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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

KENYA -- NATIONAL YOUTH SERVICE

615 0153

AID-DLC/P-904

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

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AID-DLC/P-904  
May 27, 1970

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Kenya - National Youth Service

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$3,500,000 to the Government of Kenya to assist in the foreign exchange costs of equipment procurement for use by the National Youth Service.

Please advise us as early as possible but in no event later than close of business on Thursday, June 4, 1970, if you have a basic policy issue arising out of this proposal.

Rachel C. Rogers  
Secretary  
Development Loan Committee

Attachments:  
Summary and Recommendations  
Project Analysis  
APPENDICES A-G

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KENYA: NATIONAL YOUTH SERVICE

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CAPITAL ASSISTANCE PAPER

KENYA: NATIONAL YOUTH SERVICE

Summary and Recommendations

1. Borrower: Government of Kenya (GOK)
2. Amount: \$3,500,000
3. Loan:
  - A. Maturity: Forty (40) years, including a ten-year grace period.
  - B. Interest: 2% per annum during the grace period, 3% per annum thereafter.
  - C. Repayment: Interest and principal payable in U.S. dollars.
4. Total Cost of Project:

A.I.D. Loan	\$3,500,000
GOK Contribution	<u>280,000</u>
Total	\$3,780,000
5. Description of the Project: The project consists of the purchase of vehicles, heavy construction equipment and land development equipment to support the development programs of the National Youth Service (NYS). Under the proposed project new equipment would be supplied. If loan financing is provided the GOK would establish a sinking fund with an initial contribution of \$280,000 to renew and maintain the equipment furnished under the loan.
6. Purpose of the Loan: To finance the U.S. costs of the project.
7. Background of the Project: On May 8, 1969 the GOK requested A.I.D. assistance in renewing the majority of the vehicles and construction equipment operated by the NYS, a uniformed service which trains young men and women and carries out developmental work projects. Most of the existing NYS equipment was supplied by A.I.D. in 1965-6 out of excess property stocks; most of it is about 20 years old and far beyond its useful life.
8. Export-Import Bank Clearance: Obtained May 7, 1970.

9. Country Team Views: The Country Team strongly endorses the proposal noting that the NYS is one of the most successful activities in Kenya.
10. Statutory Criteria: Satisfied; see Annex A.
11. Issues: None.
12. Recommendation: Authorization of a loan, not to exceed \$3,500,000 in accordance with the draft authorization attached as Annex G.

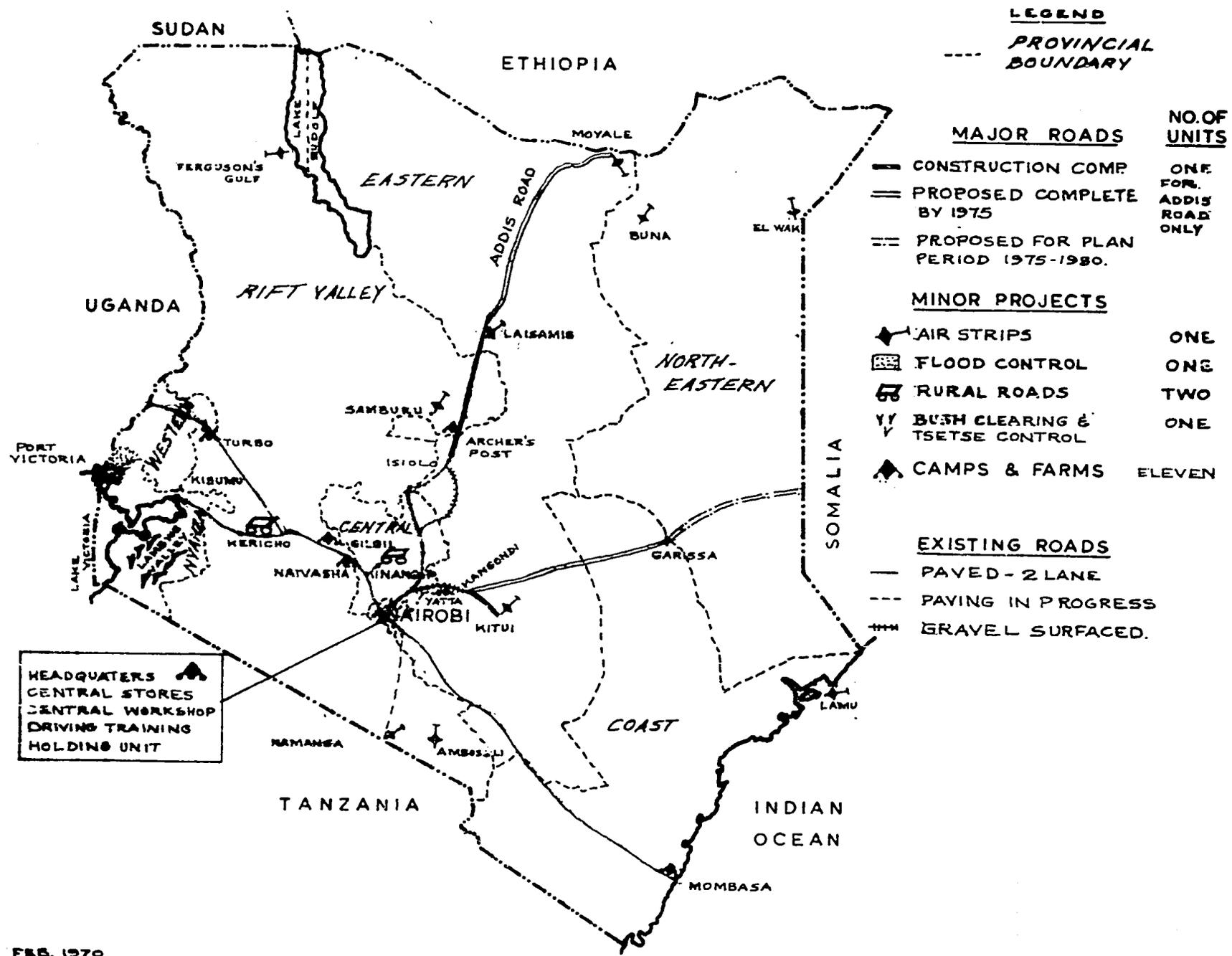
CAPITAL ASSISTANCE COMMITTEE MEMBERS

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Engineer: J. Ashby Williams, Jr.  
Counsel: Charles Gladson  
Desk Officer: Nelson Denlinger

Drafted: RJBerg, AFR/CDF  
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# KENYA

## LOCATIONS OF N.Y.S. ACTIVITIES (PROJECTS AND CAMPS)



CAPITAL ASSISTANCE PAPER

KENYA: NATIONAL YOUTH SERVICE

I. INTRODUCTION

A. History of Project

The Kenya National Youth Service (NYS) was started in 1964 after Kenya gained her independence. Its initial aims were to give agricultural and construction training to young unemployed Kenyans, to build an effective work force for national development projects and to provide an opportunity for former "Forest Fighters" (fighters for independence) and members of "Youth Wings" (of political parties) to help with the development of their country. The service offers a two-year education, training and work program. All servicemen are volunteers.

While several other donors have provided assistance to the NYS, the United States was instrumental in assisting the NYS in reaching its training and work goals through training a cadre of administrators and youth leaders and the provision of equipment, spare parts, clothing, food, and other supplies. Most of this assistance was provided in 1965-66, with supplementary equipment provided in 1968. In addition, A.I.D. grant-finances an ongoing contract with the World Organization for Rehabilitation through Training Union (ORT) to establish and initially staff the vocational training center in Mombasa. \*

The U.S. equipment provided was from USC excess property stocks in 1965-6 and most qualified observers agree that the quantity of equipment provided was more impressive than its quality: 203 excess vehicles (mostly trucks) and 87 items of excess heavy equipment made up the bulk of the A.I.D. equipment assistance provided the NYS. This equipment has been the backbone of the NYS. While some of the equipment has proved very serviceable, some of it has had to be scrapped and the remainder is being operated and maintained of necessity (although at very high cost) until replacements are available. That the NYS has kept so much of the equipment in operation is a credit to its maintenance skill and its commitment to maintain construction progress on the projects assigned to it.

On May 8, 1969 the Government of Kenya made formal application for loan assistance for equipment for the NYS. An AID/W team consisting of an engineer and a loan officer reviewed most of the NYS's field activities and appraised the proposed project in February 1970.

\*See Appendix D, Exhibit 6 for details.

E. A.I.D. Development Strategy in Kenya and Country Team Views on the Project

A.I.D.'s basic development strategy in Kenya is to support economic development in the country with special emphasis on agriculture, education and selected infrastructural emphasis. U.S.G. policy towards Kenya also places emphasis on internal integration, reduced unemployment, social cohesiveness, security and regional cooperation in the Horn of Africa.

The Country Team strongly supports the proposed project as a mechanism to assist several important goals of the GOK and of USG policy in Kenya: 1) the educational/training programs of NYS are seen as important to addressing the problem of school-leavers and the unemployed; 2) regional cooperation between Kenya, Ethiopia and Somalia will be furthered by the major projects on which the NYS is working; 3) the NYS' practice of recruitment from all parts of the country and mixing all tribal groups is an assist in promoting national unity, and; 4) the road projects of the NYS are an important development contribution and will assist the political integration of the country.

The GOK strongly supports the proposed loan and the development projects on which the NYS works. The GOK reiterated its need for assistance to the NYS to Secretary Rogers during his February visit to Kenya.

C. Borrower

The Borrower will be the Government of Kenya and the administration, operation and maintenance of the project equipment will be vested in the National Youth Service. The NYS is budgetarily and administratively under the control of the Ministry of Labour, although its budget is separately voted upon by the Kenyan Parliament. Details on the NYS's budget are found in Section II. C. Section III.A contains a discussion on the arrangements for maintenance of the equipment to be procured.

AID believes the NYS to be a well run organization. While the NYS is a recognized uniformed service in Kenya, no armaments or military activities are associated with the NYS program. Appendix B presents a comprehensive report on the operating policies of the NYS from recruitment through placement.

Over the past six years the number of servicemen in the NYS has fluctuated between 3,000 and 5,000 which makes the NYS one of the largest such services in the free world. By 1970 over 11,000 young Kenyans had passed through the NYS.

Training and work camps are located throughout Kenya; each was established to permit specific vocational training activities associated with productive work projects. The Headquarters Unit in Nairobi administers the program, maintains the NYS's equipment, conducts special seminars and has a holding unit for special short-term work assignments. The camps at Turbo and Yatta contain large model farms. Gilgil is the NYS's basic training camp. The camps at Laisamis and near Kitui are associated with major highway construction activities. At Mombasa a Vocational Training center teaches motor mechanics, turning and fitting, electrical installation, masonry and carpentry. A women's camp at Naivasha teaches domestic science and farming. Other smaller units are associated with smaller construction projects.

Over the past five years the service has undertaken the following major development projects: the 'Nairobi-Addis Ababa' Road (in association with the Ministry of Works), the Thika-Seven Forks-Kitui-Garissa Road (part of a larger project eventually to reach the Somalia border), major bush clearing at Yala, Shimba Hills and Gedi, the South Abadares Road (36 miles) earth work at the Nairobi (Embakasi) airport, road work in the Nairobi Game Park and Oldonyo Subuk Game Park. The NYS has also provided invaluable assistance in emergency situations, e.g. famine relief, clearing the back-log of cargo from Kilindini Locks, and minor water projects. Two of the road projects (Nairobi-Addis on which over 125 miles have been completed and Thika-Garissa on which 86 miles have been completed) are continuing under construction. The remainder and several other smaller projects have been completed.

Under the 1970-74 Kenya Development Plan the NYS will continue its important role in the development of Kenya's infrastructure. Over the next few years the NYS is slated to commence other major development projects: 4 airstrips, a large rural settlement scheme, and major bush clearing associated with Kenya's tsetse fly control program. The NYS's current and proposed projects are discussed in detail in Section II. B.

## II. PROJECT ANALYSIS

### A. Technical Analysis

#### 1. Project Description

The loan will finance the purchase of road construction and maintenance equipment to support the development programs undertaken by the National Youth Service (NYS). A full listing of the

required equipment, totalling approximately 241 items, is found in Appendix C, Exhibit 1. This equipment will upgrade the NYS capabilities through increased training and productivity. NYS volunteers will receive on-the-job training as equipment operators and maintenance mechanics on construction and agricultural equipment; at the same time their efforts are providing a measurable end-product by the construction of roads, cleared agricultural land, air strips for remote areas, and the limited production of agricultural goods.

## 2. Technical Requirements Analysis

At the present time NYS activities are limited because of antiquated, obsolete equipment. Many pieces of equipment are deadlined and cannot be economically repaired. Others are deadlined due to the lack of spare parts and extremely long delays in ordering parts from the U.S. The majority of the construction equipment was obtained through the A.I.D. excess property program and generally is very old which results in limited work capacity and frequent breakdowns. Local dealers while maintaining adequate parts and spares for equipment of recent manufacture do not, nor should they be expected to, stock parts for twenty year old bulldozers or motor graders. In spite of these very difficult and continuous obstacles, the NYS is operating well but at a reduced scale in seventeen locations throughout Kenya including Rift Valley Province, Western Province, Eastern Province and the Nairobi and Mombasa areas.

Appendix C Exhibit 2 presents an analysis of the present makeup and future requirements for NYS heavy equipment including a detailed analysis illustrating how the exact numbers of equipment items were arrived at. This equipment is and will be deployed throughout Kenya on the NYS's projects. At the present time there is a shortage of useable equipment and the NYS' equipment is sparsely deployed, with the major concentration of equipment on the 2 highway projects (for details on current deployments on the Addis-Nairobi road see 2a(1) below). Since the NYS is primarily a training institution designed to train young men and women from all parts of Kenya at the same time producing measurable end-products such as roads, bridges, culverts, airstrips, cleared land, etc., it is understandable that works and training is undertaken in as many representative parts of Kenya as possible. To help clarify the complex disbursement of the NYS forces, the program is best described as three major components:

1. Major Roads Unit
2. Minor Projects Units
3. Camps and Farms Units

These components are described below:

a. Major Roads Unit1) Nairobi-Addis Ababa Road

This road starts from a point south of Isiolo (about 177 miles north of Nairobi) and terminates at Moyale (Kenya-Ethiopia border). The total length from Isiolo to Moyale is about 300 miles. The construction was started in September 1965 and is expected to be completed by mid-1973. As of February 1970, 125 miles of the road has been completed. The road has been designed by the Engineering Department of the GOK Ministry of Works. The pavement is 24 feet wide with 3 feet shoulders and is gravel surfaced. The design speed is 60 miles per hour. The construction is being supervised by Ital Consult, S.P.A. of Italy. The total estimated cost is \$14,000,000.

The National Youth Service (NYS) and one unit of the Ministry of Works are engaged in the construction of the pavement, whereas major structures, bridges, etc., (B.S.S. 153, HA loading) are being constructed by a private contractor, Kenya Construction Company.

The present rate of construction is four miles per month. The maximum rate of construction achieved was eight miles per month (average). The projected rate with new equipment will be ten miles per month.

The production of the excess property equipment on the project due to its age and the lack of spares is very low, about 10% effective when compared to newer and higher capacity machinery.

As for the road from Nairobi to Isiolo, which is classified as a major trunk road, approximately 137 miles have already been paved with bituminous concrete and paving is in progress on the remaining 40 miles. The paving is carried out by a private local contractor.

2) Kangondi-Kitui, Kangondi-Garissa and Garissa-Somali border roads

The total length of the Kangondi-Kitui road is 27 miles, Kangondi-Garissa is 151 miles and Garissa to the Kenya/Somalia border is 128 miles.

The NYS started the construction (including major and minor structures) of the road from Kangondi to Kitui in October 1965 and as of February 1970, eighty-five miles of the road

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had been completed. The road is expected to be completed by early 1971 provided new equipment is made available. With new equipment the road from Kangondi to Garissa is scheduled to be completed by 1975.

The construction of the road from Garissa to the Kenya-Somalia border is planned to be included in the next GOK five year development plan (1975-80).

The roads (Kangondi-Kitui and Kangondi-Garissa) have been designed by a private consultant, East African Engineering Consultants of Nairobi according to Ministry of Works standards (gravel surfaced, design speed 60 miles per hour). The construction is supervised by the same firm.

b. Minor Projects Unit

1) Air Strips

This unit has just completed a gravel surfaced air strip 3,600 feet x 300 feet at Namanga (Rift Valley Province) and has started construction of a similar strip at Ferguson's Bay on Lake Rudolf (Rift Valley Province), and the construction is expected to be completed by April 1970. Additional air strips will be constructed as follows:

<u>Location</u>	<u>Province</u>	<u>Estimated Period of Construction</u>
Moyale	Eastern	June 70 - Sept. 70
El Wak	North East	Oct. 70 - Dec. 70
Samburu *	Eastern	Jan. 71 - Mar. 71
Amboseli *	Rift Valley	May 71 - July 71
Buna	North East	Sept. 71 - Dec. 71
Laisamis	Eastern	Jan. 72 - March 72
Kitui	Eastern	May 72 - June 1972
Lamu	Coast	Sept. 72 - Dec. 72

\* Air strips to serve tourist spots (Game Lodges)

2) Flood Control Unit

This unit is located at Port Victoria (Western Province) adjacent to Lake Victoria. The unit is primarily charged with the construction of drainage ditches, levees, access roads and other structures required for flood control and drainage. Engineering and other criteria are supplied by engineers of the Water Development Department of the GOK Ministry of Agriculture. As of February 1970, the National Youth Service had completed work

valued at \$17,000 and the work remaining on this particular phase is estimated at \$6,000 and is expected to be completed by June 1970. At present, the Water Development Department's budget for the NYS work is \$28,000 per year. The budget will be increased as soon as it is known that the NYS can produce more work with the new equipment. The WDD can keep the NYS on its work for at least another four years.

