behind public enterprise in Africa today.

I. Practical Reasons for Public Enterprise

A. Instrument of Decentralisation.

Public enterprise is generally considered more efficient than a ministerial department because it possesses legal personality independent from the Estate. Moreover, its affairs are managed by an independent board though the latter is designated by the government to whom it is responsible through (the parent) Ministry. Such a unit can be useful when a government department is lacking efficiency. This is probably the reason behind the creation of the National Irrigation Board in 1966 in Kenya when the Ministry of Agriculture could not efficiently manage irrigation projects. Thus public enterprise can be seen to be a remedy to bureaucracy. In this respect one can evoke the existence of pessimism regarding the improvement of civil service bureaucracy and, inversely, the preponderance of the optimistic conviction that public enterprise constitute a solution to complex administrative problems.[8]

Another important factor emanates from the weakness of local authorities, resulting in the creation of public enterprise to provide social and cultural services (housing, libraries, hospitals etc.)

B. Instrument of International Cooperation.

Public enterprise is also an instrument of international cooperation. Here it is first of all an important means of promoting trade with centrally planned economies (Socialist States), which often prefer bilateral dealings. This type of arrangement is easier for State enterprise to execute than it would be for a private concern, since the latter's decisions are always dictated by purely commercial considerations.

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8. BRADLEY, J., McAUSLAN, S. "Public Corporations in East Africa", in FRIEDMANN G., GARNER, J.S (eds), Government Enterprise A Comparative Study, New York Columbia University Press, 1970 p. 268-279.

In other aspects, agreements with certain countries may result in the formation of public enterprise, to facilitate certain project undertakings. A typical example in the case of Kenya is the Development Finance Corporation of Kenya, (D.F.C.K.) a financial institution created by the Dutch, German, British and Kenyan governments.

Finally, and still in the context of international cooperation, the creation of public enterprise may be necessary to facilitate the execution of regional development projects. Here we can cite the examples of the West African Development Bank for West Africa and East African Development Bank for East Africa.

We can see from the above observations, that public enterprise has emanated from the practical necessities to facilitate the application for diverse projects initiated by the state. Nevertheless, the proliferation of the phenomenon in Africa today has reached such proportions that one is forced to wonder whether this is due only to practical necessities. It is here that the palliative aspect of public enterprise emerges: in other words the State intervenes in those areas of the economy where private capital is reluctant to invest fro reasons of profit or for lack of capital.

This type of intervention, apart from the mobilising role it plays in terms of economic resources, reflects the wish to create a national base to the extroverted economic structures, mostly dominated by foreign interests. This is mainly because talking in terms of capital, the indigenous resources in these countries are very limited. So the real nature of public enterprise in Africa today appears to be that of an instrument of economic nationalism.

II. Public Enterprise and Economic Nationalism.

1. An Ideology of Decolonisation?

As Professor GAUTRON observes regarding the proliferation of public enterprise in Francophone countries (State enterprises in Mali, National enterprise in Guinea, Marketing Boards and Mixed enterprises in Zaire, Ivory Coast, Mauritania, Gabon...), this type of intervention is each time linked to the desired goal of ensuring the basis of a certain economic-independence to a fragile political power.[9] "In all cases' he continues, 'we find it is a case of nationalisation in the political (and not in the legal) sense, the wish to concentrate the power in the hands of the State or of its representatives or its constituents."[10] In other words, the enlargement of the enlargement of the public sector is a component of the ideology of decolonisation, both a break with the ancient order and an attempt to establish, if not the equality of the prevailing interests (public and private), at least a durable impossibility of recolonisation in the future.

What Professor GAUTRON says is that the generality of the phenomenon makes it an ideological variable independent from the ideologically adopted corpus, adopted and diffused by the political authorities, a compulsory meeting point of the ideologies of decolonisation and development".[11]

This analysis applies to all African States, be it the Ivory Coast which practices an extreme economic liberalism where 'none of the ideological reasons which normally motivate the creation of an important industrial public sector can be cited,[12] or Tanzania which practices the most doctrinaire African socialism on the Continent. Both Countries have important public sectors despite diametrically opposed political doctrines.

This means that the public enterprise formula transcends traditional ideological barriers. The ideological question only comes in when it is a question of what type of control one wishes to exert on the economy. As Nyerere puts it, "the question is not whether nations control their economy, but how. The real ideological choice is between control by private national enterprise or control by State or Collective Institution .[13]

In the case of Tanzania, the post-Arusha intervention has been meant to li[illegible] it rather than enlarge the private national initiative. On the other hand, similar action by the State in both Kenya and the Ivory Coast has meant

9. GAUTRON, J.C. Les Entreprises Publiques, Acteur et Indicateur du changement social in Revue Francaise d'etudes politiques Africaines, No 158, Feb. 1979. Paris, p. 44.

10. Ibid.
11. Ibid.
12. DUTHEIL de la ROCHERE J. L'Etat et le Developpement Economique en Cote d'Ivoire. Paris: Pedone, 1976. p. 83.

13. NYERERE J. Freedom and Socialism London, New York, Nairobi: Oxford University Press 1968, p. 264.

precisely the reverse the promotion of private enterprise. Whilst in the latter the State has intervened in the place of the Ivorian temporarily, in the former the State has intervened for the Kenyan. In the Ivorian case it is suppletory whereas in Kenya it is integratory. In both cases, contrary to the Tanzania one, the State serves an agent of privatisation of the economy. Public enterprise in Africa, therefore, is used to implement diverging political and economic strategies. We can thus assert that the multiplication of public enterprise under different regimes does not in itself reflect an ideological choice, but underlines the wish to affirm a national economic personality.

This policy of 'Africanisation' is no more than an expression of economic nationalism. But as Nyerere asserts, 'economic nationalism' has nothing to do with the ideologies of socialism, capitalism or communism'[14] and can apply to any country. Professor L'HERITAU underlines this fact when she recalls the heterogeneous character of public enterprise:

"Constituted by historical circumstances, the public enterprise sector conserves a contingent character different from country to country, and relatively heterogeneous ."[15] The variations that one may observe depending on the country would be dependent on the following:

The time of State (or Public) intervention and the extent of the intervention.

--the motivations (manifest or latent) explaining and justifying this intervention.

--the political and legal modes of the extension of the public sector (and in particular the treatment accorded to the private sector economic actors),

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14. <u>Ibid.</u>
15. L'HERITAU M.F. op.cit. p. 66

- the political discourse accompanying this action and which may reflect the long-term strategies and political objectives of the ruling group.[16]

It is with these factors in mind we can fully comprehend the reasons for State intervention in Kenya.

B. The Kenyan Case "Africanisation" or Economic Nationalism without Nationalisation.

The circumstances under which Kenya obtained her political independence have been analysed by historians: the particularly brutal colonial oppression resulted in the dramatic Mau-Mau uprising of the early fifties which made the colonial settler authorities hand over State power earlier than they had expected. Thus in 1963 the new African government inherited an economic and social structure which corresponded neither to the needs nor to the aspirations of the African majority. Industrial production was oriented towards the fabrication of consumer products for a privileged minority constituted mainly of foreigners of British origin.

In the agricultural sector the problem was more pressing given the origins of the peasant revolt. The land question was the most acute political problem. The production of cash crops was restricted only to the European settlers till the eve of independence. Besides, the land distribution was far from fair: in 1962 some 3000 settlers were occupying 26 million hectares of the best farmland, whilst the 7 million or so Africans were forced to share 8½ million hectares.[17]

The commercial, financial and banking sectors reflected the same tendency, i.e. foreign domination The African population had no access to credit facilities and was practically excluded from the high echelons of both public and private sectors.

Faced with this situation, the new administration had two options: either it maintained the existing capitalistic structures and only giving

16. See GAUTRON, J.C. art. cit. p. 45.

17. FORRESTER, M Kenya Today. Social Prerequisites for Economic Development. The Hague: Mouton and 1962 p. 58.

them the 'African Look or opt for an economic and social revolution by nationalising the land and important industries. In one case or another, it was still African nationalism that would prevail. It is in this context that we should recall the economic policy pursued by Kenya sinceindependence, especially regarding State participation.

