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REPUBLIC OF KENYA

**SESSIONAL PAPER NO. 1 OF 1992
ON
DEVELOPMENT AND EMPLOYMENT
IN KENYA**

MARCH, 1992

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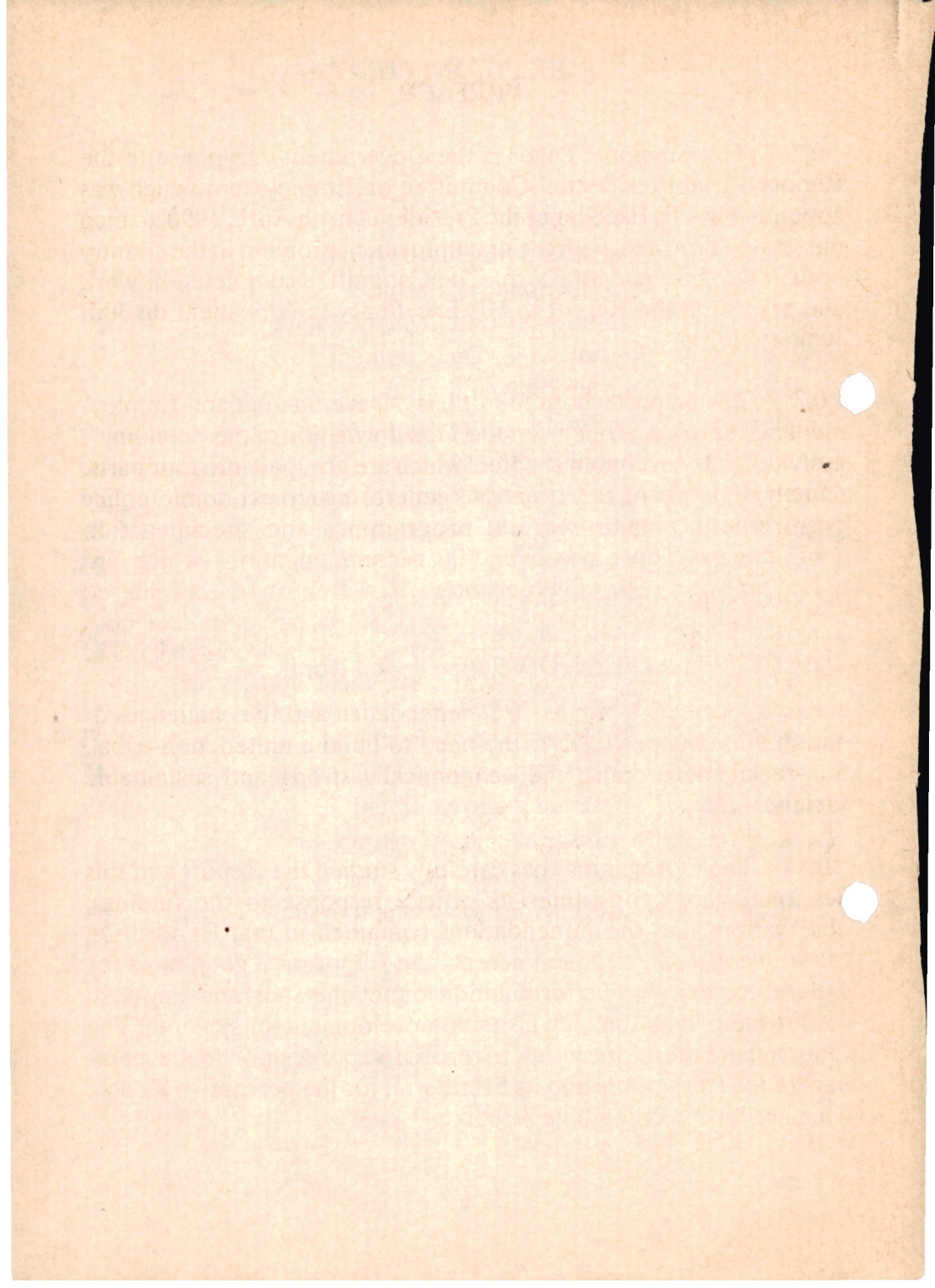
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TABLE OF CONTENTS

	Page
Preface	v
Chapter 1: Introduction	1
Chapter 2: Nature and Magnitude of the Employment Problem	3
Chapter 3: Evolution of Employment Policies	5
Chapter 4: Resources for Development and Employment	6
Chapter 5: The Enabling Environment	9
Chapter 6: Population Policy	13
Chapter 7: Agriculture and Natural Resources	15
Chapter 8: Industry and Services	20
Chapter 9: Tourism	23
Chapter 10: Education and Training	27
Chapter 11: Public Service	30
Chapter 12: District Development and Rural Works Programme	41
Chapter 13: Literacy for Development	43
Chapter 14: University Internship Programme	45
Chapter 15: Women and Development	47
Chapter 16: Privatisation and Divestiture of State Corporations	51
Chapter 17: Government Procurement System	54



PREFACE

0.1 This Sessional Paper is the Government's response to the Report of the Presidential Committee on Employment which was appointed by His Excellency the President on 4th April, 1990, to map out strategies to deal with the unemployment problem in the country both in the short and long term. The Committee completed its work and presented the Report to His Excellency the President on 30th January, 1991.

0.2 The Report whose full title is, "Development and Employment in Kenya - A Strategy for the Transformation of the Economy", is divided into seventeen chapters which are grouped into four parts, namely, analysis of the situation, general macro-economic policy requirements, major sectoral programmes and special action programmes. There are over 200 recommendations which are presented in the seventeen chapters. The Report has considered many policy changes and initiatives which would stimulate both domestic and foreign investment for increased productivity and employment generation. In its preface, the Report starts with a review of Kenya's struggle for independence and the challenges of nation building, particularly the need to build a united, non-tribal, non-racial, democratic and economically strong and sustainable society.

0.3 The Government has carefully studied the Report and this Sessional Paper constitutes its official response to the findings, observations and recommendations contained in that Report. On the whole, the Government accepts the Report as a good basis for general economic policy formulation for not only short and long term employment creation but also for development in general. The Government therefore wishes to record its appreciation to the members of the Committee and its Secretariat for the perceptive Report which reflects considerable research.

0.4 For effective follow-up and review of the implementation of the accepted recommendations of the Committee, the Government will establish a Standing Cabinet Sub-Committee under the Chairmanship of the Minister responsible for Planning and National Development. Membership to the Sub-Committee will consist of Ministers responsible for key sectors affected by the recommendations. In view of resource implications of the recommendations, the participation in the Sub-Committee of the Minister for Finance will be of critical importance.

0.5 In this Sessional Paper, the Government highlights the themes of each chapter of the Report together with the Committee's recommendations. This is then followed by the Government's response indicating where appropriate, how the accepted recommendations would be implemented. Explanation is provided in the few cases where recommendations are not accepted.

Chapter 1

INTRODUCTION

1.1 This is an overview Chapter which emphasises that employment issues are development issues and that the two should not be seen or handled in isolation. It stresses that development and hence employment generation is a task for the entire nation, and not just for the Government. In this context, the Chapter emphasises the need for mutual trust and co-operation between the private and the public sectors and the importance of an enabling environment for both local and foreign investors. Also emphasised is the need to establish some institution which can take a longer term perspective with regard to the development and evolution of the economy as well as monitoring change on a continuous basis. To this end, it is recommended that:

- (i) A Kenya Institute for Economic and Social Research be established under an Act of Parliament to undertake long range strategic planning covering both social and economic interests of the nation (para. 1.22); and,
- (ii) Targets be established for progressive reduction in the country's dependence on foreign aid and corresponding increase in economic independence (para. 1.15).