### 3) Rural Roads: Two Units

One unit will be located at Kinangop in Rift Valley Province and the second unit will be located at Kericho in Rift Valley Province. The units will be responsible for the betterment of existing rural roads, tourist roads, agriculture feeder roads and drainage structures. These units will also be responsible for the construction of 1000 miles of rural roads in the next four years. The estimated construction cost per mile will vary from \$4,200 to \$11,200. Moreover, 366 miles of settlement roads are to be constructed by the NYS in the next two years. All engineering and inspection will be provided by the Engineering Department of the Ministry of Works.

### 4) Bush Control and Tsetse Control

This unit is required for Lambwe Valley (Nyanza Province) and Port Victoria area (Western Province). The areas of bush clearing to be done are: Lambwe Valley - 10 square miles; Port Victoria area - 17 square miles.

### c. Camps and Farms Unit

There are twelve separate units in this category, six of which are: headquarters unit, central stores, central workshops, driver training school, Nairobi personnel holding unit and the Strategic Reserve Unit, all of which are in the Nairobi area, but not contiguous. These units perform functions as indicated by their names. Plans are being made to move all of these units to a new and more efficient central location about six miles south of Nairobi. This move will probably take about three years to complete.

The remaining six units and their functions are as follows: Gilgil, basic training and agriculture; Vocational Training Center at Mombasa; Turbo, agriculture; Yatta, agriculture; Arcners Post, work unit; and Naivasha, women's training and agriculture.

### 3. Operational Capability

The whole purpose in acquiring new construction equipment is to provide, as economically as possible, the desired end products (roads, air fields, etc.) while providing the facilities to train the

youth of Kenya in the utilization of modern construction equipment. In support of the NYS capability to absorb and properly utilize the equipment to be procured under the loan, the AID/W Engineer visited a number of the camps, observed construction work in progress, viewed classroom training and inspected housing. In all cases the construction work was carried out in accordance with Kenya road standards; the camps and accommodations were above local standards; the utilization of available equipment and the training were consistent with what could be expected of any construction contractor. These rates of progress are within keeping of Kenyan rates of progress and were evaluated by AID staff as acceptable.

At present, training of operators and mechanics is carried out with measurable production although curtailed by lack of serviceable equipment. The program is significantly assisted by the efforts of some twenty-six volunteer technicians from Japan, Norway, Germany (W) and Denmark and by other expatriate staff members. The skills provided by these volunteers includes mechanics, welders, machinists, electricians, road construction foremen, surveyors and one mechanical engineer. The volunteer and paid expatriates assigned to the NYS were found to be competent and dedicated. The NYS has been assured that as many volunteers as can be readily used are available and it is expected that as the program grows so will the number of volunteer and paid expatriate staff. Classroom training while rudimentary is well organized and geared to provide not only the broad scope of construction and automatic machinery but instructs maintenance and repair engineers in the more specific areas such as starters, clutches, armatures, brakes, engines, etc.

With the arrival of new machinery the NYS will realign their present construction machinery and training programs. Obsolete and unrepairable equipment now on hand will be surveyed for disposal. The residual of the current old equipment will be distributed to the various work sites and will be put into service for production. These old machines will also be used for training of volunteers. As training progresses, the volunteers will be moved on to newer equipment. This proposal will assure maximum usage of operable old equipment.

The excess equipment which will be salvaged for this training purpose has been identified. The NYS proposes to use this equipment until no longer operable. Sufficient spare parts are on hand for the foreseeable future, but no major expenditures will be made on additional spare parts inventory for equipment near the end of its useful life or for equipment supportable from local private spare parts inventories.

#### 4. Maintenance Capability

The Kenya Ministry of Works (MOW) is now in the process of negotiating contracts with major local equipment suppliers and service organizations for provision of complete service and repair activities. Such contracts\* will minimize down time, reduce the extent of MOW

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\* Which will be financed by the GOK.

investment in repair facilities and provide for scheduled on-site maintenance of their equipment. These proposed contracts also provide for on-the-job training of MOW personnel on a rotating basis. The NYS is strongly considering a service contract of this type, and it will be patterned after the MOW contract when finally consummated.

The present NYS mechanical staff are as follows:

- 1 - Senior Superintendent
- 1 - Superintendent
- 2 - Inspectors
- 7 - Foremen
- 23 - Mechanics
- 1 - Road Constructor
- 9 - Plant instructors
- 24 - Volunteer expatriate technicians

AID believes the NYS mechanical staff to be competent and of adequate number to handle the present and proposed equipment fleet.

The maintenance plant facilities are at the Central Workshops in Nairobi, Instruction/Diagnostic Plant, Addis road plant, Kitui road plant, Mombasa, Gilgil and Turbo. The workshops are well equipped. Recently the West German Government has promised equipment costing \$13,000 and the Japanese Government has promised equipment worth \$14,000 with some more next fiscal year. The GOK has allotted \$196,000 for spare parts and fuel for the current fiscal year.

At the present time the central maintenance workshops and the NYS' warehouse are located in a Nairobi facility, but apart from the NYS headquarters establishment. While the workshops/spare parts inventory facilities are adequate to handle the present fleet plus the proposed equipment, it is desirable to have the maintenance and warehousing operations in more spacious facilities.

The NYS is planning to consolidate its several Nairobi facilities within the next few years; these plans include an expansion of the maintenance facilities (under GOK financing).

##### 5. Selection of Work Projects, Provision for Engineering Design and Supervision Services

The NYS selects the project on which it works from those offered to it by the MOW and other Ministries. The NYS has more projects offered to it than it can handle, hence it is selective in what it agrees to undertake. Projects are selected if they offer training and on-the-job opportunities and are suited to the resources available to the NYS. Most NYS work is being done for various sections of the MOW, the Ministry for whom the NYS works acts as the project owner.

All designs and site supervision for construction projects (roads, air strips) accomplished by the NYS are provided by the MOW in-office personnel or by private consultants under contract with the MOW. For other works such as flood control and bush clearing, the work is supervised by technicians of appropriate ministries. The two major projects are more than adequately supervised by competent contract engineering firms (ItalConsult and East African Engineering Consultants).

#### 6. Project Cost Analysis

In order to determine as closely as possible the actual costs of this equipment CIF Mombasa, Kenya a number of manufacturers and their supply and service agents were queried for costs and equipment descriptive data. The data thus obtained was used to describe and cost out the most appropriate and economical assemblies. For example three of the major items are trucks - cargo - dump and buses, each will have identical engines, clutches, axels and other components, all fully interchangeable; only the bodies will differ. Other items lending themselves to this type of assembly and exchange of components have been treated similarly. With this and other information derived from manufactures and shipping companies a reasonably firm estimate including equipment costs, shipping, insurance and final service costs has been developed. Costs thus developed are for the equipment CIF Mombasa, Kenya 1970 - 1971. These costs are summarized in Appendix C, Exhibit 3.

#### 7. Technical Soundness and Evaluation

The AID/W Transportation Engineer and the A.I.D. Regional Engineer have reviewed the project and support it.

The equipment sought by the NYS has been reviewed with the NYS and is considered appropriate for NYS' needs. A number of items have been changed or adapted to provide maximum interchange of parts on as many components as possible. Where possible, diesel engines will be procured to be compatible with Kenya's diesel truck economy. Thus, the costs for fuel, service and repairs will be held to the minimum. The estimated cost of this equipment does not include spare parts since it is the policy of MOW not to tie up large sums of capital in spare parts inventories but rather to rely on local service organizations for spare parts as needed. Under such a policy it is imperative that competitive bidders be required, through the IFB, to have existing service facilities and parts supplies available in Kenya prior to bidding on the major items. There are at present, several manufacturers who can satisfy this requirement for bidding; thus, competitive bidding on this procurement can be assured. In a few instances, however, a waiver might be required by A.I.D. to permit sole source procurement.

Example - Self Propelled vibrating rollers. In no case will equipment be procured and shipped to Kenya for which spare parts are not immediately available.

All technical and engineering requirements of the Foreign Assistance Act of 1961 and its amendments have been met, in that: 1) funds will be used in a technically sound manner, 2) the country's principal A.I.D. officer has certified that the country is capable of effectively maintaining and utilizing the project, 3) engineering plans necessary to carry out the project and reasonably firm cost estimates have been completed and 4) the loan agreement provides for U.S. approval of contract terms and firms.

## B. Economic Analysis

### 1. Introduction

The NYS is operated in order to provide training and to perform developmental tasks. These twin objectives lead logically to a two-fold analysis of the benefits which can be anticipated from the proposed equipment purchase, namely, the benefits the equipment can give to the training programs and the benefits attributable to the new equipment which the Kenyan economy can expect from the development construction and agriculture programs on which the equipment will work. It is herein submitted that the benefits from the training or the development programs alone would be sufficient to justify the equipment, but together these twin benefits form the basis of a very attractive economic rationale.

### 2. Benefits from Training

The NYS is extremely conscious of the fact that its success can best be measured on how well its 'graduates' fare in the job market. For this reason the NYS has assisted in the job placement of NYS servicemen and women and has kept track of their post-service earnings and employment records. From these records it is possible to compute the increment in income received by volunteers who have passed through NYS as opposed to what they would have earned if they had not been trained and had not had the work experience offered by the NYS. Further, it is possible to break out those volunteers who have worked in the mechanical area to relate their post-service income level to the experience they received while in the NYS.

Normally about 20-25% of the on-board NYS volunteers are working directly as equipment operators, drivers, or in the mechanical and skilled trades; another 30-40% are in basic and other educational programs; about 10% are clerks, typists, storemen or uniform and shoe makers; while the balance are in camp support and

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general labor positions. (The current deployment of NYS volunteers is shown in Appendix D, Exhibit 1.) In January 1970 595 volunteers were assigned as equipment operators, drivers and in mechanical and skilled trades. This is considered a low figure in that if there were additional equipment available more volunteers would be assigned to mechanical tasks. The success of the training efforts can be judged in a number of ways. Eighty percent of those volunteers who take driving tests pass, i.e., about 70-75 volunteers a year pass driving tests while in the NYS. Similarly around 80 volunteers a year pass heavy equipment plant operator tests; in past years this has represented a pass rate of over 91% of those taking the tests. But most important in gauging the effectiveness of the training is the post-service employment record of ex-servicemen.

Every effort is made to help the ex-servicemen find employment although no promises to this effect are made at the time of recruiting. One of the senior staff officers spends much of his time on employment placement, with considerable success.

Historically, about one-third of those leaving the NYS are discharged directly into employment, and perhaps another third within the next nine months. A number make no attempt to obtain employment, returning to their family holdings. Of late the number leaving the NYS for employment has been rising.

Typical jobs gained by ex-servicemen and women (besides the trades for which the Vocational Training unit at Mombasa offers training) include working as clerks, drivers, storemen, secretaries, game scouts, police-assistants, agricultural demonstrators and farmers. Employment is found in both the Government and private sectors.

The chart below indicates the direct employment placements of which the NYS has record covering the period since the inception of NYS.

Direct Discharge into Employment

(1965 - January 1970)

	<u>Government Service</u>	<u>Police &amp; Uniformed Services</u>	<u>Private Sector</u>	<u>Total</u>
Men	170	1,280	1,825	3,275
Women	40	37	108	185
			Total	3,460

NYS estimate of those  
entering into employment  
within a day or two of  
leaving the Service.

400  
3,860

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For the period July 1968 through June 1969 placements were as follows:

	<u>Government Service</u>	<u>Police &amp; Uniformed Service</u>	<u>Private Sector</u>	<u>Total</u>
Men	90	220	620	930
Women	23	12	49	84
			Total	<u>1,014</u>

In an effort to analyze the success of their programs, the NYS surveyed employed ex-volunteers by taking a random sample of one-third of the ex-volunteers employed in each employment category. It was determined that 70% of the male employed ex-volunteers were in jobs where their NYS experience as drivers, equipment operators and skilled tradesmen was a direct factor in their employment. This in itself is an important indication of the key role experience with mechanical equipment has as a background for getting employment. The NYS estimates that up to 20% of the female employed ex-volunteers are similarly employed in jobs where their direct or indirect NYS experience with equipment, vehicles, etc. was a factor in their employment. Thus of the July 1968-June 1969 'graduates' about 651 men and 15 women are thought to owe their employment to the equipment and mechanical-related experience they had while in the NYS. If the NYS continues its current level of recruitment, i.e., a total force of 3,000 volunteers, it can be expected that about 651 men and 15 women per year will leave the NYS for jobs which they would otherwise not have been able to obtain save for their equipment-related experience in the NYS. However, given the plans of the NYS (and the Ministry of Labour) to expand the NYS by 500 volunteers annually until it reaches 5,000 volunteers and given the proposal to expand the NYS's usable equipment fleet, it can be expected that additional numbers of volunteers will be working with equipment in the years ahead. If the percentage of men and women volunteers associated with equipment and having equipment-related experience in the NYS remains constant, it can be expected that as a minimum the following numbers of equipment-related NYS 'graduates' will be employed in the years ahead: \*

	<u>Total Number Of Volunteers</u>	<u>Number of Men taking equipment- related jobs</u>	<u>No. of women taking equipment- related jobs</u>	<u>Total</u>
1970	3,500	651	15	666
1971	4,000	760	18	778
1972	4,500	868	20	888
1973	5,000	976	22	998
1974+	5,000	1,084	25	1,109

\* With added refinements in the training program and with additional placement efforts it is probable that these figures could be increased. Over the period of the analysis some increases should occur, but these are not included in the projections therein.

An examination was made of the average earnings received by ex-volunteers as compared to what other comparable Kenyan youth earn who have not been in the NYS. The results of this study are graphically summarized in Appendix D Exhibit 2. As the graph indicates, the NYS draws from primary school leavers who due to lack of qualifications and/or funds are without hope of a place in secondary school. Such youth generally are left at the subsistence level. When they do find jobs it is at the lowest end of the wage scale, barely above subsistence, at wages between \$15.40 and \$24.50 per month. On the other hand, the NYS male employed "graduate" on the average earns \$38.50 per month his first year of employment and \$45.50 per month his second year of employment. Employed female ex-volunteers enjoy a considerable wage premium earning on the average of \$59.50 per month their first year of employment and \$70.00 per month their second year of employment. Taken on an annualized basis the wages of ex-NYS volunteers and comparable non-NYS youth are shown below:

Annual Wages Ex-NYS and Non-Males and Females

	1st year Wage		2nd + year Wage		Difference	
	Non-NYS	Ex-NYS	Non-NYS	Ex-NYS	1st yr.	2nd+ yr.
Male	\$210.00	\$462.00	\$294.00	\$546.00	\$252.00	\$252.00
Female	147.00	184.80	714.00 *	840.00 *	567.00 *	655.20 *

The difference between wages ex-NYS volunteers earn over what comparable non-NYS youth earn is the best measure of the benefits of the NYS training program. In compiling the extent of these benefits it has been assumed that the value of the NYS training remains with the ex-volunteer so that throughout his working career he will earn more than comparable non-NYS youth; although both might have increases in pay as their work experience increases, the ex-NYS volunteer can be expected to be a jump ahead of comparable non-NYS persons. For purposes of the analysis it is assumed by the Kenya Ministry of Labour that the income differential achieved by men in their second year of employment will obtain for an additional 18 years (assuming a minimum of a total 20-year-period the man is in paid employment) and that women will work a total of at least 5 years. Since the equipment to be supplied under the loan is assumed to have a useful life of 10 years, the total measure of training benefits associated with the equipment is found by adding the incremental income received by ex-NYS graduates who work with the equipment over the 10-year life of the equipment.

\* These figures are skewed higher by secretarial positions. For purposes of this analysis those women who receive jobs in the mechanical and quasi-mechanical fields are assumed to receive the average male wage.

Appendix D, Exhibit 3 presents two analyses of the benefits due to training. One is based on a continuation of the present number of NYS volunteers (3000) and the other is based on an increased number of NYS volunteers using projections given above on page 13. The projections indicate that the total value of the training benefits applicable to equipment related programs will be over \$31 million if the number of NYS volunteers is held at the present level, and if the number of NYS volunteers is increased per the NYS's projections, the training value will be over \$47 million. Discounting these sums to their present values and applying to them the present value of the equipment plus all training and operational and support costs associated with the volunteers while they are (or will be) in the service yields a rate of return (i.e. that rate of interest at which the present value of the project's cost equal the present value of the associated training benefits) of 12-16% , detailed and shown graphically in Appendix D, Exhibit 4.

