

Chapter 5

Methodology of Planning and Planning Process in Kenya The Case of The 6th Plan 1989-93

1. Background

Kenya achieved the Independence in 1963. It has a democracy with a single party political system. Geographically, Kenya is spread over 583 thousand square kilometers, about 75% of which is classified as desert, semi-desert or arid bush. Kenya's population was estimated to be 22.1 million in 1987, but its growth rate of 3.7% p.a. is considered one of the highest in the world. And yet, Kenya has achieved miraculous results in terms of the basic quality of life indicators like adult literacy, life expectancy and infant mortality. Literacy rate increased from 20% to 50%, Life Expectancy from 44 years to 58 years and the Infant Mortality Rate declined from 126 to 72 since independence. The percapita GNP in 1987 in terms of U.S. dollars was estimated at \$330. Like most of the developing countries, Kenya's economy is heavily dependent on agriculture which employs more than 70% of the total labour force and accounts for less than 30% of the domestic income. The industrial base of Kenya is considered relatively strong and diversified employing around 10% of the labour force and contributing around 18% of domestic income. Table 1 provides annual growth rates of real GDP (at 1982 prices) in the important sectors of the Kenyan economy over the years 1972 to 1987. It clearly brings out important characteristics of the Kenyan growth experience in the past.

It can be seen from the table that the rate of investment in Kenya is reasonably high at around 25% since mid-seventies. The trends moreover, clearly indicate that the foreign savings are relatively declining and the national savings are increasing over time. The gross national savings represent investments financed by households, domestic corporations and the government. Like most other countries, in Kenya too, the trend in the government sector's contribution to national saving is a serious matter of concern because it is declining since 1980 and of late has become negative.

The trend in Kenya's public debt since Independence is presented in Table 3. Since 1974, there has been a considerable increase in the government budget deficit although, of late, its growth rate is significantly reduced. Thus, during 1974 to 1978, the budget deficit increased by 25.31% per annum; during 1978 to 1982, it increased by 20.56% per annum; and during 1982 to 1987, it increased by only 5.36% per annum. In absolute terms, however, it remained as high as 6.1% of the GNP in 1987. The total public debt in Kenya has also been increasing at an alarming rate of 16.69% p.a. since independence and at 20.50% p.a. since 1974. The composition of the total public debt is also changing rapidly with the proportion of the foreign debt rising from 46% in 1978 to 76% in 1987. Thus, the foreign debt has become more than 3 times the domestic debt in Kenya. This has serious implications on the economy's debt service charges. As the table shows, the service charges on external debt as a percentage of the total exports of goods and services (excluding factor incomes) increased from 1.65% in 1964 to 18.38% in 1987. Thus, almost a fifth of the total export earnings are required to merely service the external debt in Kenya. Similarly, the ratio of external debt to the GNP has also become alarming and stood at 36% in 1987. This has become one of the most critical issues in the economic development of the Kenyan economy.

Another critical issue is of inflation. Kenya showed remarkable price stability in the initial phase of 9 years after independence. But the oil price shock of 1973 leading to the world-wide inflation forced the Kenyan economy into the spiralling inflation from 2.6% in 1972 to 9.6% in 1973, 15.3% in 1974 and 15.6% in 1975. Rate of inflation remained high around 10% between 1976 and 1981. But again second oil crisis accompanied by widening budget deficit to fight the recession forced the economy into an all-time high inflation rate of 22% in 1982. Since then, however, concerted

government efforts assisted by favourable international economic environment have significantly checked the inflationary pressure though the inflation rate is most likely to be around 10% of late. Table 4 presents percentage increases in consumer prices for the years 1983-87.

Table 4 brings out an important feature of the Kenyan inflation in recent years. Although the inflation in the Kenyan economy favoured the rich upto the year 1984-85, of late, it appears that the poor are protected from the inflation. However, the rich continue to experience lower level of inflation than the middle income group. The worst sufferer of inflation is the middle income group. The distributional impact of inflation in Kenya during the recent years is thus, ambiguous.

Another important issue in Kenya's economic development is the employment creation and wages. Tables 5 and 6 provide the information on structure of employment and changes in wage employment and real earnings over the recent years. Table 5 clearly reveals that the employment growth in Kenya has been remarkably high at 7.87% p.a. during 1984-87. The most spectacular growth of employment has taken place in the small scale enterprise (SSE) sector which has grown at the rate of 33% p.a. The slowest growing sector in terms of employment in recent years in Kenya is the private modern sector. The share of SSE in the total employment in the Kenyan economy has increased from 10.37% in 1984 to 19.35% in 1987. The shares of all other broad sectors in the total employment over the years 1984-87 have declined. In order to create employment to absorb the fast growing labour supply the policy emphasis on SSE seems to have worked in Kenya in the initial period. The labour productivity and future potential of this sector, however, raise serious concern.

The real earnings of the wage-employed in Kenya in the recent years as revealed by Table 6 do not show a very encouraging trend. If we take the inflation rate relevant to the middle income group into account (See Table 4), we find that real earnings of the workers have declined during most of the recent years in Kenya. On the other hand, a conscious interest rate policy followed by the Central Bank of Kenya ensured that the real interest rates in Kenya remained positive during the period. In real terms then, labour is becoming cheaper and capital costlier in recent years in Kenya.

