FOREIGN AID IN KENYA: ITS APPLICATIONS AND EFFECTS
ON KENYA'S ECONOMIC DEVELOPMENT 1963-1975

THESIS

Presented to the Graduate Council of the
North Texas State University in Partial
Fulfillment of the Requirements

For the Degree of

MASTER OF ARTS

By

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Denton, Texas
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Primary sources were provided by the Kenyan Embassy to the U.S.A., Kenya tourist offices in the U.S.A. and West Germany, the Economics Department at the University of Nairobi, the Ministry of Finance in Kenya, the Institute of South Africa, and the United Nations.

The first chapter provides a brief explanation of the historical and economic development Kenya has experienced since independence. Chapter II deals with the historical development of Kenya's economy. Chapter III discusses the major countries' donation of aid to Kenya. Chapter IV focuses upon aid from international organizations. Chapter V develops Kenya's efforts to use foreign aid efficiently. Chapter VI looks into Kenya's prospects for development through foreign aid. Chapter VII is the conclusion.
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Fig. 1--Map of Kenya

CHAPTER I

INTRODUCTION

A Brief Historical Perspective

All the developing nations require some form of trade or aid from other nations in order to enhance economic development. Military aid is also provided for the purpose of maintaining the developing nation's defense.¹

Geography and Population

Kenya, one of the Eastern African countries, is bisected by the equator into two nearly equal parts. The northernmost and southernmost points of the country are about equidistant and are about four degrees north and about four degrees south of the equator. The total area of 224,970 square miles includes 5,200 square miles of water, consisting largely of Lake Turkana which covers 2,473 square miles and Kenya's portion of Lake Victoria which covers 1,461 square miles.

Kenya shares borders with five other countries. To the east and north are Somalia and Ethiopia, to the northwest lies the Sudan, to the west is Uganda, and to the south is Tanzania. As shown in Figure 1 on page vii, Kenya is divided


into seven provinces and the District of Nairobi which is considered an extra province.

The population of Kenya consists of the Black Africans, Whites of European origin, Asians and Arabs. The population in 1979 was sixteen million Africans, 85,000 Whites, 165,000 Asians and 50,000 Arabs.\(^3\)

Whites and the Asians live in cities and towns, while most Arabs live in coastal towns. Africans live in the rural areas as well as in the cities and towns. The African population is composed of many different ethnic groups or tribes such as the Kikuyu, Luo, Luhya, Kamba, Kalenjin, Kisii, Meru, Embu, and Mijikenda.\(^4\)

The Economy and Government

Kenya, a former British colony, achieved independence in 1963. Jomo Kenyatta became the first Prime Minister and subsequently President of the Republic which was established in 1964. Kenya is a de facto one-party system and considers itself a democratic state with an elected Parliament. It has a Cabinet of Ministers and a Vice President who are, in effect, chosen by the President.

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Kenya possessed a more developed industrial sector than most black African countries at independence and, in addition, had established markets for its manufactured goods in East Africa.

Land in Kenya is either owned by the people or owned by the government. The National Parks are government land and are mostly nature preserves for animals. Together with the beauty of the land, the nature preserves encourage tourism in Kenya, which contributes greatly to Kenya's economic well being. The country is politically stable and the constitution encourages foreign assistance. As a result Kenya is admired by many nations both in Africa and elsewhere. The country experienced twelve years of rapid growth (1963-75), largely as a consequence of foreign investment and foreign aid which was a response to the favorable conditions established by the Kenya government. Government policy was to channel both resources and income to sectors other than agriculture, despite the fact that it was in agriculture that the greater bulk of the population still sought its livelihood. Kenya led most African countries in economic growth rate, tourism, consumer-manufacturers, and processed exports. Kenya has had a controlled, private enterprise economy which attracts foreign capital, and has

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5 Hyden, op. cit., pp. 8-10.
replaced foreigners with Kenyans in most jobs both in industry and agriculture.  

The government of Kenya offered non-citizen Asians the opportunity to become citizens. Those who did not opt for Kenya citizenship had a doubtful future in Kenya, as many African leaders resented the fact that Asians controlled a significant segment of Kenya's economy.  

Health and Other Social Services

Infrastructure is fairly effective but there is an imbalance with the cities and towns which are provided with a more extensive infrastructure than are the rural areas, e.g., hospitals and schools are better equipped in the cities and towns than in the rural areas.

Communications, Roads, and Waterways

Telephones and telegraphs are available. Most roads are paved, especially those in agriculturally productive areas and tourist centers as well as roads in the cities and towns.

The Mombasa-Nairobi railroad is the main carrier of Kenya's exports and imports, and there is an oil pipe line running from Mombasa to Nairobi. Waterways in Lake Victoria

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Slater and others, op. cit., pp. 7-21; and Kaplan, op. cit., pp. 49-77.

provide transportation between Kenya, Uganda, and Tanzania. Kisumu is Kenya's major port on Lake Victoria, and Mombasa is Kenya's harbor on the Indian Ocean.

Education and Religion

There are both private and government schools and while education is non-compulsory it is free in government schools at the primary level.

Christians in Kenya constitute 54 per cent, Muslims 6 per cent, and indigenous religions 40 per cent. Animism is practiced. Many African religions practice ancestor-worship and what many Westerners would call superstition. The "Mganga" (witch doctor) manipulates religious power and prays to God. He also prepares medicine to cure the sick and to protect people against evils.8

KENYA'S POLITICAL ECONOMY AND THE CONDITIONS NECESSITATING FOREIGN AID

Early and Present Political Economy

Like most other newly independent nations, Kenya faces a variety of major economic problems. One of the most important is that of creating a strong nation-state. Most African nations have retained frontiers which were arbitrarily drawn by late 19th century European diplomats and administrators. Ethnic groups may be divided by national boundaries despite the fact that loyalties may be stronger toward these groups than toward the state. Kenya faces such a problem with the north-eastern part of the country occupied by the Somalis, who claim to belong to Somalia. Part of the solution to so complex a problem may be government administration that is so efficient that it would win the support and loyalty of the Somalis living in Kenya.

When the African states attained independence the dominant nationalist movements and their leaders installed themselves in virtually permanent power. They called for national unity and urged that multiparty parliamentary systems be discarded in favor of the single-party state.
When these governments proved unable or unwilling to fulfill popular expectations there was often no alternative except intervention by the military. Kenya never experienced such a military intervention.

As in the case of many other African nations, Kenya has considerable natural resources with which to develop its economy. Foreign private enterprise has often regarded investment in Kenya as less risky than in most other African countries.

Multinational corporations provide foreign aid to Kenya in addition to investing there. Foreign aid is important too, as explained in other sections of this paper. Yet foreign aid tended to decrease as the U.S.-Soviet detente took hold, and the former colonial powers have tended to use foreign aid funds for their own economic modernization needs. Expectations for a better standard of living continue even though the prices of consumer and other manufactured goods have failed to keep pace with real income. The prices of most Kenyan primary products sold on world markets have lagged behind. If this continues, it could result in serious foreign exchange and national debt problems, and eventually public discontent. An inevitable problem for African nations is to project a strong voice in international affairs, since they lack the military and financial power for their views to be considered favorably.
Kenya is lucky in that she has been able to handle most economic and political problems with quite a considerable magnitude of success.\(^1\) This has been noticeable in her considerably rapid development since independence.

The various efforts being made by the government in improving agricultural techniques, health services, administrative services and education are to be explained in another chapter.

Kenya's experiences in development during the last century were marked by elements similar to those of many of the Third World nations. Colonial rule determined the type of economy. The early society of Kenya was dual, with a small upper-class White group and a low-income African community. The Africans formed 90 per cent of Kenya's population.\(^2\) There was a third community formed by merchants who were mainly Asians.

After Kenya achieved independence in 1963, Whites and Asians were largely replaced by Africans, in an orderly and gradual process. The vast majority of Kenya's wealth today is still concentrated in the hands of an industrially-oriented upper-income elite which includes


\(^{2}\)Kaplan, *op. cit.*, p. 85.
all three racial groups. The majority of the African population engages in subsistence farming or is under-employed in the cities.

As Kenya engaged in the gradual replacement of foreigners capital was badly needed for many new and ongoing programs. Foreign aid provided some of the capital and expertise needed in this undertaking. The Kenyanization of the White-owned Highlands and the displacement of Asian merchants have been relatively orderly. Private financial arrangements which represented colonial interests have slowly been replaced by local, private financing.

When Kenya attained independence, agriculture was lagging as farms changed hands from White to African farmers. Government loans were made available to the new farmers. Land was improved, and agricultural programs were expanded in many areas. Ever since independence economic development programs have been taken very seriously by the Kenyan government.

The economy of Kenya now operates much closer to the limits of its economic resources than it did under colonialism. Careful planning and strong discipline regarding

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4 Kaplan, *op. cit.*, pp. 87-89.
economic choices continues to be needed. Kenya requires more advantageous terms of trade no less than it requires foreign aid.

Foreign Aid and Its Linkage to the Economy

Foreign aid, in this study, refers to the movement of public or government capital, goods, services from the developed nations, and world organizations to Kenya. The term "goods" in this study refers to actual cash transaction from a country or an organization to Kenya. The "capital" that Kenya receives as foreign aid consists of all man-made aids to production such as factories, machinery, equipment, transportation facilities, and power plants. It also includes all man-made forms of social overhead or public capital, such as roads, schools, universities, hospitals and military equipment. Other forms of foreign aid consist of items adding to the health or welfare of Kenya such as clothing, food, or medicine.

Services will be defined in this study as any type of latent technology, information, or other non-material aid which can be supplied to Kenya. These services can be supplied in several ways, such as sending trained personnel to Kenya to work or instruct local citizens, and sending students to the developed nations to study.

An attempt is made to furnish both a political and economic exposition of the foreign aid programs and their
contributions to Kenyan economic development. No attempt has been made to reach a conclusion as to which country or organization has the best aid program from the standpoint of the government of Kenya. Neither has there been any attempt to determine which program has been most advantageous in the economic development of Kenya. Foreign aid is but one of the several means by which developed nations have assisted Kenya, and in some ways it is the most important contact between them. It certainly is not the best understood nor the most publicized means. There are foreign missionaries, teachers, businessmen, and tourists in Kenya who also contribute significantly to Kenya's development. At no other time during its early history has Kenya enjoyed the world's attention and center stage as it did during the period 1963-75.
CHAPTER III

PUBLIC AID BY THE MAJOR DONOR COUNTRIES

Foreign aid is a topic about which many scholars have written. Among the critics of foreign aid was the late Dr. Kwame Nkrumah of Ghana.

... there is a friendly cooperation which is offered in the educational and cultural domains aimed at subverting the desirable patterns of indigenous progress to the financial monopolies. These are the latest methods of holding back the real development of the new countries.¹

Foreign aid has been a major method for the developed countries to provide young countries with the means for achieving development. To support this concept, the late President John Kennedy of the U.S.A. once said,

... there exists in the 1960's a historic opportunity for a major economic assistance effort by free industrialized nations to move more than half the people of the less-developed nations into self-sustained growth, while the rest move substantially closer to the day when they, too, will no longer have to depend on outside assistance.²

Foreign aid sources to Kenya may be divided into five groups, based upon donor countries as follows:


Aid from the U.K.
Aid from West Germany
Aid from Other European Countries, Australia, and Japan
U.S.S.R., Yugoslavian, Chinese, and Arab Aid
Canadian, American, and Israeli Aid

Table I shows the various sources of aid to Kenya from 1964 to 1972 as well as the percentage of total technical and financial aid received.