1.2 The Government welcomes the Committee's proposal to establish a Kenya Institute for Economic and Social Research to undertake long range strategic planning. The Government notes the analysis leading to the recommendation on the need to progressively reduce dependence on official foreign development assistance. However, as the country prepares for an economic take off increas-

ing resources will be required. In this connection, concerted efforts will be continued in the implementation of measures aimed at reducing both the budget deficit and the deficit in the country's balance of payments. Concerted efforts will also continue to be made to attract foreign private investors.

Chapter 2

NATURE AND MAGNITUDE OF THE EMPLOYMENT PROBLEM

2.1 The Committee notes that in the rural areas and in the informal sector, the employment problem manifests itself in the form of low and declining labour productivity and low per capita incomes. Open unemployment is high in the urban areas where it grew from 140,000 persons in 1978 to 260,000 persons in 1988 representing 16 per cent of the labour force. The groups that were mostly affected by open unemployment are the women and the youth aged 30 years and below, especially secondary school leavers. The Committee feels that university graduate unemployment is likely to be significant in the future. It is projected that there will be about 4.3 million additional members of the labour force during the next ten years and a further 5.2 million in the following decade. In light of the analysis of the nature and magnitude of the employment problem in the country, the Government accepts the following recommendations of the Committee:

- (i) In order to achieve rural household viability, education must be widely distributed, with equal access in all Districts (para. 2.20);
- (ii) Provision of utilities such as water, fuel and health services should be intensified in order to maintain rural household viability and stem rural urban migration (para. 2.21); and,
- (iii) The Government should give high priority to collecting reliable statistics on employment, household incomes and levels of living in different

sectors of the economy on a continuous basis (para. 2.23).

2.2 As it has been the policy, the Government will continue to provide equal educational opportunities for all. It will also continue to promote balanced development between urban and rural areas through the District Focus Strategy for Rural Development.

2.3 Whereas it is a stated Government intention to explore the possibility of promoting independent organisations to create mechanisms for the collection, analysis, and dissemination of development planning information, the Government does not at the moment consider it appropriate to abandon its basic responsibility for critical data management including information on the informal sector. The Government will instead strengthen its institutions to enable them to gather information more regularly in all important sectors of the economy, including the informal sector.

Chapter 3

EVOLUTION OF EMPLOYMENT POLICIES

3.1 In this chapter the Committee presents an analysis of the Government policies on employment since 1963 when the country attained political independence. The Committee acknowledges that the Government has always been concerned with providing adequate employment opportunities to the labour force. Policies relating to each of the last three decades are presented. The Committee commends Government efforts to reduce the income gap between rural and urban areas. In this connection, the Government is urged to move fast in the implementation of the programme of promoting the development of Rural Trade and Production Centres.

3.2 The Government fully agrees with the Committee's recommendation that the Ministry of Manpower Development and Employment should be strengthened appropriately to play its catalytic role effectively. Indeed since its inception in 1988, the Ministry has been able to open offices in thirty one districts. Sufficient resources will be made available to the Ministry to enable it develop a strong information base on employment trends and manpower development activities. The recently published report of the national manpower survey conducted in 1987/88 by the Ministry will facilitate national manpower planning.

Chapter 4

RESOURCES FOR DEVELOPMENT AND EMPLOYMENT

4.1 The Chapter discusses issues relating to the availability of capital resources for generating desired rates of growth in employment and output. It is noted that decisions to save or invest by the private sector can be significantly affected by policies made by the Government. National savings and investment are also affected by Government itself through its budgetary operations and the public investment programme. In this connection, macro-economic variables like domestic and foreign savings; capital formation; interest rates; exchange rates; the budget and its management are discussed.

4.2 The Government accepts the Committee's recommendation that implementation of programmes which raise productivity in agriculture and returns to investment in rural non-farm activities need to be speeded up. At the same time, other constraints which lead to low utilisation of completed facilities will be identified and dealt with (para. 4.15).

4.3 Current Government pronouncement on GDP targets are contained in Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth and the Development Plan, 1989-1993. Whereas the Sessional Paper was more ambitious and put the target at 5.6 per cent for the period 1984 to 2000, the Plan has a target of 5.4 per cent. The lower target in the Plan is based on more recent statistical evidence which shows that actual growth rates for 1988 and 1989 were much lower at 5.2 per cent and 5.0 per cent respectively due to several factors. These realities suggest that there are difficulties associated with economic target setting. The Government therefore notes the Committee's recommendation that a target be set of no less than 5.5 per cent average annual growth rate of GDP for the next two decades (para. 4.33). In this connection, appropriate

policies will be formulated and implemented to achieve target growth rates of GDP which are based on projected realities.

4.4 The Government accepts the Committee's recommendation that the nation must devise even more imaginative and stronger measures to make the Kenyan market at least as attractive as most others for foreign investment funds (para 4.39). The measures will include establishment of Export Processing Zones (EPZs) and the creation of the necessary enabling environment. Other measures will include implementation of the simplified investment approval procedure and the one-stop scheme by the Investment Promotion Centre. In addition, an appropriate investment code will be established. Government will also explore ways and means of allowing remittances of dividends on a timely basis. It is also agreed that more vigorous efforts should be made at the political, official and private business levels to advertise Kenya as an attractive investment location. This has been done in the past and it will be intensified in the future.

4.5 The Government fully endorses the Committee's recommendations on measures aimed at increasing national saving ratio from the current 17 per cent of GDP to 22 per cent. These measures include elimination of Government's dissaving through tax modernisation programme, review of user charges, divestiture of parastatals and reduction in the growth of the Civil Service. The Government will also encourage the willingness and ability to save of both households and businesses in the private sector through a package of incentives such as high and positive interest rates; development of the capital market; relaxing and eventually eliminating exchange rate control regulations; and supporting co-operatives through education of the public and co-operative management committees (para. 4.51 to 4.56).

4.6 The Government agrees with the Committee that investment should emphasize widely dispersed small scale industries and increased agricultural productivity rather than prestige projects which absorb large amounts of scarce capital while generating a small number of jobs. Programmes that would implement this policy include small scale enterprise development, informal sector financing, credit facilities for Jua Kali development by commercial banks and District Development Loans Fund for agro-business and related activities.

Chapter 5

THE ENABLING ENVIRONMENT

5.1 Maintenance of peace and stability at the political level, efficient administration of public services, a framework of economic regulations and incentives which encourage savings, investment and enterprise, and adequate physical and social infrastructural facilities constitute some of the vital elements of an enabling environment which will encourage the growth of private enterprise and help it to prosper. In this chapter, the Committee emphasises the fact that economic development of the nation is a joint venture in which all parties concerned - the Government, the private sector, the NGOs and the international community - must play their respective roles. To this end, the Committee examines the issue of working relations between the public and private sectors, stresses the need for mutual trust and effective consultation in all matters of national concern and notes that building and maintaining such relationship will call for initiative and greater efforts from all parties concerned.

