

UNIVERSITY OF NAIROBI
DEPARTMENT OF ECONOMICS

MASTER OF ARTS RESEARCH STUDY
RURAL DEVELOPMENT POLICIES IN KENYA: A CRITICAL ANALYSIS

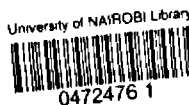
BY
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**A Research Study submitted pursuant to partial fulfillment of the requirement
for the Degree of Master of Arts in Economics**

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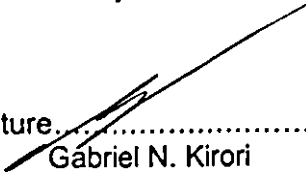
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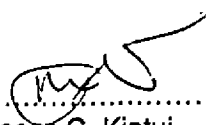
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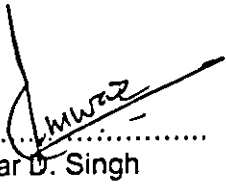
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Acronyms

AIE	Authority to Incur Expenditure
ASALs	Arid and Semi Arid Lands
BRP	Budget Rationalization Programme
CSFC	Cereals and Sugar Finance Corporation
DCs	District Commissioners
DDC	District Development Committee
DDF	District Development Fund
DDO	District Development Officers
DFS	District Focus Strategy
DDP	District Development Plan
DFSRD	District Focus Strategy for Rural Development
DPU	District Planning Units
EDF/MPP	European Union Development Fund Microprojects Programme
EPZs	Export Processing Zones
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
FRD	Full Rural Decentralization
GDP	Gross Domestic Product
IRD	Introductory Rural Decentralization
JKDP	Jua Kali Development Programme
KRDS	Kenya Rural Development Strategy
LATF	Local Authority Transfer Fund
LAs	Local Authorities
M&E	Monitoring and Evaluation
MPND	Ministry of Planning and National Development
MSE	Micro and Small Scale Enterprises
MRP	Minor Road Programme
MUB	Manufacturing Under Bond
MTEF	Medium Term Expenditure Framework
NPEP	National Poverty Eradication Plan
NARC	National Alliance Rainbow Coalition
NDP	National Development Plan
PFER	Policy Framework Economic Reform
PRSP	Poverty Reduction Strategy Paper
RDAs	Regional Development Authority
RDF	Rural Development Fund
RPO	Rural Planning Department
RTPCs	Rural Trade and Production Centres
RUBS	Rural Urban Balance Strategy
SAPs	Structural Adjustment Policies
SDDP	Social Dimensions of Development Programme
SRDP	Special Rural Development Programme

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Abstract

The objective of this study is to provide a critical analysis of the extent of the effectiveness of the implementation of rural development policies in Kenya focusing on the decentralization process over a period of 32 years between 1970 and 2001. Various decentralization structures used in Kenya over time, including the Special Rural development Programme, Local Authorities, Regional Development Authorities and District Focus Strategy for Rural Development are analysed. Two distinct periods of rural development each covering a period of 16 years are identified in the study as the Introductory Rural Decentralization period or Phase I over the 1970-1985 period when Kenya's economy was mainly a State-controlled economy emphasizing policies of export promotion through the inward-looking industrial philosophy; promotion of rural investment, output and productivity; restoration of national food self-sufficiency; introduction of structural adjustment programmes and policies and the district focus strategy. The second distinct period identified in the study is the Full Rural Decentralization period or Phase II over the 1986-2001 period when Kenya's economy was characterized by being more market-oriented emphasizing policies of export promotion through the outward-looking industrial philosophy pursuing vigorously macroeconomic reforms under the policies and SAPs advocated strongly by the Bretton Wood institutions, expansion of economic liberalization, public sector reforms, industrial transformation, introduction of rural-urban balance strategy, poverty alleviation, promotion of small scale enterprises development, etc. Rural sector is a major factor in the category of Kenya's productive sectors referred to in the Statistical Abstracts as 'Economic Services'. The rural sector has experienced a rapid rise in the incidence of rural poverty indicating a declining trend in performance of the sector. The effectiveness of the implementation of rural development policies are analysed for each period using a variety of methods including interview and documentation analysis, descriptive analysis and statistical methods. Government's commitment to rural development in terms of both policies and budget allocations is compared between the Phase I and the Phase II of rural decentralization process as well as between the rural economy and the manufacturing sector. In essence, the study focuses on the objectives of the rural development policies, their successes or failures as well as their changes over time and attempts to answer such questions as: how much did the Government spend on the rural sector? Was there a bias towards the rural economy against the

manufacturing sector? What is one's perception about the Government's commitment and seriousness regarding rural development?

We show that one of the key hindrances against efforts in achieving effective and efficient implementation of rural development policies was the difficulty of increasing formal authority and actual power at the grassroots level, especially at the district level, in threefold aspects of: (1) building adequate and qualified technical and administrative capacity for planning, budgeting, financial management, coordination and implementation of projects and activities. This difficulty has progressively been adequately addressed through training of manpower for the district and establishment of an elaborate network of decision-making committees at various local levels to ensure integration of grassroots planning into the district planning process; (2) district funding framework. Improvements towards this aspect have included making district planning and implementation compatible with district budgeting and financial management through the Budget Rationalization Programme and the Medium Term Expenditure Framework and Poverty Reduction Strategy Paper, success in disaggregating plans and budgets of operating line ministries on district-by-district basis, decentralization of the spending authority by transferring AIEs directly to the DDOs, and introduction of computerization system into the district planning and budgeting process. The major difficult yet to be addressed in regarding this aspect is that of according financial autonomy to the district; (3) making the apex of grassroots institutions, the DDC, a legal entity ensuring that its decisions are legally enforceable. This difficulty remains to be addressed. All in all, the DFSRD structure, being the most suitable structure for promoting rural development requires strengthening through provision of a legal and financial framework. We also show that the Government's commitment in terms of budget allocations, on the one hand, was weakening over time, more drastically during the Full rural decentralization period for both the rural and manufacturing sectors but more so in the case of the manufacturing sector. On the other hand, the policies pursued during the Full rural decentralization period, were more pro-manufacturing sector development at the expense of the rural sector. The need for refocusing attention to rural sector development stimulating policies therefore, cannot be overemphasized.

CHAPTER 1

1.0 INTRODUCTION

Kenya has pursued decentralization as a fundamental policy for rural development since independence. The thrust of the policy is achievement in rural balance development and improvement and sustenance of the livelihood of the rural household. In the 1970s, Kenya adopted rural development as a basic strategy for the path to national development, and planning, as a central task to rural development. Rural Kenya, thus, became a critical sector in the promotion of the overall development of the country. Full rural decentralization took effect in the 1980s when Kenya embraced two major strategies for rural development, the District Focus Strategy in 1983 and the Rural-Urban Balance Strategy in 1986. In the 1990s, Kenya further embraced the Integrated Strategy in rural development planning. These are the key strategies that the country has used in the implementation of the rural decentralization policy.

According to Swan et al (1987) in the 'Computable General Equilibrium Model of the Kenyan Economy', the rural sector comprise agriculture as the key enterprise engaging more than 75 percent of Kenya's total population, and five (5) other enterprises including the traditional economy; ownership of rural dwellings; fishing; forestry; and mining and quarrying. The four enterprises, together with the small-scale and micro enterprises in agro-processing, trading and manufacturing, make up the non-farm part of the rural economy.

More than 80 percent of Kenya's population is rural. Rural Kenya is also important as the major employer of labour force, provider of the bulk of forex earnings, and direct contributor to gross domestic product (GDP) at more than 30 percent of the total. However, indications in Kenya Rural Development Strategy (2002) show that the performance of Kenya's rural economy is on the decline. The incidence of rural poverty increased from 48 percent in 1992 to 53 percent in 1997 and 56 percent in 2002. More than 87 percent of Kenya's poor households live in rural areas and are increasingly being unable to meet their basic food needs.

The presentation of the study is structured into Five Chapters. Chapter 1 deals with the Introduction providing highlights of the evolution of the rural development policy in Kenya, Statement of the problem being addressed by the study as well as its objective. Chapter 2 deals with the Literature review, both theoretical and empirical analysis. Chapter 3 deals with the Methodology highlighting three analytical methods, the interview and documentation analysis method, and the descriptive analysis method. Chapter 4 deals with Data analysis and results while Chapter 5 deals with the Conclusion and policy prescriptions.

