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African Socialism and its Application to Planning in Kenya

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African Socialism and its Application to Planning in Kenya

STATEMENT BY THE PRESIDENT

Since attainment of our Independence just over eighteen months ago, the Government, has been deciding the measures that will ensure rapid economic development and social progress for all our citizens. Apart from the Budget statement last year, the Government produced a Development Plan covering the years 1964-70. This Plan was prepared at very short notice and was intended to be flexible to enable Government to adjust any of its provisions on the basis of experience and new ideas. Already much has been accomplished in the short space of time since Independence, but a lot remains to be done if we are to achieve our declared goals. In a recent statement the Minister for Finance has promised the country a balanced Budget in 1965 and also stated that for the first time since 1952 Kenya will meet all her recurrent expenditure from her own resources. It is also good to note that our foreign exchange and balance of payments positions have shown considerable improvements since Independence. There have been numerous delegations and inquiries about investment in Kenya in addition to the actual investments that have taken place. We have gone out to find new markets and new areas of technical and trade co-operation in the world. From the recently published Economic Quarterly Report it will be seen that our own small farmers increased, the value of their gross marketed produce from £11.6 million in 1963 to £14 million in 1964, or an increase of nearly 21 per cent In education, while we await the final report of the Education Commission, primary school enrolment has been increased from 891,553 in 1963 to 1,028,000 in 1965, and secondary school education is being vigorously expanded. In economic terms eighteen months is a short period in which to attain decisive accomplishments, but it is obvious that everything points to rapid progress.

All along the Government has been guided in-its approach to developmental matters by the declarations contained in the KANU Manifesto. In this we declared that our country Would develop on the basis of the concepts and philosophy of Democratic African Socialism. We rejected both Western Capitalism and Eastern Communism and chose for ourselves a policy of positive non-alignment.

Our entire approach has been dominated by a desire to ensure Africanization of the -economy and the public service. Our task remains to try and achieve these two goals without doing harm to the economy itself and within the declared aims of our society.

The Government has produced this Sessional Paper which discusses in detail both the theory of Democratic African Socialism and its practical application to planning in Kenya. There has been much debate on this subject and the Government's aim is to show very clearly our policies and also explain our programme. This should bring to an end all the conflicting, theoretical and academic arguments that have been going on.

The Minister for Economic Planning and Development and his Cabinet colleagues will help explain and interpret this paper to Parliament and to the public so as to ensure that it is fully understood. I thank him and his colleagues for the time and effort they have devoted to the preparation of this paper, which has received the unanimous support of my Cabinet

To the nation I have but one message. When all is said and done we must settle down to the job of building the Kenya nation. To do this we need political stability and an atmosphere of confidence and faith at home. We cannot establish these if we continue with debates on. theories and doubts about the aims of our society. Let this paper be used from now as the unifying voice of our people and let us all settle down to build our nation. Let all the people of our country roll up their sleeves in a spirit of self-help to create the true fruits of *UHURU. THIS IS WHAT WE MEAN BY HARAMBEE.*



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AFRICAN SOCIALISM AND ITS APPLICATION TO PLANNING IN KENYA

INTRODUCTION

With independence, Kenya intends to mobilize its resources to attain a rapid rate of economic growth for the benefit of its people. Under colonialism the people of Kenya had no voice in government; the nation's natural resources were organized and developed mainly for the benefit of non-Africans; and the nation's human resources remained largely uneducated, untrained, inexperienced and unbenefited by the growth of the economy.

2. Kenya is in a period of multiple transition set in motion by the attainment of Independence. We are in transition from a subsistence to a monetary economy, from an economic dependence on agriculture to a more balanced growth, from a development of natural resources for others to a development of human and natural resources for the benefit of the people, of Kenya. The progress wanted cannot be easily won and it cannot be achieved by reverting to pre-colonial conditions. The best of Kenya's African social heritage and colonial economic legacy must be reorganized and mobilized for a concerted, carefully planned attack on poverty, disease and the lack of education in order to achieve social justice, human dignity and economic welfare for all.

3. The major economic mobilization and reorganization of resources that these transitions imply cannot be realized without planning, direction, control and co-operation. But planning and direction imply objectives and mechanisms. We are bound to ask ourselves where we are going and bow we will get there. It is in answering these questions that this paper has been prepared.

Objectives of Societies

4. The ultimate objectives of all societies are remarkably similar and have a universal character suggesting that present conflicts need not be enduring. These objectives typically include—

(i) political equality;

(ii) social justice;

(iii) human dignity including freedom of conscience;

(iv) freedom from want, disease, and exploitations;

(v) equal opportunities; and

(vi) high and growing *per capita* incomes, equitably distributed.

Different societies attach different weights and priorities to these objectives, but it is largely in the political and economic means adopted for achieving these ends that societies differ. These differences in means are, however, of paramount importance because ultimate objectives are never fully attained. Every time one target is attained a new one becomes necessary. Indeed, we forever live in transition.

5. Kenya is already committed to these same objectives, and now must choose and put into working order the system or set of mechanisms that will advance the country as quickly as possible toward these goals, meeting at the same time the immediate and pressing needs of the country and its people.

This paper is written in two parts. The first part is definitive—it seeks to clarify the meaning of African Socialism. The second part examines practical measures and steps to implement African Socialism within Kenya's Development Plan.

PART I—AFRICAN SOCIALISM

6. The system adopted in Kenya is African Socialism, but the characteristics of the system and the economic mechanisms it implies have never been spelled out fully in an agreed form.

The Independence of African Socialism

7. In the phrase "African Socialism", the word "African" is not introduced to describe a continent to which a foreign ideology is to be transplanted. It is meant to convey the African roots of a system that is itself African in its characteristics. African Socialism is a term describing an African political and economic system that is positively African not being imported from any country or being a blueprint of any foreign ideology

but capable of incorporating useful and compatible techniques from whatever source. The principal conditions the system must satisfy are—

(i) it must draw on the best of African traditions;

(ii) it must be adaptable to new and rapidly changing circumstances; and

(iii) it must not rest for its success on a satellite relationship with any other country or group of countries.

AFRICAN TRADITIONS

8. There are two African traditions which form an essential basis for African Socialism—political democracy and mutual social responsibility. Political democracy implies that each member of society is equal in his political rights and that no individual or group will be permitted to exert undue influence on the policies of the State. The State, therefore, can never become the tool of special interests, catering to the desires of a minority at the expense of the needs of the majority. The State will represent all of the people and will do so impartially and without prejudice.

9. Political democracy in the African traditional sense provided a genuine hedge against the exercise of disproportionate political power by economic power groups. In African society a man was born politically free and equal and his voice and counsel were heard and respected regardless of the economic wealth he possessed. Even where traditional leaders appeared to have greater wealth and hold disproportionate political influence over their tribal or clan community, there were traditional checks and balances including sanctions against any possible abuse of such power. In fact traditional leaders were regarded as trustees whose influence was circumscribed both in customary law and religion. In the traditional African society, an individual needed only to be a mature member of it to participate fully and equally in political affairs. Political rights did not derive from or relate to economic wealth or status. When this is translated into our modern state it means that to participate in political matters and party activities as an equal, the individual must prove nothing beyond age and citizenship and need take no oath beyond allegiance to country.

10. Political democracy in the African tradition would not, therefore, countenance a party of the elite, stern tests or discriminatory criteria for party membership, degrees of party membership,' or first and second class citizens. In African Socialism every member of society is important and equal; every mature citizen can belong to the party Without restriction or discrimination; and the party will entertain and accommodate different points of view. African Socialism rests on full, equal and unfettered democracy. Thus African Socialism differs politically from communism because it ensures every mature citizen equal political rights and from capitalism because it prevents the exercise of disproportionate political influence by economic power groups. Another fundamental force in African traditional life was religion which provided a strict moral code for the community. This will be a prominent feature of African Socialism.

11. Mutual social responsibility is an extension of the African family spirit to the nation as a whole, with the hope that ultimately the same spirit can be extended to ever larger areas. It implies a mutual responsibility by society and its members to do their very best for each other with the full knowledge and understanding that if society prospers its members will share in that prosperity and that society cannot prosper without the full co-operation of its members. The State has an obligation to ensure equal opportunities to all its citizens, eliminate exploitation and discrimination, and provide needed social services such as education, medical care and social security.

12. To ensure success in the endeavours of the Government, all citizens must contribute, to the degree they are able, to the rapid development of the economy and society. Every member of African traditional society had a duty to work. This duty was acknowledged and willingly accepted by members because the mechanism for sharing society's benefits, the reciprocal response of society to the individual's contribution, was definite, automatic and universally recognized. But the response of society Was not simply a passive one. African society had the power and duty to impose sanctions on those who refused to contribute their fair share of hard work to the common endeavour.

13. Drawing on this background African Socialism expects the members of the modern State to contribute willingly and without stint to the development of the nation. Society in turn, will reward these efforts and at the same time will take measures against those who refuse to participate in the nation's efforts to grow. Sending needed capital abroad, allowing land to lie idle and undeveloped, misusing the nation's limited resources, and conspicuous consumption when the nation needs savings are examples of anti-social behaviour that African Socialism will not countenance.

14. While the modern economy is more complex than traditional society, the principle remains that to be successful, society and its members must each acknowledge fully and willingly its responsibility to the other. But the movement towards a modern, monetary economy changes the nature of these responsibilities and the mechanisms by which a member contributes to society and society shares benefits among its members. The people must be continually and carefully informed of what society expects of them and how these efforts will promote the welfare of all.

ADAPTABILITY

15. African Socialism must be flexible because the problems it will confront and the incomes and desires of the people will change over time, often quickly and substantially. A rigid, doctorinaire system will have little chance for survival. The system must—

(i) make progress toward ultimate objectives; and

(ii) solve more immediate problems with efficiency.

16. No matter how pressing immediate problems may be, progress toward ultimate objectives will be the major consideration. In particular, political equality, social justice and human dignity will not be sacrificed to achieve more material ends more quickly. Nor will these objectives be compromised today in the faint hope that by so doing they can be reinstated more fully in some unknown and far distant future.

17. Given the paramount importance of ultimate objectives, African Socialism must also confront and solve efficiently many immediate problems whose nature will change over time. In Kenya today, the pressing problems include the rapid development of agricultural land; laying a basis for accelerated growth of industry; attracting capital, domestically and from abroad while ensuring that it is used, in a socially desirable way; modifying the tax structure in the interests of equity and larger revenues; guarding foreign exchange reserves; providing for a fuller participation by Africans in an expanding economy; relieving unemployment; removing idleness; reconciling pressures for expanding welfare schemes with the need to grow rapidly; and conserving our natural resources of land, water and forests. As some of these problems are solved or alleviated others will rise to take their place and the circumstances in which solutions must be found will also have altered. African Socialism must be prepared to cope with a vast range of problems, some of which cannot even be visualized in the present. A rigid system, however appropriate to present circumstances, will quickly become obsolete.

