

Rethinking the Role of Dominant Paradigms in Kenya's Development Experience, 1963-2000

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Abstract

The trajectory of Kenya's development can be examined through three main historical phases. The first phase began in earnest after the Second World War and ended with the departure of the colonial regime in 1963. Within this period, the colonial regime formulated and implemented policies that essentially achieved a fuller integration of Kenya into the emerging world capitalist economy. This was consonant with the post-war imperative to refurbish and re-launch the capitalist mode of production. The organizational principle that informed development during this time was modernization theory. Following Kenya's independence in 1963, the country largely retained the salient features that had typified the colonial political economy especially since the 1950s. This approach remained salient despite the deliberate institution of new policies whose thrust was toward greater Africanization and localization of the economy. However, new variables became quite pivotal in determining Kenya's development path since the 1980s, heralding an era in which the country would be compelled to fashion its development policies to respond more to external imperatives than to internal needs. This paper situates Kenya's post-colonial development experience within the context of the preponderant theoretical constructs at the international level and argues that this experience has corresponded with the dominant paradigms underpinning the development discourse at the global level.

Introduction

In this paper I examine the major policies that have been at the core of Kenya's development from the time the country attained independence in 1963 to the year 2000. I advance the thesis that the policies that have been central in shaping Kenya's development experience always have been formulated to correspond with the dominant paradigms informing the development discourse at the international level. I establish the background to Kenya's post-colonial development policies through a discussion of the period 1940-1963. I analyze in this paper the post-war British import substitution industrialization strategy in Kenya to support the argument that the country's economy became closely tied to international interests in general and to British capital in particular. This was a period during which the colonial state undertook the deliberate restructuring of the relations of production in Kenya to coincide with the needs of industrial capital.

Within the context of the prevailing modernization theory, I analyze Kenya's development experience in the period 1963-1980. Using the evidence contained in the pronouncements of the Kenya government's economic blueprint known as Sessional Paper Number 10 of 1965, I demonstrate the country's commitment and adherence to the dominant modernization paradigm by emphasizing the strengthening of linkages with the West. Consequently, emphasis was placed on the infusion of foreign capital and expertise as key factors necessary to accelerate economic development.

Furthermore, I analyze the variables that have been at play in determining Kenya's development path since the 1980s. I draw on evidence from government development

plans and economic surveys to support the contention that in this latter phase of Kenya's development experience, the country has had to fashion its development policies to respond more to external variables than to internal imperatives. These external variables include insistence by the international development community on the implementation of doctrinaire Structural Adjustment Programs and the attendant erosion of the influence of the state as a mediator in the economic sphere of the country. Thus, the fact that dominant paradigms informing development at the international level have shaped Kenya's development experience since 1963 is especially pertinent in the context of the prevailing globalization discourse that is poised to dominate the development agenda in the 21st century.

Background to Kenya's Post-Colonial Development, 1940-1963

The path that post-colonial development took in Kenya was greatly influenced by events that unfolded between 1940 and 1963. This period witnessed what Bruce Berman calls "the eclipse of the colonial state and the political economy of decolonization" (Berman 1990: 377-417). The transformation of Kenya into 'a developing nation' was achieved through a much more forceful infusion of the local economy with international capital. This process heightened in the aftermath of the Second World War partly because the economic boom that had characterized the war period did not abate. Further impetus for increased productivity derived from the high prices offered for agricultural products on the international market. This elicited expanded European settler land use in Kenya, thereby exacerbating

the scenario of landlessness among Africans and helping to generate the Mau Mau rebellion (Zezeza 1989).¹ Though militarily defeated, the Mau Mau rebellion became a catalyst for economic and political change in Kenya as the contradictions of European domination were brought to the surface.

Therefore, 1954 became a pivotal year in redefining the role of African agricultural production in Kenya's economy. It marked the onset of crucial state policies with the overall effect of accelerating the transformation of the political and economic structures of Kenya. According to Professor Bethwell A. Ogot, the post-1955 period marked "the gradual abandonment of the Mau Mau alternative" in Kenya's history (1995: 51). The Swynnerton Plan and land reform program of 1954 set in motion measures that would systematically alter the posture of African commodity production. The result was a much closer linkage of African agriculture with international capital — a process that irrevocably undercut the privileged place of settler estate production within the political economy of the country.

Consonant with these changes was the compelling need to transform the relations of production in Kenya in order to align them in tune with the needs of growing industrial investment by international capital. Due to the growth of import-substitution industries from the 1940s (Zwanenberg with King 1975),² the use of punitive sanctions to attract and retain labor had to be repudiated in favor of positive incentives that entailed increased wages (Report of the Committee on African Wages 1954, Berman 1990).³ This was coupled with the drive to detribalize and therefore proletarianize African workers by paying them a wage that guaranteed their residence in urban centers (Cooper 1996).

