# RURAL DEVELOPMENT POLICIES IN KENYA: A DESCRIPTIVE ANALYSIS OVER 1970-2001 PERIOD

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## ABSTRACT

The rural sector is a major factor in Kenya's productive sectors referred to in the Statistical Abstracts as 'Economic Services'. The sector experienced a declining trend in performance reflected in rapid rise in the incidence of rural poverty. The objective of the study is to provide a critical analysis of the extent of the effectiveness of implementation of rural development policies in Kenya focusing on the decentralization process over a period of 32 years between 1970 and 2001. The study distinguishes two Phases (periods) of rural development each covering 16 years, the Phase I or the Introductory Rural Decentralization period over the 1970-1985 during which Kenya's economy was mainly a state-controlled economy and the Phase II or the Full Rural Decentralization period over the 1986-2001during which the economy was more market-oriented. The commitment of the Government to rural development is compared between the two Phases both in terms of policies and budget allocations as well as between the rural economy and the manufacturing sector. The methodology employed in the study is desk-based using secondary data and descriptive analysis method to achieve its objectives. One of the key findings of the study is that rural development policies pursued during Phase II were more pro-manufacturing sector development at the expense of the rural sector. Another key finding is that the commitment of the Government to the rural sector in terms of budget allocations and policies was weakening over time more drastically during Phase II. These findings can be important in formulating policies and strategies for refocusing attention to rural sector development.

**Keywords:** Rural development policies, rural decentralization, rural economy, rural urban balance.

## INTRODUCTTION

### Kenya's rural economy

The rural economy comprise agriculture as the key enterprise engaging more than 75 per cent of Kenya's total population, and five other enterprises including the traditional economy, ownership of rural dwellings, fishing, forestry, and mining and quarrying. The five enterprises together with the small-scale and micro enterprises in agro-processing, trading and manufacturing make up the non-farm part of the rural economy. More than 60 per cent of Kenya's population is rural. Rural Kenya is the major employer of labour force, provider of the bulk of forex earnings, and contributor to gross domestic product (GDP) at more than 30 per cent of the total. Republic of Kenya [RoK] (2002) indicate that the performance of Kenya's rural economy is on the decline. The incidence of rural poverty increased from 48 per cent in 1992 to 53 per cent in 1997 and 56 per cent in 2002. More than 87 per cent of Kenya's poor households live in rural areas and are increasingly being unable to meet their basic food needs.

**Policy for rural development**

Soon after independence in 1963, Kenya adopted the policy of rural decentralization as a fundamental policy for rural development. The thrust of the policy is achievement in rural balance development as well as improvement and sustenance of the livelihood of the rural household. In the light of this, rural development would become a prime mover that would enhance transformation of Kenya's rural economy enabling the rural society, among other things, to achieve better living conditions from increased productivity, improved transportation facilities and new market opportunities, to promote social system close to the people based on their perceived needs and requirements as well as to stimulate growth of the national economy and ensure sustainable development. Eight rural programmes were formulated focusing on health; rural access roads with emphasis on secondary, minor and agricultural feeder roads; primary education; rural water; housing programme for the improvement of rural housing as a major source of non-agricultural economic activity in rural areas; rural growth centres designated as foci for trade, social services and communications to ensure an orderly course of development in all rural areas; rural works program for creating rural employment; and rural development fund program as an important source of funding of district specific projects.

Full decentralization took effect in the 1980s when Kenya embraced major strategies for rural development including the District Focus Strategy (DFS) which made the district the operational center for rural development in 1983 and the Rural-Urban Balance Strategy (RUBS) in 1986 as well as the Integrated Strategy to rural development planning in 1990s. The integrated approach to planning emphasized effective implementation of both the district focus and rural-urban balance strategies through increased location of light agro-based industries in the rural areas and small towns so as to provide immediate market for agricultural produce and raw materials to industries, increased promotion of industrial investment in rural areas, increased spatial pattern of urbanization with close linkages to agricultural resource base as a shift from the urban primacy structure pursued in the past, increased promotion of informal sector development to generate non-farm opportunities, and provision of adequate legal and institutional framework so as to enhance community participation and self-governance. Various decentralization structures that have been applied in Kenya over time include the Special Rural Development Program (SRDP), Local Authorities (LAs), Regional Development Authorities (RDAs) and, District Focus Strategy for Rural Development (DFSRD).

## LITERATURE REVIEW

A historical account of the rural development policy in Kenya distinguishes between two complimentary planning approaches. One, "the interventionist strategy or traditional directed approach" also commonly referred to as the 'top-bottom' or 'top-down' approach to development. Two, "the community or grassroots approach" also commonly referred to as the 'bottom-up' approach to development (Mbithi, 1974).

**The interventionist strategy**

The interventionist strategy, and the most predominantly used approach to rural development planning in Kenya in the first two decades of Independence, was formulated at central planning level culminating in the production of the National Development Plans (NDPs). According to Mbithi (1974), the main criticism against the interventionist strategy as a tool for rural planning and development is its tendency of planning without proper data especially the micro-level data. More often than not, the approach is neither fully familiar with the community's needs, perceptions, resource constraints, etc., nor is it able to take fully into account what was best for the community. The strategy neglects special local characteristics such as unique resource endowments and diversity of physical, geographic, economic and social conditions. Another drawback of the interventionist approach is that it views rural population as homogeneous and does not devise programs for specific sub-categories within rural areas and, as a result, will not penetrate to the lower and greater strata of the society.