1) Rejection of Nationalization

In the general elections of May, 1963 it was KANU that won with its programme of "African Socialism." In its electoral manifesto, the triumphant party unequivocally rejected any measure of nationalisation: "(..) Following our desire to create a Socialist state, we believe to large extent on public control of the economy in the national interest. There are many ways of participation without public appropriation." [18] Jomo Kenyatta, then Prime Minister, emphasised a year later that nationalisation would not help in promotingthe exigencies of (African) socialism.[19] The anti-nationalisation stance was even incarnated in the Republican Constitution, in article 75. This safeguards private property against any expropriation, except in exceptional circumstances where the law guarantees prompt and complete compensation.[20]

The philosophical blue-print of the government's economic and social policy is the famous Sessional Paper No. 10 of 1965: African Socialism and its Application to Planning in Kenya. This document resumes succintly the government's attitude to the role of the State in the economy. After rejecting nationalisation per se, it says that the government would take measures to eliminate classes that were created on racial bases'. To implement this, the document mentioned four objectives: assistance in the form of capital to the African entrepreneurs; expansion of services in all sectors of the economy, the creation of mixed enterprises and the Kenyanisation (i e. Africanisation) of the Public sector. Besides, the Public sector was going to develop faster than any other sectors to become the biggest source of employment for the Africans.[21]

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18. KANU Manifesto: What a KANU Government Offers You. Nairobi, p. 22 Undeligned by us.

19. East African Journal, Nairobi Vol 1. No. 7 Nov, 1964, p. 17

20. See The Constitution of Kenya Nairobi: Government Printer, 1969, p. 36-38.

It is in this context that we should analyse the origins and the role of public enterprise in Kenya.

2) Origins of Public Enterprise in Kenya.

Public enterprise in Kenya dates from the colonial era, with the establishment of various Commodity Boards following the 1929 crisis. For example, the Imperial Ordonance of March 1931 created the Land and Agricultural Bank, which was to constitute a major source of credit for the Colonial Settlers. Regulatory Boards were to follow until almost all agricultural Commodity production and marketing were controll by various Boards, especially after the Second World War. It was during this time that public enterprise of the industrial and commercial type appeared (K.M.C - Kenya Meat Commission in 1950 and the Industrial Development Corporation I.D.C. in 1954).

At the time of independence, there was already in existence an important public sector. It should be emphasised though, that all this intervention during the colonial era was in the interests of the settler minority. After independence, therefore, the priority was to reverse the tendency, and, as we have already seen, the aim of the State in the post-colonial era was to integrate the African into the capitalist production process. Various boards were to be 'Africanised' and policy changes implemented so as to serve the Africans. Where necessary, new institutions were to be created as part of the integrative strategy. This partly explains the proliferation of public enterprises. An important factor that we should add is that political contingencies have also played an important part in this process, and the evolution of the political structures has largely influenced the pattern of State intervention. Here we can outline three stages of transformation: the first phase is the period that immediately followed independence, i.e. 1963-1966 the second one is the period during which the country had a legalised opposition party (1966-1969) the third one is during the last decade when the regime has known some ideological homogeneity.

i) 1963-1966 Primacy of the Agricultural Sector.

This was a transitional period after independence, and the priority for the new authorities was the immediate satisfaction of nationalist aspirations of the African masses. For the majority of the African population composed of more than 90% peasants, the most immediate preoccupation was the land question the repartition of land and the organisation of agricultural production, whether commercial or subsistance.

The very existence of several Regulatory and Commodity Boards in the Agricultural sector meant that the Colonial State tightly controlled agricultural production. Discriminatory legislation excluded the Africans from cash-crop farming and they moreover had no access to the fertile lands of the highlands. It was therefore not surprising that there were no Africans sitting on various Boards. After independence these were the first targets of the policy of "Africanisation": this was done either by putting Africans in these boards or non-Africans who were favourable to the African interests.

At the same time the government either created new institutions or reorganised others to implement the new policy. The aim of the newly-formed settlement Fund Trustees was to facilitate the setting of landless Africans, and the role of the Agricultural Finance Corporation (restructured from land Agricultural Bank) was to give credit facilities to those Africans wishing to procure farms from the settlers. Although there was no consensus amongst the political leadership as to what economic policy to adopt, the opposing FACTORS within KANU agreed on one point: the urgency of the Africanization of the public sector and the economy at large.

ii) 1966-1970: Assault on the Commercial Sector

The creation of a potentially strong opposition party in 1966 (Kenya People's Union or K.P.U.) was a manifestation of a growing disenchantment with government policy. The new party crystallised the deception of those who believed that the africanisation process was too slow on one hand, and also those who felt that the prevailing economic policy would not only recreate in a new context, but reinforce the inegalitarian socio-economic structure of the colonial past. In other words, the foreign priviledged class would only be replaced (or rejoined) by a new indigenous one. The reaction of the government was to hastily accelerate africanisation in new sectors, particularly in the services and small scale industry. This move was intended not only to limit the spread of discontent, but was also to serve in widening the base of the political clientele of the regime given that similar efforts in small-scale agriculture seemed to be bearing fruit.

The year 1967 was the turning point in this new policy. A new series of laws were passed to facilitate its application. In the commercial sector the Trade Licencing Act of 1967 restricts non-citizens (in theory but non-Africans in practice) to only certain areas and to deal in specific goods.[22] This forced thousands of British nationals (mainly of Asian extraction) to sell out their business. It is at this juncture that the Industrial Development Corporation was restructed and became the Industrial and Commercial Development Corporation, (I.C.D.C.) thereby introducing a new loan scheme to help the nationals acquire business. The I.C.D C. through its subsidiary, the Kenya National Trading Corporation (the K.N.T.C.) embarked on wholesale trading, soon acquiring monopoly in certain basic commodities (Sugar, Salt, Cement, maize meal etc). This measure was certainly intended to ensure a steady supply of goods to the new African merchants.

In the transport sector the Transport Licencing Act (Amendment) of 1968 created the Transport Licencing Board, a public body that was to further the Kenyanization of the trade.

(iii) 1970-1977 The Emergence of the Public Financial Sector and Wider Participation in the Manufacturing Sector.

In 1970, the banking sector was still more than 80% foreign controlled (Barclays, Grindlays, Standard).[23] These banks had very few Africans amongst their clients, given their conditions for loan disbursement. So the State decided to create its own banks alongside the existing ones to serve the indigenous population. In this exercise it bought the National and Grindlay (which became the Kenya Commercial Bank), created the Cooperative Bank of Kenya and the National Bank of Kenya.

In the insurance sector, the State took over the monopoly of the reassurance business through the law that created the State Reinsurance Corporation in 1972. In general insurance, the State participation has been minimal: we can cite only two State owned insurance groups: Kenya National Assurance and Minet I.C.D.C.

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22. See Government of Kenya, Trade Licencing Act of 1967 Cap 497) Nairobi: Government Printer, 1967.

23. See JORGENSEN J. "Multinational Corporations and the Indigenisation of the Kenyan Economy" in WIDSTRAND, C. ed., "Multinational Firms in Africa, Uppsala: S.I.A.S., 1975.

In the manufacturing sector, the decade of the 70's has witnessed the multiplication of State participation in various ventures. This has been done mainly through the I.C.D.C. which has consequently become the major State holding company. As we shall observe later on in the paper, this Corporation has not only created its own subsidiary companies, but has acted as the intermediary in the acquisition by the State of shares in various ventures, both national and foreign.

iv) Since 1974: The appearance of the Regional Development Corporation

The year 1974 saw the emergence of the Public enterprise intended for rural development, with the voting by Parliament of the Tana River Development Authority Act. The T.R.D.A. has been given the mandate to promote the development of the Tana River Basin. Two similar institutions have recently been established. In October 1978 President Moi announced the creation of the Lake Basin Development Authority to coordinate the development projects around Lake Victoria Basin. In January the following year, the Kerio Valley Development Authority was formed with the intention of exploiting the economic potential of this region to the north west of the Rift Valley. We can conclude that the birth of this type of institution underlines the preoccupation of the political leadership in developing the rural areas whose potential, both in human and economic terms, have for long been neglected.

The pregoing reveals the diversity of both the origins and the role of public enterprise in Kenya. Such a diversity necessarily implies the adoption of appropriate institutional arrangements if the public enterprise has to fulfill its functions This is the object of the second chapter of this paper.

CHAPTER II WHAT IS PUBLIC ENTERPRISE?

Understanding the development of Public Enterprise in an under-development economy supposes, right from the onset, the exact apprehension of the notion of this very type of enterprise. If generally by 'public enterprise' one means any enterprise belonging wholly on partially to the public authorities, its legal identification is a problematic.

Before we look at the institutional framework of public enterprise we must define the concept: if public enterprise is an economic instrument of State intervention, it is above all a structure by which the State positively participates in appropriating, running or controlling industries and services.