1.1 A Historical Account of the Rural Development Policy in Kenya

The policy of rural decentralization was, soon after independence, adopted as a fundamental policy for rural development in Kenya encompassing threefold key objectives of: the improvement in levels of rural life including income, employment, education, health and nutrition, housing, and a variety of social services; the improvement in reduction of inequality in the distribution of rural incomes and urban-rural imbalances in income and economic opportunities; and enhancing the rural sector to sustain and accelerate the pace of these improvements. In the light of this, rural development would become a prime mover that would enhance transformation of Kenya's rural economy enabling the rural society to become self-sufficient in food and basic material needs, to diversify their activities into labour intensive small-scale industry, to promote social system based on principles of equality and social justice, to enhance a planning system close to the people based on their perceived needs and requirements, to stimulate growth of the national economy and ensure sustainable development.

In the 1970s, Kenya took special recognition and focus on rural economy by adopting rural development as a basic strategy for the path to national development, and planning, as a central task for rural development. Through rural development, people would achieve better living conditions due to increased productivity, improved transportation facilities, new market opportunities, safe water supplies, better housing, more jobs and coordinated services throughout the rural areas. It was understood that full participation of the household in a rural economy was influenced in important ways by literacy, health care, clean water, good education, good shelter,

infrastructure and healthy environment. Emphasis was placed on balanced rural development and eight rural programmes were formulated focusing on health; rural access roads with emphasis on secondary, minor and agricultural feeder roads; primary education; rural water; housing programme for the improvement of rural housing as a major source of non-agricultural economic activity in rural areas; rural growth centers designated as foci for trade, social services and communications to ensure an orderly course of development in all rural areas; rural works programme for creating rural employment; and rural development fund programme as an important source of funding of district specific projects.

Kenya's rural development strategy has evolved tremendously over time. It embraced two major components in 1980s, the District Focus Strategy (5th NDP, 1984 – 1988), which made the district the operational center for rural development in 1983, and the Rural-Urban Balance Strategy in 1986 (Sessional Paper # 1, 1986). In 1990s, the rural development strategy embraced the integrated approach to planning and emphasized effective implementation of both the district focus and rural-urban balance strategies through increased location of light agro-based industries in the rural areas and small towns so as to provide immediate market for agricultural produce and raw materials to industries, increased promotion of industrial investments in rural areas, increased spatial pattern of urbanization with close linkages to agricultural resource base as a shift from the urban primary structure pursued in the past, increased promotion of informal sector development to generate non-farm opportunities, and provision of adequate legal and institutional framework so as to enhance community participation and self-governance (7th NDP, 1993 – 1996; 8th NDP, 1997 – 2001; 9th NDP, 2002 – 2008).

Two complimentary planning approaches have been used in addressing issues of rural development in Kenya, 'the interventionist strategy or traditional directed approach' also referred commonly to as the top-bottom or top-down approach to development, and 'the community or grassroots approach' also referred commonly to as the bottom-up approach to development (Mbithi, 1974).

1.1.1 The interventionist strategy for rural development planning in Kenya

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

Since independence, Kenya has produced nine (9) NDPs. In the context of the interventionist strategy, planning for rural development started during the 2nd NDP (1970-1974) whose theme was "Rural Development". It emphasized the objective of socio-economic transformation of all the people of Kenya and focused on rural development as the basic strategy for national development. For the first time in Kenya, rural development was to become the national path for people through which to achieve better living conditions through increased productivity, improved transportation facilities, new market opportunities, safe water supplies, better housing, more jobs and coordinated services throughout the rural areas. District and Provincial Development Committees were established as an experimental programme towards finding a major means for ensuring widest participation possible in development planning. The 2nd NDP recognized the bringing of District Development Committees (DDCs) to undertaking high level, continuous and self-sustaining planning and implementation operations as a central tack of rural development.

The 3rd NDP (1974-1978) under a theme "Employment and Income Distribution" promised to continue and reinforce the strategy of imparting consciousness for rural development through a process of greater decentralization of planning and implementation to the district level, i.e., setting a process of formalized planning procedures in rural areas. The first issue of the 5-year District Development Plans (DDPs: 1974-1978) was produced during this Plan period. The fundamental objective of the 3rd NDP was to improve evenly the overall standard of rural life, for example, by raising standards of services such as education and health towards levels in the urban areas. The 3rd NDP identified eight (8) programmes whose impact on rural life would be most significant: the health programme with a target to construct 31 rural health clinics and 76 dispensaries; the rural access roads with emphasis on secondary, minor and agricultural feeder roads; the primary education programme; the rural water programme with target to supply safe drinking water to 2 million people during the Plan period; the housing programme for the improvement of rural housing as a major source of non-agricultural economic activity in rural areas; the rural growth centers programme designated as foci for trade, social services and communications to ensure an orderly course of development in terms of the needs of all rural areas; the rural works programme with primary objective of creating rural employment by direct financing of labour-intensive projects - the target was to find gainful engagement for 650,000 people (farmers, family workers, self-employed and wage employees); and the rural development fund programme, an important source of funding of district-specific projects.

The planning and implementation strategy for rural development in the 4th NDP (1979-1983) whose theme was "Alleviation of Poverty" emphasized the diversification of rural activities from small scale agriculture to industry and non-rural farm activities, increased effort in local-level community participation in programme decision making .e., in assessing community needs and priorities, strengthening and revitalizing of DDCs to enhance the vital role of the district as the basic unit for development and implementation, reducing imbalances between urban and rural development, and increased research and development of technologies for small-farm and non-farm activities and for the rural industries processing locally available crops and resources.

The 5th NDP (1984-1988) with the theme "Mobilizing Domestic resources for Equitable Development" formalized the organizational strategy for planning and implementation of rural development by shifting the planning and the implementation responsibility from headquarter ministries to the district. This is the District Focus Strategy in which the district became the operational center for rural development in terms planning, coordination and implementation of district-specific development including all projects initiated by the Government, local authorities and through harambee by communities, as well as the management of the district development resources. It is based on the principle of complementary relationship between ministries responsible for sectoral approach to development and districts where various sectors are joined in common support of rural development activities. The District Focus Strategy for Rural Developments is essentially a long range planning process involving the identification and analysis of local development needs and the establishment of district development priorities and has become the basis for the preparation of DDPs.

The major thrust of the 6th NDP (1989-1993) with the theme "Participation for Progress" was to increase generation of wealth by reducing rate of concentration of economic activities in major towns at the expense of rural areas. The Plan identified the conventional concentration of development management and decision making at the headquarter as a critical factor that inhibited maximization of wealth creation. It emphasized continued decentralization of the planning process as reflected in the District Focus Strategy and adoption of an integrated approach to planning, a vital tool in which development issues of primary importance such as regional balance, employment creation, human and financial resource management, agriculture and industry expansion, preservation and development of natural resources are addresses inter-sectorally on the basis of the principle of complementary between sectoral approaches of ministries and inter-sectoral efforts of districts in support of rural development activities. The plan also emphasized establishment of a monitoring and evaluation system comprising of a Secretariat, a Sector Policy Committee, and a National Planning Commission. The M&E system would provide a channel for information flow at district, provincial and national level, enhance capacity for data collection and analysis for effective decision-making at district level, and for generating indicators of policy and welfare for an early warning system.

The 7th NDP (1994-1996) with the theme "Resource Mobilization for sustainable Development" followed the integrated approach to planning and emphasized strong links between district and national development. The plan marked a transition of the planning process in Kenya in that it had a short planning cycle of 3 years.

The 8th NDP (1997-2001) with the theme "Rapid Industrialization for Sustainable Development" emphasized effective implementation of key strategies for increased promotion of rural development, the District Focus Strategy for Rural Development and the Rural Urban Balance Strategy using the DDC as the major implementing organ. It emphasized increased location of light agro-based industries in rural area and small towns so as to provide immediate markets for agricultural produce and raw material for industries. It charged DDCs with greater facilitating role in encouraging new industrial investments in rural areas and hastening of the rate of industrialization through the establishment of District Investment Committees. The Plan also emphasized pursuant of spatial pattern of urbanization with close linkages to agricultural resource base as a shift from the urban primacy structure pursued in the past. The 8th NDP also emphasized fostering of economic growth by strengthening economic linkages between urban areas and their rural hinterlands which entailed availing employment opportunities to rural population nearer to where they live; redirecting rural urban migration to small towns by providing employment opportunities; promoting informal sector development to generate off-farm opportunities; and reducing gap in income differentials between urban and rural areas.