Any account of Kenya's economy cannot be complete without explicit reference to its unique Harambee movement. It is a self-help movement operating concurrently with official development programmes since Independence. The movement has been responsible for mobilization of large quantities of capital resources providing for a wide variety of basic needs. The emphasis in Harambee has been more and more on social development projects like education, health, etc., rather than on economic development projects like transport and communication, agricultural ventures, etc. The Harambee projects accounted for 11.8% of Gross Fixed Capital Formation between 1965 and 1984. Table 7 provides information on the movement's progress in Kenya over 1965 to 1984. It is considered an important vehicle to decentralise planning process effectively in Kenya because the participants' contributions in the movement take the form of cash, labour, materials and professional services. All segments of the society, governments and even foreign agencies are involved in the movement.

Having described briefly the background for the Sixth Development Plan of Kenya, in the next section, the approach to the plan including the main objectives is discussed. The third section, then provides the details of the targets set along with some discussion on the methodology adopted in the Plan. The fourth and the fifth sections consider the planning process and the issues in decentralization of planning in Kenya since the major theme of the Sixth Development Plan of Kenya is "*Participation for Progress.*"

2. Approach to the 6th Plan

Kenya's Sixth Development Plan is formulated in the framework provided by the Perspective Plan for the period 1984-2000 as outlined in *Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth*. The basic development philosophy of this plan is consistent with the one contained

in *Sessional Paper No.10 of 1965 on African Socialism and Its Application to Planning in Kenya* which clearly spelt out the goals and objectives of development planning in Kenya. These goals and objectives include social justice, human dignity, freedom from want, disease and exploitation, equal opportunities for all and high and growing percapita incomes, equitably distributed. Although the broad development philosophy remains unchanged, the Sixth Plan proposes a major re-orientation of policy and priorities particularly in certain key areas as compared to the previous plans.

First of all, the Sixth Plan is based on incorporation of the structural adjustment process. The major thrust during the Sixth Plan would, therefore, be on redressing and reshaping those previous policies and strategies which emphasised: (1) import substituting industrialization, (2) concentration of more economic activities in major towns at the expense of rural areas; (3) government's role and involvement in even commercial activities where the private sector could be more efficient, and (4) development of modern wage paying sector in general and public sector in particular for generating employment.

The second important point of departure in the 6th Plan from the previous plans is the basic approach regarding the management and decision making in public affairs. The conventional centralised decision making at the headquarters in Nairobi has proved inefficient. In order to correct this situation, therefore, the Sixth Plan emphasises decentralization of the planning process on the lines suggested in the Blue Book on *District Focus for Rural Development* and the *Budget Rationalisation Programme*. Thus, decentralised planing in Kenya is adopted as a basic approach to improve efficiency in management of public affairs and utilization of manpower and capital resources.

The third distinctive aspect of the Sixth Plan in Kenya is its integrated approach to planning. The Sixth Plan, unlike its predecessors, seeks to address particular issues rather than to discuss the specific activities of individual ministries or sectors. It implies not only that a limited set of issues is addressed at a time but also that all arms of the government ensure improved communication, acceptance of common goals and cohesion of efforts in seeking to resolve these issues. Thus, such an approach entails viewing development issues inter-sectorally and is expected to facilitate on-going and timely examination of possible constraints to development and initiate steps towards overcoming such constraints. The Integrated Approach to planning also has clear methodological implications. For instance, it implies that appropriate relative price signals are given in order to induce all participants to make the desired choices, and that careful attention is given to the time-phasing of economic activities so that they follow a logical, sequential pattern. In other words, internal consistency of the production and consumption targets of different sectors over time has to be ensured in the Integrated Approach to planning. There is a feeling among the government bureaucracy that the integrated approach is not new in Kenya. It has been already applied in the District Development Planning which is based on complementarity between the ministries whose approaches are sectoral, and the districts where various sectors are brought together for rural development activities.

As we have already discussed in the previous section, the main problems before the Kenyan economy are (i) high growth of population giving rise to a rapid growth of labour force, (ii) public debt both internal and external; (iii) inflation; and (iv) low percapita income. The main objectives of the Sixth Plan are, therefore: (1) Employment creation, (2) Improved management of human and financial resources, (3) Achieving rural-urban balance in development, (4) Expansion of agricultural production so as to move toward the self-sufficiency in food production, (5) More efficient and faster industrialization, (6) Preservation and development of natural resources, and (7) Enhancement of public welfare. The Integrated Approach to planning to be followed in the Sixth Plan would imply that only these areas considered to be of primary importance to the development of Kenyan economy will be addressed by all sectors and that the Plan would not attempt to cover all the difficulties that the country is likely to encounter over the plan period.

3. Targets Set In The Plan

The process of converting broad objectives into precise goals and targets to be achieved over the plan period is a crucial step in the exercise of national planning. The way these targets are set becomes important methodologically. Usually, all the plans must ensure that different targets are: (1) internally consistent with each other; and (2) reasonably achievable or feasible given certain plausible assumptions about the behavioural responses of the economy to its most likely economic environment. In order to ensure the consistency and feasibility of various plan targets, usually one or the other type of macroeconomic model is followed. In the Sixth Plan of Kenya, a simple Harrod-Domor model provides basis for consistency framework at an aggregate level whereas the standard macroeconomic model of an economy based on simultaneous equations is used to derive disaggregated targets. The latter are, however, checked for their internal consistency by using an old (1967) Input-Output Table updated for the year 1986.¹ It is important to note here that econometric estimates of parameters based on past data are only one of the essential inputs in deriving the targets. Judgement, intuition and hopes of the planners are also inbuilt in numerous targets. It is only for this reason that the planners consider the targets set in the Sixth Plan as somewhat ambitious.