Since the legal systems of the colonial powers have influenced those of their former colonies, it is not surprising that legal codes and texts in these particular counries are mostly of metropolitan inspiration. Public enterprise is no exception. As SUBRIGUEY recalls, it is the metropolitan company law that was applicable during the colonial times regarding commercial transactions, since customary law had no provisions for limited liability companies etc. and those wishing to form industrial or commercial companies were thus obliged to submit to the laws of the colonising power.[24]

In spite of the generalisation of colonial legacy, some countries have made certain innovations in this respect, especially as regards organic dispositions and methods of State control.[25] The most important factor in these countries has been the systematic state intervention, which has resulted in the expansion of the public and semi-public sector. This pandiculation of the public sector is characterised mainly by the creation ex-nihilo of companies wholly owned by the State (which is a new phenomenon), or increased shareholding (both majority and minority) in private firms. One is thus led to ask what public enterprise in Africa is today: whether the concept still covers the same notion as in the countries of origins. For reasons of comparison, a comparative people of French and English Laws in this matter will demonstarate the way in which different structures can generate similar institutions. From the internal viewpoint we shall observe how existing notions are used in confronting new needs and in the process these notions are modified or even transformed.

1. The Notion of 'Public Enterprise' in French Law.

In the French legal system, the concept of public enterprise is not juridical in itself. It nevertheless evokes the notion of public service. This is what DE LAUBADERE refers to when he declares that

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24. SUBRIGUET, M. Les Societe's d'Economic Mixte dams les Pays en Voie de De'velopment a Partir de L 'Exemple Malgache. Paris: Librairie Generale du Droit et de Jurisprudence, 1970, p.3.

25. A good example is the SENEGAL. See for instance, GAUTRON, J.C. et al. Les Entreprises Publiques au Senegal" in C.E.A.N., Bordeaux. Les Entreprises Publiques en Afrique Noire op. cit., p. 31 et sec

economic interventionism "constitutes in itself a public service"[26]. In this manner, he further explains, public enterprise is integrated in the juridical reality of "interventionist public institution".[27]

According to MARTIN-PANNETIER, if the term "public enterprise" probably has no rigorous juridical content, it defines the "appearance, fairly recent but very common, of the intervention by the State in the exercising of economic activity.[28] Professor DRAGO, whilst agreeing with this approach, states further that public enterprise is that enterprise whose capital belong in whole or in majority to the State.[29] It proceeds to enumerate what he considers as the three elements identifying such an enterprise: the holding by the public authorities of capital in such an enterprise; the submission of such an enterprise to private law and lastly the relative dependence of the enterprise vis-vis the public authorities.[30]

This definition is rather ambiguous, because although the degree of public participation is qualified, it is not quantified. SOBRIQUEY, though not quantifying his definition, is at least clearer in his description. According to him, the notion of public enterprise relates "to all the enterprises whose management is dominated by the state by exercising on (them) a variable degree of authority, whilst they remain subject to a maximum regime of alignment on the working rules and methods of the private (enterprise)".[31] For certain scholars, the notion covers three

26. DE LAUBADERE, A. Traite' Elementaire de Droit Administratif Paris Librarie Generale de Droit et de Jurispudence, 1966, vol. 3, p. 481.

27. Ibid.

28. MARTIN-PANNETIER, A, Elements d'Analyse Comparative des Etablissements Publics en Droit Anglais et en Droit Franfais. Paris Librarie Generale de DROIT et de Jurispundence, 1966, p. 16.

29. DRAGON, N. "Public Enterprises in France", in FRIEDMAN? GARNER, eds, op.cit., p. 107.

30. Ibid.

31. SOBRIQUET, M. op. cit. p. 24.

principal categories public industrial and commercial institutions ("etablissements"), national companies (societe's nationales) and certain mixed enterprises.[32] MARTIN-PANNETIER on the other hand, distinguishes public enterprise from industrial and commercial public institution (etablissement public industriel et commercial"), though they both belong to what she terms as a "public economic institution" ("etablissement public economique"), which she qualifies as a moral person created by public authority but is object to a mixed (internal) system, "exercising an economic activity in the general interest".[33] This she contrasts to the public administrative institution ("establissement public administratif") which, though is a moral person created by public authority, is subject to the regime of public law while ensuring the management of a public service without profit motivation in an optic of decentralization.

English law or an English-inspired legal system not being dichotomised and as systematic as the French one, does not offer such a simplified approach. This is where such terms as "Parastatal" and Public Corporations emerge when one talks of public enterprise in such a contest.

II. The Notion of Parastatal in Kenya.

The term "Parastatal" is one of the innovations that have been hatched in the "Third World" countries whose legal systems are of British inspiration. The term is not legalistic in itself, but is a concept peculiar to these countries and express a specific historical development. Although the definition is not standardised the expression generally covers any organism distinct from administrative departments (central or local) but is answerable to public authority.

It is in Tanzania that a statutory definition was first attempted, with the creation of the Permanent Committee on Parastatal Organisations way back in 1967. This Committee was charged, inter-alia, with the studying of salaries and terms of service of the personnel of these organisations with the view of aligning them with those of the Civil Service. To guide the Committee in its task, a parastatal Organisation was defined as "an institution, organisation or agency which is wholly or mainly financed or owned and controlled by the government. The criterion of such public

32. See mainly L'HERITAU, M.F., op.cit. p. 64 et seq.

33. MARTIN-PANNETIER, A. op. cit. p. 24

enterprises (Sic) would be ownership by government of 50 per cent or more of the capital shares, or other forms of governmental participation and effective influence in all the main aspects of management of the enterprise".[34]

This definition being inadequate (the 50% equity shares is not sufficient to control an enterprise), it was the creation of the Tanzania Legal Corporation in 1972 which resulted in a more rigorous definition of the concept. The role of the Legal Corporation was to render legal services to Parastatals. In the Act institution the Corporation a Parastatal was defined thus

(a) A body corporate established by or under any written law other than

i) A Company incorporated under the Companies Ordinance.

ii) A body corporate established by or under any Act of the Community.

iii) A Local Authority.

(b) Any Company registered under the Companies Ordinance, not less than 50 per cent of the issue share capital of which is owned by the Government, a Local Authority or any parastatal organization or where the company is limited by guarantee a company has undertaken to contribute in the event to the company being wound up is not less than 50 per cent of the aggregate amount which all members have undertaken to contribute and reference in this paragraph to a parastatal organisation includes reference to any such company.

(c) Any body of persons whether corporate or incorporate, which is designated by the Minister by Notice in the "Gazette" to be a parastatal organisation for the purposes of this Order."[35]

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34. See JAMES R.W., LUHGUNYA, S. "Organisational Relationship and Control of Parastatals in Tanzania in KATENDE, J.W. et.al. op.cit., p. 103.

35. Ibid. p. 104.

This comprehensive definition by the Tanzania government apparently did not serve as an example to its Kenyan counterpart, when President Moi announced the creation of the Parastatals Advisory Committee in December 1979. The Presidential directive did not define a Parastatal, as in the case of Tanzania. In the absence of a statutory (or official) definition of a Parastal in Kenya, we can however claim there exists an official or an implicit one. The official nomenclature of public and semi-public organisation as established by the Central Bureau of Statistics gives an insight into this problematic. This document lists these in three categories: Parastatal Bodies; Firms with Majority Control by Public Sector; Firms with Minority Share-holding by Public Sector.

This "definition" differs drastically from the Tanzania case: it suggests that only a firm or an organisation controlled entirely by the state can be regarded as a Parastatal, thus excluding all the firms in which the state holds majority shares. In which case the Kenyan conception of a "Parastatal" is very close to what the French term an "Establissement public", which can be divided into three categories: administrative, corporate or professional, and interventionist bodies.[36] This is illustrated by the fact that inspite of the absence of any dichotomy private/public law in Kenya, one finds under the denomination of "Parastatal" diverse organisations as the University of Nairobi, the Teachers' Service Commission and the Industrial and Commercial Development Corporation (administrative, professional and interventionist bodies respectively).

Since the object of our study is public enterprise meaning commercial or industrial ventures in which the State or its representatives has some stake, we cannot include such institutions as the University of Nairobi or the Teachers' Service Commission. This means that public enterprise is part of the Parastatal Structure and is composed of both public corporations and mixed enterprises. It is the latter that interest us since they have some incidence on the economic and social transformations that constitute the object of this study.

PART II: Public Enterprise: An Agent of Economic and Social Change in Kenya.

Public Enterprise in the Kenyan Economy

Inspite of an economic policy favouring the primacy of private enterprise, the State, through the public sector, plays an important role in the accumulation process and the social transformations that follow. The public sector is in fact composed of three elements:

Central government
Local authorities
Public enterprises.