### 3. Benefits from Development Works Projects

When the NYS was formed, a decision was made only to undertake major national development projects under the National Development Plan. This was because it was felt that such projects can only be done by a large force of disciplined men and, conversely, a large force of disciplined men could not be used efficiently on, for example, small self-help housing projects, which, anyway, were a local responsibility. This policy has recently been re-examined and retained. It was this decision which prompted the NYS to seek the donation of road-building equipment from USAID.

At first it was difficult to obtain national projects for the Service to work on because it was unknown and untried. Eventually, the breakthrough came when the Nairobi Game Park allowed the Service to undertake a small dam - building project. The completion of this project well within schedule and budget paved the way for further contracts and the NYS is now one of the biggest road-building contractors in Kenya.

The projects undertaken in the past and presently being implemented are shown on the next page. An analysis of the economic value of the initial projects on which the proposed equipment will work is presented below.

#### a. Nairobi-Addis Ababa Road

One of the two major projects on which the NYS will work over the next several years will be the Nairobi-Addis Ababa road which covers approximately 295 miles of all-weather new and upgraded road from Isiolo (174 miles north of Nairobi) to the border with Ethiopia at Moyale. A similar road is being constructed north of the border by the Ethiopians. The roads are the consequence of an agreement

NATIONAL YOUTH SERVICE PROJECTS

<u>Number</u>	<u>Location</u>	<u>Date</u>	<u>Duration</u>	<u>Ministry</u>	<u>Sum Allocated **</u>	<u>Details</u>
1. Completed July 1965	Nairobi Game Park	Jan.65	6 months	Natural Resources	\$ 16,800	6 mls road, 26 mls fencing, 1 large dam
2. Completed Oct. 1966	Kinangop	Feb.65	12 months	Land & Settlement	-	Planting 100,000 trees
3. Completed Nov. 1966	Donyo Sabuk	Feb.65	12 months	Agriculture	-	Bush clearing 200 acres.
4. Completed Mar. 1966	Isavo Park East	Apr.65	18 months	Natural Resource	4,000	Roads, irrigation, bush clearing
5. Completed Sept. 1966	Karura Forest	May 65	12 months	Natural Resources	-	Bush clearing, bridge building
6. Completed Feb. 1967	Likoni, Mombasa	Jun.65	12 months	Health & Housing	-	Building demonstration houses
7. Completed Nov. 1966	Yala River	Sept.65	18 months	Agriculture (Vet. Dept)	44,800	Machine clearing of 8000 acres of bush for tsetse control
8.	Thika-Garissa	Oct.65	24 months*	Works	1,120,000	85 miles of road completed; 183 miles planned
9. Completed Aug. 1968	Shimba Hills Settlement Scheme	Aug.65	36 months	Prov. Agr. Officer	-	Land clearance and demarcation
10. Completed Sept. 1965	Janhuri Park	Aug.65	1 month	Prov. Comm. Coast Kenya	1,680	Access road
11. Completed Sept. 1967	South Aberdares	Sep.65	24 months	Works	140,000	Road improvement
12. Completed July 1967	Nairobi Game Park	Jan.66	18 months	Natural Resources	14,000	Plant Operators School
13.	Ethiopian Road	Apr.66	72 months*	Works	***	300 miles new road
14. Completed Dec. 1968	Roka Settlement Coast Province	Apr.66	18 months	Agriculture (Prov. Agr. Offr)	4,200	Trace cutting for demarcation
15. Completed	Oi Magogo, Rift Valley	Sep.66	18 months	Vet. Department	-	National Farm
16. N.A.	Turbo	Feb.67	12 months	Natural Resources	-	Forestry nursery
17. Completed	Port Victoria	Feb.67	4 months	Vet. Department	2,800	400 acres bush clearance for tsetse control
18. Completed	Airport improvement (Embakasi, Meranga, Ferguson's Gulf)	Sep.66 1970-72	2 years (3-4 mos. each project)	Power & Communications	-	Earthmoving at Embakasi. Construction of rural airstrips
19. Completed Sep. 1968	Donyo Sabuk	Jan.69	10 months	Tourism & Wildlife	-	Game Reserve roads
20. Completed Sep. 1968	Gedi	Jan.66	34 months	Tourism & Wildlife	-	Excavation of historical site

\*Delayed by over-age equipment on both jobs and on Addis Road by insurgency situation.

\*\*These are amounts given NYS for recurrent project costs, i.e., they represent only a portion of total project costs.

\*\*\*Total project estimated to cost \$5,000,000.

negotiated by President Kenyatta and H.I.M. Haile Selassie I aimed at promoting economic, political and defense ties between the two countries. Second only to the Great North Road (Nairobi-Arusha) in the 1969-1974 Development Road Programme, the road receives a very high priority by the Ministry of Works, the Government's executing agency. The Government of Italy is providing approximately one-half of the costs of the project under a long-term financing arrangement (for details see Section II.D.4).

Construction of the project commenced in late 1965 with the NYS providing all the equipment and laborers, however in its first three years the project was plagued with security problems in the project area. Numerous extra police were hired to protect the project work, but progress was limited to as little as  $\frac{1}{4}$  mile per month. By January 1968 only 15 miles of road had been completed. Since 1968 the project suffered additional problems due (i) to having to pass through areas with black cotton soil which necessitated extra work, and (ii) to the inadequacy of the NYS equipment (all of which was old excess property) and the lack of availability of spare parts for the equipment. Because of these problems in mid-1968 the GOK decided to deploy Ministry of Works forces and equipment on the project. Since that time the MOW has supplied about half of the equipment and many of the skilled men on the project with the NYS supplying the remaining skilled men, equipment and the labor force. Because of a much easier security situation and because of the added equipment on the job, construction progress has begun to normalize, e.g. in 1969 an average of  $6\frac{1}{2}$  miles per month was completed. Nevertheless, the inefficiency of the NYS equipment continues to slow down the project. The project consultants' (ITALCONSULT) records for December 1969 dramatized the difference in the MOW and NYS equipment:

Comparison of MOW and NYS Heavy Equipment  
December 1969

	<u>Percentage of Hours for Each One</u>			
	<u>Productive Work</u>	<u>Maintenance</u>	<u>Fuel &amp; Travel</u>	<u>Idle Time</u>
MOW (4 scrapers)	67.4%	8.8%	18.5%	5.3%
NYS (2 crawlers, 2 scrapers)	41.0%	36.1%	16.5%	6.4%

It should be noted that according to the consultant both the MOW and NYS equipment are comparably operated and maintained. The major difference between the equipment is its age and operating capability. The NYS equipment is much older and far less powerful due to smaller motors.

ITALCONSULT has formulated a work program based upon existing factors calling for completion of the road by the end of CY 1973. However, of particular interest to this analysis, the firm has also computed an improved work schedule based on new equipment for the NYS, all other factors held equal. The new equipment would be assumed to have a larger capacity and would attain the same estimated percent of time in productive work as MOW equipment, about 60%, versus a projected 45% of time in productive work if the old NYS equipment is retained. Given the more difficult terrain the project passes through during its 1970 work program, ITALCONSULT estimated (January 31, 1970) that the following combined monthly output could be achieved by the MOW and NYS with new NYS equipment:

	Average Monthly Production June-December 1970					
	With Existing Equipment		With New NYS Equipment *		Increment due to New NYS Equipment	
	Aver. Miles	Aver. Cu. Yard	Aver. Miles	Aver. Cu. Yard	Miles	% Increase
Pavement & other works	5.69	20,936	9.04	32,603	3.35	58.9%
Earthwork	5.74	102,737	9.04	178,800	3.30	57.5%

The impact of new equipment, even if it arrived in early 1971 as proposed in this paper, would be extremely significant for this project; the project's completion would be speeded greatly leading to an earlier achievement of the project's benefits, and the cost of the project would be cut. Regarding the latter point, there are now 36 in supervisory staff. The net man-months of supervision (and labor) saved by an increased productivity of over 50% would be large. In addition overall maintenance expenditures and operating expenditures per unit of equipment should dramatically decrease. These benefits and savings are considered important by the GOK.

It should be noted that a detailed economic feasibility of the project was not undertaken since the GOK and Imperial Ethiopian Government made a firm commitment to the project on the basis of then pressing political considerations. Nonetheless, the project should have important consequences for Kenya. The road's political, administrative and general economic importance is recognized by the Country Team which stresses the regional economic importance of the road. Of interest to the question of the economic importance of the

\* Assumes new equipment arrives by June.

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road is a study of the Ethiopian side of the project, ("The Dilla - Mayole Highway," Planning and Programming Division, Imperial (Ethiopian) Highway Authority, December 1964) which contains the only hard data on roads in the Kenya project area. On the basis of user savings on present and projected traffic, the study of the 274 mile road running north of the border concludes that project benefits will exceed its costs by a very wide margin. It is not expected that the Kenya side of the project will be as economically attractive as the Ethiopian side, nonetheless, the project still should prove of economic value to Kenya and its construction will open up a large area of the country to potential economic use.

b. Thika-Garissa-Somalia border road

This project is the other major development project which will continue to be worked on by the NYS over the next few years. At the present time only a few items of the proposed AID-loan financed equipment is slated for this project since the Japanese Government has offered to provide equipment for this project. But there is a possibility that more of the AID-financed equipment will work on this project.

The project begins 28 miles northeast of Nairobi and entails the new construction and upgrading of a major route to Kitui-Garissa and eventually to the Somali border to the east. The current road is badly aligned and depressed so that driving is difficult in the dry season and impossible in the wet seasons. The NYS is acting as the sole 'contractor' for the project. The NYS has already completed the first segment of the project (Thika-Kangonde, some 60 miles of road). Direction for that segment was provided by the firm of Balfour Beatty and Co., Ltd. Currently work is being done on the Kandonde-Kitui segment of the project, a segment 34 miles long of which 25 miles have been completed.\* Both Balfour Beatty and East Africa Consultants have complained about the current state of the NYS equipment. Both firms attest to the satisfactory operating practices of NYS volunteers; however both have stated in their reports that the NYS equipment is far too old to be of value to this kind of major project. Much of the equipment is deadlined. A recent A.I.D. inspection of the project found that the major equipment spread did not have a piece of equipment newer than 1951. That the equipment was operating at all signified the skill of NYS and MOW mechanics. East Africa Consultants report that currently (February 1970) \$10,000 per month in spare parts is required to keep the remaining equipment spread operational. (The average monthly expenditure for spare parts for the period 7/1/69-1/31/70 was \$8,750.) This is about double what such expenditures should be. Thus the major short-term benefits to this ongoing project

\* Work is under the supervision of East Africa Consultants

road rd 6150168  
545

123 NYS

Thika

Thika-Chisimaio 2 Rds

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of supplying new equipment will be similar to those discussed above relative to the Nairobi-Addis Ababa Road; namely, more production at less cost per unit of production and a quicker completion of the project.

The project's long-term benefits have been studied in depth by the Ministry of Works ("Final Loan Application" prepared in early 1970) and the U.S. Firm of DeLeuw, Cather International ("An International Road Link Between the Republic of Kenya and the Somali Republic," October 1969). The latter study was AID-financed. It concluded that the overall project (Thika-Chisimaio) had an internal rate of return (IRR) of about 7% if two-lane pavement were used throughout and an IRR of 11.5% if the road was single lane from Kangondi eastward. The Ministry of Works study concentrated on the Kangondi-Garissa and the Kangondi-Kitui sections of the road; the Garissa-Border segment, scheduled under the development plan for construction in 1973-74 will be studied by the MOW later. The two studies are consistent in that both hold that the western sections of the road are more feasible than the area near the Somali border. The MOW study has been reviewed and is deemed reasonable. The cost estimate of the sections studied was estimated at \$3,929,000. The study concludes that the Kangondi-Kitui section of the road has an IRR of 22% and that the Kangondi-Garissa section of the road has an IRR of 15%. In addition to the economic justification, based largely on user savings, the MOW report emphasizes the importance of the road to improving administration and services in the area.

### c. Rural Settlement Roads

This project, too, shall basically utilize equipment not provided under the proposed loan, however a discussion of the project gives added insight into why the MOW regularly involves the NYS in Kenya's development projects and also gives an opportunity to review an important aspect of the NYS's future workload. Details below are taken from a report done for the MOW by Sir Alexander Gibb and Partners in November 1968 ("Report on Settlement Roads, Phase I").

The project involves building 360 miles of low standard access roads including 48 bridges and major drainage structures at an estimated cost of \$1.3 million. The roads will be in 125 settlement schemes located in Central and Western Kenya. The schemes were developed by the Department of Settlement between 1962 and 1966. Large scale farms were purchased by the GOK and converted into plots of between 10 and 70 acres. Long-term loans were provided by the Government to enable the plot holders to purchase and develop the land. The subdivision of the land and the associated access road and drainage layouts were planned and carried out by the Government, however, the lack of finance curtailed the scope of construction work and for the

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most part this was limited to the grading and shaping of earth tracks. In spite of this the land has been densely settled. In due course the condition of the tracks deteriorated and some fell into disuse. In most cases they are now impassable in wet weather. This helps account for the fact that the schemes are producing only about 30-50% of the production originally estimated. On the basis of detailed sample studies the Gibb report estimates that the IRR of the project will be in excess of 23%. Most of the benefits will accrue because of farmers being able to bring perishable production, particularly milk, to market. A.I.D. has reviewed the Gibb study and found it to be a well handled analysis.

Of particular relevance to this paper is the attention given by the Gibb study to the most feasible way of carrying out the project. A detailed analysis comparing the productivity of hand labor as opposed to machine labor concluded that machine labor would be far more appropriate for the project. However, due to the low cost of the roads and their being scattered over a widespread area, it was recommended that considerable savings over the cost of employing contractors and design/supervision engineers could be effected by setting up properly equipped construction units under the control of the Ministry of Works. The Ministry of Works agrees with this recommendation, but does not wish to establish additional work units under its own wing, thus it has turned to the NYS for assistance. The MOW has proposed that the NYS provide some skilled men and a large complement of unskilled workers to carry out the project. On its side the MOW will provide equipment (most of which will be new) supervision (including engineers to perform site design work) and some skilled manpower. The GOK and the Country Team believe this will be a very significant project in the Government's rural development program.

#### d. Rural Airstrips

The NYS is now looked upon as providing the only feasible means of constructing low cost rural airports. Recently the MOW asked the NYS to construct a rural airport at Namanga, 103 miles south of Nairobi. At the same time a contractor was employed to build a comparable airstrip at Lungalunga, 72 miles south of Mombasa. The MOW reported that although it was the first airstrip done by the NYS, the NYS job was completed on schedule, at the same quality of work as the contractor's and was accomplished at half the cost. Now the NYS is slated to carry out a program of constructing rural airstrips which will constitute an ongoing minor works program for the NYS.

The justification for this activity varies with each field. Some of the localities have existing airstrips, but these range from being in poor repair to being dangerous to use. All are in frontier

areas where reliable links for administrative purposes and flying doctor services are important. Some fields will be used for tourism, some have commercial value (such as the field at Ferguson's Gulf), some will be used to send in food in famine periods (as at Moyale) and some have a security aspect. The fields will cost from \$14,000 to \$28,000 depending on their location. Each will take from two to four months to complete. The MOW will maintain the strips.

#### e. NYS Agricultural Projects

At the Turbo and Yatta NYS farms and to a lesser extent at other locations, farming is pursued as a training program and to provide food and income to the NYS. In recent years the marketed production of these farms has yielded the GOK a cash income of \$25,000/year. Yatta farm is somewhat typical in this respect. Its production of cotton and livestock yields about \$14,000/year. Further it has been an important training center for agricultural workers. The Yatta camp commandant estimates that about 300 of his 'graduates' work at two nearby agro-industrial plants (one of which is run by Del Monte). Besides being run for training purposes, the farm is a demonstration and production center. Experts from the Department of Agriculture assist the direction of the demonstration plots. Settlement near the farm has been encouraged so that local farmers can closely observe the demonstration fields and can attend special demonstration classes. Production at the farm is held down by there being only one mechanized vehicle, an overworked tractor. The loan project will provide an additional tractor and other vehicles to Yatta. The NYS and the local Yatta officials fully expect the farm's consumed and marketed output to greatly increase because of the additional mechanized equipment.

#### 4. Project's Economic Soundness

To briefly recapitulate the previous two sections, it has been shown that the Internal Rate of Return is 12-16% using the benefits of NYS training alone for the NYS training programs related to proposed equipment, rates of return which alone could justify the project. Added to this return, however, is the economic value of the projects on which the proposed equipment will work. It has not been possible to compute a combined value of the projects the proposed equipment will work on over the lifespan of the equipment. What has been attempted is an illustrative analysis of typical projects; this has shown the positive developmental importance of the NYS's work. The Project Committee has concluded that the project well meets the economic soundness assurances required of FAA§ 201(b)(2) and 201(e).

