AGENCY FOR
INTERNATIONAL
DEVELOPMENT

KENYA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 82

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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USAID/KENYA

COUNTRY DEVELOPMENT STRATEGY STATEMENT: 1982-1986

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KENYA

FY 1982 CDSS

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Executive Summary

Development Framework

Economic growth and development are dynamic processes which cannot be adequately understood or successfully modified through a static analysis of current poverty symptoms or causes; the immediate, medium-term, and long-term nature of development problems and their respective assistance strategies must be fully recognized. Given a lead time of perhaps ten years between identification and the realization of significant long-term development impacts, the assistance strategy must reflect the dynamic nature of development problems in order to insure that the interventions identified today adequately address future year problems. Furthermore, an effective assistance strategy needs to recognize fundamental relationships between key macroeconomic variables and the goals of poverty alleviation and self-sustaining growth as well as recognizing the complex interactions between the agricultural sector and the growth of new economic opportunities outside the sector. Central to this framework, as applied in Kenya, is a recognition of (a) the basic relationship of production, employment, and income to the goals of poverty alleviation and self-sustaining growth and (b) the socio-economic implications of Kenya's 4% per annum population growth rate.

Development Objectives

The Government of Kenya and USAID agree that poverty alleviation and self-sustaining economic growth must be Kenya's primary development objectives. Increased production, especially agricultural production, is essential (a) to creating new employment opportunities, (b) to generating greater income levels, (c) to providing goods and services necessary to meet basic human needs, (d) to supplying sufficient food for Kenya's growing population, and (e) to improving the balance of payments through increased export levels. The CDSS analysis and strategy address the question of how this additional production can be generated. Increased employment opportunities and greater and more equitable income levels are necessary ingredients in overcoming poverty and the rural urban welfare imbalance. Employment links the longer term macroeconomic development objectives both to the microeconomic elements of a development assistance strategy and to the socio-economic realities of poverty in Kenya.

Key Development Issues

Kenya's stable government and dynamic private sector facilitated consistently high growth rates during the first decade of independence with real GDP growing at a 6.6% average annual rate between 1964 and 1973. In the latter 1970s, Kenya's vunerability to international economic upheavals was reflected in an average annual GDP growth rate of 5.0%. The 1979-1983 Development Plan period represents a watershed in Kenya's development; the easy growth options of the 1960s and early 1970s have been played out and the momentum of the 1976 coffee boom is fading. To achieve long-term self-sustaining economic growth and to satisfy the legitimate demands of the mostly rural population, Kenya must meet the development challenges of (a) reducing population growth, (b) sustaining high agricultural growth, (c) continuing the transition to labor-intensive export-oriented production, and (d) insuring that the poor benefit from economic growth.

In summary form, the key issues which must be addressed to meet these challenges are:

- -- reducing the fertility rate that results in population growth of 4% per annum.
- -- increasing food production by about 4.5% per annum.
- -- providing employment for 13.8 million new workers by the year 2000.
- -- diminishing rural-urban and intra-rural income inequalities.
- -- lessening the foreign exchange constraint on increased production.
- -- mobilizing local resources in order to provide recurrent cost financing for development programs.
- -- increasing self-sufficiency in renewable energy sources.
- -- providing sufficient trained personnel and appropriate institutions to implement development programs.
- -- addressing the physical, social, and economic impacts of ever increasing urbanization.

Development Strategy

The goal of US assistance is to help the Government of Kenya to achieve its own development targets of poverty alleviation and self-sustaining economic growth. To this end the US development assistance strategy has been structured around four development objectives; it is directed to a specifically defined set of target groups, and designed to take into account constraints in US funding and staffing anticipated during the 1982 to 1986 period. The poor have been identified by both socio-economic characteristics and physical location: specifically, the 46% of the population comprising the poor smallholders, pastoralists, landless, agricultural squatters, and urban poor. Geographically two regions, western Kenya and the arid and semi-arid lands (ASAL) which have been relatively deprived of essential economic and social services and in which the largest percent of the poor are to be found are targetted. The four development objectives are: (1) increasing employment, income, and smallholder production, (2) reducing population growth, (3) establishing a GOK energy policy, and (4) planning and demonstrating innovative and low cost delivery systems for social services.

Funding and staff limitations will prohibit large scale long-term investments in a wide ranging group of sectors. Therefore the strategy calls for assistance primarily at the policy, training and institutional development level, permitting AID's limited resources to act as a catalyst, shaping the investment of other donors, the GOK, and the private sector. The development program, designed to support progress toward the development objectives and to function within funding limitations, includes: 1) increasing agricultural production in high and medium potential lands, 2) expanding production and protecting the fragile ecosystems in the arid and semi-arid lands, 3) bringing about policy changes in prices, tariffs and factors affecting employment and production, 4) training and institutional development, 5) supporting demographic research and analysis, 6) supporting energy planning, and 7) planning and demonstrating multisectoral and community based innovative, low cost approaches to meeting basic human needs.

Methodological Note

In order to present a self-contained analysis and strategy statement responding to current CDSS guidance, this document occasionally summarizes from portions of the FY 1981 CDSS and relies on footnotes to support statements and to provide references for readers interested in specific topics.

I. Analysis

A. Development Setting

1. Macroeconomic Overview[1/]

a. Structure of the Economy

The prominant features on Kenya's economic terrain include: (a) an economy dominated by the agricultural sector which accounts for 30% of Gross Domestic Product (GDP), 80% of employment and 60% of total exports; (b) a GDP per capita of $330 (1978) with an estimated 45% of the national population living in poverty; (c) an imbalance between income levels and employment opportunities prevalent in urban areas as against rural areas, with the 14% of Kenya's population living in urban areas earning approximately 30% of the nation's income; (d) a population growth rate of 4%; (e) a limited natural resource base, marked by virtually no significant mineral wealth and land which is generally poorly suited to agriculture. (Over 73% of Kenya's land area is arid, another 9% is semi-arid and only 18% is classified as having high or medium agricultural potential) and (f) a mixed economy in which investment, pricing and other decisions are made by both the private and public sectors.

During the first decade of Independence Kenya enjoyed remarkable economic progress, with real GDP rising at an annual rate of 6.6% and GDP per capita increasing at 2.9% annually.[2/] The second decade has highlighted Kenya's vulnerability to external economic events, including the oil price increases beginning in 1973, the international recession of 1974/75, soaring international inflation, the collapse of the East African Community, and deteriorating terms of international trade. Real GDP growth averaged only slightly over 5% per annum between 1973 and 1978 and the GDP growth rate per capita averaged 1.5% annually.

[1/] Principal data sources include the GOK's Central Bureau of Statistics, the World Bank, and the International Labor Office. In cases of conflicting data, the Mission has made interpretations, selections, and adjustments which it believes most accurately reflect the real situation.

[2/] Independence was granted December 12, 1963.

Table 1 summarizes major sectoral changes over time indicating the declining importance of the agricultural sector and the increasing importance of both the manufacturing and the government services sectors. The private sector has remained a dominant element of the economy, accounting for 77% of 1978 consumption and 59% of investment.

Table 1

Gross Domestic Product: Summary[1/]

	1964	1973		1978	
Sector Summary	Share of GDP	Share of GDP	Annual Average Growth 1964-73	Share of GDP	Annual Average Growth 1973-78
Agriculture	36.0%	31.3%	5.5%	29.7%	2.6%
Manufacturing	10.3	11.8	8.5	16.3	11.3
Government Services	12.2	16.3	9.7	17.3	6.1
Other Sectors	41.5	40.6	6.0	36.7	5.3
Total	100.0%	100.0%	6.6%**	100.0%	5.3%**
GDP Per Capita	$102*	$170*	2.9%**	$330*	1.5%**

Source: GOK. Economic Survey. (various years)
* Current prices
**Growth rate in constant prices, per annum

The GOK generally has pursued prudent and conservative monetary and fiscal policies in the face of wild gyrations in coffee prices and Kenya's international terms of trade. Inflation has been contained to manageable levels (12.5% in 1978); the budget deficit has averaged 5.2% of GDP between 1973 and 1978; less than 40% of the deficit has been financed from domestic resources; and revenues have generally kept pace with expenditures.

Between 1964 and 1976, the labor force increased by about 2 million persons, with only 270,000, or 13% of that increase, absorbed by wage employment.[2/] Between 1964 and 1969 wage employment rose only 1.3% per annum, not even keeping pace with the 3.7% annual increase in the labor force. Smallholder agriculture, rural off-farm, and informal urban sectors absorbed 87% of the new labor force entrants between 1964 and 1976.

1/ The "Kravis" factor, permitting international price comparisons, is 2.46 of Kenya.

2/ Consistent labor force data is available only for 1964, 1969 and 1976.

Table 2

Employment

(Thousands)

Wage Employment	1964	1969	Annual Average Growth Rate 1964-69	1976	Annual Average Growth Rate 1969-76
Private-Agriculture	211	179	-3.2%	197	+1.4%
Private-Manufacturing	50	58	+3.0	88	+6.1
Private - Other	145	153	+1.1	197	+3.7
Private - Subtotal	406	390	- .8%	482	+3.1%
Public	182	237	+5.4	376	+6.8
Subtotal - Wage Employment	588	627	+1.3%	858	+4.6%
Smallholder Ag. & Rural Non-Ag	n/a	3,178	n/a	4,101	+3.7
Other Urban - Informal	n/a	96	n/a	125	+3.8
Residual (unemployment and underemployment)	n/a	401	n/a	526	+3.9
Total Labor Force	3,580	4,302	+3.7%	5,610	+3.9%

Source: Crawford and Thorebeck, ILO Consultancy, 1978, and 1979-1983 Development Plan.

The approximately 45% of the population estimated to be living below the poverty line (46% of rural and 36% of urban populations) are those who cannot afford the cost of providing the minimum caloric intake required to sustain normal health and growth.[1/] It is recognized, however, that income is an incomplete measure of poverty, not fully reflecting the absence of basic social services or basic goods available for purchase. Poverty is not evenly distributed between geographic regions or between urban and rural areas. In Nyanza Province, 56% of the population are defined as living below the poverty line, while in Central Province only 10% are living below the poverty line. The rural-urban imbalance is illustrated by the fact that the average agricultural income is only 41% of the average urban income.

[1/] Poverty is defined in terms of both food consumption and total consumption with urban poverty set at Shs. 551 per capita per year (1976 prices) for food consumption and Shs. 1,246 for total consumption. Rural poverty is defined as Shs. 332 per capita per year for food consumption and Shs. 426 for total consumption. These definitions, developed by the Crawford and Thorebeck ILO team, are not to be confused with general poverty indices prepared by the IBRD and "applicable" to a large number of countries. In a separate poverty definition exercise, 55 percent of the Kenyan population, in 1975, was found living below the poverty line. Ahluwalia, Carter, and Chenery, "Growth and Poverty in Developing Countries", Journal of Development Economics. September 1979

b. Manufacturing Sector.[1/]

The manufacturing sector has shown the greatest consistent growth, with production increasing by 8.5% per annum between 1964 and 1973 and by a staggering 11.3% per annum from 1973 to 1978. This growth has been primarily for the domestic market with prices substantially above those prevailing in foreign markets. Import dependence has been extremely high, resulting in the sector's vunerability to foreign exchange shortages. Perhaps most problematic of all, the dependence on imported production inputs has in no way been matched by export earnings of the manufacturing sector. Export volumes, after growing at the annual rate of 4.6% between 1964 and 1974, have shown no growth since 1974. As a result, the manufacturing sector's growth is increasingly dependent on the foreign exchange earnings of Kenya's more traditional agricultural exports with their attendant inelasticities and fluctuations.

The rapid growth of inefficient, import-intensive, import-substitution manufacturing and the poor performance of manufactured exports are the result of quantitative import restrictions that have made import-substitution far more profitable than export production. These import restrictions have produced an overvalued Kenyan Shilling (by 15% to 20%) thereby effectively taxing agricultural exports while subsidizing the manufacturing sector's imports.

c. Agricultural Sector.[2/]

The agricultural sector has provided Kenya with: (1) substantial export earnings; (2) a base for industrial and commercial growth; (3) the majority of basic food requirements, and of greatest importance, (4) approximately 80% of Kenya's employment. Between 1964 and 1973, the agricultural sector grew at the annual rate of 5.5%, or 1.8% per capita, due to (1) a dramatic increase in crop acreage (up by 21% during the period); (2) a significant increase in yields, attributed to the introduction of highly effective technologies, such as hybrid seeds (average maize yields increased 45%), and to the adoption of purchased inputs and enhanced crop husbandry (coffee and tea yields doubled); and (3) a switch to high value crops. Incremental smallholder coffee and tea production, for example, accounted for about 50% of the increased value in agricultural production between 1964 and 1973.

1/ Analysis of the manufacturing sector draws heavily from unpublished papers of Dr. P. Hopcraft of the University of Nairobi.

2/ This section draws from many sources but has particularly benefited from Gene Tidrick, "Kenya: Issues in Agricultural Production," IBRD. 1979 (unpublished)

Between 1973 and 1978, however, the agricultural sector's growth rate slipped to an annual average of 2.6%, largely due to the limited quantity and marginal quality of new land being brought into cultivation (only 3% between 1971 and 1976), the introduction of few new and effective technologies, the GOK's production inhibiting agricultural pricing, input, and credit policies, and the drought of 1973-1975.

In per capita terms, agricultural production fell at the annual rate of about 1% per year, led by declines in beef production and smallholder production for local consumption. While Kenya has managed to maintain self-sufficiency in basic foods, declining production and increasing population have significantly narrowed the margin between domestic food production and food consumption. In 1978 cereal production fell to 86% of the 1972 level. Production of wheat has fallen 35% in recent years, against a 146% rise in consumption. Despite generally good weather, the quantities of maize marketed in 1978 and 1979 were below 1974 levels. With food stocks now at record low levels, a poor growing season could result in food shortages and food imports.

Kenya's agriculture is characterized by a wide variety of production systems, reflecting different ecological zones, patterns of land holding and population distributions. A broad distinction can be made between the large and medium sized farm sector (holdings over 20 hectares) and the smallholder sector.[1/] Large farm production accounts for 25% of total production (45% of marketed production) and has remained a dynamic subsector, with continual increases in large farm production for export, while marketed and subsistence food production, dominated by the small farms, has been stagnant in recent years.

Smallholder agriculture is the dominant mode of production accounting for 75% of total agricultural output, 70% of the arable land devoted to agriculure, over 85% of total agricultural employment, and about 70% of total employment in the economy. Most smallholdings are farmed by the owner. Maize is the nation's staple crop and 90% of the maize acreage is on smallholdings. Smallholders also grow beans, tea, coffee, pyrethrum, oilseeds, potatoes, fruit and cotton. Extensive livestock grazing is the major economic activity in the ASALs with the main crops being sorghum, millet, and beans.[2/]

[1/] Smallholdings are statistically defined as less than 20 hectares, although only 3% of all smallholdings exceed eight hectares.

[2/] ASAL. Arid and semi-arid land.

Livestock represent a significant economic resource. Cattle number about 10 million head, of which about 1.3 million are improved dairy cattle. The national herd is growing at about 2% a year with an off-take rate in the 9% range. Most smallholders have some livestock. Over 50% of the livestock are in high potential areas where they provide both meat and milk. The other 50% of the national herd are on large farms, are grazed by pastoralists, and are on smallholdings in semi-arid areas. Sheep and goats number 12 million and are an important protein source in marginal agricultural zones. Of 14 million poultry approximately 2 million are of improved varieties.

Large (unsubdivided) mixed farms and plantations cover about 15% of the cultivated arable land. Approximately 2.4% of all agricultural holdings contain 32% of the arable land while 50% of the holdings occupy only 4% of the cultivatable land. Land distribution has always been a highly charged issue. A series of landtransfer schemes (including the reallocation of about 3.5 million acres) and smallholder production programs helped to defuse the issue following Independence. Kenyan agriculture underwent a major transition as Africans moved into the former "white highlands" and smallholders grew crops once restricted only to European production. Small farms increased their share of total marketed production from a level of 20% in 1960 to over 55% by 1978. Small farm tea production rose from 1% of the national total in 1960 to over 31% by 1976, with small farms' share of coffee production rising during the same period from 20% to 47%. Approximately one-half of the smallholders have entered into commercial agriculture. These "progressive" smallholders typically include individuals with some source of salaried income (useful for the purchase of agricultural inputs), at least some primary school education, enough land to provide for their own family needs and to grow for the market, an awareness of the advantages of modern agricultural inputs, and relatively good access to roads or markets. As population pressures on land increase and the agricultural production boom associated with the post-Independence land distribution programs fades, the remaining large holding (now mostly in the hands of Kenyans) will be looked to as an important source for increased agricultural production, for agricultural employment and for improved income distribution. Land distribution is expected to re-emerge as a highly visible socio-economic issue.