Aid has been given in many forms such as loans, grants, or through export-import arrangements. There are some conceptual difficulties involved in valuing exports from developing nations in foreign aid calculations as developed countries sometimes do not pay what developing countries consider sufficiently high prices for goods purchased from developing countries. Measures have been proposed by many countries and combinations of countries such as the Organization of Petroleum Exporting Countries (OPEC) to correct price unfairness for their exports. Proposed measures by the developing countries and their trade organizations are designed to reduce the handicap suffered by them in the pricing of their exports. Export credits on the sale of capital goods by developed countries cannot be matched by most developing countries. These export credits are used to finance exports of the developed countries to the
TABLE I

SOURCES OF AID DISBURSEMENTS TO KENYA
(percentages)

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<td>6.2</td>
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<td>1.1</td>
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<td>3.4</td>
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</table>

Key: A: Percentage of total technical assistance received by Kenya.
B: Percentage of total aid (financial and technical assistance) net amortization but gross of interest payments.

developing countries. Such credits often have a maturity of five years or more. Not only are they an expensive source of capital, but their easy availability can lead to overuse by developing countries.\(^3\) Also, tying aid to purchase of equipment and machinery in the aid-giving countries such as the U.S.A. largely denies developing countries like Kenya the opportunity to compete in the purchase of capital goods.

It has been proposed that an international agency such as the World Bank, as will be seen in the next chapter, might institute programs to finance export credits granted by developing countries on the same terms as those given by developed countries. At present, it is commonplace for the industrial countries to tie aid in their bilateral programs so that funds must be spent in the donor country. The developing countries want to spend available funds in the most attractive markets. This is why they sometimes turn to the international organizations for funding. The World Bank has its own terms of lending that may sometimes be more favorable to the developing nations than those given by the developed nations.\(^4\) Further, the untying of aid with respect to procurement has been proposed


\(^4\)Ibid., pp. 450 and 452.
to enable developing countries to compete with each other in purchasing capital goods on equal terms. Many arrangements and proposals have been made between Kenya and the U.S.A. and other developed countries to improve the specific conditions of foreign aid.⁵

The purpose of measures proposed in the field of development assistance has been to increase the flow and effectiveness of resources channelled to Kenya. The most effective aid is the increased flow of both public and private capital. Development assistance is enhanced through broad program aid rather than specific project aid. Economic development is further enhanced by the progressive removal of restrictions on the uses in Kenya of foreign aid, such as tying it to procurement in the aid-giving country.

In assessing development programs it is observed that

... program aid is supposed to give donors an opportunity to review the overall plan and policies of the recipient country, and in order to receive the aid, the country must pursue what the donors regard as appropriate policies.⁶

This requirement, however, demands sophisticated management and planning of the economy. Therefore, countries at an earlier stage of development could not use this

approach effectively. The program aid approach focuses upon the recipient countries' shortage of foreign exchange as the critical factor in determining aid requirements. Limiting all foreign aid to program aid may have a relatively adverse effect on the total amount of aid Kenya receives. It is sometimes advisable to stress project rather than program aid to a country in the early stage of development because of its limited ability to plan and manage its economy. Program planning and operation is more difficult than project planning and operation because a program requires explicit massive coordination, whereas projects, e.g., a specific improvement in agriculture, invariably possesses some framework for accomplishing its goal.

Kenya's ability to attain aid was expressed by one U.N. expert when he said,

... one reason for Kenya's advancement is the country's image as a stable, prosperous, anti-communist, free enterprise country. All Kenya has to do is blow a whistle and the Western loan agencies happily hand over their checks.\(^7\)

By 1975, external foreign aid to Kenya had grown tremendously. For the fiscal year 1975-76, the total external aid from all sources was $170,000,000. Agriculture and water development received the largest percentage of technical assistance that year. Education was second, followed by industry and health.

The World Bank is the largest donor in terms of capital and while the United Kingdom remains the largest technical assistance donor. The U. K. Overseas Service Aid Scheme (O.S.A.S.) provided 354 technical assistants in 1975 and the British Expatriate Supplementation Scheme (B.E.S.S.) provided forty-four technical assistants. There were in addition 463 British advisers and 178 volunteers. The U.K. has recently been moving towards more aid to rural areas with a greater emphasis on roads, agriculture, education, and technical assistance.8

The U.S.A. also increased its involvement in rural development in 1975. Its aid that year was $42,000,000 as compared to $34,000,000 the previous year. The greatest portion of this aid went to agriculture, including marketing programs for small-scale farms. There was a total of 250 American Peace Corps personnel in Kenya during 1975 of which 170 were teachers.

The Federal Republic of Germany provided assistance in the agricultural sector, rural water supply and road construction. A total of $19,500,000 was provided in 1975 alone with $14,000,000 spent on improving the water supply and the balance for construction and upgrading of tourist roads.9

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9Ibid., pp. 5-75.
Canadian assistance is concentrated in the fields of education (technical and business training), rural development and support to the Kenya government administration. One of Canada's big projects in Kenya is a road gravelling program aimed at improving rural roads. Other major donors to Kenya include the United Nations Development Program (U.N.D.P.) and other United Nations agencies discussed below.

The Scandinavian countries, the Netherlands, Japan, Switzerland, Austria, France, Italy, and the international organizations such as the Ford Foundation, the Rockefeller Foundation, the Oxford Family Assistance Management (Oxfam) and many church organizations are other donors.

There is a definite trend in all programs towards more emphasis on rural development, primarily to improve productivity in agriculture and livestock farming.

After 1963, when Kenya gained independence, many developed countries were eager to make arrangements with the African leaders for aid to be given to the new nation. Table II shows technical aid to Kenya and the East African Community. More discussion follows indicating the specific foreign aid several countries have given to Kenya.
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<tr>
<td>Totals:</td>
<td>1134</td>
<td></td>
<td>160</td>
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<td>British Expatriate Supplementation Scheme (B.E.S.S.)</td>
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<td>Operational Personnel, not from U.K.</td>
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<tr>
<td>Advisors</td>
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<td>614</td>
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<tr>
<td>Volunteers</td>
<td>637</td>
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<tr>
<td>Grand Total:</td>
<td>2791</td>
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*A: Numbers working for the Kenya government only.
**B: Numbers working for the Kenya government plus East African Community.
The United Kingdom's Aid to Kenya

The United Kingdom has contributed very significantly in the development of Kenya, especially in terms of foreign aid. By the time of independence, changes had been in progress for several years. The early 1960's were years in which the reality of impending majority rule became clear to the British. Pre-independence agriculture was characterized above all by the division of the land between the Europeans and the Africans. Farming by the Europeans was for cash crops, e.g., coffee, tea, sisal, livestock ranching, and mixed farming. Livestock, together with a very small value of dairy produce, also accounted for part of the sales from non-White land. The White-owned land or Scheduled Areas were to be transferred to the Africans after independence.

Land Transfer Programs (L.T.P.) were initiated to enable Africans to farm in the former White Highlands. External aid was sought for land purchase and settlement, and funds were raised from various sources such as the World Bank and the Commonwealth Development Corporation (C.D.C.). The British government agreed to provide funds in the form of loans for land purchase. The policies of land transfer initiated before independence in the early 1960's continued to work afterwards. In the 1970-74 plan there were still proposals for settlement schemes to be carried out with
British aid. Rural development was one of the most important forms of British foreign aid to Kenya. The Overseas Development Ministry (O.D.M.) established many rural development projects. The establishment of Mumias Sugar Company (M.S.C.) was the biggest O.D.M. project in Kenya. There was a soft loan of $8.7 million in 1971 towards a total investment of $22.5 million for the project. The project consisted of a factory and a nucleus estate of some 8,000 acres. Other projects included the Kwale District Special Rural Development Program. The Special Rural Development Program (S.R.D.P.) is regarded as extremely important in that it affects areas where poor people live.

S.R.D.P. has been supported by other donors, and additional projects include the Kano irrigation project, the Mwea-Tebere-Tana project, the Meru-Embu-Isiolo project and others to be discussed below. British aid to Kenya is shown on Table III. The years 1964-73 indicate that British aid to Kenya during that period was higher than that to the entire East African community excluding Kenya.

Some of the U.K. aid projects in Kenya included medical assistance amounting to $979,100 between 1970 and 1977.

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10 Burrows, op. cit., pp. 455 and 476.


12 Ibid., pp. 165-181.
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<tr>
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<td>12095</td>
<td>9583</td>
<td>10965</td>
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<tr>
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<tr>
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<tr>
<td>and Interest</td>
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<td>4447</td>
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<td>897</td>
<td>2093</td>
<td>520</td>
<td>1537</td>
<td>24343</td>
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</table>

*Owing to the establishment of the headquarters of many E.A.C. services in Kenya, much of this aid was spent in Kenya.


Key: The figures are given in [Pound (£) given in thousand pounds]: Pound (£) 1 = $3.00.
This assistance was for health research, especially on irrigation related diseases in Kano, and many O.S.A.S. and B.E.S.S. experts and volunteers were involved in these projects.

The government of Kenya created the Industrial and Commercial Development Corporation in 1954 to assist Africans to enter into the commercial and industrial life in Kenya. In 1967 the Corporation established the Kenya Industrial Estates Ltd., a wholly-owned subsidiary whose main aim is the promotion of small- and medium-scale industries in Kenya. Industrial assistance during 1971-76 was $767,255 and was used on personnel to train Kenyans and many Kenyan industries benefitted from this aid. British aid in the area of labor-management relations involved $82,400 between 1971 and 1976. Other areas receiving U.K. aid were transport and communications ($224,000 between 1970 and 1977); natural resources ($225,000 between 1971 and 1978); and social and economic planning ($773,200 between 1968 and 1977). Police training and land settlement involved $894,355 between 1971 and 1977. Research on various sectors of the economy accounted for $1,305,604 of the U.K.'s aid during 1970-77. Livestock and farming during 1970-77 took $135,755 whereas aid for animal health including ranching (e.g., at Embakasi) was estimated at

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$806,956 during 1963-78. Wildlife and fisheries were allocated $306,355 (during 1971-78). Water irrigation and development took $977,800 during 1971-78. Aid for Range Management between 1971 and 1977 was $422,380. The Cooperative Movement and Farm Management (e.g., in Kwale District) were allowed $812,988 during 1969-76. Education, one of Kenya's top priorities, was given total assistance of $6,821,812 during 1971-76. This aid was used for universities, village, and urban polytechnics, primary and secondary education. There were B.E.S.S. and O.S.A.S. volunteers and experts in Kenya during the entire period of these expenditures. Table II indicates the number of experts and volunteers working in Kenya under foreign aid programs. Many of the volunteers and experts were from world organizations discussed below.

The government of the U.K. also aided Kenya in the form of loans and grants which were used for various programs and projects in the country. In 1970, for example, the U.K. loaned Kenya $21 million for twenty-five years at 2 per cent annual interest with a grace period of seven years. The loan was for general development and land purchase. In 1973 another loan for $26.4 million was made for the same purpose and on the same terms. Another $14.4 million loan was made in the same year for land purchase. The total loan commitment by the U.K. to Kenya in 1975
alone was $4,580,000. The terms were twenty-five years at 2 per cent annual interest with seven years grace period. The disbursements went to agricultural development, research, road construction and general rural development.  

Foreign aid to Kenya, especially British, has been and continues to be of great importance to the economy, but it is not without its critics, one of whom has written;  

..., Aid as a whole, of which British aid is a part, is therefore open to the comment that: 'the donors are able to pre-empt domestic resources and alter the entire investment program, thereby substituting their preferences for those of the recipient government'. ..., It is not clear that such a change in priorities must inevitably be anti-government.  

Federal Republic of Germany

West Germany has shown a very strong interest in assisting Kenya. Since Kenya's independence, West Germany's assistance commitment has been estimated at $69 million in capital. Part of this commitment has not yet been used. The largest West Germany aid project to Kenya is the Chemilil Sugar Factory which also received U.K. aid. Tourist roads have also been areas of major interest by the West Germans. The I.C.D.C. has received part of the commitment. Various industries in Nairobi, Nakuru, and Mombasa have also received West German aid. Rice cultivation is another project which has been assisted with West German aid.