### C. Financial Analysis

#### 1. Project Requirements

The total financial requirements of the project are summarized below. (For details see Section II, A and Annex C.)

Total Foreign Exchange	\$3,500,000	<u>92.6</u>
Total Local Cost	280,000	7.4
Total Project	<u>\$3,780,000</u>	<u>100</u>

#### 2. Project Financial Plan

It is proposed that the financial requirements of the project be met in the following way:

	<u>Foreign Exchange</u>	<u>Local Cost</u>	<u>Total</u>
A.I.D. Development Loan	\$3,500,000		\$3,500,000
G.O.K. Contribution		\$280,000	280,000
	<u>\$3,500,000</u>	<u>\$280,000</u>	<u>\$3,780,000</u>

The A.I.D. loan will cover all of the foreign exchange costs. A.I.D. will restrict the use of its financing to procurement, shipping and insurance services and goods of United States source and origin. The GOK will finance all associated local costs of the procurement,\* such as inland freight and will finance all costs in establishing a sinking fund for the replacement of the equipment provided under the loan which is used on development construction projects.

In keeping with the Country's economic situation analysis presented as Appendix E and the findings of the February 3-4, 1970 Consultative Group for East Africa sessions on Kenya\*\* that a substantial part of financial aid to Kenya be on concessionary terms, it is proposed that A.I.D. approve a loan of \$3.5 million to the GOK for 40 years including a ten-year grace period with interest of 2% per annum during the grace period and 3% thereafter.

\* Not thought to be large - i.e. less than \$25,000.

\*\* In which the United States participated.

### 3. Recurrent Costs of NYS

This section will discuss the recurrent costs of operating the NYS. Section II.D.7 will discuss financing the replacement of the project equipment.

Over the past five years the recurrent budget of the NYS has been about \$1.3 million/year. These budgets are detailed in Annex D, Exhibit 5. NYS's budgets have remained steady even though the number of volunteers fluctuated between 3-5,000. There are many 'hidden' variables which explain a considerable part of why the enrollment and work of the NYS has changed so much with so little variation in its budget. The biggest single factor has been the A.I.D. grant assistance to the NYS. Over the past 5 years A.I.D. has granted a total of \$3.6 million to the NYS: \$1.05 million in 1965, \$1.26 million in 1966, \$.49 million in 1967, \$.50 million in 1968, \$.25 million in 1969 and 1970. This assistance covered a wide variety of forms and is detailed in Appendix D, Exhibit 6. The effect of this assistance was to allow the NYS to grow rapidly in its early years since the A.I.D. assistance nearly doubled the resources available to the NYS. To a certain extent the NYS was able to live off of this assistance even as late as 1967/68. Then as the NYS was thrown more and more onto its own resources and as its development work expanded, it was forced to shrink the number of volunteers in the Service. Additional hidden elements of expenditures arise because the NYS receives support (lately of about \$200,000/year) from Ministries which employ the NYS on development projects, i.e. development funds are paid by sponsoring Ministries to the NYS for certain operating costs incurred by the NYS on development projects done in conjunction with these other Ministries. In addition to this, technical assistance in the form of expatriate personnel and technical/artisan volunteers has been granted to the NYS by donor governments. (See the following section.) The value of this aid has not been calculated. Finally, the NYS produces an increasing amount of its own food and clothing requirements and this production has not been given a value.

An analysis of the NYS's recurrent expenditures indicates that the current budgetary level of \$1.3 million/year allows the NYS to handle about 3,000 volunteers. Given the GOK's plans to increase the NYS by 500 per year until the NYS reaches 5,000 volunteers and given the apparent end of donor grant commodity assistance, the recurrent budget of the NYS will have to increase, but not proportionately, to accommodate the planned expansion. Ministry of Labour officials responsible for the review of the NYS's budget are aware of and sympathetic to this need. An additional budgetary need will arise as A.I.D. phases out its support of technical assistance efforts at the Vocational Training Center (VTC) at Mombasa. The cost of the A.I.D.- grant supported ORT contract at Mombasa has been about \$130,000/year.

#### 4. Other Donor Assistance

Other donors have supplied direct technical assistance to the NYS and indirect assistance to it by supporting the development projects on which the NYS works.

Soon after the NYS was started, the British Ministry of Overseas Development supplied seven British training officers with relevant experience. Two of these were employed as headquarters staff and the rest worked as second-in-charge to Kenyan Unit Commandants. One of these British training officers remains with the Service and is responsible for post-service placement efforts. There are five German mechanics working on vehicle repair and maintenance. They are supported by a German private aid organization, the Friedrich Ebert Stiftung. Other Germans have worked on agricultural projects. There are two former Danish volunteers working as salaried technical aid personnel (one teaches in the education program at the Vocational Training Unit, the other supervises one of the farms). NYS now has 26 expert volunteers working with it now from a number of countries. Japan and West Germany have also supplied shop tools and equipment on a grant basis.

The Government of Italy is providing loan assistance of 4.7 billion lire (approximately \$7 million) for the Nairobi-Addis Ababa Road. Eighty percent is tied to Italian goods and services and twenty percent is for local costs. The terms are 18 years including a three-year grace period; interest at 4% per annum. Approximately \$5 million of the loan has been drawn down.

The GOK is negotiating with the Government of Japan to utilize nearly \$600,000 of a \$5 million yen credit to purchase equipment for the Thika-Garissa Road. The terms of the Japanese credit, which was signed in 1968, are 18 years including a five-year grace period; interest at 5.75% per annum. The loan is 100% tied to Japanese goods; 75% for capital goods and 25% for consumer goods which may be used (under an SLC arrangement) to finance local costs. Negotiation for use of part of this credit for the Thika-Garissa Road has run into difficulties since it appears that the GOK is being directed to a specific manufacturer's products.

The World Bank Group has not assisted the NYS, although the IBRD has noted approvingly the work of the NYS in its December 1969 report on Kenya. Since 1960 the Bank Group has lent over \$85 million to the GOK and \$110 million to East Africa Regional projects.

At the Consultative Group for East Africa meeting on Kenya, Paris February 3-4, 1970, the United States delegation announced that the USG was considering a loan for equipment for the National Youth Service.

#### 5. Export-Import Bank Clearance

On May 7, 1970 the Ex-Im Board of Directors determined that it would express no interest in the project due to the need for concessionary project financing.

#### 6. Repayment Prospects

The repayment prospects for the proposed loan are deemed reasonable. A discussion of this matter is presented in Annex E.

#### 7. Effect on U.S. Economy, U.S. Balance of Payments and U.S. Enterprise

This loan will promote U.S. business interests through the restriction of its proceeds to financing the procurement of goods and services related thereto of U.S. source and origin. The loan will have no adverse impact on the U.S. balance of payments as the loan funds will finance only U.S. goods and services. All loan proceeds will finance goods and services provided by private U.S. firms.

#### D. Implementation

##### 1. Implementation Plan

The GOK has considered very carefully whether excess property equipment could fill its needs to re-equip the NYS. GOK officials are unanimous in recommending that only new equipment be purchased for the existing needs of NYS. They point out that the existing used equipment is suitable for training purposes, but used equipment is not suitable for the important development project work assigned to the NYS. Further the GOK is not satisfied with its experience with excess property. Indeed the GOK views on this subject are identical to the findings of a recent A.I.D. audit of the project (Audit Report No. 7/70 (K-5) dated September 8, 1969): "The provision of excess property equipment and spares has been deficient in the following areas throughout the life of the project:

- (1) Delay in delivery.
- (2) "A large proportion of the equipment received was either incomplete, required repair, or had passed its useful economic life.
- (3) Some machines were unsuitable for the type of projects now being implemented by the GOK...."

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Added to this (because of the age of the equipment) were numerous problems in maintaining adequate and appropriate spare parts either from excess stocks or the commercial market. Finally, as discussed below (II.D.4), the GOK is anxious to implement a sinking fund plan to perpetuate funding for replacement of NYS equipment. This type of scheme would be impossible if used equipment of uncertain value formed the basic equipment complement of the NYS.

Because of the above factors, the GOK request for loan assistance is predicated on seeking financing only for new equipment. The Project Committee strongly agrees with the GOK request and proposes the following implementation procedure and schedule based on the condition that new equipment be supported by A.I.D. financing. (The Project Committee has already determined that new excess property equipment of the types desired is not available.)

## 2. Implementation Procedure

The GOK through its normal governmental procurement procedures will administer the procurement of the financed equipment. Procurement will be by formal competitive bidding under the management of the MCW. Because of the urgency of receiving replacement equipment for important ongoing development projects, A.I.D. has been assisting the GOK in preparing procurement documents. A.I.D. provided under grant-financing an equipment specialist who assisted in the preparation of technical bid specifications. Under the loan additional assistance in preparing the bid documents will be provided as needed. Also loan-financed assistance will be provided to inspect the equipment at the factory prior to shipment and upon its arrival at Mombasa, Kenya. The cost of all this assistance will be about  $\frac{1}{2}\%$  of the total cost of the project.

In order for the new equipment to provide effective designed production and operation, spare parts and major repair service must be immediately available. In most cases repairs are the replacement of worn or damaged parts and shouldn't take long to put the equipment back into productive use. It is proposed by NYS to have the invitations for bid (IFB) equipment specifications so structured as to require all potential bidders to provide assurance that a local (Kenya) capability is available to provide all spare parts, repair machinery and service technicians. This requirement will eliminate the 6 to 12 month delays now being encountered while waiting special shipments of parts from the U.S. for models and makes of U.S. equipment not sold or serviced in Kenya.

A.I.D. plans to restrict the use of the equipment to the training programs of and the development programs undertaken by the NYS.\* The Loan Agreement will require the GOK to submit to A.I.D.

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\* The NYS undertakes projects because they fit into the NYS' goals and programs. A.I.D. will neither approve nor examine beforehand each project on which A.I.D.-financed equipment will be used.

annual reports for the life of the equipment (10 years) on the use being put to the equipment, on the training and development program accomplishments of the NYS, and on the status and operations of the maintenance and replacement sinking funds (described in Section 4 following).

### 3. Implementation Schedule

The following are key target dates planned for the project's implementation:

Advertise Synopsis	6- 1-70
Specifications Approved	8- 1-70
IFBs Issued	8-15-70
Loan Conditions Precedent Met	9-15-70
Bids Awarded	10-15-70
Shipments Arrive	3-15-71

### 4. Replacement of Project Equipment - Sinking Fund

For some time the GOK has desired to establish a sinking fund for maintenance and replacement of the NYS equipment similar to the successful sinking fund operated since 1949 by the MOW for its equipment. Now that the NYS will have new equipment which can be accurately evaluated and for which scientifically determined user charges can be made, the GOK intends to proceed and establish a sinking fund for the NYS. The Project Committee notes that the sinking fund scheme cannot be established unless new equipment is involved. This perpetuating scheme is highly desirable and is another reason that new equipment is recommended for this project.

The fund will be established and operated with the assistance of the MOW whose own fund, carefully reviewed by A.I.D., is a model of this type of funding scheme. The MOW scheme and the proposed NYS scheme is based upon the equipment used on development projects earning a fixed fee for each hour of deployment on the project. Part of the fee is set aside in a maintenance sinking fund and part in a replacement sinking fund. Fees for each type of equipment may be adjusted periodically to reflect changed conditions. The funds in the sinking funds are invested to yield an added return to the fund (last year investments of the MOW fund yielded income which increased the fund by 15.2%). One of the important advantages of the fund is that very accurate management information is produced as part of the accounting necessary to operate the fund, e.g. the MOW is able to check on the utilization of each item of equipment, the effectiveness of each region's operations, and the capability of each maintenance section. This type of information is not now statistically available to the NYS.

The NYS has made plans to set up a completely new and responsive cost accounting system, using two Danish volunteer expatriates - one a mechanical engineer experienced in construction accountancy, the other an experienced cost-accountant. They in turn will train local staff. The NYS recognizes the need for timely and accurate cost accounting and is prepared to install a system responsive to its needs and in keeping with GOK requirements and good accounting procedures. These expatriates will help start and run the proposed fund. With the establishment of the fund, the GOK hopes that the NYS equipment will be self-perpetuating. A.I.D. believes the fund has a good chance of success if it is started properly. A loan condition will be that the sinking fund be established and that the GOK provide an initial contribution to the fund of an amount not less than \$280,000 (Kf 100,000), a sum arrived at after close consultation between the NYS and the MOW operators of its sinking fund, which is deemed to be a comfortable starting cushion.

#### 5. Maintenance of the Development Projects

Of indirect concern to this analysis is being assured that the development projects upon which the NYS work will be properly maintained. Heretofore most of these projects were maintained by local governmental entities, although in the case of major projects the MOW took primary maintenance responsibility. The GOK is not satisfied with the results of this maintenance system and the Government has decided to assign full responsibility for road and airport maintenance to the MOW. A seven year highway and secondary road (and rural airport) maintenance program was formulated by the MOW in 1969. The program involves a commitment for recurrent expenditures of \$115 million over a seven-year period and calls for external assistance of \$10.8 million for equipment, spare parts and technical training assistance. As a result of discussions with the IBRD, the GOK has revised its external assistance request to \$12.3 million. This request has been formulated in detail ("Loan Application for Road Maintenance Project," MOW, November 1969). An IBRD appraisal mission concluded its field study in April and the IBRD is seriously considering financing the program. A.I.D. has reviewed the proposed program and finds it soundly conceived. If supported by the Bank there would be added assurance that the development projects upon which the NYS works will be well maintained.

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APPENDIX A  
AID-DIC/P-904  
May 27, 1970

CHECKLIST OF STATUTORY CRITERIA  
DEVELOPMENT LOAN FUND

Many of the questions require only yes or no answers. Others, however, must be answered more fully. In those cases, a specific reference to explicit discussion of the matter in the loan paper will suffice. But where the loan paper does not deal explicitly with a matter that clearly requires more than a yes or no response, sufficient response must be made to indicate that the matter has been appropriately considered.

The following abbreviations are used in the checklist:

FAA - Foreign Assistance Act of 1961, as amended, incorporating amendments effected by the Foreign Assistance Act of 1968.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1969.

Space for answers is provided in the margin to the right of each question. This form must be made a part of the Capital Assistance Paper.

I. COUNTRY PERFORMANCE

A. Progress Towards Country Goals

1. FAA §§201(b)(5), 201(b)(7), 201(b)(8), 208. Discuss the extent to which the country is:

(a) Making appropriate efforts to increase food production and improve means for food storage and distribution.

The GOK under its 1970-1974 Five Year Plan is making a determined effort to increase and diversify agriculture production.

(b) Creating a favorable climate for foreign and domestic private enterprise and investment.

Kenya has a favorable policy towards foreign investment; many U.S. firms have operations there.

(c) Increasing the people's role in the developmental process.

The Government has established Provincial and District Planning Committees to involve people at the grass-roots planning level. The GOK also is stressing rural development and employment programs to increase popular involvement in economic development.

*(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs.*

Kenya has a very low level of expenditure for military purposes.

*(e) Willing to contribute funds to the project or program.*

Yes. See Section II C. 2 and 3.

*(f) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangement; and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

Yes. Kenya is making reforms in such areas as tax collection and education and is encouraging greater political participation. The press in Kenya is relatively free. Private enterprise is encouraged.

*(g) Responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.*

Kenya has a well established world reputation for self-help which is embodied in the expression "Harambee" which means working together.

**B. Relations with the United States**

1. FAA §620(c). Is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's, or a predecessor's unconditional guarantee?

No such indebtedness is known.

2. FAA §620(d). If the loan is intended for construction or operation of any productive enterprise that will compete with U.S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U.S. of more than 20% of its enterprise's annual production during the life of the loan?

Not applicable.

3. FAA §620(e)(1). Has the country's government, or any agency or subdivision thereof, (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50% beneficially owned by U.S. citizens, (b) taken steps to repudiate or nullify existing contracts or agreements with such citizens or entity, or (c) imposes or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, and more than six months has elapsed since such occurrence, identify the document indicating that the government, or appropriate agency or subdivision thereof, has taken appropriate steps to discharge its obligations under international law toward such citizen or entity? If less than six months has elapsed, what steps if any has it taken to discharge its obligations?

No such nationalization, expropriation, nullified contracts or discriminatory taxes against U.S. citizens.

4. FAA §620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction?

No such mob action is known to have occurred.

5. FAA §620(l). Has the government instituted an investment guaranty program under FAA §221(b)(1) for the specific risks of inconvertibility and expropriation or confiscation?

Yes.

6. FAA §620(o): Fisherman's Protective Act of 1954, as amended, Section 5. Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters? If, as a result of a seizure, the U.S.G. has made reimbursement under the provisions of the Fisherman's Protective Act and such amount has not been paid in full by the seizing country, identify the documentation which describes how the withholding of assistance under the FAA has been or will be accomplished.

No such seizure is known.