18. Indeed, we can learn much from history in this regard-both from the history of thought and from the history of practice. In particular ideologies and the theoretical systems on which they are based are rigid and uncompromising while the development over time of all viable practical systems has been marked by adaptability to change, frequently of substantial proportions. Marxian socialism and *laissez-faire* capitalism are both theoretical economic organizations designed to ensure the use of resources for the benefit of society. Both settled on the ownership of property as the critical factor in economic organization and advocated rigid systems based in the one case on State ownership and in the other on private ownership. But ownership is not an absolute, indivisible right subject only to complete control or none. Practical systems have demonstrated that the resources of society are best guided into proper uses by a range of sensitive controls each specifically designed for the task to be performed.

19. Marx' criticism of the society of his time and place was a valid one. Political equality and democracy did not exist in Europe and Great Britain before the middle of the nineteenth century when Marx was writing. The enclosure movement and

the industrial revolution had created a landless proletariat that was ruthlessly exploited by those with economic power who had much the same absolute rights as those of the feudal lords. Sharp class distinctions had been commonplace for centuries; the close association of political and economic power was traditional; and the general welfare was identified with the welfare of the few. The Industrial Revolution brought out the worst elements of the situation—hours of work were dawn to dusk; few safety precautions existed; there was no job security or protection against injuries, illness and old age; children started work as early as the age of four; and no established avenues of political appeal existed. The situation was one of government by the few, sharp class distinctions, unfettered property rights, subsistence living standards for the masses, and exploitation of a large and growing proletariat.

20. Valid as Marx' description was, it bears little similarity to Kenya today. Under colonialism Kenyans did not have political equality or equal economic opportunities, and their property rights were not always respected. Even so, African traditions have no parallel to the European feudal society, its class distinctions, its unrestricted property rights, and its acceptance of exploitation. The historical setting that inspired Marx has no counterpart in independent Kenya.

21. As predictive models of what would happen to factory system societies, both Marxian socialism and *laissez-faire* capitalism have been failures. The economic systems in actual use throughout the world today bear little resemblance to either model. The Industrial Revolution quickly led to the social protest of which Marx was a part and this in turn resulted in sweeping political and economic changes as the systems of the world adapted to the new state of technological change. Political democracy was achieved; private property rights were diluted; the State accepted increasing responsibilities for social services, planning, guidance and control; taxes were made progressive to distribute benefits more widely. Capitalism did not evolve into Marxian socialism, as Marx predicted, but was indeed modified in directions that Marx might well have approved.

22. The adaptability of these systems has a parallel in those countries that have attempted to follow Marx. To become effective, these systems, too, have had to demonstrate an ability to adapt to changing circumstances. They have adopted wage

differentials and management incentives, permitted various forms of ownership, and utilized interest rates or the equivalent in their planning procedures. All practical economic systems, regardless of their origin have demonstrated adaptability. The problems of today are not the problems of a century ago. African Socialism is designed to be a working, system in a modern setting, fully prepared to adapt itself to changing circumstances and new problems.

RELATIONSHIPS WITH OTHER COUNTRIES

23. The third conditioning factor is the need to avoid making development in Kenya dependent on a satellite relationship with any country or group of countries. Such a relationship is abhorrent and a violation of the political and economic independence so close to the hearts of the people. Economic non-alignment does not mean a policy of isolation, any more than political non-alignment implies a refusal to participate in world affairs. On the contrary it means a willingness and a desire—

(i) to borrow technological knowledge and proven economic methods from any country—without commitment;

(ii) to seek and accept technical and financial assistance from any source—without strings; and

(iii) to participate fully in world trade—without political domination.

24. The ability of Africa to borrow advanced technological knowledge, modern methods of industrial organization and economic techniques of control and guidance from more advanced countries provides the opportunity to leap over many of the hurdles that have restrained development in these modern societies in the past. It means also that African Socialism as a system can profit from the mistakes of others. Unlike many countries that have eliminated many successful economic mechanisms on narrow ideological grounds, Kenya is free to pick and choose those methods that have been proven in practice and are adaptable to Kenya conditions regardless of the ideologies that others may attach to them. Kenya, therefore, is free to choose among other things—

(i) a wages and incomes policy that recognizes the need for differential incentives as well as an equitable distribution of income;

(ii) techniques of production that combine efficiencies of scale with diffused ownership;

(iii) various forms of ownership—Stale, co-operative, corporate and individual—that are efficient for different sectors or that compete with each other provided only that the form promotes the objectives of Government; and

(iv) techniques of control that vary with the needs of society and its members.

25. Similarly, the fact that other countries are more advanced is not a matter of jealousy but of opportunity. Kenya's ability to borrow funds and trained personnel from other countries means that development here need not be limited quite so severely by the shortage of domestic savings and education. Growth can proceed while these domestic limitations are overcome. On the other hand, aid from abroad will not be welcomed if it is designed to promote the economic or political dominance of the aiding country. For this reason, Kenya would welcome any scheme that channelled more aid through world bodies, such as the International Bank for Reconstruction and Development and the United Nations, and provided for such aid to be distributed on the basis of the *per capita* incomes and domestic efforts of the receiving countries.

26. Finally, modem methods of production, distribution, transportation and communication mean that no country can progress rapidly in isolation. Means for promoting trade, ensuring fair and stable prices for primary products, and reducing market barriers must be sought and supported. Kenya places no ideological barriers on trade and expects that trade relations should be conducted in general on the basis of economic considerations.

The Operating Characteristics of African Socialism

USE OF RESOURCES

27. To be consistent with the conditions specified, African Socialism must be politically democratic, socially responsible, adaptable and independent The system itself is based on the further idea that the nation's productive assets must be used in the interest of society and its members.

28. There is some conflict Of opinion with regard to the traditional attitude towards rights to land. Some allege that land was essentially communally or tribally owned; others claim that individual rights were the distinguishing feature; still others suggest that ownership did not really exist in any modern context in many African tribes. Undoubtedly these traditions differed substantially from one tribe to another. In every case, however, and in sharp contrast to the European tradition, ownership was not an absolute indivisible bundle of rights. The ultimate right of disposal outside the tribe was essentially tribal and in this land was tribally owned. It must be remembered, however, that the political arrangements within the tribe were such that every mature member of the tribe would have a say in such a decision. Short of this right, others were assigned or allocated to clans, families and individuals, including the right to transfer and reclaim property within the clan. Rights to use land were, in effect, assigned in perpetuity to various groups within the tribe, subject always, however, and this is significant to an understanding of African Socialism, to the condition that resources must be properly used and their benefits appropriately distributed, not merely held idle, abused or misused, or the benefits hoarded. The rights normally associated in Europe with ownership as such scarcely mattered.

29. What does emerge with clarity and force and as a single, unifying principle from these discussions of traditional property rights is that land and other productive assets, no matter who owned or managed them, were expected to be *used,* and used for the general welfare. No individual family or clan could treat productive assets as private property unless the uses to which those assets were put were regarded as consonant with the general welfare. Unlike the traditional European approach to ownership, no person could treat a piece of land as his own with the freedom to use it or not as he chose. It is worth noting that over the past century, the European tradition of absolute ownership has gradually been eroded so that today the right of the State to guide, plan, and even order the uses to which property will be put is universally recognized and unquestioned.

30. These African traditions cannot be carried over indiscriminately to a modern, monetary economy. The need to develop and invest requires credit and a credit economy rests heavily on a system of land titles and their registration. The

ownership of land must, therefore, be made more definite and explicit if land consolidation and development are to be fully successful. It does not follow, however, that society will also give up its stake in how resources are used. Indeed, it is a fundamental characteristic of African Socialism that society has a duty to plan, guide and control the uses of all productive resources.

CONTROL OF RESOURCE USE

31. Under African Socialism the power to control resource use resides with the State. To imagine, however, that the use of resources can only be controlled through their ownership or that the appropriate ownership will guarantee the proper use of productive assets are errors of great magnitude. Ownership can be abused whether private or public and ways must be found to control resource use in either case. African Socialism must rely on planning to determine the appropriate uses of productive resources on a range of controls to ensure that plans are carried out.

32. Economic activities are varied in function, importance and purpose. Some are directed towards satisfying the needs of society as a whole, others are undertaken by the individual for himself and many others serve both purposes in varying degrees. The measure of control needed for each of these many activities differs from that needed for others. In order to control effectively, sufficiently and not excessively in each case many types and degrees of control are needed ranging from none, through influence, guidance and the control of a few variables such as prices or quantities, to absolute control represented by State ownership and operation. Price, wage, rent and output controls, import duties, income taxes and subsidies can be used selectively and in combinations to direct the uses of private property, limit profits, and influence the distribution of gains.

33. The use of a range of controls also has as its counterpart the permission of varying degrees of private participation and initiative. The idea of mutual social responsibility presupposes a relation between society, its members and the State. It suggests that the State is a means by which people collectively impose on individual members behaviour that is more socially constructive than that which each would impose on himself. The State, therefore, has a,continuing function to perform, not in

subordinating the individual in society, but in enhancing the role of the individual in society. Individuals derive satisfaction not only from the goods they consume but also from those they accumulate. If human dignity and freedom are to be preserved, provision must be made for both activities by the individual—consumption and accumulation

34. The use of a range of controls offers the great advantage of flexibility. Controls can be applied selectively and with sensitivity depending on where in the spectrum of economic activity the one to be controlled is located. Furthermore, the degree and nature of controls can be modified over time. Another feature of the range of controls is that it permits a variety of forms of private participation, each of which can be utilized where it performs best. It also gives a substantial degree of freedom in attracting both private and public capital whether internally or from abroad. And managerial talent of different kinds can be attracted in different ways and from various sources to ensure that the country has adequate supplies of experienced people. Variety is an important means of attraction whether it is customers, savings, capital or management that is wanted.

35. The purpose of a range of controls and of planning is to ensure that productive assets are used for the benefit of society. If an individual, a co-operative, a company or the State owns productive assets, society expects these assets to be used and used well. The holding of land for speculative purposes, the charging of exorbitant or discriminatory prices, the abandonment of land and the production or sale of shoddy merchandise are all examples of violations of the principle of mutual social responsibility.

CLASS PROBLEM

36. The sharp class divisions that once existed in Europe have no place in African Socialism and no parallel in African society. No class problem arose in the traditional African society and none exists today among Africans. The class problem in Africa, therefore, is largely one of prevention, in particular—

(i) to eliminate the risk of foreign economic domination; and

(ii) to plan development so as to prevent the emergence of antagonistic classes.

In addition, Kenya has the special problem of eliminating classes that have arisen largely on the basis of race. This matter of Africanization in Kenya is reserved for discussion in Part II.

37. The class divisions that Marx deplored in Europe a century ago were supported and strengthened by three factors—

(i) a concentration of economic power;

(ii) the treatment of private ownership as an absolute, unrestricted right; and

(iii) the close relationship between economic power and political influence.

The concept of political equality in Africa rules out in principle the use of economic power as a political base. The vigorous implementation of traditional political democracy in the modern setting will eliminate, therefore, one of the critical factors promoting class divisions. The policy of African Socialism to control by various means how productive resources are used eliminates the second of the factors supporting a class system. Without its two supporting allies, the concentration of economic power cannot be the threat it once was, but African Socialism proposes to restrict and guard against this factor as well with regard to both foreign and domestic concentrations.