5.2 Following the analysis of the various relevant issues, the Committee makes the following specific recommendations:

- (i) That there is need for continued maintenance of the political values of democracy and openness, and the preservation of unity and security. It is of utmost importance in this context to guard against evils like tribalism and absolute poverty, which if allowed to grow, may destroy peace and stability and thereby jeopardise economic progress (para. 5.07);
- (ii) That the State should properly manage public affairs especially in the design and implementation of

control regulations which affect citizens individually and collectively (para. 5.08);

- (iii) Macro-economic management of the economy must be conducive to growth of saving, investment and enterprise with special stress on control of budgetary deficits because of their central role in the generation of excess demand and imbalances in the economy (para. 5.09 and 5.11);
- (iv) That the budget deficit should be cut down progressively to an even lower figure than the current target of 2.5 per cent by the year 2000 and that in its efforts to reduce the budget deficit, the Government should concentrate primarily on reduction of expenditure which can come about through strict monitoring of budgetary allocations with a view to cutting down wasteful expenditure (para. 5.14 and 5.15);
- (v) That while opening domestic industry to competition from overseas suppliers, the possibility of dumping should be guarded against. It will also be important to ensure that the competition is fair in the sense that initial conditions are comparable (para. 5.17);
- (vi) That the State has to provide an adequate physical and social infrastructure to encourage private enterprise (para. 5.20);
- (vii) The Joint Industrial and Commercial Consultative Committee (JICCC) should be revitalised and strengthened so that it can serve as the principal

institution which will foster fruitful dialogue and co-operation between the private and the public sectors; such dialogue and consultation need to be continuous because the enabling environment is not a static concept (para. 5.22);

- (viii) The JICCC should also go into a detailed study of all existing regulations to isolate those that should be removed or modified drastically (para. 5.23); and,
- (ix) That since the JICCC will be looking into existing regulations to isolate those which should be retained from those which should be modified or removed, it is only logical to require that all new regulations proposed by the Ministries and Departments and which affect investment and commerce should be referred to it for scrutiny and recommendations; the JICCC will need substantial research assistance if it is to discharge these responsibilities in a timely and efficient manner (para. 5.24 and 5.25).

5.3 The Government agrees with the views expressed in the Committee's recommendations. Increasingly, the Government's role is expected to be the provision of an appropriate enabling environment rather than direct participation in economic activity. In order to realise these objectives, the Government is already implementing economy-wide policy measures intended to reduce the budget deficit to levels that can be sustained by foreign concessional and non-inflationary domestic financing, and rationalize the budget by limiting public sector employment and improving the quality and implementation of public sector investment programme. Implementation of these measures will be kept under constant review to ensure

sustainability and deepening of various action programmes. The Government fully concurs with the Committee's recommendations for the revitalisation and strengthening of the Joint Industrial and Commercial Consultative Committee (JICCC).

Chapter 6

POPULATION POLICY

6.1 It is indicated that the estimated size of Kenya's population in 1990 was 23 million with a growth rate of 3.5 per cent per annum. The Committee highlights the efforts and achievements that have been made by the Government and the NGOs in population management. Although provisional results of 1989 population census suggest that both the population size and growth rate are somewhat lower, it is agreed that efforts for population management should be intensified. The Government therefore endorses the Committee's recommendations that:

- (i) Adequate counselling for natural methods of family planning should also be encouraged (para. 6.10);
- (ii) Special attention be given to ways of making it easier to obtain family planning advice and supplies in rural areas (para. 6.12);
- (iii) NGOs be assisted with technical support needed to solve their management problems to enable them become more effective at the local level (para. 6.17);
- (iv) The Family Life Programme be enhanced in both pre-service and in-service teacher training. Larger quantities of improved material be made available to schools, churches and other community-based organisations as well as to parents (para. 6.22);
- (v) Abortion issue be reconsidered in un-emotional and practical terms in view of the alarming problem

of adolescent pregnancies and illegal abortions (para. 6.23); and;

- (vi) KANU should play a much larger and direct role in advancing the country's population objectives (para. 6.24).

6.2 While the Government is keenly aware that ways and means should be found to slow down the population growth rate including urging parents to have smaller families, it would however be prudent to take due cognizance of the degree of acceptability of whatever measures are proposed. In this regard, therefore, the idea of fixing the number of children to a family at 3 (para 6.14) is considered unenforceable because it is likely to cause resentment and unnecessary controversy which in turn could be counter-productive. It is felt that the present policy of leaving individual families to decide on the size of their families is achieving good results through intensified education, information and communication on the need to have smaller families.

Chapter 7

AGRICULTURE AND NATURAL RESOURCES

7.1 The Chapter examines in detail the prospects of increasing land availability and crop diversification. Issues relating to pricing policy, parastatal reform, credit and the potential contribution of forestry, fisheries and mineral resources are also discussed. The analysis in the Chapter suggests focusing on the smallholders as the major thrust of Government policy while safeguarding the environment.

7.2 In order to increase productivity and maintain or even increase labour absorption in the agricultural and related sectors, the Committee recommends that:

- (i) Selected lands suitable for forestry development be leased for commercial development of forests to private enterprises on an experimental basis (para. 7.10);
- (ii) A Water Resources Institute be established with necessary legal powers and professional capacity (para. 7.12);
- (iii) Steps be taken, as part of the literacy campaign, to teach women farmers the formalities of loan application, which is often an insurmountable barrier to women farmers' access to credit (para. 7.20 and 7.21);
- (iv) Much more research be applied to evolve farming systems that take into account peak season labour constraints (para. 7.22);

- (v) With a view to bringing more land into cultivation, the existing policy of discouraging the holding of idle land in any part of the country should be vigorously pursued. A stricter policy of recovering loan arrears would assist in this regard as far as large farms are concerned (para. 7.30);
- (vi) Urgent steps be taken to convert Bura Scheme to gravity-fed irrigation and the design of the rural electric grid takes into account the possible use of electricity in irrigation pumping (para. 7.38);
- (vii) A National Irrigation Agency, vested with the necessary authority and resources to carry out its mandate, be created to subsume the functions of the existing National Irrigation Board (NIB) as well as those of other bodies concerned with irrigation (para. 7.39);
- (viii) Kenya needs to build up stronger export promotion efforts to establish its reputation as a reliable supplier of quality fresh products and undertake greater development of industrial processing of vegetables which in addition to taking care of seasonal glut in fresh produce will also foster important agriculture and non-agriculture linkages (para. 7.48 and 7.49);
- (ix) Once a favourable price structure has been established, the further development of the oil seed industry should be left to market forces and that no parastatal should be created to oversee the oilseed industry (para. 7.54);

- (x) Efforts be made to increase rice production in Mwea and other NIB schemes; at the same time, it will be necessary to diversify rice production to other areas (para. 7.57);
- (xi) All due steps be taken to accelerate the implementation of the new Cotton Act (para. 7.62 and 7.63);
- (xii) All necessary measures be taken to revive the sisal industry (para. 7.67);
- (xiii) Modalities of the new grain marketing system should be properly planned to ensure success of liberalisation. NCPB should be given flexibility to fix regional prices as floor prices thus leaving the day to day prices to the market (para. 7.74 and 7.75);
- (xiv) Further investment by Government in the sugar industry be made only after the current plants have been rehabilitated and brought fully into operation. However, private investment in this industry should not be discouraged (para. 7.79);
- (xv) The monopoly distribution of sugar by KNTC should be discontinued, allowing the major users to purchase directly from the factories (para. 7.80);
- (xvi) There is need to open up the milk market to new entrants with particular attention being devoted to the development of rural dairies. Concerted efforts should be made to implement the use of alternative packaging systems such as plastic sachets, secured cans and bottles and that a major review should be undertaken of milk processing and distribution

costs which contribute over 30 per cent towards the retail price of milk (para. 7.82);