Table 3 illustrates the transformation in marketed agricultural production, demonstrating the rapid expansion in maize, sugarcane, coffee and tea production between 1964 and 1973 (spearheaded by smallholder production) in contrast to the declining importance of food crop and livestock production between 1973 and 1978 when cash crops continued to expand.

Table 3

Marketed Agricultural Production[1]

Category	1964 Volume ('000 mt)	1964 Share (%)	1973 Volume ('000 mt)	1973 Share (%)	1978 Volume ('000 mt)	1978 Share[2] (%)
Cereal Production	--	11.5%	--	12.2%	--	8.6%
Maize	[illegible]	[illegible]	441	(7.2)	236	(3.2)
Wheat	[illegible]	[illegible]	[illegible]	[illegible]	166	(3.6)
Industrial Crops	[illegible]	[illegible]	--	[illegible]	--	11.1%
Sugarcane	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Permanent Crops	--	[illegible]	--	[illegible]	--	[illegible]
Coffee	41	[illegible]	[illegible]	(27.5)	84	(36.2)
Tea	[illegible]	[illegible]	[illegible]	(14.1)	93	(22.3)
Total Crops	--	[illegible]	--	[illegible]	--	80.5%
Livestock	--	[illegible]	--	[illegible]	--	19.5%

Source: GOK. Economic Survey (various years)

d. External Trade and Balance of Payments

Kenya's external terms of trade in [illegible] fell to 93% of the 1972 level, as rising petroleum prices erased gains in coffee and tea prices. The external sector has become increasingly important for Kenya, with imports rising from 25% of GDP in 1963 to 39% in [illegible]. Imports are crucial for growth in Kenya's industrial and commercial agricultural sectors. Machinery and transport equipment accounted for 41% of [illegible] imports, with industrial supplies representing 27%, fuels 18%, food and beverages [illegible], with only 8% for other consumer goods. Exports, however, have not kept pace with import growth. Exports rose from

1/ Does not include total national production, but only produce sold through official marketing channels.

2/ Share of total marketed production in current prices.

3/ 164,400 mt in 1972 and 159,500 mt in 1974.

[illegible] in 1978 in contrast to 1978 import [illegible] current accounts deficit has grown [illegible] 1976 to 14% by 1978. In 1978, three agricultural [illegible] exports; coffee led at 34% with [illegible] have increased their share of [illegible] and rising to 51% in 1978.

[illegible]

[illegible] self-sustaining economic growth [illegible] Kenya's key development issues,

[illegible] growth rate is currently estimated at 4.0%, the [illegible] world. Rising fertility rates and declining [illegible] from 8.6 million persons in 1962 to [illegible].1/ At current growth rates the population [illegible] in 1989 and 37 million by 2000. Population [illegible] between investment and consumption, straining fixed natural resources, [illegible] the demand for social services to satisfy basic human needs, [illegible] calling for ever higher levels of production and employment [illegible] current consumption levels and living standards.

Table 4

Population Overview

	1969	1979	1989	2000
Total Population (mn)	10.9	15.8	24.0	37.0
Rate of Natural Increase	3.2%	4.0%	4.1%	4.0%
Percent Under 15 Years	48.4%	49.9%	52.2%	53.0%
School-age (mn)	3.2	4.4	7.3	8.8
Labor Force (mn)	4.4	6.2	8.9	13.8

Source: Population Studies and Research Institute, University of Nairobi. Recent Demographic Trends. 1979.

b. Food production will be a primary concern over the next decade as the population increases by another 8.2 million persons. While Kenya is currently self-sufficient in basic foods, short-falls in wheat and rice are already a serious problem. Wheat imports have soared from an average 47,000 metric tons between 1977 and 1979 to an estimated requirement of 122,000 tons in 1980. The production-consumption balance for maize (which accounts for 45%

1/ Preliminary raw census data for 1979 places the population at 15.3 million. Subsequent statistical adjustments are expected to raise the final figure close to the current estimate of 15.8 million.

of total caloric intake) is now approaching a critical stage with limited shortfalls possible in 1980.[1/] Food production will need to increase at a 4.5% annual rate just to keep pace with population growth and to eliminate the most serious cases of hunger.

c. Employment links production levels needed for economic growth to income levels required both to alleviate poverty and to lessen income inequalities. Kenya's labor force has grown at about 3.8% per annum since 1964. The current population growth rate will swell the labor force from 5.6 million in 1976 to an estimated 13.8 million by 2000. If non-agricultural employment continues to grow at a rate of 6% per year (Korea managed to sustain a 7% rate during the 1960's) through a massive expansion of export production, it would manage to absorb only 3.5 million of the projected 8.2 million labor force increase between 1976 and 2000. This rise in non-agricultural employment, in turn, would imply a significant increase in urbanization. Agriculture would still be left with the task of absorbing 4.7 million new workers. Such an absorption would imply an increase in aggregate agricultural production by a factor of 2.2 between 1976 and 2000 on top of a similar increase between 1955 and 1976.

However, Kenya's growing population has resulted in a decline in high and medium potential agricultural land per capita from 1.15 hectares in 1962 to an estimated .63 hectares in 1979. By 2000 the figure could fall to .27 hectares. This trend implies one of the limits Kenya faces to increased agricultural production.

d. Income inequality between rural and urban areas and between the poor smallholder and pastoralists and the wealthier commercial farmer must be adequately addressed during the next 20 years if Kenya is to achieve its development objectives without political unrest. The 80% of the population employed in agriculture only receives 47% of the national income; 50% of the agricultural holdings occupy only 4% of the cultivatable land.

e. The balance of payments poses a significant foreign resource constraint to Kenya's economic growth, affecting the availability of imported agricultural and manufacturing inputs. Adoption of tariff rationalization policies, which are designed to promote export production, is in turn also constrained by the

1/ See "U.S. Mission Recommendation for PL-480 Title I Assistance," October 1979. Maize import requirements during 1980 could be in the 200,000 metric tons range if the rains during early 1980 are not at least at the historical average.

balance of payments since the initiation of new tariff policies will at first probably increase imports. Over the 1979-1983 Plan period Kenya's terms of trade are expected to deteriorate as export prices for coffee decline while petroleum prices continue to rise.

f. Revenues for recurrent cost financing, required to implement production and social service activities, will become increasingly tight as: (1) lower economic growth limits revenue generation; (2) population growth demands more consumption services (financed by the recurrent budget); and (3) donor preference for development (capital) financing encourages initiation of new projects that subsequently require recurrent financing which the donors are generally unwilling to provide. While the mobilization of local resources by self-help schemes has made a significant contribution to the operating costs of rural social services (especially education), only highly cost-effective services can be financed by self-help efforts alone.

g. Kenya's energy requirements impact adversely on foreign exchange reserves, commercial production, and the ecology. Dependence on imported oil has resulted in a 435% increase in petroleum imports up from $46 million in 1973 to $246 million in 1978 (representing 20% of Kenya's foreign exchange earnings). The volume of petroleum consumption, however, only rose 23% during this period. Commercial production relies on energy for manufacturing and transportation with 25% of total petroleum sales made to commercial enterprises and with another 28% consumed by the sector's transportation requirements. About 90% of the population use wood and charcoal and the average family burns one ton of wood annually. A rural firewood crisis is developing: rapid deforestation is reducing wood supplies and causing serious ecological damage.

h. The insufficient quantity and inadequate quality of trained personnel and appropriate public and private sector institutions limit the formulation and hamper the implementation of necessary development programs, resulting in a suboptimal use of resources.

i. Urbanization, resulting from the declining capacity of the agricultural sector to absorb rural labor, increased non-agricultural employment, high rural to urban migration rates, and Kenya's rapid population growth rate, is straining the economy's ability to provide basic services, including shelter, in Kenya's urban areas. The urban population is growing at 7.6% per year and is expected to grow from 2.2 million persons in 1979 (14% of the national population) to

8.5 million by 2000 (23% of the population). The socio-economic problems attendant with this massive population transition will be most acute in Kenya's secondary cities.[1/]

B. Analytical Description of the Poor

1. Overview

The identification and description of Kenya's poor in this FY 1982 CDSS is consistent with the FY 1981 CDSS. Approximately 86% of Kenya's 15.8 million population lives in the rural areas and an estimated 46% of the rural population lives below the poverty line. While there is considerable micro-level economic variation within geographical regions, there are clear differences in the average welfare levels among provinces and eco-zones. In two provinces, Western and Nyanza, over 50% of the rural population lives below the poverty line.[2/]

2. Identification of the Poor: By Socio-Economic Characteristics

The rural poor include the poor smallholder farmers, the pastoralists, the landless, and the large-farm squatters; the urban poor include the unemployed and working poor. While the poor have been identified by the statistical convenience of income levels, poverty is manifested in relative lack of access to basic services, levels of health, nutrition, and education, and possession of basic material goods. In addition to the poor identified in Table 5, there are many Kenyans at the margin of poverty who earn the minimum wage but who also must support a large family and numerous relatives.

a. Poor smallholders represent approximately 45% of Kenya's total 8.6 million smallholders and account for 20% of total smallholder income. Smallholder households comprise (a) poor smallholders numbering 3.9 million and earning an average household income of $303; (b) "average" smallholders in transition between subsistence and commercial farming, numbering 4.3 million and earning an average household income of $900 per annum; and (c) .4 million "rich" smallholders with an average household income of $2,200. The typical poor smallholder has 2.1 hectares but 45% hold less than 1 hectare. Smallholder households are generally not self-sufficient in food production as only 40% of the food they consume is home grown. Non-farm income represents about 60% of poor smallholder total income, as against 45% for the "average"

1/ See "Kenya Shelter Strategy Statement," December 1979, for discussion of urbanization, secondary cities, and problems of shelter.

2/ The limited data available for North Eastern Province does not permit a similar estimate, which might exceed 50%.

Table 5

Kenya's Poor

Category	Number Households 1/ ('000)	Number Persons 1/ ('000)	Percent National Population	Average Annual Household Income 2/ ($)	Average Annual Income Per Capita 2/ ($)
A. Rural Poor					
1. Poor Smallholders	708	3,894	24.6%	$303	$ 74
2. Pastoralists	223	1,561	9.8	368	53
3. Landless	240	840	5.3	368	105
4. Agricultural Squatters	229	915	5.8	458	115
B. Urban Poor	46	138	.9	440	146
Total Poor	1,446	7,348	46.4%	$353 3/	$ 80 3/

1/ 1979 population estimates.
2/ 1976 income data adjusted to 1979 levels, converted at 1979 exchange rate.
3/ Weighted average.

smallholder. Regular and casual off-farm employment accounts for 25% of total income, remittance from relatives another 20%, and non-farm activities (such as the production of beverages, tobacco products, charcoal making and clothing repairs) about 15%. The typical smallholding is managed either by the wife or jointly by wife and husband with women providing about 75% of total on-farm labor.

b. Pastoralists are concentrated in Rift Valley Province (45%), North-Eastern Province (20%) and Eastern Province (24%). The life of the pastoral groups is regulated by seasonal changes in the availability of water and grazing. Efforts by the Government to provide education, health care, and other services have been aimed at introducing some degree of settlement. Yet when water and pasture seem more abundant elsewhere, nomadic pastoralists have moved on, leaving schools and dispensaries behind.

c. The rural landless generally live in and around smaller rural settlements and 12% of landless households are employed in informal sector (small scale service, sale, production) activities, 36% as unskilled workers and 52% as casual agricultural labor. While their incomes often exceed the poor smallholder's income, the uncertainties and income variations encountered by the landless make it difficult to provide for a basic minimum standard of living.

d. The large-farm squatters are a manifestation of Kenya's land transfer policies since Independence.[1/] The large farm squatters have occupied sections of large farms in groups or individually. In opposition to stated Government policy, they have operated these farms as small subsistence units rather than one large, market-oriented production unit. Their main problem is that of uncertainty; without title to land their source of income is not secure and investments which might increase production are too risky to undertake.

e. The urban poor statistically include the unemployed and the working poor, but a disproportionately large share of the urban population is represented by young, unskilled wage-seeking males. The Development Plan estimates that only 30% of the urban population can afford minimum standard housing. The urban population is growing at the rate of 7.6% per annum as rural to urban migration and non-agricultural employment increase. Although it represents only 14% of the current population it accounts for one-third of new household formations.

3. Identification of the Poor: By Location

There is a relatively good association between the incidence of poverty in Kenya and its location. Two regions have been relatively deprived of essential economic and social services: Western Kenya and the arid and semi-arid lands (ASALs).[2/]

Table 6

Identification of the Poor: By Location

Location	Percent National Population	Percent National Land Area	Percent of All Poor Smallholders	Average Holding of Poor Smallholders
Western Kenya	40%	6%	52%	1.4 ha.
ASAL	20%	82%	15%	1.9 ha.*

Source: CBS, Integrated Rural Survey (IRS) and Statistical Abstract
*For smallholders, not pastoralists, in ASALs.

1/ See Land Reform in Kenya, AID Spring Review, for a detailed discussion of the history of land tenure in Kenya.

2/ Western Kenya is defined as Nyanza and Western Provinces plus the adjacent districts of Trans Nzoia, Uasin Gishu, Nandi and Kericho in Rift Valley Province. The ASALs include North Eastern Province, most of Eastern and Rift Valley Provinces, and Tana River District in Coast Province (but not the area within the Tana River Irrigation Scheme) and much of Taita District.

a. Western Kenya has the nation's most serious poverty problem and is the area where the highest percentage of the population is living below the poverty line. The region's poverty is not a factor of poor agricultural land since virtually all of western Kenya is classified as medium to high potential land, but rather the high population density (870 persons per square kilometer in parts of Western Province), small farm size, low access to and relatively poor quality of Government's social and productive services, and scarcity of off-farm employment opportunities.

b. The arid and semi-arid lands have witnessed a considerable population expansion over the last decade as limited new farming opportunities in high potential lands have driven farmers into the low potential ASALs. Agriculture is the main economic activity of these areas with livestock providing the principal source of subsistence and on-farm cash income. Off-farm income accounts for 70% of smallholder household income in the ASALs against a national smallholder average of 45%. The poorer (arid) areas can support only extensive livestock grazing. The ASALs contain 37% of the national cattle herd, 65%-70% of the sheep and goats and virtually all the camels. Limited smallholder productivity and low income levels are compounded by poor access to social and economic services. All of Kenya's pastoralists reside in the ASALs. The delicate ecological balance in ASALs makes them extremely sensitive to misuse. Environmental deterioration has arisen from the growing population and the consequent need for more cultivation and higher livestock numbers which in turn has led to soil erosion and overgrazing. It is in the eastern ASALs where the conflict between increasing population and decreasing agricultural production potential is most acute.

C. Causes of Poverty and Constraints to Development

1. Analytical Framework

Poverty in Kenya, today and over the remainder of this century, can be directly linked to: (a) limited access to production resources or employment opportunities; (b) low productivity, and (c) inequitable income distribution. For the rural population, this translates into low agricultural production and limited off-farm employment opportunities. Urban poverty is directly related to employment opportunities.

2. Agricultural Production

Agricultural production on smallholder farms is highly correlated with: (a) availability, distribution and quality of land; (b) production technologies available and transmitted to smallholders, (c) availability (in both a financial and timely nature) of vital production inputs, and (d) pricing, marketing, and storage incentives. Analysis of smallholder income data indicates that a major difference between poor smallholders and "average" and "rich" smallholders lies in off-farm income, especially from regular employment.[1] Off-farm income feeds directly back into the agricultural production cycle as a source of cash required to finance agricultural innovations and farm production inputs. A steady source of income, in turn, increases a borrower's credit rating.

a. Land distribution is uneven between regions and between individuals. High and medium potential agricultural land ranges from close to 100% of a province's total (Western, Nyanza, Central) to between 20% and 30%, (Coast, Eastern, Rift Valley) and down to zero in North Eastern. Of some 5.5 million hectares under cultivation, about 3.8 million hectares are under small farm cultivation, with .6 million in large mixed farms, .2 million in plantations, and the remaining .9 million hectares in farms of between 20 and 50 hectares. Plantations and large mixed farms now cover only one-half the area they occupied on the eve of Independence. Within the small farm category, 75% of all farms contain less than 2 hectates with 7% containing more than five hectares. However holding size per adult does not fully explain household income differences; off-farm income is the significant explanatory variabl.. Most Kenyan data indicates that productivity per hectare increases as the holding size decreases.[2] Small holdings are worked more intensively, can contain high value crops, and often lie in more advantageous soil and rainfall zones. After a point, however, a holding cannot fully sustain one family. An intensively cultivated holding, combined with off-farm employment, does however represent a viable production unit.

