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OPPORTUNITIES FOR RURAL MARKETING AND INFRASTRUCTURE DEVELOPMENT IN WESTERN KENYA

UNIVERSITY OF WISCONSIN MADISON

REGIONAL PLANNING AND AREA DEVELOPMENT PROJECT
INTERNATIONAL STUDIES AND PROGRAMS

CONSULTING REPORT NO. 3

December 1979

OPPORTUNITIES FOR RURAL MARKETING AND INFRASTRUCTURE DEVELOPMENT IN WESTERN KENYA

Regional Planning and Area Development Project
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Prepared under Contract No. AID/DSAN-C-0060

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PREFACE

The enclosed report presents the findings and recommendations of a team from the University of Wisconsin-Madison Regional Planning and Area Development Project that visited Kenya in November, 1979. The original purpose of the visit was to assist the U.S. Agency for International Development Kenya Mission in the revision of their Project Identification Document (PID) for a Rural Market Centers Project and to draft a scope of work for a project paper design team. Due to last minute changes in the mission's thinking about the project some adjustments were required in the team's work plans. However, for reasons discussed in the introductory section of this report, the main focus of the team's investigation remained on the issues which had led to the need to reconsider the original PID.

The Wisconsin team was funded under the Area Development Contract that the University of Wisconsin has with the Bureau of Development Support, Office of Rural Development and Development Administration (DS/RAD) of USAID/Washington (Contract No. AID/DSAN-C-0060).

The members of the team were:

Dr. Caj Falcke, Senior Associate, Dornbush and Co., Economic Consultant, San Franscisco, California (economics and marketing)

Dr. Rodney Erickson, Associate Professor, Pennsylvania State University (spatial sy tems and economic geography)

Dr. Concepcion Lee, Project Specialist, The University of Wisconsin-Madison (social anthropology)

Ms. Laurie Cohen, Project Specialist, The University of Wisconsin-Madison (agricultural economics)

Under the cooperative mode of the Area Development Project administration with DS/RAD/W, Mr. Peter Little, an economic anthropologist on the DS/RAD staff, participated in this task as a member of the team.

The undersigned acted as team leader. In that capacity I assigned all work tasks, reviewed work programs and progress reports. As co-author-editor of this final report, I bear sole responsibility for its contents.

Leo Jakobson
Professor of Planning and
Co-Director, Regional Planning
and Area Development Project
University of Wisconsin-Madison

I. INTRODUCTION

The Project Identification Document (PID) for the Rural Market Centers Project submitted by the Kenya mission in the spring of 1979 was not approved in Washington for the following reasons:[1]

(1) The PID did not convince that project inputs would produce intended results.

(2) The narrow focus on market facilities caused concern that an adequate understanding of the full range of economic and social factors was not certain to be reflected in a project paper.

(3) Clarification was needed to show project relevance to improving incomes and generating off-farm employment.

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1. Extracted from PID review documents.

(4) The dynamics of the marketing process should be better described and should include the respective roles of the private sector, parastatals, and government activities; opportunities should be identified to enhance private entrepreneurial and commercial forces.

(5) The impact of national pricing and procurement policies on smallholder marketing was not stated, albeit emphasis was put on the need to restructure the National Maize Board.

(6) The linkage was not shown between proposed physical facilities and desired changes in rural marketing and social services.

(7) Methods for constructing and maintaining proposed facilities were left unspecified as were the means for the market centers to financially sustain not only services but also social viability.

(8) A large portion of proposed funding would support centralized activities, e.g., the technical assistance provisions for spatial planning.

(9) The institutional context of the proposed interventions was not clear; in particular the roles of District Development Committees and Harambee Committees were not explicitly stated.

It is important to note that the idea of a rural marketing and infrastructure development project was not rejected per se. In a subsequent exchange of cables and letters between the Kenya mission and Washington it was agreed that a team from the University of Wisconsin Regional Planning and Area Development Project would go to Nairobi to review the issues raised during the PID review, provide analyses, materials, and recommendations to the mission for the preparation of a revised PID, and draft a scope of work outline for a project paper design team (Annex A).

After initial agreement had been reached on the composition of the Wisconsin team and the timing of its visit, the mission notified Washington by cable on October 16, 1979 about significant changes in its thinking in regard to the Rural Market Centers Project's organization. The Wisconsin team received a copy of this cable on October 17.

Specifically, in the cable the mission proposed that the Rural Market Centers Project be combined with a Food Crops Storage Project that was being designed by Development Planning and Research Associates, Inc. (DPRA), a consulting firm from Manhattan, Kansas. The mission cable indicated that generally the Wisconsin team's focus of writing a scope of work for the PP design team and its terms of reference were appropriate to the task. But in light of the changes in project design, the mission requested that the team expand the terms of reference to reflect the storage aspect and the fact that the DPRA would assist the mission in PP preparation.

In addition, it was suggested that the spatial planning component in the original PID be incorporated into a proposed Rural Planning Project II (615-0189), which would continue to provide technical assistance to the Rural Planning Division of the Ministry of Economic Planning and Community Affairs. The cable stated that the Wisconsin team, while generally considering spatial planning in relation to the market centers project, would be required to advise USAID and GOK about government spatial planning needs and how they can best be met under the Rural Planning Project.

The mission saw the Wisconsin team (1) working closely with DPRA in defining parameters of the one follow-up project, including expanding and revising the scope of work, and (2) working closely with USAID in developing a new PID. The cable ended with the statement that the mission assumed that the Wisconsin team would have no trouble with the revised scope of work, as it saw the revisions as having no substantive effects on the basic purpose and expected input/output of the team's visit.[2]

The Wisconsin project management group reviewed the proposed changes at its meeting on October 19. The group decided that no changes in team composition were required because the issues to be reviewed and analyzed remained the same irrespective of how the projects were packaged.

Upon arrival in Nairobi, the team was briefed by the mission project committee and its chairman, Dr. Charles T. Hash; met with the Permanent Secretary of the Ministry of Economic Planning and Community Affairs, Mr. Harris Mule; and was introduced to the members of the DPRA team. The Wisconsin team assessed the content and materials received during these briefings, in particular Mission Director Roame's letter of October 18, 1979 to the GOK ministries informing them about the intended project changes (Annex B); Dr. Hash's memorandum of November 1 on "Committee's Expectations" (Annex C); and DPRA's technical proposal for their study. This assessment led to the following conclusions:

(1) The modifications in project element packaging did not change the need to examine the marketing centers development proposal from the perspective outlined in the original scope of work.

(2) The technical aspects of the Food Crops Storage Project were covered in the work done by DPRA; therefore the Wisconsin team would focus only on the systemic and administrative implications resulting from merging the crop storage and market centers projects.

(3) Due to the facts that the mission decided to merge the two projects only very recently, that no convincing rationale had been presented for combining the projects, and that it was apparent the merger had not been discussed in detail with Kenyan offi-

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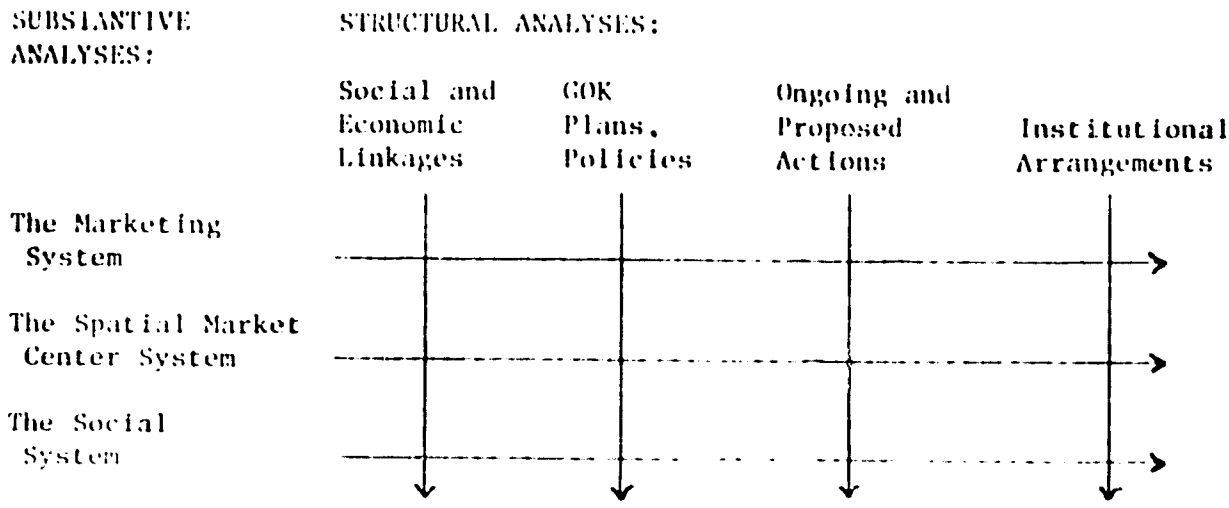
2. Excerpt from Kenya mission cable, Nairobi 18354, October 16, 1979.

cials,[3] an "open-ended" approach to project design should be pursued in order to allow for maximum flexibility for a later decision by the mission on the most appropriate manner to combine project components.

After these conclusions were reached, the following analytic framework was established:



According to this framework, the following work assignments were made:

Dr. Erickson: The spatial market center system

Dr. Falcke: The vertical dimensions of the marketing system

Ms. Cohen: The horizontal dimension of the marketing system

Dr. Lee: The social system

Mr. Little: The ongoing and proposed interventions

Prof. Jakobson: The institutional arrangements

Dr. Erickson interacted with Drs. Falcke and Lee on the linkages between the spatial, marketing, and social systems. Similarly, Dr. Lee and Ms. Cohen looked at the linkages between the social and marketing systems.

3. This conclusion, originally based on the lateness of the mission director's letter and on Mr. Mule's remarks during the briefing on November 1 that it was premature to discuss the spatial dimension of market centers as part of a second rural planning project, was corroborated during visits with Mr. Muthama, who said that he had heard about the letter but had not yet seen it (November 9) and by Mr. Ligale who had seen the letter but informed us that it had not been discussed (November 13).

Mr. Little and Prof. Jakobson paid particular attention to the opportunities for coordinating and integrating various interventions in the western region and the institutional issues involved in such coordination. Needless to say, all members kept GOK plans and policies as a constant frame of reference in their respective analyses.

The aforementioned conclusions, the analytic framework for the team's approach, and the work assignments were presented to the mission's project committee on Monday, November 5. At this meeting, Prof. Jakobson in particular stressed the need for an open-ended and flexible approach in the team's work in order to provide the mission with multiple opportunities to package its projects in different combinations. As there was no feedback to the contrary, the team proceeded along the lines proposed. The results of the investigation are presented in the following sections of this report.

Because of the proposed flexibility in combining components into a project and for the reasons expressed in the service center hierarchy analysis, we have suggested that the project be identified as the Rural Marketing and Infrastructure Project (RMIP). This designation makes it clear that in its spatial dimension the project is not tied to a specific level in the established hierarchy. Indeed, we have proposed that the concept of the hierarchy should be reexamined, in particular as it applies to Western Kenya.

II. PROJECT SUMMARY

The purpose of the Rural Marketing and Infrastructure Project (RMIP) is to increase the per capita income of smallholders by enhancing their access to basic services through the production of financially and socially viable marketing facilities and related services at appropriate strategic locations and by improving on- and off-farm crop storage. This will be accomplished by:

(1) Utilizing a spatial framework to identify appropriate locations in Western Kenya (i.e., Nyanza and Western provinces) where investments will be made to improve smallholder access to markets and marketing, storage, water, and sanitary facilities; and, where feasible, other social service facilities (health, etc.).

(2) Strengthening extension services in the area of marketing.

(3) Increasing and improving the planning, programming, and evaluation capabilities of provincial and district level officials.

As a result of our analyses and in line with our concept to provide for flexibility in the selection and combination of project components, we identified a general project framework, consisting of seven possible components:

(1) A spatial planning training component to provide for training at three levels:

(a) district level on-the-job training in project planning;

(b) regional (or provincial) level on-the-job policy planning; and

(c) academic training at the Urban and Regional Planning Department of the University of Nairobi.

(2) An extension delivery component focusing on services to retailers and members of the rural market committees.

(3) A mobile farm products collection systems component.

(4) A marketing infrastructure construction component.

(5) A crop storage component.

The diagrammatic illustration on the next page indicates how these components interrelate and the possible range of combinations. Components 1A, 1B, 2, and 4 are considered one basic project module (A). Similarly, component 5 is a basic module (B). Components 1C and 3 are considered supplemental modules (C,D).[4] Thus the options are as follows:

(1) A + B + C + D

(2) A + B + C

(3) A + B + D

(4) A + B

(5) A and/or B as separate projects with or without supplemental modules.

The following summarizes the main features of each project component.

Spatial Planning

The objective of the spatial planning component is to develop regional, provincial, and district level planning, programming, and evaluation

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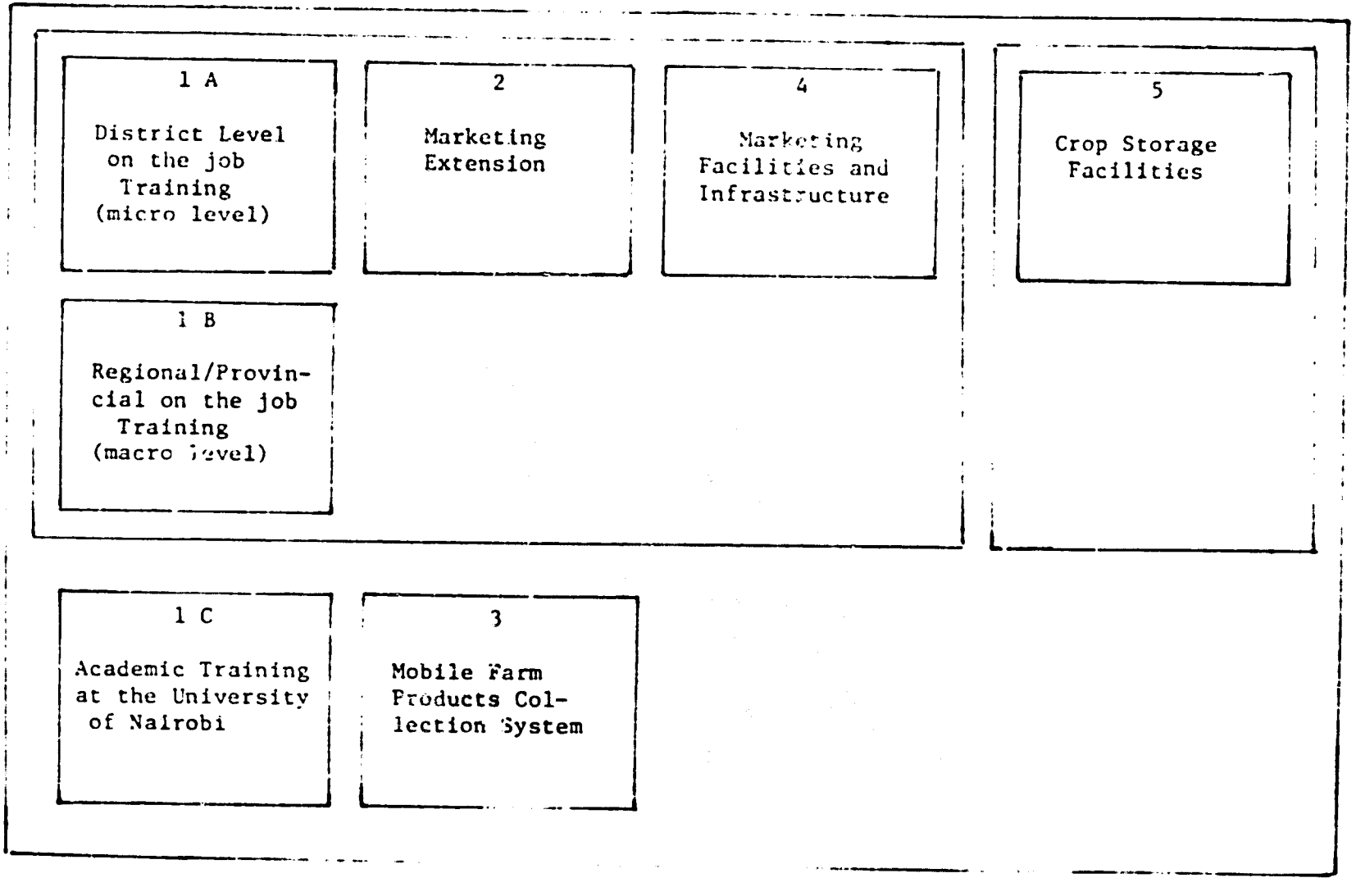
4. A basic module is a project component or a set of components of such characteristics that they can be considered as separate projects; the supplemental modules cannot.

RURAL MARKETING AND INFRASTRUCTURE PROJECT



capacity for the formulation of a spatial development framework for various intervention programs in Western Kenya. Therefore it is proposed that the project fund over a three-year period:

(1) Two resident advisor positions, one in regional/spatial policy planning and one in project planning and evaluation, to be stationed in Western Kenya;

(2) An intensive, curricular type on-the-job training program over the three-year project life span, leading to a certificate in planning and utilizing the various RMIP components as tasks in the training process;

(3) Short-term study tours to other developing countries and/or short-term specialized courses at overseas training centers for key participants in the training program, e.g., district development officers and planners;

(4) The preparation of training materials and the establishment of a training operations center at Kisumu or Kakamega;

(5) The development of staff capacity and a rural planning option at the Urban and Regional Planning Department of the University of Nairobi to double the current number of Kenya graduates.

Marketing Extension Services

This component will provide extension services to shopkeepers and members of the rural market committees. It will address the supply constraints at the wholesale and retail (duka) levels already located in Western Kenya. This component also should include formation of retailer cooperatives for purposes of bulk transport and concentrated buying.

Mobile Farm Products Collection System

The development of mobile collection facilities at the market center level is intended to make board committees (e.g., maize, cotton, etc.) more accessible to the smallholder. This component must include appropriate extension services and technical assistance to assure improved market access for the smallholder in remote and/or isolated locations.

Marketing Infrastructure

This component provides funding for the construction of basic market and service facilities, as deemed appropriate at selected strategic locations. Facilities could include product storage, water supplies, sanitary facilities, and health/social service facilities.

Crop Storage

This component provides for constructing food crops storage facilities both for on-farm and community level crop storage as proposed by DPRA.

As shown in the preceding diagram, several options could be followed. One option would include only those elements originally envisioned as part of the Rural Market Center Project (i.e., training at regional and district levels; extension services; construction of marketing facilities). The Crop Storage Project could be kept separate or both projects could be combined. The proposal to include an academic training option in the project was based on the desirability of strengthening Kenya's institutional planning capacity and increasing the flow of locally trained individuals into the planning process at all levels of government. The mobile collection services component is included as an innovative and experimental component, yet one which is seen as having the potential to be extremely beneficial to smallholders in light of the analysis of local conditions in Western Kenya.