- (xvii) Modalities be worked out and implemented to encourage banks to seek rural outlets for funds deposited by rural savers, assist smallholders in preparing loan applications and proper use of the loans received, intensify efforts to recover past loans owed to AFC and to ensure that agricultural credit reaches the very small farmers (para. 7.85, 7.89, 7.90 and 7.91);
- (xviii) In order for the Co-operative Movement to play a major role in distributing seasonal farm credit on which the mass of small farmers depend to purchase inputs, a drastic overhaul of management of the movement is required incorporating a more effective monitoring of loans and encouragement of Co-operative Societies in the rural areas (para. 7.92);
- (xix) Urgent steps be taken for effective implementation of the policy measures contained in paragraphs 8.40 to 8.43 of the Sixth Development Plan for the effective exploitation of the fisheries industry potential (para. 7.107 to 7.109); and,
- (xx) The Mining Act of 1942 should be revised to make it more promotional in character. Higher priority should be accorded to the training of mining engineers. It is also important that increased support and encouragement be given to private prospectors including the African small-sale prospectors (para. 7.118 and 7.119).

7.3 The Committee's analysis and recommendations on the agricultural and related sectors are generally in agreement with current Government thinking and are therefore accepted. The Report's recommendations reiterate the Government's strategy on employment generation in the rural areas through the intensification and diversification of farming and related rural based activities. Concerted efforts will therefore be made to implement the recommended measures in order to increase productivity and labour absorption in the sector.

Chapter 8

INDUSTRY AND SERVICES

8.1 The Chapter discusses problems and prospects of manufacturing industries, both large and small-scale. There is some separate discussion of the informal sector, whose activities extend beyond manufacturing into repair and maintenance, trade, transport and other services. Finally, there is a brief discussion of employment prospects in the building and construction and other service sectors. The Report observes that, in recent years, the capacity of these sectors to absorb the increasing numbers entering the labour force has been declining. In order to deal with the employment problem adequately, greater dynamism should therefore be restored to these major sectors.

8.2 The poor performance of the small scale enterprises, in particular, is attributable to a number of constraints which include inadequate basic infrastructure; negative impact of past legislation and legal practices; limited access to credit; unfamiliarity with modern technologies or inability to gauge the appropriateness of different technologies; lack of access to markets; and low quality and volume of technical and business training.

8.3 In order to regain momentum for and expansion of employment in the industrial and services sectors the Committee calls for policy reforms in the identified areas and makes a wide range of recommendations. In summary it calls for:

- (i) The creation of a rational, dependable and consistently implemented framework of incentives within which industry can plan with confidence and a restructuring of the sector, the basis of which would

include a more outward oriented strategy in which the emphasis is on expansion into export markets;

- (ii) Promoting greater efficiency of the industrial sector through exposure to international competition; taking care at the same time to remove anomalies in the existing structure of incentives that discriminate against the local production of intermediate and capital goods;
- (iii) Continuing liberalisation of the economy in the areas of prices, exchange rate, interest rates and the regulatory framework in general;
- (iv) Improvement in working relations between the public sector and the private sector, in particular through strengthening the role of the Joint Industrial and Commercial Consultative Committee (JICCC); and,
- (v) A comprehensive study of housing needs in rural as well as urban areas.

8.4 The Government shares the Committee's view that measures aimed at the provision of adequate training facilities; effective and efficient distribution of goods; an effective credit scheme for informal sector entrepreneurs; market expansion in favour of small scale and Jua Kali enterprises; improved infrastructural services; improved policy and regulatory environment for small scale and Jua Kali enterprises; a strengthened JICCC; and the promotion of greater efficiency of the industrial sector in general are critical for the restoration of greater dynamism in industry and services sectors. The Government, therefore, fully agrees with the

Committee's recommendations and undertakes to implement them through the relevant Ministries.

Chapter 9

TOURISM

9.1 Tourism has become Kenya's largest single foreign exchange earner and a major and increasing source of employment. In view of the growing importance of the tourism sector, the Government accepts the Committee's recommendations that:

- (i) Budgetary allocations for the sector be raised to accord with the growing contribution of tourism to employment generation and foreign exchange earning (para. 9.14);
- (ii) Domestic tourism should be encouraged as it will help in the development and also Kenyanisation of tourist facilities in the provincial and district centres (para. 9.07);
- (iii) Fierce international competition in the industry demands a strong and imaginative promotional policy; publicity; packaging and contacts with holiday firms, travel agencies, etc. and knowledge of the market are factors of overriding importance (para. 9.10);
- (iv) Continued maintenance of peace, stability and security is critical to Kenya's image in the tourist world and its share in the total market (para. 9.11);
- (v) There is a case for the establishment of a quasi-autonomous National Tourism Board, in which all the parties involved play full part in setting up targets for growth, developing and implementing

measures, identifying constraints and ways of removing them and monitoring progress (para. 9.12);

- (vi) Present foreign exchange regulations and administration should be examined with a view to possible liberalisation (para. 9.18);
- (vii) Other coastal areas outside Mombasa should be developed as beach holiday centres; Mombasa itself with good docking facilities can play an enhanced role as a calling point for cruises and other shipping; arrangements should be made for combining such calls with over-night visits to other parts of the coastal region or further afield (para. 9.20);
- (viii) The most important way of increasing retained tourist expenditure is to move further upmarket in the sense of catering for safari holidays, either alone or in combination with beach holidays (para. 9.21);
- (ix) Maximum effort be made for urgent promotion of business and conference tourism as an opportunity to create a linkage not only with local purchases of goods and services but also in the encouragement of business links and attracting foreign direct investment. Collaboration with the Investment Promotion Centre and the Kenya Association of Manufacturers in the implementation of this approach is also recommended (para. 9.23);

- (x) Kenyatta International Conference Centre should operate purely as a commercial concern (para. 9.24);
- (xi) Ways should be found of ensuring that those who live in the arid and semi-arid areas derive greater benefit from tourism, so that the community itself is willing to impose social sanctions on individuals who contravene accepted practice (para. 9.26);
- (xii) To minimize conflict between tourism and other industries which could otherwise increase as population overspill and settlement into drier areas continues, there is need for a more effective system within Government for co-ordinating land use decisions involving different Government Ministries and Local Government (para. 9.26);
- (xiii) New tourist circuits should be developed and the necessary infrastructure to service them should be provided (para. 9.28);
- (xiv) Full support needs to be given to maintaining the quality and variety of training at Kenya Utalii College consistent with the role envisaged for the hotel and tourism sector in providing future employment in Kenya (para. 9.32); and,
- (xv) The role of the Government should essentially be the provision of the best possible climate and infrastructure for tourism development and therefore whatever controls and regulations are necessary should be exercised in a flexible manner

and with understanding for the special requirements of the tourist sector (para. 9.34 and 9.36).