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14 Ibid., p. 2.
15 Holtham, op. cit., p. 250.
Irrigation, tea growing, and water supply for Mombasa, Kisumu and Nakuru have been other projects to benefit from the West German commitment. Loans as shown below have been also granted and technical assistance in the amount of $13.5 million has also been available. Most German technical assistance has been associated with foreign aid and has been widely distributed in the country, with a higher portion in agriculture. Most German foreign aid is not source-tied and most projects involve local people.

West German aid between 1966 and 1977 has gone to most areas of the economy. During that period $3,740,000 was used to aid the agricultural sector. The specific projects involved were irrigation water development, crops and production research, and veterinary services. Kenya's cooperative movements and social services received West German exports and volunteers during the period. Between 1972 and 1975 the Germans gave an additional $160,000 to support arrangements for agricultural financing and some $1,200,000 to general agricultural in Kenya. During the period 1966-77 there were many West German volunteers and experts in the Ministry of Education and that of Health. Together these ministries received $1,158,000. General industrialization was given $3,388,000 whereas the Ministry

17 Ibid., pp. 66-67.
of Labor was given $180,000.\textsuperscript{18} In 1975 West Germany gave
Kenya loans amounting to $19,726,000 at 2 per cent interest
per annum for a period of thirty years with a ten-year grace
period. West Germany, while providing a variety of aids to
Kenya, has also encouraged trade between the two countries.
That is true about the relation between Kenya and many de-
volved nations.\textsuperscript{19}

Aid by Other European Countries, Australia, and Japan

Sweden, Norway, Denmark, the Netherlands, France, and
Switzerland have been giving aid to Kenya since 1963.
Other European countries have participated in direct aid
or have contributed to some of the world organizations
assisting Kenya. During the period 1964-72, the Swedes
gave Kenya $31.5 million. During 1973-74 and 1974-75 the
commitment was $15 million. Some of the foreign aid was
in the form of loans. These are often on soft terms with
twenty-five to fifty years maturity and at 2 per cent
interest rate per annum and a ten-year grace period. Three-
quartets of Swedish foreign aid to Kenya had taken the form
of grants or interest-free forty-year loans. Uniquely among
donors to Kenya the Swedes disburse their foreign aid in
advance of expenditures by the Kenya government. Their aid
is untied and they merely require subsequent documentation to

\textsuperscript{18} Ibid., pp. 45-76.
\textsuperscript{19} Ibid., p. 4.
show how the money was spent. They also subscribe to rural development programs. There were also Swedish volunteers and experts in Kenya.

The assistance by the Swedes to Kenya between 1963 and 1975 involved large sums of money for projects, some of which extended up to 1978. The Swedish government granted Kenya $10,200,000 between 1973 and 1978 for veterinary purposes. Irrigation and rural water supply projects received $23,800,000 between 1974 and 1979. Another $2,600,000 during the same period was allocated for the purpose of adjusting the utilization of the water resources to other physical developments of Kenya. The cooperative movement in Kenya received $3,100,000 during 1972-77, and rural development was given $2,000,000 (especially the Migori Special Rural Development Program). There were Swedish teachers and experts in several educational programs in Kenya during 1968-79 plus a grant for $10,000,000 during 1974-79. Secretarial and industrial training received $5,500,000 during 1971-79. General Economic and Social Policy Planning Ministry in Kenya was given $900,000 in Swedish aid during 1973-78. Part of this aid went to labor force training and planning and included several experts. The Ministry of Health received $3,700,000 for

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21 Holtham, op. cit., pp. 67 and 181.
population control and general health services as part of the Swedish aid from 1974 to 1978. The Nairobi Hospital Medical Training Center was given an additional $3,000,000 during 1974-77. The Family Planning Department was awarded $8,500,000. Industrialization grants amounted to $4,700,000 during 1971-78.22

The government of Norway is partner in the Nordic projects in Kenya (involving Sweden, Denmark, and Norway). These multi-donor plans are run under the World Bank and are very small.23 The Danes, like the Dutch and the Swedes, contribute to the Rural Development Fund. The Norwegian government funded the expenditures for a Special Rural Development Program in Mbere District in Eastern Province.24 During 1965-1977, the Norwegian government gave $80,000 to Kenya as a grant for meat inspection at Athi River and Uplands, and aided several veterinary projects in the country. During 1967-78 an estimated $160,000 was given for fisheries and wildlife, and $218,000 during 1974-79 went to irrigation projects. Rural development projects received $1,931,000 during 1971-76. The Ministry of Education benefited from a Norwegian grant of $80,000 during 1973-79, with the General Lower Level Education Division (now called

22Ibid., pp. 19-68.
23Holtham, op. cit., p. 93.
24Ibid., p. 167.
the Basic Education) receiving an additional $100,000 in 1975 plus twenty-six volunteers as teachers. The Health and Population departments were given $623,000. Industry and Social Services were assisted by Norwegian experts and volunteers during 1965-75. The Ministry of Communications and Transport received $562,000 during 1973-76.25

Denmark, one of the other Scandinavian countries aiding Kenya, has also contributed quite generously in the development of the country. Between 1969 and 1977 Denmark gave Kenya $4,284,894 for livestock and crops research and animal health. The Nordic Agency for Development (N.O.R.A.D.) gave Kenya an additional $130,000 for 1975-78 to be used in building cattle dips and for other animal services. The U.N. Food and Agriculture Organization (F.A.O.) was also assisting the Kenyans in building dips, in joint projects with the N.O.R.A.D. The cooperative movement and home economics projects were given $4,541,000 by N.O.R.A.D. These projects also received additional aid from the Danish International Development Authority (D.A.N.I.D.A.). Other D.A.N.I.D.A. projects were also funded by the United Nations International Child Emergency Fund (U.N.I.C.E.F.) as discussed below. The Ministry of Education was given $6,212,561. The aid was provided during 1964-78 and was used to build village technical institutes, known as

village polytechnics in Kenya, and in assisting the University of Nairobi and rural social services as well. There were engineers and architects involved in all these projects. The D.A.N.I.D.A. also assisted the Nairobi City Health Department by allocating $533,000 for the construction of dispensaries, medical services, and provided doctors and other medical experts. There was also a grant for $5,928,000 from the D.A.N.I.D.A. to be used in setting up local industries and assisting the I.C.D.C. The D.A.N.I.D.A. is the Danish arm for contracting foreign aid affairs.26

The Netherlands was also able to give Kenya various forms of foreign aid for development. The aid by the Netherlands included $5,288,500 during 1971-78 for agricultural purposes along with experts and volunteers. During 1968-76, $4,878,000 was given as Dutch aid for dairy improvement and animal health. Irrigation and water supply projects received $2,077,000 during 1970-79; cooperatives got $1,080,000 during 1972-75, and the Ministries of Education and Health got $192,000 during 1970-76 in addition to many experts and volunteers.

Foreign aid from Italy consisted of mainly volunteers and experts. Between 1972 and 1975 Italy gave Kenya $280,000 for agriculture and had many specialists in the Ministry of Health.

26 Ibid., pp. 9-66.
Other countries giving foreign aid to Kenya in the form of experts and volunteers were France and Finland. France sent personnel to Kenya between 1963 and 1975. These foreign aid experts worked mainly in the Ministry of Education. No loans were granted to Kenya by France. A few grants were made for general research at the University of Nairobi.

Finland had some planning experts working in Kenya (and one dairy expert between 1970 and 1975) and made a $1,860,000 loan to Kenya in 1975 to be used for social and cultural development. The loan was for fifty years with a ten-year grace period.

Switzerland had various projects to assist Kenya during 1963-75. The Ministry of Agriculture received $1,145,000 for veterinary work which included some Swiss personnel. The Ministry of Education was awarded $5,465,000, most of which was used at the university level and involved training of local people in various areas. Centers were established around the country to train people on how to maintain roads, to run hotels, and on food services and food service technology. The Swiss government gave $100,000 to the Power and Lighting Company for rural electrification. In total the Swiss government in 1975 financed capital investment in Kenya as a loan in the amount of $4,500,000 for twenty-five years at 2 per cent interest rate and with
seven years grace period to be used for the construction and equipment of a new tourism training college.\textsuperscript{27}

The other important European donor is Austria, which between 1973 and 1977 granted Kenya $121,940 for educational purposes; and between 1974 and 1976 $173,924 for health services and population control. During that same period $108,065 was used to finance the services of Austrian medical personnel working in Kenya.

Other countries that did not have extensive foreign aid programs in Kenya offered educational facilities for Kenyans in the donor countries and in Kenya. These facilities included scholarships for technical and academic training for Kenyans at institutions in Kenya and outside of Kenya.

Australian aid to Kenya was not extensive. Several grants were given by the Australian government to enable Kenyans to attend short courses in Australia. Australian personnel, some of whom were volunteers, came to Kenya for brief activities related to development.\textsuperscript{28}

Japanese aid to Kenya included $140,000 for economic advisers. Other grants involved training of Kenya's National Youth Service Personnel by Japanese volunteers and social workers. Several doctors and engineers assisted in various areas of the economy. The government of Japan also loaned

\textsuperscript{27}\textit{Ibid.}, pp. 6, 26-45, and 76.

\textsuperscript{28}\textit{U.N.D.P. Report, op. cit.}, pp. 33-45.
Kenya $28,900,000 in 1975, $13,000,000 of it for twenty-three years at 4.5 per cent interest and with five years grace period and the other $15,000,000 for twenty-five years at 4 per cent interest rate and with seven years grace period.29

Aid from the U.S.S.R., Yugoslavia, China, and the Arabs

The U.S.S.R. had some personnel assisting Kenya as operational assistants but there were no large or special U.S.S.R. projects in Kenya during 1963-75. Yugoslavia did also assist Kenya in the early 1960's. Most of the aid from Yugoslavia was in the form of personnel to assist in the various ministries, especially the Ministry of Health.30

Chinese aid was also limited. This may be attributed to the fear and distrust that many Kenyan leaders had with regard to the communist countries.31

As Khruschev observed, the Russian foreign aid objectives were mainly political in nature. He said, "... We value trade least for economic and most for political purposes."32

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29Ibid., pp. 5, 30-45, and 51.


31Leys, op. cit., ch. 7.

It is also argued that Russia uses aid with the objective of persuading the newly independent countries to take, at the minimum, a neutral stance or, ideally, a pro-Soviet attitude.

Kenya felt that taking communist aid would endanger the continuation of economic assistance from the West. This was probably true with regard to Chinese aid. 33

Assistance from the capitalist countries was more welcome and less suspected than that from the communist countries. There was a special interest, however, on the part of the Kenyan government to treat foreign aid donors as friends regardless of the donor country's ideology. The U.K., however, remained the first and the U.S.A. the second largest donors to Kenya. 34

Early in the 1960's Kenya was to receive U.S.S.R. aid in the form of a 200-bed hospital at Kisumu to be staffed with fifteen Soviet doctors for a period of two years. The aid was to amount, in total, to $7,500,000. There was to be an additional credit of $48,000,000 to Kenya by the U.S.S.R. for the Kano Irrigation Scheme, and a powerful radio broadcasting station was to be built as well. Other forms of Soviet aid were to include a sugar factory, a


cotton textile mill, and fish and fruit processing factories.

In 1966, however, the Kenya government announced that it had cancelled the agreement with the U.S.S.R. for the irrigation project and postponed the others, as well as converting other U.S.S.R. aid into loans.³⁵

Non-alignment in Kenya is not as absolute as it is, ostensibly, in Tanzania. It can even be argued that Kenya's pro-Western orientation is derived partly from the evolution of a private enterprise preference in its economic policies as well as from the decision in 1964 to continue military interaction with the U.S. The atmosphere against Communist China in Kenya's internal history and the debates between the pro-Western foreign policy of the Kenya African National Union (Kanu) and the Eastern-oriented position of the Kenya People's Union (under the leadership of Oginga Odinga from 1966-1969) were both related to the evolving private-enterprise system in Kenya and to the continuing military cooperation with Great Britain. Kenya sacrificed a little non-alignment for the sake of greater civilian authority in government. Trade was kept with the communist countries but the volume of foreign aid from those countries was reduced.