Since independence, Kenya has produced nine NDPs by 2008. In the context of the interventionist strategy, the planning and implementation strategy for rural development started during the 2$^{nd}$ NDP (1970-1974) whose theme was "Rural Development". The Plan emphasized the objective of socioeconomic transformation of all the people of Kenya and focused on rural development as the basic strategy for national development. The 3$^{rd}$ NDP (1974-1978) under the theme "Employment and Income Distribution" set a process of formalizing planning and implementation procedures in rural areas marked by the production of the first issue District Development Plans (DDPs: 1974-1978). The fundamental objective of the 3$^{rd}$ NDP was to improve evenly the overall standard of rural life. The 4$^{th}$ NDP (1979-1983) whose theme was "Alleviation of Poverty" emphasized, among other things, the diversification of rural activities from small scale agriculture to industry and non-rural farm activities as well as increased effort in local-level community participation in program decision making. The 5$^{th}$ NDP (1984-1988), with the theme "Mobilizing Domestic Resources for Equitable Development", formalized the organizational strategy for planning and implementation of rural development by shifting the planning and implementation responsibility from headquarter ministries to the district. This is the District Focus Strategy (DFS) in which the district became the operational centre for rural development in terms of planning, coordination and implementation of district-specific development. As a long range planning process, the DFS is based on the principle of complementary relationship between ministries responsible for sectoral approach to development and districts where various sectors are joined in common support of rural development activities. The 6$^{th}$ NDP (1989-1993) with the theme "Participation for Progress" was to increase generation of wealth by reducing rate of concentration of economic activities in major towns at the expense of rural areas. The Plan emphasized continued decentralization of the planning process as reflected in the DFS and adoption of an integrated approach to planning. The 7$^{th}$ NDP (1994-1996) with the theme "Resource Mobilization for Sustainable Development" followed the integrated approach to planning and emphasized strong links between district and national development. The 8$^{th}$ NDP (1997-2001) with the theme "Rapid Industrialization for Sustainable Development" emphasized effective implementation of the DFS for Rural Development and the Rural-urban Balance Strategy as key strategies for increased promotion of rural development using the District Development Committees (DDC) as the major implementing organ. The Plan emphasized increased location of light agro-based industries in rural areas and small towns so as to provide immediate markets for agricultural produce and raw material for industries. The Plan also emphasized pursuant of spatial pattern of urbanization with close linkages to agricultural resource base as a shift from urban primacy structure pursued in the past. Further, the 8$^{th}$ NDP emphasized fostering of economic growth by strengthening economic linkages between urban areas and their rural hinterlands which entailed availing employment opportunities to rural population nearer to where they lived as well as redirecting rural urban migration to small towns by providing employment opportunities and promoting informal sector development to generate off-farm opportunities and reducing gap in income differentials between urban and rural areas. The 9$^{th}$ NDP (2002-2008) with the theme "Effective Management for Sustainable Economic Growth and Poverty Reduction" emphasized adoption of participatory and consultative approach to planning and implementation ensuring that resources are used where they are most needed and have greatest impact. The Plan emphasized the need to strengthen DFS for rural development with adequate legal and institutional framework so as to enhance community participation and self-governance as well as strengthening the management of development process and decision-making at all levels through the establishment of an effective monitoring and evaluation (M&E) network.

**The grassroots strategy**

The distinguishing feature of the community or grassroots strategy is its focus on access to opportunities and social amenities of majority of the rural population. The aim of the grassroots strategy is to reach and involve the vast majority of the rural population ensuring local involvement of diverse interest community groups in rural development planning and implementation process. In recognizing the critical importance of grassroots strategy, Mbithi (1974) says that the rural household is always screening information and signals translating them into most consistent behavior with the mastery of the community over the environment and resource endowment. Heyer (1967) and Schultz (1964) argue that the rural household possesses expertise essential for its effective involvement in ensuring efficient decision making with respect to maximization of productivity of its resource endowment. According to Thirwall (1972), the "grassroots" school of economic development lays emphasis on policies to raise the level of productivity in the rural sector as the best long-term development strategy.

Kenya's various policy documents and reports have supported the grassroots approach and decentralization in rural development planning and implementation. For instance, the RoK (1965) emphasized that planning and implementation would be extended to provinces, districts and municipalities so as to ensure that each administrative unit made good progress towards development. Mbithi (1974) distinguishes three key instruments that Kenya has used in the role of promoting the community or grassroots approach to rural development planning and implementation which include the 'Harambee' self-help movement, the Special Rural Development Programme (SRDP), and the District Development Planning. The Harambee self-help movement is a grassroots operation with core feature centred on local groups' reactiveness vis-à-vis centralized planning and implementation. It is characterized by local level identification of needs, local level mobilization of resources, and local level implementation of projects to solve the local needs. The SRDP was an experimental pilot programme in 1970-1971 testing strategies for accelerating rural development including growth in local resources utilization and coordination in planning and development management. The concept of district planning for rural development was initiated early 1970s in recognition of the weaknesses in centralized national planning and was aimed at achieving balanced development among regions and individuals within a given area. It was adopted as a strategy for rural development in July 1983 formalizing the bottom-up approach and decentralization in development planning and implementation process in Kenya (RoK, 5th NDP, 1984-1988 NDP). Districts were made the centres or cornerstones of integrated rural development with autonomy for setting their own priorities.

**Some theories and cases of rural development**

Early in the second half of the 20th century, rural decentralization in Communist China attracted widespread interest as a unique approach, commonly referred to as the Chinese model of rural development (Todaro, 1977). The decentralization marked China's efforts at bringing about rural development through the system of Peoples'Communes established for ensuring full participation of the majority of the people in the very process of development (Nargolkar, 1982, Todaro, 1977). This was the agrarian reform that marked the evolution of China's decentralization and transformation. The peoples' communes became the famous Chinese Model for rural development described by Chinese leaders as the grassroots strategy of the 'Great Leap Forward' because of its ambitious and earnest attempt at bringing about quick social, economic, political and cultural transformation of the Chinese society. The system of Communes marked devolution of authority and responsibility to local leaders in implementing schemes of rural development in all spheres of rural life.

George (1879) formulates the principal of social integration and 'decentralizes' monopoly power of private landownership. Private landownership gives the individual landowner the privilege to monopolize land without paying rent as measured in competitive market. In the principal of social integration everyone shared equally in the creative power of the community (George, 1879). Enshrined in the principal, is a system of public finance enabling everyone to share equally in the total rental value of a nation's natural resources including land. The thrust of the principal of social integration lies in that, while acknowledging property rights and recognizing private property as a necessary feature in the wealth-creating process, it demands that people pay full to the society for the exclusive use of a natural resource including land. Land rent, the opportunity cost of land use, is a benefit created by the community as a whole and increases due to the growth of the community and expenditures on social services and belongs equally to everyone in the community, argues George. The principal of social integration accords natural right of equal access to resources of nature.