The whole target setting exercise in the Sixth Plan begins with the population and labour force growth. Population growth depends on life expectancy, total fertility rate and death rate, the most crucial parameter being the fertility rate. Currently the total fertility rate in Kenya is around 8 children which is the highest in the world. If it is assumed to remain unchanged, the growth of population in Kenya would be 4.3% p.a. other things remaining the same. However, the family planning programme in Kenya is expected to make a dent and as per the perspective plan (1984-2000), the total fertility rate in Kenya is targetted to come down to 5.6 children which would bring down the population growth rate to 3.7% p.a. In the long run, such a reduction in the population growth would save the national resources from feeding and educating the additional children, for direct investment in further growth. The Sixth Plan takes the population growth rate to be 3.7% p.a. The rate at which the living standards of the people can be improved over the plan period is considered to be 1.6% p.a. This is the most important target of the Plan. It implies the annual growth rate of 5.4% in real GDP.

Persistently high growth rate of population has implications on labour supply in the economy. Taking 40% as the labour force participation rate, the perspective plan (1984-2000) estimates that the labour supply in Kenya would be growing at the rate of 4.0% p.a. To accommodate such a huge increase in the labour supply without raising the unemployment rate is the most challenging task before the planners in Kenya. It is more so because the concept of unemployment is closely linked to the productivity. Not only that people must find jobs, but that the jobs should be sufficiently productive to yield adequate incomes. The overall target of the income growth in the economy of 5.4% p.a. implies that average productivity per worker in the Kenyan economy can increase by 1.2% if the employment has to increase by the targetted 4.2% p.a. Growth of labour productivity is attributed to improvement in the efficiency of workers, growth in the level of capital employed per worker, increased availability of land and materials and general technological progress. A moderate increase of only 1.2% p.a. in the overall labour productivity over the plan period, therefore, implies that significant shifts in the structure of economy from low productivity (traditional) sectors to high productivity (modern) sectors are ruled out. Thus, rural employment (defined as the sum of non-wage agriculture, farm and rural non-farm employment) and small-scale enterprises would play a major role in generating new employment over the plan period. This is also dictated by the overall resource constraint on the economy. It is estimated that a job in the modern sector requires approximately K£ 16,000. At that rate, even if Kenya maintains a high investment rate of 25%, it can generate only 1.4 million new jobs in next 15 years as against the total requirement of 6.5 million new jobs. On the other hand, a job on small farms or in very small-scale industry and services or in self-employment takes only a fraction of K£ 16,000 per worker required in the modern sector.

¹ The I:O Table is updated using the RAS method - a popular non-survey technique. A comprehensive revision of the I:O Table for Kenya based on the Survey data for the year 1990 is currently being carried out.

At this juncture, it is important to get some idea about the productivity of investment² in the Kenyan economy assumed by the planners. The perspective plan clearly notes that "for the past decade savings have been invested in much lower productivity uses - it has required nearly six units of new capital to produce one new unit of output - and consequently Kenya's GDP has grown at just over 4 per cent a year. Thus a fundamental task becomes evident: to accelerate Kenya's growth, it will be necessary to increase substantially the productivity of investment." In other words, the Incremental Capital Output Ratio (ICOR) in the past decade in Kenya was around 6. The planners have, however, calculated the requirement of investment resources for achieving growth target of 5.4% p.a. on the assumption of the overall ICOR of 4.3 which represents a substantial improvement in the productivity of investment in the system. In this context, it is interesting to note that the planners feel that instead of using an observed ICOR, it is better to use targeted ICORs based on judgement considering the available historical evidence. They also prefer the assumption of constant ICORs to the variable ones over the planning period. In terms of the data base on capital, estimates of the capital coefficient matrix as used in the dynamic I:O model are not available in Kenya, though the Planning Ministry does have an estimate of Fixed capital stock by sectors. It is, however, not officially published. Based on this estimate and the data from the national accounts, targeted Incremental Fixed Capital Output Ratios (IFCOR) for different sectors in the economy are worked out which are presented in Table 8 along with other targets of the Sixth Plan.

Table 8 also provides sectoral decomposition of the GDP growth targets which are derived by using the most recent statistical evidence on the demand for the sectoral outputs arising in and outside the economy. In this exercise the planners use their judgement about likely changes in the past trends, new developments and the "desired" direction of changes in demand for sectoral outputs. Once these sectoral targets of GDP growth are derived, the sectoral allocation of fixed investment is obtained by using the sectoral IFCORs. Based on the available fixed investment and a judgement about the general technical progress likely to take place in different sectors, a forecast of the growth in average labour productivity during the plan period is derived which is also presented in Table 8. Ultimately, the target growth of employment in each sector is derived by using the targeted growth of labour productivity and real GDP growth. It is important to note that during the Sixth Plan period, positive growth is projected in both labour productivity and employment in all the sectors of the Kenyan economy.