Some of the other nations providing foreign aid were the Arab nations. Most Arab aid came in the form of donations to various Muslim organizations in Kenya. The Arabs also granted some loans to banks concerned with African development.36

Kenya has been lucky in attaining foreign aid from both communist and capitalist countries. The largest amount of aid as noted above came from the U.K. The U.S.A. came next with West Germany not too far behind. Canada gave considerable attention to Kenya's development assistance and the Canadian government granted Kenya a variety of different types of aid. Several projects in Kenya were financed by the Canadians jointly with others, e.g., the U.S.A. and the World Bank.

Canadian, American, and Israeli Aid

During 1970-78 the Canadians assisted the Ministry of Education with grants totalling $20,625,000. Some fifty experts and volunteers were involved as well. The agricultural sector received $4,120,000 for general farming and ranching and the social service sector of the economy was awarded $3,286,000. There were about forty or fifty experts and volunteers in those sectors and in the Ministries of Health ($150,000 during 1974-77) as well as the Ministry of Natural Resources ($50,000 in 1975). There was also a grant to Kenya during 1974-79 ($12,100,000) for road

All Canadian aid was passed through the Canadian International Development Agency (C.I.D.A.).

Canadian aid was granted mainly for assisting the training of the local Kenyans to acquire the skills necessary for development. Grants were arranged as well for Kenyans to study in Canada.

The U.S.A. also had and still has extensive aid projects and programs for Kenya and, in addition, sponsors and contributes to international aid organizations helping in Kenya's development plans. Many American based public and private bodies have assisted and continue to assist Kenya. Most American aid in the past was either technical or food aid. During 1962-72 the U.S. Agency for International Development (U.S.A.I.D.) gave Kenya about $29.9 million. Some of the American aid is, however, tied to procurement in the U.S.A. Agriculture received most of the technical assistance and many types of educational aid were given as well. In 1964 the U.S.A. gave Kenya about $2.2 million for Nairobi City Water Supply, and $3.5 million in 1970 for assisting the Kenya National Youth Service. There was also $30.5 million in grants as "Food for Peace" in 1972 and many long-term soft loans for the purchase of food. There were numerous projects operated by American volunteers as well. The Peace Corps volunteer assistance

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recorded an estimated cost of $12.3 million for its projects. Since 1972, the U.S.A. has become even more active in donating aid, which includes grants, equipment, and vehicles. Teams of American advisors assist in a variety of activities such as agriculture, livestock ranching, family planning, rural development, and many others. In 1973 the U.S.A. extended a program loan for $10 million for general development. In 1974, a new loan for $10 million was extended for livestock development with other donors participating in this program.38

The U.S.A. gave many types of aid to Kenya through world organizations and financial institutions. The U.S.A.I.D. is the main arm through which American aid passes to Kenya.

The U.S.A.I.D. provided about $2,648,000 during 1970-78 for special projects in water development, health services, teaching fields, agriculture, and industry. There were almost 160 volunteers, advisers and specialists assisting Kenyans in those areas during this time. Many other Americans assisted in other ministries. U.S.A.I.D. gave Kenya a 2 per cent annual interest pre-investment loan of $13,500,000 for forty years with a grace period of ten years.39 This loan was used for agricultural development.

39 Ibid., pp. 7 and 15-60.
Other extensive American programs not discussed above were organized for Kenyans to get training in the U.S.A.

The U.S.A. has recently shown a great interest in assisting independent Kenya to acquire the type of awareness needed for modernization. In the early 1960's, deficiencies in education in Africa led the U.S.A. to consider offering foreign aid for education. Educational planning had to be made a part of the total economic development. The development of human resources is an essential component of economic and social growth. American grants and loans were also made to other East African nations as noted below. Emergencies needing quick action are often attended to immediately by the U.S.A. This was the case in the early 1960's when Kenya received massive shipments from the U.S.A. to fight hunger caused by droughts and subsequent floods.40

Kenya has also been able to arrange for special trade with the U.S.A., and more recently military equipment has been purchased from the U.S.A. Kenya's economy has been greatly enhanced by U.S.A. aid. There were almost 135 American companies with investments in Kenya in 1975-76. The U.S.A. also imports Kenya's products ($28.6 million worth of Kenya's products in 1973). American exports to Kenya were valued at $58 million during 1973.41

Table IV provides some basic information as to the extent of U.S. assistance to Kenya from independence to mid-1968.

More American aid went to Kenya through organizations discussed in Chapter Four. American bilateral grants for the fiscal year 1975-76 was $17 million, whereas the 1974 figure was $12.2 million. The agricultural sector received $13.5 million in 1975. There were some 700 American missionaries in Kenya in 1975, and the United Nations Emergency Program (U.N.E.P.) had about thirteen members at the University of Nairobi. The government of the United States pledged $40 million, 40 per cent of the total fund, to the U.N.E.P. over the period 1973-77.

All of the American programs dealt with the overall development plan in Kenya. Some of the ministries attracted more attention in line with Kenya's own emphasis. The Education Ministry, for example, used 60 per cent of the 200 American volunteers in 1974 (they numbered 295 in 1975). 43

Israel's economic cooperation with Kenya includes trade and foreign aid. One of Israel's earliest projects was a social work school built in 1962 at Machakos. During 1963-75, Israel sent many experts to assist Kenya in labor management, agriculture, medical services, social work and business management. There were also many Kenyan students studying in Israel. 44

44 Shimeon, Amir, Israel's Development Cooperation with Africa, Asia, and Latin America (N.Y., 1974), pp. 43, 45, 65 and 69-70.
Trade and investment between Kenya and the U.S.A. have recently increased tremendously. General Motors has recently constructed a $15 million assembly plant in Kenya, and Del Monte has a cannery worth $8 million at Thika. There are many other American companies in Kenya such as The Union Carbide, Firestone, and American Life insurance companies and banks. The U.S.A. has sponsored many rural investments in Kenya which have provided employment opportunities for many Kenyans. Agriculture, too, has been able to attract American investment. Kenya has been able to export agricultural products to the U.S.A. and other countries donating aid. Most of these arrangements represent a financial saving in reduced imports.\(^{42}\)

A.I.D. assistance is provided through

1. The bilateral program for Kenya.

2. The East African Regional Program. Although designed to benefit the East African Community region as a whole, this program also provides some direct and immediate benefits to Kenya.

3. Other regional programs. Although designed on a very broad basis or even continental basis, nevertheless this program also provides some very direct benefits to Kenya.

\(^{42}\text{Ibid.},\ p.\ 19.\)
<table>
<thead>
<tr>
<th>Item</th>
<th>Bilateral</th>
<th>E.A. Regional</th>
<th>Other Regional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Funding</td>
<td>$67,565,000</td>
<td>$9,046,000</td>
<td>$6,214,000</td>
<td>$82,825,000</td>
</tr>
<tr>
<td>Food For Freedom</td>
<td>$32,998,000</td>
<td>---</td>
<td>---</td>
<td>$32,998,000</td>
</tr>
<tr>
<td>Project Commodities</td>
<td>$4,371,000</td>
<td>$443,000</td>
<td>---</td>
<td>$4,814,000</td>
</tr>
<tr>
<td>Technicians (Man Years)</td>
<td>768</td>
<td>93</td>
<td>26</td>
<td>887</td>
</tr>
<tr>
<td>Training Abroad (Number of Participants)</td>
<td>848</td>
<td>45</td>
<td>--</td>
<td>893</td>
</tr>
<tr>
<td>Number of Projects</td>
<td>69</td>
<td>14</td>
<td>15</td>
<td>98</td>
</tr>
</tbody>
</table>

CHAPTER IV

AID BY INTERNATIONAL ORGANIZATIONS

Various international organizations have been contributing to Kenya's developmental activities since 1963. Most organizations are based outside Kenya whereas some of them like the United Nations Emergency Program (U.N.E.P.), the U.N. Environmental Secretariat, the World Council of Churches (W.C.C.), and the National Christian Council of Kenya (N.C.C.K.), which has international membership, have main offices in Kenya.

Both private and public international organizations assisted Kenya by sponsoring Kenyans to study in Kenya and abroad. Other types of foreign aid were given to Kenya by international organizations during 1963-75.

In 1974 the total number of Kenyan students being fully sponsored by international organizations in the U.S.A. was about fifty. Others were studying in the U.K., Canada, West Germany, and in countries in Africa and outside Africa. These students were studying in fields like Economics, Business Administration, Agriculture, and Architecture. The fifty students assisted by international organizations to study in the U.S.A. constituted 10 per cent of all the Kenyan students in the U.S.A. in 1974. Half of the total
number of Kenyan students in the U.S.A. received partial scholarships from a variety of international organizations. Some of those organizations are the African Students Program in American Universities (A.S.P.A.U.), the African-American Institute (A.A.I.), and the Institute of International Education (I.I.E.). The A.A.I. coordinates with Kenya's Ministry of Education to provide twelve annual scholarships to Kenyan graduate students. Other international programs such as Operation Cross Roads, which is based in New York and works with the U.N., provide exchange programs for Kenyan students. Private and public international organizations operated in Kenya also during 1963-75. For example, the Rockefeller Foundation and the Ford Foundation discussed below also granted foreign aid.

The United Nations and Its Agencies

The U.N. and its agencies provide various forms of aid to Kenya. Kenya has always attracted a lot of attention from world organizations. In 1976, for example, the U.N.E.P. governing council's Fourth Meeting on trade and development, as well as the Nineteenth Conference by the United Nations Educational, Scientific, and Cultural Organization (U.N.E.S.C.O.) were held in Nairobi.¹

combined with U.N. direct aid (U.N.D.P./U.N.). The U.N.D.P. also provides aid in cooperation with other groups such as the joint U.N.D.P./U.N. Food and Agriculture Organization programs and others. The United Nations Industrial Development Organization (U.N.I.D.O.), the International Labor Organization (I.L.O.), the United Nations Conference on Trade and Development (U.N.C.T.A.D.) and others have been assisting Kenya in joint projects. They have at times provided experts to advise Kenyans working in various ministries. Labor conditions have been studied and recommendations made by the U.N.D.P./I.L.O., and the U.N.D.P./F.A.O. has been engaged in beef and dairy products. The Ministries of Finance and Planning and the Agriculture Ministry have been receiving considerable attention from the U.N.I.D.O. recently.

Between 1969 and 1978, there were many U.N. joint projects. There were U.N.D.P./F.A.O. projects on dairy research estimated at $617,455. Another $544,600 was used for agriculture, animal health, wildlife, and rural development. These programs were sponsored by the U.N.D.P./F.A.O., F.A.O./Scandinavian International Development Authority, U.N.D.P./U.N., and U.N.D.P./National Fund for Family Housing (N.F.F.H.). Research on fertilizers and on soil improvement received $287,840 during 1971-76. Other

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U.N. projects were sponsored in collaboration with donor nations such as Denmark and others as discussed in Chapter III. The Ministry of Education was given $99,798 between 1966 and 1977 for technical education with special emphasis on labor training. U.N.D.P./U.N.E.S.C.O. and U.N.D.P./U.N. projects in social planning amounted to $133,037 during 1970-76 and included planning, advisory assistance, general technology and other services.


3 Ibid., p. 47.

4 Ibid., pp. 53-55.
of foreign aid experts in addition to the grants.\textsuperscript{5}

The U.N.D.P. projects have been growing quite tremendously, and Kenya has received several types of aid from U.N. agencies lately. The increase lately has been provided for the African continent as a whole with Kenya receiving considerable amounts. This has been true about United States Agency for International Development also.\textsuperscript{6} Other minor organizations have also given various types of aid as noted below.

Organizations and Foundations

Church organizations have also worked with the U.N. and many other foundations that give foreign aid to Kenya. Joint or direct aid is provided for education, religious work, housing, and health services to the poor. Kenya was able to feed 70,000 people with its F.A.O. programs in 1974 and about 85,000 in 1975.