III. PROJECT DESCRIPTION

A. GOVERNMENT OF KENYA PERSPECTIVE

The Government of Kenya in its most recent Development Plan (1979-1983) continues to foster the goals it has set since Independence in 1963. These goals include "political equality, religious freedom, social justice, freedom from want, ignorance and disease, human dignity including freedom of conscience, equal opportunity for all citizens, and high and growing per capita income equitably distributed."[5] The same plan states the basic principles that guide the development process in Kenya: (1) widespread participation; (2) diversity of organizational forms and

5. Government of Kenya, 1979-1983 Development Plan, p.1.

incentives; (3) government participation; and (4) mutual social responsibility.[6]

The GOK further states in its strategy for development that poverty has several dimensions, among which insufficient income, malnutrition, and inadequate standards of living are dominant. The alleviation of poverty is the main theme expressed in the GOK IV Plan to be pursued along four fronts: (1) the creation of income earning opportunities; (2) the improvement of expenditure patterns; (3) the provision of other basic needs such as nutrition, health care, basic education, water, and housing; and (4) institution building. Greatest weight, the plan continues, will be given to three mutually related efforts: (1) capacity utilization; (2) employment creation; and (3) rural development.[7]

Actions to pursue in order to achieve these goals include increasing land use and land development; developing appropriate technology; smallholder development; upgrading arid and semi-arid land use; comprehensive programs designed to improve the local welfare and living standards of the poor majority; marketing incentives; increased access to land; and land-based employment.[8] The Rural Marketing and Infrastructure Project has been formulated in view of this development strategy.

An underlying feature of the Kenyan plans since 1970 has been a spatial development strategy which seeks to reduce the disparity between the country's urban and rural areas and inequalities between regions in order to achieve a more equitable pattern of national growth. The GOK's establishment of a hierarchy of centers with various facilities was intended to institute "...a comprehensive approach to rural transformation which would include short term measures to promote agricultural productivity, a fundamental strengthening of the rural education system...and investments in the public sector and in private farming with long term effects on agricultural planning."[9] Rural development was envisioned as an integral part of national development, as rural areas contain 98% of the land resources and more than 90% of the population in Kenya.

In the elaboration of Kenya's spatial development strategy, "rural growth centers" were designated as foci of trade, social services, and communication for surrounding smallholder farmers that would significantly alter migration patterns and provide more even development on a national scale. These centers could facilitate the exchange of locally produced goods on a wider scale and increase rural smallholders' access to social, health, and other services. The improved quality of life in rural areas would

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6. Government of Kenya, 1979-1983 Development Plan, p. 1-2 .

7. Ibid., p. 11 .

8. Ibid., p. 211-212 .

9. Government of Kenya, 1970-1974 Development Plan .

induce greater agricultural productivity, provide expanded markets for urban industrial production, and generally serve to better integrate the national economy. The spatial hierarchy of service centers continues to exist in the current development plan. The RMIP will take this scheme into account and establish criteria for siting increased services and upgrading market facilities in the designated project area.

In the GOK development process, priority is given to establishing a responsive and well integrated market system. Farmers will increase agricultural production and modify production patterns to include cash crops with higher market value only when they are assured of outlets for new and increased output and of a steady supply of foodstuffs in the marketplace. As the division of labor intensifies between agricultural and non-agricultural activities, the urban population must be assured of an adequate supply of foodstuffs. In addition, many industrial undertakings will require raw materials produced in the agricultural sector. Increases in cash income in the agricultural sector will raise demand for manufactured goods originating in the industrial sector.

The crucial element in the development process is the market system's ability to efficiently allocate resources to all sectors of the economy. The degree of specialization and diversification of agricultural production depends on the advantages to the producers. In turn, a low cash income among the rural population will reduce demand for non-agricultural products, thus affecting production in the urban sector. Because of these factors, the RMIP is of great interest to the GOK because it addresses the issues of marketing institutions, marketing processes, and marketing infrastructure.

B. MAGNITUDE OF THE PROBLEMS

1. The Marketing Process

Smallholder agricultural households constitute nearly three-quarters of the Kenyan population and contain most of the low income consumers in the nation.[10] More than one-half of the smallholdings are less than one hectare in size and only one-quarter exceed two hectares in size.[11] An average size family (6.14 members) requires 1.4 hectares to be self-sufficient in agricultural production. Larger holdings tend to be concentrated in the more arid areas -- east of Rift -- while the smallest

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10. L.D. Smith, Low Income Smallholder Marketing Consumption Patterns (FAO/UNDP Marketing Development Project, 1978) p. 1.

11. Ibid., p. 6.

holdings are concentrated in areas of high agricultural potential and population density -- the Coffee and Tea zones and the High Altitude Grass Zone. The largest number of small holdings are located in Nyanza Province, Rift Valley Province, and Central Province, as can be seen in Table I below:

Number of Smallholdings and Population by Province

Province	No. of Smallholdings '000s	Population '000s
Central	338	1820
Coast	89	551
Eastern	318	2102
Nyanza	368	2329
Rift Valley	340	2099
Western	251	1632
TOTAL	1704	10464

Source: L.D. Smith, Low Income Smallholder Marketing and Consumption Patterns (FAO/UNDP: Marketing Development Project, 1978) p.6.

The average smallholder devotes most of his resources to foodstuffs production for family consumption. Maize is the most important staple, accounting for 55% of the value of food crop production, while finger millet and sorghum play a secondary role west of the Rift.

Cereals, basically maize, comprise two-thirds of the average individual's caloric intake and furnish two-thirds of one's protein. This reliance on cereals decreases with higher incomes as milk and meat increase in relative importance. Fruits and vegetables account for approximately 25% of the value of food crop output. Livestock ownership is widespread with 63% of smallholders owning at least one animal. Quantity and quality of livestock ownership increases with larger land holdings. Only 34.2% of smallholders own sheep and slightly more own goats.

Due to the extremely varied microclimates in Kenya, each export crop is grown by a small minority of growers concentrated in specific ecological zones. In Western Province, Nyanza Province, and Rift Valley Province the primary cash crops are tea, coffee, sugar cane, cotton, and pyrethrum. Smallholders throughout Western Kenya engage in the production of these cash crops. Nonetheless, smallholders are not willing to undertake the risks inherent in concentrating entirely on non-food production unless an

extremely efficient marketing system is developed. An efficiently integrated and responsive market mechanism is of critical importance for optimum allocation of resources in agriculture, for stimulating farmers to increase output, and for assurance of regular and low-cost supplies of foodstuffs and raw materials to other sectors.

In assessing actual market performance, both market structure and market conduct must be considered. Market structure is an outgrowth of degree of buyer concentration, degree of seller concentration, degree of product differentiation, and conditions of entry into the market. Price policies fixed by the government or by the private sector determine market conduct. The composite interaction of these factors results in the final market price, nature and quantity of output, production cost, selling cost, and returns to sellers and traders.

Both market processes and physical intrastructure (roads, storage facilities, market places, etc.) contribute to market performance. Therefore, an analysis of the marketing system and its associated problems must originate with an understanding of the entire marketing process, rather than limiting one's field of inquiry to the last stage, i.e., the marketplace.

In order to determine the most appropriate intervention for augmenting smallholders' income through improved market linkages, needs must be assessed on a commodity and on a regional basis. Supply and demand differ greatly among regions within relatively close proximity. Variation among commodities in physical characteristics, market value, and final usage necessitates including several complementary components in the overall distribution program. Attention must focus on improving extension services to both producers and traders, restructuring cooperative unions and devising immediate terms of payment between buyers and sellers. Expanding and improving storage capacity will serve the interests of producers, traders, and consumers. Product loss will be reduced, regional and seasonal price fluctuations can be exploited, and seasonal supply gluts will be reduced.

Problems confronting smallholders in Western Kenya are quite varied depending upon the commodity. Different marketing arrangements devised by the government for many commodities have resulted in an extremely complicated and often inefficient distribution system. (The following discussion highlights certain characteristics of the marketing process of select products. Much fuller descriptions can be found in the studies included in the bibliography.)

a. Grains

Maize is the primary staple food consumed in Kenya, while beans are also consumed by a large segment of the population. Smallholders play

an important role in maize and beans production, 90% producing maize and 70% growing beans. Smallholder production accounts for more than 80% of total maize production.[12] In 1974/75, smallholders in Nyanza Province produced 41.52% of total smallholder production, while smallholders in Western Province and Rift Valley Province produced 17.82% and 12.46% respectively. In both 1974/75 and 1976/77, these three provinces accounted for around 69-70% of total smallholder maize production.[13]

The Maize and Produce Board (MPB) has primary responsibility for the purchase, storage, and distribution of maize and certain other crops.[14] Eighty-five percent of all grain storage space rests with the government, 8% is held by processors and millers, 5-6% is controlled by traders, wholesalers and retailers, and only 1-2% is held by cooperatives. Due to controls imposed by the MPB, most smallholders are forced to market their maize through private traders. Smallholder marketed maize production ranges between 45-50% of the total marketed maize production. Large-scale producers contribute only 25.30% to total production but their share in marketed production is about 50.55%.[15]

The distribution of storage space, 85% in the government sector and only 15% in the private sector, indicates a serious misallocation of resources. First, 70% of smallholder maize production remains on the farm for home consumption, while the remaining 30% comprises 55.50% of the total maize marketed that enters the informal marketing system. Storage space provided by the MPB (8% of total off-farm storage capacity) is accessible only to large-scale farmers who produce 25-30% of total maize supply. Aside from the storage space available through the MPB, there is very little additional space available in the country (with the exception of on-farm storage used for maize consumed at the household level).

Second, large maize mills supplying major population centers must buy their maize exclusively from the MPB. There is no incentive for these large mills to construct their own storage facilities as they can purchase maize from the MPB as needed. Maize wholesalers and large farmers are essentially restricted to trade through the formal market system and at fixed prices; therefore they find no advantage in holding seasonal stocks. Aside from the MPB, the largest amounts of maize are stored by small farmers.

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12. G. Schmidt, Maize and Bean Marketing in Kenya (FAO/UNDP Marketing Development Project, 1979) p. 9.

13. Ibid., p. 11.

14. The Maize and Produce Board will be merged with the Wheat Board in the near future to form to National Cereal and Produce Board.

15. Schmidt, Maize and Bean Marketing, p. 14.

Small farmers normally keep surplus maize until it has dried in the field or is crib dried -- approximately two months. Financial committments -- payment of school fees, purchase of agricultural inputs, etc. -- often force farmers to sell to private traders before the maize has dried. Early sales also result from the farmers' inability to properly dry the maize or keep it free of pests. Due to moisture discounts and harvest-period surpluses, farmers receive a lower price for their marketed maize. It is reported that later in the season, farmers buy back 20 of their own total production.

All large quantities of marketed maize and beans are sold to the MPB -- a parastatal agency -- at a fixed price and interdistrict movements by private traders are prohibited. The current national development plan as well as the past two plans contain the recommendation -- made unanimously by researchers, advisors, and consultants -- that Kenya decontrol the marketing of maize and beans in order to overcome serious inefficiencies and misallocations of resources. Despite this recommendation, no definite actions have been taken except for a brief period in 1977/78 for maize.

The stated purpose of the controls is to benefit both producers and consumers. But as there is necessarily a conflict between the interests of the urban consumers and the rural producers, a compromise must be reached. At present, the system favors the urban residents whose consumption is subsidized. Consequently, there is a real income transfer from the rural to the urban areas.

Due to Kenya's varied microclimates, harvest times differ considerably between provinces and even adjacent areas within a province or district. Therefore, inter-regional flows could considerably reduce the seasonality in supply. However, the controls prohibit free exchange between surplus and deficit areas, and the MPB itself does not engage actively enough in market operations to stabilize the supply. The controls separate the marketing function into the informal and the formal (MPB) sub-systems. The informal system provides the major channels for the rural consumer and the smallholder. Small scale traders, mainly women, operate along roadsides or in the rural market places where prices reflect seasonal supply and demand conditions. The formal system primarily serves the large-scale producers and the milling industry. In practice, both sub-systems interact and overlap to a considerable extent. MPB agents buy at local markets at current market prices. Private traders ship significant amounts across district and provincial borders to take advantage of price differences in the informal market. All such activities constitute violations of the control regulations. "In fact, lorry traders officially do not exist since there is no legal provision for their role." [16]

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16. Schmidt, Maize and Bean Marketing, p. 134.

The informal marketing of maize and beans is quite competitive. However, the formal market system operates under a legal monopoly (monopsony) -- the MPB. Even at market centers where there is only one maize wholesaler or only one posho mill, the potential monopoly power is limited due to the ready access via matatu to a nearby larger center.[17] Price competition among the various sellers is limited. This is largely a result of homogeneity of the product sold, rather than collusive agreements among the traders.

The present control regulations have led to a number of inefficient practices. Under existing conditions, congestion of MPB depots during peak harvest seasons, coupled with the fact that no other legal outlets exist for larger quantities of surplus product, lead to the practice of paying bribes ranging between KSh1 to KSh5 per bag depending on the strain on MPB capacities.[18] Volumes within exempted limits (2 bags) are transported by bus or matatu, on the average costing twice as much as alternative means such as pick-ups or lorries. Larger, illegal shipments are smuggled on lorries where the risk factor of being caught raises the cost of the transport unnecessarily. Private storage is impeded by the control regulations. Consequently, existing private storage capacity is underutilized.

Pricing efficiency is adversely affected by the controls, further affecting the income distribution. Instead of preventing exploitation as intended, the controls facilitate maintenance of larger price differences between markets and seasons than can be expected on the basis of transfer or storage costs alone. These differences enable some traders to earn excessive profits.

The controls do not increase the security of smallholders and rural consumers. The former cannot rely on being paid the MPB fixed price; the latter cannot count on being able to buy maize or beans at the set retail price. By impeding interzonal and interseasonal movements the controls contribute greatly to the present erratic price fluctuations.

Those who benefit from the present system are the large-scale farmers, the milling industry, and the urban consumer. Large-scale farmers usually have direct access to MPB depots and the processing industry gets more or less free storage; even if they are charged for storage, they can pass the cost onto consumers through the fixed retail prices for maize and maizemeal. Finally, the urban consumer can buy maize and maizemeal at prices which are subsidized essentially by the smallholder producer.

17. This does not support the rejected PID's assessment (p. 5) that "the literature notes that because the village market is small, monopoly conditions exist in which competition and consumer's choice are minimized." This analysis most probably refers to a market level below the market center strata.

18. Schmidt, Maize and Bean Marketing, p. 136.

b. Tea

Tea is an important export earner for Kenya and an increasingly important source of cash income for smallholders who process and market their tea primarily through the Kenya Tea Development Authority (KTDA). This organization is highly effective -- although it also operates with rather high costs -- and the tea marketed by the KTDA commands a premium on the world market.

The KTDA has organized a transport and collection system with regular collection routes and schedules so that smallholders can deliver their tea within hours of picking to a nearby tea factory. The factories have been developed according to a careful program which has involved the construction of an extensive network of all-weather roads in high, wet, and hilly smallholder areas where tea grows well.

Farmers are paid for their tea in two installments. Upon delivery they receive US$1/kg. minus an assessment of cents 31/kg. to cover all KTDA costs. The second payment is paid when the tea has been sold in the market and depends on the realized price. The two payments amount to approximately 72 of the gross market realization. The production and marketing of tea is related much more closely to a free market system than are maize, beans, or sugar cane.

c. Sugar Cane

In recent years, many smallholders in Western Kenya have diverted land use away from foodstuffs production to sugar cane production as the government has fixed the cane price artificially high. This high price applies only to licensed growers who are permitted to sell cane to the sugar factories. Smallholders circumvent these regulations by selling either to a licensed grower or to local jaggeries. Small amounts are also sold in the rural markets for immediate consumption.

As sugar cane must be processed within 48 hours after being cut, factory delivery must be immediate. Presently, sugar plants cannot afford to transport the cane to the factories; therefore sugar cane fields located more than 30 miles from the plants have not been harvested and the cane is rotting in the fields. In addition, the existing plants have a limited capacity.

d. Cotton

Forty thousand hectares of land are devoted to cotton production, usually cultivated by smallholders in lowland areas. Yields have been very low due to poor agricultural practices. Pest control is not widespread and sowing takes place too late as small farmers give preference to sowing their subsistence crops. A second problem arises with the Cotton Marketing

Board. After the society takes the cotton from the farmer, the union has responsibility for storing the cotton before it is transported to the ginnery for processing. Storage space is of poor quality, transport facilities are scarce, and processing capacity of the ginneries is limited. For these reasons, much cotton rots and the farmer does not receive payment for his cotton production until 6 to 18 months after harvest.

Busia District has great potential for expanding cotton production, but the marketing mechanism must be restructured. Farmers must be paid immediately or shortly after delivery of cotton supplies. In addition, ginnery processing capacity must be expanded.

e. Horticultural Products

Smallholders in Western Kenya produce a variety of horticultural crops on small plots basically for household consumption and sale in local market centers. Most horticultural crops are marketed through the private market. At present, the low supply of horticultural products to local and market centers hardly warrants the provision of short-term or medium-term locker facilities. In addition, perishability of many fruits and vegetables and periodicity of these markets must be considered in efforts to improve and increase distribution. Storage costs and produce losses possibly would be greater than profits derived from leaving the produce at the market centers and selling at the next meeting. In rural and urban centers with markets held on a daily basis, overnight storage might be feasible. In terms of costs, fencing off the market area and hiring a night watchman probably would be more practical and less costly than building individual storage lockers and charging a fee.

f. Fish Products

Many smallholders residing in districts along Lake Victoria supplement farm income with fishing. At present, fishing operations are small and supply is low. Fresh and dried fish are sold in markets throughout Western Kenya indicating that there is a demand for fish. Increased supplies of fish would improve the protein intake of most of the population. Exploitation of Lake Victoria's natural resources should be encouraged, particularly as land pressure is already so great in many areas. The existing distribution system needs to be investigated further to determine the extent of demand in the various regions.

g. Retailers at the Market Centers

At a typical, viable rural market center, there are some 40 to 60 dukas generating business for 1-3 wholesalers. The variety of goods sold by

the dukas is quite standard and rather limited. Their principal trade includes packaged goods, soft drinks, packaged maizemeal, wheat flour, cooking oil, sugar, canned goods, soap, and kerosene.[19]

Approximately 80% of all commercial activity at the duka level involves the marketing of foodstuffs.[20] Although the majority of the foods sold at the retail stores are processed foods (e.g., maizemeal, wheat flour, sugar), some dukas do sell locally produced, unprocessed foods (e.g., eggs, fruits, and vegetables).

The most salient characteristic of Western Kenya's retail stores at the market center level is their lack of differentiation: each market center has a large number of dukas, each selling the same product, which they pruchased from the same wholesaler, for the same prices. There is little differentiation in stock or price and thus the majority of consumers shop at a certain duka merely out of locational convenience. The preponderance of the general retail store at the market center level can be traced to the fact that this type of duka is the easiest to operate. As many retailers are part-time farmers and lack the appropriate business skills to operate a more specialized retail store, a disproportionate number of general retail dukas have been established.

There is little question that retail outlets play an important role in the consumption expenditures for smallholders. On the average, only 38% of total consumption is from on-farm produce, with another 38% going for food purchases and 24% for non-food purchases. Cash purchases figure prominently in the smallholders' economy. In terms of cash consumption, 60% is spent on food purchases. This is divided among grains and flours (23%), meat (11%), sugar and sweets (8%), soft drinks and beer (7%), and miscellaneous items (11%).

