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ECONOMIC PLANNING IN KENYA

(Presented by the Government of Kenya)

## ECONOMIC PLANNING IN KENYA

Although planning of some sort had existed in Kenya for a long time, planning did not start in a serious way in the country, until after attainment of our independence. Immediately after achievement of internal self-government in June 1963, a Directorate of Planning, made up of an Economic Planning Division, a Financial Planning Division, and a Statistics Division was established. The Directorate was located in the Ministry of Finance and Economic Planning. On December 12th, 1964, a full Ministry of Economic Planning and Development was created to assume the economic planning and statistics functions which hitherto had been handled by the Directorate of Planning. The Financial Planning Division remained in the Ministry of Finance, except the technical assistance functions which were transferred to the Ministry of Economic Planning and Development.

The Ministry is headed by the Minister for Economic Planning and Development, with the assistance of the Assistant Minister. The Minister is in charge of the policy matters in the Ministry, and is the link between the Ministry and the Cabinet. The executive head of the Ministry is the Permanent Secretary who oversees the day-to-day running of the Ministry. He has the overall responsibility for administration, finance, and establishment. Under him there are three Divisions - the Statistics Division, the Planning Division and the Administration and Technical Assistance Division.

The Statistics Division, headed by the Chief Statistician and a supporting staff of professional economist-statisticians is the oldest of the three Divisions, and was in existence as a part of the Ministry of Finance even before the establishment of the Directorate of Planning in 1963. The Division is responsible for collection, analysis and publication of all the statistical data gathered by the Government. The Division is divided among several units, with each unit covering one or more economic sectors, and headed by an economist-statistician.

Most of the data collected by the Division covers the structure and activities of monetary sector in agriculture, commerce and industry. The Division also gathers and analyses data on employment in the urban areas and in the large scale agriculture, demography and is responsible for national income calculations.

The scope and quality of the statistical data gathered by the Division compares favourably with similar data in the other parts of Africa. There are, however, several gaps in the availability of statistical data which inhibit the effectiveness of our planning operations. The data shortage is most critical in the fields of small scale agriculture, small scale industry, small scale commerce, and rural employment. Work is, however, in progress to estimate expenditure and spending patterns of consumers and business firms. An input/output table of the economy is being prepared, and it is expected that the results will be available for the Plan revision exercise next year. Data have already been gathered on the value of capital stock in the industrial sector, and rural employment data in small scale agriculture are being collected as part of surveys on small-holder agriculture. Improvements on methodology and accuracy in calculations of Gross Domestic Products have been made. These improvements on data gathering have gone a long way towards improving the statistical data available for Planning and other purposes.

The Planning Division which was established in July, 1963, and comes under the Chief Planning Officer, is the principal organisation dealing with plan preparation. It is responsible for advising the Minister for Economic Planning and Development in development strategy, and sets out the target output and value for different industries, both in terms of geographical areas and in terms of industries.

The Planning Division itself is divided into a number of sections - the Plan Implementation Section, Manpower, Social Planning and Education Section, Agriculture, Land Settlement and Co-operative Section, Commerce Industry and Tourism Section, Basic Services, Natural Resources, and Physical Planning Section, and Financial Analysis Section. It is intended that each section will eventually be headed by a Senior Planning Officer, and include two other Planning Officers at the professional level. All of the sections are not at the moment organised in this way, but two of them in fact are. These are the Plan Implementation Section and the Manpower Planning Section.

The Plan Implementation Section, which was created early this year, is charged with the responsibility for ensuring that implementation of the various planned projects and programmes is undertaken in time, and that any difficulties or deviations from planned development are detected early and promptly reported for appropriate action. The Section co-operates on daily basis with the other Sections and Divisions in the Ministry.

The other Sections of the Planning Division handle all the planning matters in the sectors for which they are in charge. The Sections' heads liaise closely with the officers in the operating Ministries, and give economic advice where needed.