1.—Foreign Investors

38. Foreigners have no vote and can only have a political voice now that independence has been achieved by enlisting the support of Kenya citizens. Nevertheless, the foreign ownership and management of productive assets could mean that economic decisions in Kenya might be dominated by foreign rather than domestic considerations. Foreign investors should therefore be prepared to accept the spirit of mutual social responsibility, for example—

(i) by making shares in the company available to Africans who wish to buy them;

(ii) by employing Africans at managerial levels as soon as qualified people can be found; and

(iii) by providing training facilities for Africans.

39. Foreign investors should be willing to sell an increasing number of shares and in some cases perhaps all to Africans as savings become available for buying them. It is accepted, however, that given the urgent need for domestic saving for new development, the amount available for the purchase of foreign investment is likely to be much smaller than the annual amounts of new foreign investment for some time to come. That is, foreign investment is likely to be a growing sector rather than a shrinking one. It is important, therefore, that new foreign investors should understand fully their other obligations to the society in which they are investing. The Government has a duty to take appropriate action to ensure that these obligations are appreciated.

40. The employment in management of qualified Africans is not a serious constraint on the foreign investor because the intimate knowledge of the country and its people that they can bring to bear on management problems, in addition to their professional skills, will in general improve the efficiency of the enterprise. The provision of training facilities is also in the long-term interest of foreign enterprises and the very real contribution these facilities will make to the development of the nation is a consideration that must be entertained by both foreign and domestic investors in the true spirit of mutual social responsibility.

11.—Domestic Accumulation

41. The concentration of economic power in domestic hands carries with it the possible exercise of undue influence in political affairs and must be watched closely. The problem is a complex one because while it is desirable to ensure that the wealth of the country is distributed as widely as possible, it is also necessary for the development of the country to ensure that the steps taken do not—

(i) inhibit the rapid accumulation of domestic savings;

(ii) prohibit methods of large scale production where they are necessary for efficiency; or

(iii) discourage the inflow of private capital.

42. The principal long-term techniques for controlling the rate of individual accumulation while at the same time stimulating the rate of national accumulation will be progressive income, inheritance and capital gains taxes, and death duties.

These will make it progressively more difficult for the wealthy to become more wealthy and to pass on their wealth to members of succeeding generations. At the same time the collection of taxes will tend to translate private savings into public savings conserving them for the development of the nation. It is notable that the large individual accumulations of wealth in Western countries were largely achieved before progressive taxes were introduced or because of loopholes, such as permitting capital gains to go untaxed. Such loopholes will be rapidly closed under African Socialism.

43. It is recognized, however, that the mutual interdependence of national economies in the world today limits the independent action of each. Extreme tax rates may simply force capital abroad where rates are lower and at the same time restrict the inflow of foreign capital needed for development.

44. Complementary to this approach will be the effort to ensure that where large amounts of productive assets must be assembled to achieve economies of scale, the ownership of these assets will be widely distributed. This effort will not apply, of course, to foreign investors because the nature of ownership abroad is of no significance in Kenya so long as foreign investors abide by the guidelines laid down in the preceding section.

45. The methods used to achieve a diffusion of ownership of large-scale enterprises include State ownership, joint ventures by the State with private investors, co-operatives, companies and partnerships. State ownership vests ownership in the people generally providing for the utmost in diffusion of ownership and permitting operation on a large scale. Joint ventures with private capital give the State a large measure of control and at the same time conserve the limited capital available to the State. State or joint ownership and operation is desirable where general services of major importance must be provided at low or subsidized cost to citizens, firms, or farms.

46. Co-operatives have direct roots in African traditions but their extensive use in the monetary sector of the economy will involve greater discipline and training than has heretofore been necessary. Those who share in the tasks of the co-operative or who use its services share also in its benefits as the co-operative belongs to them.

47. The company form of business organization is a departure from the direct individual ownership typical in Marx day. By permitting many to contribute capital, a company can operate large economic collection of assets while their ownership remains diffused. The partnership form of organization permits a similar arrangement but on a smaller scale.

Summary

48. The main features of African Socialism include—

(i) political democracy;

(ii) mutual social responsibility;

(iii) various forms of ownership;

(iv) a range of controls to ensure that property is used in the mutual interests of society and its members;

(v) diffusion of ownership to avoid concentration of economic power;

(vi) progressive taxes to ensure an equitable distribution of wealth and income.

Characteristics (i), (ii), (iii) and (iv) are based directly on African traditions and are emphasized time and again in our Constitution and the KANU Manifesto. Taking *political democracy* first, our Constitution states that, subject to the rights and freedoms of others and for the public interest, "every person in Kenya is entitled to the fundamental rights and freedoms of the individual whatever his race, tribe, place of origin or residence or other local connexions, political opinions, colour, creed or sex." (Page 32.) The KANU Manifesto also states "The KANU Government will steadfastly uphold the rule of law and guarantee the position of every citizen according to the Bill of Rights." (Page 18.)

49. In the case of *mutual social responsibility* generally and in the use of property, the following quotes from the KANU Manifesto show the KANU Government's commitment to preserve this most important African Tradition: —

> "We aim to build a country where men and women are motivated by a sense of service and not driven by a greedy desire for personal gain." (Page 1.) "The traditional respect and care for the aged among our people must continue . . . " (Page 3.) "The first aim of (seven years free

education) will be to produce good citizens inspired with a desire to serve their fellowmen." (Page 4.) "We are confident that the dynamic spirit of hard work and self-reliance which will motivate the Government will inspire the people throughout the land to great and still greater efforts for the betterment of their own communities" (Page 13.) Moreover, "every individual has a duty to play his part in building national unity. Your duties are not limited to the political sphere. You must endeavour to support social advance." (Page 19.)

50. With regard to the characteristics of *various forms of ownership* our Constitution says "no property of any description shall be compulsorily taken possession of, and no interest in or right over property of any description shall be compulsorily acquired," except in strictly defined cases where such action would be necessary "to promote the public benefit"—and in the latter case there is guarantee for "prompt payment of full compensation." (Page 35.) The KANU Manifesto also says "citizens will have the right to follow the profession and trade of their choosing and to own property according to the law." (Page 18.) "We shall welcome both governmental and private investment in Kenya . . . we shall (also) encourage investors to participate jointly in projects with our own government" (Page 21.) In connexion with land, the Manifesto says "every farmer must be sure of his land rights (and to this end) consolidation and the registration of title will be encouraged wherever people desire." (Page 6.)

51. Both the Constitution and the KANU Manifesto also emphasize the fourth characteristic of African Socialism—that there must be *controls to ensure that property is used in the mutual interest of the society and its members.* The KANU Manifesto clearly states that "we believe in a wide measure of governmental control of the economy in the national interest (and) there are many ways of participation without acquiring public ownership" (page 22); the KANU Government, while encouraging private investment, will ensure that "the undertaking is being directed according to our national policy and needs . . .; while we intend following a liberal policy with regard to foreign capital, investments must be made in accordance with Kenya's interests . . . , (and) special consideration will be given to local investors but we shall have no time for

those who make large profits and then fail to invest them in the country." (Page 21.) In connexion with land, the Manifesto says, the KANU Government will not tolerate holding of large underdeveloped tracts of land by anyone". (Page 8.)

52. Characteristics (v) and (vi) are additions made necessary in a modern, developing, monetary economy in which accumulation is both a necessary and important feature.

PART II—APPLICATION OF AFRICAN SOCIALISM TO PLANNING IN KENYA

53. The ultimate objectives of African Socialism are clear and have been set forth in Part I. The high priorities placed on political equality, social justice nd human dignity mean that these principles will not be compromised in selecting policies designed to alleviate pressing and immediate problems. The most important of these policies is to provide a firm basis for rapid economic growth. Other immediate problems such as Africanization of the economy, education, unemployment, welfare services, and provincial policies must be handled in ways that will not jeopardize growth. The only permanent solution to all of these problems rests on rapid growth. If growth is given up in order to reduce unemployment, a growing population will quickly demonstrate how false that policy is; if Africanization is undertaken at the expense of growth, our reward will be a falling standard of living; if free primary education is achieved by sacrificing growth, no jobs will be available for the school leavers. Growth, then, is the first concern of planning in Kenya, but the responsibility for the success of African Socialism in attaining this objective is a dual one. In addition to the efforts of Government, the people themselves must contribute zeal for exertion and efficiency, and high standards of personal and professional integrity in every walk of life.

Resource Limitations

54. The achievement of rapid growth requires careful planning and firm discipline in implementing plans to ensure that Kenya's limited resources are increased as rapidly as possible and used wisely in the promotion of growth. The critical shortages in Kenya at the present time are—

(i) domestic capital;

(ii) trained, educated and experienced manpower; and

(iii) foreign exchange.

In addition there is the urgent need to conserve our natural resources through national land-use planning and to create the physical environment in which people can enjoy the fruits of their labour. We must also use more intensively and effectively not only our natural resources but our human resources as well.

DOMESTIC CAPITAL

55. The shortage of domestic capital stems from the low rate of domestic saving and the difficulties encountered in raising local and central government tax revenues. While several steps have been taken and other measures will be initiated to stimulate domestic saving and increase tax collections, the fundamental cause of the shortage of domestic capital is the low *per capita* incomes out of which people must finance a living before they can save and pay taxes. The real solution to this problem is to raise *per capita* incomes, that is, to grow. The dilemma we face is easy to state but much more difficult to solve—to grow faster we must save more but to save more we must grow faster.

56. It is unfortunate but true that if we had to depend solely on domestic saving and tax surpluses to grow, our growth might not even be rapid enough to keep pace with our burgeoning population. In order to compensate for our shortage of domestic capital, in order to grow rapidly so that our aspirations can be realized, we must borrow from foreign governments and international institutions and stimulate the inflow of private capital from abroad.

57. The policy of borrowing from abroad does not mean, however, that we can relax our efforts to promote domestic saving and tax surpluses. Indeed, it is only to the degree that we are successful in these efforts that we can—

(i) in the near future attract more capital from abroad to raise our rate of growth; and

(ii) ultimately succeed in reducing our reliance on foreign capital and increasing our share in the ownership of productive assets.

58. To attract more capital from abroad Kenya must be able to finance more of the local costs of development, to invest on an increasing scale in joint ventures with private capital, 'and to improve more rapidly our infrastructure. The more we can contribute to development, the more aid for development we can obtain from other sources. Indeed, it is estimated that for every pound Kenya can raise for development at least two pounds can be raised abroad. This enables us to grow three times as rapidly with foreign aid as we could grow without it.

59. In the longer term, however, it is our aim to maintain a rapid rate of growth with less dependence on foreign sources of capital. As incomes rise, therefore, our vigorous efforts to stimulate domestic saving and tax surpluses and to ensure their investment in Kenya must continue so that we can finance more and more of our own growth thus reducing our need for borrowing savings generated in other countries. In particular we must plan to raise the domestically financed share of Government development expenditures from 25 per cent in 1965 to 33 per cent in 1970 by modifying the tax structure and restraining recurrent costs so that an increasing surplus can be generated for development; we must also stimulate savings by citizens so that more and more of our capital formation is financed and owned domestically; and we must also ensure that domestic savings are retained and invested in Kenya.