Due to the fact that the Kenyan State is highly centralised, the public sector contribution to the G.D.P. is mainly through central government which has realised a stronger growth since independence: whereas in 1964 it contributed 12.9% of the G.D.P., this proportion attained 19.2% in 1976 (See Table 1).

	1964	1972	1975	1976	1977
Central Government	70.9	?	151.13	110.04	139.611
Local Authorities	11.1	?	18.52	21.93	225.30
East African Community	2.5	4.9	59.8	-	-
Public Enterprises (Parastatals)	0.7	33.1	40.12	173.75	190.24
Total Public Sector	79.6	198.8	269.58	305.72	355.12
TOTAL G.D.P.	330.1	547.38	1028.93	1262.9	1620.2
% G.D.P.	24.1	363	26.2	24.2	21.9

Table 1: Evolution and Repartition of Public Sector Contribution to the G.D.P. (1964-1977)

This progression was due to the increase in government services(for example, the part of education almost doubled between 1962 and 1976, from 3.4% to 6.1% of G.D.P.). This progression was due mainly to the increase in government services (for example, the part of education almost doubled between 1964 and 1976 from 3.4% to 6.1% of G.D.P.). During the same period the contribution by the parastatals registered a decline: from 12.2% in 1964 dropped to 10% in 1976, proving that interms of value added the parastatal sector produced negative results.

In terms of capital formation on the other hand, the part of the public sector has registered a steady growth: from 25% in 1964, it reached 42% in 1976. The parastatal sector contribution also increased steadily during the same period, from 15.2%. It must be emphasised, however, that the greater part of this increase was due to the transfer of the assets of the defunct East African Community (namely Railways, Posts and Tele-communications etc...). Therefore the public sector, though largely eclipsed by the private sector, mobilises a considerable proportion of the country's economic resources, with the parastatals spearheading public investment. According to the current Development Plan, for example, out of 463.8 million shillings earmarked for industrial development by the public sector, 384.6 million (or 87%) would be handled by public enterprise.[37] This investment would be carried out either through credit to entrepreneurs (both national and foreign) or in the form of equity participation. It is with this strategy in mind that we are now going to look at the balance sheet of public enterprise activity in Kenya since independence.

In the evaluation of performance of any enterprise, it is normally the term "efficiency" that is employed. But then, what is efficiency, It is a legitimate question to ask given the array of objectives commonly established for state-owned firms in less developed countries. For private enterprise, the criterion for efficiency is normally the profit-earning capacity. For public enterprise,this kind of evaluation can not be the only yard-stick. What is difficult, however, it to determine which other criteria should be taken into account, how each of these criteria should be evaluated and how they can be weighed against each other.

It is clear that the appreciation of public enterprise performance depends ipso facto on the chosen criterion. There is therefore a controversory as to the relative importance that should be accorded to allocative (or economic) efficiency and national or social efficiency and as how to reconcile the two concepts. More by ommission than by commission, the accounting system which produces data from which performance evaluation

37. See Government of Kenya: Development Plan 1979-1983 Nairobi: Government Printer 1979, p. 345.

can be made is largely dependent on the concept of commercial profitability. On the other hand, if the evaluation of "national profitability" by cost/benefit analysis is undertaken it usually concerns new projects rather than existing ones and particular cases than a systematic one.[38] As a U.N. Working Group observed, 'in far too many development plans, the potential contribution of public enterprises has been presented as an almost automatic product of the magnitude of the capital invested in them, on the basis of ever-simplified calculations of rates between capital and output'.[39]

Our objective is not to go into the details of the commercial performance of each public enterprise. Rather we shall dwell on the overall appraisal of public enterprise activity in relation to its basic philosophical raison d'etre in Kenya. Being an instrument of economic nationalism, public enterprise has been used to promote private African enterprise: this has certainly had some impact on the social and political scenery in the country.

CH. 1. Public Enterprise and Social Change in the Agricultural Sector.

In Kenya the Parastatals in the agricultural sector have mostly been regulatory, marketing, managerial and financial. The majority of them have played two (at least) roles at the same time, especially in regulating and marketing major agricultural produce. On the eve of independence, the most pressing political problem was the land question. Agrarian reform was the ultimate answer to a hypothetical peasant uprising similar to that of "Mau-Mau", and in this objective the parastatals were to play a key role. Those already in existence had to be restructured or ovahauled in response to new demands, and new ones had to be created to effectively implement new policies regarding resettlement and cash crop production (coffee, tea, pyrethrum, sugar etc.).

The Swynnerton plan of 1954 was aimed at liberalising land tenure and cash crop production in the former White Highlands to allow the African population to participate in this industry. This measure was obviously designed to act as a political safety valve in creating a

38. See Report of a U.N. Working Group: Measures for Improving the Performance of Public Enterprise in Developing Countries Vol. 1 ST/TAO/M/[illegible] in KATENDE, J. et.al op.cit.pp. 1139-1142.

39. Ibid p. 1140.

privileged class of African peasants who would in turn collaborate with the colonial regime in thwarting the nationalist thrust. The land reform (i.e. land registration) and the new agricultural policy were therefore the two major elements of this new policy. The recognition of individual land tenureship was going to facilitate loan acquisition (through the title deed) and farm development by the privileged few Africans. These measures were well under implementation when independence came in 1963. By 1962, for example, some 3000 farms covering almost a million hectares had been allocated at a cost of 7 million pounds sterling.[40]

The impact in terms of revenue for the new commodity producers was tremendous: it is estimated that their income rocketed from a negligible sum to more than 14 million pounds that year.[41]

These operations of "resettlement" were to continue after independence, this time under the auspices of a Parastatal, the Settlement Fund Trustees. The first phase was under the appellation "One Million Acre Scheme" which was stopped in 1972 when it was realised that not only were the new owners experiencing difficulties in loan repayments, but also productivity lapsed. At that time, 429,129 hectares was occupied by 34,177 families,[42] with the size of the holdings ranging from 4.5ha. to 38 hectares.[43] As C. Leys has remarked, in spite of the relative drop in productivity, these families attained a level of subsistance much higher than the national average.[44] A new scheme was thereafter introduced called "Shirika" underwhich the former European-owned farms would not be subdivided but acquired intact, with the Settlement Fund Trustees providing the management services. By 1976, 12,000 people (out of the anticipated 17,000) had acquired 105 farms-averaging 1035 hectares each-at a cost of 126 million shillings.[45]

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40. See McWilliam, M. "The Managed Economy: Agricultural Change, Development and Finance , in Low, D.A. Smith, A., eds., History of East Africa. Oxford: Clarendon Press, 1976. Vol. III, p. 264.

41. Ibid.

42. See Statistical Abstract 1976, Nairobi: Ministry of Finance and Planning, Government Printer, p. 116.

43. Figures calculated from ibid.

44. Leys, C. Underdevelopment in Kenya: The Political Economy of Neo Colonialism. London: Heinemann 1975 pp. 75-76.

45. Statistical Abstract 1976, p. 196 Table 81 (b).

With an active programme of vulgarisation, the state has accelerated the participation of the Nationals in the production of tea, coffee and pyrethrum, the principal export commodities of the country.

I. K.T.D.A. and the Tea Industry.

The Kenya Tea Development Authority is probably the Parastatal that has contributed most in the transformation of the rural landscape by transfering the bulk of tea production into the hands of the small-scale producer from the big estates since independence. In 1963, for example, the small-holder sector accounted for only 17% of the acreage under tea. By 1976 this proportion had risen to 63% despite a lower productivity rate.[46] As table 2 indicates, this tendency is geared to continue, with a targeted 67% in 1983 (according to the current Development Plan). Whilst the acreage of big estate will have expanded by a smaller margin (8,500 hectares, i e. an increase of 50%) the small-holder sector will have expanded by 48,000 hectares, an increase of more than 1400%.[47]

	1963	1973	1976	1983 (Projected)
Big Estate	17,921	24,000	25,500	26,500
Small-holder	3,527	32,000	44,000	52,000
%	16.4	57.1	62.9	66.2
TOTAL	21,448	56,000	70,000	78,500

Table No. 2: Evolution of types of tea plantations, 1963-1883 (in hectares)

In terms of income, K.T.D.A paid these growers a total of 402.8 million shillings for the green tea delivered to its various factories in 1979.[48] Apart from processing tea from the small-holders, the K.T.D.A. offers technical and financial assistance to its clients, and provides the necessary infrastructural and l gistical support.

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46. The small-holders produced only 53% of the 62000 tonnes in 1976.

47. The average size of these farms is quite small: 0.39 hectares in 1979, with the number of small-holders standing at 126169.