The administrative and the technical assistance functions of the Ministry come directly under the Deputy Secretary. This Section was established at the same time that the Ministry was created, i.e. in December, 1964. In addition to the normal administrative and technical assistance duties the Section liaises with the public, co-ordinates international economic matters, and maintains close contacts with the other economic Ministries, the Office of the President and the Ministry of Foreign Affairs.

The Ministry of Economic Planning and Development works very closely with the other Government Ministries, the Provincial Administration, and the private sector. The Planning Officers and Economic Advisers in the Ministry have frequent contacts with officers in the operating Ministries, Provincial officials, and businessmen and give advice on economic matters as they pertain to the Development Plan. Moreover, the responsibility for planning and data collection efforts are, in many cases, shared between the Ministry and the other Ministries. In case of data collection (statistics), the Statistics Division works with the operating Ministries, and in some cases, the Statistics Units for individual sectors are located in the relevant Ministries. For planning purposes, planning units have been established in several of the major Ministries. The planning units in the operating Ministries do the groundwork for plan preparation, in close collaboration with the Sectional Planning Officer in the Ministry

of Economic Planning and Development. The aim is to establish planning units in all of the main Ministries in the Government. Also, the Plan Implementation Section works very closely with the operating Ministries, as mentioned earlier. In addition, the Division has a functional contact with the Provincial Administration through its Provincial Planning Officers. The Provincial Planning Officers co-ordinate development programmes on the provincial and district levels, and report progress to the Ministry's headquarters. At present, there are three Provincial Planning Officers attached to the Ministry, but the aim is to appoint such officers for six of the seven provinces in the country.

The first Development Plan in Kenya was published in June, 1964, covering the period 1964-1970. The Plan was prepared by a limited number of professional officers within a short time period, and was not comprehensive enough. It was therefore revised in 1965 and 1966, and a Revised Five Year Development Plan for the years 1966 through 1970 was published in May, 1966. In preparing 1966-70 December Plan, more professional staff were available, more relevant data for planning purposes had been gathered, some experience in planning within the social and economic context of Kenya had been acquired, a more adequate planning machinery had been established, and clear guidelines to planning objectives and practices had been laid down in the document African Socialism and its Application to Kenya, which was published in 1965. For these reasons, the revised Development Plan 1966-70 covered a wider scope, in greater detail, than its predecessor. Despite greater coverage in the revised Plan, it was nevertheless realised that there were some gaps in the Plan, both in its planning and implementation aspects. It was therefore decided that another revised Development Plan, covering the period 1968-1973 will be published late in 1968. The new revision will permit better figures for the years 1968/69 and 1969/70 and the extension of the Plan for another three years. Emphasis will be placed on identification of local projects setting up of district targets, and mobilisation of public support for the development programme.

The document on "African Socialism and its Application to Planning in Kenya", together with the Kenya Constitution and the ruling Party's (KANU) Election Manifesto, form the policy basis within which planning is executed in Kenya. These documents stress that economic development in Kenya is to be achieved within the framework of political equality, social justice, human dignity, and equal opportunities for all. As for economic development itself, the objective is to foster attainment of a high and growing per capita income equitably distributed, and this entails strong emphasis on rural development. The economic system we have is a mixed economy with state participation in economic activities for economic, social or political reasons. For similar reasons private sector is given encouragement to participate with Government in those economic activities which will bring about attainment of the objectives specified earlier.

In drawing the 1964-1970 Development Plan, and the Revised 1966-70 Development Plan, we relied very heavily on the evidence from the historical performance of the economy between 1954-1962, and 1954-1964 respectively. Investigations were made on the rate of growth of Kenya's economy, the rate of population growth, the level of capital formation, and the number of high level manpower employed in the economy. From these investigations, it was possible to derive capital/output ratios for different sectors of the economy, and a lot of other relevant information. An analysis was then undertaken to determine the scarce factors which acted as constraints to economic development. These were identified as capital, foreign exchange, and high-level manpower. On the basis of the past performance of the economy and the estimated future availability of resources, the development target in the 1966-70 Development Plan was fixed at an increase in the Gross Domestic Product of 6.3 per cent per annum, compound, at constant prices, and 6.0 per cent per annum, taking into account an expected fall in the prices of some agricultural export