In addition to the U.N. and the agencies discussed above, the government of Kenya received aid from church organizations such as the World Christian Council and the National Christian Council of Kenya. The other agencies and major organizations providing mostly financial or capital assistance are discussed below as well. The N.C.C.K. provided $1,562,451 between 1973 and 1975 for

\textsuperscript{5}\textit{Ibid.}, pp. 66-75.

\textsuperscript{6}\textit{Kenya Newsletter} (Washington, D. C., January, 1976), p. 3.
educational services and food to the needy. Many social service centers in Kenya benefited from these projects, some of which were joint activities by the N.C.C.K. and the W.C.C. as well as N.C.C.K./Kenya. The United Nations program, "Bread for the World" was involved also. Various educational institutions such as the Moyale village polytechnic got special attention. The social services received $40,000 as additional N.C.C.K. funds in 1975 for recruiting social workers. Low-cost loans were to be provided to squatters. In the same year, the N.C.C.K. gave $109,875 to five provinces in Kenya for health and population control. Kenya's industrial development was allocated $64,000 by the N.C.C.K. in 1975 for coordinating handicraft groups, whereas the Social Security Plan received $157,157 in 1975 for social work and youth leadership.  

The other organizations assisting Kenya included the Oxford Famine Assistance Management (Oxfam), a British-U.S.A. private organization, which during 1975-77, gave Kenya $349,840 to be used for the Maralal, Samburu, and Isiolo Special Rural Development Programs and for village on-the-job training projects. Some of the fund was used for Family Planning, a project assisted by the N.C.C.K. too. Three experts assisted in health services and also worked on other educational projects.  

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7Ibid., pp. 14-65.
The Friedrich Ebert Foundation, a West German private organization contributing to Kenya's developmental projects, was also able to grant $197,000 during 1972-77. This aid was for supporting on-the-job training projects, and there were about ten volunteers who worked on the projects. Printing educational publications relevant to local developmental plans and educational projects was emphasized.9

The Ford Foundation contributed $100,000 (1974-76) for social and financial planning in Kenya.

The Rockefeller Foundation also assisted by granting research fellowships for Kenya students which amounted to $745,725 during 1974-75. A portion of those funds was used to develop locally suitable teaching materials.10

Other organizations such as the World Bank or the International Bank for Reconstruction and Development (I.B.R.D.) and the Commonwealth Development Corporation (C.D.C.) provided assistance in the form of capital. Several gave Kenya financial support in the form of credits, loans, or sometimes grants.

The Commonwealth Development Corporation (C.D.C.)

This British agency supported by both private and United Kingdom government funds lends funds to Kenya on

9 Ibid., pp. 31-32.
10 Ibid., pp. 41-57.
regular commercial terms. The C.D.C. works with the British Overseas Development Ministry (O.D.M.) in determining the countries to be assisted as well as assessing the programs to be funded. The lending conditions of the C.D.C. resemble those of the I.B.R.D. The C.D.C. has strict lending technicalities that enable the body to safeguard the funds loaned.

The C.D.C. has provided Kenya $240,000 in loans for textile industries in Kenya and purchased a 10 per cent ($132,000) equity in a cotton mill in Kisumu. The Development Finance Corporation of Kenya holds another 2.3 per cent ($30,000) of this mill and the rest of the shares, $1,157,640 (87.7 per cent), are owned by local Kenyans.\(^1\)

This quasi-public organization was not the only one aiding Kenya. Its joint and direct projects were in line with others financed by other organizations such as the World Bank or the I.B.R.D. with its sister organizations as can be seen below. The I.B.R.D., the International Development Association, and the International Finance Corporation (I.F.C.) as well as the International Monetary Fund (I.M.F.) had various projects which were in operation in Kenya in the 1960's and some still are.\(^2\)

The World Bank and Its Sister Institutions

The World Bank has given Kenya a number of loans since 1963, several of which were arranged through its affiliated institutions. Loans to Kenya have been given special consideration in order to aid the country's planning and resource utilization.\textsuperscript{13} While certain donor countries have chosen particular areas of aid, the World Bank has distributed its aid widely. Table Five shows the various areas of Kenya's economy receiving the World Bank's and the International Development Association's loans and credits during 1960-72.

Nairobi is now the headquarters of the World Bank's Regional Mission in Eastern Africa. This office serves Kenya and fifteen other countries in the region. The only other mission in Africa is in Abidjan in the Ivory Coast in West Africa. Both missions were set up in 1964 to prepare projects for financing by the International Development Association (I.D.A.) and the World Bank. In 1972, the Mission in Nairobi was given a greater responsibility for handling of projects and for helping, in a general way, to improve Kenya's economy. Of Kenya's $140 million in development from multinational assistance in 1974, $43.9 million was from the World Bank and the I.D.A. in the form

\textsuperscript{13} Burrows, op. cit., pp. 418-419 and 429.
### TABLE V

**WORLD BANK LOANS AND I.D.A. CREDITS IN KENYA**

(U.S. $ MILLION--FISCAL YEARS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Purpose</th>
<th>Bank Loans</th>
<th>I.D.A. Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>Agriculture and Roads</td>
<td>5.7*</td>
<td>---</td>
</tr>
<tr>
<td>1961</td>
<td>Land Settlement</td>
<td>8.4*</td>
<td>---</td>
</tr>
<tr>
<td>1964</td>
<td>Tea Development</td>
<td>---</td>
<td>2.8</td>
</tr>
<tr>
<td>1964</td>
<td>Highways</td>
<td>---</td>
<td>4.5</td>
</tr>
<tr>
<td>1965</td>
<td>Tea Roads</td>
<td>---</td>
<td>3.0</td>
</tr>
<tr>
<td>1966</td>
<td>Education</td>
<td>---</td>
<td>7.0</td>
</tr>
<tr>
<td>1967</td>
<td>Agricultural Roads</td>
<td>---</td>
<td>5.3</td>
</tr>
<tr>
<td>1967</td>
<td>Agricultural Credit</td>
<td>---</td>
<td>3.6</td>
</tr>
<tr>
<td>1968</td>
<td>Tea Development</td>
<td>---</td>
<td>2.1</td>
</tr>
<tr>
<td>1968</td>
<td>Highways</td>
<td>---</td>
<td>10.7</td>
</tr>
<tr>
<td>1969</td>
<td>Livestock Development</td>
<td>---</td>
<td>3.6</td>
</tr>
<tr>
<td>1969</td>
<td>Highways</td>
<td>23.5</td>
<td>---</td>
</tr>
<tr>
<td>1969</td>
<td>Forest Plantations</td>
<td>2.6</td>
<td>---</td>
</tr>
<tr>
<td>1970</td>
<td>Education</td>
<td>---</td>
<td>6.1</td>
</tr>
<tr>
<td>1970</td>
<td>Nairobi Water Supply</td>
<td>8.3</td>
<td>---</td>
</tr>
<tr>
<td>1970</td>
<td>Highway Maintenance</td>
<td>---</td>
<td>12.6</td>
</tr>
<tr>
<td>1971</td>
<td>Kamburu Hydroelectric Plant</td>
<td>23.0</td>
<td>---</td>
</tr>
<tr>
<td>1972</td>
<td>Nairobi Airport</td>
<td>29.0</td>
<td>---</td>
</tr>
<tr>
<td>1972</td>
<td>Highways</td>
<td>---</td>
<td>22.0</td>
</tr>
<tr>
<td>1972</td>
<td>Agricultural Credit</td>
<td>---</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100.4</strong></td>
<td><strong>89.3</strong></td>
</tr>
</tbody>
</table>

*Guaranteed by the United Kingdom.

of loans and credits. Most of the projects during 1974 were devoted to agriculture.14

The World Bank also works with the International Finance Corporation (I.F.C.). Kenya's impressive economic achievement in 1973 accounted for the increased efforts made by the agencies concerned in 1974. While in Nairobi the President of the World Bank, Mr. Robert McNamara, stressed the Bank's continuing interest in assisting Kenya. It was indicated that more efforts were to go to all sectors not only the capital intensive sectors. Technology was emphasized and a new strategy was required which spread technological benefits among rural areas. Interest in livestock development was high and the Bank did direct activities in that direction. The Bank is not interfered with by individual national governments since it is an international organization. In 1974 the Bank extended its assistance to most sectors of the economy and disbursed funds in payment of expenditures incurred earlier by the government. As in the case of most I.D.A. aid the Bank supplied letters of credit to suppliers in other countries. High standards of accountability are enforced for Bank projects, including regular three-month progress reports.15 The Bank has been a popular donor despite its demanding standards. It is the

practice of the Bank to inform the government concerned about the specific problems involved with each project. In addition to feasibility studies of projects the Bank provides predictions, recommendations and assists in the preparation of proposals and even the implementation of the projects. Their loans are also softer than those of many bilateral donors.

Table VI gives the projects assisted through the World Bank and the I.D.A. during 1970-74. It was during this period that Kenya was getting ready to embark on her second decade as an independent nation.

In 1973, Kenya had played host to the 28th annual meeting of the Bank's Board of Governors and the I.M.F. group. Kenya had become a member of the I.D.A. and the I.F.C. as early as 1964, which is an indication of the important role of these groups in the early financing of her development.  

Even before independence Kenya received $14 million for the East African Railways from the I.D.A. and the I.F.C. The 1973 total World Bank and I.D.A. loan of $213 million is indicative of the large increase in aid provided by these agencies. The government of Kenya also shared in a loan of $230 million made to the East African community (Kenya, Uganda, and Tanzania) during the same year. As early as 1968 assistance to Kenya amounted to $86.4 million in bank loans and $50.3 million in I.D.A.

<table>
<thead>
<tr>
<th>Loan</th>
<th>Year</th>
<th>$ Million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>IBRD</td>
</tr>
<tr>
<td>Education</td>
<td>1970</td>
<td>---</td>
</tr>
<tr>
<td>Pulp and Paper Mills</td>
<td>1970</td>
<td>---</td>
</tr>
<tr>
<td>Nairobi Water Supply</td>
<td>1970</td>
<td>8.3</td>
</tr>
<tr>
<td>Highway Maintenance</td>
<td>1970</td>
<td>---</td>
</tr>
<tr>
<td>Tana River Development Co. (Power)</td>
<td>1971</td>
<td>23.0</td>
</tr>
<tr>
<td>Highways</td>
<td>1972</td>
<td>---</td>
</tr>
<tr>
<td>Tourism Promotion Services</td>
<td>1972</td>
<td>---</td>
</tr>
<tr>
<td>Nairobi Airport</td>
<td>1972</td>
<td>29.0</td>
</tr>
<tr>
<td>Agricultural Credit--Second Loan</td>
<td>1972</td>
<td>---</td>
</tr>
<tr>
<td>Roads</td>
<td>1973</td>
<td>29.0</td>
</tr>
<tr>
<td>Industrial Development Bank</td>
<td>1973</td>
<td>5.0</td>
</tr>
<tr>
<td>Kenya Hotel Properties Ltd. (Tourism)</td>
<td>1973</td>
<td>---</td>
</tr>
<tr>
<td>Pulp and Paper Mills</td>
<td>1974</td>
<td>---</td>
</tr>
<tr>
<td>Population Project</td>
<td>1974</td>
<td>---</td>
</tr>
<tr>
<td>Tea Development--Third Loan</td>
<td>1974</td>
<td>10.4</td>
</tr>
<tr>
<td>Livestock Development--Second Loan</td>
<td>1974</td>
<td>---</td>
</tr>
</tbody>
</table>

Source: Holtham, p. 68.
credits. The President of the World Bank had plans as early as 1968 to triple the bank's assistance to Kenya by 1973.