There are many ways in which the inefficiencies in Western Kenya's retail outlets adversely affect the smallholder consumer. Most important, many retailers do not pool transport and/or participate in collective buying, thus creating procurement costs which are handed down to the rural consumer. It is common for a duka owner to make as many as two or three trips per week to the nearest large wholesaler (often in a large rural or urban center) to purchase small amounts of supplies. At the wholesale level, duka owners only infrequently purchase collectively to take advantage of quantity discounts. Moreover, due to the fact that retail stores in the market centers are heavily dominated by the sale of foodstuffs, consumers often have to travel long distances to purchase non-food essentials.

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19. The distribution of many major commodities at the wholesale level is controlled by the Kenya National Trading Company.

20. This section is based on J. Spliet, The Role of Small Business in Domestic Food Distribution (FAO/UNDP, Marketing Development Project, 1978).

2. Existing Marketing Centers Background

a. Service Center Hierarchy

In 1970, Kenya published the first in a series of provincial physical development plans, thereby taking the initial step in introducing spatial planning to Kenya. The physical plans were designed to set forth a strategy in which the selective investment of limited capital would maximize possible economic expansion, while at the same time maintain a reasonable level of access to health, social, and agricultural services throughout the region. The GOK adopted a policy of building up a network of selected centers throughout the country which would speed up rural development, provide basic services and infrastructure to local smallholders and entrepreneurs, and provide the links to larger urban areas.

The provincial physical development plans in Kenya were the first stage in spatial planning--which may be defined as the geographical allocation of limited resources among centers so as to best achieve development planning goals. The first task was identifying the existing hierarchy of settlements. Information was gathered from local authorities concerning the kinds and levels of services provided in various province settlements. Services in the survey included several types of administrative, social, communication, and commercial services. Information also was collected on employment, water and electricity supply, and sewage disposal. The survey noted the provision or lack of a service and the level of service (for example, police divisional headquarters as opposed to a police post). Depending on the kinds and levels of services provided, a classification system was established: urban, rural, market, and local centers. Each of these categories represented a different level and range of available services. A brief description of each of the four types of service centers is provided in Annex D.

However, no explanation is given in the provincial physical plans regarding the particular number of sets of centers (four), or the particular service point-scale breaks (e.g., market centers have 19-36 points). Whether these ranges represent natural breaks in the service center hierarchy, or the planners' a priori notions of the kinds and levels of services that should characterize a particular settlement, is never revealed. An illustration of the point system is shown in Annex E.

Once centers were identified, service areas were determined by break points between centers of the same level using topography, the road system, postal services, and local surveys. Some interesting comparisons were made of the resulting service-area populations between provinces, with evidence of somewhat different populations levels being served from the same level center among the provinces. Differences in the agricultural base and associated population densities, as well as the system of past landholding, clearly influenced both the number and distribution of centers among the four classes.

The subsequent step in the provincial physical planning activity was to select certain centers to be upgraded to higher level centers. According to the provincial plans, determination of those centers to be upgraded was made by considering the following:

(1) Surveys of existing centers and intrastructural distribution.

(2) Examination of population distribution.

(3) Analysis of existing and proposed communication patterns.

(4) Resource development, service needs, and other factors.

(5) The wishes of the local people as expressed through the District Development committees and District Development Advisory committees.

The focus of the exercise clearly was on determining the most suitable centers for the nucleation of services. Proposed future development patterns were outlined for the provinces pertaining to major urban and rural growth centers, using the road network, the power grid, airfields, and tourist attractions as organizing features. Several proposed new industrial estates were designated for urban and rural growth centers, in keeping with the GOK's objectives of decentralizing existing industry and fostering new rural industrialization. There was, however, no attempt in the provincial physical plans to specify how upgrading or development of centers would be accomplished, or how investments in infrastructure would help to achieve the spatial patterning of centers.

Without operational details of a spatial development policy, the 1970-1974 Development Plan identified for each province a schedule of principal towns and service centers. The schedul for Western Province is attached as Annex F.

Market centers, for example, would have a resident population of under 1,000 with a catchment-area population of 15,000. They should (or already do) contain a health center, secondary school, chief's headquarters, mobile banking services, and public water supply. These centers were planned to contain both rural commercial and cottage industries and a traditional produce market. Apparently, the population size of each center and its catchment area was derived as an average or composite of center size and catchment-area size as estimated for each province in the physical development plans.

The objective of the spatial development hierarchy was to prevent a proliferation of small centers which only could operate uneconomically and scatter required services. By concentrating services and other activities in selected centers, small towns could be promoted to the point of growth where water, power, communications, and sanitary services could be provided economically. Furthermore, providing basic services in small towns would lead to attracting commercial and industrial development. Urban development

activities were to be coordinated by the Ministry of Finance and Planning, with a committee set up to coordinate development of urban places connected with new, large industrial enterprises. Responsibility for integrating physical planning with social and economic planning and development was lodged in the Physical Planning Department of the Ministry of Lands and Settlement.

The record indicates that different ministries had varying interpretations of the implementation policy for center development, with some ministries disregarding the policy completely. Furthermore, the Ministry of Lands and Settlement was unable to incorporate school and health-center construction programs that were initiated by rural settlements through the Harambee movement. Harambee projects generally are initiated by communities themselves, with community financing and construction; however, many are later taken over by the GOK in order to finance operating and maintenance costs.

During the mid-1970s, the 1974-1978 Development Plan was disaggregated by drafting district development plans for each of Kenya's forty administrative districts. These plans provided more detailed basic planning information for each region, an assessment of on-going projects and sectoral programs for the 1975-1978 period. However, the plan gave little attention to the growth center and service hierarchy as a component of the overall planning effort. Only two short paragraphs reiterated the service center component, and the concept was referred to only infrequently and indirectly in setting forth the district's sectoral planning scheme.

It is not surprising that the service centers concept failed to become an integral part of the national and district development planning process. The 1974-1978 Development Plan identified an extremely large set of principal towns and service centers scheduled for upgrading, nearly 1,700 settlements in Kenya. Western and Nyanza provinces together had 455 places scheduled for upgrading in the plan's hierarchy, including 116 market centers. But simply designating places as rural growth and service centers in no way assures that goals will be realized, particularly when a weak institutional arrangement for implementation exists.

With a substantial proportion of the limited infrastructure capital flowing to Nairobi, Mombasa, and the nine other principal towns, the resources available for rural development have been far too limited to scatter over such a vast number of market and local centers. Perhaps district development officials believed that past levels of available infrastructure capital were too meager to warrant any well defined spatial planning strategy.

Within the rural growth and service centers scheme, no explicit attention was given to the workability of the service center hierarchy in both economic and social terms. Merely incorporating health and social infrastructure into a center does not assure that the center will be used to a capacity that justifies expenditures over time. Similarly, expenditures on infrastructure to enhance rural marketing or to attract small-scale industry will not assure the center's development. In addition, the plan directed little explicit concern to the growth potential differences among centers,

i.e., depending upon a host of local characteristics, some centers may be growing spontaneously in population size and social and economic activities. It makes little sense to invest limited public capital where it may not be needed.

The established schedule of rural growth and service centers did not adequately consider the time-distance factor in selecting centers. Some of the designated urban growth centers are probably spaced too closely together to maximize returns on scarce resources (e.g., Eldoret-Kitale, Kisumu-Kakamega, and Nyeri-Embu). Similarly, investment in rural market center infrastructure has not been spatially optimal. Kimani and Taylor supported the concept of spatial planning in their research on Rift Valley Province; the study also highlighted the need for region-specific feasibility studies in order to develop spatial planning guidelines appropriate to each region's social and economic realities.

The scheduling hierarchy for centers primarily was a horizontal planning exercise, particularly at the levels of market and local centers. The local centers were conceived as blanketing the area with certain kinds of services; but there was little clue as to how these centers would be linked to market centers, how market centers would be linked to rural growth centers, and so on. An example of undifferentiated planning is the Rural Roads Access Project, in which road funding was divided roughly equally among district, and similarly spread out in each district with little attention to how roads may best serve to integrate the hierarchy of places and promote development.

The 1979-1983 Development Plan reiterated and sharpened the previous goal of achieving greater urban-rural balance in Kenya. The designated service center hierarchy again was listed with no changes among the specific scheduled centers. The inflexibility of this schedule, devised nearly a decade ago, provides little assistance in spatial planning decisions and little opportunity for selective locational planning.

Noteworthy in the 1979-1983 Development Plan, however, is the commitment to funnel a greater share of development funds to Western and Nyanza provinces. Thus, there is an opportunity to develop spatial planning guidelines to achieve more efficient use of resources while bearing in mind fundamental questions of equity in development planning. As Kimani and Taylor have suggested, this approach will require more region-specific studies and better knowledge of both the horizontal and vertical dimensions of market center functioning.

b. Market Center Characteristics

There are nearly 5,000 centers in Kenya that could be classified as local, market, rural, and urban centers. The following table indicates that the vast majority of all centers have less than 20 shops (dukas), and less than half of this group have open air markets.

Size Distribution of Centers

Number of Shops	Percent of Total Centers	Percent With Open-Air Markets
Less than 20	79%	38%
20-40	16%	69%
40-60	3%	94%
60-80	1%	100%
Over 80	1%	100%

Source: J. Spliet, The Role of Small Businesses in Domestic Food Distribution. (FAO/UNDP Marketing Report, 1978).

The centers are distributed according to classes of the number of shops, in a typical hierarchical fashion, with fewer centers with many shops serving much larger catchment areas than the numerous smaller centers.

Examination of the types of shops found at the centers indicates a predominance of the small general retail store (duka), the butcher shop, the posho (maize grinding) mill, bakery, and bars, tea shops, and hotels. The following table highlights the type of shops found in centers with up to 60 shops.

Types of Shops in Centers

Type of Shop	Center With < 20 Shops	Center With 20-40 Shops	Center With 40-60 Shops
General Retail	7	13	23
Butcher Shop	2	3	4
Hotel, Bars	3	6	9
Other	1	1	1
Posho Mill	1	1	2
Slaughter Slab	0	1	12
Non-Food Shops	2	6	12

Source: J. Spliet, op. cit.

Local centers, as one type of center in the hierarchy, generally have less than 20 shops; rural centers generally have 60 or more. Thus, market centers typically have 20-60 shops, with those having 20-40 shops far outnumbering centers with more than 40 shops. In addition, market centers also support from 1-3 wholesalers, a bicycle repair shops, and 1-2 tailor shops.

There also are many non-marketing facilities that are generally associated with market centers. The functions of these facilities include administrative, health, education, communication, etc. For example, among the 21 centers (irrespective of GOK designation) with 20-60 licensed enterprises in Kakamega District, each serves at least one non-marketing function. Most centers serve multiple functions. Eight centers perform administrative functions (chief or sub-chief locations); several others have police or judicial services. All but one center have primary schools and two-thirds have secondary schools. A majority of these centers have a sub-posc office. Half of the centers have a hospital health center, or dispensary. Two-thirds of the centers have bus service; however, only two centers have mobile banking facilities. Regarding other infrastructure available, about one-third of the centers have either public or private water supply, and one-fifth have electricity. None of the centers has a sewage system. Thus, most centers perform many non-marketing functions although there is significant variation in type, not only within districts themselves, but also between areas of Western Kenya with different socio-economic and geographic characteristics.

Virtually all market centers also have an open-air market where the public can come to hawk their goods on market day. Most market centers are arranged with the permanent dukas ringing a central open-air market. Most of these open markets in market center size places are fenced, although the fences in many cases are in disrepair. Hardly any markets offer protection from the sun and rain, except for the trees under which the hawkers generally cluster. There are few, if any, public toilets at the markets, although many dukas have privies located just behind them. Markets are administered by the Local County Council Authorities who charge a small hawker's fee. These fees ideally should be used to upgrade the market facilities; however, most revenues are used to pay for associated wage labor, including the market master (who collects the hawkers' fees) and for considerably redundant administrative labor.

The periodic open-air markets which characterize market center places play a more important role among Kenya's rural population than in the towns of the urban place system. Periodic markets perform several primary functions including: (1) the sale and purchase of livestock/foodstuffs, local and imported manufactured goods; (2) the provision of services such as cooked meals, barbering, and repair of bicycles, shoes, etc.; and (3) a setting for intercommunity socializing. According to Obudo's periodic market study, the most important function of periodic markets is economic, consisting of collecting, bulking, and distributing local products. The distribution of imported products and the bulking and/or breaking down of raw materials also are very important. Thus, raw materials are bought and bulked (in some cases by lorry traders) either for exchange in other markets in the same vicinity, or for transmission to higher order centers. Similarly, imported manufactured materials also are brought into the periodic markets through the same hierarchical order, except in reverse.

But the political and social functions of the centers must not be overlooked. The markets are used as centers for disseminating information about local and central government administration. Social exchange is fostered in the hotels and bars, the latter frequented primarily by men, and in tea shops, utilized by both sexes. Women, in the marketing process and attendant socialization, frequently exchange information concerning agricultural practices and new farming techniques. Thus, the market centers are a key focus for agricultural extension, as well as a logical place to disseminate social and health services.

As periodic markets, market centers generally operate on a bi-weekly basis, although some have open markets only once a week. From a spatial perspective, most market centers draw the bulk of their participants from a 0-5 kilometer radius, with more distant buyers and sellers arriving by bus and matatu (taxi). Aside from lorry traders, most goods are brought to market by headload, in small quantities by matatu, or driven in the case of cattle.

Because open markets occur at regular intervals (e.g., Monday-Thursday, Tuesday-Friday, etc.), they tend to operate as part of a ring of markets within a geographic area. Therefore several markets can be attended in any given week without an overlap of days. It would be incorrect to infer, however, that an institutionalized order or uniformity of rings exists. Rather, a marketing ring has relevance to individual marketers in a given area. Thus, market centers can belong to several interlocking and overlapping patterns of rings.

The spacing of market centers also varies considerably among localities, even within Western Kenya. There are numerous variables which help to account for these differences in market center spacing. Population density clearly affects the number of centers which can be supported by market center service levels. Coupled with population density is the level of household income (particularly discretionary income) which is available in the catchment area. Areas which are more active in the cash crop economy are more likely to need market centers as channels for the sale of crops and livestock, as well as for the purchase of basic foodstuffs. Inasmuch as these cash-crop areas tend to exhibit higher per capita income levels, they are often better served with market centers.

Distance to market centers, time required to make the trip, and location in regard to higher order centers also influence the spatial distribution of market centers. Access has become a major force shaping market center distribution. Where rural access roads have been constructed, spontaneous development has occurred not only along key segments of the road, but particularly at crossroads and junction points. Where improved transportation access has reduced travel time to market centers, places have grown in functions to better serve larger catchment areas. In addition, it must be recognized that market center development is likely to be attenuated where centers are close to larger rural and urban centers. These larger places, in a fashion typical of all settlement hierarchies, tend to exert

a "shadow effect" on smaller surrounding centers. For a small marginal increase in distance or time cost, the marketer can use the larger center with more than equivalent increases in goods, services, and potential customers.

It also must be recognized that historical factors have affected the spatial distribution of market centers. The colonial influence created a set of administrative centers which frequently have not coincided with traditional market center locations. Thus, where administrative functions have supported economic functions, market center development was enhanced, with resulting effects on the spatial distribution of centers. Also, as the market center ring frequently is defined in ethnic group terms, boundaries between ethnic groups and an ethnic group's spatial pattern can influence market center development and spacing.

Perhaps the greatest single change agent likely to influence the type and spatial pattern of centers is the Western Kenya's growing access and mobility. Since the GOK's designation of service centers--based on research completed nearly a decade ago--the number of taxis and other vehicles has increased substantially. Data indicate that average daily vehicular traffic has increased significantly during the past several years on nearly all roads. About 25 buses per day stop at Ndori, northwest of Kisumu, in addition to steady taxi traffic carrying smaller groups of marketers. Rural smallholders make frequent use of the taxis, and there is field evidence that this group of individuals is increasingly mobile.

The village and clan rings which form the lowest level of marketing (local centers) are declining in popularity as accessibility increases to the larger market centers. The most popular ring is the market center ring, which is visited by nearly all residents in their roles as consumers and producers. Thus, over the course of the next two decades, market centers will become the key center link in any spatial strategy to assist the smallholder in achieving a better quality of life. Given the increased access and orientation of population to these centers, they are also the logical level at which to distribute social and health services. The greater number of market center shops that remain open on a daily basis attests to the evolving role of viable market centers as focal places.

3. The Social Context

a. Population

The characteristics of population, demographic growth, and distribution in Western Kenya have been emphasized in previous USAID documents. They nevertheless bear summarizing here in relation to the population's social structure and the implications in relation to patterns of land settlement, agricultural production, and future potential of the area.

The region's population is predominantly rural and density is high, ranging from 147 to 479 persons per square kilometer. The variation in density is concomitant to variations in ecology and climate as well as to labor migration patterns. Within the western region, the most densely populated area is in Western Province (Bungoma, Kakamega). The average parcel of land in densely populated areas is approximately 1.4 hectares and ranges up to 6 hectares in the less populated districts (Busia, Siaya, South Nyanza). The annual per capita income for the region is estimated to be between $96 and $100. The minimum acceptable income in the target area is placed at about $196 (according to World Bank estimates). The average smallholder derives approximately 56.8% of total household cash income from sales of farm surplus supplemented with wages from employment (15%).[21] Agricultural sales predominate in the smallholder economy (64%), followed by livestock (19%), and milk (17%). These sales are effected at markets, to traders, friends and neighbors, and to market boards or their agents.[22]

These facts must be superimposed on the social features of the western region--a fundamental requirement for successfully implementing any project in the area.

b. Social Organization

The provincial boundaries are drawn to correspond closely to the ethnic distribution of the population; thus the main group represented in Nyanza Province is Luo while the main group in Western Province is Abaluhya. This administrative distribution illustrates the importance of ethnic affiliation, a fact which must not be underestimated. The Luo, originally a pastoral and fishing people, have turned increasingly to agriculture in recent times. The Abaluhya, in contrast, have a much longer history of agricultural pursuits in the area. Among this population, land fragmentation is more evident and out-migration patterns have prevailed the longest in response to increased land pressure.

Both Luo and Abaluhya are patrilineal--descent is traced through the male line--thus land is also passed down through the males in the family. Women marrying into a family have had access rights to land through their husbands and continue to be the fundamental unit of agricultural production. Traditional patterns of land ownership have been changing with increasing adjudication of land. At present, most of the land in the region has been registered; due to the patterns of inheritance, most land is registered in men's names. Thus women, though they may be the main producers, are tied to their husbands' titles and decisions even though the males of a family may be absent from the area. Nevertheless, it is possible for women to gain access to their own land through purchase and registration of parcels in their own name. The ideology of land ownership, however,

21. Government of Kenya Central Bureau of Statistics, Integrated Rural Survey, 1974-1975.

22. Schmidt, Maize and Bean Marketing, p. 136.

combined with land pressure due to high population increases, makes sales of land problematic. It is said that only fools sell their land. To people for whom land represents a form of security and often the only guarantee of survival, to sell land is tantamount to giving up hope in their area unless other forms of security are assured.