The 9th NDP (2002 – 2008) with the theme " Effective Management for Sustainable economic growth and Poverty reduction" emphasizes adoption of participatory and consultative approach to planning and implementation ensuring that resources are used where they are most needed and have greatest impact. It proposes the use of the Kenya Rural Development Strategy as key strategy for promoting growth in agriculture and rural sector development. The Plan emphasizes the need to strengthen the District Focus Strategy for Rural Development with adequate legal and institutional framework so as to enhance community participation and self-governance. The 9th NDP also emphasizes the strengthening of management of

development process and decision-making at all levels by establishment of an effective Monitoring and Evaluation (M&E) network in the Ministry of Finance and Planning. The structure of the M&E system includes a National M&E Committee, Ministerial M&E Committees, Provincial and District M&E Committees, and M&E of Community Action Plans at the community level through Community Project Committees.

1.1.2 The Community or Grassroots Strategy for Rural Development Planning in Kenya

The distinguishing feature of the grassroots strategy is its focus on access to opportunities and social amenities of majority of the rural population. Resources are channeled to those persons. The aim of the strategy is to reach and involve the vast majority of the rural population in the development process, i.e., ensuring local involvement of diverse interest community groups in rural development planning and implementation.

Available literature recognizing the critical importance of grassroots strategy include Mbithi (1974), who says that the rural household is always screening information and signals translating them into most consistent behaviour with the mastery of the community over the environment and resource endowment; Heyer (1967) and Schultz (1964) who argue that the rural household possesses expertise essential for its effective involvement in ensuring efficient decision making with respect to maximization of productivity of its resource endowment. According to Thirwall (1972), the "grassroots" school of economic development lays emphasis on policies to raise the level of productivity in the rural sector as the best long-term development strategy.

Kenya's various policy documents and reports of conferences and commissions have implicitly and explicitly supported the grassroots approach and decentralization in rural development planning and implementation. The Sessional Paper No.10 of 1965, for example, declared that "the fundamental characteristic of African Socialism is that society has a duty to plan, guide, and control the uses of all production resources and planning will be extended to provinces, districts and

municipalities so as to ensure that each administrative unit made good progress towards development.” The 1966 Kericho Conference emphasized the need for Kenya to give greater priority to the rural sector in national planning, to shift decision making focus from headquarter to the field and to experiment with different approaches to rural development. The Ndegwa Commission in early 1970s emphasized putting strong focus for planned rural development at the district level.

Mbithi (1974), distinguishes three key attempts (instruments) that Kenya has used in the role of promoting the community or grassroots approach to rural development planning. They include the Harambee self-help movement, the Special Rural Development Programme (SRDP), and District Development Planning. The Harambee Self-help movement is a grassroot operation with core feature centred on local groups' reactivity vis-à-vis centralized planning. It is characterized by local level identification of needs, local level mobilization of resources, and local level implementation of projects to solve the local needs. The SRDP was an experimental pilot programme in 1970-1971 testing strategies for accelerating rural development including growth in local resources utilization and coordination in planning and development management. The concept of district planning for rural development was initiated early 1970s in recognition of the weaknesses in centralized national planning and was aimed at achieving balanced development among regions as well as a more equitable distribution of national income between regions and individuals within a given area. It was adopted as a strategy for rural development in July 1983 and formalized the bottom-up approach and decentralization in development planning and implementation process in Kenya (5th NDP, 1984 - 1988, Republic of Kenya). Districts were made the centers or cornerstones of integrated rural development with autonomy for setting their own priorities. The strategy is long range in nature and dynamic requiring continuous review and revamping in light of changes of various societal aspects including social, economic, cultural, political, ethical, moral aspects etc. It provides for local involvement at the lowest administrative level, the sub-location as well as location and division.

1.2 Statement of the Study Problem

Improvement in the levels of rural life and welfare has been a key objective of Kenya's rural development since independence. Rural development was, through the policy of rural decentralization, perceived as the prime mover in the transformation of the rural economy and raising standards of living of the rural population. Available evidence shows that the trend of performance of the rural economy is on the decline. This problem relates to the effectiveness of the implementation of the rural decentralization policy. No attempt has been made to study and analyse or measure the effectiveness of the rural decentralization policy in Kenya.

1.3 Objective of the Study

The overall objective of the study is to analyse critically the effectiveness of the implementation of rural development policies in Kenya. Some specific objectives of the study will include:

1. To analyse performance of rural GDP over a period of 32 years broken down into two distinct periods, the 1970-1985 period (i.e. the Introductory Rural Decentralization Period or Phase I) and the 1986-2001 period (i.e. the Full Decentralization Period or Phase II).
2. To analyse agricultural productivity, i.e.:
 - Agricultural GDP and
 - Marketed production of key agricultural subsectors (i.e., cereals; temporary industrial crops; permanent crops; and livestock and related products)over a period of 32 years broken down into two distinct periods, the 1970-1985 period and the 1986-2001 period.
3. To analyse Government's commitment and seriousness to rural sector development vis a vis manufacturing sector in terms of policies and budget allocation.

1.4 Justification of the Study

The effectiveness of Kenya's rural decentralization policy in terms of promotion of rural development has not been studied or analysed. This study will analyse the effectiveness of the policy on both the rural GDP and agricultural productivity over a period of 32 years broken down into two distinct periods. The first period will cover 1970 to mid-1980s whereas the second period will cover mid-1980s to 2001.

The two periods are distinct in terms of rural decentralization in that, in the 1970s, Kenya took special recognition and focus on the rural economy by adopting rural development as a basic strategy for the path to national development, and planning, as a central task for rural development. In the 1980s, the country embraced two major strategy components, the District Focus Strategy, which made the district the operational center for rural development in 1983, and the Rural-Urban Balance Strategy in 1986. In the 1990s, the rural decentralization policy embraced the strategy of integrated rural development planning and re-emphasized effective implementation of both the district focus and rural-urban strategies.

1.5 Sources of Data

The sources of all the data to be used in the study will be secondary data from various issues of the Statistical Abstracts and Economic Surveys.

CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

Rural decentralization in Communist China early in the second half of the 20th century attracted widespread interest as a unique approach, commonly referred to as the Chinese model of rural development (Todaro, 1977). The decentralization marked China's efforts at bringing about rural development through the system of communes established in the conviction of the Chinese leaders who saw the crux of the rural problem as being the constraint that 'no real rural development was possible without a revolution and without ensuring full participation of the majority of the people in the very process of development' (Nargolkar, 1982). The first thing China did was to eliminate completely vested interests in the rural areas by unleashing a violent land reform movement and securing full cooperation and participation of the peasants and the landless. This was the agrarian reform that marked the evolution of China's decentralization and transformation. The 'Peoples' Communes' that became the famous Chinese Model for rural development is a multipurpose, administrative, organizational unit covering full range of economic, social and administrative activities necessary in a rural community. Nargolkar (1982), informs that the establishment of the Peoples' Communes was described by the Chinese leaders as the strategy of the 'Great Leap Forward' because of its ambitious and earnest attempt at bringing about quick social, economic, political and cultural transformation of the Chinese society. The Communes became instruments of continuous social change and acted as the lowest unit of administration of government through which all rural development and welfare programmes were channeled. They were made the basic economic organization and grassroots-level units of State power. The Great Leap Forward strategy emphasized employment of indigenous methods of production and labour-intensive technology on almost all development projects. The Communes tried to imbue their members with ideals of: no exploitation of man by man; substantial economic equality whereby no one should be allowed to earn more than his neighbour and getting too rich as to acquire a position to dominate and exploit others; working conscientiously for the good of the community and the nation as a whole and not for private gain and profit; wealth as a

social product that had to be shared equally as far as was feasible; no distinction while fixing remuneration between intellectual work and physical labour; self-reliance in development as good and desirable. The system of Communes marked devolution of authority and responsibility to local leaders of implementing schemes of rural development in all spheres of rural life.

Todaro (1977) distinguishes four stages in China's agrarian reform programme. The first stage was characterized by a traditional feudal system of land tenure in which 10 percent of the rural population owned more than 75 percent of land. This land was confiscated during the 1949 revolution and distributed to the poor and the landless but who found could not cultivate the land economically without socio-economic supporting services. The second stage, over the 1949-1952 period, focused on formation of 'mutual aid teams' but turned out too small to be cost effective and efficient. The third stage, over the 1955-1956 period, focused on the formation of Agricultural Producers' Cooperatives in the range of 100-500 hectares each that were cost-effectively able to pool resources, raising agricultural yields but were not fully equipped for economic, political and administrative functions required for sustained progress. The culminating stage was the movement for communization of cooperatives and the establishment of Peoples' Agricultural Communes all over China in 1958 by converting and regrouping all the Advanced Cooperatives and abolishing any existing individual ownership of land in favour of communal ownership. Communal ownership of land included all land in rural communities, all means of agricultural production and commune-owned industries.