The large farm-small farm debate has centered on production versus employment. It has been argued that large farms provide most of the marketed surplus, they earn a large share of Kenya's foreign exchange, and they set husbandry standards for smallholder production. Opponents argue that small farms would produce

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1/ CBS. Integrated Rural Survey (IRS), I and II.

2/ For example, IRS-I data indicate output per hectare falling from Shs. 4,335 for holdings under .5 hectares, to Shs. 1,104 per hectare for holdings under two hectares and Shs. 224 per hectare for holdings above eight hectares (1976 prices).

more, using the same land, and would provide more employment and a more equitable distribution of income. On the basis of available evidence it appears safe to conclude that: (a) on average small farms produce at least as much output per land unit as large farms, (b) small farms employ more people per land unit than large farms, and (c) small farms are at least as efficient in total resource use as large farms.[1/]

b. Availability of and access to production services and technologies seriously constrain smallholder production. Kenya's agricultural extension agents spend only a fraction of their time on visits to poor smallholders, against visits to more prosperous farmers.[2/] Furthermore, while approximately 25% of all smallholdings are managed solely by women, only 40% of such farms had ever been visited by extension agents, according to a recent survey, while 72% of jointly managed farms had been visited.[3/] Agricultural crop research has concentrated on adaption of improved crop varieties, especially in high potential areas, but relatively little attention has been paid to their adoption by smallholders. Research is now involving all aspects of small farm operations in high and low potential areas. Livestock research has been considerable but much work remains to adapt general results to specific areas.[4/]

c. Access to inputs is limited by the absence of inputs, on a timely basis, and absence of cash (or credit) required for their timely purchase. Even the poorest smallholders depend upon some purchased inputs (32% of total inputs). Import restrictions and inefficient input distribution systems have often prevented the availability of inputs when and where required. Only about 3% of all agricultural credit outstanding has been lent to smallholder farmers. Credit programs have only recently been directed toward the poor smallholder. Collateral requirements, complex application forms and lengthy processing times often are insurmountable barriers for a poorly educated smallholder farmer. Furthermore, women who manage (jointly or alone) approximately 40% of all smallholdings, are generally unable to obtain credit since collateral requirements include the land deed and land has generally been titled only to males. Cooperatives, which offer non-collateral credit, have focused on male farmers.

1/ IRS-I, IRS-II, and G. Tidrick op. cit.

2/ D. Leonard. Reaching The Peasant Farmer. Chicago 1977.

3/ K. Staudt, "Inequities in Delivery of Services to Female Farm Clientele." University of Nairobi.

4/ ATAC. Agricultural Research in Kenya. 1977

d. Production incentives are a function of produce and input prices, assured markets, and storage facilities. These are controlled by the GOK, which fixes the prices of major food crops at all levels in the marketing chain: producer, buyer, wholesaler, processor, distributor, and consumer. While it has been Government's stated policy to regulate crop prices to insure domestic self-sufficiency, price changes have often been ill-timed and have lagged behind the date when stimulation or restraint was required. Major crops are now being priced at import-parity in order to allocate domestic production resources according to international prices (and alternative uses) and to regulate the relationship between production for urban consumption and for export. Agriculture pricing policies can be characterized as generally favoring the urban areas at the expense of the rural producer. Simultaneously, highly protected and generally inefficient import-substitution industries provide wage employment for the urban population and produce high cost items (often of inferior quality) for the rural consumer. Protective barriers and an overvalued exchange rate further diminish the economic incentive for increased agricultural export production.

Price incentives will need to be addressed if export-generated employment opportunities are to be created in the numbers required by Kenya's growing labor force and if the urban-rural income imbalance is to be corrected. It has been demonstrated in the case of smallholder tea, smallholder coffee, pastoral livestock production, and now smallholder sugar cane, that sufficient price incentives, combined with a guaranteed market, will cause smallholders to aim at an agricultural surplus, to do more than merely try to feed the immediate family. Smallholders selling to a national marketing board, as is the case with maize, face considerable barriers to receiving the officially posted prices. Produce must be moved to official buying stations (often distant from farms and over a road network often impassible during the rains), must meet the board's moisture content standard (and since smallholders have no access to dryers, risky open air drying is necessary) and must be of sufficiently large volume to justify the smallholder's efforts. Consequently, only about 20% of smallholder maize flows through official market channels.

e. Insufficient quantities and inadequately trained agricultural personnel limit the GOK's ability to deliver production services, to manage appropriate research, and to implement agricultural development activities. Serious staff shortages have been identified especially at the lowest rungs of the professional staff, with front line extension agents, for example, being about 5,000 short of estimated needs by 1983.[1/]

f. Rural infrastructure, especially transport networks and crop storage facilities, play an essential role in the delivery of goods and services into agricultural areas and the transport, storage, and sale of produce out to non-rural consumers. About two-thirds of all roads are earthen and 90% of these are not all-weather, being closed to traffic for up to six months each year. Furthermore, rural infrastructure has been built primarily to support cash crop production in high potential zones.

3. Off-farm production and employment are a major component of total rural household income and represent the only income source in urban areas. Off-farm employment opportunities tend to be located in and around urban areas. Improving the rural-urban income and employment imbalance will require incentives for the location of new industries in rural areas along with the development of labor-intensive rural cottage industries. Quantitative import-restrictions inhibit the expansion of export-oriented production and favor capital intensive import-substitution. While Government policy statements emphasize local resource-intensive and labor-intensive manufacturing and export, Government's "revealed" policy exhibits exactly the opposite characteristics limiting new employment opportunities in both urban and rural areas. The GOK's stated wage policy is to increase the utilization of labor relative to capital, restrain wage increases to less than the inflation rate, and to improve the terms of trade between the rural and urban sectors. Wages have been kept below the inflation rate, with real wages declining 4.3% in 1977 and 4.4% in 1978. (Profits, however, have increased, further encouraging import-substitution production.) Large-scale industry in Kenya has been relatively successful in generating new employment, but inexpensive domestic credit and an overvalued exchange rate have unnecessarily increased the capital/labor ratio.[2/] While the terms of trade between the agricultural and non-agricultural sectors shifted toward agriculture, rising from a level of 100 in 1972 to 110 in 1977, the terms shifted back to 100 in 1978. Furthermore, the terms of trade do not fully reflect quality changes. The import-substitution industries have been producing lower quality

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1/ ATAC. Professional and Subprofessional Agricultural Manpower, March 1978. (Figure cited is for Technical Assistants.)

2/ Ghai and Godrey. Essays on Employment in Kenya. Kenya Literature Bureau. 1979.

items at higher prices and have, therefore, contributed to a gradual deterioration in the real terms of trade between the sectors.

4. Increased urbanization in both primary and secondary cities is straining government's ability to provide social services, water and sanitation, adequate shelter and employment opportunities. In shelter, for example, critical constraints are the nearly exclusive reliance on the public sector for the production and financing of housing for lower income groups and a financial system geared toward trade and industry that does not provide incentives to private sector investment in low income housing.[1/]

5. Resources available for development include; (a) domestic resources, both in the public and private sector, (including human, physical and financial resources); and (b) external resources in the form of donor assistance, private investment and export earnings.

a. Kenya's mobilization of domestic resources has been impressive, with gross domestic investment rising from 14% of GDP in 1964 to 28% in 1973 and 32% in 1978. Kenya's banking system, however, has not developed into a robust financial intermediary.[2/] Funds are drawn from rural areas into urban centers where they remain for urban on-lending. Funds generally do not flow between rural areas nor from urban to rural areas.

Kenya's interest rate structure is too low to draw sufficient funds into the financial system while loan rates, which are also low, frustrate the economically efficient allocation of credit. Foreign firms have been known to raise capital in the Kenyan market where it is sometimes cheaper than international commercial markets. As a result, low interest rates subsidize cheap loans and encourage capital intensive production.

The Government's budget, as a percentage of GDP, has risen from 21% in 1963/64, to 27% in 1972/73, and to 32% in 1977/78. Expenditures on economic services have climbed from 32.9% of the 1972/73 budget to 36.8% of the 1979/80 budget while expenditures on social services (mostly education) fell from 31.1% to 24.4%. The recurrent budget has been maintained at 66% to 69% of the total budget. The recurrent budget is becoming increasingly tight as development projects move into full implementation and draw from an already overextended recurrent budget.

1/ "Kenya Shelter Strategy Statement," December 1979.

2/ A. Andvarkar, "Monetization of Developing Economies," IMF Staff Papers, November 1977.

The defense budget climbed from 5.3% of the 1972/73 budget to 14.3% of the 1978/79 budget. The dramatic increase of the defense budget began in 1976/77 in response to increased military threats in Eastern Africa. While not an expenditure increase which is favorable to economic development, it reflects, in the opinion of the U.S. Mission, a prudent, necessary, and restrained reaction to a perceived military imbalance in the region.[1/]

Community development programs including Harambee self-help projects, family life training centers, craft development, and women's programs represent a significant mobilization of local resources. In 1977 over 14,000 self-help projects were underway, representing an investment of $22 million. These projects were concentrated in education (65%) and at $14 million, self-help education activities exceeded by 20% the GOK's 1977 investments in education. Self-help investments in the social service sector represented 65% of the GOK's development expenditure in that sector during 1977.

b. <u>Foreign exchange resources</u> are a serious constraint to development, particularly in the rapidly expanding, import-dependent manufacturing and commercial sectors. The current account balance went from a deficit of $133 million in 1973 to a positive balance of $61 million in 1977 (as coffee prices soared) but reverted to an anticipated deficit of $468 million in 1979 and is expected to remain in that range through 1983. Introduction of tariff-rationalization policies, required to increase export production and non-agricultural employment, will further aggrevate the foreign exchange shortages during the early 1980s until the deficit from increased imports is overcome by new and increased export levels.

Debt service (including East African Community debts) has risen from 5% of exports in 1977 to an estimated 17% in 1979. The ratio is expected to peak in the early 1980s and decline gradually thereafter. Viewed from a long term growth perspective, Kenya's debt service is not an unmanageable burden; future growth should permit repayments to be made on schedule and without undue hardships. The current debt service levels are due to recent military expenditures and short-term credits which are now coming due. The IBRD estimates that sufficient donor assistance (assuming AID balance of payments assistance) should become available to plug the foreign exchange gap while GOK tariff policies are expected to bring structural order to Kenya's foreign trade sector.

[1/] See 78 Nairobi 00309

Table 7

Balance of Payments Summary
(US$ Millions, Current)

	1973	1977	1978	1979	1983	1979-83
Trade Balance	-155	-162	-964	-784	-1100	-4824
Current Account Balance	-133	+ 61	-682	-468	- 459	-2274
Overall Balance	+ 29	+284	-210	- 98	-107	- 679

Source: GOK data, IMF and IBRD Projections

While not economically dependent upon her East African neighbors, Kenya has benefited in the past from mutual cooperation. In 1970 Kenya sent 29% of her exports to Tanzania and Uganda and purchased 10% of her imports from those countries. Following the 1977 East African Community collapse and the Tanzania border closure, only 10% of 1978 exports went to Uganda and Tanzania (.7% to Tanzania) with .3% of total 1978 imports bought from the two countries.[1/]

(1) Other Donors

The donor community includes 17 bilateral and 17 multilateral donors. Donor commitments to Kenya, as of CY 1978, totaled $1.8 billion, led by the World Bank with $413 million, followed by the FRG at $200 million, the UK at $199 million, AID at $137 million, and the EEC at $135 million.[2/] Donor commitments are predominantly in the form of loans (66%). New commitments totaled $218 million in 1977 and $318 million in 1978.[3/] Commitments are concentrated in agriculture (27%), transport and communications (14%), water development (13%), and energy development (14%). Donor coordination is highlighted by the IBRD-led consultative group with more frequent and informal coordination led by the UNDP. The GOK has recently secured a $140 million credit from the IMF along with a $200 million line of credit from a Eurobank group in order to close the current balance of payments deficit.

(2) U.S. Commitments

U.S. public and private commitments at the end of FY 1979 totaled $439 million comprising $210 million in investment by 125 private U.S. firms (with $102 million in OPIC insurance coverage), $44 million in Ex-Im loans and loan

[1/] See S. Eken, "Breakup of the East African Community," Finance and Development. December 1979.

[2/] Donor commitments are only available through CY 1978. By UNDP definition commitments do not include loan guarantees such as HG.

[3/] Net foreign assistance inflows account for 13% of the total 1978/79 GOK budget and 39% of the development budget.

guarantees, $183 million from AID (including PL-480 and HGs) and $2 million from the Peace Corps. Peace Corps and AID programs are based on similar development objectives. While private U.S. investments, OPIC insurance coverage, and Ex-Im loans are not in conflict with AID's development objectives, these activities are not initiated in coordination with AID nor do they reflect a conscious effort to support the AID program. AID generally enjoys good working relationships with the other foreign donors. Of 14 AID projects active in FY 1979, three were multi-donor supported projects and another eight represented combined AID and other donor involvement in GOK programs. U.S. trade and monetary policies have little direct impact on Kenya's development. The Shilling is pegged to the SDR and the U.S. accounts for only about 5% of Kenya's trade. However, approximately 60% of Kenya's trade is with the OECD nations and economic conditions in these countries as a group do have a decided impact on Kenyan economic developments. There is undoubtedly some indirect effect of U.S. policies through the OECD countries.

6. Relative to its neighboring countries, Kenya's absorptive capacities for utilizing external resources are considerable. Kenya's planning, project development, and management capabilties permit the absorption and effective utilization of large quantities of foreign assistance. A major expansion of rural development activities will require considerable administrative resources at the national and local level. The GOK recognizes that limits to the quantity and quality of human resources within the Government present a serious implementation constraint.

D. Progress and Commitment to Development

Kenya's progress and commitment to development, as defined by Section 102(D) criteria, reflects an overall performance of "above" to "well above normal," with the "above normal" evaluation dominating.[1/]

1. Income Distribution

Studies carried out in 1969 and 1976 show that whereas the poorest 25% of the population received 4.1% of the nation's income in 1969 they received 6.2% in 1976, a 51% increase. Similarly, while the richest 10% of the population received 56.3% of the nation's income in 1969, their share was reduced to 37.7% by 1976, a 33% decline. In terms of the Gini coefficient, inequality declined

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[1/] This section summarizes from details presented in the 1978 and 1979 Section 102(D) Reports (79 Nairobi 19306 and November 1978 submission). Economic progress is discussed in Sections 1. A, B, and C.

from .64 in 1969 to .48 in 1976.[1/] While considerable mention has been made of the rural-urban imbalances, it must be pointed out that approximately 20% of all urban incomes are remitted to rural areas; about 9% of total smallholder income is in the form of remittances from generally urban relatives. This urban-rural income flow is a direct result of the high male out-migration rates, especially from western Kenya.

2. Participation of the Poor in Development

The 1964 constitutional amendments produced a highly centralized government designed to overcome ethnic differences accentuated by the regional automomy provisions of the 1963 "Majimbo" constitution. Decentralization of government functions has therefore been a slow process. Beginning in 1971, the GOK established District Development Committees (DDCs) in each district (districts average 375,000 persons) in order to undertake planning and to implement development activities in response to locally perceived development priorities. While DDCs control about 5% of the development budget, this represents a significant and measurable step toward the gradual deconcentration, delegation, and devolution of central government authority. Kenya's one-party system produces parliamentarians who are elected mainly on their record of service to their constituency.[2/] Elections in 1969, 1974, and most recently in 1979, have demonstrated the absence of national level issues and the importance of local issues. In each election about one-half of the incumbents were defeated.

Harambee (self-help) represents a significant rural and grassroots development effort, focusing on schools, health centers, water supply systems, and cattle dips. (See page 20) Harambee projects, once constructed with local resources, are often turned over to the government for recurrent expenditure financing. Through the initiation of Harambee projects, local communities help "write" their own development plans.

3. Women in Development

Women are one of Kenya's greatest untapped resources. Nearly all adult rural women engage in farming activities on their own small holdings and produce much of the food that their families consume. As food processors, women are extensively involved in meeting nutritional needs of the family. Finally, women's domestic work also consists of such arduous and time

1/ Thorebeck and Crawford. ILO Consultancy. 1978.