These developments took place against the backdrop of a rapidly changing imperial policy with regard to the role of colonies in an emerging post-war global economy. Until 1940, imperial policy had exhibited a conspicuous disinterest in the development of industries in the colonies. The rationale for this reluctance was the persistent regard of the colonies as captive markets for goods and capital from the metropole. Moreover, the development of manufacturing industries in the colonies was perceived as a threat to British products in the home market (Zwanenberg with King 1975). This remarkably conservative stance to colonial economies, however, began to change after 1940, permitting industrial development to be encouraged. The enactment of the Colonial Development and Welfare Act of 1940 further testified to this change in attitude as it made a provision for funds for industrial development (Constantine 1984). The added impetus for a process of import substitution industrialization derived from the fact that the war created conditions of siege for its entire duration, subsequently leading to the colonial authorities encouraging manufacturing industries to provide essential commodities for European populations residing in the colonies. Therefore, between 1940 and 1963, Kenya's economy became closely tied to international interests, in general, and British capital, in particular. As illustrated by the subsequent sections of this paper, this provided the background against which these external interests would exercise a strong influence on the theory and practice of development throughout the post-colonial period in Kenya.

Modernization Orthodoxy and Kenya's Development Experience, 1963-1980

In order to fully comprehend the changes that occurred in Kenya's economy during this time, it is pertinent to situate these changes within the context of the dominant theory in the post-war period. As part of the imperative to revitalize and re-establish the capitalist mode of production, the post war period was dominated by modernization theory (Blomstrom and Hettne 1984). Modernization theory interpreted differences between societies in terms of their positions on various indices of development and measured their similarity to the model of modern industrial society. It focused on what were perceived to be impediments to societal advancement and prescribed the criteria and mechanisms for attaining a social transition from traditionalism to modernity (Peet with Hartwick 1999). Thus, as a strategy for economic development, the modernization paradigm sought to steer African countries along the path traveled by the West through an emphasis on foreign investment and the maintenance of economic and cultural linkages with Western countries. Another key ingredient of modernization theory was its adherence to Keynesian economic principles that privileged the role of the state as crucial in ensuring economic stability. The state was seen as an agent of development charged with the obligation of overseeing the transition of societies from tradition to modernity (*ibid*: 40).

Both the post-Second World War and post-colonial economic experiences in Kenya validated the contention that the liquidation of colonialism and the entrenchment of economic ties between former colony and colonizer concurrently reinforced the vertical integration of the

former to the latter in a subordinate relationship (Adedeji 1993). Thus, the demise of British colonialism did not herald a radical transformation of the economic infrastructure in Kenya. Rather, the theory and practice of development in Kenya after independence would remain largely conditioned by the country's colonial experience; Kenya marched into independence in 1963 with a heavy British orientation. The economy was anchored around a few primary commodities for exports and on the importation of most capital goods in a typical imperial pattern. This neocolonial posture of the economy elicited heated national debate about the direction that post-colonial Kenyan society needed to take. In the ensuing debate, the political left that later coalesced into the Kenya Peoples Union (KPU) espoused an economic doctrine that advocated the values of social egalitarianism. In what Professor E.S. Atieno-Odhiambo calls the "programmatic tradition of Kenyan nationalism," the exponents of this view opined that the purpose of *uhuru* should have been, *inter alia*, to give land to the landless, to reward Mau Mau freedom fighters and to depart as much as possible from British neocolonial control (Atieno-Odhiambo 2003: 41). The government's response to this debate was the enunciation of the policy statement that came to dominantly inform development policy in Kenya after independence known as Sessional Paper Number 10 on *African Socialism and its Application to Planning in Kenya* (1965). The objectives set out in the document sought to intertwine African pre-colonial conceptions of development with modern ideas in order to accelerate economic development in Kenya. At the level of theory, it rejected both Western capitalism and Eastern communism, committing itself instead to the pursuit of a mixed economy. It privileged economic growth as a critical component for successful

economic planning in the country (*African Socialism and its Application to Planning in Kenya* 1965).

Nonetheless, the goals of economic growth were severely beset by a critical dearth of resources — such as domestic capital, trained and experienced manpower, as well as foreign exchange. Owing to very low per capita income, it soon became apparent that Kenyan citizens lacked the requisite capacity for augmenting domestic savings and initiating processes of capital formation sufficient enough to spur economic growth. The alleviation of this constraint entailed a twin strategy that not only would stimulate the inflow of private capital from overseas, but also commit the country to a policy of borrowing from foreign governments and international institutions (*ibid.*). Thus, right from the outset, the centrality of private capital was recognized as a critical component in empowering Kenya to finance local development programs. It was envisaged that in the long-term, the country would sustain an economic growth rate rapid and high enough to obviate dependence on foreign sources of capital:

As incomes rise, therefore, our vigorous efforts to stimulate domestic saving and tax surpluses and to ensure their investment in Kenya must continue so that we can finance more and more of our own growth thus reducing our need for borrowing savings generated in other countries (*ibid.*: 20).

As a blue print for post-colonial Kenya's development policy, Sessional Paper Number 10 also identified skilled manpower as a crucial factor for economic growth to occur. Yet as with capital, Kenya was confronted with an acute scarcity of skilled and trained manpower. In order to

surmount this problem, large numbers of skilled personnel were to be sourced from overseas and charged with the responsibility of assisting in planning and carrying out the work that needed to be done while simultaneously preparing Kenyans to assume the positions held by foreign experts (*ibid.*).