7. FAA §620(q). Has the country been in default, during a period in excess of six months, in payment to the U.S. on any FAA loan?

No.

8. FAA §620(t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed?

No. The U.S. and Kenya continue to have good diplomatic relations.

9. App. §106. Describe any attempt made by the country to create distinction because of race or religion in granting personal or commercial access or other rights otherwise available to U.S. citizens generally.

Kenya has made no such distinction because of race or religion in granting personal or commercial access or other rights otherwise available to U.S. citizens generally. Some problems have arisen where Kenyan residents of Asian origin have not had commercial licenses renewed. This resulted from Kenya's policy of having Kenyan citizens to maximum extent replace non-citizens in commercial activities.

C. Relations with Other Nations and the U.N.

1. FAA §620(i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance?

No such assistance is known.

2. FAA §§620(a), 620(n); App. §§107(a), 107(b), 116. Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Viet-Nam items of economic, military, or other assistance?

No such assistance is known.

3. FAA §620(u); App. §114. What is the status of the country's U.N. dues, assessments, or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues, or arrearages?

There are no known arrearages on Kenya's dues, assessments and other obligations to the UN. The loan agreement will restrict loan funds only for the project.

D. Military Situation

1. FAA §620(i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance?

No.

2. FAA §620(a). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment? Is the country diverting U.S. development assistance or P.L. 480 sales to military expenditures? Is the country diverting its own resources to unnecessary military expenditures? (Findings on these questions are to be made for each country at least once each fiscal year and, in addition, as often as may be required by a material change in relevant circumstances.)

3. FAA §620(v); App. §119. Has the country spent money for sophisticated weapons systems purchased since the statutory limitation became effective? If so, identify either (a) the documentation which describes how the withholding of an equivalent amount of A.I.D. assistance has been or will be accomplished, or (b) the Presidential determination that such purchase is important to the national security of the U.S. so that no withholding is necessary.

An estimated 6.5% of Kenya's recurrent budget is devoted to military purposes. The amount of foreign resources used to procure military equipment has been negligible. Neither A.I.D. development assistance nor PL 480 commodities have been diverted toward military expenditures. Kenya's rate of expenditure for military purposes has been quite low.

No.

II. ' CONDITION OF THE LOAN

A. General Soundness

-- Interest and Repayment

1. FAA §§201(d), 201(b)(2).

*Is the rate of interest excessive or unreasonable for the borrower? Are there reasonable prospects for repayment? What is the grace period interest rate; the following period interest rate? Is the rate of interest higher than the country's applicable legal rate of interest?*

The rate of interest is appropriate to the country's economic situation. See Section II C. 2 and Annex E. The rate of interest is less than Kenya's legal rate of interest.

-- Financing

1. FAA §201(b)(1). *To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.?*

See Section II C. 4. Private resources for this type of project are not available.

-- Economic and Technical Soundness

1. FAA §§201(b)(2), 201(e). *The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner?*

Satisfied. See Sections II A. 7 and II B. 4.

2. FAA §611(a)(1). Have engineering, financial, and other plans necessary to carry out assistance, and a reasonably firm estimate of the cost of assistance to the U.S., been completed?

Satisfied. See Section II. A.

3. FAA §611(b); App. §101. If the loan or grant is for a water or related land-resource construction project or program, do plans include a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility?

Satisfied. See Section II. A. & B.

4. FAA §611(e). If this is a Capital Assistance Project with U.S. financing in excess of \$1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project?

Yes. The USAID/Kenya Director's certification is attached as Annex F.

B. Relation to Achievement of Country and Regional Goals

-- Country Goals

1. FAA §§207, 281(a). Describe this loan's relation to:

a. Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development.

Satisfied. The NYS integrates youth from all parts of Kenya. The project assists in spreading participating of the development process and in developing projects which bring economic benefits to people all over Kenya.

b. *Enabling the country to meet its food needs, both from its own resources and through development, with U.S. help, of infrastructure to support increased agricultural productivity.*

Satisfied. The NYS demonstration and production farms increase Kenya's agricultural production while teaching agricultural skills to hundreds of volunteers per year.

c. *Meeting increasing need for trained manpower.*

Satisfied. This is the primary benefit of the project.

d. *Developing programs to meet public health needs.*

Indirectly satisfied. The NYS teaches basic hygiene and has certain health control programs.

e. *Assisting other important economic, political, and social development activities, including industrial development; growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communication systems; capabilities for planning and public administration; urban development; and modernization of existing laws.*

The project will directly or indirectly assist all these goals, save those related to labor unions and modernization of laws. See Section II. B. 1 & 2, and 3.

2. FAA §201(b)(4). *Describe the activity's consistency with and relationship to other development activities, and its contribution to realizable long-range objectives.*

See Section II. B.2, II. B.. 3 and I<sup>I</sup>. A. 2.

3. FAA §201(b)(9). How will the activity to be financed contribute to the achievement of self-sustaining growth?

In two ways, through the training and development programs described in Section II. B and by proposed equipment replacement program described in Section II. D.4

4. FAA §201(f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development.

Discussed in Section II. B.2 and 3.

5. FAA §201(b)(3). In what ways does the activity give reasonable promise of contributing to development of economic resources, or to increase of productive capacities?

Section II. B.3. discusses this fully.

6. FAA §281(b). How does the program under which assistance is provided recognize the particular needs, desires, and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes.

See Annex B. The project is not directly related to skills enabling increased political participation.

7. FAA §601(a). How will this loan encourage the country's efforts to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions?

NYS trains manpower to participate in the general economy; its development project work assists the flow of commerce (both for domestic and foreign markets). No direct or indirect effect is foreseen affecting the strengthening of labor unions.

8. FAA §202(a). Indicate the amount of money under the loan which is: going directly to private enterprise; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from private sources.

All of the loans proceeds, i.e., up to \$3,000,000, will go directly to financing U.S. imports purchased from private U.S. sources. None of the funds will go to intermediate credit institutions.

9. FAA §611(a)(2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

No legislative action is required, however GOK budgetary actions re the establishment of a sinking fund will be required as a condition of the loan.

-- *Regional Goals*

1. FAA 8619. *If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multilateral organizations or plans?*

See Section II. D. 4 re the role of the World Bank Group in Kenya. The loan was mentioned at the 2/3-4/70 Consultative Group meetings chaired by the World Bank.

2. FAA 8209. *If this loan is directed at a problem or an opportunity that is regional in nature, how does assistance under this loan encourage a regional development program? What multilateral assistance is presently being furnished to the country?*

The loan is not directed to regional assistance, however the NYS is working on two major roads of regional significance. For answer to the second question see Section II. D. 4.

C. Relation to U.S. Economy

-- *Employment, Balance of Payments, Private Enterprise*

1. FAA 88201(b)(6); 102, Fifth. *What are the possible effects of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position.*

Satisfied. See Section II. D. 7

2. FAA §§612(b), 636(h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign-owned currencies are utilized in lieu of dollars?

Covered by the Loan Agreement.

3. FAA §601(d); App. #115. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the contractors be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained?

No U.S. engineering and professional firms were utilized in preparing the loan. A private U.S. expert will assist procurement (see Section II.D). Expert reports by the GOK and U.K. consultants were used in the project analysis, as mentioned in Sections II. B and D.

4. FAA §608(a). Provide information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.

New equipment will be procured under the loan. In the past the NYS has received considerable U.S. excess property. See Section II. D.1.

5. FAA §602. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan?

Assured by the Loan Agreement.

6. FAA §621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs?

Not applicable.

7. FAA §611(c). If this loan involves a contract for construction that obligates in excess of \$100,000, will it be on a competitive basis? If not, are there factors which make it impracticable?

Not applicable. Competitive procurement will be utilized for the purchase of equipment financed under the loan.

-- Procurement

1. FAA §602(a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President?

All procurement will be restricted to the U.S.

2. FAA §604(b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase?

No.

3. FAA §604(e). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity?

No.

D. Other Requirements

1. FAA §201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year?

Yes.

2. App. §112. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms?

Yes.

3. FAA §620(k). If the loan is for construction of a productive enterprise, with respect to which the aggregate value of assistance to be furnished will exceed \$100 million, what preparation has been made to obtain the express approval of the Congress?

Not applicable.

4. FAA §620(b), 620(f); App. §109(b). Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including, but not limited to, the countries listed in FAA §620(f)) and the loan is intended for economic assistance, have the findings required by FAA §620(f) and App. §109(b) been made and reported to the Congress?
- Kenya is not a communist or communist dominated country.
5. App. §109(a). Will any military assistance, or items of military or strategic significance, be furnished to a Communist nation?
- No.
6. FAA §620(h). What steps have been taken to insure that the loan will not be used in a manner which, contrary to the best interest of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries?
- Loan Agreement.
7. App. §118. Will any funds be used to finance procurement of iron and steel products for use in Vietnam other than as contemplated by §118?
- No.
8. FAA §636(i). Will any part of this loan be used in financing non-U.S.-manufactured automobiles? If so, has the required waiver been obtained?
- No.

9. FAA §§620(a)(1) and (2), 620(p); App. §117. Will any assistance be furnished or funds made available to the government of Cuba or the United Arab Republic?
- No.
10. FAA §620(q). Will any part of this loan be used to compensate owners for expropriated or nationalized property? If any assistance has been used for such purpose in the past, has appropriate reimbursement been made to the U.S. for sums diverted?
- No such A.I.D. compensation has been paid in the past and none is permissible under the proposed loan.
11. FAA §201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise?
- Not applicable. Some subcontracts of NYS development projects (e.g. major structures on roads) are awarded to private Kenyan enterprises.
12. App. §104. Does the loan agreement bar any use of funds to pay pensions, etc., for persons who are serving or who have served in the recipient country's armed forces?
- Yes. The Loan Agreement restricts the loan to the purposes of the project.

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APPENDIX B  
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AID-DLC/P-904  
May 27, 1970

BACKGROUND AND OPERATING PROCEDURES OF THE NATIONAL YOUTH

SERVICE HISTORY AND AIMS

The Kenya National Youth Service (NYS) was started in 1964 after Kenya gained her independence. Its initial aims were to give training to young unemployed Kenyans, to build an effective work force for national development projects and to provide an opportunity for former "Forest Fighters" (fighters for independence) and members of "Youth Wings" (of political parties) to help with the development of their country.

A target of 7,000 servicemen and women was set but has not yet been achieved. Numbers reached 5,000 in 1966 but have since dropped to about 3,000 because of temporary budgetary restrictions, however, the Government is committed to expand the NYS to 5,000 servicemen by 1974. The women's wing of the Service was not started until 1966, and now consists of about 10% of the total service population.

Those planning the program first ascertained that similar programs in other African countries tended to cost between East African 100-200 pounds (U.S. \$280 -560) per man per year. There seemed little chance of running a substantially less expensive scheme. It was therefore felt that such a cost could only be justified if the Service produced practical results in terms of national development. This helped to shape the policy of organizing the Service so that all it offered to recruits was hard work and hard conditions with no automatic rewards or high pay or promises of later employment. It was hoped that, as a result, only genuine hard-working applicants would be attracted. It was some time before this policy became widely known and accepted by applicants but once it was, the Service was in an excellent position to produce value for money.

The Service has successfully passed two critical points. The first critical point was the starting of the Service, when there was tremendous pressure on the organizers to rapidly absorb large numbers (100 a week) of men of a wide range of ages, abilities and motivations, many of whom were ex-soldiers.

The second critical point was when the first servicemen were discharged. Their success or otherwise in finding employment was crucial for the future of the Service. Unfortunately, the first recruits were enlisted for only one year and this was too short a time for the Service to gain enough reputation or them to gain enough skills to enable them to find employment easily. They were offered the chance to re-enlist for another year (which most of them did) and at the end of that year employment came much more easily and the situation has steadily improved even since. At this date, over 11,000 young Kenyans have passed through the NYS.

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RECRUITMENT AND SELECTION

The initial method of recruitment was to allow each Member of Parliament to nominate a quota for the Service and as a result, in the initial period, there were wide differences between the servicemen in age and motivation. Now, recruitment and preliminary selection takes place through existing administrative channels. When it is decided that another intake is needed, notice is sent out to all District Commissioners who advertise the fact locally. This occurs on the average of twice each year. The District Commissioners also set up preliminary selection committees of local officials who do an initial screening. The two basic criteria are physical fitness and age. Although the legal age range is 16-30 the aim is now to have as many recruits as possible between 18 and 20. The average age of the 1969 recruits was 18.9 years. Recruits must have no dependents. Final selection is done by a touring selection team of NYS officers headed by the Assistant Director, Mr. Waruhiu Itote (the former Forest Fighter Leader, "General Chaina," who is a national hero).

Great care is taken to ensure that the Service fairly represents ethnic divisions in Kenyan society. This is done by nationwide recruiting with a careful distribution of quotas to each District Commissioner so that each tribal group gets a roughly proportional representation in the Service. However, once recruited, the different tribal groups are completely mixed throughout the Service. Apart from seconded aid personnel, the officers are all Kenyan citizens and all are Africans except the Director, who is a European born in Kenya. The Director enjoys the highest confidence of the Government as evidenced by his recent receipt of a high governmental honor (equivalent to the O.B.E.).

The motivating factors for the applicants would seem to be a mixture of adventure and experience, training for later employment, (although the Service makes no promises about post-service employment), actual employment during the time they are in the NYS, subsistence and service to their country. Of late, the Service's high reputation throughout Kenya has greatly helped recruitment. Whatever the motivating factors might be, there is little doubt that they are strong because there are considerably more applicants than the Service can accept.

PATTERN OF SERVICE

Recruits contract for a two-year term of service. After 18 months in the Service, the servicemen and women are allowed to leave if they have employment to go to (after one year if it is to one of the Kenya armed services). Otherwise, they serve out their two years and may re-enlist on a year-by-year basis if this is mutually agreeable.

The general pattern of service for men has been two months basic training, six months manual field work (agriculture or bush clearing, etc.) and three months centralized education and/or vocational training. After this there is project work during which the volunteers are

allowed to specialize in one or another of the fields offered (agriculture, road plant operation, carpentry, fitting, turning, motor mechanics, electrical installation and maintenance, masonry).

For women the pattern is: two months basic training, two months education, four months agricultural field work, followed by specialization (storekeeping, secretarial, dressmaking, office work, agriculture, driving).

Of late, the pattern of service for men has been changing in that they are allowed to specialize much earlier. This is to enable them to spend more time working for the Service after their training and before they leave for their employment. Previously, the Service, which had been very short of mechanics, for example, received little help from the technically trained servicemen as they often left for employment soon after training.

As the recruits progress through their basic training, education, and field work, the staff gradually sorts them into streams. The most willing and able get a chance to obtain technical or NCO training; the less able serve out their time as orderlies, guards, etc. About two-thirds receive technical training of some sort. Until recently, a recruit's willingness to undertake to re-enlist for a third year carried weight when candidates for lengthy technical training were chosen. However, the decision has been taken to allow recruits to begin technical training earlier in their service and considerations of a third year of service has been removed from the criteria for entrance into technical training courses.

As a general principle, servicemen and workers are rotated between the Service's camps in different parts of Kenya. Among other things, this helps them to know and understand their own country and its different tribes.

#### SERVICEMEN'S PAY

As uniforms, equipment, accommodation and food are all provided by the Service, there is little need for high pay. Servicemen receive the equivalent of \$2.80 a month and \$1.13 of this is retained by the Service under a compulsory savings scheme for all servicemen. The accumulated savings are paid to the servicemen on completion of their service to help them over the initial period of resettlement into civilian life.

The NYS's budget allows \$56 per head for initial kit and equipment issue and \$28 per head per year for replacement. Food (the servicemen are well fed with a balanced diet) costs 28¢ per head per day.

GENERAL EDUCATION

All recruits receive some education (in English, math, science, civics, history and geography) while in the Service. The wide difference in previous educational experience (from nil to second year secondary education) causes problems. Five streams are formed: A --- no previous education; B --- educated up to Standard 1 - 3; C --- Standard 4 - 6; D --- attempted Kenya Primary Exam (KPE) and failed; E --- passed KPE. When the Service was first formed only 36% of its initial servicemen were literate. With a high demand for entrance into NYA, the Service has been able to be more selective, and the literacy rate of its 1969 recruits force was 78%, the highest rate to date.

The teachers are recruited from Kenya's education system but many find it hard to adapt to adult education and the Service has had difficulty in maintaining its teaching strength. This has led to a wider use of international volunteers.

The Service has a library of 18,000 books which are distributed among libraries attached to all units. Nearly all the books have been donated under external aid schemes, the selection of titles being done by the Service's Education Section.

Previously, education was carried out in several NYS camps but it has now all been centralized at the camp at Gilgil where 30 permanent classrooms and accommodation for teachers have been built.

No educational certificate is given to the servicemen but they are allowed to take the KPE (at their own expense; the fee is 45/-, i.e. \$6.30, for someone who is not at school). Servicemen showing an aptitude for teaching are encouraged and released early to go to Kenya's Teachers Training College.