9.2 The Committee's recommendations underscore the importance of information, organisation, tourism product improvement and diversification (e.g. going for the richer tourist in some areas, opening new circuits and advertising our conference facilities for conference tourism); land use policy and sharing of benefits of tourism with the local residents; wildlife conservation as a service to international community; the importance of training at all levels of the industry; infrastructural facilities, and the enabling environment for tourism. Because of the importance of the sector, the Government had already reviewed it and is in advanced stages in the process of implementing the recommendations, some in conjunction with donors where Exchequer funds are considered inadequate. For example, the Ministry of Tourism and Wildlife is in the process of restructuring in order to gear for aggressive marketing; material is being gathered for the establishment of a National Tourism Board; Wildlife related issues are being addressed by the Kenya Wildlife Service; Training for small and medium size hotel managers should start any time now under a UNDP sponsored project; Kenya Utalii College has made arrangements for expansion subject to availability of funding; and above all the proposed tourism development project, which will embrace all these aspects, is under discussion with possible financiers. A Sessional Paper on Tourism is also under preparation to articulate further on the development of the sector.

Chapter 10

EDUCATION AND TRAINING

10.1 The Committee stresses the point that resources spent on education and training are investments in economic development and in the creation of jobs. It observes that Government expenditure on education in recent years has accounted for 38 per cent of total recurrent expenditure, or 45 per cent if training is added. The high priority given to education and training is further demonstrated by the fact that the total number of those who were being educated or trained had grown beyond 6 million out of a total population of about 23 million in 1990. It is however observed that the financial burden of the growth in education and training, on the Government, cannot be sustained for long. The Committee therefore makes recommendations which mainly involve re-allocation of expenditure on education, rather than overall increase. The Government therefore accepts the following recommendations of the Committee:

- (i) The attainment of Universal Primary Education be targeted for 10 years from now (para. 10.04);
- (ii) The pupil-teacher ratio be increased from 33 to 40 for primary education (para. 10.06);
- (iii) Bursaries be administered at District level where parental financial circumstances can be better assessed than at headquarters (para. 10.06);
- (iv) Plans for expanding the technical component of the school curriculum be reassessed (para. 10.10);
- (v) Efforts be made to ensure that planned expansion of youth polytechnics is undertaken in a manner

which will promote employment in rural areas (para. 10.13);

- (vi) Efforts by voluntary organisations be encouraged to give greater assistance for the development of vocational and technical training (para. 10.15);
- (vii) The number of places available to secondary school leavers at the technical training institutes and harambee institutes of technology be substantially increased (para. 10.17);
- (viii) Training at National Polytechnics be strengthened in addition to encouraging employers to sponsor larger numbers of students (para. 10.20);
- (ix) Training under the National Industrial and Vocational Training Act be opened up to also accept Youth Polytechnic graduates who have shown exceptional aptitude (para. 10.18);
- (x) In-service training should continue to be used on an expanded scale to augment the stock of trained teachers (para. 10.21);
- (xi) For the next five years, the annual intake into the public universities be restricted to a maximum of 10,000 (para. 10.23);
- (xii) University curricula be re-examined to ensure that an ever higher proportion of all graduates have sound understanding of mathematical and scientific ideas. Resources devoted to mathematics, technology and science teaching be steadily in-

creased for all students at University level (para. 10.25);

- (xiii) The decision to establish a University Grants Commission with adequate terms of reference to enable public universities to be planning their programmes more effectively be implemented (para. 10.28); and,
- (xiv) Special efforts be made to ensure the employment of trained handicapped persons (para. 10.29).

10.2 The Government will explore further the implications and the viability of creating a Young Professionals Scheme (para 10.26). In particular, the linkages of the recommended scheme with the University Loan Scheme will be carefully reviewed to ensure that both schemes are complementary. However, careful planning is required prior to implementation.

10.3 The Committee has recommended the establishment of a mandatory University Internship Programme for all students (para. 10.27). However, past experience has shown that successful implementation of such a scheme requires thorough planning and application of enormous resources. The Government therefore considers it prudent to defer implementation of the programme until careful scheduling has been undertaken and resources have become available. The Government will therefore set up a task force co-ordinated by the Ministry of Education to review all aspects of the programme and to advise Government accordingly.

Chapter 11

PUBLIC SERVICE

11.1 The important role of the Public Service as a major instrument of the Government in the implementation and management of national development policies and programmes is recognised. It is acknowledged that the service plays a crucial role in enhancing the rate of economic growth and creation of employment. It is therefore important that the service is strengthened in all ways to ensure that public service is able to carry out its role more effectively in the challenging years ahead. For this reason the Committee has analysed important issues arising from the size and structure of the Service and their implications on the budget, supporting resources and management. The future challenges also dictate that the Civil Service must become more efficient, work more closely and harmoniously with the private sector and adopt structures that provide effective service at the grass root levels through decentralisation. These imperatives equally apply to the other branches of the Public Service such as the State Corporations and Local Authorities. The Government therefore accepts the Committee's recommendations on the Civil Service, State Corporations and Local Authorities and agrees with the Committee's views regarding the need to transform the Public Service so that it is in a position to create the necessary enabling environment for a thriving economy. The recommendations are:-

Civil Service (para. 11.05 - 11.30)

- (i) The middle levels of the Civil Service be strengthened to address the shortage of supervisory and managerial staff;

- (ii) Upward revision of the employment packages in the Civil Service should be undertaken provided greater efforts are made to ensure a more productive service;
- (iii) Appointments and promotions to key positions should be made on the basis of merit and ability;
- (iv) There should be retraining and re-orientation of managers with a view to changing their perception of the Service's responsibility which has drastically changed in nature in terms of increased diversity of the needs of the people
- (v) There should be greater formal interaction between managers in the public service and the private sector. Such interaction can take the form of involvement of the private sector in policy formulation, implementation and review;
- (vi) There should be more rigorous supervision and enforcement of the codes of discipline within the Service;
- (vii) The style of management commonly known as Management by Objectives should be encouraged;
- (viii) The imbalance in the number of women and men in the Civil Service should be reduced through increased future recruitment and accelerated promotion of women to managerial and senior administrative positions;

- (ix) Public Service should be guided by the principles of efficiency, productivity, accountability and profitability;
- (x) Senior public servants should be trained in “business management” skills;
- (xi) The Public Service should design and use instruments for measuring productivity at individual, departmental and organisational levels. In this connection, the Directorate of Personnel Management should refine and validate personnel management techniques that promote better performance appraisal and placement techniques;
- (xii) There should be a deceleration in the growth of the Public Service and some reduction in some cases; and,
- (xiii) Early retirement of public servants should be encouraged.

11.2 The Committee recommended that the flexibility for public servants to engage in trading and commercial activities be withdrawn except for farming after full disclosure and authorization by their Accounting Officers. Whereas it may be true that some public servants may compromise the “public interest” in favour of personal interest, the Government considers that it would have been more helpful if the root causes of this problem were investigated. The Government is aware that such factors as inadequate remuneration, idleness in offices due to lack of proper supervision, job dissatisfaction, etc. may be responsible for the observed problem and it is the intention of the Government to deal with these specific manifestations of the problem as they arise. The issue will be dealt with in the

Sessional Paper which is under preparation on the Mbithi Report of the Civil Service Salaries Review Committee.