Whereas the centrality of foreign capital in stimulating economic development was generally recognized, Kenya undertook to scrutinize and vet all aid offers in an effort to ensure that aid terms did not diverge considerably from the overall objectives of economic growth. Radical measures such as unregulated nationalization were rejected on the ground that they not only would constitute a disincentive to additional private investment, but they also would reduce further the rate of growth of the economy (*ibid.*).

Nevertheless, the government committed itself to the pursuit of an Africanization strategy with a view to enhancing and promoting greater African participation in the economy. The measures adopted to achieve the objectives of Africanization were varied. These encompassed employment and investment policies, the transfer of land and other assets, the stimulation of indigenous enterprise, and the expansion of educational opportunities.

Sessional Paper Number 10, moreover, laid down the measures that would be instituted in order either to minimize, or forestall, the emergence of asymmetry based on wealth. It was envisioned that it would be incumbent upon the state to exercise such control over wealth as to influence its use in the overall interest of society. The goals of equity would be pursued by invoking progressive taxation as a key mechanism for arresting a tendency toward the polarization between poverty and wealth.

Translating Theory into Practice: An Assessment

A) Africanization of the economy

In Kenya's development experience between 1963 and the 1980s, one way the official level attempted to translate theory into practice was the remarkable measure of Africanization in the economic sector. The acquisition of independence in Kenya was itself the culmination of efforts at resolving the contradictions that had been raging in the colony as early as 1914 (Lonsdale and Berman 1979). These contradictions revolved around the tri-faceted, but conflicting interests of Africans, Europeans and Asians in Kenya's political economy. The Devonshire White Paper of 1923 was a manifestation of early attempts made by metropolitan authorities to resolve these contradictions (McGregor Ross 1927)⁴ But in the 1950s, a more tangible effort to resolve these contradictions was through agrarian reform policies that rendered the notion of a settler driven economy obsolete. Inevitably, these strategies necessitated the elevation of a new anchor for the country's economy. According to William Ochieng', "independence did not only bring vital political decisions under the control of the indigenous bourgeoisie, it also enabled them to make important economic decisions which enhanced their economic standing" (Ochieng' 1995: 85).

The strategies instituted to break the heavy foreign dominance in the major sectors of Kenya's economy such as agriculture, industry and trade were manifold. In the area of commerce and industry, the independent Kenya government invoked legislative measures in an effort to launch Africans into trade and commerce. Since the declaration of the East Africa Protectorate in 1895, the British imperial authorities had facilitated the penetration

and entrenchment of Asian (Indian) merchant capital as a stimulant to commodity production by African communities in Kenya (Fearn 1961). This afforded Asian capital a privileged status with the attendant implication that by the time Kenya attained independence in 1963, Asian commercial capital was poised to gain a hold on the country's economy. In an effort to challenge this perceived threat, the Kenyatta government promulgated the Trade Licensing Act in 1967 (Langdon 1978). This legislation sought to preclude non-Africans from operating businesses in the rural areas of Kenya. Moreover, the Act specified the range of goods that were to be operated exclusively by African traders. The Kenyan business owners whom these government measures sought to establish and entrench within the capitalist mode of production were small retail traders, bar owners, small transporters, builders, hoteliers and so on. (Ochieng' 1992). This legislation provided the background against which the Kenya National Trading Corporation (KNTC) was extensively utilized by the burgeoning African merchant class as an instrument to infiltrate wholesale and retail commerce in the period after 1967. Additional legislation in 1975 further accentuated these measures, making it mandatory for all goods manufactured by foreign firms to be distributed through KNTC appointed agents (Swainson 1980). The overall effect of these measures was the expansion of opportunities for Africans. By 1969, it was estimated that rural owners of non-agricultural enterprises were averaging incomes of about £130 a year.⁵

In addition to legislation, efforts at the economic empowerment of Africans in Kenya were reflected through the proliferation of state credit institutions by which Africans could access capital. Pre-eminent among these institutions was the Industrial and Commercial Development

Corporation (ICDC). Established in 1964, the ICDC presided over the Commercial Loans Revolving Fund through which Africans were facilitated in setting up micro-business ventures. Other state enterprises with similar objectives included the Agricultural Finance Corporation (AFC), the National Housing Corporation (NHC), and the Kenya Industrial Estates (KIE), a subsidiary of the ICDC. Moreover, the co-operative movement became quite instrumental in enhancing the economic stature of Africans in the agricultural sector. In Murang'a district for instance, the top 2.5 percent of coffee co-operative members received £250-500 per annum, whereas the remainder of co-operative producers there averaged some £35 a year in coffee income (Langdon 1981: 28).

Apart from the foregoing strategies, the independent government of Kenya took requisite measures that attempted to align the operations of multinational commercial firms within the overall objectives of Africanization. As earlier pointed out, the Trade Licensing Act of 1967 limited the ability of multinational firms to dominate the economy. This was reflected in efforts to confine their commercial activities to the urban areas of Kenya. Indications that Kenya's Africanization efforts were having the desired effect were borne out by the fact that many multinational enterprises described competition in Kenyan wholesale trade as much greater than in most less developed countries where they operated (*ibid*). The consequence was that no single multinational subsidiary held a market share of over 10 percent of wholesale trade in Kenya. The extent of Africanization in the private sector can be discerned from the following table comparing the percentage share of recorded employment between Africans, Asians and Europeans.