Chambers (1983) studies rural poverty and rural development. The author says that various stakeholders, engaged either directly or indirectly in the work of rural development, have strong tendencies of being urban-based and urban-biased to the neglect of what is rural. The author identifies direct stakeholders as including staff in government departments and indirect players as including all others such as academic researchers, aid agencies and technical cooperation personnel, bankers, businessmen, consultants, and so on, whose choices, actions and inactions impinge on rural conditions and the rural poor. The author formulates a theme of reversals including spatial reversals, reversals in professional values and preferences, and reversals in specialization. Spatial reversals concern the concentration of skills, wealth and power in urban areas that drain and deprive the rural areas due to many forces that centralize power, professionals and resources in the urban chores. This stance is encouraged by urban and class interest, communications, market and facilities, personal interests in convenience and promotion, and the sheer weight of political and administrative influence. According to Chambers (1983), decentralization is one of key factors for addressing the spatial reversals.

Korten (2001) describes the evolution and growth of global corporations and financial institutions including the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO) and their effects on the economy, society, human relations, politics as well as the environment. The author explains that the processes of corporate globalization involve power concentration and colonization of local resources. This has serious adverse implications of deepening external dependence of localities through spreading mass poverty, environmental devastation, social disintegration, weakening people's capacity for constructive social and cultural innovation. The greater the external dependence of a locality, the less its ability to find within its own borders satisfactory solutions to its own problems, the author contends. According to Korten (2001), one of the key challenges of the present world is to create a locally rooted system that empowers all people to create a good living in balance with nature. This entails creating zones of local accountability and responsibility within which people rightly do have the power to manage their own economies in the common interest.

Rowley et al. (1996) argue that various sectors including the manufacturing and services sectors are as critical to the health of the rural economy as the agricultural sector. The authors explain that agricultural policy is not the same thing as rural development policy, nor is having the capacity to answer questions about agriculture the same as having the capacity to answer questions about the rural economy. The authors identify four components including education, entrepreneurship, physical infrastructure, and social infrastructure as the most important components of rural development. Lele (1975) draws detailed evidence from 17 rural development programmes in Sub-Saharan African (SSA) countries including Kenya to show that the problem causing productivity to remain low among the rural poor SSA was the inequitable distribution of the benefits of economic growth and the inability of the rural poor themselves to contribute to that growth. As a result, development programmes have had limited impact on the low-income rural population and rural poverty has remained acute. The author proposed situations that focus on the need for an overall policy and an institutional framework conducive to objectives of rural development and ensuring appropriate balance between development of food and export crops, productive and social services, central direction and grassroots involvement, and precision in planning and flexibility in implementation.

Johnson and Clark (1983) emphasize the overriding significance of development in the rural sector. The authors focus their analysis on specific interventions in three key programme areas which include the production-oriented interventions, consumption-oriented interventions, and organization-oriented interventions. The production-oriented interventions deal with efforts to expand rural employment, the consumption-oriented interventions deal with health and nutrition activities while the organization-oriented interventions deal with institutional structures, managerial procedures and administrative linkages among the various actors including the rural poor in the policy making process. Shepherd (1998) draws from long experience gained in Ghana, Sudan, Horn of Africa and India focusing on food security, public sector and rural development programmes, pastoralism and irrigation schemes, and development in conflict situations, to explain an eminent paradigm shift in theory and practice of rural development focusing on agriculture and local level institutional development. According to the author, rural development has conventionally been a part of the modernization paradigm which equates development with four processes of capital investment for increasing productivity, the application of science to production and services, the emergence of nation-states and large scale political and economic organizations, and urbanization that are linked to changes in values and social structures. Further, Shepherd (1998) explains that the failures of the modernization paradigm are evident from among other things, increasing poverty and insecurity in several poor countries, the majority of the rural population remaining marginal to the development path of their societies as they are not institutionally incorporated, and rapid environmental degradation in the world.

Studies by Antle (1983), Binswager et al. (1987), Hayami and Ruttan (1970; 1985), Hoffman (1977), Jamison and Lau (1982), and Petzel (1978) show that rural infrastructure and education do help in raising aggregate agricultural output for both developed and developing countries. Ghura and Just (1982) investigate the extent to which non-price factors affect agriculture in East Africa using resource endowments, technology, human capital, and infrastructure as the four sources of productivity. The authors measure resource endowments in three variables of labour, land and livestock while the land variable is further categorized into arable land, land under permanent crops, and land under permanent pastures. Effects of modern technical inputs are captured by fertilizer and machinery. Influence of human capital is measured by adult literacy ratio and irrigated land is used as proxy for infrastructure. Political instability and rainfall also assumed to affect agricultural production besides the four sources of productivity are used. The authors find that aggregate agricultural output responds significantly to non-price factors such as irrigation and farmers' education and conclude that investments in rural infrastructure and farmers' education are very potentially beneficial to agricultural development.

World Bank (1990) on poverty shows that public investment programmes for providing rural services such as credit, infrastructure, research and technology have a decisive influence on the level and pattern of rural development. Better infrastructure (roads, electric power, banks, markets, schools, health centres) can lead to increased productivity and incomes as well as strengthened market linkages and improved technical change. The World Bank also shows that greater investment in human capital especially in education is a critical factor to success in poverty reduction in the long run. It enables the rural household to gain access to any expanding opportunities in land, credit, infrastructure, and productive inputs, and so on, ensuring an increased and more effective participation and contribution of the household to rural development. Successful rural development entails avoiding excessive taxation of agriculture, providing strong support for rural infrastructure, and making technical innovations accessible to the farmer (World Bank, 1990).