Families traditionally have lived in "compounds"--small clusters of homes with a kraal for the cattle and granaries for each wife. The number of homes in each compound varies, then, with the number of wives a man has. Despite missionaries' influence in the area, polygamous families are common; most men aspire to have more than one wife if they are wealthy enough to pay the necessary "bride price," payable to the woman's family in stock and more recently in goods or cash. Traditionally each woman has used her agricultural pursuits for her children's security; her goods are not shared automatically with other wives in the compound if they fail to manage their resources wisely.

c. Agricultural Production Patterns

Men traditionally have engaged in clearing and plowing the land. The tasks left to women are seeding, watering, and weeding the land; harvesting and selling surplus products; processing the crops when necessary; producing fuel for household consumption; preparing food, fetching water, and surveying children.

Since many men in the area are trying to find work elsewhere to supplement the family's income, women bear the entire burden of agricultural production and family socialization. It is estimated that at least 40% of the households are headed by women. This is largely due to the pattern of selective migration that prevails in rural areas, where men migrate, leaving behind the women, children, old men, and the disabled. This migration out of areas of high agricultural potential results in a lack of manpower when intensive labor is required, as at the time of preparing the land for planting. For example, due to this manpower shortage the land available to a family may not be used to its fullest capacity. Women may clear only a small plot to guarantee their family's survival. Thus the family's income may be reduced rather than increased by male migration depending on the available sources of off-farm employment and the degree to which men send remittances home.

It is important to stress that agricultural decisions are dominated by the man in the family, and that the income derived from the land under cash crop cultivation most often goes to the man, leaving women only with income derived from sales of agricultural surplus. To the extent that cash crops are cultivated, women are relegated to more marginal lands and smaller parcels for their agricultural pursuits. This can significantly lower the family's cash income and available nutritional sources. In addition, the change from a subsistence agriculture, which stresses the production of food crops, to one where cash crops predominate increases

the workload and stress on the women; they must act as managers while the husbands are away, but are bound to the men's decisions and to the income the men may allocate to their families out of cash crop earnings. The microeconomics of cash crop production must be assessed carefully in order to accurately pinpoint the overall benefits and drawbacks to the family, particularly in view of the institutional constraints affecting cash crop marketing in Kenya.

d. Social Aspects of Marketing

The marketing process in Western Kenya is tied to agricultural surplus production; thus it is intimately tied to women's role in production and sale of goods. The process also is tied to specifics of the domestic cycle and to the time available for marketing products. Schmidt (1979) has indicated that most market traders are women (79%). One could speculate on how this percentage could be increased if a different time allocation were made possible for women selling surplus agricultural commodities.

Most small markets have a daily cycle where very small amounts of goods are sold to people living in the immediate vicinity; these goods include not just vegetables but maize and some processed goods, such as bread baked locally. The daily small markets are the focus of the community's social life even though they are held only briefly. Some trade at market-center or rural-market center levels is channeled through kinship-based or friend-based networks, establishing a fairly well structured patron-client system that not only links the community but also channels goods upward in the marketing chain. These networks provide the secure outlets for marketing products. Similarly, on the consumer side, it is possible for one to patronize kinsmen who have dukas first and to patronize other shops only if kinfolk are unavailable. More microeconomic data are needed to generalize further on the extension patterns of these market networks, but it is evident--given the population radius that small rural markets serve--that the networks usually are dominated by people belonging to the same clans. This is not to imply that marketing occurs exclusively through these channels, but that they are a component that should not be ignored.

The most crucial marketing aspect at the small center level is that the commodities exchanged are seasonal, marketed in small quantities, and render the producer-trader only a small profit margin. The same situation applies to small shop owners, who do petty trade on consumer items and are linked to broader trade networks through itinerant merchants and lorry traders who buy in the larger centers and supply rural markets. The case of duka owners in small markets is interesting in that they illustrate the gaps in entrepreneurial skill at the small center level. Spliet in his report, The Role of Small Business in Domestic Food Distribution (1978), indicates that often shops are opened partly due to the status shopkeeping accrues and that the failure rate is tied not only to the small profit margins obtainable, but also to shopkeepers' lacking the technical knowledge to reserve enough capital for future stocks. These

factors, combined with the fact that the shops offer commodities that are all of the same nature and merit the same prices, often result in stagnation and failure for small businesses. It was indicated to us that marketing transactions, whether dealing in market produce or in small shops, all operate on a cash basis with little or no credit extended to the buyers. The small shop owners who get their stock from wholesalers in larger centers similarly operate on a ready cash basis, with only a few operating on a monthly credit basis with their wholesalers.

The role of transportation and access to roads in the marketing system is of utmost importance. Local bus service linking rural markets to larger centers, however, can result in more efficient trade or the death of small markets. The number of "matatus" in local trade has not been explored adequately; a better understanding is needed in order to assess the marketing process as well as the matatu operators' degree of entrepreneurial skill and their potential links with market traders.

Cooperatives are evident in areas that produce cash crops. The operation of cooperatives is explained at length elsewhere in this report; here it is sufficient to stress that the degree of local participation in cooperatives is linked to the farmer's perception of the potential benefits and advantages incurred through membership, and that the operation of the cooperatives must be improved before increased participation and confidence will occur.

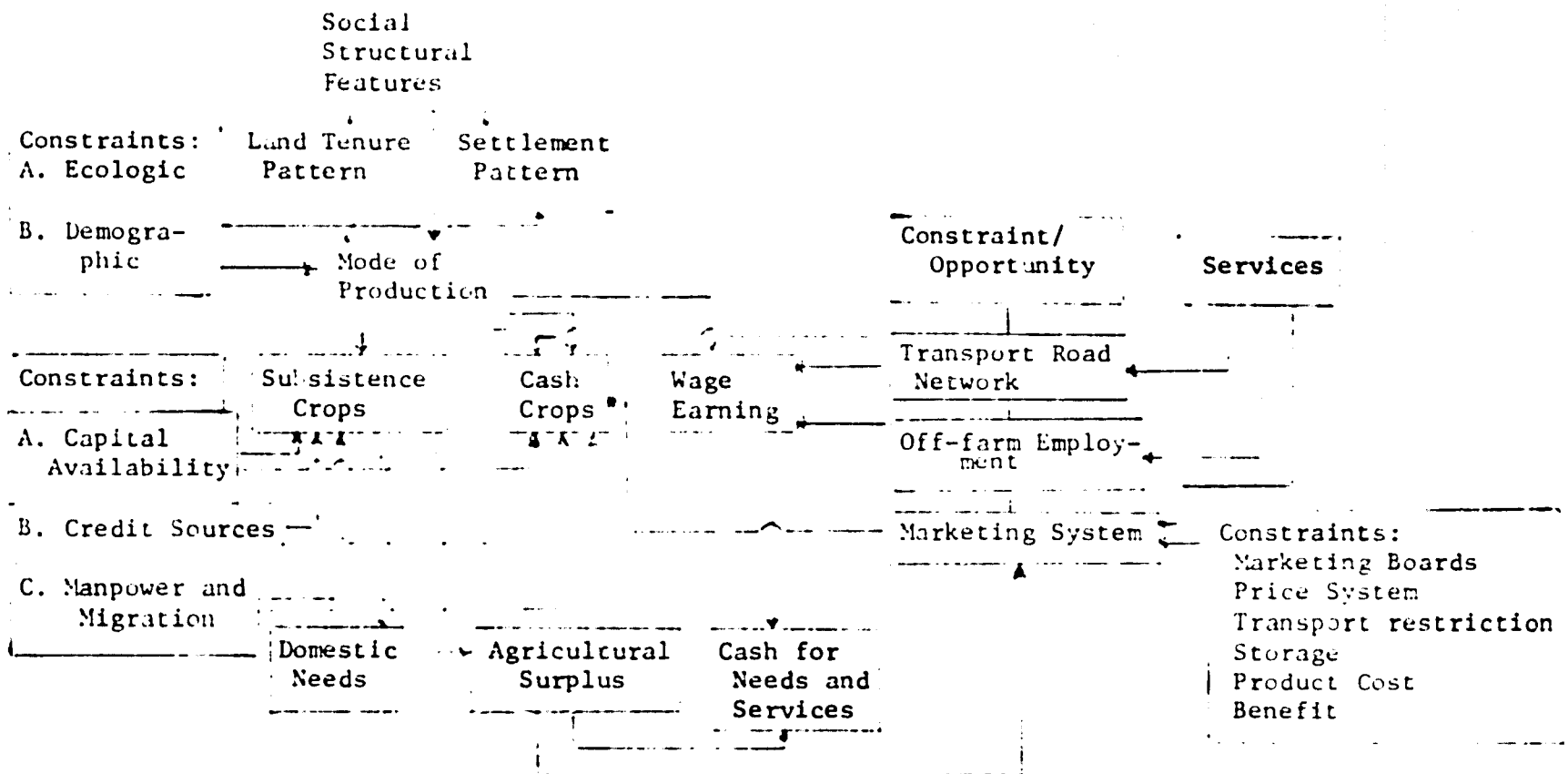
The model shown in the diagram on the following page illustrates in synopsis the main factors in the system of production and marketing and the series of constraints and opportunities presently evident in the system.

4. The Institutional Context

The purpose of this section is not to describe nor to analyze the Government of Kenya structure and its operational qualities. It merely intends to highlight those components of government structure, policies, and operations which have to be thoroughly analyzed during PP design in order to evaluate the project's proper location in GOK structure to increase the likelihood that the project will be executed efficiently and managed to yield the expected returns.

The Rural Market Center Project as originally conceived contained two distinct components: (1) an attempt to strengthen the spatial and physical planning capabilities of the Physical Planning Department of the Ministry of Lands and Settlement, and (2) a proposal to use a loan program to assist GOK in reaching its objective of more balanced rural-urban development by providing funds for selectively upgrading and developing the lowest components in the proposed system of service centers. In this latter dimension, the project had a regional focus by limiting the market center development to Western Kenya, comprised of Nyanza Province and Western Province and the four western districts of Rift Valley Province.

PRODUCTION AND MARKETING SYSTEMS



C.Lee
Social Analysis

The proposal to combine the Crop Storage and the Rural Market Center projects changes this scope in that the crop storage component has a national perspective and would not be limited to the western region. On the other hand, the combined approach, as outlined in the mission director's letter of October 18, 1979 to the three GOK ministries involved in project discussions, also suggests that the spatial planning component be removed from the combined Crop Storage/Rural Marketing project and considered in conjunction with the proposed extension of the Rural Planning Project.

Though the proposed changes appear logical from a management perspective--as three projects are reduced to two and "brick and mortar" line-agency activities are separated from planning capacity to strengthen staff-agency activities--several issues raised in the original PID review are not resolved by this project reshuffle. Among these are all the major institutional questions as well as the question raised by Edward Lijewski in his memo of May 8, 1979, in regard to centralization versus decentralization (Annex G).

In the following we will discuss the institutional dimension for each project component from the perspectives of administrative decentralization, planning, implementation, evaluation, and management. For the purposes of this discussion these terms are defined first. We refer to Rondinelli's characterization of administrative decentralization as:

> . . . the transfer or delegation of planning, decision-making or management authority from the central government and its agencies to field organizations, subordinate units of government, semi-autonomous public corporations, areawide or regional authorities, functional authorities or nongovernmental organizations. The degree of political and legal power that is transferred with the authority to plan, decide or manage--that is, the amount of power that the central government "gives up" to subordinate or semi-autonomous organizations--depends on the form of decentralization adopted and the amount of support that the central government provides to decentralized units.
>
> Government decentralization can be achieved in a number of ways. First, distinctions can be made between functional and areal decentralization. The former focuses on the transfer of authority to perform specific tasks to organizations that are functionally specialized and that operate nationally or at least across local jurisdictions. . . . Functional decentralization is most often concerned with increasing a central ministry's efficiency by organizing its field offices to serve a "target population" scattered throughout the country, without regard to subnational political jurisdictions.
>
> Areal decentralization, on the other hand, is always primarily concerned with sharing or transferring responsibility for the production and delivery of public goods and services to organi-

> zations within well-defined spatial or political boundaries. . . . The creation of regional development authorities, integrated area development programs, and community development corporations is a form of areal decentralization. The devolution of power and authority to perform functions previously controlled by central government agencies to provinces, districts and municipalities is also a form of areal decentralization. Usually, in areal decentralization the transfer of authority is to organizations that may legally perform those functions only within specified spatial or political boundaries.
>
> A second distinction can be made among deconcentration, delegation and devolution as three forms of administrative decentralization. . . . At one extreme, as noted earlier, deconcentration may involve only the redistribution of planning, decision-making or management responsibilities among levels of central administration through a shifting of workload from central ministry headquarters to its own field offices, or through the establishment of field agencies with some discretion and control over operations. Creation of local administration--subordinate units of government responsible to a central authority--is also a form of deconcentration. More extensive decentralization can be achieved by the delegation of responsibility to perform public functions to organizations not wholly controlled by central government agencies or with some semi-autonomous authority--such as public corporations, regional development and planning authorities (power corporations or marketing board), and autonomous project units. Finally, the most extreme form of decentralization is devolution of authority from the central ministries to other units of government such as provinces, municipalities or cities. The central government either "divests" itself of responsibility entirely for the performance of certain functions and makes them the obligation of other units of government or maintains only very loose supervisory control over the performance of those functions by subordinate units of government.[23]

In our analyses we primarily have focused on areal decentralization and the form of decentralization.

By planning we refer to the entire process of inputs required for making decisions in regard to how, where, when, by whom, by what means, and in what form a goal or an objective could be achieved and implemented. It includes elements of research and analysis, synthesis and design, evaluation of alternatives, programming and monitoring, coordination and conflict resolution, etc.

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23. Dennis A. Rondinelli, Administrative Decentralization and Area Development Planning in East Africa: Implementation for USAID Policy (Unpublished manuscript, Regional Planning and Area Development Project, University of Wisconsin-Madison, 1979).

Implementation is the process whereby a project moves from inception to completion. During a project's lifetime, implementation involves planning, agreement, contract procedures, programming and design, construction--in the case of a brick and mortar project--operations, service delivery, monitoring, auditing, and similar administrative activities.

Evaluation consists of a series of activities designed to provide information on whether a project has or is fulfilling the expectations which triggered its inception. Evaluation cannot be a post facto exercise; it must be built into project design as an integral component of the system. Evaluation should not be confused with establishing so-called "objectively verifiable indicators" in project design, which merely provides a project summary sheet. Evaluation is a continuing process of monitoring expectations from the base-line threshold through implementation to project completion and beyond. In this manner, deviations from original expectations in the implementation process can be detected and assessed, and corrective measures can be designed without interruptions in implementation--without surprises at project termination when, in many cases, the actual outcome has little or no resemblance to the originally expected outcome.

All the above can be aggregated under the heading management. In this discussion we use this term simply to mean the management of physical facilities and of other infrastructure improvements after construction has been completed; e.g., the renting and upkeep of market stalls, the operation of a cooperative grain storage facility, etc.

The crop storage component seems to present the simplest institutional case. For one, only two ministries would be involved: agriculture and cooperatives. Both of these have extensive field services and significant experience in project and program implementation. If the project were a separate intervention, it could be lodged in either ministry with the stipulation that the other ministry cooperate, particularly to assure use of both field staffs in project execution. In selecting the ministry in which to lodge the project, if village storage is emphasized, it appears that the logical choice would be the Ministry of Cooperatives. Conversely, if emphasis were on on-farm storage, the project should be in the Ministry of Agriculture.

Aside from purely technical evaluations, there are some critical issues to resolve in preparing a project paper which would apply equally to the design of a combined storage/market center project or a separate storage project. These are:

(1) The selection of target areas and the relation of this intervention to other on-going or planned interventions in the target area (the macro-spatial dimension).

(2) The feasibility of one storage mode (on-farm) versus the other (village level storage), taking into account regional differences among target areas.

(3) The selection of recipients for on-farm storage and villages for village storage, and the role of DDCs in this process (the micro-spatial dimension).

(4) The capacity of extension services to deliver technical assistance to recipient farmers and/or cooperatives in the case of village storage.

(5) The mechanisms necessary to assure that the project will benefit the "peasant farmer" rather than the "better farmers" among the smallholder population.[24]

(6) The role Harambee Committees can play in project implementation.

The rural marketing infrastructure component presents a most complex institutional case, particularly when examined in the context of a community or service center. It is of interest to note that this concept of a broader service center role raised in the PID review has concerned Kenyans as well. For example, we were told by Mr. Ligale, Director of Physical Planning, Ministry of Lands and Settlement, that he had raised this issue at the time the market center project idea was discussed with interested GOK parties.[25]

Our cursory analysis suggests that if the market center concept is expanded to cover facilities for a variety of social services and infrastructure incentives for private sector investment, the participation and/or cooperation of up to nine line ministries could be necessary: Agriculture, Commerce and Industry, Cooperative Development, Education, Health, Housing and Social Services, Power and Communications, Water Development, and Works. Adding the spatial planning and decision-making dimensions to the project means the ministries of Economic Planning and Community Affairs and Lands and Settlement also must be involved. Needless to say, this number of potential actors renders the project difficult, if not impossible, to manage.

Three avenues could be used to untangle this maze. The simplistic administrative solution is to narrow the scope of the project in order to reduce the number of actors to a manageable size. We have rejected this approach because we fully support the Kenyan and AID/W position that this project should yield financially and socially viable centers.

The second avenue is to skew the project so that one ministry plays a dominant role in project implementation. The proposal to combine the

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24. A definition of these terms and a description of the government services these two groups appear to receive can be found in Patrick O. Alila, "The Role of Public Bureaucracy in Agricultural Development in Kisumu District-Western Kenya" (Working Paper No. 277, Institute for Development Studies, University of Nairobi, 1976).

25. Prof. Jakobsen's meeting with Mr. Ligale on November 13, 1979. Also present: Dr. McClelland, USAID, Ms. Womukoye, and Mr. Mwella of Mr. Ligale's department.

market center and crop storage components would have a skewing result and clearly thrust the project into either the Ministry of Agriculture or the Ministry of Cooperative Development. In our discussion, Mr. Muthama, Director of Agriculture, implied skewing the project when he made the suggestion that a multiministerial project be lodged in the ministry which would control the largest share of project investment.[26]

On the other hand, Mr. Ligale felt that combining crop storage with market centers might introduce an undesirable skew into the primary objective of market center development, which is to bring the medium of infrastructure and social services as well as marketing facilities to outlying districts.

We agree with Mr. Ligale's concerns. Our experience suggests that the concept of skewing most often produces the situation where the lead ministry simply absorbs the project, using an interministerial committee veil as a screen.

The third avenue is to examine the governmental structure to see if a nexus can be found within the substrata where the various line agencies coalesce with a staff function, e.g., as in the office of a provincial governor in Thailand. The provincial commissioner's offices came to our attention first. However, after an initial examination of this office's role and powers, particularly in relation to the national development plan, we concluded that this office's role in the development process has been lessened. The 1979-1983 Plan clearly moves local participation to the district level and virtually ignores the provincial level.

Furthermore, the provinces in Kenya, though rich in history and administrative tradition, are less than logical units for development in physiographic, geographic, and regional economic terms. Therefore the province may not be a viable entity for development planning, implementation, and administration.