Table 1 (see appendix) clearly demonstrates that by 1974, over 92 percent of private sector jobs were held by Africans — a significant increase compared to the period of independence in 1964. Notable also is the consistency in the rise of recorded employment for Africans in contrast to a consistent decline for Asians and Europeans.

Another key measure aimed at Africanization was the Immigration Act of 1967, which used a work permit system to increase Kenyan citizen employment in firms, coupled with the Kenyanization of the Personnel Bureau. These twin measures sought to regulate the employment policy of multinational corporations in favor of the citizens of Kenya. Noteworthy also was the fact that in the post independence period, the Kenya government bought equity in large multinational corporations and other foreign controlled firms. This brought government officials into membership on boards of directors of multinational subsidiaries operating in Kenya. According to Steven Langdon, the government held 51 percent of shares in the East African Power and Lighting Company, 50 percent of shares in the oil refinery as well as significant state shares of cement and cigarette manufacturing (Langdon 1978: 164).

The thrust toward Kenyanization and localization of the economy also was mirrored through efforts to train African personnel by large multinational corporations and the subsequent integration of the trained persons into the management of subsidiaries at the local level. Functionally, this strategy was double-edged, for while it considerably diminished the costs that would otherwise be incurred by engaging expatriates, it simultaneously helped to minimize nationalist pressure for economic indigenization. Multinational subsidiaries had for instance cut their proportion of non-citizen employees from 11.3 percent of

their total in 1966-7 to only 2.3 percent in 1971-2 (Langdon 1981: 40). Instructively, post-independence Kenya's zeal for a faster pace of economic localization soon sat somewhat discordantly with the gradualism that most multinational firms would have preferred (Swainson 1980).

The agricultural sector witnessed the most concerted efforts at indigenization and Africanization of the Kenyan economy. Quite aptly regarded as a cardinal prop of Kenya's economic and industrial growth, the most visible efforts at intervening in Kenya's agricultural sector for the benefit of Africans came prior to Independence. In fact, it was in the 1950s that the real dual policy, which had received only lip service during the governorship of Sir Robert Coryndon (1922-1925), attained its fullest actualization.⁶ The adoption of the Swynnerton Plan in 1954 with the main premise of radically reforming African land tenure was indeed a prerequisite for a more thoroughgoing agrarian transformation. The Swynnerton Plan advocated land consolidation and enclosure, registration and the issuance of land title deeds as evidence of land ownership. The rationale for these measures was that they would ease access to credit and therefore permit progressive farmers to graduate into what Steven Orvis calls "straddling households" (1997: 12-14).⁷ It was therefore pursuant to the recommendations of the Swynnerton Plan that the Land Registration Ordinance of 1959 and the Registered Land Act of 1963 were enacted to achieve individualization of tenure among the African people.

Moreover, the independence government also tackled the complex land question through a massive program that entailed the resettlement of African farmers on land that was hitherto settled by European farmers. The early programs for the Africanization of the former white

highlands were in fact part of an independence bargain in which African nationalists were prepared to give large economic concessions to European settlers in exchange for the speedy transfer of political power (Okoth-Ogendo 1981). A total of £11.7 million was required for land purchases alone — with an additional £13.7 million for the subdivision of the land and the establishment of new settlers (Bates 1989: 74). Generously facilitated through loans availed by the World Bank (to bind the Kenya government to a capitalist-oriented land and economic policy) and the Colonial Development Corporation, a notable consequence of this program was the rise to prominence of the smallholder farmer as the linchpin of the success story that Kenya's agrarian economy became in the 1960s and 1970s (Ikiara and Killick 1981).⁸

Simultaneous with the medium and smallholder farms were a significant number of large farms transferred to indigenous Kenyan citizens in their unfettered form. Such farms, invariably passed into the hands of wealthy indigenous Kenyans as part of a concerted effort to accede to and entrench themselves in large-scale farming, both as an avenue to political power and as an economic enterprise. Thus, as Frances Stewart argues, a new class of Africans sharing some of the privileges previously monopolized by Europeans had emerged despite the small inroads that Kenyanization had made (Stewart 1981). In fact, post-colonial Kenya's efforts at Africanization should not be misconstrued for a socialist policy. As the following analysis of the efforts aimed at attracting direct private investment amply demonstrates, the country remained quite committed to a pro-capitalist development path geared mainly toward the maximization of economic growth.

B) Efforts to attract direct private investment

Consistent with the policy pronouncements encapsulated in Sessional Paper Number 10 of 1965, the Kenya government committed itself to attracting direct private investment by creating an economic environment that was congenial for such capital to thrive. Kenya's first minister of finance, James Gichuru, made this stance unequivocally clear when he averred:

I have said before, and I have no doubt I shall say again how much importance this government attaches to new investment and if any doubts still remain, I believe that new measures under consideration will make even the most skeptical potential investor realize how much we do indeed welcome any project which genuinely contributes to our economic well being (Leys 1974: 61).