In his celebrated work on "progress and poverty", Henry George (1879) formulates a principal of social integration and 'decentralizes' monopoly power of private landownership. Private landownership gives the individual landowner the privilege to monopolize land without paying rent as measured in competitive market. In George's Principal of Social Integration everyone shared equally in the creative power of the community. Enshrined in the Principal, is a system of public finance enabling everyone to share equally in the total rental value of a nation's natural resources including land. The thrust of the Principal lies in that, while acknowledging property rights and recognizing private property as a necessary feature in the wealth-creating process, it demands that people pay full rent to the society for the exclusive use of a

natural resource including land. George explains that land rent, the opportunity cost of land use, is a benefit created by the community as a whole and increases due to the growth of the community and expenditures on social services and therefore belongs equally to everyone in the community. The Principal of Social Integration accords natural right of equal access to resources of nature.

In his study of growth and decline of world's greatest civilizations, Arnold Toynbee (1947, in David C. Korten, 2001) explains that the growth pattern of civilizations is characterized by "the tendency toward differentiation and diversity", whereas a declining pattern of civilizations characterizes, a "tendency toward standardization and uniformity".

Chambers (1983) on "Rural development: putting the last first" studies rural poverty and rural development. He says that various stakeholders engaged either directly or indirectly in the work of rural development have strong tendencies of being urban-based and urban-biased and place direct attention towards whatever is urban, industrial, 'high' technology, capital-intensive, marketed and exported to the neglect of what is rural, agricultural, 'low' technology, labour-intensive, retained by household and locally consumed. He identifies direct stakeholders as including staff in government departments such as administration, agriculture, animal husbandry, community development, cooperatives, education, forestry, health, land development, irrigation, local government, public works, water development, etc., and indirect players as including all others such as academic researchers, aid agencies and technical cooperation personnel, bankers, businessmen, consultants, doctors, engineers, journalists, lawyers, politicians, priests, school teachers, etc., whose choices, actions and inactions impinge on rural conditions and the rural poor.

He formulates a theme of reversals including spatial reversals in regard to where professionals live and work and in decentralization of resources and discretion; reversals in professional values and preferences; and reversals in specialization aimed at enabling the identification of gaps and exploitation for the poor. He explains that reversals in space concern the concentration of skills, wealth and power in urban areas that drain and deprive the rural areas due to many forces that centralize power, professionals and resources in the urban cores. This stance is

encouraged by nationals, urban and class interest; communications; market and facilities; distrust of peripheries as well as of those lower in the political and administrative hierarchies; personal interests in convenience, services and promotion; and the sheer weight of political and administrative influence.

Chambers identifies decentralization as one key factor for addressing the spatial reversals and cites various examples of programmes of decentralization that have been implemented with varying success in some Sub-Saharan African countries. In Tanzania, under the leadership of Julius Nyerere, the government sent out its staff from the capital thus depopulating the ministries' headquarters, and regional budget allocations were made with some local spending discretion. Decentralization in Egypt and Sudan was implemented in response to strong local demands prompting the governments to disperse parts of the cores towards the peripheries through devolving financial discretion giving the local areas more discretion, as well as the decentralization of agricultural processing and small-scale non-agricultural production.

Korten (2001), in his analysis on "When corporations rule the world", describes the evolution and growth of global corporations and financial institutions including the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO) and their destructive effects on the economy, society, human relations, politics as well as the environment. He says, for example that, the processes of corporate globalization which involve mainly power concentration and colonization of local resources, have serious adverse implications of deepening external dependence of localities through spreading mass poverty, environmental devastation, social disintegration, weakening people's capacity for constructive social and cultural innovation. The greater the external dependence of a locality, the less its ability to find within its own borders satisfactory solutions to its own problems. The power of concentration stems from interrelated sources including the power to create money, ownership of productive assets on which a locality depends, control of institutional mechanisms that mediate relationships among localities. Korten presents the idea of localizing economies that fits well with our theory of decentralization. He emphasizes the critical role of economic systems that are composed of locally rooted and self-reliant economies in creating the political,

economic, and cultural spaces within which, people in each locality, can find path to the future consistent with their distinctive aspirations, history, culture, and ecosystems. He explains that one of the key challenges of the present world is to create a locally rooted system that is biased toward the small, the local, the cooperative, the resource-conserving, the long-term and meets the needs for everyone, i.e. a system that empowers all people to create a good living in balance with nature. This entails creating zones of local accountability and responsibility within which people rightly do have the power to manage their own economies in the common interest.

Recent literature emphasizes on the need for a mission to address rural economy policy questions with speed and accuracy as is available for agriculture questions. Rowley, Sears, Nelson, Reid and Yetley (1996), have edited some work in America on "rural development research: a formulation of policy" and argue that the various sectors including manufacturing and services sectors are as critical, if not more so, to the health of the rural economy, as agricultural sector. They explain that agricultural policy is not the same thing as rural development policy, nor is having the capacity to answer questions about agriculture the same as having the capacity to answer questions about the rural economy. They also note that useful information necessary for the foundation of rural development policy was lacking. They identify four components including education, entrepreneurship, physical infrastructure, and social infrastructure as the most commonly cited components of rural development.

2.2 Empirical Literature

In the "African Rural Development Study", Lele (1975), draws detailed evidence from 17 rural development programmes in Sub-Saharan African countries including Kenya to show that the problem causing productivity to remain low among the rural poor in Sub-Saharan Africa is two-fold, inequitable distribution of the benefits of economic growth on the one hand, and the inability of the rural poor themselves to contribute to that growth, on the other. As a result, development programmes have had limited impact on the low-income rural population and rural poverty has remained acute, Lele explains. He proposes situations that focus on the need for an overall policy and an institutional framework conducive to objectives of rural development and

ensuring appropriate balance between development of food and export crops; productive and social services; central direction and grassroots involvement; and precision in planning and flexibility in implementation.

Johnson and Clark (1983) in the "Redesigning Rural Development: A Strategic Perspective", present a policy analysis of rural development in developing countries and emphasize the overriding significance of development in the rural sector. Their analysis focus on specific interventions in three key programme areas. These are the production-oriented interventions, consumption-oriented interventions and organization-oriented interventions. The production-oriented interventions deal with efforts to expand rural employment. Their evidence argues for broadly based efforts to achieve production gains as being superior to efforts that concentrate on a few large commercial capital-intensive ventures. The consumption-oriented interventions deal with health, nutrition and family planning where their evidence favours an integrated approach to consumption-oriented development activities which, as they note, places greater demands on institutional infrastructure and managerial competence than do piecemeal alternative activities. The organization-oriented interventions deal with institutional structures, managerial procedures and administrative linkages among the various actors including the rural poor in the policy making process.

Shepherd (1983) in the "Sustainable Rural Development" draws from long experience gained in Ghana, Sudan, Horn of Africa and India focusing on food security; public sector and rural development programmes including health, water and sanitation; pastorism and irrigation schemes; and development in conflict situations, to explain that a paradigm shift is under way in theory and practice of rural development with more focus on agriculture and local level institutional development. Rural development according to him, has conventionally been a part of the modernization paradigm which equates development with four basic processes of capital investment for increasing productivity; the application of science to production and services; the emergence of nation-states and large scale political and economic organizations; and urbanization that are linked to changes in values and social structures. He analyses failures of the modernization paradigm on various accounts including increasing poverty and insecurity in several poor countries, the majority of

the rural population remaining marginal to the development path of their societies as they are not institutionally incorporated, and rapid environmental degradation in the world.

Studies by Antle (1983), Binswanger et al. (1987), Hayami and Ruttan (1970 and 1985), Hoffman (1977), Jamson and Lau (1982), and Petzel (1978) show that rural infrastructure and education do help in raising aggregate agricultural output for both developed and developing countries. Ghura and Just (1992) investigate the extent to which non-price factors affect agriculture in East Africa using resource endowments, technology, human capital, and infrastructure as the four sources of productivity in the sector identified in the empirical literature. They measure resource endowments in three variables of labour, land and livestock where the land variable is further categorized into arable land, land under permanent crops, and land under permanent pastures. Effects of modern technical inputs are captured by fertilizer and machinery. Influence of human capital is measured by adult literacy ratio and irrigated land is used as proxy for infrastructure. They also use political instability and rainfall, which are also assumed to affect agricultural production besides the four sources of productivity. They find that aggregate agricultural output responds significantly to non-price factors such as irrigation and farmers' education and conclude that investments in rural infrastructure and farmers' education are very potentially beneficial to agricultural development.