48. By then the K.T.D.A. had 25 tea factories compared to 12 in 1973.

This transformation has taken place to the detriment of a multinational company, Brooke Bond Limited, which had enjoyed the monopoly of cultivation, processing and marketing of tea since 1938.

II. Coffee and Pyrethrum Industries

The transfer of the coffee industry into the hands of the indigenous population has followed a similar trend as that of tea. In 1976 56,000 hectares out of the 86,400 ha. (i.e. 66%) that were under coffee belonged to the small-holder sector (especially cooperatives).[49] This is another growing sector, because by 1983 between 33,000 and 35,000 more hectares will be added (according to the current Development Plan) to this particular sector. Here, it is the Coffee Board which is responsible for the transformation, since it is the one responsible for issuing licences to farmers and controls the marketing.

Coffee has been one of the most lucrative crops for the small-holder. In 1978, 57% of the 82,325 tones peoduced nationally came from this sector, earning the cooperatives some 12.08 billion shillings. It is estimated that the same year the small-holder earned an average of 27,400 shillings.[50]

Pyrethrum is another cash crop whose production has been 'nationalised' through the intervention of a parastatal (i.e. Pyrethrum Marketing Board). From an insignificant proportion at independence, the small-scale sector produced 89% of the 176 tones that the country produced in 1976, earning them some 88 million shillings.[51]

III. Irrigation Settlements

Besides the vulgurisation of the above commodities, another Parastatatal, the National Irrigation Board (N.I.B.) has been active in improving the revenue of a number of families in rural areas. This Parastatal has been mainly active around Lake Victoria Basin and around upper Tana.

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49. The rest belonged to the estates, the majority of ~~which~~ are now ~~owned~~ by indigenous people (nearly 74% in 1978/79). See ~~Coffee~~ Board of Kenya, Annual Report 1979, Nairobi.

50. Compared to 38,760 shillings to previous year. See Nation Economic Report 1980, Nairobi Nation Newspapers Ltd.

51. See the Statistical Abstract 1978.

The number of persons settled in these schemes is hardly impressive although the figure has doubled since the creation of the N.I.B. in 1967, from 2342 to 4650 in 1978, with the irrigated area following the same pattern, from 3,873 hectares to 8,535 ha. Although the cost of these operations is not known (due to lack of data), irrigation does not seem to benefit a wide number of peasants as one would expect. Settling only 2,308 families in ten years (i.e. an average of 230 per year) is not a good indicator of worthwhile investment both economically and socially, more so when the birth rate stands at more than 3.6% per annum.

Nonetheless, the level of income of these families is much higher than the national average for rural households. In 1978, they earned an average of 7,860 shillings[52]. a figure four times the national average. As the 1974/75 government rural survey revealed, 41% of rural households had an annual income (including subsistance) of less than 2,000 shillings per year and 22% of these had 1,000 shillings or less per year.[53] This study not only revealed the extent of rural poverty, but also that of regional disparities. Thus the majority of the families in the latter category (i.e. those earning less than 1,000 shillings per annum) were to be found in western Kenya (Nyanza and Western provinces, with 25% and 32% respectively). This imbalance can be attributed to the fact that these regions participate least in the production of exportable cash-crops (see table 3). As table 3 indicates, it is Eastern and Central Provinces that account for the largest acreage in terms of export cash-crop production over 50% for pyrethrum, more than 66% for coffee and over 80% for tea. It is therefore logical to conclude that other factors notwithstanding (ecological and climatic variations, for example), the reforms carried out by the parastatals involved in the export commodity production have contributed to regional imbalance.

It is not only small-holders who have benefited from the activities of parastatals in the agricultural sector: the State has also encouraged other modes of appropriation in the form of large farms or estates. In this sector, two parastatals have been most active: the Agricultural Development Corporation (A.D.C.) and the Agricultural Finance Corporation.

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52. Calculated from the Statistical Abstract 1978, table 101,

53. See Development Plan 1979-83 op.cit, p. 146-147.

PROVINCE	Population	Pyrethrum	Coffee	Tea
Central	2,289,881	9.0	32.1	37.3
Coast	561,695	-	-	-
Eastern	2,330,273	1.4	49.0	11.0
Nyanza	2,541,692	9.5	9.7	5.4
Rift Valley	674,285	0.9	0.1	3.5
Western	1,893,348	-	1.1	1.8
TOTAL	10,341,174	22.4	92.0	59.0

Table No. 3: Distribution of small-farms by commodity (in ,000's acres) and by Province and Population (pastoral zones excluded).

Source: Statistical Abstract 1978, table 192 and 112

A.D.C., A.F.C. and Latifindia Africana

The Agricultural Development Corporation was created in 1965 with the objective of securing the transfer of large farms intact to the Nationals. This was done either by resale or by leasing the farms that the state had bought from the settlers In 1971, the A.D.C. started concentrating mainly on State farms, which are mostly esperimental, specialising in mixed farming and seedling production. By 1978, A.D.C. had bought a total of 98 farms, out of which 72 had been sold to the Nationals.

The conditions for the acquisition of farm seriously limited the number of candidates: the aspirant had to be in a solid financial position (supported by a bankers letter), and prove his/her competence through a recommendation from the district agricultural officer and answer certain technical questions if a manager were to be employed to run the farm. Obviously these conditions favoured only those who already were in possession of capital or whose political affiliations facilitated access to capital. This is how businessmen, politicians and civil servants have become farmers in Kenya. Through A.D.C. and A.F.C., these people managed to acquire more than 64 million hectares between 1964 and 1970. With the system favouring those who already have, and since there is no statutory limit to the size of individual holdings, the average size of these farms have not changed much with time: whereas they averaged 880 hectares in

1968, they averaged, ten years later, 810 hectares.[54]

The A.F.C. is a statutory body established under the Agricultural Credit Act (Cap. 323 Laws of Kenya) in 1963, and took over and combined the credit functions of the two Boards of Agriculture then serving the European and African areas as separate entities. Under the Agricultural Finance Corporation Act (No. 1 of 1969) the corporation was reconstituted with wider powers and also took over the functions, assets and liabilities of the Land and Agricultural Bank of Kenya. Under the new Act, A.F.C. provides both mortgage and development credit to large as well as small-scale farmers. A F.C. is by far the largest single agricultural credit organisation in Kenya, with assets in excess of 620 million shillings and a loan portfolio of 590 million shillings.[55] From 1973 to 1979, the total loan approvals amounted to 1,500 million shillings, about 20% of which was for small scale farmers and 34% to large scale ones.[56] The credit policy favourable to those already possessing capital, and with a ceiling of 25,000 shillings loan to the small-scale farmer, one cannot say that A.F.C. is promoting social equity. In fact, the whole exercise of acquisition of landed property from the former European settlers has underlined and accentuated the disparities in land ownership as well as rural pauperism as we have just seen. State intervention has not only promoted social clivages in the agricultural sector, the industrial and commercial sectors have similarly been affected by the policy of "Africanisation," though not as successfully.

CH. II. Public Enterprise in the Commercial and Industrial Sectors.

We have already seen that the principle behind state participation in the Kenyan economy is that of "National Control without nationalisation in the legal sense. This means that in both the commercial and industrial sectors the avowed role of the State has been to promote private (African) enterprise. However, this task has not been without contradictions: State firms have often found themselves competing with African firms thus defeating the very purpose of their existence, and one wonders whether equity participation by public sector in Multinational companies enhances national control or entrenches foreign domination. These are the two factors that we have to take into account when dealing with the parastatals in both the commercial and industrial sectors.

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54. See Statistical Abstract 1979, p. 112. Note that 75% of farms in Kenya cover less than 2 hectares, with 32% less than one hectare, and that 90% of the population live in rural areas.

55. 1979 figures. See A.F.C. brochure (undated).

56. Ibid.

I. Parastatals and the Commercial Sector.

After the initial onslaught on the foreign domination of the agricultural sector, the next target was obviously the commercial one. Here the predominance of the Asian community was net and since the majority till clung to their British nationality, their case was relatively easier to deal with, as was demonstrated by the passing of the Trade Licencing Act of 1967, which forbids non-citizens from trading in rural areas and certain zones of big cities and restricts them to certain commodities.