Decentralisation (para. 11.23 -11.30).

11.3 The District Focus Strategy for Rural Development was formulated with a clearly defined implementation strategy and on the whole it is yielding good results. However, in view of emerging problems facing the implementation process, the Committee has made the following recommendations to further strengthen this strategy:-

- (i) The Provincial Monitoring and Evaluation Committees (PMECs), as now structured, be disbanded and replaced with a small professional evaluation and monitoring team consisting of experts in planning, information, and financial and project management under the chairmanship of the Provincial Commissioner. The restructured team should co-opt experts from the public sector, private sector or NGOs as the need arises;
- (ii) All other professionals at the provincial level should be redeployed to the districts to strengthen District teams, Local Authorities and Co-operatives;
- (iii) Each District should establish Task Forces for various development sectors; and,
- (iv) Creation of new regional development authorities be approached with caution to avoid duplication of effort and associated co-ordination problems and to ensure more economic use of scarce resources.

11.4 The Government concurs with the above set of recommendations which are meant to further strengthen the District Focus Strategy for Rural Development. In implementing the recommendation on project monitoring and evaluation, the Government will first study in greater detail the root causes of the current weaknesses of PMECs. Such diagnostic studies will pave the way for decisive steps to strengthen project monitoring and evaluation. The novel idea of forming sector specific Task Forces in order to enhance horizontal co-ordination and hence hasten development in the Districts will be implemented through the co-ordination of Provincial Administration in liaison with Ministries represented at the District level.

11.5 In order to strengthen the District Focus Strategy the Government made a decision to transfer professional officers from Provincial headquarters to the Districts. This decision has largely been implemented in respect of most ministries and the few that still maintain their presence at the provinces are in the process of doing so. However, there are exceptional ministries with departments whose operations are more economically coordinated from the Provincial headquarters. Such departments which serve more than one district include the Roads Department which carries out resealing and regravelling work on rotation basis in districts and Materials Branch which cannot be located in Districts due to inadequate workload in one District. Redeployment to Districts will therefore be considered on a case-by-case basis.

State Corporations (para. 11.31 -11.34)

11.6 The Government recognizes the need to address problems of inefficiency and drain of public resources in regular bail-outs for some State Corporations. The following recommendations of the Committee which are aimed at addressing the problems related to State Corporations management are accepted by Government:-

- (i) A review of the mandate and mission of State Corporations with a view to merging or abolishing those that are no longer needed;
- (ii) Advisory, professional and some regulatory boards should be placed under the direct control and supervision of their parent Ministries. In doing so some of the positions specially created in them could be abolished;
- (iii) An urgent programme of privatisation and divestiture as recommended in Chapter 16 should be embarked upon;
- (iv) New State Corporations should not be established before thorough feasibility studies are undertaken to justify the need and to establish viability;
- (v) In making appointments of Chairmen, Chief Executives, Directors and staff of the Corporations, technical and commercial competence and experience should be borne in mind. It is further recommended that once the Directors are appointed, they should have the required degree of autonomy in running the corporations and references to the parent ministries should be restricted to matters of policy only. In this respect, there is need to revisit the State Corporations Act (Cap.446) to give Ministries and the corporations under them the desirable decision making capability;

- (vi) State Corporations should emphasize productivity and profitability and set targets for purpose of performance evaluation; and,
- (vii) Training and human resource development is an integral part of enhancing managerial effectiveness, capability and productivity. State Corporations should, therefore, strengthen the development of their human resource management policies and strategies.

11.7 The recommendation to review the mandate and mission of State Corporations will be implemented through amendments to the State Corporations Act (cap. 446). The Committee's view that advisory, professional and some regulatory boards be placed under the direct control and supervision of their parent Ministries will be implemented on a case-by-case basis. The Government is already in the process of implementing the programme for privatisation and divestiture of State Corporations.

Local Authorities (Paras. 11.35 -11.45)

11.8 Local Authorities play an important role in designing and implementing development policies at grass root levels and serve as principal mechanisms for democratic administration at the local level. Because of problems that have faced these authorities, many commissions have been appointed in the past to make recommendations on how these authorities could improve their revenue base and management. Unfortunately, many of the recommendations have not been implemented and the problems persist. The Government therefore accepts the Committee's recommendations to address the problems of politicisation, poor management, lack of finance and poor co-ordination with Government Departments. The Ministry of Local Government will take a leading role in the im-

plementation of the recommendations. The Committee's recommendations are indicated below:-

- (i) Local Authorities should not be seen as mechanisms for politics but should be vehicles for service and development;
- (ii) The management of Local Authorities be strengthened by posting qualified officers from Headquarters (including those from Provincial Headquarters) and through regular training of personnel at all levels;
- (iii) The multiplicity of licenses should be reviewed and many of them removed so that greater use is made of the Service Charge. The Service Charge, rents and rates should become the main source of revenue for Local Authorities. The Government should take the necessary measures for ensuring that the funds collected by these Authorities from the three sources are properly spent;
- (iv) That District Task Forces be used to assist in improving co-ordination between Local Authorities, Central Government Ministries and DDCs;
- (v) The up-grading of Local Authorities and the creation of new ones should be preceded by feasibility studies to establish whether they can financially sustain themselves and their services without recourse to the Central Government.

11.9 The Committee's observation on local authorities' continued reliance on Government subsidy is not entirely correct as,

since 1983, there has been no government subsidy to local authorities except for small grants to a few needy councils. The Local Government Act provides the machinery for the Minister to appoint a Commission to consider establishment of new local authorities and up-grading of the existing ones. However, it is agreed that feasibility studies should precede the establishment of a Commission. A standing committee will be established to look at viability of all towns in order to foster renewed growth. In this connection, Ministry of Local Government will work closely with the Ministry of Planning and National Development to achieve this objective.

Non-Governmental Organisations (NGOs)

11.10 The Government accepts the recommendation that rigidity be avoided in the implementation of the Act on NGOs and there should be continuous dialogue and effective collaboration between the Government and NGOs. The Government will implement the recommendation through the Non-Governmental Organisations Co-ordination Board being established under the Non-Governmental Organisations Coordination Act, 1990.

Public Service Management (Paras. 11.47 to 11.50)

11.11 The Report stresses the need for continuous training in the Public Service and observes that the practice of regular on-the-job training does not seem to be taken seriously in the service. It observes that co-ordination of training is at best haphazard and that manpower projections do not appear to be used in guiding training policies. These problems manifest themselves in a number of ways including problems of overstaffing at lower levels and skilled manpower shortages at middle and senior levels. The Government therefore accepts the Committee's recommendations that:-

- (i) The Ministry of Manpower Development and Employment should institutionalise the process of

manpower planning, carry out and publish regular manpower surveys for the economy as a whole to enable interested parties to forecast demand for training and employment opportunities;

- (ii) Based on manpower projections, the Ministry of Manpower Development and Employment should be the focal point for policy development and accompanying strategies on human resource development. Such a policy should spell out who should train, areas of training, where training should be conducted, who should pay for the training, etc.; and,
- (iii) Greater use should be made of the National Manpower Development Committee in the expansion of management training for the economy as a whole.