SKILLED MANPOWER

60. Growth also requires ample supplies of skilled, trained and experienced manpower. Large numbers of high and middle level manpower are needed to teach in our rapidly expanding secondary school system, teachers' colleges and the university; to consolidate, survey and register land at a more rapid rate; to do agricultural research, provide extension services, train farm managers and operate National Farms, to manage private industrial and commercial establishments; to plan and implement forestry development, to expand water supplies, to man more hospital and health centres, to engineer and construct roads and irrigation schemes, to administer the affairs of Government, and even to prepare applications for foreign aid.

61. Kenya has ample numbers of unskilled manpower and every effort will be made to use their services wherever possible. But untrained people cannot be used as teachers, planners, engineers, surgeons, doctors, surveyors, architects, managers and administrators without turning growth into decline. As with capital, we can grow rapidly now only by supplementing our meagre supply of domestic, trained manpower with large numbers of skilled people borrowed from abroad. It is a choice between rapid growth and little or none, not between rapid growth and a little less. In order to grow rapidly and to replace expatriates with comparably qualified Kenya citizens as soon as possible, we must employ in the near future large numbers of foreign experts both to assist in planning and carrying out the work that needs to be done and also to educate and train in the schools and on the job the Kenyans who will ultimately make the foreign experts unnecessary.

62. The present situation can be indicated by noting that the Government now employs 25 highly trained surveyors, only two of whom are African, and has 11 Vacancies; the Government has 22 hydraulics engineers, one- of whom is an African, and has seven vacancies; of 811 doctors in Kenya, approximately 50 are African; of 1,569 secondary school teachers, 364 are African; and of 316 teachers in teachers' training colleges, 126 are African. The full significance of these figures cannot be realized unless it is appreciated that many more than are now employed will be needed if desired rates of growth of these services are to be achieved. In order to provide secondary education for 50 per cent of the population of eligible age, for example, nearly ten times as many teachers would be required. The shortage of trained, educated and .experienced manpower is now so great that even the preparation of applications for foreign aid becomes a major and slow moving process and our ability to implement major projects is being brought into question by several sources of foreign aid. Indeed, the danger exists that we will build through foreign aid and self-help, hospitals, health centres and school buildings with little or no hope of filling them with doctors, nurses and teachers.

63. Finally, the very long time it takes to train professional people means that shortages of high level manpower will be with us for several planning periods. The approximately 10,000 students now enrolled in Form I will be prepared to

take jobs requiring a secondary level education only in 1969. Probably only 5,000 of these will pass their Cambridge School Certificate examinations and about 2,400 will continue into Form V. Perhaps 1,800 will continue with University work with about 1,600 receiving degrees in 1975. If 400 go on for advanced work, they cannot be counted as part of our manpower supply until 1976 or beyond. In the case of doctors, for which the need is so great; none of the students now in Form I will be available to us before 1978, and the numbers emerging will still leave us far short of the number we must have.

64. Our domestic supply of trained manpower must be augmented as quickly as possible and used efficiently and effectively. The expansion of educational facilities and apprenticeship and training programmes, the establishment of special purpose training centres, and the promotion of adult education will all help to meet immediate needs particularly for middle level manpower skills. Those people already trained and educated and in jobs must use their scarce skills fully, making every working hour a genuine contribution to development and willingly devoting extra hours to important tasks. The organization of work must be carefully arranged to ensure that scarce skills are not being wasted on more routine duties. In these ways maximum development effort will be obtained from our available domestic manpower.

FOREIGN EXCHANGE

65. Payments for goods and services bought from abroad and repayments of foreign loans must be made in foreign currencies. We can acquire these currencies by selling goods and services abroad, promoting tourism, borrowing abroad and reducing Kenya's holdings of foreign assets. A foreign exchange problem arises when we cannot pay our bills abroad except by emergency borrowing or reducing our holdings of foreign assets (and our own currency because many of these assets support our currency) to dangerously low levels.

66. Kenya does not now have a foreign exchange problem but great care must be exercised to ensure that the steps we take to promote development, including our foreign policy, do not create this problem. More rapid growth means buying more capital goods from abroad to generate growth and

importing more consumer goods to satisfy the growing demands of people with higher incomes. As capital goods do not create immediately enough additional production to pay for themselves, the foreign exchange required to buy them must usually be obtained through borrowing or a surplus of current exports over imports. At the present time, Kenya is succeeding in borrowing enough from abroad to pay for its excess of imports over exports.

67. To avoid future foreign exchange problems, Kenya must use these borrowed funds and imported capital goods efficiently and in the production of more goods and services either for export or for import substitution. Then the money borrowed can be repaid out of the additional foreign exchange earned or saved. If, however, Kenya uses foreign funds for the transfer of existing assets or uses them inefficiently in new development efforts, their use will not generate the foreign exchange needed for repayment and development may have to be curtailed. Foreign exchange needed to buy goods and services for development can also be lost through capital flight and excessive imports of consumer goods. Capital flight is usually a sign of lack of confidence in the economy, fear of one's future in that economy, or a deliberate attempt to hamper national progress. The Government would prefer to limit capital flight by building confidence and stimulating co-operation rather than using quantitative controls but if exceptional circumstances require the latter, they will be used. If imports of consumer goods rise too rapidly, the Government must be prepared to take steps to control such imports or to make them more expensive through tariff increases, purchase taxes, or differential exchange rates.

68. While foreign exchange is not generally a problem in Kenya at the moment, bilateral trade and aid agreements can lead to specific currency problems. If we sell goods to a country whose currency is not convertible into the currency of other countries, that foreign exchange is valuable to us only if we can find useful goods to buy in that country at reasonable prices. If not, Kenya, a developing country, is simply advancing credit to the more developed country. Furthermore, as the currencies, of these countries are not convertible, a serious difficulty arises in financing the local costs associated with the capital equipment these countries can supply in

foreign aid. Finally, to facilitate repayment to such countries Kenya goods must be sold there or our supplies of convertible currencies seriously reduced. These difficulties are not always insurmountable but must be carefully considered when bilateral arrangements are made in non-convertible currencies.

69. It will be seen from the foregoing that as a developing country we must scrutinize aid offers in relation to our foreign exchange policies. We must avoid, for example, aid which requires us merely advance credit to a developed country or to mortgage our future production to any given country or which makes us a mere dumping ground for products of a donor country. Aid terms must be related to the productivity of the project and its positive contribution to our economy. These are matters which must not be decided Upon just on political or emotional considerations.

PROPER USE OF DOMESTIC RESOURCES

70. Much of our land, water and labour can be used more intensively and effectively without substantial aid from abroad. Opportunities of this kind must be quickly and fully developed. Many acres of idle land could be producing crops if farmers would put in more effort. If every person on the land cultivated one extra row, the output of the nation would be substantially larger. If people who are unemployed in the cities would return to their land, further increases in output could be achieved. Idleness, whether of land or labour, cannot be countenanced in a nation that needs every ear of maize, grain of wheat, and pound of cotton. Self reliance and independence means the ability and willingness to do things for ourselves.

71. While many of our domestic resources are not fully utilized, still others are being dissipated, wasted and in some cases destroyed. The use of outmoded farming techniques may result in erosion; the cutting of windbreaks and the burning of vegetation may turn fertile acres into desert; and the destruction of forests may eliminate important water supplies. Practices tending to harm rather than conserve our physical environment must be curbed through education and legislation.

Critical issues and Choices

72. These limitations to growth are blunt, hard facts that force choices on us. We want to grow rapidly; to transform the economy from a subsistence to a market economy, to develop our land and introduce modern agricultural methods; to industrialize; to Africanize; to provide more employment opportunities; to have universal primary education; to expand secondary school enrolments; to build hospitals and health centres; and to relieve the housing shortage. To do all of these things quickly and simultaneously would require many more resources than we have or can quickly acquire. We must, therefore, make choices in deciding how to use our limited resources. Some of the more crucial choices facing us now and on which decisions must be made are: —

(i) Under what circumstances and to what extent should we *nationalize* means of production?

(ii) What means should be used to promote *Africanization?*

(iii) In present circumstances, how much of our development budget should be devoted to expanding *welfare services?*

(iv) What means should be used to promote *domestic saving* and retain it for investment in Kenya?

(v) What should be the role of the *tax structure* in increasing revenue, establishing incentives, distributing income and diffusing economic power?

(vi) What part should *self help* play in development?

(vii) What *agricultural and land tenure policies* should be decided to promote growth and prevent concentrations of economic power?

(viii) What means should be used to reverse the trend in many parts of the country towards depleting *natural resources*—land degradation, destruction of watersheds and encroachment of desert?

(ix) What priorities should be adopted in building *educational facilities* and providing training programmes?

(x) How should *public utilities* be owned, regulated and managed?

(xi) What methods should be used to develop *industry, commerce and tourism ?*

(xii) What should be the role of *trade unions* in promoting development?

(xiii) What means should be used to protect the interests of *consumers?*

(xiv) How much should be spent and for what purposes to help the *less developed parts* of the country?

Until policies on these matters are settled and agreed, development planning will remain an academic affair in Kenya—a paper exercise having little impact on reality.

NATIONALIZATION

73. Nationalization is a useful tool that has already been used in Kenya and will be used again when circumstances require. The pertinent questions are at what cost, for what purpose, and when. The Constitution and the KANU Manifesto make it clear that African Socialism in Kenya does not imply a commitment to indiscriminate nationalization. These documents do commit the Government to prompt payment of full compensation whenever nationalization is used. Kenya's policy with respect to nationalization should be more clearly defined within these stipulations.

74. It should be recognized that if the nation's limited domestic capital is used to buy existing land, livestock, buildings, machinery and equipment, the nation has no more productive assets than before—only their ownership has changed. What may be lost are the new resources that could have been purchased instead—the new schools, hospitals, roads, water supplies, irrigation schemes, rolling stock, land surveys, housing, lodges, airports and harbour development—and the employment opportunities and added output that these new developments would create. Further, the money paid for nationalized resources and the people who managed them before nationalization would most likely leave the country increasing our foreign exchange and skilled manpower problems. There is also the firm likelihood that nationalization would discourage additional private investment, thus reducing further the rate of growth of the economy. It is also the case that the use of domestic capital to

nationalize would reduce our ability to match foreign aid funds leading to an even greater reduction in development expenditure. Finally, some speak of nationalization as though it should be applicable only to non-African enterprises. If the policy were applied to an economic activity, such as bus transportation, it would affect everyone, African and otherwise, owning productive resources in the industry.

75. Though the cost is great there may be circumstances when nationalization will be needed—

(i) when the assets in private hands threaten the security or undermine the integrity of the nation; or

(ii) when productive resources are being wasted; or

(iii) when the operation of an industry by private concerns has a serious detrimental effect on the public interest; *and*

(iv) when other less costly means of control are not available or are not effective.