Binswanger and Townsend (2000) explain the under-capitalization and slow growth of African agriculture as being mainly due to the adverse resource endowments and adverse policies and institutional failures. Adverse resource endowments bear a primary responsibility for failures of agriculture and rural development in Africa in that abundance of land and low population density increase transportation and transaction costs and inhibit competitiveness of output and input markets. Rural financial markets are constrained by low demand for credit and covariance of income. Empirical evidence show that high dependence on natural resource (mineral wealth) is highly associated with incidence of conflicts and adverse policy regimes (Collier and Binswanger, 1999). For instance, several well-endowed countries including Angola, DRCongo, Sierra Leone, Sudan, Liberia, and Guinea-Bissau have experienced poor performance due to adverse policies and institutional failures. Kirori and Ali (1998) on macroeconomic implications of demographic changes in Kenya suggest that public investments in rural areas such as electrification and water supply are likely to have significant payoffs in terms of reduced rural-urban migration and lower growth of administration services. According to Manda et al. (2001), rural poverty in Kenya is highly connected to agriculture and land and is explained by low access to physical assets, non-farm employment opportunities, healthcare, and schooling. The authors further explain that the strategy of antipoverty for rural areas should be based largely on improving social and physical infrastructures as well as the productivity in agricultural sector.

## METHODOLOGY

### Conceptual framework

The conceptual framework in the study adopts the period of Kenya's rural decentralization of 32 years (1970-2001) as two distinct phases each covering 16 years. The Phase I is the period over 1970-1985 referred to as the Introductory Rural Decentralization (IRD) phase during which Kenya's economy was mainly a state-controlled economy. The Phase II is the period over 1986-2001 referred to as the Full Rural Decentralization (FRD) phase during which the economy was more market-oriented emphasizing policies of export promotion through the outward-looking industrial philosophy, industrial transformation, rural-urban balance, poverty alleviation, small scale enterprises development as well as the macroeconomic reforms under the structural adjustment programmes (SAPs) advocated strongly by the Breton Wood institutions. The effectiveness of the implementation of rural development policies in Kenya emphasizing the decentralization process are analyzed for each Phase using descriptive analyses method. A distinction is made between rural economy GDP and agricultural sector GDP. The performance of the rural economy in terms of real rural GDP growth is examined in relation to the commitment of the Government in terms of both budget allocations to the rural economy as well as various policy prescriptions so as to gauge the effectiveness of the implementation of rural decentralization. The study has extended the analysis to the manufacturing sector with a view to understanding whether the Government commitment was biased towards or against the rural sector vis-à-vis the manufacturing sector.

### Data sources

The sources of the data include secondary data from various issues of the statistical abstracts and economic surveys of the Kenya's National Bureau of Statistics, various annual budget speeches since late 1960s, as well as available documentation and interviews of officers at the Kenya's Rural Planning Department (RPD) in the Ministry of Planning and National Development who have had practical experience in the implementation of rural development policies. The data obtained from the statistical abstracts and economic surveys relate to GDP as well as the budget allocations in terms of both recurrent and development expenditures among the rural economy, agricultural sector and manufacturing sector. The study has considered the rural economy expenditures as including funding activities in agriculture, veterinary, forestry, games, fisheries, national parks, tourism, lands, mines, surveys and geology. Some of these activities are merged together in the statistical abstract since mid-1970s. Before 1974, manufacturing activity was recorded in the productive sectors.

## RESULTS

### Decentralization policy initiatives

Both the interview results and the available documentation show that since independence, the Kenya Government has accorded great importance to decentralization process as means for ensuring improvement of services delivery and implementation of development activities in the rural sector through various policy initiatives.

### The rural economy and the agricultural sector

Table 1 shows the data series of GDP over the 32-year period, 1970-2001, for the total economy, rural economy, agricultural sector and the manufacturing sector in current Kenya shillings and 1982 constant prices. The data is presented graphically in Figure 1.

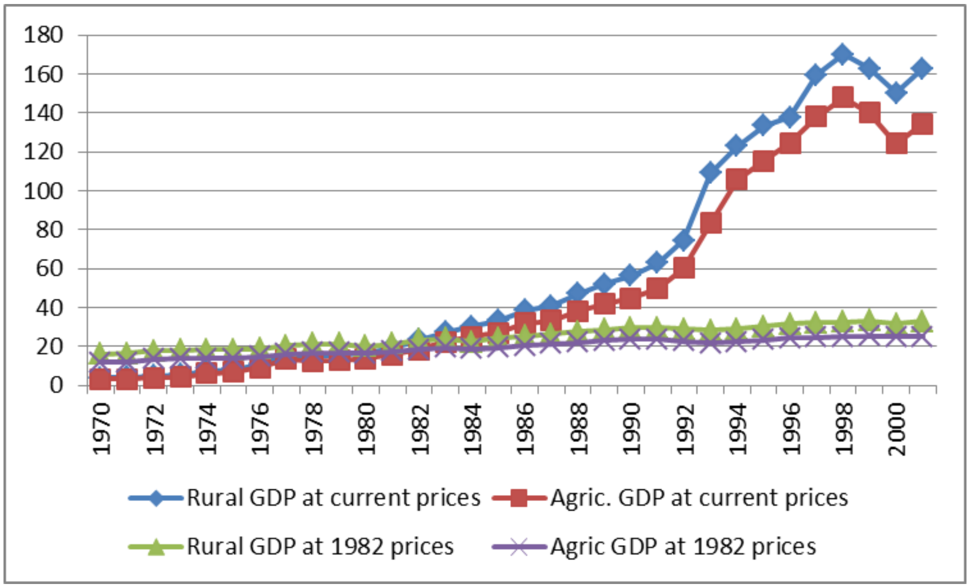
**Table 1: Rural, Agricultural, and Manufacturing Gross Domestic Product, 1970-2001 (in billion Kenya Shillings)**