11.12. The Government further accepts the Committee's recommendations aimed at improving pre-service training. The recommendations are:-

- (i) Ministries offering technical pre-service training should transfer their training responsibilities to polytechnics and the private sector;
- (ii) Cost-sharing should be encouraged with the ultimate aim of trainees meeting most of the cost of training;
- (iii) Private sector should be encouraged to offer pre-service training provided examinations and certification of such training are standardised and

conducted by recognised national examining boards such as Kenya National Examinations Council and Kenya Accountants and Secretaries National Examination Board;

- (iv) The principle and practice of assured Public Service employment on completion of pre-service training should be abolished; and,
- (v) The transformation process recommended in the Report, and particularly outward and export oriented development of production, will need employees with higher skills and learning capabilities. The private sector should therefore be made more aware of and provided with information on the increasing and valuable resource of university graduates in various disciplines.

Chapter 12

DISTRICT DEVELOPMENT AND RURAL WORKS PROGRAMME

12.1 The Committee proposes the introduction of a District Development and Rural Works Programme which is aimed at improving the physical infrastructure in rural areas to enable the small-holders and rural non-farm enterprises to market their products more easily and more profitably. The programme which will cover all districts is intended not only to promote employment but it will also be used as a broad District-based development programme, with projects chosen to support the transformation strategy recommended in the Report. Projects to be undertaken under the Programme include construction, rehabilitation and maintenance of civil engineering infrastructure; water supply and irrigation; and environmental protection and management.

12.2 The programme is estimated to cost about K 265 million over a five year period, with annual allocation of about K 53 million for all the Districts.

12.3 The Programme is meant to be labour intensive but will require a limited amount of capital equipment to assist in heavy work. The Committee recommends that the Programme be implemented through a Harambee joint arrangement involving the Government, the donor community, the private sector, NGOs and local communities. The Committee further recommends that the programme be located in the Ministry of Public Works which should establish a headquarters co-ordinating Department. For each District there will be a District Rural Works Co-ordinator with various field task forces and an equipment servicing unit working under him.

12.4 The Government accepts the recommendation to establish a District Development and Rural Works Programme as outlined by the Committee. The Programme's range of projects will also include projects that promote decent but low cost rural housing such as brick making. Efforts will be made to carefully schedule the Programme's implementation which will be dependent on successful mobilisation and availability of resources. The Government will ensure the Programme is decentralized not just to the Districts, but also to the Divisions.

12.5 The Ministry of Public Works will play the leading role in the implementation process whereas other key actors will be the Treasury in the mobilisation of required financial resources including those from the donor community, Ministries of Agriculture, Water Development, and Environment and Natural Resources in terms of technical support. The Ministry of Technical Training and Applied Technology will mobilise the Jua Kali sector to play a leading role in the maintenance of equipment, production of tools and development of small scale enterprises using the Rural Works Programme. Also, the Office of the President (Provincial Administration) and the Ministries of Planning and National Development and Manpower Development and Employment will assist with overall co-ordination, development planning, and employment matters respectively. The Government, as recommended, will establish a National Rural Works Advisory Committee which will include the above mentioned Government Ministries and representatives of NGOs and the private sector.

Chapter 13

LITERACY FOR DEVELOPMENT

13.1 Literacy is an essential element in the socio-economic development of the country and therefore, total elimination of illiteracy is recommended by the year 2000. It is estimated that in 1988 illiteracy rates were 44 per cent for males and 57 per cent for females. The Committee recommends that in order to achieve the stated goal on literacy, special general mobilisation of resources is required. Literacy campaigns should be district based and should involve every Ministry, KANU and NGOs. The programme will require increased Government funding as well as mobilisation of resources through the Harambee movement.

13.2 The Government recognizes the importance of a literate population for accelerated development of the nation. It is because of this recognition that a Department of Adult Education was established in 1978. Although the country has achieved a great deal in the area of literacy, a lot more needs to be done to eliminate illiteracy. Some of the hindrances towards the achievement of this goal are:

- (i) lack of adequate financial provisions;
- (ii) little motivation for adult education teachers;
- (iii) apathy of illiterate adults, especially male ones, in terms of their unwillingness to attend classes; and,
- (iv) lack of inter-sectoral co-operation for literacy campaign.

13.3 The recommendations made by the Committee on literacy programme are acceptable to the Government. The Government

agrees to set up a special Fund through the Harambee movement. All sectoral Ministries will be mobilized to contribute resources especially in terms of personnel and equipment to ensure that the programme succeeds as targeted. The party, KANU, will play a significant role in this mobilisation. In this connection therefore the Department of Adult Education will be expected to play a co-ordinating role. Also, in order to motivate full time adult education teachers, the Department in conjunction with the Directorate of Personnel Management will develop an attractive scheme of service for these teachers.

Chapter 14

UNIVERSITY INTERNSHIP PROGRAMME

14.1 The Committee highlights the need to have a university students' internship programme in order to create an awareness in students of the needs of the country and the part they are required to play in the fulfilment of these needs. The Committee points out the benefits of such a programme as follows:-

- (i) assist students gain self-confidence, self-reliance and maturity through real life experiences by participating in nation-building activities;
- (ii) provide opportunity for the development of technical skills through participation in development projects;
- (iii) provide the students with the opportunity to make concrete contributions to the general improvement of living conditions of Kenyans in both rural and urban areas;
- (iv) help students learn and appreciate the practical challenges of leadership through exposure to some of the nation's development challenges;
- (v) develop a spirit of service and commitment and a realisation of the potential wealth in Kenya's diversity in both ethnic composition and regional characteristics; and,
- (vi) expose students to the nation's political philosophy and its desired political direction, enhance student

discipline, capacity to analyse and solve problems through training and real life experiences.

14.2 Other features of the Programme include participation of students in the proposed District Development and Rural Works Programme, and formation of a programme management Committee (University Internship Placement Committee) with specific terms of reference. The scheme is intended to be mandatory for all university students.

14.3 The Committee's recommendations are in line with Government policy in trying to orientate university graduates with real life developmental programmes. It is therefore a welcome proposal which the Government will further explore for implementation in view of its positive implications on employment and overall economic development. The Government will therefore set up a task force coordinated by the Ministry of Education to review all aspects of the programme and to advise the Government accordingly.

Chapter 15

WOMEN AND DEVELOPMENT

15.1 The gap between opportunities for men and women has been narrowed through education and other deliberate measures instituted by the Government, other development agencies and especially women themselves, individually or in groups. Despite the significant progress already made particular issues remain which affect women's participation in the development of the country.