What was soon realised, however, was that the Africans had no capital, either to start business, or to take over from those affected by the new law. The credit system still functioned on racist lines, with the banking sector still under foreign monopoly.[57] It was at this juncture that the State created new financial institutions, and reorganised existing ones to facilitate access to credit by the Nationals. Thus the Kenya Commercial Bank soon appeared, followed by the National Bank of Kenya, whilst the Industrial Development Corporation was restructured to become Industrial and Commercial Development Corporation. These three institutions were to become the corner-stone of the new policy, with the I.C.D.C. spearheading the promotion of small enterprise and commercial ventures. I.C.D.C. was also to become the instrument of government equity investment in joint ventures, most of which are of foreign origin. I.C.D.C.'s involvement in commercial activities is twofold: on the one hand it runs its own commercial enterprises (Kenya National Trading Corporation and KENATCO, for example), whilst on the other hand it has been running a loan scheme for small-scale businessmen ("small loan scheme"). Of the former, K.N.T.C. has been engaged in wholesale business and KENATCO has been involved in transport, both long haulage and passanger.

A K.N.T.C. and Trade.

Kenya National Trading Corporation was established in 1965, as a wholly-owned subsidiary of the I.C.D.C. K.N.T.C. is a wholesale company, and its inception was part of the strategy to africanise both wholesale and retail trade. By initially dealing in basic consumer commodities as a monopoly, the State not only wanted to ensure the regular availa-

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57. In 1967, four years after independence, the government established that of all the loans and credit accorded by the commercial banks in the country, only 2.6% went to African businessmen and firms. See Central Bank of Kenya Annual Report June 1973, and JORGENSEN, J. Multinational Corporations and the Indigenisation of Kenyan Economy", in WIDSTRAND, C., (ed). Multinational Firms in Africa. Uppsala: Scandinavian Institute of African Studies, 1975.

bility of these goods, it also acted as the major supplier to the new African traders, ensuring their viability in this highly competitive sector. The Trading Act of 1967 come as a reinforcement to this policy, enlarging the clientele of the K.N T.C.

The Corporation has greatly expanded since its inception: starting with 35 distributing agents in 1965, it had more than 3,000 in 1978, with a record turnover of 1.16 billion shillings in 1977 of which 11 million was in the form of profit. At the same time the Corporation had established depots in at least 30 district headquarters (out of a total of 41), having started with only Nairobi, Mombasa and Kisumu.

The efforts to africanise trade (both wholesale and retail) have not been as successful in large agglomerations as in the rural areas. Shops that were "taken over" by Africans have mysteriously gone back to their original owners or kin (the Biashara Street shops in Nairobi are the classic example): apparently the African owners have leased them or sole their licences to these people for commissions etc. To thwart this practice in wholesale trade, the K.N T.C. has introduced a system of compulsory yearly renewal of licence for its agents.

Although the K.N.T.C. as a State Training Corporation should have been involved in import/export right from the early days, it did not contemplate this until 1977. One would have expected the Corporation to participate in this sector is two ways: first to promote trade with Socialist States, since these countries would rather deal with State agencies whose activities are not basically motivated by private profit or gain. Secondly, the K.N.T.C should have been helping the Africans break the monopoly of this trade by Asian merchants.

Regarding trade with the Socialist countries, this seems to be the last of the priorities of the government since the figures speak for themselves: in 1978 for example, out of a total 395.7 million pounds (K) worth of exports, only 6.9 million pounds worth went to those countries. The import figures were even more telling - £5.3 million as opposed to £661.1 million of global imports As for the African penetration of the import/export market, this has not been possible for two major reasons: supply contacts overseas and Bank credit facilities. These weaknesses have been identified by the K.N.T.C. and time will tell whether any serious efforts have been undertaken by the State Corporation to rectify them as in the case with wholesale trade.

B. KENATCO AND TRANSPORT INDUSTRY

Kenatco is one of the very rare Parastatals that operate in a sector in direct competition with the Nationals (the other we can easily single out is the Kenya Meat Commission K.M.C), though historically this is explicable. The company was originally a co-operative (Kenya National Transport Co-operative Society Limited) that was founded by a group of owner - operated taxi proprietors who decided to venture into the transport industry in the early 60's. By 1966, the company was confronted with problems-after experiencing considerable expansion - due to lack of essential back-up services, technical know-how, financial advice and competent management and was faced with liquidation by its creditors. After appealing to the Head of State, the government intervened to save the society, and through the I.C.D.C took over Kenatco with the Co-operative society retaining a token share. By 1981, the society had been liquidated and its share bought out by the I.C.D.C.

The taking over of Kenatco in the late sixties coincided with the revised law on transport (Transport Licensing Act, 1968), whose enactment meant africanisation of the road transport industry, hitherto dominated by Asian and European firms. Long distance passenger transport (by buses) that the new company had inherited from the Co-operative had to be abandoned due to fierce competition from private firms. So Kenatco concentrated on long haulage and taxi operations.

In recent years the company has been experiencing problems, which have reflected on its financial performance. The origins of these problems are twofold: first, its haulage business is directly linked to the geo-politics of the region, since the trucks have been operating as far as Zambia, Rwanda, Burundi, eastern Zaire and southern Sudan. The closure of the Tanzanian border in 1977 adversely affected Kenatco's performance, as the bulk of its business was with Zambia.[58] This forced the company to concentrate on the northern route (i.e. Uganda, Rwanda etc). which was already well served by private hauliers. So the regional political stability is a condition for Kenatco s commercial viability.

Another source of problems is the fact that Kenatco's taxis operate in a highly competitive market and is prone to the same problems as any state enterprise that does not enjoy monopoly in its sector. Attempts to monopolise the transportation of delegates to the I.M.F. conference in 1973 met with fierce opposition from private taxi operators and the government was forced to give up idea. More recently, in April 1980, private taxi operators in Mombasa forced the government to let them operate from Mombasa airport which had been exclusively served by Kenatco.

From what we have discussed above, it seems that a State enterprise that operates in a competitive sector which is already well africanised" defeats the whole purpose of its existance of generating resources for the State, it becomes instead a liability and a burden to rate payers.

The problem of competition is not only confined to the State enterprise and African enterprise. The latter have been facing stiff competition from private Kenyan (but non-African) and non-Kenyan firms .. have the State backing (through various Parastatals) a policy that at most can be described as ambivalent. Although the State has been backing indigenous industrialists and businessmen through financial and technical assistance, its involvement in ventures with foreign firms (especially the so-called Multinationals) has been the object of criticism from various quarters.

II. Parastatals and Indigineous Enterprise

In this section, we shall consider the role of the Parastatals involved in the major industries of the country, i.e. construction and manufacturing. In the building and construction industry, the National Construction Corporation (N.C.C.) is supposed to aid upcoming - African constructors, whilst in the manufacturing it is the I.C.D.C. and its affiliates that have been allocated the task of promoting indigenous enterprise.

A. N.C. and the Construction Industry.

In 1972, the I.LO. made the following remark on the construction industry in Kenya:

"The structure of this industry shows the familiar three-tier pattern of the Kenyan economy, with a few large European contractors dominating the large civil engineering projects, and large non-residential building contracts to a lesser extent: the Asian firms mainly with an annual turnover between £10,000 and £400,000, mostly in building: and the African contractors spanning the whole range from the two largest, employing 700-800 workers at the moment, down to the one-man self-employed artisan. In spite of the commendable efforts by the National Construction Corporation, the participation of Africans in housing and construction activities remains very limited"[59]

59. Employment, Incomes and Equality: a Strategy for Increasing Productive Employment in Kenya. International Labour Office: Geneva 1972, p. 197.

This observation is still true ten years later. As the Chairman of the National Association of African Constructors recently remarked, "more than 94% of contracts in the building industry go to non-Kenyans".[60] If we assume this percentage to be in value terms, then the amount involved is considerable, taking into consideration the share of building industry in capital formation (25% in 1977, i.e. 1.9 billion shillings out of 7.8 billion).[61]

The task of correcting this discrepancy has been confined to the N.C.C., which provides financial and technical assistance to the indigenous entrepreneurs. The Corporation was created in 1967 when it appeared that the Nationals were experiencing problems resulting from lack of capital and credit facilities for the acquisition of materials, equipment and transport. At first a limited liability company, its statutes were transformed by an Act of Parliament in September 1972 and it become a Public Corporation under the Ministry of Works.

By 1979, out of 850 African constructors who had been registered with the Corporation since its inception, 450 were still active. This means that these companies had been winding up at the rate of about forty per year. This rate of bankruptcy has transformed the N.C.C. into a veritable financial burden for the State. By June 1978, the N.C.C. had accumulated losses upto 30.6 million shillings out of the 57.6 million the government had pumped into its coffers since 1967.[62] In 1978-79, the government accorded the Corporation some .75 million shillings to keep it afloat, proof that the state still believed in the importance of its mission.