The financing of the Sixth Plan in Kenya is constrained by the structural adjustment programme. The resources for the Plan are expected to be raised from (1) the domestic savings from the private sector and the government sector, and (2) foreign savings. The private sector saving includes savings from the household sector and the private corporate sector. The government sector saving is basically the excess of current revenues over current expenditure of the government. The foreign saving is the excess of the imports of goods and non-factor services over their exports. Table 9 presents the projections/targets of the plan finances.

It is clear from the table that the structure of resources raised for the Plan is expected to undergo substantial changes which are consistent with the structural adjustment programme. The foreign savings as a proportion would be declining largely on account of reduced imports. The imports are expected to increase by 5% and exports by 5.8% in volume during the plan period. The domestic saving rate is expected to rise over the Plan period again on account of increased government savings which are expected to be brought about by increased current revenue through improved tax collection coupled with increased taxes, and decreased government expenditures as proportion to the GDP at market prices. Obviously, higher taxes would reduce private sector's savings which is again reflected in the calculations. The public consumption shows a relative decline which largely accounts for the relative decline in overall consumption. The overall investment rate is assumed to remain more or less constant over the Plan period. It is important to note that these targets along with the physical targets

² Gross investment is obtained by adding changes in stocks (inventory) to Gross Fixed Capital Formation (GFCF) which represents investment in new physical assets including replacement in worn out plant and equipment.

discussed earlier provide the basic policy framework within which the government should formulate and implement policies to regulate and control the economic activities. The rest of the Plan usually provides specific suggestions and guidelines for the details of such policies and projects/programmes/schemes.

4. Planning Process In Kenya

Kenya's Planning Manual was prepared in the 1970's. It is a comprehensive document describing the administrative structure, job specification of different officers, plan formulation and implementation procedures, etc. The Manual is not updated so far, but the Blue Book on *District Focus For Rural Development* (1987) contains substantial revisions and modifications in the planning process of Kenya and they are all accepted and implemented by the government. The planning process as it exists now in Kenya could be conveniently outlined by considering the following five elements: a) sessional papers; b) five year development plan; c) annual plan; d) district plan; and e) planning by external agencies.

The government prepares detailed reports from time to time involving outside consultants on either specific issue or sectors. These are called Sessional Papers. They are ad hoc and occasional in nature. Usually when a problem becomes more persistent or an issue becomes very pressing, the government asks for a Sessional Paper on that issue or sector. In the past several such Sessional Papers are prepared on employment, education, health, housing, public sector investment, etc. These papers basically lay the economic and political framework to tackle the problem in the long term perspective. In short, they serve the same purpose as a perspective plan. In the case of the Sixth Plan in Kenya, Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth provided comprehensive policy framework like a perspective plan upto the period 2000 A.D.

The formulation of the five year development plan begins during the fourth year of the implementation of the previous plan by a review of the situation organised by the Ministry of Planning and National Development (MPND). Discussions with the Ministry of Finance are held and a joint cabinet memorandum is prepared which is like an 'approach paper' to the next plan. It contains (i) chosen theme of the plan, (ii) key development priorities; and (iii) strategy for the plan. This is, then, communicated to different ministries who, in turn, start preparing proposals for programme of actions and submit them to the MPND which coordinate all these papers in the sense that it holds discussions and suggests modifications in their proposals. This takes about a year and a half. When the programme of action is finalised, it is taken to the Cabinet for final approval. It is also simultaneously sent to all Institutions, Ministries, Parastatals, etc., involved in the Plan implementation.

The annual plan, usually tied to the annual budget is a very important instrument in the planning process in Kenya. The Five Year Plan gets implemented through the Annual Plans. The budget is presented in the month of June. Three months before, the Finance Minister sets up a Budget Steering Committee which goes into the projections on revenue and expenditures including expected loans, grants from abroad, bilateral agreements, etc. It also reviews the past year's international and domestic economic environment and speculates about the future through the Economic Survey, generally brought out by May every year. While preparing the Survey, the committee also invites papers on special topics if required.

The most critical element of the Kenyan planning process where the Sixth Plan has introduced significant modifications is the district plan. Effective decentralisation of the planning process can be achieved only by strengthening this particular element. In Kenya, Province is not a planning unit. It is only an administrative unit. District is the next unit of planning and hence at the district level also the five year plan is prepared. Different departmental heads at the district levels are involved in the preparation of these plans. All these activities are closely coordinated and monitored by MPND. For every district, the draft plan is edited and approved by MPND only. These plans do not go to the Cabinet for approval. The plan has two components: a) National Component and b) District

Component. The Planning Manual does not draw any clear demarkation of activities into the national and district levels. Generally, they are decided and operated by mutual consent.

Lastly, external agencies have important role to play in the planning process in Kenya. There are again two broad categories here: a) Bilateral agreements on big projects like electricity system or transport network, etc. In such bilateral agreements, the country which funds the project in Kenya (like France or Germany) generally get their experts/consultants to plan for the activity and implement it with the available funds. b) Multilateral aid giving agencies like UNICEF, World Bank, ILO, UNDP, UNIDO, WHO, etc. These agencies also help the country with planning, monitoring and implementation. Different agencies usually have their own methods of working. However, by and large, they identify problem areas, look into the existing government programmes in these areas, identify projects/schemes/programmes which are agreed upon by the government and then they collaborate by providing required proportion of resources. Some of these agencies also provide specific help for specific issues/problems. The way these agencies are operating in Kenya, one may get a feeling that a part of the planning and priority fixing in the Kenyan Plan is not done in Kenya but at the headquarters of these agencies outside Kenya. It is perhaps for such reasons that it is explicitly mentioned in the Budget Rationalisation Programme to review the resources committed in the external agencies projects and programmes in Kenya.