15.2 In order to boost women's performance, productivity, efficiency and employment opportunities the Committee, in paragraph 15.09, recommends that:-

- (i) Data collection and development of indicators be improved to facilitate development planning with specific reference to gender issues;
- (ii) The Government should ensure effective implementation of the Convention on the Elimination of All Forms of Discrimination Against Women to which it is a signatory; deliberate monitoring of such implementation should be institutionalized;
- (iii) A parallel effort to the introduction of the 8-4-4 system of education, whose emphasis on a common curriculum for male and female students is commendable, should be extended to technical training institutions to encourage girls to take up courses that give them more options and opportunities for employment;

- (iv) In view of the higher drop-out rate among girls than among boys, out-of-school education programmes are required to increase literacy among the illiterate and ensure that the drop-outs do not lapse into illiteracy. There is also a particular need to strengthen and increase the efforts of NGOs with vocational training and counselling for drop-outs;
- (v) Extension agents need to target their services more specifically at women farmers and ensure that their services conform to the multiple roles of women farmers. Home-based income-generating activities such as tailoring, food processing and conservation are particularly suited to the multiple roles of women and should be encouraged and made a major component of education for women farmers.
- (vi) While there has been increased commitment by the Government to promote opportunities for women in key managerial positions in the public sector, the private sector still lags behind. Deliberate policy is therefore needed to increase the number of opportunities for women in key positions in both private and public sectors. This should be accompanied by regular monitoring to ensure sustained interest by all parties concerned;
- (vii) Appropriate measures in water supply and availability of energy-saving jikos both of which contribute directly and indirectly to income generation by conserving women's time and energy should be undertaken with vigour;

- (viii) National women's organizations and NGOs involved in women's development should be encouraged and supported to work more efficiently and to share their experiences for increased outreach. A variety of channels should be employed to reach women including women's groups, churches, literacy classes, radio, chiefs' barazas and schools;
- (ix) The domestic service sector calls for increased attention in order to improve the health, education, working conditions, remuneration, leave and other benefits of domestic workers. Specially targeted skill enrichment opportunities should be undertaken to address the needs of this group of female employees. The efforts of the Child Welfare Society of Kenya and the Salvation Army in this area are to be commended. However, much more needs to be done and institutions like National Youth Service and home-craft centres should be involved;
- (x) There is need to address the income-generating potential of women's products, especially handicrafts, which women are able to make at home, and to devise formal strategies for marketing these products so that women are not exploited by middlemen. Co-operatives provide a possible basis for efficient and equitable marketing; and,
- (xi) In view of the fact that many women farmers remain unaware of the facilities and services offered by such specialized agencies as the Agricultural Finance Corporation, the Agricultural Development Corporation and the Co-operative Bank,

among others, it is important that these organizations adjust to the reality of the rural situation and ensure that their services reach women farmers.

15.3 Since independence, the Government has made sustained efforts to involve women fully in the development process. The Government approach has focussed on integrating women by careful design of mainstream programmes, rather than by instituting separate programmes for women. Over the medium term, the Government's priorities are to increase the productivity of women in farming and business and to continue to improve access to health and family planning service. The Committee's recommendations are generally in agreement with current Government thinking and the Government therefore accepts them for implementation. The Women's Bureau will co-ordinate the implementation of the measures suggested in these recommendations in conjunction with the institutions indicated in the Committee's Report, namely; KANU/MYWO, NGOs involved in women's development, Child Welfare Society of Kenya, Salvation Army, Ministry of Co-operative Development, AFC, ADC, Cooperative Bank and others.

Chapter 16

PRIVATISATION AND DIVESTITURE OF STATE CORPORATIONS

16.1 The direct participation of Government in productive activities in the economy was necessitated by a variety of social, economic and political objectives which included the need to decolonize the economy; promotion of development and regional balance; increasing citizen participation; promotion of Kenyan entrepreneurship; and ensuring greater public control of the economy. While the creation of parastatals, through which this participation was promoted, was perhaps appropriate soon after independence, the objectives for, and the circumstances under which many of the state enterprises were created, have since changed and the Government has had to review its continued participation in them.

16.2 The Government fully agrees with the Committee regarding the stated reasons why state participation in parastatals should now be drastically reduced. These include the existence of a larger pool of qualified manpower, availability of more indigenous entrepreneurship to permit a private sector led economy, continued managerial problems afflicting the parastatals leading to poor return to Government investment, and the need for non-tax revenue for the Government. The Government therefore accepts the Committee's recommendations that:-

- (i) Urgent action be taken to implement the agreed policy of privatisation and divestiture of State Corporations (para. 16.17);

- (ii) The process of privatisation and divestiture should start with those enterprises which are financially viable (para. 16.19);
- (iii) Regarding who should be encouraged to become owners of enterprises to be privatised, it is necessary to give general preference to Kenyans especially small savers; and such organisations as co-operatives, teachers' organisations and insurance companies. However, in some cases, larger holdings may need to be allocated to a company or a group of promoters who have the necessary financial resources to expand the business, so that the country benefits materially in terms of income and employment (para. 16.20);
- (iv) In considering the issue of the potential buyers of such enterprises, the need for Kenya to attract sufficient investment and technology from abroad should also be kept in view (para. 16.21);
- (v) The World Bank be approached to provide technical assistance for the privatisation and divestiture programme. The technical expertise needed for implementing the programme must be of very high quality and of the highest standards of integrity. The Committee recommended that the technical expertise should be located in the Ministry of Finance (para. 16.24);
- (vi) H. E. the President appoints a high powered standing committee of Kenyans with technical and other necessary abilities to guide the programme and

ensure its effective implementation (para. 16.25);
and,

- (vii) Both valuation and disposition of shares should be done in a manner which inspires public confidence and gives credibility to the entire exercise. Shares should be sold through open tenders so as to rule out insider trading (para. 16.26).

16.3 As the Committee rightly acknowledges in its Report, the Government has shown great concern about the poor performance of many parastatals and has in the past made some concrete efforts towards parastatal reform. However, the Government's past efforts in this regard have relied on firm by firm approach. In view of these circumstances, therefore, the Government has realized that what is now needed to fully implement the agreed policy of privatisation and divestiture is a comprehensive parastatal reform programme with well identified core elements and clear policy guidelines. The Government has therefore established and started the implementation of such reform programme. Many of the recommendations of the Committee on privatisation and divestiture will find place in this programme. Since parastatal reform is intended to be a continuing process, the Government will give active consideration to all the recommendations of the Committee as the programme evolves over time.

Chapter 17

GOVERNMENT PROCUREMENT SYSTEM

17.1 The Government procurement system is reviewed because it plays a critical role in supporting national development objectives. Due to the big volume and diversity of purchases, the system has to be properly co-ordinated to ensure maximum effectiveness. The Committee observes that the tender system in Government as it is presently constituted has a number of weaknesses including those relating to the membership of the tender boards, competence of technical officers servicing the boards and capacity for gathering, storing and up-dating information needed for the effective operation of a procurement system. Because of these constraints and weaknesses and the vulnerability of the system in terms of being open to abuse, the Committee has recommended the establishment of an autonomous National Procurement Agency by an Act of Parliament. The Committee further recommends that the proposed Agency should be accountable to Parliament to which it should submit annual reports. The terms of reference for the Agency are clearly stated in the Report.

17.2 Whereas it is agreed that there are weaknesses afflicting the current procurement system, the Government does not accept the Committee's recommendation for the creation of a new National Procurement Agency for the following reasons:

- (i) It is not clear from the Report how the observed weaknesses would be eliminated by the new agency. The terms of reference for the agency on their own cannot prevent scandals;
- (ii) The recommendation contradicts Government policy on decentralisation. It is not clear from the

Report how the proposed agency will work at Ministerial and District levels. Moreover, creation of the agency is likely to result in delivery delays from the centre to the periphery; and,

- (iii) Creation of a new agency implies need for additional resources which will lead to an expanded civil service and additional expenditure from the Exchequer in a situation in which austerity measures should be encouraged.

17.3 The Government instead recognizes that the human factor is at the core of the major problems which afflict the current procurement system. What is needed is the tightening of the checks and balances now in existence and recruitment of professionally qualified staff for the procurement service. The Government is already doing this and it will intensify its efforts to streamline the procurement system in this way.