| Year | GDP at current prices | | | | GDP at 1982 prices | | | |
|---|---|---|---|---|---|---|---|---|
| | Rural | Agric | Manuf | Total | Rural | Agric | Manuf | Total |
| 1970 | 4.0 | 3.3 | 1.2 | 10.4 | 16.3 | 12.0 | 2.7 | 32.6 |
| 1971 | 4.2 | 3.4 | 1.4 | 11.5 | 16.5 | 11.9 | 3.1 | 34.4 |
| 1972 | 5.0 | 4.0 | 1.6 | 13.2 | 17.7 | 13.5 | 3.3 | 36.8 |
| 1973 | 5.5 | 4.4 | 1.9 | 14.8 | 18.0 | 13.8 | 3.8 | 38.8 |
| 1974 | 7.4 | 6.4 | 2.3 | 18.0 | 18.3 | 13.8 | 4.0 | 40.2 |
| 1975 | 8.3 | 6.9 | 2.5 | 19.9 | 18.4 | 13.8 | 4.0 | 40.7 |
| 1976 | 11.0 | 9.3 | 2.9 | 24.2 | 18.9 | 14.7 | 4.8 | 42.7 |
| 1977 | 15.3 | 13.4 | 3.6 | 31.1 | 20.6 | 16.2 | 5.5 | 49.1 |
| 1978 | 15.0 | 12.6 | 4.4 | 33.8 | 21.4 | 16.8 | 6.2 | 54.0 |
| 1979 | 15.7 | 13.0 | 5.0 | 37.2 | 21.4 | 16.7 | 6.7 | 57.5 |
| 1980 | 16.9 | 13.8 | 5.9 | 42.0 | 20.2 | 16.5 | 7.0 | 58.9 |
| 1981 | 19.5 | 15.8 | 6.8 | 48.7 | 21.4 | 17.5 | 7.3 | 60.7 |
| 1982 | 23.4 | 18.3 | 7.4 | 61.3 | 23.4 | 18.3 | 7.4 | 61.3 |
| 1983 | 27.4 | 22.5 | 8.2 | 65.5 | 23.9 | 19.6 | 7.8 | 63.8 |
| 1984 | 30.2 | 24.9 | 9.2 | 77.5 | 22.4 | 18.8 | 8.1 | 59.3 |
| 1985 | 33.3 | 27.1 | 10.4 | 88.5 | 24.5 | 19.5 | 8.5 | 62.2 |
| 1986 | 38.5 | 32.0 | 12.2 | 102.3 | 25.5 | 20.5 | 9.0 | 65.9 |
| 1987 | 40.9 | 33.4 | 12.0 | 107.0 | 26.5 | 21.3 | 9.5 | 69.2 |
| 1988 | 47.0 | 38.1 | 15.1 | 122.6 | 27.7 | 22.2 | 10.1 | 72.8 |
| 1989 | 52.2 | 41.8 | 17.1 | 139.9 | 28.8 | 23.1 | 10.6 | 76.6 |
| 1990 | 56.4 | 44.7 | 19.7 | 159.1 | 29.8 | 23.8 | 11.2 | 79.9 |
| 1991 | 62.8 | 49.7 | 23.3 | 184.6 | 29.7 | 23.6 | 11.6 | 81.5 |
| 1992 | 74.5 | 60.3 | 24.6 | 218.2 | 28.9 | 22.7 | 11.8 | 81.9 |
| 1993 | 109.0 | 83.4 | 28.4 | 263.3 | 28.3 | 21.8 | 12.0 | 81.9 |
| 1994 | 122.8 | 105.8 | 36.2 | 326.8 | 28.9 | 22.4 | 12.2 | 84.4 |
| 1995 | 133.6 | 115.5 | 38.9 | 381.7 | 30.4 | 23.5 | 12.7 | 88.5 |
| 1996 | 137.7 | 124.7 | 47.8 | 449.6 | 31.8 | 24.5 | 13.2 | 98.2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1997 | 159.4 | 138.0 | 54.6 | 522.4 | 32.2 | 24.8 | 13.4 | 100.5 |
| 1998 | 170.2 | 148.0 | 66.0 | 579.2 | 32.7 | 25.1 | 13.6 | 102.3 |
| 1999 | 162.7 | 140.0 | 79.1 | 623.8 | 33.2 | 25.4 | 13.7 | 103.7 |
| 2000 | 150.4 | 124.3 | 88.7 | 669.8 | 31.7 | 24.9 | 13.5 | 103.5 |
| 2001 | 162.7 | 134.4 | 97.0 | 772.9 | 33.1 | 25.2 | 13.6 | 104.7 |
| 2002 | | | | | | | | |

Source: Various issues of the statistical abstract, KNBS.

**Figure 1: Kenya's rural economy and agricultural sector, 1970-2001**




## Government commitment to rural sector development

Table 2 shows the rural economy expenditures and manufacturing expenditures as percentage of both the economic services expenditures and total Government expenditures from which Figures 2 and 3 are derived.

**Table 2: Rural Economy and Manufacturing Sector Expenditures as Percentage of Economic Services and Total Government Expenditures, 1970/71-2000/01**