Having outlined briefly the main elements of the planning process it would be interesting to examine the details of the decentralisation of planning implemented in Kenya. As we have already seen, the annual budget and the district plans are the critical elements here. Decentralisation in Kenya means shifting of the responsibility for planning and implementing rural development from the headquarters of the ministries to the district. It is based on the principle of a complementary relationship between the ministries with their sectoral approach to development and the district with their integrated approach to addressing local needs. Responsibility for the operational aspects of district-specific³ development projects has been delegated to the districts. The districts, however, do not have any powers to formulate their own policies. All policies are still formulated only at the central level. Responsibility for general policy and planning of multi-district and national programmes remains with the ministries. *The basic objective of such a decentralization of planning in Kenya is to broaden the base of rural development and encourage local initiative in order to improve problem identification, resource mobilisation, and project design and implementation.*

District Development Committee (DDC) headed by the District Commissioner (DC) in each district is an important instrument to decentralise planning effectively. It is responsible for rural development planning and coordination, project implementation, management of financial and other resources, overseeing local procurement of goods and services, management of personnel and provision of public information. The following are the distinct administrative levels in Kenya: a) Nation b) Province c) District d) Division e) Location f) Sub-location. Sub-location consists of a group of villages and settlements. At each level below district, there is a development committee whose membership includes local level leaders, local councillors, government officials (departmental chiefs and assistant chiefs) and representatives from parastatals, schools and non-governmental organisations (NGO). The chairman of such committees are senior government officials at respective levels. The DDC has members of the parliament from the district as members and elected members from the District Council along with representatives from NGOs and district departmental heads from the district bureaucracy. District Development Officer (DDO) is the secretary of DDC. This committee is responsible for preparing: (a) 5 year District Development Plan and (b) the annual Annex to that plan. It is responsible for planning and coordination of all district-specific projects sponsored by government, foreign donors, local authorities, Harambee efforts, parastatal organisations and NGOs.

³ Projects and local components of the larger programmes that are intended to serve a full or part of a district are considered district specific, e.g. a village water system, a rural access road, a rural health centre, etc. A provincial hospital or university, although located in one district, is intended to serve a much broader population and hence would not be considered district-specific.

It must also identify financing for proposed projects, ensure that the funds have been committed, and coordinate timely provision of the funds. Since funds are limited, the DDC has to set priorities for their use. Unlike the past Plans which tended to be the unconstrained lists of all projects wanted in the district-popularly called "shopping list approach" - the DDC must now assess the local development potential, needs and priorities.

The entire process of prioritising projects is an interesting aspect of the decentralisation of planning in Kenya. Since the district plan emanates from below, project identification takes place by considering a detailed area profile (resource map) and potentials, issues, problems and constraints in each of the sectors. Based on the broad evaluation guidelines and indicative limits on financial resources, priorities among different projects/programmes are derived within each sector. Priority ranking with location and all other relevant details of the projects are decided right from the sub-local level by the development committee at that level.⁴ Thus, these are supposed to reflect people's choices in the district. The administrative hierarchy is converted into its development linkage roles. However, it is important to note that the projects/programmes are finally prioritized at the District Level although they have to be screened at lower levels. Thus, the technical skills required at the district level are much higher. It is for this reason that DDC is aided by District Executive Committee which is served by District Planning Unit consisting of DDO, District Statistical Officers, Economists, Programme Officers, Physical Planners and assistants. District Information and Documentation Centre (DIDC) serves as an information arm for DPU. The District Executive Committee (DEC) consists of only technocrats from the government bureaucracy and headed again by the DC. In DEC, no political representation is allowed. DEC serves DDC in technical matters of prioritising projects after evaluating them. Since the chairman of DEC and DDC is the same, it is expected that the priorities set by DEC would not be substantially altered by DDC. A strong DC may achieve this, but not all can. Finally, it is interesting to note that while detailed exercises of prioritising projects by location and sectors are carried out, the national annual plan publication provides only broad financial allocation by sectors.⁵ This is done deliberately to avoid the expectations and speculations of political nature leading to unnecessary controversies.

In order to decentralise economic planning meaningfully, districts have to be fully involved in every stage of the government budgetary process. There are well defined procedures for this purpose which have to be complied with by the ministries and the district administration. The ministries prepare their budget estimates in Kenya in three phases (a) a Programme Review and Forward Budget for next 3 to 5 years is prepared during August and September every year; (b) Revised Estimates for the current financial year are prepared during October and November; and (c) Draft Annual Estimates for the next financial year are prepared during January and February. All these estimates are reviewed by the Treasury. Chart 1 summarises the steps and the timetable of the Kenyan budgetary process.