Thus, against such a backdrop of official support, investor-friendly legislation was promulgated to spur the inflow of private capital and to inspire investor confidence. This was the context within which the Foreign Investment Protection Act was passed in 1964 (Langdon 1981) to guarantee the right of investors to repatriate profits, interest that accrued on loans, as well as the net proceeds of sale of all or any part of their enterprises. The corollary to these measures was the assurance enshrined in the Foreign Investment Protection Act providing for constitutional safeguards against any arbitrary nationalization of foreign enterprises. Under the provisions of the same Act, multinational corporations and foreign capital investments were permitted

quite considerable latitude of monopoly over the internal market in Kenya (*ibid*: 43).

This feature became particularly evident in the industrial production sector which exhibited either minimal or a complete absence of competitive conditions. The attendant virtual monopoly over the Kenyan market was witnessed in the oil and petroleum distribution sector, the mining sector, and the supply of material inputs for agriculture such as fertilizers. Therefore, the picture that emerged by the 1970s was one in which the multinational corporate sector had carved an unassailable niche in the Kenyan economy. This was achieved through the linking of international finance agencies with foreign industrial firms and private capital. Nicola Swainson has demonstrated that the estimated book value of foreign investment in Kenya from various sources stood at K£130 million by 1972. Of this total, British investments constituted 67 percent (Swainson 1980: 215). Table 2 (see appendix) shows the phenomenal growth in manufacturing.

It is clear from this table that the total number of industrial enterprises in Kenya increased phenomenally from 1,062 in 1967 to 13,416 in 1974, representing growth of 92 percent. Quite impressive growth rates are also noticeable in industries where British capital registered a heavy presence such as food and beverages, textiles, oil refining and distribution, chemical manufacturing and the transport sector (*ibid*: 236).

C) Efforts to bridge the gap between wealth and poverty

Pre-eminent among the objectives spelled out in the Kenya government policy paper after independence was the compelling need to minimize or remove inequalities and glaring discrepancies in income that had been inherited from

the colonial epoch. On attaining independent status in 1963, Kenya inherited a remarkably lopsided economy, already organized for the effective maintenance of quite different ways of life for a tiny minority on one hand and a vast proportion of subalterns on the other. In Sessional Paper Number 10 of 1965, it was asserted as follows:

The state has an obligation to ensure equal opportunities to all its citizens, eliminate exploitation and discrimination and provide needed social services such as education, medical care and social security (*African Socialism and its Application to Planning in Kenya* 1965: 30).

Yet the above commitment notwithstanding, questions of asymmetry in the distribution of wealth in Kenya remained quite evocative. Throughout, a conventional view has persisted that the benefits of economic development have not been equitably distributed and that income distribution may even have become more skewed over time. Central to the sensitivity aroused by questions of asymmetry in wealth allocation was the fact that such questions were simultaneously judgmental, for they interrogated the extent to which development theory was being translated into practice.

Economic growth in post-colonial Kenya remained largely structured by the colonial era (Leys 1974: 50-62). It emerged, therefore, that Kenyanization measures mentioned earlier in this paper only achieved a veneer of transformation by replacing the racial composition of the cadre of people at the center of power, but dismally failed perforce to alter the mechanisms through which dominance itself was perpetuated. Reinforcing the need to address income differentials was the fact that by the early 1970s, there was a

perceptible change in intellectual and public opinion in favor of policies tailored to achieve a more equitable distribution of the benefits of economic growth and to alleviate poverty (Deepak Lal 1995).⁹ A slight shift in World Bank topical emphasis from mere economic growth to an approach that emphasized redistribution with growth reflected this change. It was in response to these changes in emphasis at the international level that the Kenya government invited a mission to study the country's unemployment problem, resulting in the well known International Labor Organization (ILO) report of 1972 on Kenya.

Thus, the fact that Kenya was nurturing and even exacerbating an incipient problem of wealth and affluence juxtaposed against widespread poverty and want was first brought into sharper focus by the ILO report. The report categorically stated that a growing imbalance within the country had accompanied the development of the Kenyan economy (ILO Report 1972). It sounded a warning about the tendency for Nairobi and other urban areas to grow at the expense of rural areas. The same can be said about the richer regions in relation to the poorer ones, which were characterized by skewed income differentials and discrepancies among different groups of the population. The extent to which income was distributed disproportionately can be discerned from the statistics in Table 3 (see appendix), which shows household income distribution in 1972.

It is clear from the figures in Table 3 that the number of households enjoying higher incomes beyond £600 constituted an insignificant percentage (approximately 3 percent) of the total number of households surveyed. In contrast, approximately 62 percent of households surveyed fell within the lowest income bracket of £0-60 per annum.

This was despite the fact that per capita income grew at the satisfactory rate of 2.7 percent per year between 1963 and 1972 (Development Plan 1984-88: 4). Thus, it is evident that although Kenya had achieved considerable growth after independence, the benefits of that growth were distributed unequally and large pockets of poverty remained throughout the country. Taking a retrospective view, by 1972, it was evident that the Africanization of jobs in the public sector, the agrarian reform midwifed through the Swynnerton Plan, and the post-colonial land transfer programs, all largely had failed to initiate a fundamental alteration of the socio-economic structures that had typified the colonial political economy. It could even be argued that in terms of orientation, Kenya's economy had been rendered more extroverted, and thus, more susceptible to external variables (Ikiara 1981: 25). As I have argued, this stemmed from government policies that sought to attract foreign investment and guarantee an unfettered environment for such capital to thrive. What was more, the thrust of government's industrialization and investment policies helped to buttress the dominance of the corporate fraction of capital in Kenya.