| Year | Rural expenditure percentages | | | | | | Manufacturing expenditure percentages | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Economic services | | | Total Government | | | Economic services | | | Total Government | | |
| | Rec | Dev | Tot | Rec | Dev | Tot | Rec | Dev | Tot | Rec | Dev | Tot |
| 1970/71 | 75 | 38 | 53 | 9 | 15 | 11 | 12 | 26 | 20 | 1 | 11 | 4 |
| 1971/72 | 83 | 59 | 70 | 9 | 19 | 12 | 11 | 32 | 22 | 1 | 10 | 4 |
| 1972/73 | 93 | 52 | 66 | 10 | 20 | 13 | 14 | 26 | 22 | 1 | 10 | 4 |
| 1973/74 | 85 | 48 | 63 | 9 | 19 | 12 | 8 | 27 | 20 | 1 | 11 | 4 |
| 1974/75 | 35 | 31 | 32 | 7 | 22 | 11 | 14 | 2 | 6 | 3 | 1 | 2 |
| 1975/76 | 45 | 27 | 34 | 8 | 17 | 11 | 12 | 2 | 6 | 2 | 1 | 2 |
| 1976/77 | 40 | 29 | 33 | 7 | 20 | 11 | 12 | 2 | 6 | 2 | 1 | 2 |
| 1977/78 | 37 | 29 | 32 | 6 | 20 | 11 | 13 | 1 | 5 | 2 | 1 | 2 |
| 1978/79 | 33 | 25 | 28 | 5 | 18 | 9 | 13 | 3 | 6 | 2 | 2 | 2 |
| 1979/80 | 32 | 30 | 31 | 5 | 17 | 9 | 13 | 7 | 9 | 2 | 4 | 3 |
| 1980/81 | 40 | 34 | 37 | 8 | 20 | 11 | 10 | 12 | 11 | 2 | 7 | 3 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1981/82 | 35 | 32 | 33 | 5 | 20 | 9 | 11 | 9 | 10 | 2 | 5 | 3 |
| 1982/83 | 43 | 34 | 39 | 6 | 21 | 9 | 11 | 7 | 9 | 2 | 4 | 2 |
| 1983/84 | 35 | 21 | 31 | 8 | 6 | 8 | 9 | 20 | 12 | 2 | 6 | 3 |
| 1984/85 | 52 | 21 | 36 | 8 | 13 | 9 | 13 | 12 | 13 | 2 | 8 | 3 |
| 1985/86 | 41 | 44 | 43 | 5 | 25 | 9 | 18 | 3 | 10 | 2 | 2 | 2 |
| 1986/87 | 54 | 48 | 51 | 8 | 22 | 11 | 15 | 3 | 9 | 2 | 1 | 2 |
| 1987/88 | 96 | 33 | 62 | 10 | 17 | 11 | 19 | 3 | 11 | 2 | 1 | 2 |
| 1988/89 | 72 | 25 | 51 | 13 | 15 | 13 | 9 | 10 | 9 | 2 | 6 | 2 |
| 1989/90 | 42 | 27 | 32 | 4 | 16 | 7 | 18 | 10 | 13 | 2 | 6 | 3 |
| 1990/91 | 18 | 9 | 12 | 4 | 6 | 4 | 4 | 14 | 11 | 1 | 9 | 4 |
| 1991/92 | 11 | 2 | 7 | 1 | 1 | 1 | 6 | 7 | 7 | 1 | 4 | 1 |
| 1992/93 | 42 | 46 | 45 | 2 | 24 | 5 | 15 | 4 | 9 | 1 | 2 | 1 |
| 1993/94 | 40 | 54 | 48 | 2 | 30 | 5 | 15 | 5 | 9 | 1 | 3 | 1 |
| 1994/95 | 33 | 34 | 33 | 3 | 15 | 5 | 13 | 2 | 8 | 1 | 1 | 1 |
| 1995/96 | 33 | 23 | 28 | 3 | 12 | 4 | 11 | 2 | 6 | 1 | 1 | 1 |
| 1996/97 | 30 | 22 | 26 | 3 | 10 | 4 | 12 | 5 | 9 | 1 | 2 | 1 |
| 1997/98 | 31 | 28 | 30 | 2 | 11 | 2 | 11 | 5 | 9 | 1 | 2 | 1 |
| 1998/99 | 37 | 50 | 41 | 3 | 25 | 5 | 9 | 7 | 9 | 1 | 4 | 1 |
| 1999/00 | 38 | 57 | 44 | 4 | 26 | 5 | 9 | 6 | 8 | 1 | 3 | 1 |
| 2000/01 | 39 | 73 | 55 | 3 | 40 | 8 | 10 | 5 | 8 | 1 | 3 | 1 |