The crucial concept in this otherwise self-explanatory chart is the "district ceiling." These are provided to the district level officials by different ministries after carefully considering the District Development Plans and the Annexes of previous years. The term "District Ceilings" is used to denote several estimates e.g. (i) the amount of money which the district can allocate to specific projects; (ii) the sum of committed allocations for various specific ongoing or incomplete projects; (iii) allocated and unallocated funds; (iv) ceiling for the recurrent expenditure by budget head and item; etc. The ministries must also provide the districts with a statement of national and sectoral policies that guide ministry priority and budget expenditures. It should, moreover, incorporate district views based on the district development strategies and priorities as given in the district plans. Pre-existing project commitments should also be listed for the districts since they are included in the "district ceilings."

⁴ These committees are chaired by government officials. Generally, for the location and sub-location levels, university graduates are not available but for division, district and province levels, only graduates are taken.

⁵ Of late, the Five Year Plans, e.g. Sixth Plan, discuss only issues and problems of development with appropriate strategy and policy framework without going into the details of specific projects or financial allocations.

Chart 1 : Annual Budget Cycle

DISTRICTS

Identification
of Projects

Prepare Annual
Annex

Receive District
Forward Budget
Allocations/Prepare
Comments and
Recommendations

early February

Implementation Begins

MINISTRIES

Prepare District
Forward Budget Ceilings

early July

August 15th

Prepare Forward
Budget

September 30th

Receive Approved
Forward Budget/Prepare
District Disaggregations

early January

Prepare Draft
Annual Estimates

Draft Estimates to
Parliament

TREASURY

Treasury Review
and Approval of
Forward Budget

December 15th

February 28th

Treasury Review
of Draft Estimates

early June

The Kenyan planning process discussed so far indicates existence of two distinct flows: a) Top-down; b) Bottom-up. The top-down flows are in the form of district ceilings from different ministries/sectors which are financial. The bottom-up flows, on the contrary, are in the form of prioritised set of district-specific projects/programmes which are physical in nature. This entire process, however, leaves the sectoral allocations to be decided at the national level. To that extent, the Kenyan model provides the example of decentralised sectoral plans. The weak link in the whole process is the allocation of resources between the national component and the district component. One feels that decision about it remains somewhat arbitrary. The interdistrict allocations of the ceilings, however, are based on some objective criteria like population, development potentials, needs of the area, foreign agencies/donors' integrated programmes, etc.

5. Issues In Decentralisation of Planning

The process of decentralising planning in Kenya began during the Fifth Development Plan and progressed considerably during the Sixth Plan. Some experience of the decentralisation is already available which has also brought out some issues. These issues can be broadly classified into the following categories⁶: i) Statistical Development, ii) Qualified Personnel, iii) People's Participation, iv) Autonomy at lower levels and v) Political Interference.

i) *Statistical Development*: In any effort to decentralise decision making, the level of statistical development and sophistication plays very crucial role. Important relevant statistical data, if not available readily, regularly, and of reliable quality at the required level of disaggregation, the whole exercise of decentralising decision making at the district level or below can turn out to be counterproductive and inefficient. This problem was recognised early in Kenya and consequently, the District Information and Documentation Centre (DIDC) was proposed to be created as a component of the DEC. It is supposed to take care of the problem of creating the required data base for efficient decision making at the district level. In 18 out of 41 districts, the centre is already operational. The rest of the districts are also proposed to be covered gradually. Moreover, a massive projects on computerisation of infrastructural data on 12 items at locational and sub-locational level in each district is carried out currently. This information is proposed to be up-dated annually. The data are put on computers at MPND. It is, therefore, possible to incorporate additional data on annual basis as well as on additional variables if needed without any major costs.

ii) *Qualified Personnel*: The personnel quality is one of the main issues in successful implementation of decentralised decision making in most of the developing countries. As we have already seen, upto divisional level, the country must be capable of having well-qualified professionals who can formulate projects and evaluate them meaningfully relating them to the national and regional priorities and policies. A training programme on massive scale is needed for the purpose. Fortunately, UNICEF is providing substantial assistance on their ambitious project on Capacity Building at District Level wherein they identify the weaknesses and gaps in the currently available expertise at different regional levels, design appropriate curriculums and provide training to the selected personnel.

iii) *People's Participation*: The Kenyan model as discussed above appears very impressive in terms of people's participation in the planning process. However, there are some problems. The development committees at different levels like sub-location, location, division and district are made up of members, a large number of whom are appointed and not elected popularly. The people's input in the planning process is, therefore, limited to the perception and notions of a few persons not necessarily representing the desire/need of the people of the region. In fact, the prioritisation of the projects takes place only at DEC which is consisting of technocrats from the government bureaucracy. Thus, the plan at the district represents at best the government officials' views modified somewhat by a few selected persons from the region concerned. Meeting of people is not called at any level to

⁶ Kenyan model, decentralisation of planning does not pose any serious problems of ensuring internal consistency though in models of some other countries, it becomes a serious issue.

identify or prioritise project. The people's participation, however, is ensured in Kenya through what is known as Harambee movement. The spirit of this movement is self-help. Community projects where the community participation through required resources in terms of any one or more of labour, land, material or money comes forward are taken up by committing additional resources from either the government or foreign agencies under the Harambee Movement. In this way, people's participation is ensured in project identification and implementation but not necessarily in its formulation. For decentralised decision making, people's participation at the plan formulation stage is more crucial.