Inescapably, Kenya assumed the salient features of a dependent political economy characterized by the preponderance of foreign investment and foreign capital. In conjunction with this foreign capital emerged a burgeoning indigenous bourgeois class. In the words of Steven Langdon, this dominant class cultivated "a symbiotic relationship" (1981: 89-93) with multinational corporate capital in order to gain access to economic benefits, resources and opportunities. That members of this class were "captured" by the ensuing capitalist relations was reflected in their purchase of shares in foreign firms as well as their integration into the management of multinational corporate

subsidiaries operating in Kenya. Both Gavin Kitching (1980) and Steven Langdon (1981) have demonstrated persuasively that this class also appended itself to the state, invoking state power as a key instrument of economic accumulation.

An Overview of Kenya's Development Experience, 1963-1980

On balance, Kenya's post-colonial development experience between 1963 and 1980, with little variation, largely cohered with Colin Ley's assessment that there was no radical departure in the country's development policy following independence (Leys 1974).¹⁰ Kenya's development experience during this time should be characterized properly as one that perpetuated the trend established by the British colonial regime, especially after 1945. The organizational principle informing development at the international level during this time was a belief in modernization theory, coupled with the Keynesian premise that state participation and mediation in economic activities was *a fait accompli*.

These twin tenets were visible components of Sessional Paper Number 10 of 1965, despite its styling as "African Socialism." Hence, although development plans were written and proclaimed, what passed for development plans were actually aggregations of projects and objectives informed by the latest theories of the international development community (Ake 1996). As these theories changed in the larger world, so were they abandoned in the Third World. As earlier argued, the historical background to the modernization theory was the compelling post-1945 imperative to re-establish the capitalist mode of production. Both the colonial and post-colonial states in Kenya were central in this process. The colonial state initiated the process from the 1940s by undertaking the restructuring of relations

of production and by presiding over the investment of industrial capital (Berman 1990). The result was the defeat of settler monopoly capitalism and the rise of new relations of production that were more amenable and responsive to positive incentives than to brute force and economic coercion through mechanisms such as hut and poll tax (Stichter 1982, Zwanenberg 1975). The post-colonial Kenyan state, on the other hand, accentuated this process through programs of land settlement, the installation of Africans into the agrarian and commercial sectors, the use of state owned enterprises, and more importantly, through the establishment and maintenance of an environment that was congenial for the blossoming of capitalist relations.

The Neoliberal Turn in Kenya's Development Experience, 1980-2000

This section of the paper will not present a detailed account of Kenya's economy since the 1980s, which already has been provided by Robert Maxon and Peter Ndege (1995). Rather, the purpose of this section is to situate Kenya's development experience within the context of changing trends in the theory and practice of development at the international level. Since the 1980s, Kenya, like most developing countries, was compelled to structure her development programs against the backdrop of rapidly changing international economic dynamics. The counter-revolution in development theory that occurred in the 1980s was part and parcel of a wider neoliberal reaction that stood diametrically opposed to Keynesianism, structuralism and radical Third Worldist postulations, such as underdevelopment and dependency (Peet with Hartwick 1999). Neoliberal thought sought a re-enactment of conservative political and economic ideas glorifying *laissez faire* and eschewing

government intervention in the economy as coercive, restrictive and corrupt (*ibid*). Among other factors, these policies were a response to the continued world economic crisis of the 1970s, the increase in oil prices in 1979 and the world recession that followed in its wake. Gaining greater salience in the 1980s, neoliberal policies were unyielding in their advocacy of fiscal discipline, financial liberalization, trade liberalization and the removal of encumbrances to entry into markets of developing countries by foreign firms, privatization of state enterprises and the de-regulation of the economy in order to encourage competition (*ibid*). Given this context, global development policy came to consist of withdrawing government intervention in favor of the rationalization of an economy through disciplining by the market, and by self-interested individuals efficiently choosing between alternatives in the allocation of resources.

As would be expected, neoliberal policies had a direct impact on Kenya's economy both in terms of policy formulation and performance. The period spanning from the 1980s can be characterized as one in which the government attempted to implement stabilization and Structural Adjustment Programs both to alleviate macro-economic imbalances and to enhance the domestic and external competitiveness of the economy, albeit with varying degrees of success. World commodity price indices for the period 1980-1984 demonstrate that free trade policies had engendered the unprecedented deterioration in the economic performance of primary agricultural products on the international market (Economic Survey 1985). This grim external economic environment was aggravated by the vagaries of drought that affected Kenya, culminating in a precarious food security situation in 1979-1980 and again in 1984 (Development Plan 1984-1988). The cumulative

consequence of these difficulties was a marked reversal in the economic performance of the country as epitomized by a drop in the rate of economic growth from 6.9 percent for the period 1965-1980 to a meager 3.8 percent for the period 1980-1987 (World Development Report 1989: 166).