In fact, without State support, African enterprise in this vital industry would have virtually collapsed. Apart from the technical and financial support through the N.C.C., the government had directed that constructions carried out by its various departments whose estimated costs did not pass a certain amount were automatically accorded to African constructors. Originally limited to 200,000 shillings, this ceiling was raised to 4 million shillings by a Presidential directive in 1980.[63]

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60. See The Standard, May 19, 1980. By "non-Kenyans" we assume he means "non-Africans".

61. The Statistical Abstract 1978, p. 49.

62. This included 6.3 million shillings of bad debts. See the Weekly Review, June 13, 1980.

63. Ibid.

This decision, and the fact the 450 enterprises supported by the N.C.C. were in 1979 engaged in projects valued at 100 million shillings (i.e. an average of .2 million per project) is proof that african enterprise can develop if actively supported by the State. In terms of employment, the 450 firms had a labour force of some 4,000 people the same year. If the building industry accounted for 31,000 employed (1977 figures), the African enterprises employed more than their share in the national share of profits (12% v. 6%).

B. I.C D.C.: For African enterprise or Multinationals?

It is through the small loans scheme that the I.C.D.C. has been promoting small-scale enterprise (both commercial and industrial). Under this scheme short-term loans (5-8 years) are available to businessmen, with the sum varying from 10,000 to 750,000 shillings maximum. In 1976, ten years after the sceme started, these credits accounted for the majority (53%) of the net assets of the I.C.D.C. By then, the latter had accorded more than 800 loans (70% of which were commercial) totalising some 224.7 million shillings. By 1978, the trend had altered considerably: this sum totalised 252.4 million against net assets of 583.7 million (i.e. 40%). The rest were in the form of shares in various companies, the bulk of which are multinational.

The workings of the small loans scheme and its weaknesses have been adequately analysed.[64] Between 1967 and 1976, very few enterprises were initiated ex nililo, most of them having been bought from expatriates. Besides, the new ones were relatively simple. For example out of a sample of 237 I.C.D.C. assisted projects, Mwaniki discovered that the ratio acquired enterprise/new enterprise varied from 0:11 for posho mills to 6:0 for printing works.[65] After the I.C.D.C. had

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64. See mainly MWANIKI, N., Public Policy and Political Development. The Impact of the Implementation of the Africanisation Policy though I.C.D.C.'s Small Industrial Loans Scheme 1961-1973 I.D.S Working Paper No. 295, 1977.

65. Ibid. p. 33.

identifical the sources of bad performance of the up-coming entrepreneurs, the Corporation initiated a new type of scheme under the Kenya Industrial Estates (K.I.E.) programme. The K.I.E. can be described as the embryo of the indigenous small and middle scale industry.

The policy of the K.I.E. has been to create small production units into in "mini-industrial zones" in various centres throughout the Republic. These units are divided into three categories, depending on their location: in big towns they are called Industrial Estates. in smaller towns they are known as Rural Industrial Development Centres (R.I.D.C), whilst for the rural areas are proposed Industrial Promotion Areas (I.P.A.).

Of all these structures, it is the industrial Estates that constitute the most complex units: a K.I.E. industrial estate comprises of an administrative block, industrial premises plus a technical assistance centre. The R.I D.C. would normally consist of an administrative block and workshops, but much simpler than a K.I.E., i.e. it would engage in furniture making, metalwork, woodwork etc. for training craftmen.

The credit policy of K.I.E. is simple for projects involving less than 3 million shillings the organization provides a maximum of 85% of capital, whereas for those costing more than 3 million shillings it provides 80% of the capital. The machines and equipment are usually 100% financed.

As table No. 4 indicates, K.I.E. invested more than 83 million shillings in various projects between 1967 and 1978. The pattern of these investments shows that the towns had a lion's share, with Nairobi itself claiming more then 50% of total investments, although it accounted for only 28% of the projects.

CENTRES	No. of Projects.	Loans(in Shillings	Average per Project	No. Employ-ed	Inv.per employee
INDUSTRIAL ESTATES					
Nairobi	56	43049000	775000	1150	37000
Nakuru	18	16305000	905000	346	47000
Mombasa	5	3866000	773000	29	133000
Kisumu	10	3807000	318000	149	25000
Eldoret	3	6158000	2050000	28	220000
Total (Estates)	94	73185000	778000	1720	43000
R.I.D.C.					
Nyeri	29	1020000	35000	207	4900
Embu	25	2462000	98500	371	6700
Kakamega	16	3577000	223000	255	14000
Kisii	12	1834000	153000	147	12000
Total R.I.D.C.	107	10140000	95000	1127	9000

Table No.4: The Pattern of K.I.E. Investments by Centre, up to 1978. Source: Kenya Industrial Estates Limited, Annual Report 1977-78 Nairobi,p.19.

Although the organisation underlines the importance of job-creating projects, it appears there is great disparity in fixed capital/job-created not only between the industrial estates and the R.I.D.C. but also between the different towns. For example, the ratio of capital input/employment is three times higher for the estates than for rural centres (43.200 - shillings against 9.000). As for the big towns, the investments in Mombasa and Eldoret are much higher than tha national average.

Besides, the balance sheet in terms of employment creation after ten years is mediocre:K.I.E. funded projects employed less than 3000 people (giving it an average of 280 per year). Nonetheless, the State intends to expand the activities of the K.I.E. During the current Development Plan period the K.I.E. intends to quadruple its investments of the previous ten years, spending 240.8 million shillings in five years.[66]

Like most development agencies, the K.I.E. is a great liability to the State. To balance its recurrent expenditure, the government is constantly obliged to subsidise the organisation. In 1977, the expenditure was four times greater than income (12.1 million shillings against 3.1 million), and 1978 balance sheets shows the same tendency: 14.5 million shillings foe expenditure against 5.3 million income.[67]

The greatest obstacle to the advancement of the indigenous entrepreneus is the already existing enterprise which more often than not is controlled by non-citizen. In fact it seems paradoxical for the State to use the same organisation (I.C.D.C.) to finance indigenous enterprise and at the same time acquire shares in foreign firms.

C. Joint Ventures: Partner or Appendix of Foreign Capital?

By 1978, the amount of share-capital in private companies had surpassed that invested in the form of small industrial loans to the National entrepreneurs. The greatest part of these shares (241.3 million shillings or 73% was in the firms the I.C.D.C. had minority share participation (See Table No.5).

Type of Participation	No.of Firms	Share Capital (in millions of Sh)	Dividends in millions (1978)
Minority	46	241.3	24.6
Majority	10	80.1	7.5
Wholly owned subsidiary	6	9.9	1.0
TOTAL	62	331.3	33.1

66. K.I.E. Limited. Annual Report 1977-78, p.4

67. Ibid, p.30. To improve its efficiency, the K.I.E. was transformed early 1978 into a financial institution "to promote small industries throughout the Republic". At the same time it becamc autonomous from the I.C.D.C.

Table No. 5. I.C.D.C. 's Pattern of Equity Participation.

Source I.C.D.C. Annual Report. 1978.

As table No. 6 indicates, 28% of these investments were made in the subsidiaries of Multinationals. These very companies accounted for 64% of the dividends of the Corporation in 1978 and the question that comes into the mind is why the State participants in this type of investment. As BECUIN remarks,

TABLE NO. 5

Subsidiary (Mother Firm)	% Shareholding	Value(in Shillings)	Dividends in 1978 in Shillings.
African Radio Manufacturers (Lonrho, Sanyo)	34.1	818680	152250
Bollo Kenya Limited (Bollo, Italy)	40	666660	133330
East African Industries (Unilever)	34.15	42021560	12322060
	34.15	42021560	12322060
Firestone East Africa (Firestone)	20	8455860	4142000
General Motors Kenya (General Motors)	51	14535000	1453500
Metal Box Kenya Ltd. (Metal Box)	17.3	4635000	966670
Pan African Paper Mills (Oriental Paper Mills-Bold India)	3.1	4766390	-
Pan African Vegetable Product (Barclays Overseease Development Corporation, Brukner Nerke A.G.)	38.43	6875000	-
Polysynthetics E.A. Ltd. (Färbwerke Hoechst A.G.)	30	643000	96450
Union Carbide Kenya Ltd. (Union Carbide)	34.8	4887050	1990600
TOTAL		92304200	21256860
TOTAL SHARES (Min. + Maj.)		331293680	33127050

Table No. 6: The Pattern of I.C.D.C. Participation in Multinational Firms in 1978.

"....) the foreign investor rarely engages in a joint project by missionary virtue. (He does this) because the country in which he wishes to invest exerts sufficient pressure on him (to do so) or because he believes that this association will procure him an advantage he would never have obtained (or quickly obtained) if he had chosen an investment in a wholly owned subsidiary".[68]

In the case of the I.C.D.C., as Leys observed, when it wanted to venture into sectors it was not experienced in or on the other hand, when foreign investors were confident of profitability under the cover of the existing Foreign Investments Protection Atc) (of 1967), they preferred to forgo State participation. According to Leys, it seems that in the majority of the cases it was the foreign investor who requested State participation and not the other way round.