World Development Report (1990), on Poverty, shows that public investment programmes for providing rural services, such as credit, infrastructure, research and technology have a decisive influence on the level and pattern of rural development. Better infrastructure can lead to increased productivity and incomes as well as strengthened market linkages and improved technical change. A study of sixteen villages in Bangladesh, for example, found that greater infrastructural development (roads, electric power, banks, markets, schools, health centers) was associated with a third (1/3) increase in average rural household incomes, says the Report. The Report shows also that, greater investment in human capital, especially in education, is a critical factor to the success in poverty reduction in the long run. It enables the rural household to gain access to any expanding opportunities in land, credit, infrastructure, and productive inputs, e.t.c., ensuring an increased and more effective

participation and contribution of the household to rural development. The Report indicates that education improves labour time, the principal asset of the rural household, and that there is strong link between education and economic growth. For example, a study on Africa found that farmers who have completed four years of education, the minimum for achieving literacy, produce on average, about 8 percent more than farmers who have not gone to school, the Report says. It also indicates that successful rural development entails avoiding excessive taxation of agriculture, providing strong support for rural infrastructure, and making technical innovations accessible to the farmer.

Binswanger and Townsend (2000) explain the under-capitalization and slow growth of African agriculture as being mainly two-fold. Firstly, adverse resource endowments in terms of abundance of natural resources, low population density and remoteness from markets and secondly, adverse policies and institutional failures. Hayami and Platteau (1977, in Binswanger and Townsend, 2000) argue that adverse resource endowments bear a primary responsibility for failures of agriculture and rural development in Africa in that abundance of land, for example, and low population density increase transportation and transaction costs and inhibit competitiveness of output and input markets. Rural financial markets are constrained by low demand for credit and covariance of income. Binswanger and Deininger (1997, in Binswanger and Townsend, 2000) summarize key arguments for adverse effect of low population density in rural development as being that low population density economies are subsistence-oriented with little specialization and few taxable economic transactions.

Bond, Tshibada (1986), Binswanger (1989), Elamin and Elmak (1997) [in Binswanger and Townsend, 2000] show that there is much evidence that African farmers and rural non-farm entrepreneurs respond to incentives, both positive and negative. Townsend (1999, in Binswanger and Townsend, 2000) shows that macroeconomic and agricultural reforms of 1970s and 1980s have improved competitiveness for the sector and incentives for both export crops and food crop production. For example, where some export liberalization and macroeconomic reforms occurred together, export incentives became more favourable despite falling world prices, he says. Joyne and Jones (1997, in Binswanger and Townsend, 2000)

explain that reforms in the food crop sector, such as removal of marketing boards have had observable impacts including reduction in the cost of marketing food to grain-deficit rural areas.

Collier and Binswanger (1998, in Binswanger and Townsend, 2000) show empirically that high natural resource (mineral wealth) dependence is highly associated with incidence of conflicts and adverse policy regimes. They produce several examples of well-endowed countries that have experienced poor performance due to adverse policies and institutional failures including Angola, DR Congo, Sierra Leone, Sudan, Liberia, and Guinea-Bissau.

Studies on rural aspects in Kenya include Mbithi (1974) on "rural sociology and rural development, who agrees with Thirlwall (1972) that the "grassroots" school of economic development does emphasize policies to raise level of productivity in the rural sector as the best strategy for long-run national development. Swan (1988), using the CGE model of the Kenyan economy to project per capita income growth at a total of 29.4 percent over a 20-year period, 1981-2001, found that arable land per capita contributed to the total growth per capita negatively by - 6.1 percent while rural-urban immigration contributed 16.5 percent. Kirori and Ali (1998) on 'macroeconomic implications of demographic changes in Kenya' suggest that public investments in rural areas such as electrification and water supply, are likely to have significant payoffs in terms of reduced rural-urban migration and lower growth of administration services. Manda et al (2001) on "a review of poverty and antipoverty initiatives in Kenya" found that there are substantial disparities in the incidence of poverty between rural and urban areas as well as amongst rural areas where poverty levels in the arid and semi-arid areas were found to be above average. Rural poverty, according to the study, is highly connected to agriculture and land and is explained by low access to physical assets, non-farm employment opportunities, health care, and schooling. The study explains also that the strategy of antipoverty for rural areas should be based largely on improving social and physical infrastructures as well as the productivity in agricultural sector. The study identifies rural credit as a key factor to poverty reduction. Manda et al (2002) on "human capital externalities and reforms to education" found that it is more beneficial for those with primary education to work in rural areas than in urban areas, and it is

more beneficial for those with university education to work in urban areas than in rural areas, whereas those with secondary education do not lose as much as those with university education when employed in rural areas.

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CHAPTER 3

3.0 METHODOLOGY

3.1 Analytical Method

The study uses a variety of analytical approaches including analysis of available documentation on the subject such as the recent report of July 2003 on 'The First National Workshop on Devolution Policy in Kenya' by the Ministry of Planning and National Development (MPND), Rural Development Fund (RDF) evaluation reports, etc; interviews of the officers at the Rural Planning Department (RPD) in the Ministry of Planning and National Development who have had practical experience in the implementation of rural development policies; descriptive analysis using tables, graphs and charts to analyse the effectiveness of the implementation of the rural development policies in Kenya emphasizing the decentralization process. In the descriptive analysis, the study has examined the performance of the rural economy and attempted to relate the rural development policy (i.e., rural decentralization) implementation effectiveness in terms of real rural GDP growth to the commitment of the Government in terms of both budget allocations to the rural economy as well as various policy prescriptions.

3.1.1 Interviews and documentation analysis

This analytical approach involved partly the interviewing of officers in the RPD of the MPND versed with practical experience in the implementation of rural development project and policies and partly analyzing documents on decentralization process in Kenya that have bearing on rural development. The approach is aimed at gaining some good perception of Kenya's efforts in the decentralization process regarded as a key factor in rural development.

The officers were asked the following questions:-

- Involvement: Have you been involved in the decentralization process in Kenya?
- Structure: What do you know about decentralization in Kenya?

- What are the strengths and weaknesses of the decentralization process?
- What prompted the Government to formulate the District Focus Strategy for Rural Development (DFSRD)?
- What are the successes and failures of DFSRD?

3.1.2 Descriptive Analysis

The study uses descriptive analysis approach focusing on two main aspects. The first aspect of the analysis relates to Kenya's rural economy in terms of GDP over a period of 32 years between 1970 and 2001 distinguishing between the rural economy GDP and the agricultural sector GDP as well as focusing on marketed agricultural production over the same period. The study identifies four key subsectors of marketed agricultural production including the cereals subsector, the temporary industrial crops subsector, the permanent crop subsector, and the livestock and related product subsector. The analysis is presented in tables, graphs and charts. The second aspect is a comparative analysis of the Government commitment to rural sector development in terms of both policies and budget allocations over two distinct periods of Kenya's rural decentralization process identified in the study. This commitment is related to rural performance in terms of real rural GDP growth rate. The two distinct periods are referred to as the Introductory Rural Decentralization (IRD) period or Phase One covering the years between 1970 and 1985, and Full Rural Decentralization (FRD) period covering years between 1986 and 2001. The study has extended the comparative analysis to the manufacturing sector with a view to understanding whether the Government commitment was biased towards or against the rural sector vis a vis the manufacturing sector. The analysis is presented in tables and graphs.

3.2 Definition of Rural

The study uses the definition of 'rural' by Swan et al (1987) who distinguish Kenya's rural-type production as comprising six sub-sectors including the traditional economy; ownership of dwellings; modern sector agriculture; fishing; forestry; and

mining and quarrying. The data for rural-type production in Swan's definition is readily available in Kenya's Statistical Abstracts. The shortcoming of this definition is that it does not embrace activities such as rural manufacturing and agro-industry.

3.2.1 Kenya's Rural Economy

Rural Kenya is endowed with rich natural resource and agriculture subsectors. Land utilization is grouped into cropland (9.2m ha.), grazing land (9.0m ha.), forest land (2.0m ha.), game parks (1.1m ha.), 0.5m ha. for urban centers, markets, homesteads and infrastructure, and 48.4 m ha. for ASALs. The size of total arable land is 6.9 m ha. (KRDS. 2002). A new policy of the Government is to shift emphasis from high and medium potential agriculture and focus more on ASALs (NARC Manifesto, 2003).