TRAINING

All recruits receive basic training for their first two months. Although the NYS is constituted as a disciplined force, there is no weapons-training or unarmed combat-training (when servicemen parade, they do so with spades on their shoulders). Basic training consists mainly of marching drill, physical education, care and maintenance of personal equipment, health and hygiene, etc.

All recruits receive agricultural training during their initial training period and some go on to specialize in agriculture. The NYS operates several farms of differing sizes including a 600 acre farm and a 10,000 acre ranch. Although the agriculture practised is basically typical of the area, new crops are experimented with on model farms as a demonstration to surrounding agricultural communities. Increasing attempts are being made to provide food for the servicemen directly from NYS farms but the general rule is for the produce to be sold, with the proceeds going to the Government. These proceeds are included as a revenue item in the Ministry of Labour's budget. Those men and women

who show particular interest and skill in farming are given extra training and responsibilities. It is particularly hard to get the men interested, as some aspects of agriculture are traditionally more a woman's work, however, once it is demonstrated that farming can be quite profitable if done competently, the prejudices tend to disappear. From 1965 through March 1969, 465 NYS servicemen and women received their certificates from the NYS's Farmers Training Centers. It is to be noted that only 3% of the volunteers failed to qualify for this certificate.

Until recently, the NYS ran a heavy plant operators' school (bulldozers, graders, earthscrapers) based on continuing construction projects in the Nairobi Game Park on the outskirts of Nairobi. This training was then supplemented with experience on one of the several major road-building and bush-clearing projects. This school has been forced to close temporarily because of equipment shortages resulting from the excess property equipment reaching the end of its useful life. This field of training has been very popular with the servicemen and many show great natural ability. Some recruits, both men and women, are taught to drive ordinary vehicles (as opposed to heavy plant) and are used as drivers by the Service. They too have good employment prospects and are often hired by the Kenya Government.

The servicewomen receive basic training and most types of their vocational training at their own camp at Naivasha in the Rift Valley. Besides the agricultural and driving training mentioned previously, they are trained as secretaries, storekeepers, clerks, or dressmakers. Some have also trained as motor mechanics or fitters, professions to which heretofore they were excluded. The servicewomen drivers, clerks, storekeepers and secretaries are very important to the administration of the Service. The woman's section of the NYS has been a major source of supply of Kenya policewomen.

The most sophisticated type of vocational training the servicemen can receive is at the Service's Vocational Training Unit (VTU) at Mombasa, situated in a former British naval camp. Although the VTU is run as a regular Service unit (i.e., it is a disciplined camp under a Service Commandant), the technical training side is organized and largely staffed by a Swiss organization, ORT, (the Organization for Rehabilitation through Training) under a contract financed by USAID.

The aim of the VTU is to train the servicemen to preapprenticeship standard (Grade 3 Trade Test). Training is given in masonry, carpentry, electrical installation, motor maintenance, and fitting and turning. The course has been specially designed by ORT for the particular situation of the NYS trainees. There are very carefully worked out lesson plans with a maximum of practical work, a minimum use of non-reusable materials (to keep expense down), a close relating of theory to practice, and the making of useful articles as well as practical exercises. Duplicated lesson notes are given to each pupil to keep. A limited education program, mainly in basic math, is carried out at the VTU in close coordination with the technical courses so that, for

example, trainees meeting a certain calculation in their technical training syllabus will have done that calculation a few days before in their math lessons.

A new intake of about 90 trainees (15 in each field of training) is made every three months. After nine months' training the servicemen take the Government Grade 3 Trade Test and about 70 - 80% pass (about twice the national pass rate). From mid-1966 to March 1969, 448 trainees passed the Grade 3 test. Those who fail go out to the units to work but can sit for the exam again at their own expense.

Until recently, servicemen came to VTU only after they had a minimum of about nine months' service. This meant that by the time they had been trained they had been in the Service for at least 18 months and so could leave if they found employment. Many did and the Service, which was very short of mechanics, etc., got little value out of the men it had trained. Now policy allows servicemen to come to the VTU after four months' service, thus allowing at least five months' post-training work in the Service.

Regular NCO and officer training courses are held and it is possible for a serviceman to rise through the NYS ranks to become a gazetted (salaried) officer. Many of the better officers who reach a gazetted rank make the NYS their career. The pay for NCO grades is: lance-corporal \$4.23/month, corporal \$4.94/month, and sergeant \$5.64/month.

#### STAFFING

The staff is a mixture of salaried gazetted officers, unsalaried NCOs, civilian employees, expert volunteers, and salaried technical advisors supplied by donor countries. The expatriate staff members come from a wide range of countries as a result of a policy of not allowing any one country to have a predominant influence.

The NYS is headed by a National Youth Leader, (a Member of Parliament appointed by the President), whose main task is liaison with Parliament and advising the Minister of Labour as to the exercise of statutory powers under the N.Y.S. Act. The permanent staff of the NYS is headed by the Director, Mr. Geoffrey Griffin\* (who reports to the Permanent Secretary of the Ministry of Labour). The Deputy Director is Mr. S. A. Tongoi and the Assistant Director Mr. W. Itote. In addition, there are 78 other gazetted officers including Commandants of units, Senior Training Officers, Training Officers, Assistant Training Officers, Section Commanders and Section Officers I.

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\* Born 1933 in Kenya, educated in Nairobi, Army 1953-57, Deputy Commander Youth Corps 1955-57, Youth Advisor to the Kenya Government 1957-64, appointed Director of NYS 1964, officially honored by the Kenya Government 1970, chairman and member of several government and civic committees.

Unsalariated NCOs include Section Officers II, Sergeants and Corporals. Servicemen can also become "technicians", which designation carries technical responsibility and authority but no disciplinary authority (i.e., a Corporal is senior to a technician although both are only two steps from the ranks, have the same amount of extra pay and the same number of stripes - although worn in different ways).

The staff of the NYS has grown since its inception - authorized establishment figures for the Service are as follows:

FY 1965 - 21  
66 - NA  
67 - 293  
68 - 331  
69 - 330  
70 - 339

There are over one hundred civilian employees on the staff -- accountants, secretaries, storekeepers, the vehicle maintenance superintendent, mechanics, etc. Expatriate technical assistance is discussed in Section II.C.

#### DISCIPLINE

The NYS treads a cautious middle path between the extremes of rigid military discipline and a free association of people. It is basically a voluntary force in that servicemen are not conscripts; they volunteer to join. They are also free to leave at any time and at least 10% do, either by asking to be released or by deserting. In neither case does the serviceman incur any penalty other than the loss of his accumulated savings. Deserters are not searched for (as Army deserters would be) except to recover from them any supplies they have taken with them and to ascertain why they deserted.

But the force does use discipline. Punishments that can be given to erring servicemen include confinement to barracks, extra fatigues and docking of pay. The most serious punishment is dismissal from the Service but this is rare.

Offenses requiring the more serious punishments (e.g. docking of pay) must be referred to Headquarters for confirmation. An Administrative Officer seconded from the Kenya Police is responsible to the Director for this side of the Service's affairs.

The disciplined nature of the Service has a two-fold purpose. It would be impossible to control and use effectively a large body of men without some system of discipline and order, and the habits of self-discipline, respect, and punctuality, that the recruits learn prove valuable supplements to trade skills when ex-servicemen seek employment.

LIST OF EQUIPMENT REQUIRED

1. Major Roads Unit

a. Isiolo-Moyale Road (Nairobi-Addis road)

- 5 - Trucks cargo, 5 - 7 ton (diesel) 4 x 2 (dual rear wheels)
- 3 - Station wagons, 6 passenger (petrol)
- 4 - Half ton pick up trucks, 4 x 2 (petrol)
- 15 - Trucks, dump, 5 - 7 ton (diesel) 4 x 2
- 4 - Truck Tractors - prime movers (diesel)
  - 1 for 30 ton low bow and 3 for 25 ton semi- 5000 gal. water tanks)
- 4 - Motorized scrapers (621 or equal) 18 cu. yds; 300 hp.
- 3 - Tractors track (D-8 or equal) 270 hp, flywheel
- 2 - Motor graders, 14-E or equal
- 2 - Wheel loaders rubber, 2 cu. yds. bucket - 100 hp.
- 4 - Rollers vibrating self-propelled

b. Kangondi - Kitui, Kangondi - Garissa Roads

- 5 - Trucks cargo, 5 - 7 ton (diesel) 4 x 2 (dual rear wheels)
- 4 - Half ton pick up trucks, 4 x 2 (petrol)

2. Minor Projects Unit

(a) Air Strips Construction

(b) Flood Control

(c) Rural Roads

(d) Rural Roads

Total

2 x 4 - Trucks, flat bed, cargo, 5-7 ton  
diesel, 4 x 2 (dual rear wheels) 8

1 x 4 - Half ton pick up truck 4

5 x 4 - Trucks, dump, 5-7 ton diesel, 4 x 2 20

1 x 4 - Tractor track (D-6 or equal) 4  
120 hp Flywheel

1 x 4 - Motor Grader (14-E or equal) 4

1 x 4 - Wheel loader, rubber, 2 CY., 100 hp 4

1 x 4 - Electric Generating Set, 15 kw, 220 V 4

(e) Bush clearing and Tsetse Control

2 - Trucks (flat bed, cargo) 5 - 7 ton  
diesel, 4 x 2 (dual rear wheels)

2 - Half ton pick up

4 - Tractors track (D-8 or equal) 270 hp FW

3. Camps and Farms Unit

(a) Headquarters Unit (Nairobi)

5 - Station wagons, 6 passengers

1 - Pickup, half ton

1 - Bus, 38 passengers (diesel)

(b) Central Stores (Nairobi) Food-clothing-supplies, etc.

2 - Trucks, flat bed, 5-7 ton

2 - Pickup, half ton

(c) Central Workshops (Nairobi)

2 - Trucks, flat bed, 5-7 tons

4 - Station wagons, 6 passengers

2 - Truck Tractors - prime movers for semi trailers

2 - Pickup, half ton

2 - Trailers, semi, 30 ton

(d) Training Driving School (Nairobi)

7 - Trucks, flat bed, 5-7 tons

1 - Station wagon, 6 passengers

(e) Nairobi Holding Unit (Personnel Depot)

2 - Trucks, flat bed, 5-7 tons

1 - Station wagon, 6 passengers

1 - Truck pick up, half ton

(f) Gilgil Camp and Farm ( Rift Valley Province)

6 - Trucks, flat bed, 5-7 tons

2 - Station wagons, 6 passengers

2 - Pickups, half ton

2 - Buses, 38 passengers

1 - Tractor, agricultural, rubber, 4-5 plough, 70 hp with:

1 - Plough gang, 3-16" 3-point suspension

1 - Drill seed

1 - Cleaner seed (wheat/barley)

1 - Electric Generating Set, 15 kw, 220 V

- (g) Vocational Training Center (Mombasa)
- 4 - Trucks, flat bed, 5-7 tons
  - 2 - Station wagons, 6 passengers
  - 2 - Trucks, pickup, half ton
  - 1 - Bus, 38 passengers
  - 1 - Tractor, agriculture, rubber, 4-5 plough, 70 hp with:
    - 1 - Plough, gang, 3-16" 3-pt. suspension
- (h) Turbo Field Unit and Farm (Western Province)
- 4 - Trucks, flat bed, 5-7 tons
  - 1 - Station wagon, 6 passengers
  - 1 - Truck, pickup, half ton
  - 1 - Tractor, agriculture, rubber, 4-5 plough, 70 hp with:
    - 1 - Plough gang, 3-15" 3-pt suspension
    - 1 - Drill for planting cotton
    - 1 - Electric Generating Set, 15 kw, 220 V
- (i) Yatta Field Unit and Farm (Eastern Province)
- 4 - Trucks, flat bed, 5-7 tons
  - 2 - Station wagons, 6 passengers
  - 2 - Trucks, pickup, half ton
  - 1 - Bus, 38 passengers
  - 1 - Tractor, agriculture, rubber, 4-5 plough, 70 hp with:
    - 1 - Plough, gang, 3-16" 3-pt suspension
    - 1 - Corn planter
    - 1 - Electric generating set, 15 kw, 220 V
- (j) Archer's Post Field Unit (Rift Valley Province)
- 4 - Trucks, flat bed, 5-7 tons
  - 2 - Station wagons, 6 passengers
  - 2 - Trucks, pickup, half ton
  - 1 - Bus, 38 passengers
  - 1 - Electric Generating Set, 15 kw, 220 V

(k) Naivasha Field Unit, Women's Training Unit

- 2 - Trucks, flat bed, 5-7 tons
- 1 - Station wagon, 6 passengers
- 1 - Truck, pickup, half ton
- 1 - Bus, 38 passengers
- 1 - Tractor, agriculture, rubber, 4-5 plough, 70 hp with:
  - 1 - Plough, gang, 3-16" 3-pt suspension
  - 1 - Corn planter
  - 1 - Electric Generating Set, 15 kw, 220 V

(l) Strategic Reserve (Nairobi Pool)

- 3 - Trucks, flat bed, 5-7 tons
- 4 - Trucks, pickup, half ton
- 4 - Trucks, dump, 5-7 tons

NYS EXISTING AND PROJECTED EQUIPMENT FLEET

APPENDIX C  
Exhibit 2  
Page 1 of 4  
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	STAFF CARS	5/7 TON TRUCKS	3/4 TONS (PERSONNEL)	PICK UP 1/ROVER JEEP	BUTTS	FARM TRACTOR	5/7 TON TIPPERS	TRUCK TRACTOR (ARTICULATED)	RECOVERY TRANSFORMER	POWERED SCRAPER	POWERED SCRAPER	TRACTOR DOZER (D8)	TRACTOR DOZER (D6)	GRADER	TRACTOR LOADER	ROLLERS
A. Present Establishment																
1. ORIGINALLY SUPPLIED BY USAID	4	70	17	36	7	5	31	26	7	2	15	27	6	14	8	15
2. ORIGINALLY SUPPLIED BY KENYA GOVT.	-	-	3	7	-	-	-	-	-	-	-	-	-	-	-	-
IEES:																
3. VEHICLES DISPOSED OF OR AWAITING DISPOSAL	2	25	4	13	-	-	14	19	-	2	-	2	5	5	4	3
4. TOTAL VEHICLES IN SERVICE 1970	2	45	16	30	-	-	17	7	7	NIL		25	1	9	4	12
B. REPLACEMENT and ADDITION REQUESTED	-	60	24	34	7	5	39	6	-	4	-	7	4	6	6	4
C. TOTAL PROJECTED ESTABLISHMENT (A, 4 & B)	2	105	40	64	7	5	56	13	7	4	-	32	5	15	10	16
Plus nine 15 Kw generator sets, 2 low bed trailers, 2 anchor chains																

SELECTION OF EQUIPMENT

Equipment requirements were carefully examined with respect to workload, estimated quantities, expected rates of progress. With respect to the movement of earth including cuts, fills, borrows and the placement of selected soils and gravels the accepted standard formulae were used to establish machine productivity, (Production = Load/Cycle x cycles/hour). To illustrate these methods, the following example is provided:

Major Roads Unit

Isiolo - Moyale Road (Nairobi-Addis Road)

MOTORIZED SCRAPERS (4 each)

At a proposed rate of eight miles per month for a road (gravel surfaced) 24 feet wide with 3' shoulders at an average of 25,000 cubic yards per mile a motorized scrapper capacity of 18 cubic yards struck or 22 cubic yards heaped. One cubic yard in the natural or undisturbed state will when disturbed swell 25 or more percent. Therefore the soil in question being very dry will contain only 72% of a cubic yard per carried yard. In other words, heaped volume capacity of the motorized scrapper while rated at 22 cubic yards really is only  $\frac{22}{.72}$  or 15.84 cubic yards - say 16 cubic yards. With balanced cuts and fills one machine making 20 round trips per hour will move 16 yards x 20 trips = 320 cubic yards - 320 yards x 8 hours = 2560 cubic yards. 2560 cubic yards daily x 22 working days = 56,320 cubic yards. 56,320 cubic yards per machine per month x 4 machines = 225,280 yards per month including + 10%.

TRUCKS DUMP 5-7 TON (15 each)

The same factor of 72% of undisturbed to disturbed earth is applied. Therefore, to place the required 3,700 cubic yards per mile of selected bank gravel for wearing and surface of the road @ 8 miles  $8 \times 3,700$  or 29,600 cubic yards, 15 5-7 ton trucks will be required. Each truck with allowances for service and efficiency will place about 100 cubic yards of gravel per day. Haul will be from selected gravel pit to the job site with a maximum haul of not over 5 miles or 50 to 150 miles per day.

WHEELED LOADERS (2 each)

Two rubber tired front end are considered sufficient and appropriate to load these trucks.

Three of the truck tractors will be used to haul 5,000 gallons of water trailer to provide optimum moisture for embankment compaction and for dust control. While the third will power a thirty ton low bed trailer for moving equipment.