2/ See Barkan and Okumu. Politics and Public Policy in Kenya and Tanzania. Praeger. 1979.

consuming tasks as firewood collection and hauling water, as well as meal preparation and child care. Women are inhibited from fully utilizing their production potential by (a) their limited access to wage employment and thus capital for investment, (b) their limited access to productive resources, such as land, and inability to secure credit; and (c) their labor-intensive and excessive work burdens.[1/]

Starting in 1971, the GOK has attempted to enhance the integration of rural women into national development by strengthening rural women's groups, by establishing a Women's Bureau in the Ministry of Housing and Social Services and by increasing the number of women extension agents. At agricultural training facilities such as Egerton College, the GOK reserves a specific percentage of placements for women. These actions highlight important steps taken by the GOK but they are far short of an all-encompassing strategy and program. The percentage of females entering primary schools has been increasing, from 33% of total primary school enrollments in 1961 to 47% in 1978. For secondary schools, however, female enrollment only increased from 33% of total enrollments in 1961 to 36% in 1978. At the university level, only 22% of the students are female. Women have never held more than 5 elected parliamentary seats (out of 158 seats) and in the latest elections managed to win only 4 seats.

Women have been traditionally assigned food production responsibilities while men are responsible for land clearing and the cultivation of the traditional cash crops (coffee and tea) and livestock. The decline of livestock, particularly as cultivation has expanded in the ASALs, the introduction of new cash crops, and the monitization of such food crops as maize and beans, have brought women increasingly into the agricultural cash economy but they are at the same time still burdened with traditional child-rearing, water carrying, and food preparation responsibilities. Furthermore, technological improvements in agriculture tend to increase their production workload; e.g. fertilizer promotes weeds.

The most important feature of the life of women in rural areas has been the massive out-migration of males, particularly from western Kenya and the ASALs. With the males taking urban wage employment, the women have been left with virtually the entire responsibility for agricultural production.

[1/] This section draws from, among many sources, work by K. Staudt on Subproject 698.0388 and D. Reynolds, "Profile Paper on Women in Kenya" (draft) 1978.

Incremental agricultural production, particularly on the smallholdings, is therefore crucially tied to the GOK's ability to provide production services and incentives to the women farmers.

4. Health and Nutrition

Since Independence Kenya has exhibited steady progress in the health areas, with life expectancy rising from 42.5 years in 1960 to 51.2 years for males and 55.8 years for females in 1977. The infant mortality rate fell from 159 per thousand in 1960 to 119 in 1969 and down to 83 in 1977. The GOK has, however, focused health expenditures on high cost curative-orientated, static facilities such as hospitals, health centers and dispensaries. In rural areas these facilities only serve 25% to 30% of the population, often drawing people from no more than an 8 kilometer radius. Community based health systems are only now in the first stages of pilot implementation, but the health budget is already heavily committed to the recurrent cost of the static facilities. There is however, a shift toward promotive and preventive rural health services which integrate health, nutrition, maternal-child care and family planning.

While the GOK has begun to focus on nutritional problems, and the 1979-1983 Plan includes some significant new initiatives, the GOK has not yet taken a significantly active role in nutrition planning or nutrition interventions.

5. Population

In 1967 Kenya was the first African nation to establish a national family planning program. Despite its initial efforts, Kenya now has the highest population growth rate in the world, with an estimated natural increase rate of 4.0% in 1979.[1/] This rapid growth is influenced positively by an increasing total fertility rate (up from 7.6 births per woman in 1969 to 8.1 in 1977) and inversely by declining infant mortality, both a direct result of improved health and economic conditions. The eight-child family is the norm in Kenya today. At present growth rates, the population will double in 18 years. The resultant land pressures, growing employment needs, food production and social service requirements have been discussed elsewhere in this document. The dependence ratio is estimated at 112 per 100 for 1979 and is expected to reach 122 by 1984.

Kenya's family planning program has operated through the maternal-child health (MCH) activities of the Ministry of Health. The MOH has concentrated on the creation of a modern rural health infrastructure, with static facilities, and has placed little emphasis on family planning activities. Other GOK

[1/] Population Studies and Research Institute. op. cit.

ministries have not, to date, confronted the population issue. New family planning acceptors in fact declined in 1978. The MOH has made only infrequent and inadequate attempts to service the existing demand for family planning services and has done little to create additional demand.

6. Human Rights[1/]

Kenya has a strong human rights record. Parliamentary elections held in November 1979 were generally fair and open. The press is active, operating with few restraints, and international newspapers and publications are readily available. In December 1978 Kenya's 12 political detainees were released. One former detainee won a parliamentary seat in 1979. Following the 1978 death of President Kenyatta leadership was smoothly transferred in strict accordance with the constitution. Kenya is a multi-racial society; in recent parliamentary elections one citizen of Asian and one of European origin were able to win parliamentary seats.

E. The 1979-1983 Development Plan

1. Review of the Plan[2/]

The emphasis of the Fourth Five-Year Plan is (a) the restoration of growth levels prevailing before 1974 and (b) the alleviation of poverty through creation of income earning opportunities and provision of social services to meet the basic needs of the population. The Plan projects expenditures of $11 billion, or $131 per capita annually (1978 prices). Gross Domestic Product is expected to increase at the annual rate of 6.3%, inflation is to fall to 6.8% by 1983, agricultural income is to increase by 2.0% annually, with total employment rising by 3.8% per annum. The population growth rate is to fall to 3.5% by 1983.

Comparison of the Third (1974-1978) Plan to the Fourth (1979-1983) Plan indicates an increase in defense expenditures (up from 8.9% of the Third Plan's budget to 9.8% in the Fourth Plan), an increase in economic services (36.8% to 38.0%) and a decrease in social services (25.1% to 22.7%). Total real expenditures per capita budgeted in the Fourth Plan are 13.5% above the Third Plan.

The Plan recognizes the strong link between agricultural growth and poverty alleviation. One of the most significant changes proposed is

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[1/] For further details see 79 Nairobi 15857.

[2/] Detailed reviews are available in IBRD. Kenya: Economic Memorandum. 1979; USAID/Kenya. Development Plan 1979-1983. Summary Review and Analysis. April 1979; and USAID/Kenya, FY 1981 CDSS increased access to land by legalizing the subdivisions of high-potential large farms (now often occupied by squatters). The Plan also proposes that marketing and pricing policies play closer attention to the structure of domestic and international prices and that the marketing system be made more competitive and efficient to improve prices to farmers. Research and extention are to be closely linked to the needs of the smallholder farmer.

The major thrust of the industrialization policy is to facilitate a transition from import-substitution to a strategy emphasizing industrial efficiency and export diversification. Tariffs will be rationalized and quantitative restrictions on imports gradually eliminated. The Plan proposes no change in the GOK's traditional liberal policy on foreign investments.

The Plan recognizes the heavy burden which the rapid population growth is placing on the economy and sets new target rates for family planning acceptors and trained field educators.

2. Assessment

The Plan correctly identifies the key development problems which Kenya faces and sets forth, with the exception of population, a generally reasonable and coherent strategy. The Plan's targets, however, are overly optimistic. In view of lower projections for export earnings and increased imports for new military purchases and petroleum products, the Plan's growth targets must be scaled down.[1/] While the Plan called for imports to increase at 7.0% per annum, current projections of the foreign exchange constraint place import growth in the 2.0% per year range. With rapidly rising oil prices, Kenya's external terms of trade are expected to continue to deteriorate. Consequently, GDP growth projections should be lowered from 6.3% per annum to between 5.0 and 5.5%. For example, the Plan called for a 1979 GDP growth rate of 4.5% while the latest USAID estimates are at around 3.0%. The Plan expected that external payments would balance by 1982; the IBRD expected an easing of the balance of payments problem by the end of the Plan period, with the unfunded foreign exchange deficit (overall balance of payments deficit) totaling $420 million.[2/] Recent USAID estimates put that deficit at around $700 million for the Plan period, highlighting the real need for increased balance of payments support. Reduced economic growth will lower GOK revenues and therefore

1/ The GOK has informally announced its intension to issue a Sessional Paper in CY 1980 which will readjust the Plan targets in light of recent economic developments.

2/ IBRD. Economic Memorandum, 1979, (2441-KE) expenditures. Development will be further constrained by unplanned increases in military expenditure, a free milk program for primary schools, and elimination of school fees for Standards 5, 6 and 7. The latter two expenditures are highly pro-natal. The fiscal constraint has already been reflected in the 1979/80 budget which is 11% below the Plan target.

Faced with a serious foreign exchange and fiscal constraint, it will be difficult for the GOK to implement tariff rationalization policies (which may initially aggravate the balance of payments), to achieve the expected growth in the agricultural sector, or to undertake many new rural development activities required to raise rural living standards. Slower economic growth will reduce the number of employment opportunities created during the Plan period.

With regard to population, the Plan underestimates the current growth rate, citing a 3.5% rate against a current estimated rate of 4.0%. As a consequence, the number of primary school enrollments during the Plan period and other targets were seriously understimated. Even Plan estimates for investment would at best meet no more than 50% of the need for new urban households. Despite recommendations for reducing population growth, the Plan offers no new ideas but rather plans for more of the same ineffective family planning measures combined with essentially pro-natal education and social welfare policies.

Part II. Strategy

A. Overview

Part I characterizes Kenya as a country with a population and labor force that may double by the end of this century, a limited supply of land with high and medium agricultural potential (and that supply is already intensively farmed), a mostly rural population (86%) among whom smallholders derive 45% of their income from off-farm activities, and an urban sector that cannot absorb more than a fraction of the new labor entrants. In its broadest terms, the goal of U.S. assistance is to help the Government of Kenya to alleviate poverty and to attain self-sustaining economic growth. The GOK's development strategy emphasizes continuing economic growth, raising household incomes, creating income earning opportunities, increasing the output and quality of Government services, and improving income distribution.

Recognizing the dominant role of smallholders in current total agricultural production, and potential additional production, and recognizing the need to satisfy employment requirements, the U.S. assistance strategy emphasizes direct and indirect measures to promote agricultural production and generate employment. It also encompasses efforts to reduce the high fertility rates underlying the extraordinary population growth rate, to establish policies to ensure sufficient energy for development, and to plan and demonstrate low cost, innovative, community based delivery systems for such basic services as potable water, health, nutrition, and shelter.

B. AID Strategy and Objectives

1. A Perspective.

A country assistance strategy should be viewed as a dynamic instrument that serves to guide economic development interventions which are designed to ease constraints that appear, at this point in time, to be major bottlenecks to development. The strategy, therefore, must inherently possess a certain flexibility and permit continuing reappraisal and realistic assessement of its capacity to bring about change. Assuming modest resource levels and constraints on U.S. direct hire staffing, the strategy is basically tied to the GOK's development efforts, as supported by other donors, with the United States providing important incremental resources. AID's 7% share of total external resources committed to Kenya

is comparatively small in quantitative terms and its expected impact is modest in terms of the national production. However, by seeking to alleviate or remove key developmental constraints through innovative approaches, AID, as the third largest bilateral donor, can reasonably hope for qualitative returns of true importance.

2. The Client Speaks

The U.S. has exceptional skills and our strengths are recognized by the Kenyan Government. According to high level officials, the GOK looks to AID for: (1) its willingness to experiment, to try out new ideas and to take risks in order to identify innovative approaches to development; (2) its on-site staff who keep abreast of Kenya's dynamic economic and social conditions and who are "here" when problems arise and need to be resolved; and (3) its interest in analysis and evaluation which serves as an important resource to the Government's own efforts at self-assessment. To take heed of our client's appraisal and be responsive to its needs, a strategy which includes innovation, efficient implementation and analytical appraisal is indicated.

3. Donor Coordination

It is becoming increasingly apparent that AID will need to restrict the number of fields to which it can provide substantial financial assistance in concert with a significant staff presence. Other donors will be taking the lead in certain fields where AID can make an effective complementary contribution. In these and other areas, the U.S. role will include experimental approaches to resolving basic needs problems and financing of intermediaries at the community level. Coordination must begin with the advent of an idea, prior to its internalization within donor and recipient bureaucracies. To this end, the Mission will strengthen its already extensive donor coordination efforts.

4. The Target Group

AID's intended beneficiaries are the rural and urban poor who have not yet benefited from Kenya's economic growth and whose living standards must be raised if Kenya is to alleviate poverty. As detailed in Part I, the poor include the poor smallholder, the pastoralists, the large-farm squatters, and the urban poor. The AID program has in the past tended to focus on the poor smallholders and pastoralists and during the 1982-1986 period this group will continue to remain at the center of the AID program because of its very size (54% of the poor) and its major role in the all-important agricultural sector. Efforts to increase non-agricultural employment will become more important as export-oriented production policies are pursued with increasing vigor: the landless and urban poor will benefit from those policies.

The urban poor are expected to be gradually a more important target group as the urban population grows and approaches 25% of the total population by the end of this century. It is therefore expected that future CDSS documents will increase the emphasis given to the urban poor, for whom the major elements of the 1982-1986 strategy are employment initiatives and shelter. The large-farm squatters are a special group whose poverty is related both to the general agricultural production problems facing all smallholders and to current land practices and procedures. Revisions to current tenure practices, which AID will support, are expected to eliminate the land tenure problems faced by this group during the 1982-1986 period and therefore eliminate large-farm squatters as a special AID target group. The identification of distinct geographic targets, western Kenya and the ASALs, facilitates the design and implementation of individual development projects and ensures that special attention is given to those locations of the country that have the largest concentrations of poverty. Shelter programs in secondary cities will also be concentrated, to the extent possible, in urban centers that will form parts of rural marketing networks to be further developed in the same areas.

5. The 1982-1986 Strategy and Objectives

The strategy is based on the nine key development issues identified in Part I (pages 8-11), AID's comparative advantage in the areas of agricultural productivity, family planning technology, and energy resources development, AID's willingness to experiment and to assume moderate risk in developing new approaches to the resolution of basic needs problems as well as the GOK's desire that the U.S. assume a preeminent role in selected fields. Increased smallholder agricultural production and the generation of off-farm employment opportunities are the central themes for the US program. Significant attention is also given to planning and efficiently utilizing resource allocations for social service delivery systems. The strateg- assumes, based on historic patterns, sustained investment by other donors, the Government, and the private sector in agricultural and rural based industrial and commercial activities. US assistance will focus on policy, institutional, and human resource factors that immediately impact upon smallholder production, employment generation, and the delivery of social services.

The strategy is based on four development objectives:

a. Increasing Employment, Income, and Smallholder Production.

The GOK's objectives of poverty alleviation and self-sustaining economic growth can only be achieved if significant gains can be made in aggregate production (especially agricultural production), in generating sufficient employment opportunities, and in reducing income distribution imbalances. Employment generation is the direct result of increased production by labor intensive technologies; it is also the means by which income imbalances can be addressed. Over the next twenty years non-agricultural sectors could absorb about 45% of the new labor force entrants, with the agricultural sector absorbing the remaining 55% AID will therefore provide assistance which directly and indirectly supports incremental labor-intensive production.

Kenya depends principally on the agricultural sector (especially smallholder agriculture) for employment, food, and foreign exchange. This dependence is not likely to be significantly altered for at least the next decade. To promote smallholder production, AID will address policy constraints that affect production incentives and the urban-rural terms of trade, including pricing, marketing, and exporting policies. AID will also address smallholder production constraints, including access to credit, dissemination of appropriate technologies and smallholder-relevant research results, and increasing trained agricultural field staff.

In the non-agricultural sectors AID will focus on promoting export-oriented production, the expansion of which is limited by quantitative imports restrictions and domestic pricing policies that encourage capital intensive, inefficient, import-substitution. AID will support the GOK's tariff rationalization policies in order to encourage the expansion of labor-intensive, local resource intensive export production. Foreign exchange support will be required to permit and encourage the GOK to implement policies which may initially aggravate the balance of payments but which will eventually provide the employment, production, and income necessary to alleviate poverty.

b. Reducing Population Growth

Kenya's population is growing at the rate of about 4% per year. At this rate the population will more than double by the end of this century. AID will assist the GOK with support to the health education programs of the Ministry of Health (which include family planning), with demographic analysis and with programs to promote increased awareness by government officials, at both the national and local levels, of the implications of the population explosion. AID will also continue to foster activities of intermediaries in service related programs.

c. Establishment of Energy Policy and Programs

Kenya's land resources face catastrophic deterioration; 90% of its energy needs are provided by wooded fuel sources. In the modern sector, energy is required for agribusiness and other industries that must be expanded in order to provide employment and export production. A serious energy constraint, combined with destruction of water sheds and the land stock, will erase any progress that can be realized through increased agricultural production. AID will help the GOK formulate a national energy policy, undertake selected rural energy interventions (including fuelwood replenishment) and assist in establishing an institutional capability for developing non-conventional energy sources.

d. Planning and Demonstration of Innovative Low Cost Delivery Systems.