76. It must also be clear that in most cases when an industry is nationalized it must be operated efficiently, cover its costs and earn a profit at least equivalent to the taxes paid when operated privately. If taxes must be used year after year to subsidize its operation, the nation has gained little if anything by the act of nationalization.

77. Nationalization then will be considered if the need is urgent, if other less costly controls are ineffective, and if it is understood that most industries nationalized will not be operated at a loss. Nationalization would also be desirable regardless of cost where a service is vital to the people and must be provided by Government as part of its responsibility to the nation.

AFRICANIZATION, ASSET TRANSFERS AND CITIZENSHIP

78. Africanization is an urgent problem but in any reasonable perspective is likely to be of short-term duration. That it will be achieved in the not too distant future is unquestionable. The problem is rather to reconcile the urgency of the matter *with* citizenship guarantees *and* the desire for rapid economic *growth.*

79. The Constitution provides for equal treatment of *all* citizens and the KANU Manifesto states that the KANU Government will "Guarantee the position of every Citizen according to the Bill of Rights.. Citizens will have the right to follow the profession and trade of their choosing and to own property": Thus political equality and equality of opportunity are guaranteed for *all citizens* as a matter of right.

80. Nevertheless, imbalance have been inherited from the past and these imbalances must be corrected. The most direct way would be to use Government's limited development money to buy existing properties for Africans. Such purchases could be made on a willing buyer/willing seller basis without violating the Constitution. However, such purchases would have the same effect on development as indiscriminate nationalization; namely, to reduce substantially the amounts the Government can spend on new development. Further, the properties so transferred are likely to be the least efficient (if only because it will be the owners of these properties who will be most willing to sell), placing the Africans at a disadvantage from the outset. If, in addition, such transfers are made to untrained, inexperienced people, they may go bankrupt making Africanization a temporary rather than a lasting phenomena. Moreover, as such transfers would reduce the rate of growth, more opportunities for Africanization might be destroyed than could be created.

81. Africanization in agriculture has taken the principal form of land settlement which is based primarily on the transfer, reorganization and development of some of the land formerly European-owned. This approach has been necessary for political reasons—to ensure that areas formerly closed to Africans were opened to them, These areas are now open to Africans; settlement policy should hereafter be based on its *economic* benefits and on Kenya's wishes and terms instead of those of the United Kingdom as has hitherto been the case.

82. We have to consider what emphasis should be given in future to settlement as against development in African areas. The same money spent on land consolidation, survey, registration and development in the African areas would increase productivity and output on four to six times as many acres and benefit four to six times as many Africans. It therefore follows

that if our resources must be used to achieve maximum growth we must give priority in the future to development in the former African areas.

83. From the foregoing discussion it follows that the principal policies for achieving Africanization should be those that are consistent with growth and development. In this regard the Government has already undertaken, and in its plans has provisions for, various programmes for Africanizing the economy. These programmes include—

(i) providing education, training and experience for Africans to equip them for the efficient exercise of entrepreneurial and farm-management functions;

(ii) making capital available to Africans with small down payments and at low interest rates through such organizations as the Land Bank, the Agricultural Finance Corporation, the Industrial and Commercial Development Corporation, and the Marketing boards;

(iii) following up provision of capital with extension services whether in agriculture, commerce or Industry;

(iv) helping African traders and businessmen directly through the Industrial and Commercial Development Corporation (ICDC);

(v) stimulating large-scale investment through the Development Finance Company of Kenya (DFCK) and the proposed Kenya Tourist Development Corporation which ensure that the Government has a direct interest in this investment;

(vi) promoting producer, marketing and consumer co-operatives and training people to run them so that larger scale opportunities are opened to Africans with limited capital;

(vii) promoting home ownership through tenant-purchase schemes, self-help housing projects, co-operative housing associations, and mortgage finance institutions;

(viii) participating with private capital in many ventures such as the Kenya Power Company, East African Power and Lighting Company, Tana River Development Corporation, Chemilil Sugar Project, East African Pulp and Paper Company, and the Kenya Canners;

(ix) making direct investments through the Agricultural Development Corporation and the Industrial and Commercial Development Corporation.

(x) setting up certain State enterprises such as the National Trading Company, the; proposed Co-operative Bank, and the proposed State construction Company; and

(xi) Africanizing the Civil Service as rapidly as possible. This process is being Accelerated through training of Africans, at home and abroad, to qualify them for new positions and promotions. Here it is important to realize that since the public sector will be expanding more rapidly than the other sectors, it will be an increasingly more important means for employing Africans.

84. The bulk of these efforts are directed toward establishing Africans in a firm position in the monetary sector by ensuring that a large share of the planned new expansion is African owned and managed. Thus the ICDC, for instance, will be encouraged to participate in the construction of shopping centres and industrial estates; and many enterprises financed with foreign capital will provide for increasing African ownership as domestic private savings permit. It might also be considered whether, to facilitate the Africanization process, licensing for certain types of trade and business should be restricted to citizens only with a deliberate bias in favour of African applicants. In any case, both foreign and domestic firms should be required to provide training facilities for Africans at all levels.

WELFARE SERVICES AND ECONOMIC DEVELOPMENT

85. The declared aim of the Government is to provide medical and hospital services, old age and disability benefits, free and universal primary education, benefits for the unemployed, and financial aid to all who need and merit it for university work. These are the objectives of African Socialism, but to provide them fully and freely now would bankrupt the nation and mortgage economic growth for generations. Greater expenditures by the Government on social services or on unproductive, as opposed to productive, unemployment relief projects reduce the amounts available for economic development, retard growth and postpone even longer the time when a full welfare programme can be implemented. Nevertheless, it is the clear intention of Government to make steady and substantial progress towards the attainment of these objectives.

86. The Government's capacity to achieve its desired objectives is restricted by our limited resources, which restrain our ability to expand, and by our high rate of population growth, which rapidly increases the size of the task. With population growing in excess of 3 per cent per annum nearly seven million jobs will be needed by the year 2000 and over 230,000 adult males will at that time be added to the labour force each year. A more moderate rate of population growth of 1.7 per cent per annum, approximating the world rate, would mean a male labour force of 4.5 million growing at 60,000 per annum in the year 2000. The effect of slower growth on numbers of children of primary school age is even more pronounced. With present fertility rates universal education would require facilities for over six million children in the year 2000 at an annual recurrent cost of perhaps £49 million. More moderate growth would reduce this cost to £18 million because facilities would be needed for only 2.3 million children. A high rate of population growth means a large dependent population, reduces the money available for development, lowers the rate of growth and makes exceedingly difficult the task of increasing social services. A programme of family planning education will be given high priority.

87. The problem of providing welfare services on a large scale is not solely financial. The limitation of skilled manpower is of perhaps equal importance. It takes a long time to train doctors, teachers, nurses and social workers. Without supplies of such people many times greater than are now available, the offer of free services could not be supported. Financial and manpower limitations again combine to limit progress toward desired ends.

88. But progress is being made. Limited medical and hospital services are being made available to the destitute; primary education is being expanded more rapidly than population and some children from poor homes can be exempt from paying fees; bursaries are available to many in secondary schools and universities; employment opportunities are being created for some of the unemployed; and a National Provident Fund and a National Health Insurance Scheme will be starting soon. These efforts may seem meagre when compared with desires but they are generous indeed, given our limited resources. They form the basis for our future expansion of services.

STIMULATING AND RETAINING DOMESTIC SAVING

89. No nation can grow without saving some of its income for investment in the development of the country. Domestic saving must not only be increased, but must also be retained and invented at home. The promotion of domestic saving must be encouraged in order to assist in both private and public development.

90. Compulsory saving should be accepted in principle and means worked out to implement it. The National Provident Fund will be, of course, a type of compulsory saving. In order to stimulate voluntary saving the variety of savings methods open to the public should be increased including a Unit Trust and savings bonds tailored to particular future needs of families such as education, housing, and durable consumer goods. The Government should take steps to develop the nation's money markets and, in particular, to stimulate wider interest and participation in the stock exchange. Measures should also be adopted to encourage the retention and reinvestment of profits. The full taxation of dividends—i.e. without credit for company tax—would assist in this regard.

91. Monetary and investment policies must be designed to ensure that domestic savings are invested in Kenya and not abroad. In particular, insurance companies and other financial institutions that operate in Kenya should in future be required through appropriate legislation to invest in Kenya except for necessary external investments such as reinsurance. Many businessmen in Kenya, Asians in particular, have money that should be invested directly in their own enterprises or made available through loans to the Government or to such agencies for development as the Industrial and Commercial Development Corporation, the Agricultural Finance Corporation, the Kenya Tourist Development Corporation and the Development Finance Company of Kenya.

92. The operation of commercial banks should be more closely supervised and controlled either by a central bank for East Africa or for Kenya. Enterprising Africans should be encouraged to develop indigenous commercial banks so that Kenya's dependence on monetary policies abroad can be reduced.

TAX STRUCTURE

93. The Government's tax structure performs several functions including—

(i) supplying funds for recurrent costs and development;

(ii) providing incentives and disincentives to influence the pattern and methods of production and consumption; and

(iii) modifying the distribution of income and wealth.

The tax system should in fact be a major weapon for implementing African Socialism—in providing funds for development, in guiding and Controlling activities in the private sector and in creating an equitable distribution of income and wealth.

94. The highest priority must be assigned to increasing tax collections by both the Central Government and Local Authorities in order to provide a substantial margin over recurrent costs for development. This requires positive action because the present tax system is not sufficiently responsive to changes in income. As more and more of our domestic demand is satisfied with domestic production, import duties will become less important as a source of revenue. Other sources must be found. The main ways that must be considered to increase tax collections in the future are—

(i) *a full pay-as-you-earn system* of collecting income taxes;

(ii) *reduction in personal tax allowances;*

(iii) *progressive inheritance taxes* and review of death duties;

(iv) *excise duties* on selected commodities;

(v) *sales and entertainment taxes* that exclude basic necessities;

(vi) extension of the list of commodities subject to *export duties* and revision of existing rates;

(vii) *expansion of property taxes;*

(viii) *a capital gains tax;*

(ix) *elimination of foreign gambling pools* and the like from Kenya and collection by the Government of a larger share of such gains;

(x) *full taxation of dividends* without credit for company taxes;

(xi) *charging for some services* now rendered free by the Government, in particular charging tolls on major highways.

Finally, sources of revenue like school fees are really a form of tax that is relatively easy to collect. Until Kenya's tax base is substantially broadened and regular tax collections are substantially more in excess of recurrent costs than they are now, such fees must be retained. To reduce them in the near future would force a substantial reduction in planned development.

95. Other sources of Government revenue must also be more intensively used than in the past. Government assets held abroad should be invested in Kenya to the extent that this is legal; fiduciary issue should be more fully utilized; and more devices should be sought for channelling more domestic savings into Government hands. These matters are continuously under discussion in the Government with careful consideration given to the timing and administrative problems involved.

96. The relationship between the development and recurrent budget is, of course, significant. Any economies on the recurrent side increase funds for development. Indeed, when development funds are matched with aid from abroad it is likely that every pound saved on recurrent means three pounds for development. Arbitrary cuts in recurrent costs, on the other hand, cannot be considered. In general, every four pounds spent on development increases recurrent costs by one pound. To force recurrent costs below what is necessary would mean that development projects could not be operated.