The district, on the other hand, is a government unit that is too small and local to facilitate regional planning. The district may be the logical level for local participation in the development process and for the expression of local interest. But the district is not a regional entity; it is a local government level entity. We were informed that district boundaries normally coalesce with those of the counties. The division of governance, then, is by function: district offices perform deconcentrated national functions in the same geographic area in which county councils perform limited local government functions.

Existing GOK structure suggested difficulties in finding a home for a multifaceted, regionally focused project. Therefore our search turned to the Kenyan experience with special purpose authorities. This search was prompted specifically by a reference in the Rural Market Centers PID that the GOK intended to establish a Lake Basin Development Authority.

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26. Prof. Jakobson's meeting with Mr. Muthama on November 9, 1979. Also present: Dr. Hash, Mr. Little, and Mr. Patalive, USAID; Dr. Lee and Ms. Cohen.

Inquiries about past authority experience brought mixed responses. Some suggested that authorities were unsuccessful; others felt they had accomplished their objectives. Specifically, the Tana River Development Authority was named as an example. It should, however, be pointed out that this authority is a functional authority with the limited purposes of hydroelectric power generation and irrigation.

The Lake Basin Development Authority has a much broader scope. The act passed by Parliament on August 22, 1979 and made effective on August 31 provides "for the establishment of an Authority to plan and coordinate the implementation of development projects in the Lake Victoria catchment area and for matters connected therewith and incidental thereto."[27] The full text of the act is appended to this report (Annex H).

The authority covers Western and Nyanza provinces and is composed of the permanent secretaries of the ministries responsible for economic planning, finance, agriculture, and health; the two provincial commissioners; eight other members; a managing director; and a chairman appointed by the president. As a body corporate, the authority is capable of taking, purchasing or otherwise acquiring, holding, charging, and disposing of property, borrowing and lending money, and entering into contracts.

At this time the authority is in its formative stage. It should, however, be considered as a possible location for the project or some of its components.

The technical assistance component for strengthening the physical and spatial planning capacity of the Physical Planning Department of the Ministry of Lands and Settlement is conceptually the weakest component in the original PID. It presented a simple solution in institutional terms; however, a host of institutional questions could be raised not only regarding the nature of the proposed assistance, but also with respect to the location of the proposed assistance in government structure.

Our analyses of the planning structure in the GOK, in general--and of the respective objectives, roles, and functions of the Physical Planning Department in the Ministry of Lands and Settlement, and the Rural Planning Section in the Ministry of Economic Development and Community Affairs--reveal a centralized top-down mode of planning. There is a movement to decentralize the planning function and to elicit local participation in the planning process through the District Development Committees. At present, this effort can be described as top-down deconcentration at best. For example, the Rural Planning Section of the Ministry of Economic Planning produced "District Development Plans" in 1976 for all 40 districts in Kenya. These plans are basically district level disaggregations of the 1974-1978 National Development Plan supplemented with district level statistics. The effort currently underway to produce a second round of district plans again follows the set of guidelines and the format

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27. Government of Kenya, The Lake Basin Development Authority Act (No. 15, 1979), p. 179.

suggested by the Rural Planning Section. These guidelines include the specific information to be included in the district plan, as well as examples for the kinds of statements about information which ought to be made. In our opinion, this type of packaged instruction does not sufficiently promote the notion and skills of decentralized planning. It is rather illustrative of the deconcentration process, not devolution. Devolution cannot begin without reaching the stage where district level officials can feel direct interest and responsibility for district data because it is relevant to them.

There are three conceptual flaws in the technical assistance component of the original PID. First, we do not see the need for placing large numbers of foreign advisors in the planning divisions of the various ministries. Second, we do not believe that overseas degree training is a satisfactory solution to Kenya's manpower needs. Third, we are surprised that no reference is made to on-the-job training. We were also surprised to hear from Mr. Ligale, the targeted recipient of this technical assistance, that he saw no serious staffing problems in his department, that he was not interested in long-term overseas degree training, and that he has been successful in recruiting nearly all graduates from the program in urban and regional planning at the University of Nairobi. Ligale supports, however, short-term overseas training and pointed out that several of his staff have attended courses in the Netherlands and at the Development Planning Unit at University College, London.

Mr. Ligale's reference to the training of planners at the University of Nairobi prompted us to inquire about the curriculum and organization of the program. The program was started in 1971 as a one-year post-graduate diploma program, but it is now a two-year master's degree program with departmental status, granting a Master of Arts degree in planning. The department is lodged in the Faculty of Architecture, Design and Development. The curriculum is comparable to that offered at most American universities. According to Mr. Subbakrishniah, the program is receiving valuable contributions from the fields of agricultural economics, land economics, other social sciences and natural resources, and the department has been involved in teaching physical planning to agronomists and land economists.[28]

Among rural development studies the department has undertaken are:

- Balancing Rural Water Supply in the Embu District
- A Regional Study of Kajiado District
- Afforestation in Kiserian
- Evaluation of an Integrated Agricultural Development Project
- Impact of the Special Rural Development Project on Settlements in the Vihiga Division

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28. A. Subbakrishniah, "Planning Education for Rural Development: Kenya," Ekistics (Vol. 267, February, 1978) pp. 72-73.

- Road Network in the Sugar Areas in Mumias District With Special Emphasis on Rural Access Roads
- Study on Agricultural Cooperatives as a Tool for District Development
- Feasibility Studies for a Small Sugar Cooperative.

During the past five years, an average of 15 students a year have been trained, half of them from other East African countries. It is of special interest to note that among the improvements that the head of the program proposes are the establishment of several field stations in Kenya and the setting up of a regional center for training, research, and extension. Our analysis suggests that serious consideration be given to strengthening and expanding this program as a local source for training spatial/physical planners.

C. RURAL MARKET CENTERS: SUMMARY OF THE PROBLEMS AND PROPOSED ACTIONS

(1) While GOK has indicated a desire to support rural market centers as engines of rural transformation, it is clear that it has not yet operationalized the concept of growth centers and spatial planning at the provincial and district levels. The national, provincial and district plans from 1970 to 1983 have not specified the mechanism that could implement the designated system of growth centers and make rural transformation a reality. Furthermore, the conceptual inflexibility of the designated service center hierarchy--which has remained virtually unchanged since its inception in 1970--limits options in provincial and district level spatial planning and provides little opportunity for selective locational planning.

Proposed Action: USAID should assist GOK in facilitating the implementation of a modified designated service center policy in Western Kenya. This entails intervention at two levels. First, U.S. technical assistance should be provided to help review and modify the center designation system in order to make it operational in Western Kenya. The emphasis, however, should be on the development of sub-national level planning capacities in Western Kenya. This project component should be referred to as the macro-spatial planning component (designated as component 1B in the Project Summary, p.7).

The second training component of the project is the micro-spatial dimension (designated as component 1A in the Project Summary, p.7). This component is designed to develop within the two western provinces local-district level capacity in planning, project design, implementation, and evaluation.

To accomplish this dual purpose, it is proposed that funding be provided for: (a) two resident advisor positions; (b) an intensive curricular type on-the-job training program over a three-year period that leads to a certificate; (c) short-term study tours, primarily to other developing countries; and (d) training materials and setting up a regional training

operations center at Kisumu. The training center would be merely a physical facility where some training and coordination could take place, materials could be kept, and the advisors could have their offices.

This phase of the project would be coordinated with local level institutions, such as the District and Provincial Development committees, and most likely would involve, to some degree, the Ministry of Economic Planning and Community Affairs, since the DDCs are under that ministry. The macro framework (i.e., the reformulation and operationalization of the designated service centers policy) would help the DDCs in selecting target areas for interventions and relating these interventions to other on-going or planned interventions in the target area. It is important to note that the training component would be action-oriented and that an important dimension of the program would be the utilization of the RMIP as a task in the training process. It is important that spatial planning for market centers be viewed as a continuing, open-ended process, and that decisions for interventions at the market centers be decentralized as much as possible.

As the GOK has expressed an interest in the designated center policy being applied on a national basis rather than only to Western Kenya, the spatial planning component of the RMIP does not prevent the inclusion of a planning activity that is less regionally specific in the proposed Rural Planning II Project (see Annex B). The planning component of the RMIP could serve as a very important first step in the GOK's efforts to operationalize the designated center policy in other regions. Through the proposed regionally focused planning activity, the GOK will have an opportunity to reformulate and apply the designated center policy in Western Kenya. The lessons learned from this experience, particularly as they relate to utilizing a spatial planning framework for decisions on site location for development interventions, could greatly assist the GOK in applying the growth center strategy in other regions. Therefore, we view the spatial planning component of the RMIP as a necessary and most important part of any project designed to intervene at the market and/or rural center level.

(2) The smallholder production-oriented USAID project (Smallholder Production Services and Credit Program--615-0148) in Western Kenya has experienced serious post-harvest problems in storage and channeling the produce through markets due to lack of physical facilities at the market centers.

Proposed Action: To upgrade, where deemed necessary, the basic market facilities at the market centers. This would include upgrading storage facilities, improving water and sanitary facilities, and improving open-air market space. The latter would include construction of fencing to keep marketed animals away from produce marketers. As much as possible, the project would try to employ self-help groups for the construction of any marketing facilities at the market centers.

(3) The inefficiencies present in the agricultural marketing system in Western Kenya entail much more than physical infrastructure. As has been noted by various sources,[29] smallholders are not benefiting as much as they should from the price support and stabilization activities of the Maize and Produce Board. In some cases, the poorer smallholders in the more remote areas do not have access to board depots and agents; thus they are often forced to sell their produce to a market trader at a price below the official price. In others, the prohibition of interdistrict movement of grain and the board's rigid price policy depress smallholder income.

Proposed Action: The whole question of marketing inefficiencies created by board regulations and price policy is dealt with as a separate policy issue in Section IV. Here it suffices to say that the RMIP must develop a continued dialogue with the GOK and the FAO (which is currently examining the commodity boards in Kenya) on the possibility of relaxing price and board policy and prohibitions on interdistrict movement of grain. In short, there is no component of the project designed to directly address the commodity boards, and USAID would rely heavily on the FAO project in this respect. Nevertheless, it is recognized that board regulations and price policy will directly bear on any marketing project; the effects on project benefits and implementation are considered more extensively in Section IV.

At a less policy-oriented level, an effort should be made to establish bulking and mobile collection centers at the market centers. This function is already apparent in such commodities as hides, where market centers perform a role in funneling products to rural centers and subsequently to urban tanneries. There is considerable potential for utilizing market centers as key links in the vertical marketing movements of many other commodities. Improving marketing efficiency also would benefit smallholder cash crop income.

(4) The supply constraints concerning the retail stores (dukas) at the market center level are very complex. In most market centers there is little differentiation among dukas in terms of goods stocked. Moreover, the scale of many of these dukas is limited and there have been few attempts at pooled transport and collective buying. Despite the fact that approximately 80% of rural retailers have expressed a need for business management consulting, business practices have yet to be improved.[30] The inefficiencies at the retail level have negative linkages to production in that smallholders are reluctant to devote land to cash crops unless they can be guaranteed a market to purchase basic foodstuffs.

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29. Cf. D.G. Anderson and Donald Pfost, "Smallholder Grain Storage Problems in Kenya: Problems and Proposed Solutions" (Prepared for USAID/Nairobi, 1978) and G. Schmidt, Maize and Bean Marketing in Kenya (FAO/UNDP Marketing Development Project, 1979).

30. Spliet, The Role of Small Businesses in Domestic Food Distribution, p. 36.

Proposed Action: The RMIP is designed to provide business extension services to rural retailers, with hope that the PEP group in Western Kenya could be employed. These services would include bookkeeping, basic auditing, and other cost effective business management practices. This should lead to more efficient practices and some specialization at the retail level.

Following the recommendations of Spiet, an effort should also be made to form a kind of retail cooperative at the market center level. Initially, the emphasis would be on forming wholesaler groups which would be able to pool transport and practice concentrated buying. This would reduce costs, which can be passed on to the consumer, by (1) increasing the retailers' bargaining power vis-a-vis wholesalers; (2) making deliveries more regular so that too much capital is not absorbed by inefficient overstocking; and (3) avoiding the use of uneconomic transport as usually has been the case for duka owners, given the small amounts of goods purchased. This component would necessitate extension services since the organization and management of these cooperatives would probably create some problems at first. The cooperatives, however, would have very limited functions (buying and transport) and should be managed easily by a team elected by the group's members. Bi-weekly meetings should be established to ensure that local viewpoints have a chance to be aired.

(5) It is important that the market centers are not only financially sound, but are also socially viable. This means that the centers should act as a focal point for community action, and serve as an "attraction focus" for local people. Most important, the centers should be the logical focus not only for market and production-related services, but also for social services.

Proposed Action: USAID should finance the construction of rural health, water, and sanitary facilities at market centers it deems appropriate according to the action proposed in Part (1) of this section. It is important to note that health facilities should be constructed only at centers where the Ministry of Health or another donor organization is willing to finance the organization and staffing of the facility. Although the project appears to be somewhat narrow in its focus toward non-marketing services, the RMIP plans to be a foundation on which other projects can be implemented at future dates.[31] Future projects could include rural health delivery, education, rural enterprise development, etc. Nevertheless, because the RMIP will focus on district level planning and identifying market centers which will be financially and socially viable, it will be a major first step in creating growth centers which are "a natural focus for community action."

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31. The initial scope of this intervention is favored by the GOK which has expressed a desire to operationalize the growth center strategy before investing in multidimensional activities.

(6) Since Western Kenya is a major target area for the USAID/Kenya program, there is a need for some coordination of USAID activities in Western Kenya. At present, USAID is involved in the following rural development activities in Western Kenya: the Smallholder Production Services and Credit Program (SPSCP) (615-0148); the Rural Roads System Project (615-0168); the Roads Gravelling Project (615-0170); and the Rural Enterprise Development Project (Partners for Productivity) (615-0175). In short, all of these projects are related either directly or indirectly to increasing smallholders' access to markets. Moreover, each of these activities entail the utilization of some criteria or framework to delineate areas in Western Kenya in which particular interventions are to take place.

Proposed Action: Although it is not a specific goal of the RMIP to serve as an integrative mechanism for USAID activities in Western Kenya, the project's spatial planning component can be used as a mechanism to assist in decisions about locations for interventions. This appears to be most relevant for the Rural Roads System Project. As the training component at the district level is designed to allow district level officials to operationalize the designated growth center policy, training would entail exercises in site location for development interventions. Also, the RMIP's business extension component would allow the FFP project to become more closely integrated with the growth center concept. Finally, the SPSCP's success would be enhanced by improved market access and construction of storage facilities for the smallholders. The improved marketing process should have positive linkages with smallholder production in Western Kenya.

(7) As discussed earlier, there are salient intraregional differences in Western Kenya. For example, the more heavily subsistence-oriented districts of Siaya, South Nyanza, and Busia have much poorer service facilities than the tea and sugar areas, i.e., Kisii, Kakamega, and Bungoma. Retail stores play a more important role for the smallholders in the latter areas, as they are more heavily involved in cash cropping and rely on the retail stores to purchase subsistence goods.

Proposed Action: The project package should not be applied across the board in all districts. Some market centers may receive only extension services while others may need physical facilities. The planning and training components of the project would build local level capacity for identifying which kind of interventions should be made at which market centers.

(8) As has been indicated in the Social Context Section, the activities of the RMIP must address the needs of the women who compose the majority of market traders in both agricultural produce and commercial products, as well as being the main producers of agricultural crops other than cash crops. Data on previous programs that were aimed specifically at rural women indicate several factors impeded their success, among which are inadequate formulation of relevant program goals, lack of time and money on the part of the participants, and insufficient interest. In addition, the data on extension services available to small producers also indicate that they have not reached the poor majority of smallholders but have concentrated on the better-off farmers. Extension agents often ignore women due to cultural factors.

Proposed Action: The design programs of the market and retail extension activities must include solutions acceptable to women that would be carried out within the context of the market center's activities, ensuring participation without substantial time reallocation in the women's activities. The design team must ensure that women benefit from the extension program. Since the majority of farm produce marketers and many of the duka owners are women, the project's components (i.e., formation of retail cooperatives and mobile collection units) should greatly benefit women.

IV. POLICY ISSUES AND IMPLEMENTATION CONSTRAINTS

A. MARKETING BOARDS AND PRICE POLICY

An effort to raise incomes through changing agricultural production patterns and introducing alternative market outlets is very difficult to achieve unless the farmer can see the economic returns at an early stage. Certain fixed price policies and other restrictive measures practiced by the marketing boards may nullify any steps taken to improve the efficiency of the marketing system. Many small farmers may be reluctant to adopt new production or marketing practices if the overall pricing system remains unchanged.

The Maize and Produce Board (MPB) has aimed at regulating production and external and internal marketing of maize while maintaining a reserve stock and guaranteeing satisfactory prices to consumers and producers. The present price controls have acted to impede optimal allocation of resources and generated welfare losses to small-scale producers. In surplus maize-

producing areas, small farmers have not always received the guaranteed farm-gate prices because of the MPB's limited buying capacity shortly after harvest. Furthermore, due to the small quantities marketed, they often have been forced to sell to MPB agents who normally buy at a lower price. The beneficiaries of this marketing policy have been the large farmers and maize millers. Any marketing policy aimed at improving the distribution of maize and increasing benefits to the largest majority of maize producers (i.e., the small farmers) must attempt to redress the negative impact of this pricing policy. As Phase II of the FAO Marketing Project will focus on formulating new marketing and price policies with regard to the marketing boards, AID should work closely with FAO to encourage the Government of Kenya to rescind the existing price controls.

An alternative form of control of the maize marketing system could be a price stabilization scheme with buffer-stock operations to be carried out by the MPB. The board would act as a buyer and seller of maize to keep price fluctuations within certain limits and to maintain a reserve stock of maize. Implementing this system requires a network of rural collection centers and MPB stores located in these centers as well as in markets in deficit areas. A market information system could be established to keep producers well informed of price movements and supply levels throughout the country. The price structure and rules for the board's operations must be clearly defined. Furthermore, movement restrictions should be lifted.

The artificially high price set by the GOK for sugar cane also has tended to work to the detriment of the small farmer. If the sugar cane price remains artificially high, a buying contract specifying quantity delivered should be arranged between the plant and the producer. This would discourage unlicensed farmers from producing cane. At the time of harvest, the farmers who have signed a contract with a sugar plant would be assured that the plant would purchase a given quantity of cane. If the factory does not have the capacity to process the sugar cane, then the factory is obligated to compensate the farmer for the quantity of cane specified in the contract.

Detrimental price controls resulting from government policy should be addressed through the FAO Marketing Project. A palatable alternative to existing government price policies must be presented to GOK.

In the short term, if there are no changes in GOK policy, decisions must be made on how the RMIP should be altered at the project design stage. In this case, it may be more beneficial for AID to consider a project which aims toward increasing production and market outlets for commodities that are basically unaffected by the marketing boards, e.g., horticultural crops, fish, etc.

B. COOPERATIVES

The operation of the cooperatives which market certain cash crops is currently inefficient. This creates mistrust among the farmers and results

in high rates of loan default among the small farmers. Utilizing the cooperatives as vehicles for marketing agricultural products may be problematic and should not be recommended unless the administration, management, and the payment schedules are restructured.