Source: Own study computations

**Figure 2: Rural economy expenditures as percentage of total government expenditures**

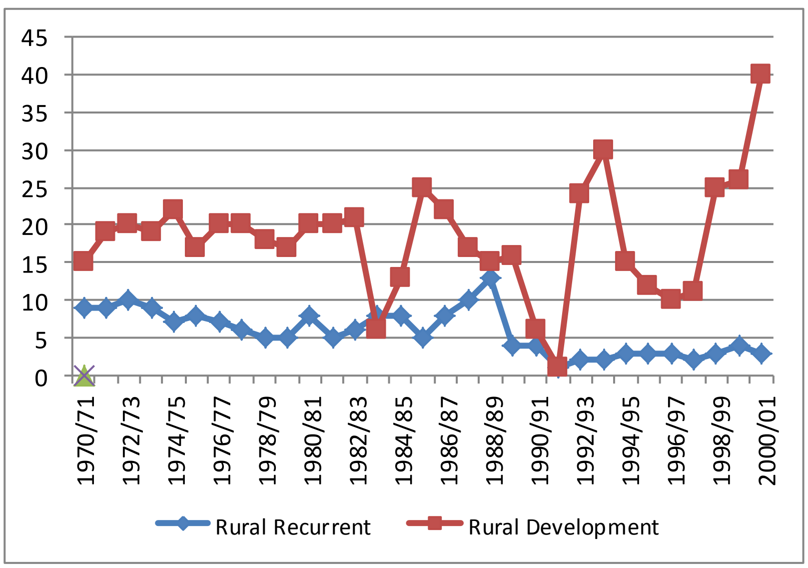


**Figure 3: Manufacturing sector expenditures as percentage of total government expenditures**

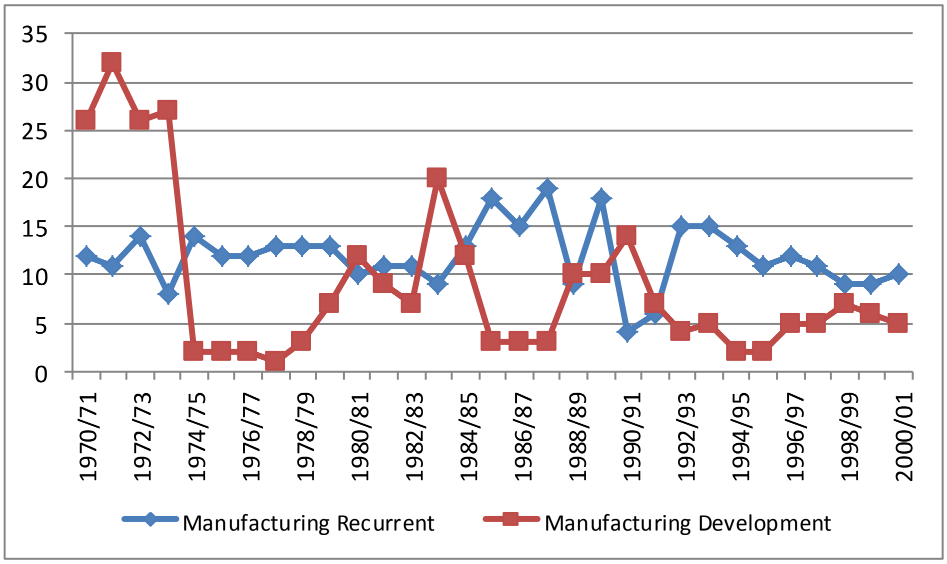



Table 3 shows the Government commitment in terms of policy prescriptions and budget allocations to both the rural economy and manufacturing sector and relates this commitment to the GDP performance of the rural economy and manufacturing sector over the 1970/1971-1999/2000 period.

**Table 3: Government commitment to rural economy and manufacturing sector, 1970/1971-2000/2001**

| Period or Timeframe | Government Commitment | | | | | Average GDP Growth rate pa | |
|---|---|---|---|---|---|---|---|
| | Policy prescription | Budget allocation | | | | | |
| | | Rural as a percentage of: | | Manufacturing as a percentage of: | | | |
| | | Economic services exp | Total gvt exp | Economic services exp | Total gvt exp | Rural | manufacturing |
| 1970/71-1974/75 | • Agricultural credit expansion<br>• Export promotion (accelerated import substitution, inward-looking industrial philosophy)<br>• Grant-in-aid system to Las<br>• Infrastructure expenditure reduction | 56.8% | 11.8% | 18.0% | 3.6% | 4.9% | 2.5% |
| 1975/76-1979/80 | • Promotion of rural investment and output (loans provision through CSFC) | 31.6% | 10.2% | 6.4% | 3.7% | 3.5% | 2.2% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | • Foreign investment protection Act amendment<br>• Price control amendment<br>• Promotion of rural development productivity (RDF, etc)<br>• Restoration of national food self-sufficiency | | | | | | |
| 1980/81-1984/85 | • Adoption of DFSRD<br>• SAPs (cost-sharing schemes, transition process towards outward-looking industrialization)<br>• Government expenditure control (BRP) | 35.2% | 9.2% | 11.0% | 2.8% | 4.3% | 2.4% |
| 1985/86-1989/90 | • Rural-Urban balance (rural trade and production centres, DFD)<br>• Promotion of informal sector (National Jua Kali Programme)<br>• Agricultural reforms | 47.8% | 10.2% | 10.4% | 2.2% | 2.2% | 2.4% |
| 1990/91-1994/95 | • Export promotion (EPZ, MUB, etc)<br>• Parastatal reform<br>• Promotion of small scale enterprise development<br>• Poverty alleviation (social dimensions of development programme)<br>• Long-term agricultural production perspective (national food policy SP of 1994 | 29.0% | 4.0% | 8.8% | 1.6% | 7.0% | 4.2% |
| 1995/96-1999/00 | • Expansion of economic liberalization<br>• Public sector reforms (public institutional reorganization and restructuring in favour of private | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | sector)<br>• Eradication of social injustice and poverty<br>• Industrial transformation<br>• Planning and budgeting reforms (PRSP/MTEF)<br>• Rural roads and agricultural sector improvement under Stabex and EU | 33.8% | 4.0% | 8.2% | 1.0% | 0.9% | 5.5% |
| 2000/01-2003/04 | • Promotion of irrigation development (a master plan in irrigation)<br>• Restoration of good governance and rationalization of key agricultural institutions<br>• LATF<br>• Promotion of microfinance (spreading investments to rural areas – SP on MSEs<br>• Strengthening Las<br>• Promotion of ASALs development | | | | | | |
| | | | | | | | |

Own study computations

## DISCUSSION

### Decentralization policy initiatives

Since independence, the Kenya Government has accorded great importance to decentralization process as means for ensuring improvement of services delivery and implementation of development activities in the rural sector through various policy initiatives. These initiatives included the Local Authorities (LAs) established as decentralized formal structure in 1963 with County Councils as local representative bodies, the promotion of development planning and management at local levels as stipulated in the Sessional Papers Number 10 of 1965 and Number 1 of 1986, the establishment of Special Rural Development Programme (SRDP) in 1966, the establishment of six Regional Development Authorities (RDAs) in 1970 as vehicles for promoting equitable resources and socioeconomic development through integrated planning and management, the formulation of the District Focus Strategy for Rural Development (DFSRD) in 1983 and the Rural-Urban Balance Strategy (RUBS) in 1986, and the 2002 proposed Kenya Rural Development Strategy (KRDS) which envisaged sharing of power between the central government and the local government with emphasis on LAs as the loci of development. SRDP was a milestone in Kenya's decentralization efforts that was started as a pilot in six rural administrative divisions and stimulated eventual emergence of the DFRSD. SRDP failed largely due to lack of technical and administrative capacity at district level, poor coordination of activities across line ministries, and overall lack of local involvement. RDAs lacked a concise policy framework for community participation in project identification, prioritization, implementation, monitoring and evaluation. Given their multidisciplinary nature, the operations of the RDAs were characterized by duplication of functions of the line ministries, private sector, LAs, non-governmental organizations (NGOs) and local community initiatives. LAs also lacked a legal framework for the devolution of power and for enhancing resources including financial resources. The DFSRD structure entailed involvement of the local people in identification and design of development projects, implementation and management of district-specific projects.