MOTOR GRADERS (2 each)

The two motor graders will be used to grade and shape the road as the top layers of fill are placed and compacted and to fine grade the gravel surface as well as maintaining the completed road, service or construction road as well as the camp areas. Motor graders will rough and fine grade on a continuing basis. Broken down into the number of grader passes on the various stages of construction each grader will travel approximately four miles per day and while performing maintenance on finished road will maintain up to 15 miles per day.

VIBRATING ROLLERS (4 each)

The self-propelled vibrating rollers will be used to compact to the required density both the fill and cut areas. Each 8" - 10" of fill will require compaction. If the cuts and fills are balanced, the cut areas will require at least 3 passes while the fill areas will require 15 passes per width of roller or 5 parallel passes per width of the road and shoulders. This will amount to 20 passes on cut areas and 75 passes on the average fill area or 380 to 400 miles per month for the 4 rollers or 100 miles for each roller.

CARGO TRUCKS 5/7 tons (5 each)

The cargo trucks will be used to transport camp and construction supplies from the Central Stores and sub-stores. Central stores are located in Nairobi over two hundred miles to the south.

PICKUP TRUCKS (4 each) STATION WAGONS (3 each)

The pickup trucks and station wagons will be used for personnel, light cargo service and travel to and from NYS Central Headquarters in Nairobi.

	ALLOCATION AND ESTIMATED COST																	TOTAL	FAS PRICE EACH	TOTAL
	HQ	CENTRAL STORES	CENTRAL W/SHOP	LRV SCHOOL	NRU	GILGIL	VTC	TURBO	YATTA	A/POST	NAIVASHA	ADDIS	KITU	MINOR ROADS	BUSH CLEAR	STRAG RES				
TRUCK		2	2	7	2	6	4	4	4	4	2	5	5	8	2	3	60	\$ 10,020	\$ 601,200	
S/RAGON	5		4	1	1	2	2	1	2	2	1	3					24	\$ 3,685	\$ 88,440	
PICK UP	1	2	2		1	2	2	1	2	2	1	4	4	4	2	4	24	\$ 3,084	\$ 104,856	
BUSES	1					2	1		1	1	1						7	\$ 12,412	\$ 86,884	
FARM TRACTOR						1	1	1	1		1						5	\$ 11,100	\$ 55,500	
DUMP TRUCK												15		20		4	39	\$ 11,818	\$ 460,902	
MOTOR SCRAPER												4					4	\$ 57,000	\$ 222,000	
D6 DOZER												3			4		7	\$ 71,000	\$ 524,700 a/	
D6 DOZER														4			4	\$ 28,000	\$ 159,000 b/	
GRADER												2		4			6	\$ 33,500	\$ 201,000	
920 WHEEL LOADER												2		4			6	\$ 21,000	\$ 126,000	
ROLLER 118												4					4	\$ 10,000	\$ 40,000	
GEN SET 15KW						1		1	1	1	1			4			9	\$ 4,600	\$ 41,400	
LOW BED TRAILER			2														2	\$ 13,500	\$ 27,000	
TRUCK TRACTOR			2									4					6	\$ 23,211	\$ 139,266	
																			\$	

a/Includes \$27,700 in accessories

b/Includes \$7,000 in accessories

TOTAL  
20% of shipping & contingency  
Technical Services

\$2,884,148  
576,830  
20,000  
\$3,480,978

National Youth Service: Jan. 1970.

Approximate graph showing wage-earning ability of Ex Servicemen v. Civilians.

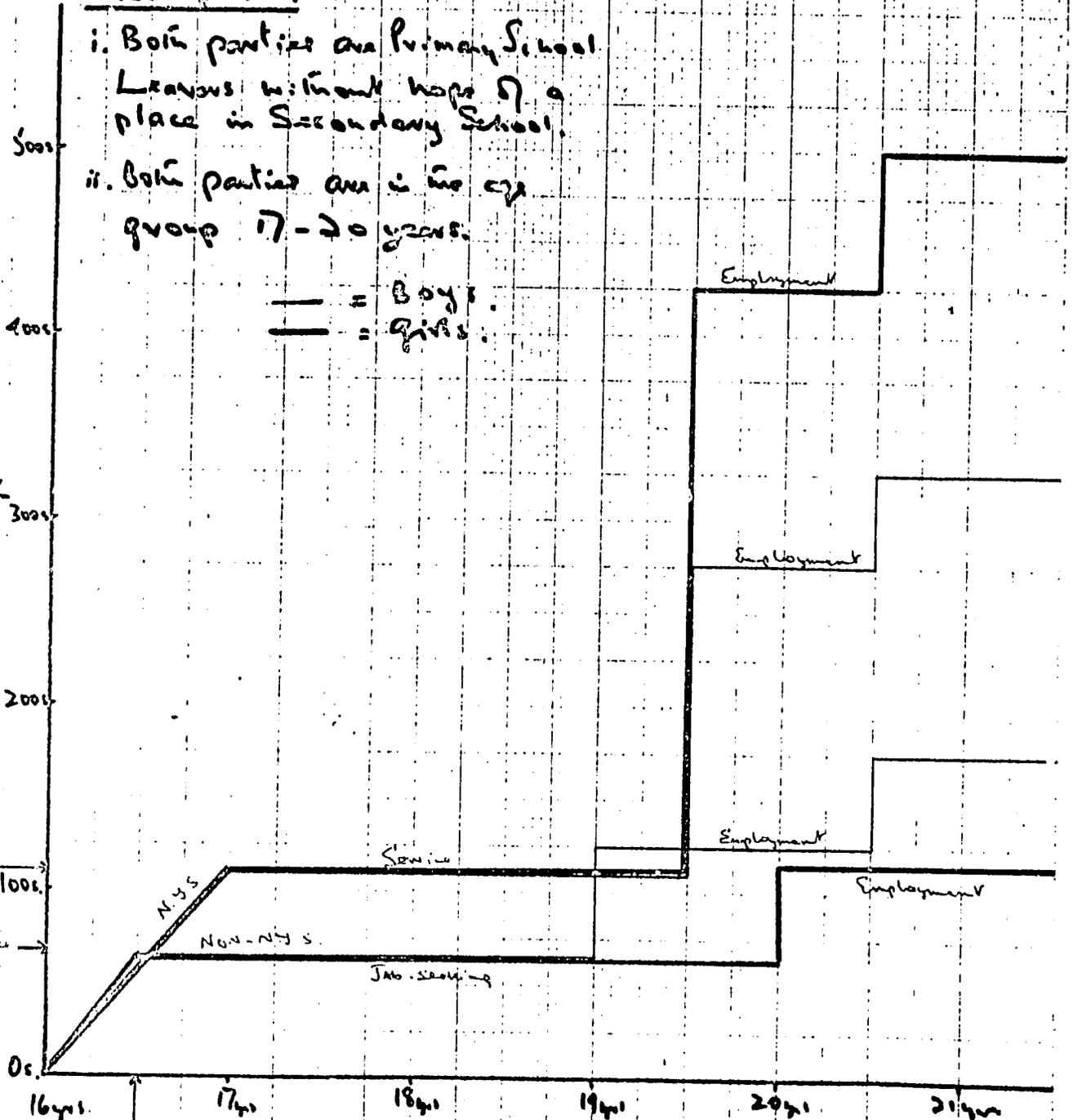
Assumptions:

- i. Both parties are Primary School Leavers without hope of a place in Secondary School.
- ii. Both parties are in the age group 17-20 years.

— = Boys  
— = Girls

Wages.  
Per Week  
SHS.

N.Y.S. Subsistence Level  
Home Subsistence Level



Approximate School leaving age

Age in years.

Note: The Non-N.Y.S. graph is based on non-official estimates.

BENEFITS AND COSTS

AID-DLC/P-904  
 May 27, 1970

Benefits from Training  
 (Incremental Wages Achieved)

a. For 3,000 Volunteer level in NYS

Assuming no increase in number of NYS volunteers, i.e. NYS remains at 3,000 volunteers total force, placing 1014 volunteers/year in paid employment of whom 666 (651 men and 15 women) are in equipment-related employment due to their employment-related NYS experience, each earning \$252 more per year due to NYS training. 20 year work life for men, 5 for women.

<u>Year</u>	<u># of men graduates in employment stream</u>	<u># of women graduates in employment stream</u>	<u>Total</u>	<u>Benefit (Total x252)</u>
1971*	325	8	333	\$ 83,916
72	976	23	999	251,748
73	1,627	38	1,665	419,580
74	2,278	53	2,331	587,412
75	2,929	68	2,997	755,244
76	3,580	75	3,655	921,060
77	4,231	75	4,306	1,085,112
78	4,882	75	4,957	1,249,164
79	5,533	75	5,608	1,413,216
1980	6,184	75	6,259	1,577,268
81	6,184	60	6,244	1,573,488
82	6,184	45	6,229	1,569,708
83	6,184	30	6,214	1,565,928
84	6,184	15	6,199	1,562,148
85	6,184		6,184	1,558,368
86	6,184		6,184	1,558,368
87	6,184		6,184	1,558,368
88	6,184		6,184	1,558,368
89	6,184		6,184	1,558,368
1990	6,184		6,184	1,558,368
91	5,859		6,184	1,558,368
92	5,208		5,859	1,476,468
93	4,557		5,208	1,312,416
94	3,906		4,557	1,148,364
95	3,255		3,906	984,312
96	2,604		3,255	820,260
97	1,953		2,604	656,208
98	1,302		1,953	492,156
99	651		1,302	328,104
			651	164,052
				<u>\$31,347,540</u>

\* 1/2 benefit of 1971 class taken as project benefit as equipment on job only for 1 year of their 2 years. Reflected by adding only 1/2 # of graduates in calculation.

b. For 5,000 Volunteer level in NYS

Assuming increase in NYS enrollment per GOK plans as shown Section II-B of this paper. Other assumptions per a. above obtain.

<u>Year</u>	<u># of men graduates in employment stream</u>	<u># of women graduates in employment stream</u>	<u>Total</u>	<u>Benefit (Total x252)</u>
1971	325	8*	333	\$ 83,916
72	1,085	26	1,111	279,972
73	1,953	46	1,999	503,748
74	2,929	68	2,997	755,244
75	4,013	93	4,106	1,034,712
76	5,097	110	5,207	1,312,164
77	6,181	117	6,298	1,587,096
78	7,265	122	7,387	1,861,524
79	8,349	125	8,474	2,135,448
1980	9,433	125	9,558	2,408,616
81	9,433	100	9,533	2,402,316
82	9,433	75	9,508	2,396,016
83	9,433	50	9,483	2,389,716
84	9,433	25	9,458	2,383,416
85	9,433		9,433	2,377,116
86	9,433		9,433	2,377,116
87	9,433		9,433	2,377,116
88	9,433		9,433	2,377,116
89	9,433		9,433	2,377,116
1990	9,433		9,433	2,377,116
91	9,108		9,108	2,295,216
92	8,348		8,348	2,103,696
93	7,480		7,480	1,884,960
94	6,504		6,504	1,639,008
95	5,420		5,420	1,365,840
96	4,336		4,336	1,092,672
97	3,252		3,252	819,504
98	2,168		2,168	546,336
99	1,084		1,084	273,168
				<u>\$47,817,000</u>

\* 1/2 of 1971 Total Benefit

PROJECT COSTS

There are four types of project costs: the residual value of existing equipment, the cost of the project equipment, the cost of training those NYS volunteers who will be employed in equipment-related jobs (this corresponds to the project benefits of the earnings of such employed ex-volunteers), and the maintenance cost of the project equipment.

1. The residual cost of the 175 items of equipment which will be retained in the NYS' fleet is small. Almost all of this equipment is fully depreciated, but there are some few new items. Assuming a new value of \$1,500,000 for the total fleet, it is generous to assume that the residual value of the whole fleet is 10% of its new value, or \$150,000.

2. The cost of the project equipment, estimated to include the delivered price of the equipment plus contingency, is \$3,500,000.

3. The cost of training those NYS volunteers who will be employed in equipment-related jobs has been estimated by dividing the average number of NYS volunteers over the 1966/67 through 1969/70 period (about 3,000) into the average NYS budget during this same period (\$1,350,000). The average cost per volunteer is \$450 per year. It is assumed that each of the volunteers in this analysis stay in service 2 years. Although the variable cost of additional volunteers is low, this has not been taken into consideration in the part of this analysis dealing with the cost of increased numbers of volunteers, thus this latter analysis is conservative.

4. The cost of maintaining the equipment is taken to be 10% of its value per year over its life. Assuming a value of the residual and new equipment of \$3,650,000, the maintenance costs of this equipment are calculated to be \$365,000 per year.

The above costs are summarized below for a level of 3,000 volunteers and a level of 5,000 volunteers:

Year	1 3,000 Volunteer Level		Project Costs			5	6		7
	a. # Volun- teer in Training*	b. Cost (Col. #1 x \$450)	2 Residual Value Old Equipment	3 Project Equipment	4 Mainten- ance	Total with 3,000 Volunteer Cols. 1b 2, 3, 4	5,000 Volunteer Level a. Volunteer in Training*	b. Cost (Col 5a \$ 450)	Total with 5,000 volunteers (Cols. 2,3, 4 & 6b)
1970	333+ <sup>1/2</sup>	\$149,850	\$150,000	\$3,500,000	\$ 15,000	\$3,814,850	333+ <sup>1/2</sup>	\$149,850	\$3,814,850
1971	666	299,700			365,000	664,700	666	299,700	664,700
1972	666	299,700			365,000	664,700	778	350,100	715,100
1973	666	299,700			365,000	664,700	888	399,600	764,600
1974	666	299,700			365,000	664,700	998	449,100	814,100
1975	666	299,700			365,000	664,700	1,109	499,050	864,050
1976	666	299,700			365,000	664,700	1,109	499,050	864,050
1977	666	299,700			365,000	664,700	1,109	499,050	864,050
1978	666	299,700			365,000	664,700	1,109	499,050	864,050
1979	666	299,700			365,000	664,700	1,109	499,050	864,050
1980	666	299,700			365,000	664,700	1,109	499,050	864,050
						<u>\$10,461,850</u>			<u>\$11,957,650</u>

+1/2 in 1970/71 corresponding to 1/2 exposure to new equipment.

\* Only those volunteers who will go into equipment-related employment included.

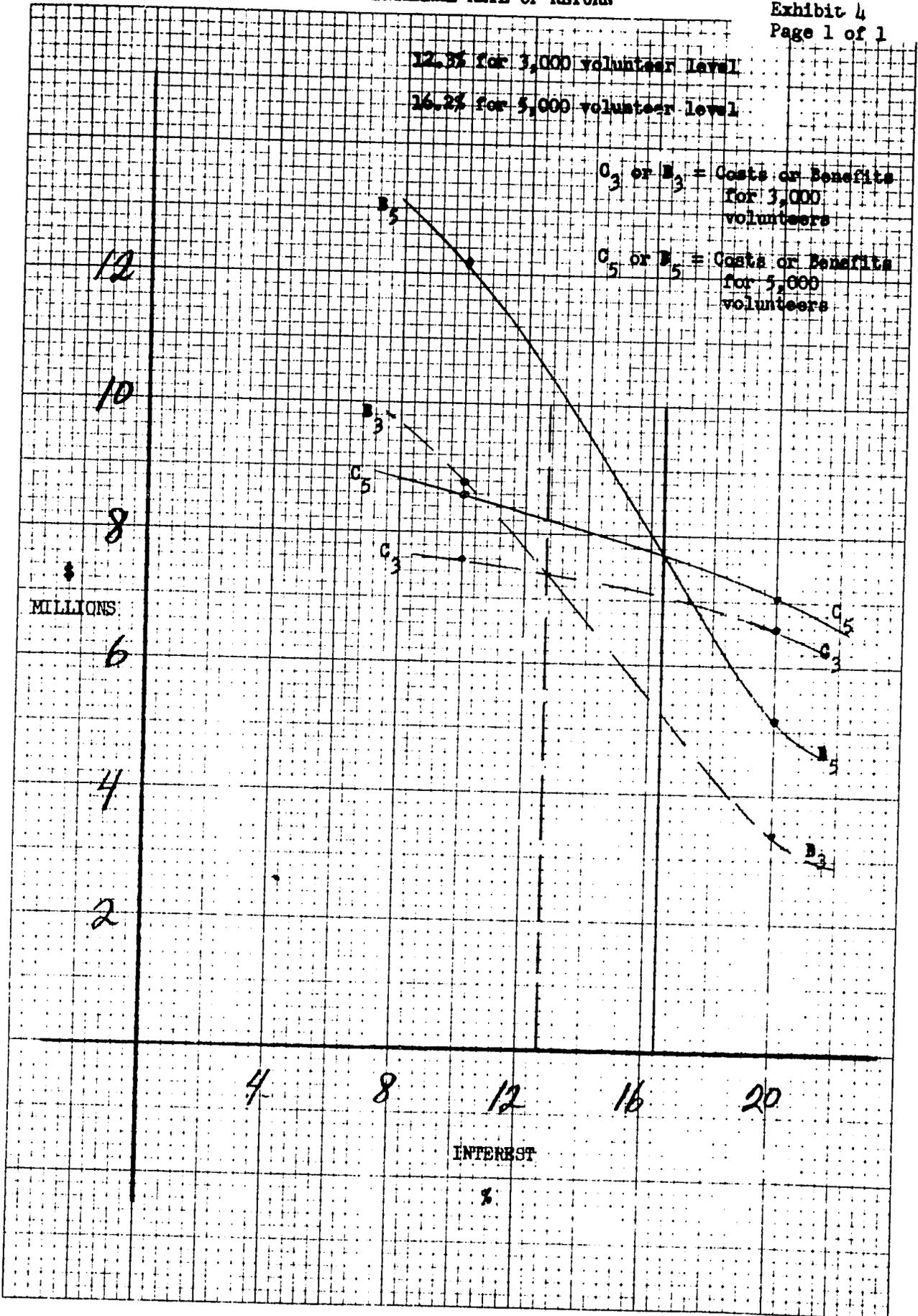
Internal Rate of Return

The costs and benefits as detailed in this Appendix were discounted to their present values using a 10% interest rate and a 20% interest rate. On basis of this analysis two internal rate of return analyses were calculated: a rate of return on the costs and benefits of the project assuming the current total volunteer force of 3,000 volunteers and a rate of return on the costs and benefits of the project assuming a volunteer force of 5,000 volunteers. The result of these analyses is graphically shown on the next page. The internal rate of return for the 3,000 volunteer level is 12.3% and the internal rate of return for the 5,000 volunteer level is 16.2%.