There are inefficiencies in collection of the products. Cotton, for example, is assembled at storage points that must be provided by the societies belonging to the cooperatives. Transportation of the product must be provided by the Cotton Board. All informants in the field suggest that both the storage and transport available to the small societies are insufficient. The method of payment is also problematic. Upon delivery of the product, the farmer is given a slip indicating the weight of the crop and the payment due according to prices set by the Cotton Board. But payment is not immediate, since the cooperatives are paid only after the cotton has been processed. Currently the payments are much in arrears, varying among districts from five to eighteen months. Part of the problem is lack of adequate processing facilities, since the existing ginneries cannot process the material fast enough. This in turn exacerbates the storage problem. In some areas, the farmers are confined to storing cotton on their farms with substantial loss due to the inadequacy of local storage and the effects of rain and wind on the cotton. The total collection and payment structure fosters corruption at the society level--to the point that there are wide discrepancies between the crop supposedly collected and paid to the societies and what is actually delivered. In addition, since the cotton production is tied to loan programs (IADP) with an inadequate payment schedule and untimely provision of inputs, the farmers experience a high default rate.

The situation with other commodity cooperatives is similar. The restructuring of the cooperatives is a high level policy issue in Kenya. Since the cooperatives could play some role in the RMIP, it is important that they be considered in the project design stage. The design team should determine if their operation has improved in the past year and, if not, how cooperatives can be upgraded to participate in the RMIP. Also, the feasibility should be explored of utilizing multipurpose cooperatives on a wider scale.

C. PRODUCTION CONSTRAINTS

The Rural Marketing and Infrastructure Project's basic goal is to increase per capita income for the smallholder in an equity context. This means increasing, in real terms, the smallholder's farm income through improvements in the market process.

Promoting rural markets in Western Kenya will result in a series of social, economic, and cultural consequences for the rural population. Therefore, the entire system of agricultural production must be carefully examined--production, credit, marketing outlets, and sources of employment--in order to truly integrate the small agricultural producers into the nation's economic mainstream.

The issue of production is intimately tied to the viability of the market centers. It is imperative that existing programs in the region continue to address the goal of increasing agricultural production. The initial focus should be on increasing production and domestic distribution of those vegetables which are not highly perishable (e.g., garlic, onions, carrots, potatoes, cabbage).

The horticultural production centers currently under consideration seem to be a promising alternative given the present low supply of vegetables and their perishability--requiring efficient collection and transport facilities--and high domestic and foreign demand for many vegetables. The horticultural production centers would provide seed inputs and extension services to farmers in order to augment vegetable supply; establish assembly points with simple storage facilities; transport the goods to large wholesale markets in Kisumu, Nairobi, and Mombasa; and market the goods. The farmer would receive an initial lump-sum payment at the time of delivery and the final settlement within a two- to three-week period. Immediate cash payment to the farmer is an essential element in encouraging the farmer to continue and possibly increase horticultural production. Farmers can withhold some of their produce for sale at the rural markets. The first horticultural production center might be established in Siaya District or South Nyanza District due to underutilized land resources, higher degree of low-income farmers, and proximity to the Kisumu wholesale market.

With increased production of vegetables, processing plants could be established in the supply areas, assuring farmers of an immediate outlet and providing consumers throughout the country with high-protein foods on an annual basis. This would require a high degree of cooperation and coordination among the producers, extension agents, transporters and buyers, but has the potential of yielding high returns for the producer, trader, processor, and consumer.

The issue of storage is also related to increased agricultural production. At present, improving on-farm storage facilities is the most appropriate intervention to assist the smallholder. Improvement and/or addition of on-farm grain storage facilities will reduce grain loss and increase smallholder capital investment. Due to the monostaple nature of the Kenyan diet, price elasticity of the demand for maize is extremely low. If a small farmer's landholding is sufficient to supply an adequate annual maize crop for family consumption, and if annual grain storage losses are reduced, major hurdles confronting most low income families will be overcome. On-farm storage of sufficient maize acts as a cushion to small farmers, as then they are no longer dependent on market supply and distribution for their families' sustenance. If price and supply information is available, the farmer can benefit financially by withholding grain during periods of surplus supply and selling later in the year when the price rises. This will provide a direct stimulus to smallholder incomes. In addition, the need to buy back grain later in the year will be reduced and possibly eliminated.

Grain storage problems differ by region. Storage problems from moisture are more severe in the surplus producing areas which have higher rainfall than in the drier, grain deficient areas. Based on the results of the Kansas State University grain storage study, low cost on-farm storage improvements can be introduced. Agricultural extension services will be required to effectively implement improved practices in grain harvesting, drying, and more appropriate geometric patterns for storage bins. In the initial stages, a credit component might be needed for construction materials and to tide the farmer over during the period of heavy financial demands. The actual construction costs for on-farm storage facilities should be quite low if local materials are used.

Similarly related to the issue of production is that of availability of farm inputs, consisting primarily of credit, fertilizer, and seed. In general, the distribution mechanism for fertilizers and seeds is much more efficient than that of farm products. This can be attributed to three basic factors: (1) fertilizer and seed distributors have adequate capital; (2) these distributors work with fewer buyer organizations; and (3) they have technically more competent personnel. Fertilizer distribution is undertaken mainly by private companies. Any bottlenecks in their distribution to small farmers largely result from lack of available cash or credit at the time of purchase. The Kenya Farmer's Association, a cooperative organization, has primary responsibility for the distribution of seeds. Members, non-members, and private companies are permitted to buy from the KFA at the fixed price.

The issue of credits and credit distribution is more complex. The process of obtaining credit for agricultural inputs is cumbersome and frightening to farmers unaccustomed to dealing with a bureaucracy. Credit allocation on the basis of land adjudication imposes an additional constraint on the large proportion of women who are household managers but whose husbands are absent. Illiteracy among women and unfamiliarity in dealing with officials are very real obstacles to their obtaining credit. In addition to the generally low accessibility of commercial credit institutions to rural people, delivery of available credit to the smallholder is poorly timed given actual financial needs. This credit, partly funded through donor countries or international agencies, goes through a rather circuitous route before reaching the smallholder: Cooperative Bank of Kenya to the cooperative unions, to cooperative societies, to cooperative members. Two basic problems result from this credit network: (1) due to corrupt practices, some of the credit is siphoned off at each stage, and (2) due to the time lags incurred at each link in the chain, the farmer often receives credit or payment for previous deliveries anywhere from six to eighteen months after expected date of arrival.

This time lag often has serious consequences for the farmer's agricultural investments, since the farmer may lack the capital to purchase seed and fertilizers for the current agricultural cycle. Thus, IBRD reports a large default rate--70%--in its on-going farm credit program. It is believed that the default rate can be reduced through modifications in credit distribution at the institutional level. The poor timing of credit delivery and late payment for the goods produced have increased the smallholder's

disillusionment with cooperatives and the credit system. Furthermore, farmers have become quite reluctant to invest confidence in the cooperatives for marketing produce. For all of these reasons, farmers tend to find more security in producing foodstuffs for home consumption rather than concentrating on cash crop production which entails relying on external marketing mechanisms.

A marketing system must meet the smallholders' needs and predilections in order to be successful. The smallholders' marginal existence will be improved only if the interventions are designed to provide sufficient incentives--particularly cash-on-delivery--for the farmers to increase production.

D. INSTITUTIONAL CONSTRAINTS

The institutional analysis (Section B, Part 4) pointed out the difficulties in finding a place within the GOK structure for a multifaceted project, albeit several possible alternatives emerged. However, during the time that the analysis was undertaken, the results of the November 8, 1979 parliamentary elections gave reason to speculate that significant changes might be forthcoming in GOK structure. The latest report from Nairobi indicates that these changes have actually occurred. Among the major alterations are the abolishment of the Ministry of Lands and Settlement and the transfer of its Physical Planning Department into an expanded Ministry of Local Government and Urban Development; the division of the Ministry of Agriculture into a Ministry of Livestock, separate from a Ministry of Crops and Land Use; and the transfer of the Lake Basin Development Authority into the President's Office, where, according to the USAID mission, the authority will "presumably have considerably more power."[32]

At this writing, it must be stressed that the project's location in GOK structure will become one of the critical tasks in project design. In particular, attention must be given to determining the following:

(1) The project components, if any, that can be absorbed in the Lake Basin Development Authority and how quickly and effectively the authority can become operational in its new position in the President's Office.

(2) The role that the University of Nairobi can play in training spatial/physical planners with a rural orientation.

(3) The consequences in emphasis and orientation resulting from the move of the Physical Planning Department to the expanded Ministry of Local Government and Urban Development, and Mr. Ligale's promotion to permanent secretary of that ministry.

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32. USAID mission cable, Nairobi 21444, December 7, 1979.

(4) Whether the division of the Ministry of Agriculture strengthens or weakens its agricultural functions by placing livestock concerns in a separate ministry.

(5) The implications that changes in GOK structure have on government field operations, particularly at the district level.

Due to these considerations, the design team must include a person with significant administrative experience and sensitivity to bureaucratic behavior in situations involving structural changes in government.

V. PROJECT COMPONENT COSTS

The figures presented in this estimate are rough calculations made on the basis of unit cost figures obtained from the original PID and other documents. The figures for spatial planning and training and the proposed extension and mobile collection components were calculated with more exactness than were the figures for the "brick and mortar" components. Also, the following amounts as presented are inflated by the inflation and contingency factors used in the original PID's cost estimate. As an overall guideline, we have used a range of $10-12 million for a project encompassing all aspects, giving the following component breakdown:

	Grants	Loans
1a and 1b--On-the-job training in spatial regional policy planning and district level project planning.		
2 resident advisors (36MM each)	620,000	
Training program instructors (24MM)	360,000	
Study tours for trainees	120,000	
Training materials and training operations centers	400,000	
	1,500,000	

	Grants	Loans
1c--Academic training at the University of Nairobi		
Institutional development grant to strengthen offerings in regional and rural planning (5 years)	1,000,000	
Scholarship fund for attracting Kenyan students (5 years)	100,000	
	1,100,000	
2---Marketing Extension Services		
Extension services	500,000	
Training of agents	100,000	
	600,000	
3---Mobile Farm Products Collection		
Vehicles	200,000	
Extension services	300,000	
Training of agents	100,000	
	600,000	
4---Marketing infrastructure		
Construction loan		4,000,000
5---Crop Storage		
Construction loan		2,000,000
Extension services	300,000	
Training of agents	100,000	
	400,000	
Total	4,200,000	6,000,000
Project Evaluation	200,000	
GRAND TOTAL	$4,400,000	$6,000,000

The above figures should be considered as illustrative only. If cuts are necessary, they should be made by eliminating components 1c and 3, or by reducing the loan amount for the brick-and-mortar part of the project. Conversely, we would recommend increases first in the extension categories under 2, 3, and 5, then in funds for short-term technical assistance in components 1a, 1b, and 1c.

VI. SCOPE OF WORK FOR PROJECT DESIGN

This scope of work is prepared for a project which would include all of the proposed components in spatial planning, extension, marketing, and infrastructure development. If a more limited project is selected, certain tasks will be reduced or eliminated. For example, a project which does not include the spatial planning component would not require the participation of an economic/regional geographer and a spatial planner, and sections (1) and (4) of this scope of work become unnecessary.

As pointed out earlier in this report, we have assumed from the outset that the DPRA team is designing the project's crop storage component. We suggested, however, that if the storage component is combined with any or all of the other components in marketing and infrastructure

development, the following six issues should be considered from a crop storage perspective (p. 37):

(a) The selection of target areas and the relation of this intervention to other on-going or planned interventions in the target area (the macro-spatial dimension).

(b) The feasibility of one storage mode (on-farm) versus the other (village level storage), taking into account regional differences among target areas.

(c) The selection of recipients for on-farm storage and villages for village storage, and the role of DDCs in this process (the micro-spatial dimension).

(d) The capacity of extension services to deliver technical assistance to recipient farmers and/or cooperatives in the case of village storage.

(e) The mechanisms necessary to assure that the project will benefit the "peasant farmer" rather than the "better farmers" among the smallholder population.

(f) The role Harambee Committees can play in project implementation.

These concerns are incorporated in the following scope-of-work outline.

A complete project design will require these skills: anthropology, rural sociology, agricultural economics, economic/regional geography, extension, spatial planning, architecture, engineering, and public administration. The estimated time required for the design team to complete its work is four to six weeks, with a substantial amount of this time spent on field work in Western Kenya. The exact amount of time in the field will vary according to the requirements of each individual on the design team.

Since the Institute for Development Studies (IDS) at the University of Nairobi has a number of research associates with extensive field experience in Western Kenya, it would be desirable to consider IDS members in forming the design team. Including IDS personnel on the team would reduce the need for outside experts' participation in the design process. Among the disciplines which are well represented at the institute are anthropology, sociology, and agricultural economics.

The specific analyses required for the project paper design are:

(1) <u>Target Population Benefit Analysis</u>
The benefits of the proposed interventions must be analyzed and delineated with precision. Among the intended benefits are:

(a) Increased productivity

(b) Reduced crop losses

(c) Higher household income

(d) Time budget benefits

(e) Increased general welfare, e.g., in health, nutrition, education

These benefits must be analyzed according to the system of constraints and opportunities operating locally and may vary from one locale to another.

Also, an effort to increase smallholder incomes through improvements in productivity, storage capacity, and the marketing process must entail an examination of the current institutional constraints for credit availability, as well as an examination of the cooperative organization to determine which aspects must be altered to increase farmer participation and confidence. Similarly, the types of AID input that would prove most effective with the marketing boards must be assessed and coordinated with the ongoing Phase II of the FAO Marketing Project.

(2) Extension Services Analysis

The existing extension delivery system must be identified, analyzed, and evaluated. This analysis should include the current level of activities, the areas that are serviced (i.e., farming, storage, cooperatives, business, etc.), and the recipients of extension services. An assessment should be made of the level at which extension services are most effective; for example, whether business extension should be directed at the wholesaler or retailer. The competence and effectiveness of extension agents must be evaluated. The team should draw up a plan for an extension delivery system and its implementation; it also should design a training program for the managers and agents in that system. Linkages should be established with other ongoing extension programs and with various research facilities.

(3) Market and Harambee Committee Analysis

The team should examine the market committees' operation in general, and the structure of those operating successfully in particular, in order to strengthen Western Kenya's less viable market committees. This study would point out features that could be replicated in other market committees throughout Kenya. The team should investigate whether market committees or other local institutions could be employed to collect user fees on water services, storage and marketing facilities, and could utilize these fees for maintaining and replacing the facilities. The facilities' economic viability also should be examined to determine if potential users

can be expected to use such facilities and if they can and will pay for these services.

Similarly, an examination should be made of the role Harambee Committees could play in project implementation and in the management and maintenance of facilities.

(4) Farm Products Collection Analysis
The proposal for an experimental mobile farm products collection component must be carefully evaluated. Specific groups that could be served by such units must be determined, as well as specific areas that would need the units considering the commodities marketed. The timing and size of surpluses, the existing transport network, and the routes which must be served must be studied. The implications of mobile units on the spatial development strategy must be assessed. For example, consideration should be given to whether this service would increase the shadow field of larger centers, and whether increased accessibility to markets would affect farmers' agricultural practices, social customs, etc.

(5) Social Soundness Analysis
As women play an essential role in agricultural production and marketing in Western Kenya, the project design team will have to design each project component to serve rural women, who form the majority of the target population. The design team must consider the time women allocate to agricultural production and marketing, and alternative work organizations in which women could participate (e.g., women's cooperatives for cash crop production). A careful evaluation of the social benefits resulting from specific interventions must include consideration of health, literacy, and extension programs which could be implemented in the market centers, and that could be conducted at those sites on market days without disrupting the time women spend in marketing activities. The interventions should be examined in terms of any potential negative impact on organization and structure of families and communities, including spatial dislocations, changes in production, and shifts in economic standing resulting from increased services and demands not compensated by adequate wages.

(6) Spatial Analysis
The team should identify target areas for intervention. Although the project's spatial and training components are designed to accomplish this and specific sites will be selected as part of the training process, some general target areas should be identified and investigated. Given the goal of obtaining optimal spatial distribution of centers, the following criteria should be kept in mind:

(a) The present and projected population density, including migration patterns in specific areas.

(b) The location of present and projected transport networks and local utilization of available transport in relation to existing major centers in the region (i.e., Kisumu, Kakamega, Eldoret, Bungoma, etc.)

(c) The availability of existing marketing facilities and catchment area overlap.

(d) Time/distance factors and the impact of increased mobility on the spatial system.

(e) The number of wholesalers and retailers operating per market; the frequency of visits to both larger and smaller market centers; and the network of goods distribution from urban centers to smaller rural centers.

(7) Physical Design and Construction Analysis
The components involving construction of facilities will require an analysis of construction capacity and practices in Western Kenya and the utilization of local materials and construction techniques. Design, layout, and standards should be developed on the basis of this analysis. A set of prototypical preliminary plans and specifications should be prepared for a few representative market centers to allow for estimation of the number, type, and cost of likely interventions.

(8) Training Analysis
Methods must be explored for the training component and the operationalization of a growth center policy for Western Kenya. A general outline should be formulated for on-the-job training. Components of this program must include a reconnaissance of the likely intervention sites and assessment of local conditions from anthropological, sociological, agricultural, economic, and marketing perspectives. A careful analysis of various training needs must be included. The needs and capacities of the planning department of the University of Nairobi should be examined and evaluated.

(9) Institutional Analysis
The institutional context for implementation must be carefully examined. This requires addressing the issue of where to lodge the project and its various components. Particular attention must be given to the consequences of government reorganization, and the possible role of the Lake Basin Development Authority in the project. The analysis should include an examination of the nature of the field staff capacity and expertise of the various central ministries in Western Kenya. Similarly, the operation and efficiency of the District Development Committees within the region should be examined to assess their potential role in project implementation.

(10) Evaluation Analysis

The team should design a project evaluation framework for the project as a whole and for each of the components. It should provide detailed guidelines for base-line data requirements, methods for monitoring and evaluation, and specific output measures. It is important that the evaluation system is developed as part of project design and not left for later consideration. The "logical framework" exercise should not be considered a sufficient substitute for designing a detailed evaluation program.

VII. ENVIRONMENTAL ISSUES

As the analysis suggests, the project will have a dual purpose: to develop and strengthen institutional capacity and extension services, and to provide funding for constructing market and storage facilities and infrastructure. Where construction of physical structures and other developments will be undertaken, they will be of modest size. In general, only minor, if any direct impact on the physical environment can be expected. Nevertheless, it is possible that physical activities at certain sites could have significant environmental impact. This cannot be determined, however, until specific project sites have been selected. Therefore, it is recommended that no environmental impact statement be prepared but that environmental assessment be carried out once specific physical developments have been determined and sites selected. This is in accordance with both AID policy and GOK intentions. The 1979-1983 Development Plan asserts that "a system of Environmental Impact Reports will be introduced. All major proposed governmental, parastatal and private projects will be required to prepare such reports, and projects will be modified before implementation if environmental standards would otherwise be threatened."[33]

33. Government of Kenya, 1979-1983 Development Plan, p. 60.

The environmental impact statement must address the interventions in regard to their potential effects on the quality of life. Poverty is linked to the prevailing economic conditions in Western Kenya. The national plan identifies deficiencies in nutrition due to inequalities of purchasing power, supply of products between districts, and fluctuations in food availability between seasons. The development plan specifically designates smallholders whose income is particularly low and who predominate in Western and Nyanza provinces as a nutritionally deficient group.[34] The initial environmental examination should be concerned with smallholders growing cash crops--a subgroup identified within the smallholder category that is more subject to having insufficient food supplies during pre-harvest periods. The shifting pattern of agricultural production from food to cash crops should be assessed carefully since its actual impact upon the population could be quite negative.

