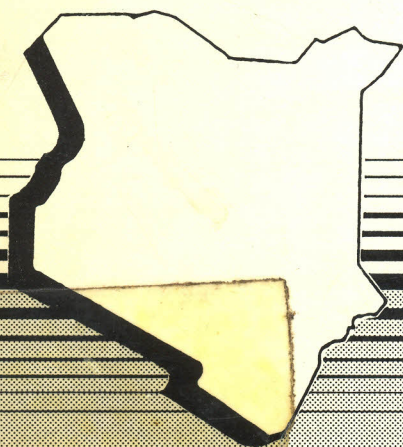


REPORT OF PROCEEDINGS OF THE WORKSHOP ON



The Impact of
STRUCTURAL
ADJUSTMENT
POLICIES on the WELLBEING
of the VULNERABLE
GROUPS in KENYA

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Chapter 1

Introduction

This report presents edited proceedings of the brainstorming workshop on “The Impact of Structural Adjustment Policies and Programmes on the Wellbeing of the Vulnerable Groups in Kenya” held from 3rd to 5th November, 1988 in Nairobi, Kenya. The workshop which was organized by the Kenyan Economic Association and the Ministry of Planning and National Development with UNICEF’s support drew participants from Government Ministries, Universities, private sector organizations and Kenya’s international development partners.

The purpose of the workshop was to discuss the likely impacts on vulnerable groups of the structural adjustment policies and programmes proposed for implementation by the Kenya Government. The context and political will for implementation of such policies as devaluation, price decontrol, privatization, reduction of budget deficits, liberalization of imports and cost-sharing are now well established in Kenya. The Sessional Paper No.1 of 1986 on “Economic Management for Renewed Growth” provides the operational framework for Kenya’s commitment to the implementation of these policies. This commitment is found also in the Budget Rationalization Document and in the 1986/87 and 1987/88 Annual Budgets.

The stabilization and growth bias of orthodox structural adjustment policies have created negative effects on the welfare of vulnerable groups. The experience in some countries is a reduction in the welfare of the vulnerable groups during the process of adjustment. This has generated a need for MESO policies - i.e., policies which incorporate the human dimensions more explicitly into the structural adjustment policies. In the terms of UNICEF, this is referred to as “Adjustment with a Human Face”.

While human dimensions have continued to receive emphasis in Kenya’s policy documents since independence (KANU Manifesto, Sessional Paper No.10 of 1965 on “African Socialism and its Applications to Planning in Kenya”, themes of the 1974-78, 1979-83 and 1984-88 Development Plans, and Sessional Paper No.1 of 1986), income distribution and poverty appear to have worsened in Kenya. Only the 1979-83 Development Plan was aimed at satisfying basic needs of the vulnerable groups of the Kenyan society who were identified as smallholders, pastoralists, the urban poor, landless rural workers and the handicapped. During the period of structural adjustment, these groups have received little explicit policy attention except as an integral part of the Kenyan society.

However, the consequences of the various structural adjustment policies on the vulnerable groups in Kenya that formed the central theme of the workshop still remain an empirical question to be addressed with detailed research.

The remainder of this report is organized in seven chapters. Chapters 2 - 7 present detailed descriptions of the present situations, structural adjustment policies and their likely effects, and research agenda on the macroeconomic setting, food and nutrition, health, education, water and sanitation, and shelter. Chapter 8 presents a summary of workshop proceedings and recommendations. The opening remarks are presented in Appendix 1, followed by a list of persons who formed the technical committee to compile the report in Appendix 2, then a list of Resource Persons who prepared background papers for the workshop in Appendix 3, and finally a list of workshop participants in appendix 4.

Chapter 2

The Macroeconomic Setting

(K.M. Mwarania and A.B. Ayako)

2.0 Introduction

This chapter outlines Kenya's macroeconomic setting within which structural adjustment policies have been implemented. It is organized in five sections. The first section outlines the current macro situation both in its economic and social dimensions. Section two describes the policy responses to this situation. Section three develops a simple conceptual model to aid in the evaluation and analysis of the policy responses. Section four explains how the policy responses can be analysed within the confines of our structural model. Section five concludes the chapter with a suggested list of research topics that are necessary to improve our knowledge.

Throughout the chapter we have given emphasis to the impact of the various policy initiatives on the welfare of the vulnerable groups. What emerges is the fact that we have very little scientific evidence to determine the nature and the magnitude of this impact, hence the need for the proposed study on "The Impact of Structural Adjustment Policies on the Wellbeing of the Vulnerable Groups".

2.1 The Economic Situation

2.1.1 Economic Growth

In the period 1963-1973, the Kenyan economy enjoyed a high rate of growth combined with a healthy balance of payments and virtually no inflation. During this period, the economy grew at an annual rate of 6.5%, raising per capita income by 30% despite a high rate of population growth. The basic balance remained positive throughout the period except for 1971 when there was a "mini crisis". The rate of inflation was negligible, being less than 3%. Thus, generally, during this period, the Kenyan economy enjoyed both internal and external macroeconomic equilibria.

However, after the "oil crisis" of 1973, the economy plunged into serious macroeconomic disequilibria. Except for the short-lived "coffee boom" of 1976-77, the economy has continued to experience serious internal and external imbalances. These imbalances have been translated into poor economic performance as indicated by the annual growth rates in Gross Domestic Product (GDP) and per capita income. The details of this dismal performance are shown in Table 2.1.

2.1.2 Food Supply and Nutritional Status

Food is a basic need. Availability of food is therefore a basic issue. Consequently, food production activities and distribution arrangements play a key role in the satisfaction of the society's need. Since independence, the provision of adequate food to the entire population and improvement of nutritional levels has been the official policy of Kenya. The country's food policy is, however, spelt out in the Sessional Paper No.4 of 1981 on National Food Policy. Goals were set to increase food production and improve marketing to meet requirements of a rapidly increasing population. Food distribution and storage for security purposes are identified as necessary areas requiring improvement.

Kenya's agricultural production has expanded rapidly since independence. Agricultural GDP grew by 4.6 per cent during the period 1964 - 1972 (at 1972 constant prices) mainly due to a spectacular increase in smallholder production (World Bank, 1983). The introduction of modern means of production, and the rather widespread adoption of new inputs and high-yielding maize varieties in the previously under-utilized or unutilized areas of high and medium agricultural potential have resulted in a continuous increase in food production.