97. In modifying the tax structure, incentive efforts must be considered. Import duties have the effect of switching demand from imports to domestic production; duty drawbacks stimulate domestic production also; excise taxes can modify the composition of output; and excessive taxation can force capital abroad and reduce the attractiveness of Kenya to outside investors. A particularly pressing problem is to modify incentives to industry. The present investment allowance does attract capital but it also stimulates the substitution of capital

for labour. The incentives to industry should be modified so that employment of labour is encouraged as a means of alleviating unemployment over the years. While incentives to industry must be adequate to attract private investment, concessions and protection must be carefully co-ordinated and tailored to the needs of each industry to ensure that protection is not excessive in relation to the needs of the industry or its contribution to the economy. These matters should be investigated by the new Industrial Protection Committee. Idle resources and underdeveloped land should , be taxed in ways designed to encourage efficient use and development. The present system of taxing land on its unimproved site values has this effect.

98. The tax structure must also be a major means for effecting a more equitable distribution of income and wealth. Those with high income and wealth must accept a greater responsibility to pay the taxes needed for development and social services. The following policies would have the desired effects, and will be considered: —

(i) Exempting from direct taxes people making extremely low incomes. In particular, the objective should be to begin at once to eliminate for this group the graduated personal tax, substituting property taxes for it.

(ii) Retaining the progressive income tax, lowering allowances. (Some of these allowances were designed during colonial times to serve expatriate civil servants and settlers who looked overseas for security, vacations, and education for their children.)

(iii) Adopting progressive inheritance taxes.

(iv) Making any capital gains tax progressive.

(v) Exempting basic necessities from sales and excise taxes.

(vi) Taxing luxury items heavily.

The tax structure will not, however, be made prohibitive or confiscatory. Reasonable levels of profits, property accumulation and standards of living are necessary and desirable if a high rate of growth is to be achieved and enjoyed.

SELF-HELP AND COMMUNITY DEVELOPMENT

99. In a country short of resources every method that increases 'the allocation of resources to development must be utilized. Self-help in Kenya has strong roots in African traditions and has therefore important potential for development. *But it, too, must be planned and controlled.*

100. Self-help cannot provide all of the resources needed to construct a project and keep it running. If the need for the complementary resources, such as trained, manpower and revenues to cover recurrent costs, are not forthcoming or are obtained at the expense of other planned developments, self-help can slow growth and frustrate participants rather than promote development and welfare. The development programme for secondary schools prepared by the Ministry of Education, for example, is tailored to the supply of domestic and foreign teachers and a vigorous foreign recruitment programme will be necessary to make the plan a success. If many *"Harambee"* secondary schools are constructed, they will either have no teachers, unqualified teachers or qualified teachers taken away from the planned programme. If " Harambee" schools cannot find teachers or the recurrent costs can't be met, the resources of the country will have been wasted. Similar examples could be cited with regard to health centres and other projects. Self-help projects must be fitted into the plan and self-help efforts must be guided into useful channels. Self-help is an integral part of planned development and must be subject to the same discipline as other parts of the developed effort. Planning in this respect is very much like exchange controls—one significant hole in the dike can reduce all other efforts to nought.

AGRICULTURE AND LAND TENURE

101. Agriculture is the dominant sector of the economy, encompasses the whole country and provides a living for the majority of Kenya families. Our plans in Agriculture provide perhaps the best example of African Socialism at work. Almost every form of organization will be utilized in this sector including national farms, co-operatives, companies, partnerships and individual farms. National farms will play their most important role in providing essential national services such as hybrid seeds and quality livestock. To conserve Kenya's limited

development money, partnerships with private capital will be considered provided that private participants will accept that Government policies will be dominant in the operation of the farms. Co-operatives and companies will be utilized where large-scale methods of production or marketing are needed. The bulk of individual ownership will be moderate size plots, but marketing for many individually owned farms will be arranged through co-operatives. The progressive Africanization of ownership will be provided for through settlement schemes and increasingly through schemes that permit the gradual substitution of African for foreign ownership as domestic savings increase. Some of the tea factories are now organized in this way, and this example will be extended to selected other agricultural developments as well.

102. Development in agriculture will be given first priority in the African areas. The use of funds here will increase output, yields, employment and *per capita* incomes much more rapidly and effectively and on four to six times the acreage than the use of these funds for settlement. The present practice of spending a large proportion of the Government budget on the settlement and development of a limited acreage in former European areas should be phased out and future funds channelled to the development of the great potential of the African areas. What is now urgently needed is *development, not merely land transfer.* Consolidation and registration will make farm credit and modern methods of agriculture possible and should expand employment much more rapidly than settlement can, by bringing more land into productive use.

103. The settlement process was inherited from the British and was designed more to aid those Europeans who wanted to leave than the Africans who received the land. Our land problems should not be settled on terms decided in the United Kingdom. Instead, our policies and plans in agriculture should be determined by our need to develop, and financial support sought for these plans from several sources. However, there have been reasons for settlement. Many European farmers wished to leave and the United Kingdom Government was willing to give grants and loans to Kenya to enable them to go. Neither of these reasons takes into consideration the present need for development in Kenya. It is unlikely that Kenya, in accepting the debt burden, has obtained economic benefits of anywhere near the amount of the debt incurred.

104. There is need, however, to ensure a continuing market .n land. Hitherto some of the financial institutions in Kenya, and certainly the Land Bank, have been designed and developed to facilitate transfers largely from non-Africans. There is therefore the need to remodel these institutions so that they can serve the country as a whole not just a few individuals and areas.

105. The need for discipline in implementing agricultural development is apparent, and appropriate legislation and strict enforcement of existing legislation is necessary to ensure that—

(i) loans for development are properly used;

(ii) loans are repaid promptly and delinquents appropriately and promptly punished;

(iii) those committing theft and deliberate damage to crops and stock are quickly and severely punished;

(iv) the few in an area of land consolidation who refuse to co-operate in survey and registration work are made to comply;

(v) those few who refuse to co-operate in a major co-operative farming scheme are made to do so or lose their land.

106. There is also urgent need for a land tenure policy to ensure that projected agricultural development is not concentrated in the hands of the few. Having regard to some of the problems of transition, a working party might be established to consider the need and practicability of establishing ceilings on individual ownership of property, and to advise on the machinery for making these effective. Here it must be pointed out that any ceilings decided upon must apply *throughout the country.* In order to put an end to the buying of land for speculative purposes by non-citizens, there should be a ban on future purchase of agricultural land by non-citizens unless approved by Government.

107. It should be established that priority in future should be given to producer co-operatives formed by people such as workers and squatters already employed on the land. Such priority could be enforced by having credit facilities made available to such groups as against individuals wishing to buy the land.

108. The use of land will be closely controlled and legislation will be needed to make such control effective. Idle land and mismanaged farms will not be permitted whether such land is owned by Kenya citizens or foreigners. Licensing and quotas will be used to control the production of many major crops and the Government will establish prices in the joint interest of producers and consumers. Production and yields will also be influenced by Government extension services and research, and the readiness of the people to accept advice and adopt new methods.

109. The marketing boards will be used to promote a socialist organization of the country's economy. The growth of these boards in the past has been haphazard and in some cases intended to protect only one interest or group. There are too many boards leading to duplication of effort, waste of manpower and confusion in policy. It is therefore necessary to review and streamline the organization and operation of all marketing boards and to use them as a positive agency for promoting our socialist policies.

CONSERVATION OF NATURAL RESOURCES

110. The heritage of future generations depends on the adoption and implementation of policies designed to conserve natural resources and create the physical environment in which progress can be enjoyed. The thoughtless destruction of forests, vegetation, wildlife, and productive land threatens our future and must be brought under control. A national land-use policy must be created and physical planning must be extended from the towns and cities to districts and rural areas. The conservation of water supplies and productive land through the maintenance of forests and windbreaks, proper methods of land cultivation, and prevention of fire and flood must be actively promoted by Government and the people must be fully informed and their co-operation ensured. The importance of wildlife to Kenya's future prosperity must be appreciated by everyone and national parks and reserves must be protected and preserved.

EDUCATION, TRAINING AND EXPERIENCE

111. At Kenya's stage of development, education is much more an economic than a social service. It is our principal means for relieving the shortage of domestic skilled manpower and

equalizing economic opportunities among all citizens. For that reason it is of the utmost importance that the construction of unaided schools should conform to the nation's needs and supply of teachers and curricula should be required to meet Government specified standards. It is expected, of course, that all citizens will contribute to the development of education through self-help payment of school fees and taxes, and service as teachers. In addition to its economic benefits, widespread education should develop good citizens, promote national unity, and encourage proper use of leisure time.

112. The advances in education in recent years have been impressive. Enrolment in primary schools has risen from 891,553 in 1963 to 1,028,000 in 1965. This is an impressive advance towards the declared Government objective of universal primary education. It is now estimated that approximately 70 per cent of those in the age-group eligible for Standard I are now attending school. It is Government's intention, after studying the Education Commission Report, to adopt a definite schedule and date for achieving universal primary education. Secondary schools of all kinds jumped in number from 141 in 1962 to 222 in 1964, and the Government itself has opened 56 new Form I classes in 1965. Kenyatta College at Kahawa is now operating six Form I classes, three Form V classes and a Teachers' Training College.

113. The immediate objectives in education are to expand secondary level facilities as rapidly as teacher supply and recurrent cost implications permit. This is, of course, important to the training of manpower, the acceleration of Africanization and increasing the proportion of K.P.E. candidates that can continue in education. In order to generate more teachers, teacher-training facilities must also be expanded rapidly. The work of the Education Commission will be an invaluable aid to Government in its planning in this field. Finally, the plans for Nairobi University College must be fully integrated with the Government Development Plan if the University College is to contribute effectively in solving our manpower problem.

114. The shortage of skilled manpower cannot be cured by general education alone. Trades must also be taught and firms must co-operate in providing in-service training and apprenticeship programmes on a growing scale both in commerce and

industry. The management training programme at Nakuru, Egerton College, the farm management work contemplated at Thomson's Falls, the U.N. Special Fund Management and Productivity Centre, are programmes sponsored by Government to alleviate the shortage of managerial resources and to qualify more Africans for management tasks. In addition, there is an urgent need for a commercial training and apprenticeship programme and for a co-operative school to train personnel to run producer, marketing and consumer co-operatives. Capital and advice will be provided on an increasing scale through the Industrial and Commercial Development Corporation and the Agricultural Finance Corporation to give Africans the useful experience necessary to become successful entrepreneurs.

115. Even with these programmes and educational efforts Kenya will not be able to meet from domestic sources the rapidly growing need for high and middle level manpower for many years to come. Therefore, every effort will be made to retain qualified expatriates, to use sources of technical assistance wisely, and to mount recruiting campaigns abroad for particularly critical shortages like teachers, doctors, water engineers, surveyors, etc. These efforts will not, however, be enough. The Government must also take steps to ensure that Kenyans aided in their education by the Government are guided into those studies and occupations where skilled manpower is most urgently needed.