To have increased production and income without adequate health, nutrition, water and shelter is to forgo the real benefits of the development process. Provision for these needs, however, tends to be both capital and recurrent cost intensive. As a consequence, the government is able to provide adequately for the needs of relatively few. The AID strategy will look for opportunities to assist in strengthening planning capability throughout the Government, to participate in the process of planning for the efficient and effective allocation of government resources, and to demonstrate, where feasible, innovative, low cost, effective approaches for meeting basic human needs. Periodic investments will be made in selected service delivery sectors (such as urban shelter, community water, rural health, and nutrition) as AID participates in demonstration activities in these sectors. As the development process requires multidisciplinary approaches, it is important that the Government's capability is also enhanced in the areas outside the direct provision of services. AID will assist in fields such as finance, economic planning, and statistical analysis.

C. The Program: Overview

The program has seven substantive elements. The first four address the general objectives of agricultural production, employment generation and income distribution. The other three are specifically related to the population, energy, and basic needs objectives.

1. Agricultural production on high and medium potential lands, primarily in western Kenya.

Smallholder access to production services and inputs combined with the rationalization of agricultural pricing policies are the main program elements under this objective.

2. Expansion of production on and protection of fragile ASAL ecosystems.

There is limited potential for significant production increases in the ASALs, but programs in current technology, appropriate cropping and grazing systems, and rural access roads to support agricultural systems in these areas can at least help provide a food base for Kenyans who are currently crowding the lands and ensure that further degradation of the land is impeded or hopefully, stopped.

3. Rationalization of prices, tariffs, and export policy to provide incentives for investments that supplement agricultural and other sector employment opportunities.

It will be impossible to meet long-term growth and employment targets without sustainable policy changes during the 1982-1986 strategy period. Policy considerations are pervasive in all elements of the AID program. Some will be supported by financial transfers.

4. Training and institutional development.

Kenya's managers and specialists lack appropriate skills. Therefore, AID will continue to assist with training and institutional development, especially in the agricultural sector. This assistance is particularly relevant for institutions which are not able to respond, in sufficient time, to the needs of smallholder agricultural producers to help them with inputs, services, credit and functional marketing systems.

5. Support for demographic research and analysis, information dissemination services, and population policies

While we would hope in due course to assist in fertility control programs using technologies that have been developed and successfully tried over the past two decades, it is unlikely that this sensitive area will be open to the US as a bilateral donor in the near term. Therefore, we will pursue education and information and other programs as we seek opportunities for more direct interventions in family planning.

6. Energy planning

The GOK has recently made a significant commitment to address its multifaceted energy problems. It is premature to forecast the full US role in the GOK's energy development plan over the next five years, but it will begin with policy analysis, planning and training and progress ultimately to include pilot activities in fuels and other sources of rural energy.

7. Planning and demonstration of multisectoral and community based approaches to meeting basic human needs.

Limited assistance resources prohibit major long-term investments in basic human needs programs. The AID effort will stress policy, planning, and demonstration in order to encourage Government, local communities, and the private sector to invest in effective and low cost service delivery systems. Institutional development and training will also be stressed in this area.

D. The Program: Details

1. Increase Agricultural Production (Western Kenya)

a. Constraints. Kenya's medium and high potential agricultural lands, particularly in the western regions of the country, have been generally neglected by prior development programs and consequently experience low productivity per land unit. The lack of appropriate, cost effective production technologies and a tendency for research and extension institutions to emphasize commercial agriculture rather than food crops is a principle constraint. Another constraint is inadequate and ineffective dissemination of technologies that are currently available and which should flow from researchers through extension personnel to farmers. A third is lack of access by smallholders to production inputs and services. Inaccessibility is exacerbated by inefficient agricultural marketing and transportation systems and land tenure policies that create disincentives to increased agricultural production. Although a number of steps are being taken by the GOK and other donors to alleviate some of these constraints, the institutional linkages that are necessary to facilitate accessability to production inputs and services are weak and do not respond to farmer's needs on a timely and appropriate basis.

b. AID Targets. The U.S. plans to bring about the achievement of several conditions to promote increased agriculture production: (1) Reorientation of GOK research programs to shift emphasis from crops that directly benefit large agriculture to those that benefit small holders and pastoralists. (2) Establishment of procedures to ensure the continued flow of information and technologies between research institutions and the extension service. (3) Strengthened curricula for diplomate and certificate level training in extension methods and technology transfer techniques. (4) Improved cooperative society operations to provide input to farmers on a timely basis, upgrade rural marketing facilities and storage, and encourage the expansion of production credit to farmers. And,

(5) strengthened GOK agricultural planning and analysis of policy issues including those related to land tenure.

c. Strategy. The U.S. program will continue to provide advisory assistance to and training for Kenya's agricultural research institutions in order to strengthen efforts to redirect its main research thrust. Kenyan scientists will be trained abroad and in the region. The scarcity of skilled agricultural scientists in Kenya makes it difficult for Government to adequately staff its research institutions. Therefore, our efforts in training will increase in order to produce adequate numbers to meet requirements over the next five years. The cooperative movement in Kenya has a long tradition of service to farmers, however, its performance has been spotty. Trained and experienced managers are in short supply and its training institutions must be upgraded and expanded to meet the demand. Therefore, we will help to upgrade and expand the capacity of cooperative institutions.

Kenya's planning and policy processes have in recent years received renewed emphasis as important elements in the development process. In order to implement the advice of planners, it will be necessary for donors to provide resource transfers necessary and sufficient to enable Government to bring about policy changes deemed appropriate and necessary to promote agricultural production.

Finally, we will give special attention to enhance Kenya's capacity for improving post harvest food crop handling, rural access roads, storage and marketing and designing marketing mechanisms that are responsive to farmers' needs.

2. Expansion of Production and Protection of Fragile ASAL Ecosystems.

a. Constraints. Over 80% of Kenya's land, classified as arid or semi-arid, is home for 3.2 million people or 25% of the rural population. These lands receive minimal and often erratic rainfall and suffer periods of drought. Limited rainfall is combined with poor grazing, and soil and water management practices. The use of inappropriate farming and water conservation practices, deforestation and overgrazing all tend to destroy the thin layer of top soil, encourage water runoff and make adequate crop protection almost impossible. Livestock husbandry, an important agricultural system in these area, is ineffectively carried out and often serves to accelerate the deterioration of land through over grazing. In addition, inefficient livestock market mechanism, pricing policies and the lack of adequate feeder roads and stock routes into the ASALs tend to mitigate successful development of Kenya's livestock industry.

b. AID Targets. The U.S. plans to: (1) undertake research to identify appropriate technologies needed in cropping and grazing systems, and range management, (2) promote marketing systems and plans for feeder roads and stock routes for crops and livestock and, (3) train Kenyan staff and strengthen the institutional linkages among various ministries and agencies that service the ASALs.

c. Strategy. The program will emphasize research and demonstrate findings oriented to cropping and grazing systems in certain locations in the ASALs in order to establish appropriate, low cost technologies for overcoming land degredation problems. Pilot efforts in improved range and ranch management and soil conservation practices will also receive attention. We plan to assist in planning and development of feeder roads and stock routes using labor intensive technologies. The U.S. will continue to support a significant training program for soil conservationists, range management specialists and research scientists in order to strengthen Kenya's institutional structures as well as to improve its on-site management capability in range and ranch development and soil and water conservation.

3. Prices, Tariffs and Export Policy Transformation

a. Constraints. Kenya's long-term economic development requires a structural transformation in the relationship between the agricultural and non-agricultural sectors if new employment opportunities are to be created, if incremental production is to be realized and if sectoral income inequalities are to be alleviated. Within the agricultural sector, such a transformation will take the form of an increased degree of specialization, commercialization and market dependence by the smallholders. In the non-agricultural sector the transformation should yield a substantial increase in export production characterized by labor-intensive and local resource dependent technologies. These transformations cannot be effected quickly. We estimate that even with a threefold increase in non-agricultural employment, it would only rise from 21% of the total 1976 labor force to 35% by 2000.

Current highly variable and inconsistent quantitative import restrictions result in major distortions in domestic prices and foster inefficient allocation of production resources, especially foreign exchange. The inevitable consequence of such restrictions is overvaluation of the Kenya shilling, which results in subsidizing imported capital and imported production inputs and permits a highly protected and inefficient import-substitution sector to flourish. Simultaneously, the overvalued exchange rate taxes and discourages exports, especially agricultural exports. Subsidized imported inputs unnecessarily raise the capital labor ratio and discriminate against domestic production inputs. Consequently, only suboptimal levels of domestic employment and production are achieved.

The GOK sets the domestic prices for most agricultural and industrial products thereby often exacerbating the domestic price distortions created by import restrictions. Industrial products are priced to provide profits to inefficient import-substitution industries. Agricultural produce prices (and marketing systems) discriminate against the small scale producer, discouraging agricultural production for either the domestic or export market yet encouraging import-dependent, capital-intensive manufacturing.

b. AID Targets. A rational trade regime can structure tariffs and subsidies to avoid distortions in domestic prices (the divergence between .rket prices and economic values) and encourage the efficient use of foreign exchange, labor, and local resources. AID targets include: (a) policies to change the effect of tariff structures on the foreign exchange rate, the capital/labor ratio, the use of domestic inputs, export production (industrial and agricultural), employment generation, and spatial and sectoral income inequalities; (b) domestic pricing policies to encourage expansion of commercial agricultural production(particularly smallholders) and more efficient agribusiness production and discourage inefficient import-substitution industries, and (c) export promotion policies, including taxes and credit programs, to support and reward export production.

c. The Strategy. The U.S. can support the required structural transformation and demonstrate its commitment to the implementation of trade liberalization and tariff rationalization policies by joining in a multi-donor effort of resource transfer combined with policy redirection. With dollar transfers and PL-480 Title I/III, the U.S. can provide Kenya with foreign exchange necessary both for undertaking poverty alleviation programs and for implementing trade liberalization policies. As a by-product, local currency, generated from commodity sales proceeds, would be made available for priority rural development or export promotion programs. Kenya's 1979-1983 foreign exchange gap is estimated at about $700 million. The IMF is likely to provide $300 million and the IBRD perhaps $200 million. Other donors are being asked to cover the remainder. AID will participate by providing six or seven annual non-project transfers and/or PL-480 Title I/III programs. Policy targets will be established and an annual review of progress toward these targets will be made before additional funding is committed. Such a process in combination with other donor programs should provide a significant degree of effective leverage over policy changes. We will also encourage Government to foster programs and policies that enhance the establishment of agribusiness ventures, private sector savings, investment and employment generation activities. Rationalization of agricultural pricing, land and marketing policies will be supported with technical assistance at policy planning levels.

4. Training and Institutional Development

a. Constraints. Inappropriate agricultural policies often serve as disincentives to producers and result in market distortions throughout the economy. In addition, there is a tendency for Government to over-emphasize central planning with inadequate attention for grassroots participation.

Another constraint is the short supply of agricultural managers and specialists as well as those in other sectors of the economy that interface with agriculture and their general lack of appropriate skills in managing government programs and regulating private sector activity. The necessary training institutions are not adequately equipped to cope with appropriate training needs at various levels of competence. Consequently, Kenya must turn to donors in the short term for planning and management expertise.

Training institutions that are not coordinated with the needs of the agricultural service yield inappropriately skilled personnel for the Ministry and field service. There is a tendency for training institutions at various levels independently to establish prerequisites and curricula; therefore an adequate training ladder is not available to capable candidates. Training institutions also tend to ignore the need to increase participation by women and in a number of cases do not promote their enrollment in courses that are necessary for management and policy level positions. Other institutional linkages within and among Ministries are serious implementation constraints in government as well.

b. AID Targets. The US program will aim to improve agricultural planning capability and policy analysis of the Ministries of Agriculture, Livestock and Economic Planning. The program will strengthen national as well as district planning capability to enable Government to enhance local participation in identi-fying needs and solutions to local problems. Additionally, agricultural training institutions of mid-level and higher education will be encouraged to reorient their training activities, to integrate curricula and to increase the number of women who receive training.

c. Strategy. The US plans to continue its current focus on strengthening national and district planning institutions. This activity will also support the Government's goal of decentralizing its planning mechanism and increasing local participation in the planning process. We plan to place considerable stress on training of extension service personnel for local and district assignments with special emphasis on inclusion of women at both certificate and diplomate levels and their subsequent assignment to responsible positions. However, we recognize the need for policy changes to effect relationships among training institutions of various levels between research and extension institutions and between policy and planning agencies and marketing boards. We view these policy changes as important to the effective use of U.S. resources in this program area.

5. Support for Demographic Research and Analysis, Information Dissemination, Population Policies and Services

a. Constraints. Nothing that is done to contain population growth over the next 10 to 15 years will significantly alter the development equation in Kenya in this century. Kenya's labor force will double by the year 2000 and demand for social services will tend to increase at an increasing rate. By the start of the next century, population pressure on education and health services and shelter will challenge the Government to allocate its finite resources between the need for accelerated development and demand for social services.

The rapid rate of population growth is influenced by both increasing fertility and declining mortality. There is little evidence to suggest that significant declines in mortality or increases in income have led to changes in Kenya's attitudes toward family size. One of the major constraints is the GOK's apparent lack of serious effort to reduce population growth. There is still an inadequate understanding on the part of senior and local officials of the implications of its rapid growth rate. Another constraint is the reluctance of its conservative physician-dominated MOH to experiment with adaptations of delivery systems such as community-based, household or commercial distribution of contraceptives which have worked well elsewhere. A third is inadequate donor coordination and unwillingless on the part of many donors to forcefully advocate that financing allocated on paper to population be spent on effective population programs. A fourth consists of cultural factors that reinforce high value on large families and make it difficult to analyze and isolate the determinants of fertility in Kenya. A fifth constraint is the almost complete absence of family planning demand creation activities. And a sixth is the fact that family planning activities are invested in the MOH while other ministries and Government agencies do not take responsibility for family planning education and information.

b. AID Targets. We see short term opportunities for meaningful interventions in the area of demographic data collection and analyses, education and information aimed at an increased awareness by key GOK leaders of the need to significantly reduce the population growth rate. We also plan stepped up donor coordination to ensure that population programs are effectively implemented and an active dialogue with Government at a number of levels to persuade it to pursue an activist population policy. We plan to stimulate an active private sector participation in all elements of a family planning program throughout the country and to continue to support intermediaries that implement family planning service programs in Kenya.

c. The Strategy. The central theme in pursuing program targets is full utilization of demographic and other statistical instruments and analyses of socio-economic determinants and consequences of rapid population increases. However, for all practical purposes AID is in a holding pattern on fertility control interventions, awaiting government to determine its population strategy. The Government's recent publication of preliminary census data gives credence to President Moi and other high GoK officials who are persistent in their admonitions that child spacing and family planning are sorely needed and highly desirable. While it is too early to predict government's resolve with respect to family planning, a perceptible trend may be emerging that going public is no longer a political liability.

AID has been responsible in the recent past for a number of initiatives in demographic research, interventions by intermediaries in service oriented programs and education and information programs. These initiatives can be continued but at least at the start US involvement must be carried out with a low profile.

Another avenue for intervention is in multisectoral approaches. Kenya's population growth problem calls for every ministry, agency and private sector organization, as may be appropriate, to launch a coordinated effort to reduce fertility rates. The Mission will pursue this in its dialogue with appropriate Government officials. We will continue to seek information on the determinants of fertility, facilitate the dissemination of information through intermediaries and seek to incorporate in our bilateral projects and the programs of IFIs' incentives to fertility declines. Both with other donors and the GOK, the U.S. will continue to seek opportunities to advocate a sustained family planning program.

Finally, the US will seek training opportunities for nurses, administrators and others who will later form the trained Kenyan cadre necessary to implement a broad family planning program when the GOK decides to launch such.

6. Energy Development.

a. Constraints. Kenya is facing two major problems in its energy crisis: a) the balance of payments squeeze, which is attributable in significant part to the need to import oil for the modern sector, and b) the rapid deforestation of land. The GOK has made some progress in developing its indigenous conventional sources for electricity, i.e. one third of its hydro potential is already on line and its geothermal potential has just started, with operation of the first plant expected in 1981. Expected electricity demand over the next 10-15 years (with 8% p.a. a minimum growth rate) can be met from available hydro and geothermal resources if they are fully developed.