Similarly, changing land allocation for specific crops can cause alterations in settlement patterns which eventually would result in social, cultural, and economic changes. A policy of nucleation of settlements around growth centers could have beneficial effects, but negative aspects resulting from increased proximity, density of population, and economic changes should be assessed and incorporated into monitoring and evaluating the project. In addition, nucleation and village development without a supporting sanitation system and health center facilities inevitably would have negative impacts on the target population.

Increased use of fertilizers, pesticides, and insecticides must be accompanied by proper management techniques in order to minimize possible pollution effects. Changes in agricultural practices must include an extension component to educate the small farmer on aspects of agricultural production including soil depletion and erosion.

Thus, while improvements in the markets and marketing process per se carry a positive environmental impact, the above concerns regarding the social aspects must be considered.

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34. GoK, 1979-1983 Development Plan, pp. 147-148.

VIII. ANNEXES

ANNEX A

UNIVERSITY OF WISCONSIN–MADISON

INTERNATIONAL STUDIES AND PROGRAMS

Regional Planning and Area Development Project
[illegible] University Avenue
Madison, Wisconsin [illegible]
Telephone (608) 263-[illegible]
Cable: UAFDWIS

September 27, 1979

Dr. Rollo Ehrich
Office of Rural Development
Technical Assistance Bureau
Department of State
Agency for International Development
Washington, D.C. 20523

RE: Scope of Work for SOW Writing Team:
Kenya Rural Market Centers 615-0182

Dear Rollo:

In reference to our conversation of September 27 regarding the Wisconsin mission to Kenya, it has been decided that Wisconsin will send a team consisting of one regional planner, one anthropologist, and one economist to Kenya. An additional staff member of the UW Project may accompany the mission--an agricultural/development economist. This mission will begin work in Kenya during the first week of October (if possible, October 10), and the duration of the stay will be open-ended depending on the individual work envisioned by the respective team members but not to exceed one month.

The tentative terms of reference for the mission team are as follows:

(1) Upon arrival in Nairobi, the team will participate in an inter-ministerial session with GOK officials to discuss rural market/spatial development strategy and identify specific action for SOW writing activity. At this stage, the team will also review literature and interview Kenyans and others knowledgeable about rural market operations, particularly the District Development Committees.

(2) The team will provide a description of how the market centers might best be developed. Based upon sample field visits, some consideration should be given to the possibility of making the project broad enough so as to include productive and social services and assistance to small farmers, businesses, rural enterprises, etc. In addition, "upward linkages" to larger centers should be studied as a possible project component. The team should recommend criteria by which the design team could identify which locations would be suitable for such services as well as addressing the issue of whether the project should be more horizontal (broad) or vertical in focus.

(3) Using maps, census data and existing market literature, the team should develop a methodology for classifying the Western Kenya marketing system. This direction should seek to facilitate the future design team's assessment of center/sub-center/village economic relationships and the terms of trade prevalent within them.

(4) The team should make a preliminary outline of the range of economic benefits, e.g., savings, produce and input and transport costs, and distributional benefits (i.e., increases in returns to small holders and providers of small scale local marketing). Also a consideration of the social and environmental impact of the project would be taken into account.

(5) Based on the results of their work, the team will assist the Kenya mission in preparing the basic analysis necessary for revision of the PID.

Hope that the above will provide a useful input into the project paper activities.

Best regards,

Ved Prakash
Project Co-Director

VP:ml

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S.A.I.D. MISSION TO KENYA

Office of the Director,
P.O. Box 30261,
Nairobi, Kenya.

October 18, 1979

Permanent Secretary
Ministry of Economic Planning and
Community Affairs
P.O. Box 30005
Nairobi, Kenya

Permanent Secretary
Ministry of Agriculture
P.O. Box 30028
Nairobi, Kenya
(Attention: Mr. J. K. Muthama)

Permanent Secretary
Ministry of Lands & Settlement
P.O. Box 30450
Nairobi, Kenya
(Attention: Mr. Andrew Ligale)

Gentlemen:

The purpose of this letter is to propose to Government modification to three USAID/Government project proposals, all of which are in formative stages of development and to solicit your comment on these proposals. On the assumption these modifications are acceptable, we further solicit Government's views on moving ahead to help develop these projects for early AID funding; further in this letter, certain consultants are nominated who could assist in that process.

The projects under discussion are listed below with a brief synopsis of each:

1. Food Crop Storage Study, financed under the Agriculture Systems Support Project, No. 615-0169. This study commenced approximately a month and a half ago and is presently planned for completion by March 1980. The contractor, Development and Research Associates, Inc., is undertaking a comprehensive, nationwide evaluation of farm and village level, i.e., cooperative, storage needs in Kenya. This study is needed in order for Government of Kenya to assess its requirements and to develop a strategy looking to donor-financed assistance for food storage facilities. USAID has been hopeful of being able to participate, in our Fiscal Year 1980, in follow-on investment funding which this study would identify as economically desirable.

2. Rural Marketing Centers, Project No. 615-0182. This proposed project, as discussed to date between USAID and Government, has two components. One component would provide 14 person years of technical assistance to the Ministry of Lands and Settlement, and perhaps other Ministries, in preparing and implementing a detailed physical development plan and strategy for western Kenya, utilizing modern spatial development concepts. The second component of the project would finance the construction of basic market facilities, as deemed appropriate, at perhaps 50 rural market centers, again in western Kenya. The facilities could include storage for agriculture inputs and produce, water supplies, sanitary facilities, agriculture information centers and perhaps health/social services. USAID and Government have discussed use of a short-term technical team which would come to Nairobi to draft a comprehensive scope of work, pursuant to which a consultancy team would then design a project for USAID's and Government's consideration and approval. Again, U.S. Fiscal Year 1980 is our target date for project commencement if a proposal can be prepared and approved in time.

3. Rural Planning II, Project No. 615-0189. This proposed project would build on the Rural Planning I activity already underway (615-0162). Rural Planning II would provide continued advisory assistance to the Ministry of Economic Planning and Community Affairs to help improve the Government's capability to carry out rural development planning, particularly at the district level. As heretofore envisioned, Rural Planning II proposes financing the services of three long-term advisors for four years commencing in the second quarter of Fiscal Year 1981. The proposed project would also provide funding to train a cadre of about 20 District Planning Officers to help design and implement Kenya's district plans. Finally, Rural Planning II would support financially the Rural Development Fund, or alternatively, provide commodities in support of decentralized rural planning.

In recent weeks, USAID has been reviewing carefully the question whether there are such interlocking relationships among these three projects that, in the interest of efficient design and implementation, certain of their component parts should be combined or otherwise reallocated. Following this review, we now propose, for Government's consideration, to cover all of the originally conceived purposes of the three activities described above through two activities which might be restructured and renamed as follows:

(a) Rural Crop Storage and Marketing, Project No. 615-0182. This project would combine the construction of market center infrastructure in western Kenya with construction of storage facilities for agriculture products at the individual farm or cooperative level in rural communities. Also, as storage is only one aspect of a marketing system, the combination of these two projects should result in an integrated project that would address the need for both construction of food and crop storage facilities and the marketing facilities for agriculture commodities.

(b) Rural Planning Project II, 615-0189. Incorporation of the spatial planning aspect of the Rural Market Centers Project into the currently proposed Rural Planning II Project would create for Government the opportunity to treat spatial planning in a more generic sense. At the same time, Government would retain the opportunity to apply spatial planning in the design of the more d'ecrete Rural Crop Storage and Marketing Project, outlined immediately above, for western Kenya. In addition, this added element of Rural Planning II might help to accelerate implementation of Government's policy to build up a network of selected centers throughout the country in a systematic pattern to enable Government services to be provided to all the people of Kenya. It may also help to define in an operational sense Government's Designated Service Center policy which is designed to improve the rural-urban balance. It therefore seems to us that an integral aspect of the design of the Rural Planning II Project should properly include spatial planning. In this regard, we hope to work with the Ministry of Economic Planning next month in the preliminary design of the Rural Planning II activity, with a view to funding of the activity in Fiscal Year 1981, or if resources permit, perhaps earlier.

The foregoing is, of course, a very general description of what we see as a more efficient arrangement of the various projects. We believe, however, that it merits discussion between the concerned Government Ministries and USAID. In this regard, USAID is prepared to arrange for a consultancy team to visit Kenya at the end of October to assist in USAID/Government consideration of the proposed project rearrangement/design/funding sequence outlined above. This team, which we have just recently succeeded in recruiting to draft a scope of work for the design of Rural Marketing Centers, could be used to assist the Development Planning and Research Associates, Inc. team, which is already at work on the Food Crop Storage Study, toward a broadened effort along the proposed basis outlined above. The team would consist of the following:

(a) Dr. Leo Jakobson. Professor of Urban and Regional Planning, University of Wisconsin. Dr. Jakobson has had extensive development related experience in spatial planning and serves as a consultant on spatial planning matters to AID, the UN and Ford Foundation.

(b) Dr. Martin David. Professor of Economics, University of Wisconsin. Dr. David has had two years' field experience in Kenya, including research on rural marketing in western Kenya.

(c) Dr. Concepcion Lee. Research associate for the Regional Planning and Area Development Project, University of Wisconsin. Dr. Lee has had research experience on African social organization.

(d) Mr. Peter Little, of the Rural Development Office, AID/Washington. Ph.D. candidate in anthropology. Mr. Little has had previous field experience on rural economies in Kenya.

This team - the "Wisconsin Team" - could stay in Kenya to work on this project for approximately one month. The Wisconsin Team would work closely with Government and with the Food Crop Storage Study Team. The major purpose would be (a) to review and advise as to the concepts outlined above concerning project reconsolidation and (b) assuming USAID/Government agreement on these concepts, to draft a Scope of Work for a follow-on design team looking to FY 1980 funding of the new Rural Crop Storage and Marketing Project. The Food Crop Storage Study team would likely require additional technicians and a time extension to complete its expanded study by, say, May of 1980. At the conclusion of that study, a Project Paper would be prepared for FY 1980 approval and funding. The Wisconsin team would also draft a detailed outline for the spatial planning component of the Rural Planning II Project.

In order to permit the Wisconsin Team to come forward to Kenya, we will need a prompt approval from Government as to the proposed general purpose for the Team's visit and also as to the Team's proposed composition. While apologizing for the short notice, I would appreciate hearing from Government on this, perhaps orally with a confirming letter to follow, as soon as possible.

Sincerely,

Glenwood P. Roane

cc: Office of the Vice President
and Ministry of Finance
P.O. Box 30007
Nairobi, Kenya
(Attention: Mr. Z. Nyarango)

Director, Lake Basin Authority
c/o Ministry of Economic Planning
and Community Affairs
P.O. Box 30005
Nairobi, Kenya

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AGR:KEubanks(draft)

DISTRIBUTION: C&R-3, M&E-2, AGR-2, PROG-1, A/DIR-1, DIR-1

ANNEX C

UNITED STATES GOVERNMENT

memorandum

DATE: November 1, 1979

REPLY TO ATTN OF: Dr. Charles T. Hash, AGR

SUBJECT: Committee's expectations

TO: Wisconsin Team

The primary Mission objectives for the design team are (a) Development of a PID for the Rural Markets and Storage Project; (b) Revision of the scope of work for the DPRA team so that that team will generate material which can quickly be assembled into a PP for the project; and (c) assess the GOK's needs for assistance in developing a marketing town spatial planning capability and identify potentially meaningful AID contributions.

The Mission is aware that it may be difficult for the team to fully accomplish all these objectives in the brief time that is available, USAID's minimum expectation would be that drafts or detailed outlines of selected portions of the PID and review of the Mission's general outline for the PID would be accomplished. Specific sections where the team will be expected to make detailed input are: (a) project description, (b) project cost, (c) project preparation strategy, (d) social soundness, and (e) economic justification. The team will be expected to discuss potential environmental issues with REDSO and furnish an initial assessment. The Mission will furnish the general outline early in the team's tour but it is expected that the team will have to undertake considerable gathering and evaluation of information before writing up their drafts/outlines.

The scope of work in the current DPRA contract should be reviewed, clarified, expanded and strengthened to assure that that group will in fact generate information (in the form of a report) which will permit the rapid preparation of a PP without a need for Mission to undertake any additional investigation. (The DPRA team should identify policy constraints that can be dealt with in CPs and covenants as well.) The composition of the DPRA team should be contrasted with the sort of skills and resources needed to accomplish this expanded task and recommendations advanced to cover the gaps (e.g. marketing, cooperatives, sociology, etc.). Estimates of additional time and cost should also be made.

The quantity and type of assistance in spatial planning must be identified as well as the institutions where inputs should be made.

Members of the project committee will be available collectively and individually on a somewhat limited basis for assistance and clarification as the team proceeds.

Buy U.S. Savings Bonds regularly on the Payroll Savings Plan

GUIDELINES FOR THE LOCATION OF INFRASTRUCTURAL FACILITIES AND THE VARIOUS LEVELS OF CENTERS*

(*See*—Notes Below)

Level of Centres		*Administrative Services*	*Civic Services*	*Communication Services*
Principal Towns	National Capital	Government Ministries High Court National Police Headquarters etc.		International Airport. International Bus Services.
	Municipalities	Provincial Administration Resident Magistrate's Court Provincial Police Headquarter	Fire Station	Served by International/National Trunk Road Head Post Office Telephone facilities (automatic exchange) Regional Bus Service. Airfield
Urban Centres		District Administration District Court Divisional Police Headquarter		Served by National Trunk/Primary Road Airstrip
Rural Centres		Divisional Administration Police Station	Sewage Disposal system Grid Water Supply Electricity	Served by Primary/Secondary road Departmental Post-Office
Market Centres		Locational and Sub-Locational administration Police Post	Public Water Supply	Served by Secondary/Minor road Telephone Facilities (Manual exchange) Sub-Post Office Airstrip (only remote areas) Local bus service
Local Centres				

Level of Centres		*Educational Services*	*Health Services*	*Recreational and other Services Social*
Principal Towns	National Capital	University Teacher Training College (secondary level) Technical College	Hospital (national standard)	
	Municipalities	Teacher training college (primary level) Technical school (secondary level)	Hospital (provincial standard)	Museum/art centre
Urban Centres		Senior Secondary School (to form VI) Technical School (primary level)	Hospital (District Standard)	Stadium Public Library Recreational Park Cinema Showground
Rural Centres		Secondary School (at least to form IV) Village polytechnic	Health centre (4 maternity unit)	Mobile Library Service Sports field Social Hall Mobile cinema
Market Centres		Secondary School	Dispensary Family Planning Service	
Local Centres		Full primary school (2–3 streams) Nursery school		

Notes — 1. Private sector facilities, e.g. commercial and industrial undertakings, will be located in service centres according to the economic development potential. They will therefore not necessarily adhere to the hierarchical pattern of other infrastructure.

2. To the services listed against each level of centre should be added those services listed against the centres of lower level, e.g., in the majority of cases a rural centre will also have all the services existing in market and local centres

*GOK National Development Plan, 1979-1983.

KEY TO THE POINT SYSTEM*

I. ADMINISTRATION AND PROTECTION

1. ADMINISTRATION

Provincial Commissioner	3
District Commissioner	2
District Officer	1

2. JUSTICE

High Court	3
Resident Magistrates Court	2
African Court	3

3. POLICE

Provincial Headquarters	3
Divisional Headquarters	2
Police Station Police Post	1

4. AMBULANCE AND FIRE PROTECTION

Fire Station	3
Ambulance Service	1

II. SOCIAL SERVICES

5. HEALTH

Hospital	3
Health Centre	2
Dispensary	1

6. EDUCATION

Secondary School	3
Primary School	2

7. LIBRARY

Public Library	2

8. SOCIAL HALLS

Community Hall)	
Social Hall)	2

III. COMMUNICATIONS AND TRANSPORTATION

9. POST AND TELECOMMUNICATION

Day and Night Telephone Exchange	3
Post Office (Departmental)	2
Postal Agency	1

10. AUTOMOBILE SERVICE

Auto Service Station	3
Petrol Filling Station	2
Duka petrol Pump	1

11. BUS SERVICE

100+ Bus Trips per day	3
10 - 99 " " "	2
1 - 9 " " "	1

12. RAILWAY SERVICE

10,000+ passengers per annum	3
1,000 - 9,999 " " "	2
1 - 999 " " "	1

13. AIR TRANSPORT

International Airport	3
Airport	2
Airstrip	1

IV. COMMERCE

14. RETAIL

50+ Shops	3
5 - 49 "	2
1 - 4 "	1

15. OPEN MARKETS

Grade A Market	3
Grade B Market	2
Grade C Market	1

16. BANK SERVICE

Full-time Bank	3
Part-time Branch Bank	2
Mobile Bank Service	1

17. HOTELS

Residential Hotel	3
Safari Lodge	1

NOTE OF CAUTION

1. The existence of items of infrastructure as recorded in the following charts has only been determined by questionnaires and interviews with administrative officers. It has not been possible for Town Planning Officers to verify the completeness or accuracy of the data by field checks in the majority of cases.

2. The lack of refinement in the points system (e.g. A Govt. VI Form Secondary School only receives 3 points, the same as a one classroom Harambee Secondary School) is realised. The system used for Central, Western and Eastern Provinces has been retained for comparative purposes.

*GOK National Development Plan, 1979-1983.