True to tradition, the response of government to these economic challenges was the promulgation of development plans and sessional papers. Yet instructively, the themes and tone of the papers produced since the 1980s were themselves testimony to the changed international economic climate. In response to declining economic growth, for example, Sessional Paper Number 4 of 1980 stepped down the projected development program in order to make it consistent with the prevailing adverse economic realities (Maxon and Ndege 1995). The 1984-1988 Development Plan was, on the other hand, a response to the fact that the country's development prospects no longer could be predicated upon the infusion of external resources. The mobilization of such external resources had been rendered difficult by a plethora of conditionalities attached to their inflow. Cognizant of these changes, a modest average annual economic growth rate of 4.9 percent was projected for the period 1984-1988 as the national development target (Development Plan 1984-1988: 69). It was hardly surprising, therefore, that *mobilization of domestic resources for equitable development* was adopted as the central theme of the 1984-1988 Development Plan (ibid).

The strategies formulated to facilitate the mobilization of domestic resources were quite in harmony with the prevailing neoliberal orthodoxy. Of paramount importance was the need to reduce government expenditure so as to increase the capacity for building up domestic savings to spur development. The 1984-1988 Development Plan

responded to this need by introducing the concept of government sharing the costs of service provision with the beneficiaries. In order to explain this reversal in policy, an argument was projected to the effect that it would economically empower the government to expand the facilities and make them accessible to less favored areas (*ibid*).

Besides cost sharing, the Kenya government undertook to rationalize its own involvement in state enterprises either through divesture or by efforts to streamline their operations. This signified an important departure from the 1960s and 1970s when government activities proliferated. For example, government expenditure as a percentage of the Gross Domestic Product (GDP) increased from 24.7 percent in 1976-77 to 35.5 percent in 1980-81 (see Maxon and Ndege 1995: 155). On January 12, 1982, the government appointed a working party to recommend urgent and practical measures for curbing expenditures. Reporting in July 1982, the committee recommended that it was now a matter of high priority that the government should downsize the scope of its involvement in service provision and its expenditure on parastatals as a way of minimizing its exposure to risk in activities that more appropriately could be undertaken by private investors (Report and Recommendations of the Presidential Working Party on Government Expenditures 1982).

Other indicators also showed that Kenya's economy was quickly succumbing to the adverse circumstances brought on by the changed international economic climate. Over the five years stretching from 1980 to 1984, for example, the total public debt indicated an increasing trend from K£858 million in 1980 to K£2,210 million in 1984, mainly due to a rise of the external debt component (Economic Survey 1985: 4). A similar trend was observable in the country's external trade and balance of payments, which

were affected adversely by economic liberalization. Following the faster growth in imports relative to the expansion in exports, Kenya's external trade and balance of payments position deteriorated rapidly. In 1986, for instance, a balance of payments deficit amounting to K£86 million was recorded, compared with K£68 million and K£39 million surpluses recorded in 1983 and 1984, respectively (Economic Survey 1986: vii). Among other factors, this dismal performance was attributed to poor export growth and liberal import policies, both creating the decline in the balance of trade.

Another major repercussion of neoliberal policies on Kenya's economy was the soaring inflationary trends witnessed since the 1980s. These were caused by adherence to structural adjustment policies that advocated exchange rate manipulation to promote exports by diminishing the value of the local currency (Maxon and Ndege 1995: 158). Thus, whereas the average annual inflation rate was 7.1 percent in 1987, it jumped to double-digit margins at 10.7 percent in 1988 and 11.2 percent in 1997 (Economic Survey 1998: 4). The systematic weakening of the Kenya shilling against nearly all the major international currencies has accompanied the inflation trend.

Free-market-driven economic policies also have impacted severely specific sectors of the Kenyan economy such as manufacturing. In 1998, for example, the manufacturing sector continued to be constrained by its incapacity to compete with cheap and subsidized imports to the local market. The slump in manufacturing output in 1998 was observed particularly in the food-processing sub-sector, and in the production of textiles, with the latter succumbing to the combined effect of cheap imports and quota allocation for Kenyan garments into the U.S. market

(Economic Survey 1999). This worsened in 1999 when real output growth in the manufacturing sector recorded a decline of 1.4 percent in 1998 from 1.9 percent and 3.9 percent for 1996 and 1997, respectively (*ibid*: 6). Besides severe drought, liberal economic policies engendered low prices in both domestic and world markets, negatively impacting Kenya's agricultural sector to such an extent that it recorded a negative growth of 2.1 percent in 2000 (Economic Survey 2000: 18).

The adverse effects of neoliberal policies, aggravated by a lapse in fiscal discipline by the state,¹¹ soon were brought to bear on Kenya's economy in general as the 1990s wore on. Whereas the economy recorded an average annual growth rate of 3.7 percent in the five years from 1993-1997, this only camouflaged the fact that 1997 was the second consecutive year during which the Kenyan economy had recorded a slowdown to 2.3 percent against a projected growth rate of 5 percent in 1996 (Economic Survey 1998: 20). Apart from internal constraints, such as poor weather and dilapidated infrastructure, competition from imports arising from a liberalized trade regime and the absence of investor confidence helped to produce this substantial fall in the rate of economic growth. This downward spiral persisted with a further decline to 1.8 percent in 1998 (Economic Survey 1999: 17) and finally negative 0.2 percent in 2000 (Economic Survey 2002: 17).