The second aspect of its energy crisis is more difficult to cope with because deforestation not only affects availability of fuel stock but also water shed protection, soil resources and the time women have available for economic activity as they are the primary bearers of water. Deforestation has only recently been given adequate attention. The lack of effective institutions to coordinate dissemination of information on energy technologies, the relatively high cost of most aforestation technologies and socio-cultural factors associated with a long term goal such as growing trees seriously inhibit a positive attack on the problem.

b. AID Targets. The US will assist the GOK develop appropriate institutional mechanisms to deal with its own energy problems and to enhance private sector participation and investment in renewable and non-conventional energy development. This calls for formal as well as informal instrumentalities, public and private sector interventions and a high level of donor coordination to enable Government to proceed along with a number of initiatives, both at the planning and policy level as well as pilot and demonstration systems for renewable and non-conventional energy sources, especially for the rural poor. Special emphasis will be given to wood fuel resources propagation and commercially based programs for renewing this resource.

c. The Strategy. The newly created Ministry of Energy (MOE) is responsible for the planning and development of energy policy. At this point, MOE is thinly staffed and most of its personnel are not trained in energy management. The National Council on Science and Technology (NCST) in the Office of the President is responsible for coordinating research on energy matters while line ministries have implementation responsibilities on a specific project basis. The US seeks to enhance the MOE's institutional capability and to demonstrate application of several renewable and non-conventional energy technologies suitable to socio-economic, cultural and climatic conditions of Kenya. We plan to pursue vigorously the development of appropriate technologies in propogating wood fuel resources and to demonstrate in pilot activities throughout the country effective wood fuel renewal practices.

7. Planning and Demonstration: Multisectoral and Community Based Activities to Meet Basic Human Needs.

a. Constraints. Several areas other than the core areas of our strategy impact on the well-being of Kenyans in important ways. Safe, sanitary and secure shelter, adequate diets, adequate and accessible health services, and safe drinking water, for example, are important basic needs that are given and will continue to receive high level Government attention. A number of external donors also give high priority to these areas and have made substantial investments as further testimony to their concerns. However, most assistance to these sectors has gone for traditional, capital intensive and high recurrent cost systems that are usually implemented centrally in Government and are difficult and costly to maintain. The needs in these areas are enormous and the tendency has been to provide investments for traditional type facilities and approaches.

The US is advocating innovative, low cost approaches stressing institutional development wherever practical, for meeting basic needs. In this program area, priority will be given to new approaches wherever possible. This strategy stems partly from our concern that Government systems are not adequate or institutional commitment sufficient to reach Kenya's low income population and partly from a commitment to the Government to experiment and to undertake pilot activities in an effort to identify appropriate technologies that are sustainable at the local level. After a pilot activity combined with policy analysis in a given field, we will be prepared to make a larger contribution to a sector or cross-sector program as Government makes its first commitment to investment.

Meeting the shelter needs of low income Kenyans will be a major challenge to Government. There is a significant backlog of unmet housing demand, exacerbated by an urban growth rate over 7% per annum. Critical constraints are the nearly exclusive reliance on the public sector for the formal production and financing of housing for lower income groups and the corresponding inaction on the part of government to offer to private housing finance institutions and estate developers the kind of incentives required to stimulate their increased participation. Furthermore, the concept of affordable standards has not been entirely accepted at political and policy levels.

A serious constraint in the nutrition area is the lack of adequate planning, coordination and project development and implementation capability. Numerous nutrition agencies, training institutions, extension services and feeding programs in Kenya are managed by a number of different agencies, ministries and educational and research institutions. There is as yet no effective coordination mechanism to oversee the activities and review the policies of disparate groups, although a planning unit has been established. Very little is known about the effectiveness of individual programs.

Health planning has traditionally reflected an orientation toward a high cost, curative based hospital system. Relatively little has been invested in preventive health systems, planning institutions or rural health. There are, however, signs of change. Government is currently reviewing its health plan for the remainder of this century. There is reasonable expectation that the US will have a role in planning, demonstrating new approaches and otherwise pioneering new ideas in low cost effective health delivery systems with a strong rural orientation.

Potable water systems serve relatively few in Kenya, but the GOK is committed to a policy of providing its entire population with safe water by the turn of the century. This goal cannot be realized if traditional approaches with high cost technology, ineffective maintenance arrangements, etc., are not altered. Moreover, it is unrealistic to expect a central government authority to meet its responsibility for constructing local water systems, ensuring delivery of water, collecting water bills and maintaining these systems with little or no involvement by the local people.

The lack of trained managers in areas outside of our major focus has serious adverse effects on the development process. Although other donors tend to buttress this area, important voids in finance and planning continue to remain. Also, high level officials who make important contributions to development are often in need of orientation and special training. Often the funds are not available to implement these programs and important opportunities are lost.

2. AID Targets. In housing, low cost shelter and related community facilities for below-median income households is the major emphasis. Demonstration efforts will be directed to institutionalizing the aided self-help, minimum standard, full cost recovery approach to low-cost housing, and to stimulating new and improved methods for mobilizing funds for housing finance and production, especially in the private sector. Emphasis will continue on the integration of shelter, community facilities, employment generation and delivery of social services for low-income households, especially in secondary towns. The US will also provide selective training to housing officials and will support special studies and evaluations.

In nutrition, the US will help the GOK redress its serious lack of a coordinating mechanism for its extensive network of nutrition programs, training facilities and research institutions. We will also support innovative, low cost approaches to meeting nutrition needs.

While there are a number of potential health targets, AID's program will confine itself to two important areas: a) helping the GOK establish an effective health planning and coordinating capability; and b) stimulating the creation of innovative, low cost health delivery systems that can be replicated throughout the country.

The US plans to design and develop potable water systems that are innovative, low cost and easily maintained by users within their economic means. Efforts to involve the local community in planning and implementing water systems is central to this program.

The U.S. plans to train a number of selected Government officials in areas such as planning, finance and management. These are persons who are key to Government's decision making mechanism and to its development process. We plan to continue this type of training throughout the 1982-1986 period.

c. The Strategy. Our aim is to foster the rational allocation of scarce resources in pursuing basic human needs programs and to demonstrate innovative, cost effective, relevant delivery systems and facilities. This requires some risk taking and a willingness to utilize various modalities.

The strategy in shelter is to encourage the more efficient private sector, through incentive and governmental policies, to assume the burden of financing, developing and managing housing. AID will provide finance and technical assistance to develop large-scale, low-income public and private shelter projects to demonstrate that a) costs are fully recoverable, b) that recoveries can be reinvested in other similar projects, and c) that institutional improvement in shelter policy, planning, design and administration can be replicated on a broad scale. The projects will demonstrate to the private sector that the risk associated with financing or developing large-scale, low-cost shelter projects, is not unacceptable, i.e. that low-income households can afford minimum housing and will repay their loans in a timely manner. Concurrently, AID will support studies in housing finance to, among other things, identify forms of preferential treatment for private sector institutions (tax benefits, mortgage insurance, government loan guaranties, etc); secondary sources of finance; creation of new forms of savings or strengthening existing ones suitable for low-income conventional lending techniques. By the end of the planning period AID will provide long-term seed-capital financing to private institutions for low-income housing. On the public side, it will concentrate on strengthening the capacity of local authorities to implement and administer their own low cost shelter programs and the capability of national-level institutions to formulate coherent policies, engage in long-term program planning, acquire serviced land, and provide infrastructure and essential community facilities.

In nutrition we will assist the GOK in planning and coordinating nutrition programs, training and research facilities. To the extent it is feasible, we will also seek targets of opportunity to demonstrate effective methods and low cost approaches in nutrition delivery systems that are within the economic means of the population. Title II resources may provide a useful vehicle in this direction.

In health our strategy is to assist the Ministry of Health with the expertise it needs to plan, implement and evaluate its programs. More important, however, will be to integrate into Ministry planning programs new approaches for health delivery, particularly community based and multisectoral programs. An important theme in the strategy to demonstrate new approaches in delivering health services to rural dwellers and the poorest is the integration of services. The concept will be difficult to implement, but this is one of the more effective ways to reduce the cost of services to the public.

The U.S. plans to finance the training of selected, key government officials in areas other than agriculture, energy and population. Government and the U.S. will continue to select candidates in fields that are central to development decisions. This effort is a continuation of prior programs for fulfilling important training needs in Government and will continue throughout the period 1982-1986.

III. Assistance Planning Level

A. Proposed Assistance Planning Level (PAPL)

Table 8

PAPL for Kenya
By Development Objectives and Source of Funding
(In millions of dollars)

Development Objective/ Funding Source	1982	1983	1984	1985	1986
1. Increasing Employment, Income and Smallholder Production	26.3	42.4	45.6	47.4	62.0
Bilateral	19.0	35.0	37.0	37.0	53.0
PL-480, Title I	6.0	6.0	7.0	8.0	5.0
Africa Bureau Allocation	1.3	1.4	1.6	2.4	4.0
2. Reducing Population Growth	6.2	8.8	15.4	18.4	11.6
Bilateral	1.0	1.5	8.0	10.0	3.0
AID/W Funded	5.0	7.0	7.0	8.9	8.0
Africa Bureau Allocation	0.2	0.3	0.4	0.4	0.6
3. Energy Policy and Program	12.7	0.4	3.5	10.5	4.6
Bilateral	11.0	-	-	10.0	-
AID/W Funded	1.5	-	3.0	-	4.0
Africa Bureau Allocation	0.2	0.4	0.5	0.5	0.6
4. Planning and Demonstration	17.1	28.2	20.5	48.2	50.8
Bilateral*	8.3	8.8	12.5	14.5	17.0
AID/W Funded	2.0	2.0	-	-	-
Africa Bureau Allocation	.8	1.4	2.0	2.7	2.8
Housing Guaranty	-	10.0	-	25.0	25.0
P.L. 480, Title II	6.0	6.0	6.0	6.0	6.0
5. Prior Year Mortgage, Bilateral	12.0	15.0	-	-	-
GRAND TOTAL	74.3	94.8	85.0	124.5	129.0
AID $ New Programs	50.3	57.8	72.0	85.5	93.0
Bilateral	39.3	45.3	57.5	71.5	73.0
(Thru Intermediaries)[a/]	(9.0)	(14.0)	(10.0)	(11.0)	(11.0)
AID/W Funded	8.5	9.0	10.0	8.0	12.0
Africa Bureau Allocation[b/]	2.5	3.5	4.5	6.0	8.0
PL-480	12.0	12.0	13.0	14.0	11.0
Housing Guaranty	-	10.0	-	25.0	25.0
Prior Year Mortgage	12.0	15.0	-	-	-

a/ Includes bilateral and central funds.

b/ Includes Program Development and Support and Training Funds.

* Includes bilateral funds for shelter programs.

Table 9

PAPL FOR KENYA

By Program Area

(In $ millions. Source of Funding Code at the end of Table)

Program Area/Policy Issues*	Source of Funding	1982	1983	1984	1985	1986
1. Increase Agricultural Production (Western Kenya)						
a. Crop intensification, on-farm cropping systems, marketing and storage, water management.	B	-	5.0	-	8.0	-
b. Marketing and transport infrastructure	B	-	-	-	-	8.0
2. The ASALs						
a. Livestock water and feeding systems, marketing, planning, demonstration, policy changes	B	-	-	5.0	-	10.0
*Pricing policies and range water development and maintenance issues.						
b. Land resources conservation	B	-	3.0	4.0	4.0	-
c. Feeder road planning and development	B	5.0	-	4.0	-	10.0
3. Prices, Tariffs and Export Policy Transformation						
a. Rural-related industry investment, prices, tariffs.)						
b. Rural planning and policy, institutional development.)	P1	6.0	6.0	7.0	8.0	5.0
c. Agri-business, private sector savings, investment and employment generation.)	B	10.0	11.0	22.0	20.0	18.0
*Policies rationalizing tariff structure, domestic pricing, and export promotion						
4. Training and Institutional Development						
a. Agricultural skills training, institutional development.	B	2.0	12.0	-	2.0	4.0
b. Cooperative skills development for cooperative managers and staff.	B	-	4.0	-	3.0	-
c. Extension service institution development.	B	2.0	-	2.0	-	3.0
*Policies regarding extension service relationships with research and education institutions.						

Table 9 cont..

	Program Area	Source of Funding	1982	1983	1984	1985	1986
5.	Support of Demographic Research/)	B	-	-	5.0	7.0	-
	Analysis, Information Dissemina-)	C	5.0	7.0	7.0	8.0	8.0
	tion and Population Policies;) Services.	B1	1.0	1.5	3.0	3.0	3.0
6.	Energy Development						
	- Institutional development, training, pilot activities studies and info dissemination	C	1.5	-	3.0	-	4.0
	- Fuelwood program	B	11.0	-	-	10.0	-
7.	Planning and Demonstration: Multi-sectoral and ommunity based.						
	a. Shelter: construction, institu-	H	-	10.0	-	25.0	25.0
	tion building and policy changes	BH	.3	.3	.5	.5	1.0
		B1	2.0	1.0)			
	b. Health: services, planning,	B	5.0	3.5)			
	training, institutional	C	2.0	-)			
	development, demonstration	B1	-	2.5)			
	c. Potable water: institutional	B		)	12.0	14.0	16.0
	development, training, demonstration	-	-	-)			
	d. Nutrition: institutional	B1	1.0	1.5)			
	development, demonstration	C	-	2.0)			
	and training	PI1	6.0	6.0	6.0	6.0	6.0
	e. Training in non-agriculture sectors	AF	.5	1.0	1.5	2.0	2.0
8.	Program Development and Support**	AF	2.0	2.5	3.0	4.0	6.0
9.	Prior Year Mortgage	B	12.0	15.0	-	-	-
0.	TOTALS: Bilateral to Govt.	B	47.0	53.5	54.0	68.0	69.0
	Bilateral to Intermediary	BI	4.0	6.5	3.0	3.0	3.0
	Africa Bureau Allocation	AF	2.5	3.5	4.5	6.0	8.0
	AID/W Funded	C	8.5	9.0	10.0	8.0	12.0
	Housing Guaranty	H	-	10.0	-	25.0	25.0
	Housing Bilateral	BH	.3	.3	.5	.5	1.0
	PL 480, Title I	PI	6.0	6.0	7.0	8.0	5.0
	PL 480, Title II	PII	6.0	6.0	6.0	6.0	6.0
	GRAND TOTAL		74.3	94.8	85.0	124.5	129.0

* Issues to be addressed by the strategy.

** PDS requirements necessary for feasibility studies, project design, evaluations and sector analyses. The need for increasing resources in this area is related to the changing character of the "new" field Mission which, inter alia, includes reduced ceilings. See Part IV for details.

B. Justification of the PAPL

Funding projections are based on assumptions that AID policy regarding life of project funding will be fully operative in FY 1982. Therefore, FY 1982 and 1983 bilateral levels include $27 million in final tranches of program mortgage from prior years. All new projects in the years 1982-1986 are assumed to be fully funded. The number of new projects in each year of the strategy period is approximately three, excluding the annual resource transfers shown under the third program area on Table 9.

Attention to certain policy considerations will be required if US investments in the chosen areas are to be most effective. These policies are identified on Table 9. Moreover, the program area devoted to policy issues is an especially important element in the strategy. It is designed to assist in alleviating the GOK's balance of payments pressure during the strategy period as well as to bring about significant changes in policies affecting agricultural production incentives and marketing and those that are necessary to stimulate public and private sector investment and ensure foreign exchange availabilities. We believe that AID dollar resources together with those of other donors can provide an adequate level of financing to help Government fund policy changes necessary to promote employment generation and better income distribution. Kenya has achieved a level of development that suggests the appropriateness and feasibility of policy change in the next five years. Our modest effort is not expected to carry the entire burden but rather to supplement IBRD and other donor initiatives and permit consideration of the US views on policy issues. It also will provide stop gap financing to enable the GOK to continue on its own those policy changes it is already implementing and others it plans to announce.

PL 480 Title I is the other resource for this program area. Its particular focus will be to alleviate serious food import problems and help Government finance pricing and other policy changes to stimulate agriculture and livestock production, encourage the establishment of export oriented agribusiness and promote the equitable distribution of land.

Energy resources development is a new initiative in the US strategy. Although we do not know what the next five years will bring, we are confident on the basis of our discussions with the GOK that it plans a serious effort to rationalize its energy policies. We see a role for AID interventions over the strategy period, through bilateral programs and centrally funded initiatives in the planning and policy area and in fuelwood programs.

The lack of a dynamic, forward moving population program is the most disconcerting and frustrating development in our strategy. We are not satisfied that we and others are doing all that can be done to drive an effective family planning program. On the other hand, the Government is not oblivious to the consequences of its population explosion. Mortality rates have fallen significantly over the past decade and everyone appears to be waiting for corresponding drops in fertility rates. This has not happened and Government is reviewing its policy in this regard. If opportunities for appropriate, direct interventions are offered over the strategy period, AID will want to respond rather quickly. If not, we plan to continue in the area of demographic research, education and information dissemination and to the extent possible with motivation activities. In addition, we believe it is important to continue to provide financial assistance from a variety of sources to intermediaries that are currently implementing population programs in the country.