ANNEX E

SCHEDULE OF PRINCIPAL TOWNS AND SERVICE CENTERS (WESTERN PROVINCE)*

WESTERN PROVINCE

Principal Towns	Administrative District	Urban Centres	Rural Centres	Market Centres		Local Centres	
	Bungoma	Webuye (10,000) Kimilili (2,000) Bungoma (9,700)	Sirisia Kapsakwony Chwele Tongareni Malakisi	Mayanja Makutero Sangalo Kabula Chepyar Nyanga Kamakenwa Misikhu	Kaptama Kopkateny Bokoli Nalondo Tugulu Naitiri Ndalu Bumula	Chebukwa Kibabii Nzoia Kimaeti Chepkube Chesigara Chesakaki Mateka Naitanda Siwembe Butonge Chesamisi Sikhendu Ndivisi Namorio Chemwee Kabeswa Sikusi	Lukhome Kuywa Khachonge Chebukwabi Mukhe Matisi Lukusi Sitikho Mbakalo Makutano Makukuywa Kongoli Majaha Milo Muchi Kandunyi Kibuke
	Busia	Busia (3,000)	Amegeru (Kacholia) Naribale Hakati Butala Mundas Lunyala (Nanema) Port Victoria	Chelelemuk Malaba Amukura Matayo Bumala Sio Port Bohevi Lokoli Murumba Bwefu		Kolait Kolanya Muredika Igara Kwameanor Mungatsi Lumboya Lugulu Alupe Mebenge Tuesolo Sirisia Janos Namuduru Machakuri Charawai	Bukhalalire Bekasi Bukiri Lugare Lumida Lupida

Principal Towns	Administrative District	Urban Centres	Rural Centres	Market Centres		Local Centres	
Kakamega (33,500)	Kakamega	Mumias (9,700) Luanda-Museno (2,900) Butere (2,000) Maiengo (Viluga) (2,000) Khayega (Mukumu) (Sigalagala) (Ikolomani) (2,000) Kaimosi (2,000)	Malava Khwisero Mixale Navakholo Kabosa Hamisi Shianda Ebusiratsi (Esibuye) Chavakali Lumakanda	Shiyalu Bukura Lubao Kalingili Koyonzo Shikulu (Musoli) Soy Kima Sabatia Matete Serem	Kakunga (Mwanza) Ingotse Magada (Muhanda) Eshibunga Gombegi Lugari Malinya	Maharga Ekambuli Huuga Jepkok Kimi Barsa Serende Kiruti Cacamakanga Cacpuk Kaerbdu (Ishiru) Lutambitsa (Iguhu) Isulu Sabatia (Hachenya) Masaka Lanatundu (Wambalishi) Shiatsala Musanda Vireembe (Isechero)	Bungasiwa Samanzi Munami Matungu Makunga Esbisiru Malaha Marceu Lukume Sumesi Kambiri Chemangeti Viluga Butali (Chebwai) Chimache Lirandeti Nambirima Lugari Mabasi Likhuyani Mantuma Mbaraka

Note:—All the figures in brackets are 1980 population forecast.

*GOK National Development Plan, 1979-1983.

May 8, 1979

MEMORANDUM

TO: AFR/EA, Harlodene Johnson

FR: PPC/PDPR/RD, Edward Lijewski

SUBJ: Kenya PID - Rural Market Centers (615-0182) - ("RMCP")

I offer the following comments for consideration during the subject PID review.

1. Strategy. In identifying the need for a program of what might be called "rural growth and service centers", the proposal heads in the right direction. Certainly the targetted areas of Kenya can increase output and productivity, and equity, with more widely available and accessible essential inputs, markets, and services. But as formulated the RMCP recognizes only the role played by "spatial" planners in determining which rural areas will be the beneficiaries of assistance for storage/basic marketing/sanitation and certain other interventions. Although on Pg. 40 (#8) the proposal does keep open the possibility that "rural marketing" more broadly defined--to include active support to a wider range of essential rural market town activities--may result from the conclusions of a Design Team survey, that thrust, which would seem the obvious one for this project, is passed over in the PID in favor of U.S. support for upgrading the capacity of a GOK Physical Planning Office in the Ministry of Lands and Settlements and building limited storage, marketing, and sanitation/control facilities. It is difficult to understand the basis for this conservatism, particularly in Kenya where full support for economic development by smallholders and other small economic units of the private sector would seem particularly appropriate and productive given the Government's basic policies on private sector development, rural or urban.

   In brief, the approach seems too heavily directed to support essentially limited, centrally planned, interventions which are likely to be inadequate to significantly improve economic output and equity. There is a better way, and the Mission seems partially aware of it.

2. Price Policy. There can be no doubt that major constraints to project benefits flowing in maximum potential to target groups are posed by Government's pricing policies and operations in certain agricultural and merchandise areas. The Mission should be urged to continue and increase its dialogue with the Government on changing/rationalizing those systems. On this matter the Mission seems to be looking to others for action, e.g., the FAO (whose

recommendations flowing out of their Marketing Project are noted in several places but not detailed in the text). Although it is conceivable that an acceptable project could be designed for the selected areas even if pricing and other pertinent policies are not modified, there should be no doubt that that is an inferior alternative.

3. Centralization versus Decentralization. While initiative and support for the proposal and development of a market towns project must first come from a central Government office in many cases, design efforts (even at the pre-PID and PID stage) should intensively assess ways in which the desired project activities can be carried out with local involvement/participation, at the design as well as implementation stages. Certainly the starting point for idea development should be recognizing and using local and regional level institutions as key entities in the process, building them into the design early on. In contrast, the PID presents a scheme where a central Government unit will determine what will happen, where, and to whom, probably before any of those non-central government persons affected or involved will know much, if anything, about the project concept/objectives. There must be a better way to build in local participation, support and decision-making; after all, maybe some of the 50 targetted communities need facilities other than storage-type more urgently. If the concept of decentralization isn't built in early in project conceptualization, it is not likely to result at all.

4. Implementation Responsibility. Although I have no concrete, specific suggestions for alternatives, I do not feel comfortable with the proposed central role in project implementation of the Physical Planning unit of the Ministry of Lands and Settlement. Unless there is a "track record" of performance which shows the contrary, one surmises that their speciality is too narrow to allow them to play the important leadership role called for in this project in terms of market development.

cc: AA/AFR, G.T. Butcher
DAA/AFR, W.H. North
SAA/AFR, Gayletha Cobb
AFR/DP, C. Ward
AFR/DR, J. Koehring
AFR/DR/EAP, C. Pippitt
AFR/DR/ARD, W. Johnson
AFR/DR, L. Heilman
AFR/DR, N. Cohen
AFR/DR, M. McDaniel
AFR/EA, M. Foster
GC/AFR, J. Patterson
DS/RAD, H. Hobgood
AF/E, L. Janowski
AFR/EA, K. Eney
PPC, Doug Caton
AFR/DR/SDP, J. Blumgart
DS/RAD, Cliff Barton
DS/AG/ESP, Bill Pogers
DS/RAD, John Lewis

THE LAKE BASIN DEVELOPMENT AUTHORITY ACT, 1979*

THE LAKE BASIN DEVELOPMENT AUTHORITY ACT, 1979

No. 15 of 1979

Date of Assent: 22nd August, 1979

Date of Commencement: 31st August, 1979

ARRANGEMENT OF SECTIONS

Section

1—Short title

2—Interpretation

3—Establishment of the Authority

4—Membership of the Authority

5—Meetings and procedure of the Authority.

6—Seal and execution of documents

7—Committees

8—Functions of the Authority

9—Appointment and remuneration of staff

10—Managing Director.

11—Funds of the Authority.

12—Accounts and audit

13—Annual reports

14—Protection of members and staff

15—Exemption from stamp duty

An Act of Parliament to provide for the establishment of an Authority to plan and co-ordinate the implementation of development projects in the Lake Victoria catchment area and for matters connected therewith and incidental thereto

ENACTED by the Parliament of Kenya, as follows:—

Short title.

1. This Act may be cited as the Lake Basin Development Authority Act, 1979

Interpretation.

2. In this Act, unless the context otherwise requires—

"Area" means the Lake Victoria catchment area;

"Authority" means the Lake Basin Development Authority established by section 3;

"chairman" means the person appointed as chairman of the Authority under paragraph (a) of subsection (1) of section 4;

"development area" means that part of the Lake Victoria catchment area situate within the Western and Nyanza Provinces;

"the Minister" means the Minister for the time being responsible for matters relating to economic planning;

"non-official members" means the chairman and the members of the Authority appointed under paragraph (b) of subsection (1) of section 4

Establishment of the Authority

3. There is hereby established an Authority which shall be a body corporate by the name of the Lake Basin Development Authority, with perpetual succession and a common seal, and which shall be capable in its corporate name of—

(a) suing and being sued;

(b) taking, purchasing or otherwise acquiring, holding, charging and disposing of property, movable or immovable;

(c) borrowing and lending money;

(d) entering into contracts;

(e) doing or performing all such other things or acts necessary for the proper performance of its functions under this Act which may lawfully be done or performed by a body corporate

Membership of the Authority

4. (1) The Authority shall consist of the following members

(a) a chairman appointed by the President;

(b) the Permanent Secretary to the Ministry for the time being responsible for economic planning;

(c) the Permanent Secretary to the Ministry for the time being responsible for finance;

*Republic of Kenya, No. 15, pp. 179-186.

(*d*) the Permanent Secretary to the Ministry for the time being responsible for agriculture;

(*e*) the Permanent Secretary to the Ministry for the time being responsible for health;

(*f*) the Provincial Commissioner, Nyanza Province;

(*g*) the Provincial Commissioner, Western Province;

(*h*) eight other members appointed by the Minister in consultation with the President, four of whom shall be appointed from the area affected by the operations of the Authority;

(*i*) the Managing Director appointed under section 10.

(2) Subject to this section

(*a*) the chairman shall hold office for a period of three years from the date of his appointment; and

(*b*) the members appointed under paragraph (*h*) of subsection (1) shall hold office for a period of three years from the date of their appointment.

(3) A retiring member shall be eligible for reappointment.

(4) If the Minister is satisfied that any of the non-official members

(*a*) has been guilty of improper conduct; or

(*b*) is incapacitated by prolonged physically or mental illness; or

(*c*) is unable or unfit, for any other reason, to discharge the duties of his office,

and that it would be in the interest of the Authority so to do, he may terminate the appointment of such member.

(5) The office of a non-official member shall become vacant—

(*a*) upon the expiry of his term of appointment, or

(*b*) upon the termination of his appointment under subsection (4), or

(*c*) upon the expiry of one month, or such shorter period as may be mutually agreed, after the date upon which

the Minister receives a written notice signed by the member of his intention to resign, or

(*d*) if he is absent, without the permission of the Authority, from three consecutive meetings of the Authority of which he had reasonable notice

(6) The non-official members shall be paid by the Authority such remuneration and allowances as the Minister may from time to time determine

Meetings and procedure of the Authority.

5. (1) The Authority shall be convened by the chairman at least three times in every year

(2) The Authority shall elect a vice-chairman from among its members.

(3) The chairman, or in his absence the vice-chairman, may at any time convene a special meeting of the Authority, and shall do so within fourteen days of receipt by him of a written requisition signed by at least three members.

(4) The quorum necessary for the transaction of any business of the Authority shall be ten members inclusive of the person presiding, and all acts, matters or things authorized or required to be done by the Authority shall be effected by a resolution passed by a majority of the members present and voting at a meeting at which a quorum is present.

(5) The chairman, or in his absence the vice-chairman, shall preside at all meetings of the Authority, except that in the case of the absence of both the chairman and the vice-chairman the members present shall elect one of their number to preside at that particular meeting.

(6) At every meeting of the Authority the member presiding shall have a casting as well as a deliberative vote.

(7) Subject to subsection (4), no act, decision or proceedings of the Authority shall be questioned on account of any vacancy in the membership thereof or on account of a defect in the appointment of any of its members.

(8) Subject to this Act, and to any general or specific directions of the Minister, the Authority shall regulate its own procedure.

Seal and execution of documents.

6. (1) The common seal of the Authority shall be authenticated by the signature of the chairman and such other person as may be generally or specially authorized by the Authority.

(2) All documents, other than those required by law to be under seal, made by, and all decisions of, the Authority may be signified under the hand of the chairman, or, in the case of a decision taken at a meeting at which the chairman was not present, under the hand of the person presiding at such meeting.

Committees.

7. The Authority may from time to time appoint such committees, whether of its own members or otherwise, as it may think necessary but no decision of any committee shall be effective unless it has been confirmed by the Authority.

Functions of the Authority.

8. The functions of the Authority shall be-

(a) to plan for the development of the Area and initiate project activities identified from such planning in the development area through the Government generally;

(b) to develop an up-to-date long range development plan for the Area;

(c) to initiate such studies, and carry out such surveys, of the Area as may be considered necessary by the Government or the Authority, and to assess alternative demands within the Area on the natural resources thereof, including agriculture (both irrigated and rainfed), forestry, wildlife and tourism industries, electric power generation, mining, and fishing, and to recommend economic priorities;

(d) to coordinate the various studies of schemes within the Area such that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area.

(e) to effect a programme of both monitoring and evaluating the performance of projects within the development area so as to improve such performance and establish responsibility therefor, and to improve future planning;

(f) to coordinate the present abstraction and use of natural resources, especially water, within the Area and to set up an effective monitoring of such abstraction and usage;

(g) to cause and effect the construction of any works deemed necessary for the protection and utilization of the water and soils of the Area;

(h) to ensure that landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the area;

(i) to identify, collect, collate and correlate all such data related to the use of water and other resources and also economic and related activities within the Area as may be necessary for the efficient forward planning of the Area;

(j) to maintain a liaison between the Government, the private sector and other interested agencies in the matter of the development of the development area with a view to limiting the duplication of effort and to ensuring the best use of the available technical resources;

(k) to examine the hydrological effects and the subsequent ecological changes on the development programmes and evaluate how they effect the economic activities of the persons dependent on river and lake water environment;

(l) to consider all aspects of the development of the Area and its effects on the lake inflow and outflow;

(m) to monitor the operations and provide technical reports on the operations of any agreement or other arrangements between Kenya and other states relating to the use of the waters of Lake Victoria or of the River Nile.

Appointment and remuneration of staff.

9. (1) The Authority may appoint, upon such terms and conditions as it thinks proper, such other officers and servants as it considers necessary or desirable for the efficient conduct and operation of the Authority.

(2) Every member of staff shall, subject to this Act, exercise such powers and functions and perform the duties assigned to him from time to time by the Managing Director.

(3) The members of staff appointed under subsection (1) shall be paid out of the funds of the Authority such salaries as the Managing Director, with the approval of the Authority, may from time to time determine and such travelling and other expenses as they may incur in the performance of their duties.

Managing Director.

10. (1) There shall be an officer of the Authority to be known as the Managing Director who shall be appointed by the Minister and who shall be responsible for the execution of policy of the Authority and for the control and management of its day-to-day business.

(2) The Authority shall delegate to the Managing Director such of its functions under this Act as are necessary for the day-to-day business of the Authority, and in particular the Authority shall delegate to the Managing Director the power, subject to any instructions of a general nature as may be given by the Authority

(*a*) to control and supervise the acts of all officers and servants of the Authority in the matters of executive administration and in all matters concerning the accounts and records of the Authority, and

(*b*) to dispose of all questions relating to the service of the officers and servants of the Authority and their pay and privileges

Funds of the Authority.

11. The funds of the Authority shall consist of

(*a*) such moneys as may from time to time be provided by Parliament,

(*b*) moneys borrowed by the Authority on such terms and for such purposes as the Minister, in consultation with the Minister for the time being responsible for finance, may approve,

(*c*) any moneys accruing to the Authority from any other source.

Accounts and audit

12. (1) The Authority shall cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities of the Authority; and shall prepare such other accounts as the Minister may require and, in addition, shall prepare yearly balance sheets made up to the end of each financial year.

(2) At the end of each financial year, the accounts of the Authority shall be audited by the Controller and Auditor-General

(3) The Authority shall produce and lay before the Controller and Auditor-General all the books and accounts of the Authority with all vouchers in support thereof, and all books, papers and writings in its possession or control relating thereto, and the Controller and Auditor-General shall be entitled to require from all members, officers and servants of the Authority such information and explanations as may be necessary for the proper performance of his duties

(4) At the completion of an audit under this section, the Controller and Auditor-General shall make a report thereon to the Authority and shall at the same time send a copy of the report to the Minister.

Annual reports

13. (1) The Authority shall within a period of six months after the end of each financial year or within such longer period as the Minister may approve, submit to the Minister a report of its operations and activities during that year, together with the yearly balance sheet and such other statements of accounts as the Minister shall require, and the Authority shall publish the annual report and the yearly balance sheet in such manner as the Minister may specify

(2) The Minister shall lay both the Authority's report and Controller and Auditor-General's report, together with the yearly balance sheet and such other statements of account as the Minister may deem appropriate, before the National Assembly as soon as reasonably practicable

Protection of members and staff

14. No act or thing done by any member of the Authority or by any officer or servant of the Authority shall, if the Act or thing was done bona fide for the purposes of carrying this Act into effect, subject him personally to any liability, action, claim or demand whatsoever.

Exemption from stamp duty Cap 480

15. No duty shall be chargeable under the Stamp Duty Act in respect of any instrument executed by or on behalf of or in favour of the Authority in cases where, but for this section, the Authority would be liable to pay such duty.

List of Individuals and Orgmizations Consulted by the Wisconsin Team

Ministries

Ministry of Economic Planning and Community Affairs

Mr. Harris Mule, Permanent Secretary
Dr. Peter Delp, Advisor, Rural Planning Division
Dr. D. Hook, Senior Advisor, Rural Planning Division
Dr. Tench, Advisor
Mr. David Mshila, Planner, Rural Planning Division

Ministry of Lands and Settlement

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Mr. T. Mwelia, Regional Planner
Mrs. E. Wamukava, Regional Planner

Ministry of Agriculture

Mr. J.K. Muthama, Director of Agriculture
Mr. L. N'Guetter, Economic Planner
Mr. Were, Head, Special Agricultural Projects

Survey of Kenya

Mr. Gikuli

Organizations

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Dr. P. Newhouse, Marketing Economist and FAO Team Leader
Dr. W.F. Zettelmeyer, Marketing Economist

International Bank for Reconstruction and Development

Mr. Edward Rice, Economist

University of Nairobi

. S.E. Migot-Adholla, Acting Director, Institute for Development Studies
Dr. P.O. Alila, I.D.S. (Political Science)
Mr. G. Ruigui, I.D.A. (Agricultural Economics)
Mr. S. Krishniah, Head, Department of Urban and Regional Planning

Peace Corps

Mr. D. Karrington, Director
Mr. D. Grisley, Ranchro Cooperative, Kendu Bay

Partners for Productivity

Mr. B. Akalah, Kakamega Branch

Cooperative Society Officers

Mr. Arap, Manager, Cotton Society, Kisumu
Mr. Moi, Acting Manager and Chairperson of Nyanch Cooperative Society

Provincial Officers

Western Province

Mr. O. Weiss, Provincial Planning Advisor
Mr. Kimeria, Agriculture Officer
Mr. Kityi, Provincial Director of Agriculture
Mr. Andreasson, Land and Farm Management Advisor

Nyanza Province

Mr. F.K. Were, Provincial Planning Officer

Other Informants

Duka owner, Ahero market center in Kisumu District
Duka owner, Awach market center in Kisumu District
School teacher, Pau Akuche market center in Kisumu District
Baker, " " " " " "
Posho mill owner, " " " " " "
Women traders, " " " " " "
Women traders, Ndori market center in Siaya District
Duka owner, Ndori market center in Siaya District
Women traders, Bungoma market center in Bungoma District
Farmer Maragoli, in Nandi District

Development Planning and Research Associates, Inc. (DPRA)

Dr. H. Pfost, Senior Engineer
Dr. D. Lowenstein, Project Manager
Dr. Ulysses Accacio, Grain Storage Engineer
Mr. Chris Gerard, Agricultural Economist
Dr. T. Thatcher, Entomologist

USAID

Rural Market Centers Project Committee

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Dr. David Christenson, Deputy Food and Agriculture Officer, AGR
Dr. Donald McClelland, Economist, AGR, Rural Planning Project Manager
Ms. Allison Herrick, Assistant Mission Director
Mr. Kevin O'Donnell, Chief, M&E Division
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