Conclusion

In this paper I set out to trace Kenya's post-colonial development experience and to locate it within the framework of the dominant theories at the international level. It has been demonstrated that from 1945 to 1980, Kenya formulated development policies that largely cohered

with the prevailing modernization theory. Seeing development in evolutionary terms, this strategy sought to replicate the development experiences of the industrialized Western countries. Despite its styling as African socialism, I have argued that the sessional paper on which the Kenyatta government predicated development policy was itself an article of faith in modernization theory. This remained the case despite the fact that impressive efforts were made to Africanize and localize the key economic sectors of agriculture and commerce.

In the same vein, the paradigmatic shifts that occurred in conceptions of development at the international level since the 1980s made a direct impact on development practice in Kenya. The onset of donor fatigue that was a cardinal benchmark of the era of critical modernization evidently impelled a reconceptualization of the country's development targets in light of new economic realities. A consequence of this was that despite attempts by the regime of Daniel arap Moi to replicate the policies of his predecessor, his regime did not achieve similar results. This, as I have tried to demonstrate, underlined Kenya's continued dependent status within the world economy. Thus, since the 1980s, the government has been compelled to implement policies consistent with the emerging neoliberal economic orthodoxy. Besides considerably eroding the influence of the state as a mediator in the economic sphere of the country, these policies also have reversed substantially the gains that were made in the 1960s and 1970s. Table 4 (see appendix), showing the annual percentage growth rates of the economy for selected years since 1964, summarizes the effects of dominant paradigms on Kenya's development experience.

The figures in Table 4 show that in the period 1964-1979, the country recorded impressive annual economic growth rates averaging six percent. However, this trend consistently was reversed for much of the period after 1980, as the average annual economic growth rate deteriorated to negative margins by the turn of the century.

Endnotes

¹ The otherwise economically weak settler agricultural enterprise in Kenya became profitable for the first time due to the exigencies of the Second World War that created an internal and external demand for agricultural produce.

² As early as 1939, Kenya was producing her own beer, cigarettes, soap, cement and canned fruit.

³ The settler agrarian economy became an anachronism in Kenya's history because it only could survive by paying African labor below its prevailing market value.

⁴ In the Devonshire Declaration, the imperial authorities sought to defend the principle of "native trusteeship" by emphasizing the paramountcy of African interests.

⁵ These are estimates of the ILO Report as quoted in Langdon (1981: 28).

⁶ Part of the legacy of Mau Mau was to compel the fostering of peasant prosperity as a way of insulating the large farm sector against African militant resistance.

⁷ Straddling is employed to denote the involvement of households in multiple economic activities.

⁸ In the 1960s and early 1970s, Kenya's economy had the reputation of being fast-growing. From 1963-1975, the GDP grew at an average of 6 percent annually with impressive contributions from agriculture.

⁹ Efforts were made during this time to impart a human face on the international development agenda.

¹⁰ The author is aware of Colin Leys' revised interpretation of Kenya's political economy (See Leys 1977).

¹¹ This was reflected in the growth in money supply that grew by 35 percent in 1992 and 28 percent in 1993 (See *Economic Survey* 1994: 16).

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Appendix

Table 1: Percentage share of recorded employment in private industry and commerce for selected years, 1964-1974.

Region	1964	1968	1972	1974
African	80.9	84.7	88.6	92.1
Asian	14.1	11.1	7.9	5.8
European	5.0	4.2	2.5	2.1
TOTAL	100	100	100	100

Source: Kenya, *Statistical Abstracts* (various issues)

Table 2: Number of manufacturing enterprises, 1967-1974

Industry	1967	1974	Approx. % Growth
Food and Beverages	183	3073	94
Textiles, Clothing and Leather	238	5161	95
Wood and Furniture	103	1381	92
Chemicals and Petroleum	10	163	93
Plastics and Rubber	13	82	84
Metal Products	52	339	84
Transport Equipment	173	2495	93
Miscellaneous	290	722	59
TOTAL	1062	13416	92

Source: *Statistical Abstract & Economic Survey 1979* (Nairobi: Central Bureau of Statistics)

Table 3: Household income distribution in Kenya

Income in £ per annum	Households in 000s	% of the total
0-20	330	14.1
21-60	1140	48.7
61-120	330	14.1
121-200	240	10.2
201-600	220	9.4
601-1000	50	2.1
1000+	30	1.2
Total	2,340	

Source: 1972 ILO Report on Kenya, Table 25.

Table 4: Annual percentage growth (GDP) of Kenya's economy, 1964-2000

Years	1964- 1970	1970- 1974	1974- 1979	1980- 1986	1993- 1997	1998	2000
%	6.6	5.7	6.0	4.2	3.7	1.8	-0.2

Sources: Republic of Kenya, *Statistical Abstract*, 1973, 1976, 1980. See also Republic of Kenya, *Economic Surveys*, 1985, 1986, 1987, 1998, 1999, 2002 and Republic of Kenya, *Development Plan*, 1989-1993.