The planning and demonstration program area represents an effort to develop collaborative approaches with the GOK to help it find solutions to its own problems in areas of basic needs. The major focus is in planning and demonstrating innovative programs in shelter, nutrition, health and potable water. We plan to encourage the use of intermediaries to the fullest extent possible to design and carry out joint programs with the Government. During the final three years of the strategy period, we propose to provide financing for a limited number of sectoral or multi-sectoral initiatives that consider both administrative and technical constraints at the community level. The grants will be administered by local officials with the support of national ministries. As a consequence, funding levels for intermediaries show a drop in the last three years as we are unable to estimate potential Government use of intermediaries for these programs.

The shelter program, financed by Housing Guaranties and dollar-funded studies and community service activities, will progressively focus less on Nairobi and public sector institutions and more on smaller urban agglomerations (including those where dollar funded programs in marketing and agribusiness will be located) and private sector financing. The guaranties for 1985 and 1986 will be provided to private sector institutions. Influence on shelter-related policies will be an important aspect of all elements of the program.

PL-480 Title II resources will increasingly be used for development purposes. While intermediaries may continue to serve as major implementation agents for the use of food resources, Government is expected to take a larger role in using food to redress its nutrition problems as it seeks to lessen its dependence on concessional food assistance. We foresee a continuing need for Title II in slightly decreasing quantity and real value each year.

AID/W central funds can continue to play an important role in Kenya's development. Although we have estimated modest levels for these funds, it is becoming increasingly clear that the Mission needs to play a central role in programming such funds. It is not enough to conduct studies, pilots and demonstrations in Kenya simply because there is a perceived need. Government resources are directly affected by demands for special studies and activities and unless the purpose of centrally funded activities are programed within the framework of the GOK and US strategy, their usefulness may not warrant financial support.

Program Development and Support (PDS) funds are an important element in the cost of doing business. As Mission staff is reduced, we will require relatively more funds for project identification, feasibility studies, project design and evaluation. Control of PDS funds by the Africa Bureau is inefficient and constrains Mission planning and programming. Training in non-agricultural areas is becoming increasingly important to the efficient implementation of the development program in Kenya. The financing of training in management and technical fields is also currently dependent upon Africa Bureau allocations. We urge that the full needs of bilateral missions in these two areas be allocated directly to the field for Mission budgeting.

IV. Implementation Issues

In response to the Agency's request for recommendations on opportunities to increase AID's efficiency, following is a summary of measures envisaged for future implementation of USAID/Kenya's development strategy.

1. Personnel Requirements. (See Table 10)

USAID/Kenya's ceiling for FY 1980 includes 34 direct hire US citizens and 46 foreign nationals. Of these five US and 17 local employees serve the needs of regional offices located in Nairobi and regional country programs. We project a 28% reduction in Mission personnel to be accompanied by greater emphasis on staff skills in planning and analysis and a shift of responsibility for program documentation to implementing agents and government ministries. We believe that further delegation of responsibility to the field for implementation and amendments to project activities will obviate the need for many time consuming field-Washington negotiations and permit more staff attention to substantive field issues. See Table 10 for our projected staffing in 1986.

The nature of the effort proposed for 1982-1986 will necessitate some change in the type of US direct hire personnel. Mission needs in the technical areas will generally shift from implementation skills toward planning and analytic capacity. Contract and PASA personnel will be required to possess project management skills as well as strong technical expertise. Mission staff will be experienced field officers who are able to negotiate with the GOK in their respective fields of expertise and who have sufficient depth to prepare scopes of work designed to recruit appropriate skills for the job. As the field mission may not possess all of the necessary skills in planning and analysis, AID/W and REDSO staff will be used to supplement mission requirements.

Project implementation staff will be drawn largely from US educational institutions, US Government agencies and private consulting firms. While the first two are deemed most appropriate as implementation agents, consulting firms tend to be the most effective in problem identification and project design. There will be closer collaboration with host country Ministries as project design and implementation responsibilities shift to Government.

2. Use of Intermediaries.

At the start of the strategy period 15%-19% of the dollar program will be carried out by intermediaries, particularly those involved in innovative, low cost approaches to health, population, nutrition employment generation and

Table 10

USAID Kenya Personnel Requirements
(Direct Hire Positions)

Category of Personnel		1979 Ceiling		FY 80 Ceiling		1986 (Proposed)	
		U.S.	FN	U.S.	FN	U.S.	FN
1. Executive Management							
	Officers	2	-	2	-	1	-
	Support	1	2	1	2	1	1
2. Administrative							
	Officers	6	10	6	10	5	10
	Support	1	18	1	7	1	7
3. Financial Analysis							
	Officers	4	16	4	16	3	14
	Support	-	2	-	2	-	2
4. Planning/Analysis/ Monitoring and Evaluation							
	Officers	5	-	4	-	9	3
	Support	1	2	1	2	2	4
5. Project Management and Monitoring							
	Officers	15	2	13	2	-	-
	Support	2	5	2	5	-	-
Total	Officers	32	28	29	28	18	27
	Support	5	29	5	18	4	14
Grand Total		37	57	34 1/	46 2/	22 3/	41 4/

Attributable to regional program responsibilities: 1/ 5, 2/ 17 3/ 4 , 4/ 16

Category No. 1 includes Director and Deputy Director, U.S. Direct hire secretary, FN secretary and Director's driver.

Category No. 2 includes Executive Office personnel

Category No. 3 includes Controller's office

Category No. 4 includes Program Office personnel in FY 1980 and entire Planning/ Analysis/Evaluation staff in FY 1986.

Category No. 5 includes Technical division personnel in FY 1980.

shelter. Although important areas of basic human needs receive financing from a number of donors, we believe that small scale, innovative pilot efforts are needed to demonstrate the feasibility of replicable low cost, effective approaches for easing constraints in these areas. Later in the strategy period, as Government administration is able to assume responsibility for continuing demonstration programs, the proportion of intermediary involvement may diminish.

Under current circumstances, the extent to which intermediaries can be used has been partly a function of the availability of Bureau funding for OPGs. In the future, in order to permit a systematic approach in effectively using this resource, we recommend that allocations of funding for intermediaries as well as all PDS and training funds be made directly to the country program. The current ad hoc system does not permit forward planning and often results in an unsatisfactory first-come-first-served operational mode to the detriment of planned activities that are integral to Mission objectives.

Universities covered by Title XII and minority institutions will be given high priority by the Mission as potential implementing agents for appropriate programs. We foresee a significant role in our strategy plan for these institutions, particularly as we emphasize agricultural institutional development.

Expanded cooperation with Peace Corps is a good possibility. Considerable foward planning is necessary with both Government and the Corps and while some of this can be done in the field, Washington level coordination is also needed.

3. Reduce Project Proliferation.

The Mission plans to provide financing for no more than three to four bilateral activities annually over the next five years. This, of course, is contingent on establishing a firm policy for life of project funding (LOPF). Currently the mortgage of our program portfolio is over $35 million. We recommend to AID/W that the Mission be allocated above normal funding levels over the next two years to help eliminate the mortgage. We believe that LOPF has considerable merit. It will lead to strengthened project design and financial analysis. It will also place implementing agents on notice as to their entire responsibility in project implementation. And it will save many staff-months on annual negotiations for budgets. The alternative to "one time" only funds in the short run is to eliminate all new activities for the next two years while we "catch-up." This is not a realistic appraoch to bilateral relations.

The number of Mission projects can be decreased as broader and more comprehensive approaches are introduced, as the Mission has already demonstrated, but care is needed to ensure that projects are not subdivided into multiple management-intensive subunits. Moreover, some projects lend themselves to multi-sector or cross-sectoral design while others do not, partly depending on the state of institutional development in the country.

Ironically. as the number of Washington-funded projects increase, and intermediaries and central bureaus obtain an increased amount of Agency resources, requirements for Mission management and attention may actually increase. There are ways to manage centrally funded programs to minimize Mission requirements, however. One is to ensure that the Mission and Government are fully involved in initial project design. Another is to limit central financing to programs that are fully consonant with the US assistance strategy in the country. In addition, the Mission should be delegated full responsibility for approving implementation changes no matter what the source of funding.

4. Replicating Successful Projects.

Replicability is one of the cornerstones of the Mission's program in agricultural production as well as in planning and demonstration of multisectoral activities. We expect to continue Mission efforts to identify successful projects that can be replicated. We will also focus special attention on high risk activities that deliver low cost services to the consumer and that can be replicated within the prevailing national and local Government structure without further US funding. GOK Economic Planning Ministry officials are responsible for coordinating replication and have done so for several successful, innovative activities funded by AID.

5. Increased Sector Support

One of the objectives of the Mission's strategy is to effect certain policy changes to induce increased investment in agriculture, marketing and employment generation activities. Our suggested venue in this regard is resource transfers to supplement similar transfers by the IBRD. While AID's increment may not in itself bring about substantial changes, together with those of IBRD and others this kind of transfer of resources can help the Government finance the necessary policy changes to benefit agriculture and other sectors.

6. Sector and Geographic Concentrations

Over the next five years, a substantial amount of AID resources are scheduled for the agriculture sector, a sector of concentration that has characterized AID's program to Kenya for the past five years. Geographically the program is concentrated in Western Kenya and the ASALs of the eastern regions. These concentrations will remain inviolate for at least the next five years as they represent general areas of economic development neglect in Kenya.

7. Donor Relationships.

The Mission has excellent and close working relationships with other donor assistance officials. The Directors of all donor Missions to Kenya meet periodically to coordinate activities and to discuss the GOK's development problems. The donors also meet periodically with GOK officials under the chairmanship of the UNDP resident representative. These sessions are used for briefing, by various GOK officials. Efforts to strengthen substantive aspects of these relationships will be emphasized.

8. Use of Host Country Analytical and Managerial Capabilities.

Host country capacities will continue to be used as appropriate. The Central Bureau of Statistics, for example, is currently responsible for periodic data collection and analysis for the evaluation of a major bilateral project. We will continue to seek opportunities to involve them in similar activities as well as in evaluation, during the strategy period. Training local managerial talent is currently a provision of all joint US/GOK projects; however, further attention will be given to requirements for local management, planning and policy level skills. The GOK finds it difficult to retain trained persons in Government service. The US may have to train at least three Kenyans for every important position vested as the result of a US financed activity as successful implementation of the Mission's strategy depends on such Kenyan managerial capability. While the attrition seems high, the real loss is less, as most of those trained will at least enter private commerce or industry or the education sector, which are also areas of severe shortage.

9. Project Approval Procedures

This Mission and others, and many interested offices and individuals of the Agency, have identified bottlenecks in the project approval process. These have also been documented by consultants to the Agency. Most bottlenecks are in Washington. We urge the Agency to make further delegations to the field and take steps to implement the recommendations it has received.

unmanageable burden;
edule and without
e to recent military
due. The IBRD
balance of payments
exchange gap while
er to Kenya's

(2) U.S. Commitments

U.S. public and private commitments at the end
million comprising $210 million in investment by 12
$102 million in OPIC insurance coverage), $44 milli

1/ See S. Eken, "Breakup of the East African Communi
December 1979.

2/ Donor commitments are only available through CY 1
commitments do not include loan guarantees such a

3/ Net foreign assistance inflows account for 13% of
budget and 39% of the development budget.

le ASAL ecosystems.
increases in the ASALs,
d grazing systems, and
areas can at least
ding the lands and
hopefully, stopped.
icy to provide
tural and other

loyment targets with-
y period. Policy
gram. Some will be

ls. Therefore, AID
elopment, especially
relevant for
ime, to the needs of
services, credit

rmation dissemination

y control programs
tried over the past
open to the US as
ue education and
more direct inter-

7. Planning and demonstration of multisectoral approaches to meeting basic human needs.

Limited assistance resources prohibit major lon
human needs programs. The AID effort will stress po
stration in order to encourage Government, local com
sector to invest in effective and low cost service d
tional development and training will also be stresse

D. The Program: Details

1. Increase Agricultural Production (Western K

a. Constraints. Kenya's medium and high poten
particularly in the western regions of the country,
lected by prior development programs and consequentl
per land unit. The lack of appropriate, cost effect
and a tendency for research and extension institutio
agriculture rather than food crops is a principle co
is inadequate and ineffective dissemination of techn
available and which should flow from researchers thr
to farmers. A third is lack of access by smallholde
services. Inaccessibility is exacerbated by ineffic
and transportation systems and land tenure policies
increased agricultural production. Although a numbe
by the GOK and other donors to alleviate some of the
tional linkages that are necessary to facilitate acc
inputs and services are weak and do not respond to f
and appropriate basis.

b. AID Targets. The U.S. plans to bring about
conditions to promote increased agriculture producti

of FY 1979 totaled $439
5 private U.S. firms (with
on in Ex-Im loans and loan

ty," Finance and Development.

978. By UNDP definition
s HG.

the total 1978/79 GOK

1. Income Distribution

Studies carried out in 1969 and 1976 show that wh
the population received 4.1% of the nation's income in
in 1976, a 51% increase. Similarly, while the richest
received 56.3% of the nation's income in 1969, their sh
by 1976, a 33% decline. In terms of the Gini coeffici

1/ This section summarizes from details presented in th
102(D) Reports (79 Nairobi 19306 and November 1978 s
progress is discussed in Sections 1. A, B, and C.

and community based

g-term investments in basic
licy, planning, and demon-
munities, and the private
elivery systems. Institu-
d in this area.

enya)
tial agricultural lands,
have been generally neg-
y experience low productivity
ive production technologies
ns to emphasize commercial
nstraint. Another constraint
ologies that are currently
ough extension personnel
rs to production inputs and
ient agricultural marketing
that create disincentives to
r of steps are being taken
se constraints, the institu-
essability to production
armer's needs on a timely

the achievement of several
on: (1) Reorientation of

(5) strengthened GOK agricultural planning and analysis
including those related to land tenure.

c. Strategy. The U.S. program will continue to pr
to and training for Kenya's agricultural research instit
strengthen efforts to redirect its main research thrust.
be trained abroad and in the region. The scarcity of s
scientists in Kenya makes it difficult for Government to
research institutions. Therefore, our efforts in traini
to produce adequate numbers to meet requirements over th
ooperative movement in Kenya has a long tradition of se
its performance has been spotty. Trained and experience
supply and its training institutions must be upgraded an
demand. Therefore, we will help to upgrade and expand t
tive institutions.

Kenya's planning and policy processes have in recen
emphasis as important elements in the development proces
the advice of planners, it will be necessary for donors
transfers necessary and sufficient to enable Government
changes deemed appropriate and necessary to promote agri

Finally, we will give special attention to enhance
improving post harvest food crop handling, rural access
marketing and designing marketing mechanisms that are re
needs.

2. Expansion of Production and Protection of Fragi

a. Constraints. Over 80% of Kenya's land, classif
is home for 3.2 million people or 25% of the rural popul
ceive minimal and often erratic rainfall and suffer peri

reas the poorest 25% of
1969 they received 6.2%
10% of the population
are was reduced to 37.7%
nt, inequality declined

1978 and 1979 Section
bmission). Economic

communities help "write" their own development pla

3. Women in Development

Women are one of Kenya's greatest untapped re
rural women engage in farming activities on their
produce much of the food that their families consu
women are extensively involved in meeting nutritio
Finally, women's domestic work also consists of su

1/ Thorebeck and Crawford. ILO Consultancy. 1978.

2/ See Barkan and Okumu. Politics and Public Polic
Praeger. 1979.

of policy issues

ovide advisory assistance
utions in order to
Kenyan scientists will
killed agricultural
adequately staff its
ng will increase in order
e next five years. The
rvice to farmers, however,
d managers are in short
d expanded to meet the
he capacity of coopera-

t years received renewed
s. In order to implement
to provide resource
to bring about policy
cultural production.
Kenya's capacity for
roads, storage and
sponsive to farmers'

le ASAL Ecosystems.
ied as arid or semi-arid,
ation. These lands re-
ods of drought. Limited

b. AID Targets. The U.S. plans to: (1) under
appropriate technologies needed in cropping and gra
management, (2) promote marketing systems and plans
stock routes for crops and livestock and, (3) train
the institutional linkages among various ministries
the ASALs.

c. Strategy. The program will emphasize rese
oriented to cropping and grazing systems in certain
order to establish appropriate, low cost technologi
dation problems. Pilot efforts in improved range a
conservation practices will also receive attention.
ning and development of feeder roads and stock rout
technologies. The U.S. will continue to support a
gram for soil conservationists, range management sp
scientists in order to strengthen Kenya's instituti
improve its on-site management capability in range
soil and water conservation.