PUBLIC UTILITIES

116. Information and broadcasting, railways and harbours, posts and telecommunications, secondary and trunk roads, irrigation facilities, airports, national parks, statistical services, water and sewage facilities, and forest plantations are responsibilities of Government. They will all be expanded as a basis for development. The critical issues in this sector concern public utility services that continue to be run by private operators.

117. Surface transportation, outside of the railways, is privately owned and operated through many small enterprises. As such it is proving to be an excellent training ground for African entrepreneurs. Unfortunately, the services provided are varied in standard and quality and frequently are wholly unsatisfactory. When funds are available, nationalization of many

segments of surface transportation may be required, but the immediate need is to find solutions that will be less expensive in terms of Government money now urgently needed for development elsewhere. The most pressing problems are urban passenger transportation and cross country, trunk road passenger transport.

118. The first step is regulatory legislation by the municipalities and the Government to provide the necessary powers to enforce high quality, uniform standards of services. If efforts to regulate turn out to have unsatisfactory results, partnerships with private capital and management could be explored, preferably with large, experienced firms operating in municipalities or cross-country roads. The Government or municipality would buy a minority equity interest in the firm and the private company would provide the balance of the necessary capital in equity and loans with the provision that when the loans are repaid, the company created would become wholly owned by Government or municipality. Thus capital and qualified management would be obtained at little initial cost to the Government and the participation of the Government would ensure operation in the public interest. It is, however, possible that the public transport in Nairobi and Mombasa could be operated by these local authorities. In the not very distant future these municipalities may need to plan for the provision of underground transportation and parking facilities.

119. The Kenya Government owns 2 1/2 per cent of the equity in the East African Power and Lighting Company, 33 1/3| per cent of the Kenya Power Company, and 25 per cent of the Tana River Development Company. The latter two companies will become wholly Kenya owned when present indebtedness is repaid. The Electric Power Act provides that the Government can revoke, with consent of the licensee and on just terms, any power licence including any held by the East African Power and Lighting Company. Because of the strong Government interest and participation in power, no major decision is taken in Kenya without the concurrence of the Government. The method is effective and inexpensive.

INDUSTRY, COMMERCE AND TOURISM

120. The Government expects the private sector to play a large role in development, subject, however, to firm guidance, and explicit controls when necessary. This approach will permit

Kenya to attract private capital and management which could not otherwise be obtained for development. Some basic industries regarded as fundamental to industrial development will have Government participation. This is because many of the beneficial effects of important industries, such as their contribution to foreign exchange, labour training, and the relief of unemployment, are not given full weight in purely commercial considerations. Examples of this approach include the Chemilil Sugar Factory and the pulp mill planned for Broderick Falls. Partnerships with private capital will also be instituted by the DFCK and ICDC.

121. The main lines of industrial development will be determined by Government planning. A survey of possible new industries for Kenya has just been completed and more comprehensive surveys will follow. The industries listed have been ranked according to their probable contribution to development and this ranking will influence Government decisions on support, protection and preferential status. An Industrial Protection Committee has recently been established with the function of advising on the appropriate treatment to be accorded the various industries now in Kenya or likely to be attracted here. Scheduling of industry will ensure that total output is not restricted but that the number of firms in an industry is controlled so that each can operate at an efficient scale of production. Industrial development in Kenya, therefore, will not be haphazard in nature but rather planned and guided.

122. The use of industrial assets will be subject to safeguards designed to ensure that their use is in the public interest. The rights of workers will be guaranteed and means for controlling the quality of output, monopoly profits and unfair market practices will be embodied in legislation.

123. In commerce, at the wholesale level, the National Trading Company will be a growing State enterprise designed to ensure that this vital avenue for the flow of goods is not stifled by private monopoly. The precise mode of operation of the firm will be determined by a working party established by the Ministry of Commerce and Industry. At the retail level, private stores and co-operatives will compete. A chain of consumer co-operatives will be organized relying in part on the National Trading Company for supplies of goods. The ICDC will provide

capital and advice to Africans interested in entering commerce and will assist in financing modern shopping centres. A commercial training and apprentice programme is urgently needed and the Chambers of Commerce have expressed interest in co-operating in this endeavour, The use of commercial property will be' closely supervised through such means as price and rent controls on basic commodities, traders' licensing and control of standards of service

124. The development of tourism is of special interest to the Government because it requires little or no subsidy, is an important source of foreign exchange, itself needed for development, and has a vast potential for growth. Present indications are that a growth of 15 per cent per annum over the next several years is well within reach. This potential must be realized and the Government will do all in its power to see that this happens. Because of the Government's interest, much of the development in this field will involve close co-operation and participation with private interests. The immediate aims in tourism are to expand the capacity of lodges, to develop tourist circuits within Kenya and East Africa, and to encourage tourists to combine the pleasure of fishing, beaches and mountain climbing with game viewing—Kenya's main attraction. The long-term future of tourism in Kenya depends very much on conservation and management of wild life according to scientific principles.

125. A Department of Tourism will be created to establish policies for the development of tourism, including the establishment of standards of service and, if necessary, prices, the regulation and inspection of the industry, the attraction of more tourists to the country, and the co-ordination of tourism development with neighbouring countries. Within the policies laid down by the Department, the Kenya Tourist Development Company to be established will undertake a major role in financing, constructing and, in many cases, managing hotels, motels, lodges, tours and transportation. Parks, tourist roads and wild life management are Government functions.

TRADE UNIONS

126. The rights of industrial workers must be fully protected as development takes place and much of this work can be left to responsible unions. But the unions now represent only a small minority of Kenya's adult population and they cannot be

permitted to benefit these few at the expense of large numbers of less fortunate brothers. Experience in all developing countries has shown that in the interests of stability and good industrial relations Government cannot permit the existence of more than one central organization for trade unions in the country. It is also desirable to have one central organization for employers.

127. The first responsibility of the unions must be to develop a disciplined, skilled and responsible labour force. The nation's welfare and that of the workers depend much more on hard, productive work than on strikes and walkouts. Unions must concern themselves with training programmes, apprentice programmes, and workers' discipline and productivity. In addition, trade unions assisted by Government should take an active role in organizing consumer co-operatives, generating savings for development, promoting co-operative housing development, initiating producer co-operatives and making workers aware of their contribution to the development of the nation.

128. Strikes cost the nation output, the workers wages, the companies profits and the Government taxes. Wages in excess of those warranted by productivity increase the unemployment, encourage the substitution of capital for labour, and lead to bankruptcies. In order to avoid these drags on development, legislation will be needed providing for the compulsory arbitration of major issues not resolved through the regular bargaining process. Special legislation may be needed in sensitive industries and the Government to avoid the economic paralysis that could result from work stoppages in these areas.

129. The Government will assume the responsibility for holding down the prices of basic commodities so that workers, farmers and unemployed are not confronted with a rising cost of living. It is notable that since Independence the Wage Earners' Index has remained fairly stable. The Government will also ensure that workers are not exploited, that safety conditions are enforced, and that minimum wages are reasonable. An important new provision for workers will be the National Provident Fund.

CONSUMERS

130. In African Socialism, the Government has the duty of protecting the interests not only of workers but also of consumers, for these could be exploited by producers and importers.

The Government will not permit producers to make monopoly profits through monopolistic and unfair marketing practices such as sale of shoddy merchandise. Standards of quality and quantity must therefore be enforced. Consumer co-operatives should also be encouraged, and there seems to be a clear need for such CO-operatives in the major towns. Another measure which the Government should not .hesitate to use in case of need is price controls on basic commodities, and rent controls in urban areas. The importance of this lies in the fact that if the country is going to save enough for the investment required, the cost of living must be held down. It is also necessary to hold down prices of basic commodities and rents in order to ensure that increases in *per capita* incomes lead to higher living standards instead of being dissipated through higher prices of basic commodities and rents charged by a small proportion of the population.

131. Special attention should be given to the marketing boards operating in the field of agricultural commodities. Hitherto, these boards have concentrated on safeguarding the interests of the producers. Policies should be implemented without delay to ensure that in their operations these boards do not ignore the interests of the consumers.

132. The consumers, on the other hand, have the responsibility of aiding development by avoiding conspicuous consumption and extravagance. The country needs all the savings it can get for development. It has therefore to be recognized that we cannot raise our consumption levels to the maximum and yet develop as rapidly as we desire. Higher consumption levels can only be maintained in a framework of increasing productivity, and to achieve this productivity we have to raise the level and volume of our investment.

PROVINCIAL BALANCE AND SOCIAL INERTIA

133. One of our problems is to decide how much priority we should give in investing in less developed provinces. To make the economy as a whole grow as fast as possible, development money should be invested where it will yield the largest increase in net output. This approach will clearly favour the development of areas having abundant natural resources, good land and rainfall, transport and power facilities, and people receptive to and active in development. A million pounds

invested in one area may raise net output by £20,000 while its use in another may yield an increase of £100,000. This is a clear case in which investment in the second area is the wise decision because the country is £80,000 per annum better off by so doing and is therefore in a position to aid the first area by making grants or subsidized loans.

134. The purpose of development is not to develop an *area,* but to develop and make better off the *people* of the area. If an area is deficient in resources, this can best be done by—

(i) investing in the education and training of the *people* whether in the area or elsewhere;

(ii) investing in the health of the *people;* and

(iii) encouraging some of the *people* to move to areas richer in resources; and of course

(iv) developing those limited resources that are economic.

With education and training and some capital, the people of a Province can make the best of limited resources. If the potential for expansion is small, medical services, education and training will qualify the people to find employment elsewhere.

135. If these ends are to be achieved, however, it is necessary for the Government to develop a formula for grants-in-aid and educational and health allocations that take into account the needs and incomes of each province and district. Thus the Government must ensure that all the people of the country have minimum provision for the essential welfare services. A policy of making education, training and health facilities available to all provinces on the same financial terms means that the people of the less developed provinces are penalized simply because they are already poor.

136. Today some of the provinces and districts that have genuine economic potential remain underdeveloped simply because the people will not accept new ways and the necessary discipline of planned and co-ordinated development. In these areas a concerted and prolonged effort to overcome prejudices and suspicions is needed before development can take place. Such efforts must be carefully organized and planned, and implemented through Government and Party machinery.

Strategy for Development

137. The policies outlined above pervade the plans constructed and now being revised for every sector of the economy. The plans, and policies for each of the sectors must, however, fit into an overall pattern that represents Kenya's strategy for development. The main lines of this strategy can be summarized as follows: —

(i) To attack directly the two principal limitations on growth, i.e. shortages of domestic capital and skilled manpower, in order to increase the growth potential of the nation.

(ii) To revolutionize agriculture in Kenya by developing unused and under-utilized land through consolidation, development credit, extension services and training and the introduction of modern methods of farming and marketing. Higher incomes in agriculture will stimulate the development of commerce and industry by -

(a) increasing the domestic demand for consumer goods and services and agricultural supplies, and

(b) providing raw materials for agricultural processing industries.