As tables 5 and 6 shows, the greater part of I.C.D.Cs dividends seem to emanate from the Multinational subsidiaries. Although this could be perceived as a source of finance by the I.C.D.C. (and the government), lack of effective control-both at financial and managerial levels - make it difficult to offset this with the possible losses the country incurs due to the siphoning of money through such loopholes as overinvoicing,, payment of fictitions or dubious managerial and consultancy fees etc.

In the case of the Industrial Development Bank (I.D.B.) an I.C.D.C. subdiary, the State even prohibits it from taking more than 50% equity, although it is through the I.D.B. that the government makes the heaviest joint venture investments. For example the bank invests only in projects involving at least one million shillings and cannot lend less than 4 million

68. BEGUIN, J.P. Les Enterprises Conjointes International Dans les pays en voie de Developmont. Geneva: Institut Universitaire de Hautes Etudes Internationales, 1972,p.79..

69. LEYS, C. op.cit., p. 133

Shillings.[70] Besides, it is through this bank that the state receives the bulk of multilateral aid to provide industrialists with their foreign exchange requirements.[71] By the end of 1978, i.e. five years after its inception, the bank had invested a total of 419.4 million shillings in 59 projects. Out of this amount, 331.3million (79%) was in the form of credit, the remainder in the form of equity in 35 companies including multinational firms.[72]

The question that arises is how to reconcile the apparent contradiction between the policy of promoting local enterprise and at the same time actively and positively aiding foreign enterprise. Certain scholars see in this an element in the perpetuation of neo-colonial domination.[73] and the "bourgeoisie" that would emanate from this policy would be an ally to international capital. What the protagonists of this deterministic and unific view of the Kenyan "bourgeoisie" tend to ignore is the socio-political dynamism that is characteristic of the Kenyan society in recent years. First of all, not all the indigenous entrepreneurs regard kindly the economic policy favouring State participation in foreign firms. As Jorgensen's study revealed as early as 1975[74] whilst some wished for a more active State participation (at management level) in these firms, others were hostile because these firms competed with their own. The more prosperous ones wanted the

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70. See Industrial Development Bank Limited. Annual Report and Accounts 1979. I.D.B. is a limited liability company created by the government and the I.C.D.C. in 1973, and is a purely development bank (i.e. does not invest in purely commercial, agricultural and real estate activities).

71. By December 1978, such debts accounted to 133.3million shillings (or 33% of the company's assets), out of which 91million were owed to the World Bank alone. Ibid. In 1980 the bank received a further loan of 30 million dollars for the period 1980-1983.

72. These were (equity % and value in shillings): Booth Manufacturing Africa (28.7%, 3 million); Associated Vehicle Assemblers (Lonrho and Inchcape, 25.1% 3.6 million); Metal Box Company (5.1%, 2 millions.)

73. LEYS C., op.cit. Nowrojee, P. "Public Enterprise in Kenya", in GHAI, Y.ed. Law in the Political Economy of Public Enterprise: African Perspectives Upp SALA S.I.A.S., 1977

74. See JORGENSEN, J.Act Cit,pp.163-165.

State to provide them with the capital to acquire shares in these firms in lieu of the State itself.

Although the government tried to take measures to promote participation by the Nationals in foreign-owned firms, this had only been done by half-measures. For example the Transport Licencing Board threatened (in the early 70's) not to review licences for those firms which did not sell at least 51% of their nominal capital to citizens, an operation that revealed the fundamental weakness of the indigenous people: lack of liquidity. This means that the lion's share in those transactions went to citizens of non-African origin, mostly Asians.[75] It is with this problem in mind that the I.C.D.C. created a subsidiary, the I.C.D.C. Investment Company Limited, with the sole aim of acquiring shares is existing industries for its share-holders, especially on the Nairobi stock market.

This company has expanded considerably since its formation in 1967. Starting with a nominal capital 2 million shillings, this reached 4 million in 1974. By 1978 this share capital had arisen to 30 million shillings, and its last ommission 1978 was oversubscribed. Although the Company is expanding, the I.C.D.C's share is decreasing progressively, having dropped from 22% to 16% between 1974 and 1978. During the same period, investments quadrupled, from 15.7 million shillings to almost 70 million, in 21 companies. Profits from these investments followed the same trend, from 2.5 million shillings in 1974 to 6.9 million in 1978. The number of share-holders augmented considerably in recent years, from 3,000 to 14,000 between 1974 and 1978.

The expansion of certain indigenous enterprises is proof that with solid State backing the local entrepreneous can also break the monopoly of foreign (or multinational) firms. A typical example here is the Tiger shoe Company that has experienced considerable development. Initiated in 1970 as a K.I.E. supported project, the company has had to quit K.I.E.

75. See LEYS, C. op.cit.p. 128

premises to join other firms in Nairobi's industrial area, and actually employs more than 200 people, producing more than 100,000 shoes annually (1978 figures). and earned 16.6 million shillings on 1978. This expansion has been to the detriment of the Bata Company.[76]

The foregoing demonstrates the importance of the control of State apparatus, the stake being the control of the decision centre regarding economic policy. This partly explains what seems to be perpetual factional struggle in Kenya politics. The actors represent various social strata that have emerged as a result of the economic policy entrenched by the Sessional Paper No. 10 of 1965.

In the absence of a multi-party system where these strata would be politically represented and ideologically identified, various platforms of political expression have emaged. These range form vocal populists ("dissidents"), whose themes (fair distribution of property etc) can be said to echo the aspirations of the masses, through ethnically-based associations whose interests did not preclude State control (Gema, for example), to coalitions and openly opposed to any changes in the economic policy, therefore opposed to the first two. Hence the seemingly perpetual factional struggles in the rulling party, KANU.

CONCLUSION: THE STATE AND CLASS FORMATION:

We have observed that public enterprise is the direct product of the State and it is therefore important to conclude on this, to understand the historical consequences of State participation in the economy in Africa in general and in Kenya particularly.

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76. See an aspect of the story in SWAINSON,N. 'The Rise of a National Bourgeoisie in Kenya in R.A.P.E. No. 8 Jan. April 1977, London,p.49.51.

The importance of the State is underlined by two factors. First of all, if it is true that the State always intervenes in the economy, the question that arises with the public enterprise is to understand why and how the State utilises this particular mode of intervention. In the case of Kenya (and other African countries), the underlying factor is to create a national base for development.

In the second place the State is neither an abstraction nor a neutral entity: it is a politico-economic apparatus controlled and manipulated by certain socio-economic groups. In this manner public enterprise can be utilised to promote the interests of those groups that dominate the State apparatus, and to consolidate capitalism. In the "Third World" countries in particular, the State can find itself influencing the formation of social classes and interest groups.

Various studies have emerged on class interest and the manipulation of public enterprise in Africa. In his study of the Tanzania situation, Shivji claims that public enterprise was conceived in order to break the economic power of the Asians and other groups, and then used by the local "bourgeoisie" to impose themselves on other social groups (petty bourgeoisie, workers and peasants).[77]

In their study on the role of the State in the Ivory Coast IKONIKOFF and SICAL have introduced the concept of "Relay State" ("L'Etat Relai").[78] The fact that the (Ivorian) State

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77. shivji,i. Class Struggle in Tanzania. Dar-es-Salaam, London: Tanzania Publishing House, Heinemann, 1975. This thesis is reductionist and questionable for two reasons: first, public enterprise (established for ideological reasons after the Arusha Declaration) has been used by bureaucrats to promote its interests and privileges. Secondly, commercial and industrial immigrant groups in Tanzania were far less important than was the case in Kenya.

78. INOVIKOFF, M, SECAL,S. 'L.Etat Relais': Un Modele de Development des Societes Peripheriques? Le cas de La cote d' Ivoire", in Revue Tiers Monde, Vol. XIX No.76, Oct-Dec.1978.

intends to retrocede public enterprises to the Nationals gives the African State a historic mission of developing social classes.

"The State is only conceived as a "relay authority" having to transmit these functions to a social stratum which could be called "National Bourgeoisie", whose creation would be (the duty) of this very State".[79]

In the case of Kenya, we have seen the part played by the public enterprise in promoting rural commercial and industrial "bourgeoisies". Public Enterprise, as State instrument, is playing a decisive role in this historical process.

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79. "Ibid", p. 701.

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