commodities. The Monetary Gross Domestic Product target rate of growth was fixed at 7.1 per cent per annum compound, and the non-Monetary target rate of growth was fixed at 3.2 per cent per annum compound, at constant prices. The highest rate of growth were to be achieved in the secondary and the tertiary sectors of the economy, where a target rate of growth of 7.3 per cent per annum at current prices was fixed. The rate of growth in Gross Domestic Product arising from Government activities was fixed at 7.0 per cent per annum, and for the primary sectors, where more than 40 per cent of the country's Gross Domestic Product emanates from, the rate of increase in GDP was fixed at 4.8 per cent per annum.

To achieve the growth rates in the Kenya's Gross Domestic Product just mentioned, it was estimated that it will require capital formation amounting to KSh325 million during the five year period 1965/66 to 1969/70. Of this total, KSh145 million was to come from public and semi-public organizations and the remaining KSh180 million was to come from the private sector. Approximately 58 per cent of the total capital formation during this period was to originate from foreign sources, and the remaining 42 per cent was to be generated domestically. If foreign capital inflow of this magnitude was forthcoming, it was estimated that other things equal, it will be possible to achieve the Development Plan targets, and at the same time enable the country to meet its foreign exchange obligations and maintain a prudent level of foreign reserves. As for the high and middle level manpower requirements, it was estimated that there would, in many fields, be shortages in supply of skilled people below the minimum requirements for implementing the Plan targets. These shortages were to be met partly by accelerating the expansion of the training institutions in the country, and partly by technical assistance from foreign countries.

In preparing the 1964-1970 and the revised 1966-1970 Development Plans, the operating Ministries were asked to submit a list of projects, their estimated costs and returns, and the priority they attached to each project. The projects which showed promise to being viable were then analysed in detail and papers were submitted to the Development Committee of the Cabinet for consideration. The papers recommended by the Development Committee were then sent to the Cabinet, and if approved, were included in the Development Plan. Each operating Ministry was responsible for identifying projects in its field of responsibility to be included in the Plan, and for initial analysis of the projects.

Identification and evaluation of new projects was, of course, only one aspect of Development Plan preparation. Many of the projects and programmes included in the two Development Plans were ongoing concerns where the Plans were published. Additionally, the Development Plans had to consider structural aspects of the economy, and where appropriate, make recommendations for changes, as well as on policy matters.

As for the private sector, neither of the Development Plans went into detailed investigation and analysis of this sector. Here, the concern was in formulating appropriate policies conducive to encouraging the private sector to undertake projects and programmes in the appropriate areas. These measures include, inter alia, duty rebates, tax concessions, tariff protection, etc., for industrial enterprises. In other fields, notably agriculture, Government programmes aim at supporting and guiding private authorities.

Plan co-ordination and implementation is a function of the Ministry of Economic Planning and Development, in consultation with the operating Ministry. Both the 1964-1970 Development Plan, and to a lesser extent the 1966-70 Development Plan are not sufficiently detailed to form an adequate basis for reporting progress made and problems encountered in meeting the development targets. For the 1968-1973 Development Plan, it is intended to overcome these deficiencies, and problems of plan implementation will be reviewed on a co-ordinated basis. Adequate

details will be included to facilitate progress reporting and evaluation of implementation efforts by the operating Ministries. This will make it easier to identify bottlenecks which slowdown execution of projects and programmes in many different fields, such as shortages in the building industry.

Inevitably, problems have been encountered in implementing many of the Development Plan's projects and programmes. Many of the shortfalls are in the public sector of the economy. Some of the targets in areas like livestock development, forestry, construction and running of health centres, housing, hospitals, fisheries, secondary school curriculum and structures, etc., are not being achieved. The reasons for this are often to be found in deficiencies and bottlenecks in the administrative machinery. The role and the need for planning and co-ordination is not yet fully appreciated by many of the operating Ministries. The procedures for control and direction of self-help activities have not yet been fully worked out. On project identification, too much effort is being expended on search for larger projects, and this leads to slow progress in the approved but less exciting projects and programmes. Due to the shortage of skilled manpower, many of the Ministries are unable to work out detailed plans quickly, and this leads into delays. The slow procedures for negotiating foreign aid also lead into delays in implementing projects in the Development Plans.