(iii) To develop industry as rapidly as opportunities are created—first, the processing of agricultural, livestock and forestry products and natural resources for domestic use and export; second, production for domestic demand in a progressively more fully integrated manner. Tourism is our means of "processing" our wild life resources and must have a high priority.

(iv) To develop transport, power and marketing facilities and other infrastructure in order to draw the entire nation into the market economy and to lay the basis for a rapid acceleration of industrial growth.

(v) To provide for a more equitable distribution of the benefits achieved.

The construction of plans for the several sectors have been drawn up with this overall pattern in mind. As time passes, of course, the order of priorities will change. In particular, as the agricultural and infrastructure base grows, increasing emphasis and capital will be directed toward industrial development.

Planning and Control

138. There are two themes running through this paper—the need to plan and control how resources are used. The power to plan and the power to implement are central features of African Socialism. Planning is a comprehensive exercise designed to find the best way in which the nation's limited resources—land, skilled manpower, capital and foreign exchange—can be used to promote the objectivities of every individual, every firm, every farm, and every agency of Government both central and local. Any activity that uses resources is a proper subject of planning.

139. The important aspects of planning include physical, social, financial and economic. Physical planning deals with land use and layout, and locational, transport and design problems in both rural and urban" areas; social planning is concerned with welfare and social services, cultural development, the modification of traditional attitudes, the alleviation of social problems, self-help and community development; financial planning involves the determination of government revenues, recurrent expenditures and capital budgeting; economic planning has the task of organizing all of the nation's real and monetary resources into a concerted and co-ordinated development effort. None of these aspects of planning can be carried out without close co-ordination with the others even on apparently routine matters. The currently pressing problems of self-help schemes being initiated and promoted without co-ordination with the development plan is an example of planning failure; many municipal and even district projects are not incorporated in the development plan; and the independent solicitation of external funds by various ministries may simply reduce the total foreign aid Kenya receives. No organization can operate efficiently so long as its right hand does not know what its left hand is doing. Planning cannot be done effectively unless every important activity is accounted for and every important decision-maker involved.

140. The implementation process must be equally pervasive. That is why so much of this paper has dealt with the kinds and varieties of controls needed to make sure that plans are carried out in every sector Once controls are designed and procedures devised for administrating them, every economic decision-making unit in the country—farm, company, co-operative, local authority, ministry department, union and worker—should be aware of planning and its place in preparing and implementing plans.

141. The discipline of planning is not something to be accepted lightly or shrugged off as unnecessary. If planning itself is not to be a waste of resources, discipline must be firm and enforced. And discipline is not simply something that the Government imposes on the private sector. It is also a discipline that Government imposes on itself at every level and in every ministry. With planning, no ministry is free to act as an undisciplined, unrestricted entrepeneur promoting funds and projects to maximize the status of the ministry. Instead all must accept the discipline of planning and join in maximizing the resources available for development, determining the best use for these resources, and ensuring that resources are in fact used as planned. If DISCIPLINE is rejected, so is planning and with it—African Socialism.

Policy Considerations

142. The following policies are representative of the application of African Socialism to planning in Kenya: —

GENERAL

(1) The economic, social and political development of Kenya will be guided by and based on African Socialism as defined in this paper.

(2) Controls on use of resources will be selected and designed to promote the African tradition of mutual social responsibility in Kenya's development.

(3) Our development planning will ensure that the public

and co-operative sectors grow rapidly to embrace a large enough section of our economy to establish a socialist basis for future development.

(4) The discipline of planning is recognized by ministries and local authorities as necessary to the efficient and Co-ordinated mobilization of resources for development

(5) Planning will be extended to provinces, districts, and municipalities, so as to ensure that in each administrative unit progress towards development is made.

NATIONALIZATION

(6) Nationalization, since it does not always lead to additional resources for the economy as a whole, will be used only where the national security is threatened, higher social benefits can be obtained, or productive resources are seriously and clearly being misused, when other means of control are ineffective and financial resources permit, or where a service is vital to the people and must be provided by the Government as a part of its responsibility to the nation.

AFRICANIZATION

(7) Foreign enterprises will be informed that the aim of the Government is Africanization of the economy, and they should therefore initiate or accelerate training and apprenticeship programmes so that Africanization can be achieved rapidly in all sectors of the economy (if this policy does not secure the required co-operation, suitable legislation to enforce the policy will be considered).

(8) In promoting Africanization, citizenship guarantees as outlined in our Constitution will be recognized and maintained but without prejudice to correction of existing racial imbalances in various sectors of economy.

(9) In planning Africanization schemes, the overwhelming need for higher rates of growth will be kept in mind; thus Africanization will be pursued within the context of growth and expansion and providing Africans mainly with new assets instead of mere transfers.

(10) A system of traders' licensing will be considered to restrict certain types of trade and business to citizens With a deliberate bias, in the case of new licences, in favour of African applicants.

WELFARE SERVICES

(11) The bulk of Government development expenditure will be channelled into directly productive activities in order to establish a foundation for increased and extended welfare services in the future.

(12) Immediate steps will be taken towards family planning education, because the present high rate of population growth makes extensive and intensive provision of social services more expensive, the unemployment problem more intractable, and saving for development harder than need be—thus lowering the rate of economic growth.

(13) The National Provident Fund and National Health Insurance will be established as soon as possible.

DOMESTIC SAVING

(14) Compulsory saving is necessary for rapid growth and means to make it effective will be investigated.

(15) Instruments for voluntary saving (for example, savings bonds designed to finance home ownership or university education) will be made more varied and advertised more vigourously.

(16) Lotteries and gambling pools will be nationalized or strictly controlled by the Government in order to ensure that gains from these sources are invested in Kenya.

(17) Foreign lotteries and gambling pools will be outlawed.

(18) Banks, insurance companies and other financial institutions will be subjected to greater control, particularly with respect to investment abroad.

(19) A central bank, whether for Kenya or East Africa, will be established without delay.

(20) Businessmen in Kenya, many of whom are Asian, who have sizeable amounts of liquid assets will be encouraged to invest their savings either in their own enterprises or by making loans to such development agencies as the Industrial and Commercial Development Corporation, and the Kenya Tourist Development Corporation or to the Government itself.

TAX STRUCTURE

(21) The tax structure will be reconstructed progressively with a view to raising the levels of Government revenue, domestic savings, and private investment in the economy; while also eliminating the outflow of funds through investment in foreign countries, modifying the distribution of income and wealth, and influencing the pattern and methods of production and consumption.

(22) Direct taxation on people with extremely low incomes will be progressively abolished and the revenue sacrificed replaced by property taxes.

(23) The newly authorized Industrial Protection Committee will examine our system of industrial incentives and protection and recommend changes that will promote employment, encourage investment and eliminate excessive protection.

(24) Idle resources and undeveloped land will be taxed in ways designed to encourage efficient use and development.

SELF-HELP

(25) Self-help schemes will be planned and controlled to ensure that they are consistent with our national development plan and that the manpower and recurrent cost implications of these schemes are reasonable.

AGRICULTURE AND LAND TENURE

(26) Emphasis will be given to the development of agriculture in former African areas through land consolidation, registration of titles, development loans, co-operatives, and extension services.

(27) A working party will be established immediately to consider and recommend on forms of land tenure throughout the country.

(28) Land management legislation, including punitive measures against those who mismanage farms, misuse loans, default on loans, refuse to join major co-operative farming schemes. where these are necessary, or oppose land consolidation, will be introduced and strictly enforced.

(29) Agricultural land will not be sold to non-citizens unless approved by Government.

(30) The organization and functions of marketing boards will be re-examined with a view to consolidating their activities and modifying their functions to promote the welfare of consumers well as producers.

(31) Priority will be given to producer co-operatives in making future agricultural development loans.

CONSERVATION OF NATURAL RESOURCES

(32) Specific policies will formulated to conserve natural resources, including wild life, and the people will be fully informed of their role in conservation.

(33) Physical planning will be extended to district and rural areas and fully co-ordinated with development planning.

EDUCATION, TRAINING AND EXPERIENCE

(34) Control of education (whether general or vocational) and educational institutions (whether community or individually owned) will be vigourously enforced in order to ensure uniform standards and to relate educational development to the needs and resources of the country.

(35) The development plan for University College, Nairobi, will be fully integrated with the Development Plan for the nation and in particular the needs of the economy for high level manpower will be fully considered, university facilities will be modest in construction and efficiently utilized, and student/faculty ratios will be reasonable.

(36) Measures will be introduced for guiding students into needed lines of university education and upon completion of university work into appropriate employment.

(37) Training (in-service, on-the-job, apprenticeship, etc.) will be stepped up in all sectors of the economy in order to meet the manpower shortage the country faces and to produce people who are directly employable.

(38) A commercial training and apprenticeship programme will be devised and implemented without delay.

(39) A training school for hotel, restaurant and lodge managers and workers will be established.

(40) A co-operative school will be established to train people in the fundamentals of producing, marketing, retailing and consumer co-operatives.

(41) Because of the serious manpower shortage, qualified and suitable expatriates will be retained and more recruited when necessary, but without prejudice to the Africanization programme.

PUBLIC UTILITIES

(42) Greater control of privately operated utilities, notably of urban and cross-country surface transportation, will be undertaken, and investigation will be initiated as to whether or not bus transportation in Mombasa and Nairobi should be taken over by those local authorities.

(43) An investigation will be made of whether or not the East African Power and Lighting Company should be nationalized.

INDUSTRY, COMMERCE AND TOURISM

(44) A working party, already agreed in principle, will be set up to recommend on the functions and method of operation of the National Trading Company and on the initiation of consumer co-operatives.

(45) A State Construction Company will be established.

(46) The cost and feasibility of implementing bilateral trade and aid agreements in non-convertible currencies will be carefully considered before implementation proceeds.

(47) Measures will be investigated for controlling monopoly profits, discriminatory prices and unfair marketing practices.

(48) The staff and capital resources of the Industrial and Commercial Development Corporation will be greatly increased.

(49) Legislation for the control of rents and the prices of basic commodities will be introduced immediately.

(50) The Department of Tourism and the Tourist Development Corporation will be established without delay.

TRADE UNIONS AND EMPLOYMENT

(51) Government will assist trade unions to become involved in economic activities .such as co-operatives, housing schemes, training schemes, workers' discipline and productivity, and in general, to accept their social responsibilities.

(52) In order to avoid abuses of union power, legislation will be introduced providing for compulsory arbitration of major issues not resolved through the regular bargaining process, together with any other Measures that may be needed to prevent strikes.

(59) In the interest of economic stability and good industrial relations, one central organization for all trade unions, and another for all employers, will be established.

(54) A revision of the statutory wages machinery will be undertaken with a view to establishing a sound wages policy for the future.

(55) Government will continue, in co-operation with industry and workers, to seek short-term measures for the relief of unemployment

CONSUMERS

(56) The interests of consumers will be adequately represented in determining prices, standards of quality and quantities of production of basic commodities.

LESS DEVELOPED AREAS

(57) Every effort will be made to ensure that equal opportunities are provided for people in less developed parts of the country.

(58) In the expenditure of public development funds, the needs of less developed areas will be given special consideration.

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