Available data in the Statistical Abstracts and Economic Surveys show that agriculture is the dominant activity in rural Kenya engaging about 75 percent of the total national population. The subsector is also the base for economic growth, export earnings, farm and non-farm employment generation, and food security. Trend of agricultural contribution to GDP has declined from a high of 36 percent in the 1960s to 26 percent in the 1990s. About 55 percent of the rural population is dependent on non-farm activities. The main subsectors for marketed agricultural production are the cereals subsector as main source of food crops including wheat, maize, rice (paddy), barley, sorghum, millet, and pulses (field beans); the temporary industrial crops subsector comprising such crops as pineapples, pyrethrum, sugarcane, cotton, tobacco, castors and other oil seeds; the permanent crops subsector comprising such crops as coffee, sisal, tea, wattle, cashew nuts, coconuts, and fruits; and the livestock and related products subsector comprising cattle and calves for slaughter, sheep, lambs and goats for slaughter, gigs for slaughter, poultry and eggs, wool, hides and skins, and dairy products. The livestock subsector contributes about 40 percent of agricultural GDP. Other emerging livestock include ostrich, guinea fowls, and donkey for transport, crocodile, snakes and frogs.

The natural resource subsector is crucial in national development as a source of non-agricultural primary commodities such as fish, wood, minerals, wildlife for

processing by primary or value added industries. These primary commodities have special characteristics of strong forward and backward linkages, high domestic input contents, and good potential for high export earnings. Primary industries are recognized as a source of long-term economic growth. Tourism is a key rural activity being second largest forex earner after agriculture. The forest sub-sector is an important source of energy needs and provides services for water catchment products including material for construction. It is also a source of employment for more than 80,000 people. The mineral resource has remained unexploited over time due to slow growth in private sector investments. Rural industrial activities are confined to micro and small-scale enterprises that provide high potential for absorbing non-farm employment. The main constraints for these enterprises include lack of access to credit, inappropriate infrastructure and technology.

In the area of trade, large proportion of rural population is dependent on traditional crop production. The liberalization of the agricultural sub-sector, since early 1990s, has caused the sector to experience adverse performance and has had negative effects on commercial crop activities and incomes for rural Kenya. At the national level, Kenya's economic performance has exhibited a declining trend from a high average growth rate of about 8 percent in the 1960s, 5 percent in the 1970s, 4 percent in the 1980s, less than 2 percent in the 1990s and less than 1 percent in 2000s. Since 1990s, the domestic debt has increased rapidly. The consequences of this situation has been continued reduction of real expenditure on basic social services such as health and nutrition; education; water and sanitation from an average of about 20 percent of government budget in 1980s to about 12% by the end of 1990, which, in turn, has reduced the capacity of the government to support important rural public investment such as infrastructure and similar development-oriented activities (United Nations, 2001). According to the United Nations, some of the implications of the poor economic performance on the rural economy include increase in rural food poverty; increasing cost for education and deterioration in rural gross enrolment, retention and completion rates; lack of access to adequate safe drinking water and poor performance of rural health system resulting in increased incidence of common sickness. However, with the recent Government efforts to implement the Free Primary Education policy, the trend of increasing costs of

education and as well as the declining trend in rural gross enrolment is expected to be reversed in the near future.

CHAPTER 4

4.0 DATA ANALYSIS AND RESULTS

4.1 Interviews and documentation analysis

A total of eight (8) officers from RPD in the MPND were interviewed including Messrs Boniface Wasike, Mwaniki, Kagera, Muteti, Osiri and Ms Grace Otieno, Alice Kiarie, Faith M. Livingstone. The documentation analysis was obtained from two key documents including the evaluation report of RDF and the report of the recent July 2003 Workshop on Devolution Policy in Kenya. Both the interview results and documentation analysis show that since independence, the Government has accorded great importance to decentralization process as means for ensuring improvement of services delivery and implementation of development activities in the rural sector through various policy initiatives. These have included the establishment of Local Authorities (LAs) in 1963, promotion of development planning and management at local levels as stipulated in the Sessional Papers No. 10 of 1965 and No. 1 of 1986, establishment of Special Rural Development Programme (SRDP) in 1966, establishment of six Regional Development Authorities (RDAs) in 1970, formulation of the District Focus Strategy for Rural Development (DFSRD) in 1983 and the Rural-Urban Balance Strategy (RUBS) in 1986, and the 2002 proposed Kenya Rural Development Strategy (KRDS).

The decentralization initiatives contained in the Sessional Paper No. 10 of 1965 as well as in the first NDP (1966-1970) emphasize decentralized planning functions to provinces, districts and municipalities so as to ensure progress towards development for each administrative unit, the district in the implementation and coordination of development projects and policies according to the needs of local people as well as enhancing people's commitment towards successful implementation of rural projects. The initiatives stimulated emergence of externally funded SRDP, a milestone in Kenya's decentralization effort that was started in six rural administrative divisions in 1966 as an experiment for developing an appropriate decentralization (regional) development technique for Kenya. SRDP, in turn, stimulated eventual emergence of the DFSRD. The six RDAs were established as vehicles for promoting equitable

resources and socio-economic development through integrated planning and management. The initial implementation of the decentralization process in Kenya was marked by the preparation of seven (7) regional plans between 1967 and 1971 and the launch of district development planning in 1971.

The objectives of the SRDP were mainly fourfold including testing the coordination of the administrative capacity for planning and development activities at the district and divisional levels; increasing utilization of local resources as well as testing project strategies to accelerate rural development; increasing local involvement or participation in all stages of local development; and designing strategies and development prototypes for replication in other regions throughout Kenya. SRDP failed largely due to lack of technical and administrative capacity at district level and poor coordination of activities across line ministries. Another major weakness of the SRDP was overall lack of local involvement as little attention was devoted to the creation of strategies to achieve local participation in the planning stages. The greatest effort to fulfill the involvement factor was to inform the people through large and impressive barazas of the 'development' about to come the SRDP such as infrastructure, plans to raise income, employment, etc. The process neglected to explain the 'special experimental nature' of SRDP. A few cases of success story of SRDP local involvement in planning include Migori-Kuria SRDP area where an institutional hierarchy of development committees, with traditional village committees as base, dealt with new projects identification and recommendation to the Local development Committee for projects prioritization and implementation.

Experiences gained through the SRDP structure stimulated creation of a decentralized administrative system, the DFSRD, through which the authority of the central government to plan, finance, manage and implement rural development activities was transferred to the district. Positions of district coordinators, i.e., the District Commissioners (DCs), were established as well as the district coordinating institution, the DDC, and the concept of district funding. The DFSRD structure laid foundations in terms of organizational changes, training of manpower for district planning, administration and budgeting to ensure meaningful decentralization. One of the major strengths of DFSRD is the establishment of an elaborate network of decision-making committees at various local levels with the apex being the DDC.

One of the major weaknesses of the DFSRD is that the DDC is not a legal entity and its decisions are not enforceable and lacks independent source of funds. DFSRD is financed by the Central Government but has received, through the DDCs, substantial external support since 1977 under the Rural Development Fund (RDF), the European Union Development Fund Microprojects Programme (EDF/MPP), the Minor Roads Programme (MRP) since 1987, and the Arid and Semi-arid Lands (ASALs) Programmes. The RDF and District Development Fund (DDF), today both inactive, were established by Parliament for funding the programmes and projects under DFSRD. The main impetus behind the District Focus decentralization structure was the concern for more effective use of domestic resources. The key feature of the structure was the intended local participation in the development of the rural areas with the district being the locus for decision-making where the DDCs and DCs took the key implementation responsibility at district level whereas, the Office of the President took the overall coordination and implementation responsibility at the national level.

The DFSRD structure entailed involvement of the local people in identification and design of development projects, implementation and management of district-specific projects. The degree of actual implementation of the District Focus decentralization can be perceived in terms of the various changes experienced including changes in the organization and administrative procedures, district administrative capacity, planning procedures, budgeting and financial management, and changes in the amounts of funds available for discretionary decision-making by the DDCs. Increased administrative capacity at district level in both qualitative and quantitative terms has entailed increased formal authority and actual power in planning, budgeting, financial management, and implementation. District planning feature of national planning has been firmly established and coordinated by Rural Planning Department (RPD) at the Ministry of Planning and National Development (MPND), and the planning capacity at the district level has been strengthened considerably by establishment of District Planning Units (DPUs). Major problems that were a hindrance to effective implementation of overall District Focus Strategy (DFS) included difficulties in disaggregating plans and budgets of operating ministries on district-by-district basis, coordination of activities at both national and district levels, integration of grassroots planning into the district planning process as well as

difficulties in ensuring compatibility between district planning and implementation and district budgeting and financial management. Some improvements were made in these areas after the Budget Rationalization Programme (BRP) in the 1980s and the recent Medium Term Expenditure Framework (MTEF) and Poverty Reduction Strategy Paper (PRSP) process is being used to reduce the magnitude of these problems. Some of the major improvements undertaken towards increasing the implementation efficiency of districts include decentralization of the spending authority by transferring Authority to Incur Expenditure (AIE) directly to the District Planning Officers (DDOs), strengthening of District Treasuries and District Tender Boards, and introduction of computerization into the planning and budgeting process.