Working in collaboration with other nations and international institutions, Kenya has made sure that the Bank's funds have been used in almost all sectors of the economy including roads, agriculture, urban development, livestock, tea, coffee, land settlement, education, water and electricity supply, tourism, and transportation.\(^{18}\)

The I.F.C., assisting through equity and loan investment, has committed approximately $23 million in the tourism and pulp paper industries. The I.F.C. with others also provided $30 million in equity and loans for projects which provided employment for some 2,300 people. The I.F.C. with the German, U.K., U.S.A., and Kenya governments, established hotels and other tourist facilities. I.F.C. investment in Kenya during 1963-73 totalled $23 million whereas the overall cost was $53.2 million.

The I.D.A. (1963-69) educational credit of $7 million shows the importance of the Ministry of Education and the foundation on which the country's development and future were to be based. The second educational credit by the


\(^{18}\)Ibid., pp. 3-8.
I.D.A. which was given in 1970, amounted to $6.1 million and helped Kenya to establish the first department of agriculture at Nairobi University. Additional projects were set up throughout the country in order to assist in the development of rural areas. Some of these projects were joint assistance organized by the Bank and other donors.

The $229 million (1975) I.B.R.D./I.D.A. aid included commitments of I.D.A. credits for $25.5 million for group rehabilitation, urban development in Nairobi and Forestry Phase II. The balance, provided by the I.B.R.D., totalled $203.5 million in loans and was also used for oil pipeline construction, Education Phase III, Program Loan, and for Water Supply Phase III.

The assistance given by the World Bank/I.D.A. was remarkable in that it was made in accordance with Kenya's own plans for economic development. The World Bank, with its affiliate, the I.D.A., also increased its commitments to Kenya over a period of time, giving Kenya $836.2 million in 1977, $1,147 million in 1978, and a record $1,857.4 million in 1979 making Kenya the largest African recipient of the I.D.A./I.B.R.D. development aid.

Kenya needed careful planning in order to be able to use foreign aid efficiently. This was done by the government of Kenya with help from the donors. The specific efforts and accomplishments through foreign aid projects and programs analyzed in Chapter Five indicate a bright economic future for Kenya.
CHAPTER V

KENYA'S EFFORTS TO USE FOREIGN AID EFFICIENTLY

Political and Social Awareness

Aid from donor countries has been on the increase. British, European, and American as well as Canadian foreign aid, for example, has been steady whereas the other donors, even the formerly slow and small donors have increased their efforts to assist Kenya.

The charitable organizations too, like the other donors, have recently increased their assistance efforts. The National Christian Council of Kenya and the Muslim organizations, for instance, have been conducting social and cultural activities through the provision of aid. There have been aid projects directed specifically for the benefit of the poor and needy. These charitable organizations are also involved in political activities since the belief, widely prevalent in Kenya, is that politics and religion go together. Educational activities and projects are organized by these religious organizations.¹

The areas receiving aid sometimes have their own people to represent them in the supervision and utilization of

¹Mazrui, Political Values and Educated Class in Africa (Berkeley, 1978), pp. 139-148.
project aid. "Harambee" (self-help) projects are possible in Kenya because the people have been taught, under the late President Mzee Jomo Kenyatta, the spirit of working together for the common good in the practice of self-reliance.²

Many organizations have been set up to oversee both private and public assistance in Kenya. This ensures that foreign aid resources have been correctly and carefully placed in order to realize their full potential benefit. This is true regarding all charitable organizations with aid operations in Kenya.

Many developing nations have received foreign aid but used the aid carelessly. This problem is sometimes associated with the failure of the developing nations to manage aid efficiently. Whenever a developing nation fails to achieve some development in spite of massive foreign aid, it becomes difficult for such a nation to receive more aid. Kenya has been able to avoid such a situation. Both the donor and the Kenyan government have seen to it that aid to Kenya has not been squandered. The problem of being unable to put foreign aid to effective use is not uncommon in most developing nations. The government of Kenya has tried hard to avoid serious problems related to foreign aid management.

even though it has not always succeeded. The control has been achieved in Kenya to a greater or lesser degree, by seriously evaluating all aid projects and by assessing their benefits, as well as their possible costs. Political stability in the country is responsible for Kenya's credibility. It will be seen that foreign aid received by Kenya has provided some positive results in the country's projected economic development.

Several broad patterns of supervision and control of foreign aid in Kenya can be distinguished. Certain foreign aid projects in Kenya are still controlled by foreign governments and others are controlled by the Kenyan government. Still another variation is control by both the foreign donor and the Kenyan government. The differences among projects concerning the manner in which they are controlled is of less importance than the qualities they have in common.3 Many questions can be asked: Are all projects aimed at achieving economic development? Are they striving to achieve the goals of growth, stability and increased employment? These questions and many others determine the quality of aid projects. No sooner has aid been received than the government of Kenya sets specific goals which the new aid is supposed to achieve. These goals become the

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criteria for assessing the efficiency of the aid in question.

The political factors relating to aid are such that there is a reasonably cordial relationship between the donors and Kenya. Many young states wish to retain ties with both the East and the West and thus avoid the accusation that the new state has chosen to stick to one particular world power for aid. For this reason many African countries that adhered to one donor have been branded as satellites of say, the U.S.A., U.K., France, or the U.S.S.R. Neocolonialism is also used to identify a country that is dominated by one main power or is badly haunted by multinational corporations. It is hoped that future political and economic arrangements are such that Kenya will continue to benefit from foreign aid. Most politicians in Kenya strongly express this opinion.

... I believe in making the democratic process work in the party in government among the people. ... My second conviction is that at this time in history if Africa is to be really free, if we are to attain true economic independence let us remember that this stage is crucial for us, for if we fail to attain true economic independence we will rob our political freedom of its lasting guarantee—we must follow a policy of non-alignment, of relations with both "East and West", with both capitalist and socialist countries.\(^4\)


As a result of this neutral stand by Kenyan politicians a steady flow of foreign aid has been available from all corners of the world. Industrial development has been predominantly financed from abroad, and especially from the West.

Kenyatta emphasized the intended harmony for all in Kenya when he said,

... The government of an independent Kenya will not be a gangster government. Those who have been panicky ... can now rest assured that the future African government ... will not deprive them of their property or rights of ownership. We will encourage investors ... to come to Kenya ... to bring prosperity to this country.\textsuperscript{6}

Political and social awareness in Kenya has been matched by an equal zeal for economic development as demonstrated by the serious economic preparations Kenya has undertaken.

General Economic Preparations

In a developing nation like Kenya, not only are there one or two factors lacking but there is a general shortage of interdependence of factors capable of beneficially influencing growth.

The setting up of new corporations is one of the most important efforts the government of Kenya is making to

achieve economic development. Kenya's pragmatic leadership has enabled the country to attain rapid development despite the absence of any special natural resources. Kenya's economy had grown at a better than 6 1/2 per cent per annum between 1964 and 1970. Many claim that this growth is hostage to foreign aid and foreign investment as well as to external items like tourism. 

Kenya has used foreign aid and tourism to achieve growth and development, but her efforts include serious domestic economic activity as well. Kenya's efforts to use foreign aid carefully involves a wide provision of services to the people. Electrification, health, efficient transportation and education are some of the most important factors on the agenda for development. Having all these plans in mind, the late President Kenyatta said:

"... We will pursue our policy of ensuring that the independence that was wrestled from the colonialists with so much suffering and loss of lives will not be destroyed by tribalism, selfishness, factionalism, and complacency. ... It will remain our avowed duty to preserve unity as an important weapon for the safeguarding of our national integrity and fostering our independence in the true spirit of Harambee. ... Here in this Republic, while continuing to implement the plans and ideas which came to life on Madaraka Day [Republic Anniversary Celebration] we shall work towards global stability on which the future of mankind most now depends."

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8 Ibid., pp. 1 and 5.
Kenya, like most other developing nations, is trying to maintain stability and unity while providing economic opportunities and channels for social and economic development. It is an increasingly difficult task.

The late President Kenyatta addressed himself to this point when he said,

The remarkable progress we see in Kenya today has not been brought about by some kind of magic. It has been achieved through one essential factor, national unity.\(^9\)

The efforts Kenya has been making were supplemented and encouraged by the cooperation of the donors of aid, and the careful application of that aid is a strong factor in accounting for overall performance of the economy.

The Kanu government has made remarkable political and economic strides during a most challenging period. The government performed exceedingly well in tackling the most serious problems which existed at the time of independence, i.e., poverty, disease, and illiteracy. Almost all sectors of the economy have improved tremendously during the intervening years.

Preparations in the Public and Private Sectors

To date, several bilateral trade agreements have been concluded with several countries including the socialist

\(^9\)Ibid., p. 3.
countries. Some of the countries with whom these arrangements have been made include the Republic of Egypt, Iraq, Yugoslavia, Czechoslovakia, Poland, U.S.S.R., Bulgaria, Rumania, Hungary, the People's Republic of China, Swaziland, Zaire, Liberia, the Sudan, and the Federal Republic of Germany. In addition, Kenya has also concluded through the East African Community, an association agreement with the European Economic Community.\textsuperscript{10} The Kenya National Trading Corporation, for example, was established in 1965. This body deals with commercial activities such as warehousing and wholesaling in and through the facilities of the corporation. The corporation encouraged the participation of the local people in the private sector. There were about 1,250 warehouses scattered all over Kenya in 1974 which distributed more than fifty commodities with a total business of $150 million a year. In the decade of independence the rate of consumption of various commodities has increased indicating the expansion of the commercial (as opposed to the subsistence) sector of the economy and the general welfare of the people of Kenya. The consumption of gasoline, for example, increased from 159 million liters in 1963 to 263 million liters in 1971. The amount of electricity supplied rose from 393 million kilowatt hours

\textsuperscript{10} Kenya: A Land of Contrasts, op. cit., pp. 4-16.

Kenya has achieved considerable development through foreign aid, with living standards having risen considerably. There has been a great amount of transformation and diversification in the country's economy. Many basic industries have been established in Kenya for the maintenance of the national economy. Whereas the substantial portion of investment, for example, has been directed towards the development of the infrastructure, the government has undertaken, in conjunction with the private sector, the promotion of industries to achieve an accelerated growth within the context of the government's policy of increased industrialization. A mixed pattern of industrial expansion and diversification has been adopted in Kenya by the government working along with private enterprise so as to ensure competitive efficiency, which in itself, is always necessary as a condition for success in a capitalist state. Consumer or quasi-

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consumer, as well as processing industries have been promoted in Kenya. This has been done mainly with the encouragement and participation by the government and foreign entrepreneurs most of whom want to see Kenya develop. Financing has been arranged within the private sector, but most, if not all possible small businesses are being assisted by the government of Kenya. The government's intention is to develop labor-intensive industries along with capital-intensive industries. Trading activities in both the domestic and foreign markets have increased. Vigorous attempts have been made to ensure that Kenyans increasingly participate in the expansion of economic and business activities. These developments are, however, found in every sphere of the economy. The tangible measure of benefits resulting from development in Kenya is in the increase of the Gross Domestic Product (G.D.P.), which was $912 million at the time of independence in 1963 and was $1890 million in 1971 ($2367 million in 1973/74).12 (The figures are not adjusted for inflation.)

The share of manufacturing in the G.D.P. had risen from $87 million in 1963 to $225 million in 1971, again showing a cumulative rate of growth of approximately 12 per cent per annum. The contribution of wholesale and retail trade had

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also increased from $96 million in 1963 to $183 million in 1971. This is a cumulative growth of approximately 10 per cent per annum. The growth of banking, insurance, and real estate, which has a direct bearing on the total amount of trade and industrial activities in the country has more than doubled from $30 million in 1964 to $72 million in 1971. The cumulative rate of growth here is 13 per cent per annum. The redistribution of industrialization from the urban to the rural areas is currently proceeding with a significant encouragement.