Despite the shortfalls and Plan implementation bottlenecks just mentioned, the over-all Development Plan output and income targets are being achieved. The Gross Domestic Product (at factor cost) increased by 6.8 per cent, 2.4 per cent and 10.5 per cent in 1964, 1965 and 1966 respectively. In 1967, the Gross Domestic Product is expected to increase at a rate of 4-5 per cent per annum. The low rate of growth in the economy in 1965 was caused primarily by adverse weather conditions in that year, which influenced agricultural production very adversely. The relatively low rate of growth in Gross Domestic Production in 1967 is a result of several factors, among which the drop in the prices of

some of the major agricultural commodities is the most important. Despite the setback in growth in 1965, the average rate of growth per annum between 1963 and 1966 was 6.5 per cent per annum in current prices, but somewhat lower in constant prices, compared with a planned rate of 6.3 per cent per annum at constant prices. The actual growth rate is therefore very close to the planned rate.

But on sectoral basis, the achievement of the economy during the last three years has been very uneven. The annual rate of growth for the agricultural sector (monetary and non-monetary) has been 3.1 per cent only. For monetary agriculture, the annual rate of growth was only 2.4 per cent per annum, which is substantially below the target rate of growth of 6.2 per cent per annum projected in the Plan. However, the 1970 targets are still considered realistic. The shortfalls in the agricultural sector have, of course, been more than compensated for by over-fulfillment in growth at a rate of 11.8 per cent per annum in the industrial sector in the past 4 years compared with growth target of 8 per cent per annum specified in the Plan. The building and construction sector is also expected to meet the Development Plan's target. Although over the period of 1964-1966, the actual growth rate, at 4.8 per cent per annum, was much below the target growth rate of 18.3 per cent per annum, in 1966, building activity increased very rapidly from its 1965 base, and in that year, the growth rate was 20.7 per cent, and in 1967 it has been extremely rapid. The rate of growth in wholesale and retail and Government activity also approximated the Development Plan's target.

The level of gross capital formation has been satisfactory at least in 1966 and 1967, but is still somewhat below the Development Plan's targets. Over the period 1963-1966, annual capital formation rose by nearly 60 per cent, a cumulative average increase of 17 per cent per annum. In 1966 the level of capital formation was close to the level projected in the Plan. The private sector in particular did very well, and exceeded the projected capital formation.

In conclusion, the basic strategy of the current Development Plan is working satisfactorily. Target output figures are being achieved. The magnitude of capital formation is now picking up to levels close to the magnitudes projected in the Plan. There are still several weaknesses both on the technical formulation aspects of the Plan and on the Plan Implementation aspects. The revised 1968-1973 Development Plan is expected to reflect the experience we have gained so far. More emphasis will be laid on rural development in the forthcoming Plan. Targets will be set for all of the major economic activities, broken down by industry, location, and the phasing. A machinery has been instituted for involving the people on planning activities. District Development Committees of Government officials have been set in all districts in the country. In addition, there are District Development Advisory Committees composed of District political leaders, Government officials and representatives of the private sector. These committees will make suggestions on the projects and programmes to be considered for inclusion in the Plan. The recommendations of the District Development Committee will be vetted by Provincial Planning Committees, and the acceptable proposals will be forwarded to the relevant Central Government Ministries, which will investigate them, and in turn pass the acceptable recommendation to the Ministry of Economic Planning and Development. The latter Ministry will then analyse the recommendations and on the basis of viability of the projects, resource availability, among other criteria, pass the successful projects to the Cabinet for approval. The approved projects and programmes will be included in the Plan.