iv) *Autonomy*: Decentralisation becomes effective only if certain powers are devolved from the centre (Ministries) to the district and lower levels. These powers usually refer to the ones relating finance. In Kenya, since all policies are formulated only at the national level, the lower levels lack autonomy in this respect. The raising of financial resources is also confined to the centre and is not effectively devolved at the lower regional levels. Districts get their allotments in different sectors based on some criteria which are not necessarily perfect and fully objective. Since districts have to depend substantially on the centre for their resources, the practice of decentralized planning remains partial. In terms of the powers to approve projects and programmes, the DEC can give technical approval and authorise implementation of projects normally less than about K.Sh. 5.00 million. For any bigger projects, the technical approval (sanction) is given by the respective ministry headquarter at the centre. Moreover, in the case of such big projects, the centre also monitors the project. To this extent, then, even the district-specific component of the plan is not fully decentralised in Kenya.

v) *Political Interference*: This remains a very critical issue in any country's efforts to decentralise planning. Kenya is no exception. Eventhough Kenya has a single party democracy, the political interference remains a major problem. It invariably arises out of the uncertainties of political nature making the politicians feel insecure. In a multiparty democracy system, the uncertainties are of two types: (a) the party remaining in power and (b) the politician remaining in power/position. On account of a single party system, the first type of uncertainty along with several other complications arising out of sheer ideological clashes are avoided in Kenya, but the second type of uncertainty still remains. The politicians, ministers and permanent secretaries - are not all that permanent! They may be transferred from one position to another or from one portfolio to another. They therefore, try to push the projects/programmes benefitting them and their constituencies. Many a times, then it becomes difficult to rationalise the budget. Purely objective criteria for allocation of budgets are also not accepted largely for such reasons. It is, however, felt that the Minister's district might get a higher allocation once or twice but cannot continue to get favoured treatment over time. In other words, political interferences may distort planning but not considerably. Even the government bureaucracy holds the inside view of having as much specification as possible with the help of objective criteria and weights and then leaving the final decision to the politicians. This way, there are less chances of serious distortions.

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<i>Table 1</i>					
Growth Rates of Real Gross Domestic Product (GDP) at Constant 1982 Prices in Kenya					
<i>(in %)</i>					
Year	Agriculture	Manufacture	Government Services	Others	Total GDP
1972	7.6	7.3	12.8	3.6	6.8
1973	4.4	14.4	6.3	1.0	4.1
1974	-0.2	5.9	6.8	4.0	3.1
1975	4.6	4.0	8.5	-0.01	3.1
1976	3.7	14.0	5.1	2.0	4.2
1977	9.5	16.0	5.1	6.1	8.2
1978	8.9	12.5	6.4	8.4	7.9
1979	-0.3	7.6	7.1	7.7	5.0
1980	0.9	5.2	5.6	5.2	3.9
1981	6.1	3.6	5.3	6.9	6.0
1982	11.2	2.2	3.8	1.4	4.8
1983	1.6	4.5	4.2	1.5	2.3
1984	-3.9	4.3	2.9	2.7	0.8
1985	3.7	4.5	4.2	1.5	4.8
1986	4.9	5.8	6.3	5.4	5.5
1987	3.8	5.7	5.7	4.9	4.8

<i>Table 2</i>					
Investment and Savings in Kenya, 1965-87					
Per cent of GNP (current prices)	1965-69	1970-74	1975-79	1980-84	1985-87
Gross Investment*	19.7	25.4	24.5	25.3	23.5
Foreign Saving	3.2	7.5	7.0	7.0	5.2
Gross National Saving	16.5	17.9	17.5	18.3	18.3

* Calculated as percentage of total investment to total GNP.

<i>Table 3</i>						
Outstanding Public Debt in Kenya for Selected Years, 1964-87						
	1964	1972	1974	1978	1982	1987
Government Budget Overall Deficit* (K£ Mn)	-9.2	49.80	57.30	141.30	298.50	387.60
Debt:(K£ Mn)						
Domestic	17.99	88.54	129.13	283.57	454.20	716.93
Foreign	68.12	105.76	136.34	242.26	859.31	280.65
Total	86.11	194.30	265.47	525.83	1313.60	2997.58
Debt Service Charges:(K£ Mn)						
Domestic	3.24	9.47	9.40	29.45	77.21	206.38
Foreign	1.97	7.23	8.64	31.17	102.58	257.38
Total	5.21	16.70	18.04	60.62	184.79	463.76
GNP (K£ Mn)	348.87	731.28	1016.04	2049.81	3363.88	6363.21
Exports of Goods and Services** (K£ Mn)	119.70	200.11	357.20	593.10	877.6	1400.44
Ratio of Service Charges on External Debt to Exports of Goods and Services(%)**	1.65	3.61	2.42	5.25	11.69	18.38
External Debt Ratio to GNP(%)	19.50	14.50	13.40	12.40	25.50	35.80
* Calendar year totals, derived by averaging two financial years						
** Excludes factor incomes.						