International economic activities have always been encouraged in Kenya. Kenya's total trade with countries outside of East Africa has continued to record substantial rises with exports directed to more than eighty countries all over the world. Some of these countries are, in fact, developed countries which provide foreign aid to Kenya. During 1971, exports outside East Africa were $234 million with additional exports worth $102 million directed to the East African Community. Total imports, on the other hand, were $552 million of which $48 million were supplied by Tanzania and Uganda, the other countries in East Africa. During 1972, Kenya's exports outside East Africa stood at $288 million with additional $99 million worth of exports to Tanzania and Uganda. Total imports during 1972 were $531 million. This is to compare with the $153 million
exports and imports of $222 million in 1963. This indicates increased foreign trade activity over time. Kenya has been more aggressive than the other East African states relative to foreign trade and the result of this effort has been encouraging.\textsuperscript{13}

The principal destination of Kenya's exports are the U.K., West Germany, the Netherlands, the U.S.A., Sweden, Japan, Italy, and other African countries. Kenya's trucks, for example, transport goods as far south as Zambia and Malawi through Tanzania; and to Burundi, Rwanda and Zaire through Uganda; and to the Sudan and Ethiopia in the north as well as to Somalia. Kenya exceeds most eastern African countries in the area of transportation facilities. Roads have been built to connect Kenya with her neighbors while major efforts are being made to improve the domestic roads.

Kenya surpasses her neighbors in air transportation and in telecommunication as well. Kenyatta International Airport in Nairobi and Moi International Airport in Mombasa are of an international caliber. The relay station on Mt. Longonot is of prime importance for communication in that part of Africa. The Indian Ocean and Lake Victoria (Victoria Nyanza) remain factors of importance in the economy of Kenya as they provide waterways. Most of Kenya's exports

and imports pass through the expanded and modernized Kilindini harbor on the Indian Ocean. The nation's exports and imports' industries have benefited greatly from this improvement in transportation and communication, and, of course, foreign economic assistance has played a great role in these areas.\textsuperscript{14}

The government has always had plans for the effective absorption of foreign aid. The first such plan was the Land Transfer Program (L.T.P.) set up in the early 1960's to assist African settlement in the former White Highlands. The Special Rural Development Plan and similar plans followed. The government's present intention is to direct a large part of foreign aid resources to rural development. Political stability which encourages and facilitates the successful operation of foreign aid projects remains a high priority for Kenya leadership.

The popularity of Kenya among donors is due as much to its organizational achievements as it is to its political stability. Kenyan leaders have influenced the people to increase their initiative and this awareness of their benefits of development. With such widespread awareness, organizing to expand absorptive capacity has been facilitated.

\textsuperscript{14}\textit{Ibid.}, pp. 24-26.
The "Harambee" Self-Help Cooperative Movements

The achievement in Kenya is not accidental but is rather a result of conscious and deliberate planning aided by far-sighted political leadership. In a very real sense, this is the only kind of climate in which rapid economic growth is possible for Kenya.

While technology is to be introduced, there has also to be adequate supply of consumer goods. Political development, which in Kenya involves central planning, has been another aspect of the development efforts being made by the young nation. Industrialization, which generally implies technological, mechanical and engineering innovations in the form of social production has to be achieved in Kenya. Social development is required too. Development in its broad sense implies a break with traditional, social, and cultural attachments. The problems of mankind are to be solved by a social, scientific, and technological revolution, which is now taking place in Kenya. The cooperative movement in Kenya has become vital to the promotion of economic development. The spirit of "Harambee" in Kenya (meaning let us pull together) aims at providing outlets to people's energies. The economic plan at work in Kenya,

which is designed to benefit all, will do much to achieve the goals of "Harambee".

As a result of Harambee, many projects for rural development have been started. A National Youth Service has been started to assist young Kenyans to learn to be self-reliant. This service has been extended to university students. These young people have been working together in many foreign aid projects in the rural areas. The government, in addition, has done much to safeguard the donors' interests in Kenya.

**General Educational Achievements**

Education is held in high regard by the Kenyan leadership and strong efforts have been made to train Kenyans both at home and abroad. All sectors of the educational services have continued to expand in size and improve in quality since 1963. Much progress has been realized and the provision of public as well as private educational services has been on the increase. Progress is evident in both primary and secondary schools as well as at university levels. Universal free primary education has been achieved resulting in a 75 per cent attendance of school age children in 1974. When the research was carried out, the other 25 per cent of school age children had not been sent to school yet. In 1963, only 30,000 pupils were in high schools, but
by 1972 the enrollment was well over 160,000, most of whom were Africans. Of the 160,000 students in secondary schools in 1972, 70,000 were in unaided private schools. Of 53,000 places in the freshman year in high schools in 1972, 23,000 were in aided schools. This shows that more students in the first year of high school (Form I) were in unaided private schools. The people of Kenya had decided to build their own schools under Harambee self-help programs initiated by the late President Kenyatta at independence. In 1972, Kenyans had built well over 700 schools in ten years of an independent Kenya. The voluntary and spontaneous effort by the people of Kenya, encouraged by Kenyatta, is beginning to show results.

In technical education, very heavily aided by foreigners, there were many village technical schools. This movement was started in 1966 and by 1971 about fourteen of these schools had been established.

The problem of qualified primary school teachers was reduced by doubling the number of trainees in the teacher training colleges (T.T.C.'s). The T.T.C.'s, like the technical institutes, also received considerable amounts of foreign aid. The Canadian Technical Assistance, a project of in-service training, is of prime importance to Kenya.

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This program helped unqualified teachers to gain the required qualifications by part-time study, use of radio and correspondence courses, and intensive residential courses during holiday time.

The annual output of Kenya's secondary school teachers was to reach about 700 by 1973. This goal was achieved. A Bachelor of Education degree program was begun at Kenyatta University College in 1972 in addition to the one offered at the University of Nairobi.

There are faculties of all types at the University of Nairobi. Professional areas include law, engineering, medicine, architecture, veterinary science, agriculture, textile design, business administration, and journalism. There are also institutes such as the Kabete Institute of Veterinary Science, the Institute of Adult Studies, the Institute of Developmental Science, the Kenya Institute of Administration, and the Institute of African studies.

The Improvement of Commercial and Subsistence Agriculture

The government of Kenya under Kenyatta stressed agricultural and rural development as the first priority. Since independence in 1963, the agricultural sector, for example, has accounted for some 35 to 40 per cent of the G.D.P. in Kenya. The 1974-78 Development Plan, which was prepared with foreign aid expectations in mind, put great stress on
a more rapid development of the rural areas and proposed a considerable expansion in agricultural momentum. The Plan stated,

The attainment of the fundamental goal of this Plan of an improvement in the distribution of national income with faster rural development and faster growth in employment opportunities, will be dependent in very large measure on the attainment of the particular goals that have been set for the agricultural sector, since it is from agriculture that more than 80 per cent of the population will be primarily dependent for their livelihood during the period of this Plan.\(^{17}\)

The agricultural goals of the Plan were to achieve a 6.7 per cent target rate of growth for marketed production and increased efforts; to improve income distribution in rural areas by increasing commercial farming and promoting more even regional development; to increase employment in agriculture; to continue the program of breaking up large absentee landholdings to smaller farms; and to improve rural nutrition. To promote these goals, the Kenya government intended to double development expenditure in agriculture, giving the highest priority to programs aimed at developing small landholder farming areas. Successful achievement of this goal could mean a considerable increase in the total flow of resources into agriculture. The Kenya Farmers' Association and many other national associations operate at a high level of effectiveness. With the improved

\(^{17}\text{Republic of Kenya, Development Plan, op. cit., p. 100.}\)
farming the British left in Kenya, the Africans have been able to establish a well planned agricultural sector in Kenya. The coffee and tea industries, established by the British, have brought much needed revenue to the country. The mainstay of Kenya's exports is primarily agricultural products such as coffee, tea, meat, sisal, pyrethrum, wattle bark extract, beans, peas, and lentils. Kenya's coffee exports alone account for 30 per cent of total exports.

Kenyan farmers could obtain loans through the cooperative movement, the Agricultural Finance Corporation and the Kenya Farmers' Association (K.F.A.). Between 1974 and 1978 $3.4 million was designated to implement a credit program entirely new to Kenya. Seeds, fertilizers, and training were to be provided to small landholder cooperatives. About 6,000 farmers were to be involved in the first year of the program. The program was estimated to reach a total of 18,000 farmers in three years and raise each farmer's net farm income by up to $4,000 per year. By 1978 most of the goals set in the plan had been achieved.\(^{18}\)

Kenya's seriousness in improving agriculture was seen by the increased exports. Tea was, for example, exported to most European countries, Japan, Australia, Pakistan, the Netherlands, the U.S.A., the U.K., and to many African

countries. Maize (corn), sugar, cotton products, and other crops were exported too. Fishing and dairy products received the same attention of improvement, and were exported to both developed and developing countries.

The Kenya Tea Development Authority (K.T.D.A.) loaned money and handled sales and purchases for the tea industry whereas other similar bodies performed a similar function for other agricultural products. As a result of these arrangements, the tea industry actively assisted the small-holder farmers. There were twelve tea factories and forty-five tea estates in Kenya in 1963. The number had more than doubled by 1975.19

The agricultural sector in Kenya is one of the best planned and most advanced in East Africa, and development strategies continue to emphasize agriculture. Assistance from outside is expected to have further positive effects on Kenya's agriculture, particularly in dairy production, animal husbandry, crop development, livestock improvement, and expansion of agricultural institutions such as the Agricultural Finance Corporation.

General Rural Industrialization

Industrialization in Kenya, assisted by foreign aid, is aimed at increasing and improving the skills and

enlarging the experience of Kenyans by providing more employment and training opportunities. Industrialization could provide consumers with goods and services and the means of purchasing them as well as providing them with the capacity to save and invest. In 1974 there were more than 800 manufacturing enterprises of different types and sizes located in most parts of the country. More than half of the manufacturing sector is based upon the processing of primary agricultural products. Garment manufacturing, assembling of T.V.'s, stereos, automobiles, and radios, light engineering, paper, leather, rubber, and chemical industries operate for both export and domestic consumption.

The city of Nairobi is the hub of industry and commercial activities despite government efforts to effect decentralization. It has become characteristic of most critics of the Kenyan government economic planning to start with Nairobi. The late J. M. Kariuki, a Member of Parliament, for example, once said,

... All the development is concentrated in Nairobi. It is no good having development just for a few in Nairobi. It is not justice for a few to live in and own the best houses in cities and towns while the majority of our men and women live in squalid conditions in cities and towns—not to mention in most of rural Kenya.21

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The industrial sector depends on private investment as the main source of equity and loan capital but other credits are available from the government, from regional and international organizations, and from foreign governments. The industrial sector in Kenya has also participated in the industrialization process through industrial finance institutions such as the Industrial and Commercial Development Corporation and the Development Finance Company of Kenya, the Cereal Board, the Kenya Tea Development Authority, the Kenya National Trading Corporation (K.N.T.C.), and the Kenya Industrial Training Institute (K.I.T.I.), just to name a few. The policy emphasis in Kenya is to achieve development and support the growth of Kenya's economy. Maximum rate of growth is needed. The establishment of an infrastructure in order to sustain further development is another goal. Private foreign investment, which can achieve this is highly encouraged and welcomed in Kenya, not only for the capital it brings, but also for the associated transfer of modern technology, managerial, and technical skills. Industrial investment ultimately provides saving and foreign exchange. It enhances employment and provides for potential integration as well as decentralization of industry. Industrial incentives promote planned industrial development, and rights of ownership are

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guaranteed in the constitution of Kenya. There is the Foreign Investment Protection Act (F.I.P.A.) to encourage industrialization with help from experienced foreigners. Kenya is also a signatory to the International Investment Disputes Convention. Small scale industries that are promoted in the rural areas benefit from a substantial sum set for that purpose. The Industrial and Commercial Development Corporation (I.C.D.C.) has various schemes to assist in the development of industrial and commercial activities in the country. This is the government's principal institution for expanding credits and extensive service to industrial commercial enterprises. The I.C.D.C. provides equity and loan capital and, to a certain extent, is itself supported by loan capital. The I.C.D.C. which originated as a colonial industrial institution in Nairobi, helped set up industries in Nairobi and elsewhere in the country, for example, in Kisumu, Mombasa, Machakos, Embu, Meru, Nakuru, Nanyuki, Kitale, Nyeri, Thika, Kakamega, and other areas.