INTERNAL RATE OF RETURN

APPENDIX D

Exhibit 4  
Page 1 of 1



EUGENE DIETZGEN CO.  
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10 X 10 PER INCH

## ANNEX D, EXHIBIT 5

Recurrent expenses provided by the Kenya Government:-	7/64-6	7/65-6/66	7/66-6/67	7/67-5/68	7/68-6/69	Budget: 7/69-5/70
Personal Emoluments	\$270,200	\$ 210,000	\$ 347,200	\$ 347,200	\$ 355,600	\$ 374,640
House Allowances	14,000	11,200	24,304	30,800	22,400	19,600
Passages and Leave Expenses	1,400	1,960	1,360	1,680	1,400	1,120
Maintenance and Running expenses of Vehicles (including workshop equipment and tools)	15,680	18,000	98,000	98,000	100,800	100,800
Maintenance and Running Expenses of plant and machinery on Project	59,500	106,400	98,000	98,000	70,000	86,800
Travelling and Subsistence expenses on duty (including leave for Servicemen)	7,280	16,800	28,000	28,000	32,200	37,800
Food and Fuel	70,924	414,400	338,800	336,000	392,000	336,000
Allowances, National Youth Servicemen	177,638	129,640	181,440	181,440	155,120	151,200
Equipment, Uniforms and furniture	51,800	47,600	56,000	112,000	98,000	61,600
Freight, storage and handling charges.	14,000	5,600	19,600	14,000	14,000	*
Educational and Vocational training materials & equipment	11,200	19,600	22,400	18,200	28,000	*
Maintenance and repairs to buildings and establishing project camps	42,000	84,000	42,000	42,000	22,400	22,400
Farms: purchase of seeds, fertilizer, plant and livestock	8,400	67,200	28,000	19,600	14,000	*
Miscellaneous other charges	9,528	33,600	47,600	42,000	43,400	*
<b>TOTAL</b>	<b>\$753,550</b>	<b>\$1,246,000</b>	<b>\$1,333,304</b>	<b>\$1,368,920</b>	<b>\$1,349,320</b>	<b>\$1,333,720</b>

\* 7/69-6/70 Accounts for these items not comparable.

NATIONAL YOUTH SERVICE PROJECT EXPENDITURES  
From Inception thru December 31, 1969

(U.S. Dollars)

Cost Component	Total	Fiscal Years					
		1965	1966	1967	1968	1969	1970 (Thru 12-31-69)
Contract Services (1)	479,058.18	-	11,154.68	133,460.14	123,583.08	148,523.99	62,336.09
Consultant(2)	6,122.74	-	-	-	6,122.74	-	-
Participants(3)	15,910.47	1,857.10	9,870.87	4,170.60	-	11.90	-
Commodities (4)	2,340,025.70	787,465.19	867,741.25	340,776.51	227,576.36	98,677.98	17,788.41
Technicians Costs(5) (Direct-hire U.S.)	36,999.83	16,779.51	20,220.32	-	-	-	-
Other Costs (6)	26,173.94	2,371.59	2,766.03	12,008.00	2,099.84	6,653.23	270.25
Sub total	2,904,290.86	808,473.39	911,753.35	490,415.25	399,382.02	253,872.10	80,394.75
PL 480 Title II Commodities(7)	624,750.00	208,500.00	305,250.00	-	111,000.00	-	-
Ocean Transportation	114,841.09	34,841.09	45,000.00	-	35,000.00	-	-
Sub total	739,591.09	243,341.09	350,250.00	-	146,000.00	-	-
Grand Total	3,643,881.95	1,051,814.48	1,262,003.35	490,415.25	505,382.02	253,872.10	80,394.75

- (1) Contract World ORF Unit operating Vocational Training Center
- (2) Participating Agency (G-1) technician to advise on Inventory Management and Warehousing.
- (3) Five Participants - 8 for Youth Leadership Training Course and 1 for Observation Tour.
- (4) Includes clothing, camp supplies and equipment, light and heavy equipment and machines and vehicles.
- (5) Direct hire U.S. technicians Costs (L. Fallon)
- (6) Local travel of direct hire technicians, invitational travels, trips to Tokyo & Frankfurt by various AID and GOK officials, physical inventory of NYS equipment etc.
- (7) Includes Wheat Flour, Wheat Corn, Bulgur, Non-fat dry Milk, Corn-Soy Milk and Vegetable Oil.

### 1. Vocational Training Center

A contract with the World ORT Union is supplying a seven-man team to organize a vocational training center in Likoni. These men are instructing servicemen in masonry, carpentry, electricity, welding, auto mechanics and machining. The target is 500 graduates every eighteen months.

Cost of contract: \$810,000

### 2. Commodities

\$2,437,000 worth of U.S. commodities have been granted to the NYS. The major commodity inputs have been as follows:

#### (a) PL 480 Food:

2,552 tons of maize, bulgur, flour, milk, oil, beans and CSM worth \$739,600,000 have been granted. The last input was made in fiscal year 1968.

#### (b) New machinery:

Ninety-two items, including dump trucks, school buses, flatbed trucks and carryalls worth \$375,000.

#### (c) Excess property machinery:

Four hundred items, including D-8 tractors, jeeps, road rollers, motor graders, generators, mobile workshop, trucks (varied) fork-lifts, trailers, compressors, etc., worth \$950,000.

#### (d) Miscellaneous items

Clothing, tents, tools, spare parts, bedding etc. worth \$750,000

### 3. Participants

Nine Kenyans were sent to the U.S.A. for leadership training for the NYS program. The cost was \$16,000

### 4. Miscellaneous

A warehousing consultant was supplied in 1967 to rationalize NYS supply control difficulties. In addition, a direct hire technician worked full time in FY 1965 and FY 1966 on NYS matters. In late 1968 a complete inventory of NYS equipment and its use was made by USAID and a locator system instituted.

May 27, 1970

COUNTRY ECONOMIC SITUATION

The GDP of Kenya grew at the impressive rate of 6.3% annually over the past five years. In spite of an annual increase in population of approximately 3.3%, real per capita income grew at a respectable 3% annual rate. This compares favorably with the 2.5% annual growth in per capita income for developing countries as a whole. Kenya's new 1970-1974 Development Plan projects an annual output expansion of 6.7% over the next five years. The October 22, 1969, IBRD/IDA report AE-60, "Economic Development Prospects in Kenya", concludes that the macro-economic projections of the Development Plan are reasonable. The IBRD/IDA report projects a 6.4% growth in GDP annually. In 1967, an economic mission from the Bank analyzed the 1966-1970 Development Plan and concluded that it was sound and realistic. Differences between the 1966-1970 Development Plan projections and actual performance are so small when compared with likely errors in the accounts themselves that they are not significant.

In order to achieve the Bank's projected 6.4% annual increase, a gross capital inflow of KSh222 million over the five-year period would be required. Of this foreign exchange gap, KSh100 million would be financed by private equity capital and supplier's credits; and the balance of KSh122 million, through public lending. Of the private sources, KSh44 million would come from supplier's credits and KSh56 million from equity capital. Of the public sources, KSh44 million would be on commercial terms and KSh78 million, on concessional terms. The Kenya Development Plan projects a balance of payments gap of KSh270 million for 1970-1974. Table A presents a comparison of the IBRD/IDA and Development Plan projections in KSh millions.

TABLE A

	<u>Plan Projections</u>	<u>IBRD/IDA Projections</u>
	(Millions KSh)	
Commodity exports	532.4	520.7
Commodity imports	-883.1	-817.1
Trade Balance	<u>-350.7</u>	<u>-297.0</u>
Exports of services	366.2	347.8
Imports of services	-176.1	-124.2
Balance of Services	<u>190.1</u>	<u>223.6</u>
Net factor payments	- 50.9	- 91.1
Net transfers	27.0	21.9
Current Balance of Payments	<u>-184.5</u>	<u>-142.6</u>
Amortization of existing capital	- 75.0	- 68.1
Amortization of new debt	<u>- 11.0</u>	<u>- 11.3</u>
Total Gap to be Financed	-270.5	-222.0

(KSh1 = \$2.80. The Kenya currency was not devalued at the time British pound sterling was reduced to £1 = \$2.40.)

The comparison reveals that the Development Plan anticipates a higher value of commodity imports and imports of services than does the IBRD/IDA. The magnitude of capital required from external sources is similar. Although imports into Kenya have been increased in magnitude, the foreign exchange reserves have also been increasing and now equal over five months' imports. The reserves equalled an average of 3.7 months' imports during 1964-1968. The foreign exchange reserves increased from K£36 million in March, 1968, to K£64 million in October, 1969. Although Kenya's current account balance-of-payments has moved from a surplus to a deficit, and that deficit is likely to grow over the next five years, it is not likely to be an effective constraint on growth unless the external sources of capital become restricted. Table B illustrates the balance-of-payments trend on current account in K£ millions, as projected by the Development Plan.

TABLE B

	<u>1964</u>	<u>1968</u>	<u>1974</u>
Exports of Goods & Non-F actor Services	119.8	134.7	215.1
Import of Goods & Non-F actor Services	<u>105.0</u>	<u>149.5</u>	<u>245.9</u>
Balance of Goods & Non-F actor Services	14.8	- 14.8	- 30.8
Net Factor Payments	- 7.1	- 7.1	- 8.3
Net Transfers	<u>9.8</u>	<u>5.7</u>	
Balance of Payments on Current Account	17.5	- 16.2	

The total government budget over the years 1969-1974 is expected to be K£720 million. During the period 1964-1969, the budget was K£430 million. The five-year development budget will be K£180, as compared with K£87 million during the past five years. Table C indicates the 1967/68 budget in K£ millions.

TABLE C

Current Revenue	73.78
Current Expenditure	<u>66.68</u>
Current Surplus	7.10
Capital Revenue	<u>5.42</u>
Balance	12.52
Capital Expenditure	-27.30
Overall Deficit	-14.78
Financed by: Internal Grants & Loans	8.56
External Grants & Loans	7.87
Increase in Cash Balance	<u>1.65</u>

Kenya's total external public debt was U.S. \$408 million at the end of 1968, including amounts undischursed. This figure includes the approximately \$65 million which is Kenya's share of the East African Community debt. Service payments on external public debt have increased

by about fifty percent since 1963, but the debt service ratio has remained about 5% because of the expansion in export earnings. Over recent years, the amounts of privately held debt have decreased while there has been an increase in debt to multi-lateral organizations (particularly IDA) and to foreign governments (particularly the UK). Kenya's present debt situation is very favorable since almost 50% of present debt outstanding is due to be amortized by 1980. Table D details Kenya's external Public Debt, excluding Kenya's share of East African Community Debt.

TABLE D  
KENYA EXTERNAL PUBLIC DEBT OUTSTANDING  
BY TYPE OF CREDITOR

Type of Creditor	Debt Outstanding (Including Undisbursed)						
	Beginning of period - thousand US\$						
	1963	1964	1965	1966	1967	1968	1969
1. Privately held debt	85,464	83,068	79,458	79,362	85,281	70,442	65,811
2. Loans from International organizations	13,999	13,997	20,633	22,928	29,180	35,785	51,227
of which:							
a) IBRD	13,999	13,997	13,333	12,628	11,880	7,286	6,328
b) IDA	-	-	7,300	10,300	17,300	26,200	42,600
3. Loans from Governments	111,939	160,914	148,365	176,088	194,163	220,585	226,114
of which:							
a) United Kingdom	97,658	146,633	138,790	155,319	163,495	182,518	181,123
b) United States	-	-	2,200	13,474	17,903	17,056	16,520
c) West Germany	14,281	14,281	7,375	7,295	12,218	11,824	12,169
4. Total External Public Debt Outstanding	211,402	257,978	248,457	276,378	308,625	326,814	343,152

Note: 1. Data relates to debt outstanding including undisbursed at the beginning of the period.

2. Excluding Kenya's share of East African Community Debt.

SOURCE: IBRD

Kenya's foreign capital inflow was on very favorable terms during 1965-67: 33% was provided through grants, and 42% was provided through concessional loans of 3%-or-less interest. The Development Plan envisages a greater reliance on private equity capital inflows and suppliers' credits. As a result, Kenya's debt service ratio will rise to about 10% in 1974 because of the significantly harder terms of such external financing. If the capital repatriations which would arise from private equity investment are also taken into account, the total claim on foreign exchange earnings would be approximately 15% in 1974. Continued dependence on external capital on such hard terms would place a growing debt burden on the Kenya economy, implying a debt service ratio of 14% in 1985, or about 20% of foreign exchange earnings if private capital repatriations are included. Because of Kenya's relatively low per capita income, concessional and other lending from public institutions is necessary. If Kenya is forced to rely to an even greater extent on private external financing, debt servicing could become a serious constraint.

Kenya's economy is basically healthy. There are, however, certain problems. One is the rapid rate of population growth, which negates approximately half the economic growth. A second problem is urban unemployment resulting from the accelerating rural-to-urban drift. There is the problem of unequal distribution of income. The educational system requires a greater orientation to vocational needs and skills. There is friction between the various tribes. On the other hand, there are very many positive indicators which overshadow Kenya's problems. Although Kenya is still a relatively poor country, it is amply endowed with physical resources for agriculture and tourism. Its economy is already fairly well diversified, both within and without agriculture. The Development Plan wisely notes that agriculture will have to employ twice as many people in 30 years' time as it does today if the problem of unemployment is not to worsen. Major emphasis is placed on rural development. The Kenya economy has shown a high real growth in per capita output over the past five years. Savings are high and have been supplemented by a substantial flow of capital and technical assistance. The public finances are soundly managed, and the foreign exchange reserves are healthy. There has been political stability to date, and a good climate for continued private investment. Prospects for expansion of economic output at a 6% annual rate are excellent.

## MISSION DIRECTOR'S 611(E) CERTIFICATION

I, Harold D. Snell, Director of the U.S. AID Mission to Kenya acting on expert advice, do hereby certify that on the basis of the National Youth Service's (1) operation and maintenance of equipment supplied under the AID Excess Property program, (2) its current training and maintenance facilities for heavy equipment, and (3) the planned program for financing maintenance and replacement of heavy equipment, the National Youth Service has, in my judgment, the capability and shall have the resources to soundly operate and maintain equipment procured under the proposed loan. The National Youth Service has had a particularly difficult challenge in operating and maintaining surplus equipment, much of which was fully depreciated and in many cases obsolete prior to 1965-66, during which most of the excess property equipment was supplied. It is my judgment that the equipment proposed under the loan being in current production and use, will be far easier to maintain in that spare parts will be far more easily available to the National Youth Service. I believe the National Youth Service should be able to operate and maintain the proposed equipment well within its stride.

/s/ Harold D. Snell  
Harold D. Snell, Director

Date 17 Feb. 1970

Project No.  
A.I.D. Loan No. 615-H-005  
AID-DLC/P-904/A Draft

Capital Assistance Loan Authorization

Provided from: Development Loan Funds  
Kenya - National Youth Service

Pursuant to the authority vested in the Administrator of the Agency for International Development (hereinafter called "A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title I, the Development Loan Fund, to the Government of Kenya ("Borrower") of not to exceed \$3,500,000 to assist in the foreign exchange costs of equipment procurement for use by the National Youth Service. This loan is subject to the following terms and conditions:

1. Interest Rates and Terms of Repayment.

Borrower shall repay the loan to A.I.D. in U.S. dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. interest at the rate of two percent (2%) per annum during the grace period and three percent (3%) per annum thereafter.

2. Other Terms and Conditions.

- a. Equipment financed by the loan shall be of United States source and origin.
- b. The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Assistant Administrator for Africa

\_\_\_\_\_  
Date