<i>Table 4</i>				
Percentage Increases in Nairobi Consumer Prices, 1984/83-1987/86				
Income Group	1984/83	1985/84	1986/85	1987/86
Lower Income Index	10.3	13.0	4.0	5.7
Middle Income Index	8.9	11.1	7.7	8.3
Upper Income Index	8.0	8.0	5.3	7.8
Average Increases	9.1	10.7	5.7	7.1

Persons Engaged, 1984-87 (Thousands)						
	1984	1985	1986	1987	% Change 1984/1987	
					Total	Per Annum
Wage Employees						
Modern Sector						
- Private	577.9	599.8	620.7	638.1	10.4	3.36
- Public	541.5	574.6	599.8	624.6	15.3	4.87
Self-employed	32.4	33.1	35.4	38.1	17.6	5.55
Small-scale Enterprises	133.3	254.5	281.0	312.1	134.1	32.79
Total	1285.1	1462.0	1536.9	1612.9	25.5	7.87

Changes in Wage Employment, Prices and Real Earnings in Kenya, 1984-87 (Percentages)				
	1984	1985	1986	1987
Wage Employment	2.4	4.9	3.9	3.5
Average Earnings (Current Prices)	9.5	9.3	8.8	7.1
Consumer Price Index*	9.1	10.7	5.7	7.1
Real Earnings	0.4	-1.3	2.9	0.0

* Percentage increases are derived from a composite index of lower, middle and upper income indices calculated as an average of the indices. See [Table 4](#).

Progress of Harambee Movement in Kenya, 1965-84			
Item	Unit	1965-69	1980-84
1) Proportion of Harambee contributions on	in %	64	86
a) Social Development Projects	in %	36	14
b) Economic Development Projects			
2) Average Percapita Cash Contributions	K.Sh.	6.42	8.46
3) Number of Completed Projects	No.	6,711	14,028
4) Ratio of Project Completion to Project Starts	in %	35.6	80.4
5) Annual Harambee Capital Formation	K£ Mn	1.2	21.9

Table 8								
Sectoral Targets in the Sixth Plan (1989-93) Kenya								
(in %)								
Sectors	Annual Growth in				IFCO R	Percentage Share In		
	Real GDP		Employment	Lab. Prod.		Total Fixed Inv.	Real GDP	Employment
	1983-88	1988-93	1988-93	1988-93		1989-93	1988	1988
1	2	3	4	5	6	7	8	9
I. Monetary Economy	4.2	5.5	4.10	1.34	-	90.75	94.78	15.98
1)Agriculture	2.5	4.5	2.39	2.06	0.92	8.54	27.45	2.82
2)Forestry	6.9	8.0	4.75	3.10	0.42	0.17	0.86	0.27
3)Fishing	7.4	7.0	4.56	2.33	0.67	0.12	0.42	neg.
4)Mining & Quarry	8.0	8.0	6.62	1.29	5.35	0.88	0.27	0.07
5)Manufacturing	5.2	6.4	3.56	2.74	1.80	13.28	13.11	2.11
6)Building & Construction	1.1	4.5	3.22	1.24	4.25	6.05	2.89	0.72
7)Electricity & Water	6.0	7.0	5.83	1.11	6.90	5.19	1.77	0.25
8)Trade, Restaurants & Hotels	7.2	7.0	5.42	1.50	0.70	4.62	11.63	1.29
9)Transport, Storage & Communication	3.4	5.7	3.32	2.30	6.00	16.39	6.11	0.73
10)Finance & Insurance	4.8	5.4	3.86	1.48	0.77	1.97	7.19	0.73
11)Ownership of Dwellings	1.0	3.4	-	-	8.32	7.88	3.42	-
12)Other Services	7.6	8.2	6.60	1.50	6.00	8.19	2.73	2.73
13)Domestic Services	8.2	8.4	5.55	2.70	-	-	1.50	0.83
14)Government Services	5.0	5.0	2.94	2.00	3.36	17.46	15.43	3.44
II. Traditional Economy	4.0	3.6	4.27	(-)0.67	-	9.25	5.22	84.02
Rural Employment	-	-	3.8	NA	-	-	-	78.21
Urban Informal Employment	-	-	10.6	NA	-	-	-	5.32
Self-employment & Unpaid Family Workers	-	-	8.3	NA	-	-	-	0.49
III. Total Economy	4.2	5.4	4.2	1.2	3.64	100.00	100.00	100.00

<i>Table 9</i>			
Resources for the Sixth Plan (1989-93), Kenya			
(in % of GDP at M.P.)			
	Actual	Proposed	
	1987	1989	1993
1) GDP at Factor cost	86.21	86.21	86.21
2) Net Indirect Taxes	13.79	13.79	13.79
3) GDP at Market Prices	100.00	100.00	100.00
4) Imports	26.22	25.59	23.94
5) Exports	21.17	22.16	21.53
6) Foreign Saving	5.05	3.43	2.41
7) Domestic Saving	19.92	19.77	21.00
a) Private Sector	21.48	22.77	20.70
b) Government Sector	(-)1.56	(-)3.00	0.30
(i) Current Revenue	24.66	22.90	24.00
(ii) Current Expenditure	26.22	25.90	23.70
8) Total Gross Investment	24.97	23.20	23.41
a) Fixed Investment	20.18	19.68	19.88
b) Change in Stocks	4.79	3.52	3.53
9) Total Consumption	80.08	80.23	79.00
a) Public Consumption	19.39	17.78	16.83
b) Private Consumption	60.69	62.45	62.17