The Special Rural Development Program (S.R.D.P.), inaugurated in 1971 to promote local rural industries, set up fourteen rural industries in the country. Mwea-Tebere, Kano, Kwale, Mumias, Chemilil, and Tana were some of the biggest Rural Development Programs in the country. Most of Kenya shared in these projects and each one of the provinces benefited from one or more of them.
CHAPTER VI

FUTURE PROSPECTS FOR DEVELOPMENT
THROUGH FOREIGN AID

Present and Future Problems and Their Possible Solutions

In assessing the role of foreign aid in making Kenya's economy sound one has to realize the complex nature of the aid machinery itself. Given the complex nature of foreign aid and its vulnerability to effective utilization, it is required that a high degree of cooperation exist between the donor and the recipient in aid management. The active assistance of advisors of foreign aid donors in Kenya has been particularly widespread. The use of foreign aid advisers in the country is not seen as an admission by the Kenya government that they cannot run their own business. Such assistance is provided where extra carefulness and expertise are required in serious and sensitive economic issues. Within the context of a national development program, one which is relevant to Kenya's needs, the government has used local people alongside foreign advisers to ensure proper application of aid in the projects the government has set up in the rural areas through the assistance of foreign aid. Schools have been set up by the donors themselves as
noted above, to train the local populace in the management of various economic, agricultural and business activities related to aid.

There are local communities in Kenya which do question the wisdom of turning over dynamic sectors of their economies to foreigners. They recognize that foreign aid can play a useful role only if the community itself knows where it wants it to go.

The first concern for most communities is to set their own developmental priorities. The kind of technology to be introduced and the number of people to be involved in such projects and what kind of benefits to be attained from the projects are all put into consideration before a project is started.

Kenya has used several means to assess and evaluate proposed projects. Careful management has enabled Kenya to use foreign aid as efficiently as possible. Where possible, towns, cities, villages and regions seek loans and other types of assistance from the government in order to run their own development programs. The government can therefore grant assistance for small scale projects initiated by the people locally. Local funds from public sources, together with foreign aid funds, equipment, experts and advisers are some of the components of these projects. Through these arrangements, aid is applied in
the most efficient way to bring maximum benefits. Capital and local labor are combined to achieve the highest benefits at the least costs. The government of Kenya has so far brought about a great deal of general development and has done a good job in modernizing the economy, especially in the rural areas which formerly had been neglected.

Kenya has done very well in a business community eager to engage in a market system working side by side with an agricultural planning foundation to support it. Business enterprises and investment in Kenya have become well established and seem to be doing well, with some prediction of a promising future for Kenya's business community.

All areas of the economy are being and will continue to be expanded in the future.\(^1\) Kenya's economy is not fully self-reliant, but there are potential energies and the existing labor force can be improved through both domestic and foreign efforts. Labor intensive methods, expansion of employment and the production of consumer goods are some of the prerequisites in the required economic planning. Purchasing power is to be divided mainly between food and industrial articles. If the demand for food prompted by aid projects in Kenya exceeds what can be provided from home production, part of the aid must be used for temporary food imports. Kenya's development

efforts have included cooperation with their donors so as to coordinate all economic activities with their aid to emphasize certain moral, scientific, economic and technical principles which Kenya has in common with its donors.2

The objective is to achieve real income and real growth. The terms of trade between Kenya and the developed as well as certain developing countries possess distinct room for improvement.

Kenya's plans and efforts must reflect her values and Kenya's social facts. Planners have to deal with economic, social, cultural, and political aspects of development as a continuous process. All foreign aid has to be absorbed carefully and properly and while economic and social progress can thus be attained, it is not an overnight achievement.3

Aid Coordination into Kenya's Political Economy

Aid coordination was necessary in order to facilitate faster development. Whereas the various types of aid need not always work in close harmony with each other, some coordination of aid is paramount.


Kenya's limited capacity to absorb capital equipment requires that the kind of aid to be applied should be technical aid. This type of aid, particularly in the form of loans, often lends itself to corruption by government officials so that it is incumbent upon a developing country to provide special efforts in the supervision of technical aid.

The government of Kenya established strict regulations in an effort to ensure proper use of foreign aid. An argument often used against such a regulation is that it tends to concede an indefinite need for foreign aid for Kenya. Kenya, through its regulations, prohibits foreign aid from benefiting only a small group of its citizens such as in the case of Liberia before the coup.

Kenya's main concern has been to use foreign aid effectively in order to achieve its full advantage. Efforts are being made to use foreign aid to maximize economic development. Development in Africa depends greatly upon loans by foreign governments to the recipient governments; by the governments to the farmers, cooperatives, settlers, businesses, and these in turn, sometimes to their customers. These loans have development as their major aim rather than being narrowly commercial. The borrower may

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have no security and the amount is most often small, but it is the lender's intention to assist the growth of the economy.

Future Prospects in Kenya

The President of Kenya, Mr. Daniel A. Moi, has vowed to wipe out corruption in Kenya and is intent upon efficiently following the economic planning inherited from the first President, Mzee Kenyatta. Moi's "Nyayo" government (meaning following Kenyatta's footsteps) adheres to the late President's ideology of combining capitalism and state involvement in economic and business undertakings. President Moi, who took over from Kenyatta after the latter's death in 1978, has also confirmed his intentions to extend development to the rural areas. Kenya continues to enjoy good economic and political relations with the aid donors.\(^5\) There is well founded hope that the future is going to be characterized by economic progress, political stability and social improvement.

Economic assistance was badly needed in Kenya as young nations always need outside capital and support. This support has been and still is available for Kenya. This does not mean that Kenyans were to rely on foreigners to build their nation and economy. Kenya's future was to

be the specific responsibility of the people of Kenya, even though economic development had to depend for some time on funds from abroad to supplement local savings.  

Working partnerships are needed between Kenya and the various donors. Poor countries always need assistance from rich countries, and Kenya's successful efforts to attract aid and to use it properly is an example of a high degree of cooperation. The purpose of planning by the government is to increase profitable economic activity, to improve and diversify trade, to improve and diversify productive capacities and to improve and increase Kenya's earnings as well as its savings.


CHAPTER VII

CONCLUSION

Kenya, which became independent in 1963, is one of the most prosperous countries in Eastern Africa. The various economic sectors in Kenya have expanded since independence. The local governments, the Central Government, and a wide range of parastatal organizations including the agricultural boards constitute the public sector. While the public sector is not as dominant as in many African countries, its role and influence on the economy has been growing since 1963. The growth of the public sector in terms of both consumption and capital formation, has generated an increasing demand for imports, with the larger portion of imports consumed by the private sector. The public sector has also contributed to investment in Kenya. Foreign aid has greatly accounted for the growth and development Kenya has experienced. Technical assistance has contributed by providing manpower supplementation, advisory and training assistance.¹

On the average however, the terms of bilateral aid have been hard at times. Interest on loans has sometimes

been excessive although there have been soft loans from several donors, e.g., Canada, Sweden and the Netherlands. ²

Many countries have, however, liberalized their loans and increased their grants. Donors have often tackled different specific problems; the U.S.A., for example, once dealt with population control; the U.K. with land transfer; and Sweden with the development of small industries. ³

The U.K. is the largest single source of financial and technical assistance for Kenya, and provides full or partial financing to support almost 2,000 professional and technical personnel attached to the Kenyan government. The U.S.A., Canada, West Germany, Sweden, and Denmark are the other important donors. The World Bank, the U.N. and other smaller donors also provide aid.

Kenya's success in maintaining a calm political system and its capitalist economy account for the large aid programs and projects provided. But some donors question the wisdom of increasing their aid to Kenya because it has left the ranks of least developed countries. Kenya was excluded from the list of the twenty-five poorest countries at the 1972 U.N. Conference on Trade and Development. ⁴

²Burrows, op. cit., p. 418.
³Ibid., pp. 417, 419, and 495-503.
The suppliers of financial and technical assistance vary greatly in the magnitude of the resources they offer to Kenya. The conditions they attach to their aid also differs from donor to donor. The procedures they follow in providing aid and in controlling its use, as well as the goals they pursue with their resources vary from supplier to supplier.

The government of Kenya has struggled hard to ensure that aid is properly utilized, and donors have assisted greatly in this aspect. The I.B.R.D. and the U.N., for instance, are known for their expertise and for their influence as allies in planning for and evaluating projects and programs. Kenya has an excellent record of having always cooperated with all donors.

Although nonalignment in Kenyan foreign policy has led to a diversification of aid sources, there has been no serious attempt to balance the amount of aid received from various camps in international politics. Kenya, for example, receives very little aid from the U.S.S.R. or Eastern Europe, and almost no aid from China.5

Kenya, like many developing countries, considers foreign aid as one of its rights on the international scene. President Jomo Kenyatta once said, "... the

British must provide assistance to Kenya in return for sucking our blood in the past."\(^6\)

The Kenyan government is relatively well endowed with planners and economists, and pursues aid aggressively. Donors do not always need to initiate, plan or staff their projects. Kenya benefits by choosing alternatives from numerous available donors. For some African countries aid is a habit. This should not become Kenya's aim.

Several issues loom large in the minds of Kenyan planners and decision makers regarding the effectiveness of aid. The involvement of external personnel as advisors or operational personnel disturbs some of the Kenyan officials. The type of technology most suitable to Kenya is another concern. Smaller markets reduce economies of scale. Cheaper labor makes possible economies of scale at lower levels than in developed countries. The natural resources of Kenya may require modifications of imported machinery. Intermediate technology may be more suitable than technology designed for advanced countries.\(^7\)

A combination of political motives and special skills or experiences may enable certain aid recipients to become donors. Kenya has, for instance, been able to provide the

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\(^7\)Ibid., p. 232.
Kenya Tea Development Authority benefits to Malawi, Uganda, and Tanzania.\textsuperscript{8} Kenya can also benefit from more cooperation with other developing countries.

The review presented here has revealed several kinds of aid relationships and several means of coordinating aid into the Kenyan economy. Strong foreign aid efforts have been made by both the donors and the government of Kenya. Foreign aid has an important marginal influence even though it is mingled with a wide variety of other inputs and structures.

Kenya reflects the multi-faceted nature of development, and demonstrates the complexity of the foreign aid process. There are reports of success, failure or disappointment. There are instances of donor involvement in the political affairs of Kenya. The variety of donors and the lack of coordination between them, for example, limits the impact of efforts to maximize foreign aid benefits.

Kenya has had a long history of foreign aid and other economic relations with the developed nations. Traditional friendliness and economic as well as political maturity have accounted for Kenya's success in handling foreign aid arrangements with a reasonable degree of efficiency.

The effectiveness as well as the careful application of aid in Kenya were possible through the unparalleled

\textsuperscript{8}\textit{Ibid.}, pp. 229-230.
leadership of the late President Kenyatta. To foster the progress attained in Kenya new administrative techniques including the recruitment of the citizens of Kenya for responsible leadership, have been established in the country. Although the best educated and most highly skilled people in Kenya are involved in political and economic planning, there are several defects, such as corruption, which have been associated with some of Kenya's officials in the higher echelons. Nevertheless, the masses in Kenya and most of those in authority, have shown cooperation and a strong spirit for self-reliance, hard work and initiative in order to achieve development. If Kenya is to face successfully the challenges of the future, both the defects arising from mismanagement of public services and from selfish personal ambition must be eliminated.

This study has dealt with foreign aid in Kenya and its applications and effects on economic development during 1963-75. More research is needed to further analyze the variety of complex factors connected with foreign aid. A research program on foreign aid must be closely linked with the political economy of the country. Social, cultural, and religious factors must also be studied, and incorporated into such research. Kenya's position vis-a-vis other developing nations would be another important factor.
Kenya's future is bright and the country promises to even realize greater benefits from foreign aid and other economic and political exchanges with both developed and developing nations.
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