Through the DFSRD, the authority of the central government to plan, finance, manage and implement rural development activities was transferred to the district. The DFSRD structure laid foundations in terms of organizational changes, training of manpower for district planning and implementation, administration and budgeting to ensure meaningful decentralization. The main impetus behind the District Focus decentralization structure was the concern for more effective use of domestic resources as well as effective local participation in the development of the rural areas. One of the major strengths of the DFSRD is the establishment of an elaborate network of decision-making at various local levels with the apex being the district development committee (DDC). One of the major weaknesses of the DFSRD is that the DDC is not a legal entity and its decisions are not enforceable and lacks independent sources of funds. Major problems that were a hindrance to effective implementation of overall District Focus Strategy (DFS) included difficulties in disaggregating plans and budgets of operating ministries on district-by-district basis, coordination of activities at both national and district levels, integration of grassroots planning into the district planning process as well as difficulties in ensuring compatibility between district planning and implementation and district budgeting and financial management. After the formulation of the Budget Rationalization Programme (BRP) in the 1980s and the Medium Term Expenditure Framework (MTEF) and Poverty Reduction Strategy Paper (PRSP) process in late 1990s, some improvements were made in these areas.

**The rural economy and the agricultural sector**

Figure 1 shows the rural economy and agricultural sector GDP data series at both the current and 1982 constant prices. The current prices GDP data series indicate a clearly distinct feature over the 1970-1985 period marking the Introductory Rural Decentralization phase or Phase I as compared with the feature in the data series over the 1986-2001marking the Full Rural Decentralization phase or Phase II. This distinction is non-existent in the GDP data series at constant 1982 prices and can thus be attributed as merely to the differences in prices between the two periods rather than improvements in actual rural and agricultural output.

**Government commitment to rural sector development**

Figures 2 and 3 are derived from Table 2. Figure 2 indicates that, overall, the recurrent expenditure allocations for the rural economy remained higher during the Introductory Rural

Decentralization phase compared to the Full Rural Decentralization phase while the opposite is the case for the development expenditure allocations. Figure 3 reveals a similar trend of the recurrent expenditure allocations for the manufacturing sector. However, Figure 3 shows a more widely fluctuating and declining trend in the development expenditure allocations for the manufacturing sector.

The results in Table 3 indicate that over the 15-year period of the Introductory Rural Decentralization phase (1970/1971-1984/1985), the rural economy recorded an overall annual real GDP growth rate of 4.2 percent. The period was characterized by a State-controlled economy emphasizing policies of export promotion through the inward-looking industrial philosophy of accelerated import substitution; promotion of rural investment, output, and productivity; restoration of national food self-sufficiency; and introduction of SAPs and DFSRD. The corresponding figure for the manufacturing sector was 2.4 percent. During the Full Rural Decentralization phase (1985/1986-1999/2000), the overall annual real GDP growth rates were 3.4 percent for the rural economy and 4.0 percent for the manufacturing sector. This period was characterized mainly by export promotion through the outward-looking industrial philosophy, pursuant of vigorous macroeconomic reforms under policies of SAPs advocated by the Breton Woods institutions, expansion of economic liberalization, public sector reforms, industrial transformation, and introduction of rural-urban balance strategy, poverty alleviation, and promotion of small scale enterprises development, among others. During this period, the economy was facing serious problems related to poor public finance management, corruption, and unmanageable domestic debt (RoK, 2003).

The analysis results of the Government commitment in terms of budget allocations in the rural economy and the manufacturing sector does not seem to explain the striking differences in the GDP growth patterns observed between the two sectors. Budget allocations in the both sectors, are far lower during Phase II compared to the allocations during Phase I. For instance, the average percentage total budget allocations for the rural economy dropped shapely to 6.1 percent in Phase II from a high of 10.4 percent experienced in Phase I. The corresponding figures for the manufacturing sector are 1.6 percent in Phase II and 2.9 percent in Phase I, respectively. Over the two Phases, the budget allocations for the rural economy remained relatively higher on average compared to the allocations for the manufacturing sector yet the performance of the rural economy in terms of the GDP growth declined on average from 4.2 percent in Phase I to 3.5 percent in Phase II. The fact that the budget allocations for the rural economy and the manufacturing sector are both declining and at a faster rate in the case of manufacturing sector, yet the manufacturing sector records an enormous increase in growth in the period under study while the rural economy records a drop is exactly what is a striking feature. A plausible explanation in the striking differences in the GDP growth patterns observed between the rural economy and the manufacturing sector is attributable to the policies being pursued during the Phase II of the rural decentralization having been profoundly pro-manufacturing sector at the expense of the rural sector. For instance, it is during Phase II that liberalization and cost-sharing schemes mostly brought about the near collapse of several agricultural institutions as well as a hue and cry in the social sector due to unbearable burdens on households.

## CONCLUSIONS

The study provides a descriptive perspective of rural development policies in Kenya over a period of 32 years between 1970-2001 with particular emphasis on the decentralization process focusing on the objectives, changes over time, and possible reasons for the success or failure of these policies. The results of the study bring out some understanding of interesting concerns such as the extent of the implementation of rural development policies in Kenya, the extent of government commitment and seriousness to the development of the rural economy in terms of both budget allocations and policies. One of the perceptions brought out by the study about the impact of Kenya's decentralization efforts in the past is that decentralization caused various positive changes in the organization and administrative procedures such as increased district administrative and planning capacity, procedures in planning, budgeting and financial management as well as changes in the decision-making by the DDCs that entailed increased formal authority and actual power in planning, budgeting, financial management, implementation and coordination of development activities at the grassroots level. The fact that the district has become firmly established as the focal point for rural development is in itself a success in the decentralization effort and important step towards establishing the necessary framework.

One of the key hindrances against efforts in achieving effective and efficient implementation of rural development policies was the difficulty of increasing formal authority and actual power at the grassroots level, especially at the district level in terms of making the apex of grassroots institutions, the DDC, a legal entity ensuring that its decisions are legally enforceable. All in all, the DFSRD structure remains the most suitable structure for promoting rural development in Kenya. The major weakness of the structure relates to a lack of legal framework that would ensure that its decisions are legally enforceable as well as lack of financial autonomy necessary for effective resource mobilization and utilization.

The study sets a pace for future research in this critical area of the development of the rural economy. For instance, it has great potential for usefulness in the enhancing Kenya's devolution strategy.

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