Local Government/Authority (LA) is another type of decentralized formal structure with local representative bodies, the County Councils, having borders coinciding with those of districts, and municipalities for the urban centers established in 1963 by an Act of Parliament, the Local Government Act Cap 265. This Act is under review aimed at establishing a decentralized legal framework emphasizing devolution of power to local authorities to enhance resources including financial resources. LA decisions mostly neither embrace the DFSRD nor can DDCs influence their priorities and resource allocation procedures. This is one area requiring harmonizing between the DFSRD and the system of the LAs. Most of local grassroots participation i.e., self-help projects and activities, is through the informal 'harambee' structure.

The RDAs, established in the 1970s by an Act of Parliament, were accorded broad mandate to plan, coordinate and implement regional development activities and to ensure promotion of regional socio-economic development and integrated resource planning and management. RDAs utilize their own structures and often work within DFSRD but lack a concise policy framework for community participation in project identification, prioritization, implementation, monitoring and evaluation. Their operations are characterized by duplication of functions of the line ministries, private sector, LAs, NGOs and local community initiatives given their integrated and multi-disciplinary nature and role of the district as the focus of development in Kenya. RDAs are funded by the Central Government but also raise their own resources through agricultural activities. The coverage of both the LAs and RDAs is limited to pockets of beneficiaries either because of limited capacity or legal reasons whereas

the DFRSD has more influence on the ground due to its elaborate planning and technical and administrative capacity to address local needs.

The KRDS envisages sharing of power between the central government and the local government with emphasis, on LAs as the loci of development and the implementing agencies under the rationale that they are legal entities and that their areas of jurisdiction coincide with the district administrative boundaries, and Ministry of Agriculture as the coordinating body. KRDS recommends devolution of power to the LAs at the grassroots but does not clearly specify the measures for strengthening the DFRSD structures, the DDCs and its sub-committees. The KRDS proposes also the establishment of Rural Development trust Fund and mobilization of resources through local taxes.

The perception of the impact of Kenya's decentralization efforts has received mixed thoughts. One thought in the RDF evaluation sees the success of the decentralization efforts as having been very limited and as having been clearly a deconcentration process, i.e., increasing central control, rather than a devolution process in that very little power of decision-making authority has been transferred from the center to the districts and grassroots levels. The evaluation cites the attributing factors of this failure in the DFS becoming a true decentralization effort as including severe economic constraints that prevailed throughout most of the period since the DFS was introduced, hampering its implementation; lack of physical infrastructure in many rural areas; and the political factor, so that the degree of strengthening of the district administrative capacity has been limited and the proportion of discretionary funds made available to the districts has been insufficient for effective district development. The political factor appeared commonly in the tendency of the DDCs to identify national priorities or those of the district administration rather than the priorities of the local population. Another thought sees clearly some positive developments as having been made in the decentralization effort citing examples of success such as the fact that district has become firmly established as the focal point for rural development, that planning, budgetary and financial management procedures have changed in decentralized directions and administrative capacity at the district level has been strengthened, whereas, the sub-district levels have been drawn into the process and local government and informal

groupings at district and sub-district levels are also involved. As with regard to this thought, it must be said that some groundwork has been laid upon which future efforts can build. The evaluation contends that although decentralization has not yet been realized in any meaningful way, important steps towards establishing the needed administrative machinery have been taken.

4.2 Descriptive analysis

4.2.1 Kenya's rural economy

Table 1 shows the data series of GDP over the 32-year period, 1970-2001, for the total economy, rural economy, agricultural sector and manufacturing sector both in current Kenya shillings and at 1982 constant prices. While the trend for the current total economy GDP is upward increasing over the whole period, the upward increasing trend for both the rural and agricultural GDP exhibit a reversal in the last three years from 1999. The decline in the rural and agricultural current GDP between 1998 and 1999 was 4 percent and 6 percent, respectively. The three GDP trends are marked by two sharp increases in the 1976-1977 period of 21 percent, 46 percent, and 38 percent for the total, rural and agricultural GDP and in the 1992-1994 period of 29 percent, 40 percent, and 43 percent, respectively.

The constant data series comprise two parts, the part over 1984-2001 period being a direct record from the Statistical Abstracts of the constant GDP at 1982 prices and the part of 1970-1983 period being a transformation into constant GDP at 1982 prices using the chain link method.

Table 1: Rural and Agricultural Gross Domestic Product, 1970-2001 (in billion KES)

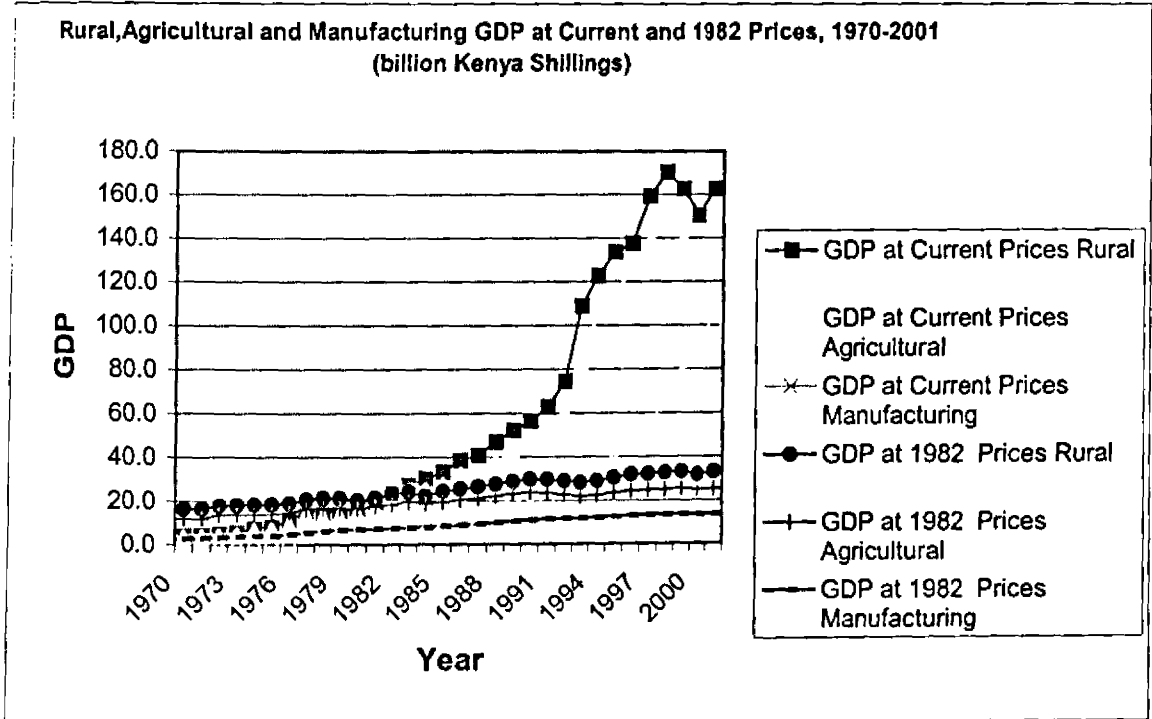
Year	GDP at Current Prices				GDP at 1982 Prices			
	Rural	Agricultural	Manufacturing	Total Economy	Rural	Agricultural	Manufacturing	Total Economy
1970	4.0	3.3	1.2	10.4	16.3	12.0	2.7	32.6
1971	4.2	3.4	1.4	11.5	16.5	11.9	3.1	34.4
1972	5.0	4.0	1.6	13.2	17.7	13.5	3.3	36.8
1973	5.5	4.4	1.9	14.8	18.0	13.8	3.8	38.6
1974	7.4	6.4	2.3	18.0	18.3	13.8	4.0	40.2
1975	8.3	6.9	2.5	19.9	18.4	13.8	4.0	40.7
1976	11.0	9.3	2.9	24.2	18.9	14.7	4.8	42.7
1977	15.3	13.4	3.6	31.1	20.6	16.2	5.5	49.1
1978	15.0	12.6	4.4	33.8	21.4	16.8	6.2	54.0
1979	15.7	13.0	5.0	37.2	21.4	16.7	6.7	57.5
1980	16.9	13.8	5.9	42.0	20.2	16.5	7.0	58.9
1981	19.5	15.8	6.8	48.7	21.4	17.5	7.3	60.7
1982	23.4	18.3	7.4	61.3	23.4	18.3	7.4	61.3
1983	27.4	22.5	8.2	65.5	23.9	19.6	7.8	63.8
1984	30.2	24.9	9.2	77.5	22.4	18.8	8.1	59.3
1985	33.3	27.1	10.4	88.5	24.5	19.5	8.5	62.2
1986	38.5	32.0	12.2	102.3	25.5	20.5	9.0	65.9
1987	40.9	33.4	12.0	107.0	26.5	21.3	9.5	69.2
1988	47.0	38.1	15.1	122.6	27.7	22.2	10.1	72.8
1989	52.2	41.8	17.1	139.9	28.8	23.1	10.6	76.6
1990	56.4	44.7	19.7	159.1	29.8	23.8	11.2	79.9
1991	62.8	49.7	23.3	184.6	29.7	23.6	11.6	81.5
1992	74.5	60.3	24.6	218.2	28.9	22.7	11.8	81.9
1993	109.0	83.4	28.4	263.3	28.3	21.8	12.0	81.9
1994	122.8	105.8	36.2	326.8	28.9	22.4	12.2	84.4
1995	133.6	115.5	38.9	381.7	30.4	23.5	12.7	88.5
1996	137.7	124.7	47.8	449.6	31.8	24.5	13.2	98.2
1997	159.4	138.0	54.6	522.4	32.2	24.8	13.4	100.5
1998	170.2	148.0	66.0	579.2	32.7	25.1	13.6	102.3
1999	162.7	140.0	79.1	623.8	33.2	25.4	13.7	103.7
2000	150.4	124.3	88.7	669.8	31.7	24.9	13.5	103.5
2001	162.7	134.4	97.0	772.9	33.1	25.2	13.6	104.7