3. Prices, Tariffs and Export Policy Transfor

a. Constraints. Kenya's long-term economic de
transformation in the relationship between the agri
sectors if new employment opportunities are to be c
duction is to be realized and if sectoral income in
Within the agricultural sector, such a transformati
increased degree of specialization, commercializati
the smallholders. In the non-agricultural sector t
yield a substantial increase in export production c
and local resource dependent technologies. These t

rambee projects, local

.

urces. Nearly all adult
n small holdings and
. As food processors,
l needs of the family.
arduous and time

in Kenya and Tanzania.

carrying, and food preparation responsibilities. Furth
improvements in agriculture tend to increase their prod
fertilizer promotes weeds.

The most important feature of the life of women in
the massive out-migration of males, particularly from we
ASALs. With the males taking urban wage employment, the
with virtually the entire responsibility for agricultura

[1] This section draws from, among many sources, work by
project 698.0388 and D. Reynolds, "Profile Paper on W
(draft) 1978.

ke research to identify
ng systems, and range
or feeder roads and
enyan staff and strengthen
nd agencies that service

ch and demonstrate findings
ocations in the ASALs in
for overcoming land degre-
ranch management and soil
We plan to assist in plan-
using labor intensive
ignificant training pro-
ialists and research
al structures as well as to
d ranch development and

tion
lopment requires a structural
tural and non-agricultural
ted, if incremental pro-
alities are to be alleviated.
will take the form of an
and market dependence by
transformation should
acterized by labor-intensive
sformations cannot be

protected and inefficient import-substitution sector t
ously, the overvalued exchange rate taxes and discoura
agricultural exports. Subsidized imported inputs unne
labor ratio and discriminate against domestic producti
only suboptimal levels of domestic employment and prod

The GOK sets the domestic prices for most agricul
products thereby often exacerbating the domestic price
by import restrictions. Industrial products are price
to inefficient import-substitution industries. Agricu
(and marketing systems) discriminate against the small
couraging agricultural production for either the domes
yet encouraging import-dependent, capital-intensive ma

b. AID Targets. A rational trade regime can str
sidies to avoid distortions in domestic prices (the di
prices and economic values) and encourage the efficien
labor, and local resources. AID targets include: (a)
effect of tariff structures on the foreign exchange ra
ratio, the use of domestic inputs, export production (
tural), employment generation, and spatial and sectora
(b) domestic pricing policies to encourage expansion o
production (particularly smallholders) and more efficie
and discourage inefficient import-substitution industr
motion policies, including taxes and credit programs,
export production.

c. The Strategy. The U.S. can support the requi
formation and demonstrate its commitment to the implem
lization and tariff rationalization policies by joinin

rmore, technological
ction workload; e.g.

rural areas has been
stern Kenya and the
women have been left
l production.

K. Staudt on Sub-
omen in Kenya"

present growth rates, the population will double in
land pressures, growing employment needs, food prod
requirements have been discussed elsewhere in this
ratio is estimated at 112 per 100 for 1979 and is e

Kenya's family planning program has operated t
health (MCH) activities of the Ministry of Health.
on the creation of a modern rural health infrastruc
and has placed little emphasis on family planning a

1/ Population Studies and Research Institute. op. c

flourish. Simultane-
es exports, especially
essarily raise the capital
n inputs. Consequently,
ction are achieved.
ural and industrial
distortions created
to provide profits
tural produce prices
scale producer, dis-
ic or export market
ufacturing.
cture tariffs and sub-
ergence between .rket
use of foreign exchange,
policies to change the
e, the capital/labor
ndustrial and agricul-
income inequalities;
commercial agricultural
t agribusiness production
es, and (c) export pro-
o support and reward

ed structural trans-
ntation of trade libera-

cover the remainder. AID will participate by provi
non-project transfers and/or PL-480 Title I/III pro
will be established and an annual review of progres
will be made before additional funding is committed
bination with other donor programs should provide a
effective leverage over policy changes. We will al
to foster programs and policies that enhance the es
ventures, private sector savings, investment and em
Rationalization of agricultural pricing, land and n
supported with technical assistance at policy plann

4. Training and Institutional Development

a. Constraints. Inappropriate agricultural p
incentives to producers and result in market disto
nomy. In addition, there is a tendency for Govern
central planning with inadequate attention for gras

Another constraint is the short supply of agri
cialists as well as those in other sectors of the e
agriculture and their general lack of appropriate s
programs and regulating private sector activity. T
tutions are not adequately equipped to cope with ap
various levels of competence. Consequently, Kenya
short term for planning and management expertise.

Training institutions that are not coordinated
cultural service yield inappropriately skilled per
field service. There is a tendency for training in
independently to establish prerequisites and curric

he norm in Kenya today. At
8 years. The resultant
tion and social service
cument. The dependence
ected to reach 122 by 1984.
ough the maternal-child
he MOH has concentrated
re, with static facilities,
ivities. Other GOK

.

Plan's budget to 9.8% in the Fourth Plan), an increase
(36.8% to 38.0%) and a decrease in social services (25
real expenditures per capita budgeted in the Fourth Pl
the Third Plan.

The Plan recognizes the strong link between agric
poverty alleviation. One of the most significant chan

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[1] For further details see 79 Nairobi 15857.

[2] Detailed reviews are available in IBRD. Kenya: Ec
1979; USAID/Kenya. Development Plan 1979-1983. Sum
Analysis. April 1979; and USAID/Kenya, FY 1981 CDSS

ng six or seven annual
ams. Policy targets
toward these targets
Such a process in com-
ignificant degree of
encourage Government
blishment of agribusiness
oyment generation activities.
keting policies will be
g levels.

icies often serve as dis-
ions throughout the eco-
nt to over-emphasize
oots participation.
ltural managers and spe-
nomy that interface with
lls in managing government
necessary training insti-
opriate training needs at
st turn to donors in the

ith the needs of the agri-
nnel for the Ministry and
itutions at various levels
a; therefore an adequate
s. Training institutions

b. AID Targets. The US program will aim to impro
capability and policy analysis of the Ministries of Agri
Economic Planning. The program will strengthen national
planning capability to enable Government to enhance loca
fying needs and solutions to local problems. Additional
institutions of mid-level and higher education will be e
their training activities, to integrate curricula and to
who receive training.

c. Strategy. The US plans to continue its curren
national and district planning institutions. This
also support the Government's goal of decentralizing
and increasing local participation in the planning process
siderable stress on training of extension service person
assignments with special emphasis on inclusion of women
diplomate levels and their subsequent assignment to resp
ever, we recognize the need for policy changes to effect
training institutions of various levels between research
and between policy and planning agencies and marketing b
policy changes as important to the effective use of U.S.
program area.

5. Support for Demographic Research and Analysis,
tion, Population Policies and Services

a. Constraints. Nothing that is done to contain
the next 10 to 15 years will significantly alter the dev
Kenya in this century. Kenya's labor force will double
demand for social services will tend to increase at an i

in economic services
1% to 22.7%). Total
n are 13.5% above

ltural growth and
es proposed is

nomic Memorandum.
ary Review and

while the latest USAID estimates are at around 3.
external payments would balance by 1982; the IBRD
balance of payments problem by the end of the Pla
foreign exchange deficit (overall balance of payme
million.[2/] Recent USAID estimates put that deficit
the Plan period, highlighting the real need for i
support. Reduced economic growth will lower GOK

[1/] The GOK has informally announced its intension
Paper in CY 1980 which will readjust the Plan t
economic developments.

2/IBRD. Economic Memorandum, 1979, (2441-KE)

e agricultural planning
ulture, Livestock and
as well as district
participation in ident'-
y, agricultural training
couraged to reorient
ncrease the number of women

focus on strengthening
activity will
ts planning mechanism
We plan to place con-
el for local and district
t both certificate and
nsible positions. How-
relationships among
and extension institutions
ards. We view these
resources in this

Information Dissemina-

opulation growth over
lopment equation in
y the year 2000 and
creasing rate. By the

understanding on the part of senior and local offic
its rapid growth rate. Another constraint is the r
physician-dominated MOH to experiment with adaptati
as community-based, household or commercial distrib
have worked well elsewhere. A third is inadequate
ingless on the part of many donors to forcefully ad
on paper to population be spent on effective popula
sists of cultural factors that reinforce high value
it difficult to analyze and isolate the determinant
fifth constraint is the almost complete absence of
activities. And a sixth is the fact that family pl
in the MOH while other ministries and Government ag
bility for family planning education and informatic

b. AID Targets. We see short term opportuni
tions in the area of demographic data collection ar
information aimed at an increased awareness by key GOK
significantly reduce the population growth rate. W
coordination to ensure that population programs are
active dialogue with Government at a number of leve
an activist population policy. We plan to stimulat
participation in all elements of a family planning
country and to continue to support intermediaries t
service programs in Kenya.

c. The Strategy. The central theme in pursu
utilization of demographic and other statistical i
socio-economic determinants and consequences of ra

.0%. The Plan expected that
) expected an easing of the
an period, with the unfunded
ents deficit) totaling $420
t at around $700 million for
increased balance of payments
revenues and therefore

tᴗ issue a Sessional
targets in light of recent

cials of the implications of
reluctance of its conservative
ions of delivery systems such
bution of contraceptives which
donor coordination and unwill-
dvocate that financing allocated
ation programs. A fourth con-
e on large families and make
ts of fertility in Kenya. A
family planning demand creation
lanning activities are invested
gencies do not take responsi-
on.
ities for meaningful interven-
nd analyses, education and
K leaders of the need to
We also plan stepped up donor
e effectively implemented and an
els to persuade it to pursue
te an active private sector
program throughout the
that implement family planning

uing program targets is full
instruments and analyses of
apid population increases. How-

AID has been responsible in the recent past fo
in demographic research, interventions by intermedia
programs and education and information programs. Th
continued but at least at the start US involvement m
low profile.

Another avenue for interventi... is in multisec
population growth problem calls for every ministry,
organization, as may be appropriate, to launch a coo
fertility rates. The Mission will pursue this in it
Government officials. We will continue to seek info
of fertility, facilitate the dissemination of inform
and seek to incorporate in our bilateral projects an
incentives to fertility declines. Both with ot
the U.S. will continue to seek opportunities
family planning program.

Finally, the US will seek training opportuniti
and others who will later form the trained Kenyan ca
broad family planning program when the GOK decides t

6. Energy Development.

a. Constraints. Kenya is facing two major pr
a) the balance of payments squeeze, which is attribu
the need to import oil for the modern sector, and b)
land. The GOK has made some progress in developing
sources for electricity, i.e. one third of its hydro
and its geothermal potential has just started, with
expected in 1981. Expected electricity demand over
8% p.a. a minimum growth rate) can be met from avail

ment. The strategy, therefore, must inherently pos
permit continuing reappraisal and realistic assesse
about change. Assuming modest resource levels and
hire staffing, the strategy is basically tied to th
as supported by other donors, with the United State
mental resources. AID's 7% share of total external

number of initiatives
in service oriented
initiatives can be
be carried out with a

l approaches. Kenya
cy and private sector
ated effort to reduce
alogue with appropriate
ion on the determinants
n through intermediaries
he programs of IFIs'
donors and the GOK,
advocate a sustained

or nurses, administrators
necessary to implement a
unch such.

ms in its energy crisis:
e in significant part to
rapid deforestation of
indigenous conventional
ential is already on line
ation of the first plant
next 10-15 years (with
hydro and geothermal

b. AID Targets. The US will assist the GOK
institutional mechanisms to deal with its own ener
private sector participation and investment in ren
energy development. This calls for formal as well
public and private sector interventions and a high
to enable Government to proceed along with a numbe
planning and policy level as well as pilot and dem
and non-conventional energy sources, especially fo
emphasis will be given to wood fuel resources prop
programs for renewing this resource.

c. The Strategy. The newly created Ministr
ble for the planning and development of energy pol
thinly staffed and most of its personnel are not t
The National Council on Science and Technology (NC
President is responsible for coordinating research
ministries have implementation responsibilities on
The US seeks to enhance the MOE's institutional ca
application of several renewable and non-conventio
to socio-economic, cultural and climatic condition
vigorously the development of appropriate technolo
resources and to demonstrate in pilot activities t
wood fuel renewal practices.

7. Planning and Demonstration: Multisector
to Meet Basic Human Needs.

a. Constraints. Several areas other than t
impact on the well-being of Kenyans in important w

ess a certain flexibility and
ent of its capacity to bring
onstraints on U.S. direct
GOK's development efforts,
providing important incre-
resources committed to Kenya

AID's intended beneficiaries are the rural and ur
benefited from Kenya's economic growth and whose living
if Kenya is to alleviate poverty. As detailed in Part
poor smallholder, the pastoralists, the large-farm squa
The AID program has in the past tended to focus on the
pastoralists and during the 1982-1986 period this group
at the center of the AID program because of its very si
its major role in the all-important agricultural sector
non-agricultural employment will become more important
duction policies are pursued with increasing vigor: th
will benefit from those policies.

develop appropriate
problems and to enhance
vable and non-conventional
as informal instrumentalities,
level of donor coordination
of initiatives, both at the
stration systems for renewable
the rural poor. Special
gation and commercially based

of Energy (MOE) is responsi-
cy. At this point, MOE is
ained in energy management.
T) in the Office of the
on energy matters while line
a specific project basis.
ability and to demonstrate
al energy technologies suitable
of Kenya. We plan to pursue
ies in propogating wood fuel
roughout the country effective

l and Community Based Activities

e core areas of our strategy
ys. Safe, sanitary and secure
ealth services, and safe

priority will be given to new approaches wherever pos
stems partly from our concern that Government systems
institutional commitment sufficient to reach Kenya's
partly from a commitment to the Government to experim
activities in an effort to identify appropriate techn
able at the local level. After a pilot activity comb
in a given field, we will be prepared to make a large
or cross-sector program as Government makes its first

Meeting the shelter needs of low income Kenyans
to Government. There is a significant backlog of unm
bated by an urban growth rate over 7% per annum. Cri
nearly exclusive reliance on the public sector for th
financing of housing for lower income groups and the
the part of government to offer to private housing fi
estate developers the kind of incentives required to
participation. Furthermore, the concept of affordabl
entirely accepted at political and policy levels.

A serious constraint in the nutrition area is t
coordination and project development and implementat
nutrition agencies, training institutions, extension
in Kenya are managed by a number of different agenci
and research institutions. There is as yet no effec
to oversee the activities and review the policies of
a planning unit has been established. Very little i
of individual programs.

Health planning has traditionally reflected an
cost, curative based hospital system. Relatively li

ban poor who have not yet
standards must be raised
I, the poor include the
tters, and the urban poor.
poor smallholders and
will continue to remain
ze (54% of the poor) and
. Efforts to increase
as export-oriented pro-
e landless and urban poor

delivery systems. The strateg- assumes, based on
investment by other donors, the Government, and t
tural and rural based industrial and commercial a
focus on policy, institutional, and human resourc
impact upon smallholder production, employment ge
social services.

The strategy is based on four development o

a. Increasing Employment, Income, and Smal

The GOK's objectives of poverty alleviation
growth can only be achieved if significant gains

sible. This strategy
are not adequate or
low income population and
ent and to undertake pilot
ologies that are sustain-
ined with policy analys
r contribution to a secto
commitment to investment.
will be a major challenge
et housing demand, exacer-
tical constraints are the
e formal production and
corresponding inaction on
nance institutions and
stimulate their increased
e standards has not been

he lack of adequate planning,
on capability. Numerous
services and feeding programs
s, ministries and educational
ive coordination mechanism
disparate groups, although
known about the effectiveness

orientation toward a high
ttle has been invested in

century. This goal cannot be realized if tradit
technology, ineffective maintenance arrangements
over, it is unrealistic to expect a central gove
responsibility for constructing local water syst
collecting water bills and maintaining these sys
ment by the local people.

The lack of trained managers in areas outs
serious adverse effects on the development proce
to buttress this area, important voids in financ
remain. Also, high level officials who make imp
ment are often in need of orientation and specia
are not available to implement these programs and
lost.

2. AID Targets. In housing, low cost she
facilities for below-median income households is
stration efforts will be directed to institution
minimum standard, full cost recovery approach to
stimulating new and improved methods for mobiliz
and production, especially in the private sector
the integration of shelter, community facilities
delivery of social services for low-income house
towns. The US will also provide selective train
will support special studies and evaluations.

In nutrition, the US will help the GOK red
coordinating mechanism for its extensive network
training facilities and research institutions.

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1980