Source: Various issues of the Statistical Abstracts, CBS.

Figure 1 shows the rural and agricultural GDP data series at both the current and 1982 prices. The current prices GDP data series indicate a clearly distinct feature

over the 1970-1985 period marking the introductory rural decentralization Phase or Phase I as compared with the feature over the 1986-2001 period marking full rural decentralization Phase or Phase II. This distinction is non-existent in the GDP date series at constant prices and can thus be attributed as merely to differences in prices between the two periods rather than improvements in actual rural and agricultural output.

Figure 1:



Source: Various issues of Statistical Abstracts, CBS

Table 2 shows data series, both in current prices and at 1982 constant prices, of marketed agricultural production over the 32-year period, 1970-2001, for four sub-sectors: the cereals sub-sector, the temporary industrial crops sub-sector, the permanent crops sub-sector, and the livestock and related products sub-sector.

Table 2: Marketed Agricultural Production, 1970-2001 (in million KES)

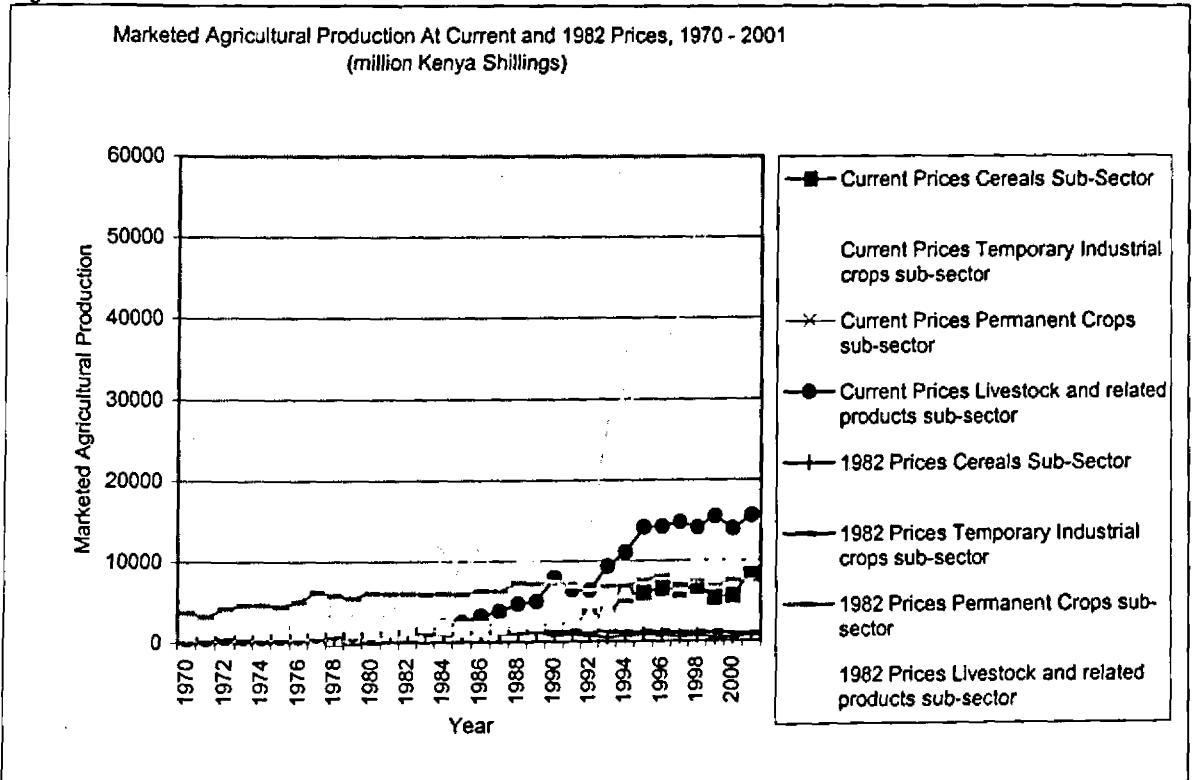
Year	Current Prices				1982 Prices			
	Cereals Sub-Sector	Temporary Industrial crops sub-sector	Permanent Crops sub-sector	Livestock and related products sub-sector	Cereals Sub-Sector	Temporary Industrial crops sub-sector	Permanent Crops sub-sector	Livestock and related products sub-sector
2001	8,752	10,216	46,415	15,555	789	913	7,498	2,285
2000	5,617	10,775	48,434	13,949	475	971	7,557	2,214
1999	5,415	10,499	42,361	15,461	460	1,087	6,855	3,247
1998	6,746	10,458	53,454	14,109	660	1,088	7,367	3,042
1997	6,296	8,713	41,340	14,785	564	1,041	6,354	3,060
1996	6,596	8,684	35,529	14,239	710	1,160	8,123	3,607
1995	6,037	8,099	32,579	14,158	806	1,161	7,611	2,894
1994	5,780	6,290	30,640	11,054	680	1,040	6,860	2,500
1993	3,200	4,120	28,100	9,324	500	1,320	6,880	2,440
1992	3,060	3,260	13,720	6,400	740	1,280	6,420	2,280
1991	2,620	3,140	12,380	6,420	860	1,220	6,840	2,680
1990	1,980	3,180	11,460	7,940	780	1,320	7,440	2,500
1989	2,340	2,540	10,200	5,000	1,200	1,360	7,160	2,310
1988	2,000	2,120	10,040	4,700	1,040	1,240	7,280	2,180
1987	2,020	2,460	8,100	3,800	1,102	1,260	6,320	1,960
1986	2,140	2,420	11,020	3,200	1,240	1,180	6,340	1,680
1985	1,820	1,660	9,180	2,440	1,120	1,140	5,920	1,660
1984	1,420	1,380	11,040	1,960	940	1,020	6,020	1,900
1983	1,620	1,260	6,340	1,880	1,244	1,121	5,919	2,180
1982	1,200	1,280	4,660	1,840	1,194	1,292	6,023	1,890
1981	960	1,260	3,920	1,600	1,030	1,371	6,052	1,670
1980	700	1,140	4,100	1,120	780	1,322	6,118	1,410
1979	620	940	3,660	1,080	783	1,095	5,498	1,530
1978	560	720	4,000	1,240	697	937	5,791	1,780
1977	720	600	5,860	980	920	846	6,250	1,560
1976	780	520	2,840	740	1,121	879	5,071	1,340
1975	580	460	1,380	720	927	944	4,432	1,400
1974	360	360	1,520	660	800	832	4,680	1,390
1973	300	260	1,180	640	835	666	4,666	1,510
1972	260	260	900	620	772	722	4,186	1,610
1971	220	220	700	520	652	611	3,254	1,410
1970	180	200	800	460	536	541	3,720	1,210

Source: Various issues of Statistical Abstracts, CBS

As in the case for constant GDP, the data series for the constant marketed agricultural production comprise two parts, the part over the 1984-2001 period and the part over the 1970-1983 period.

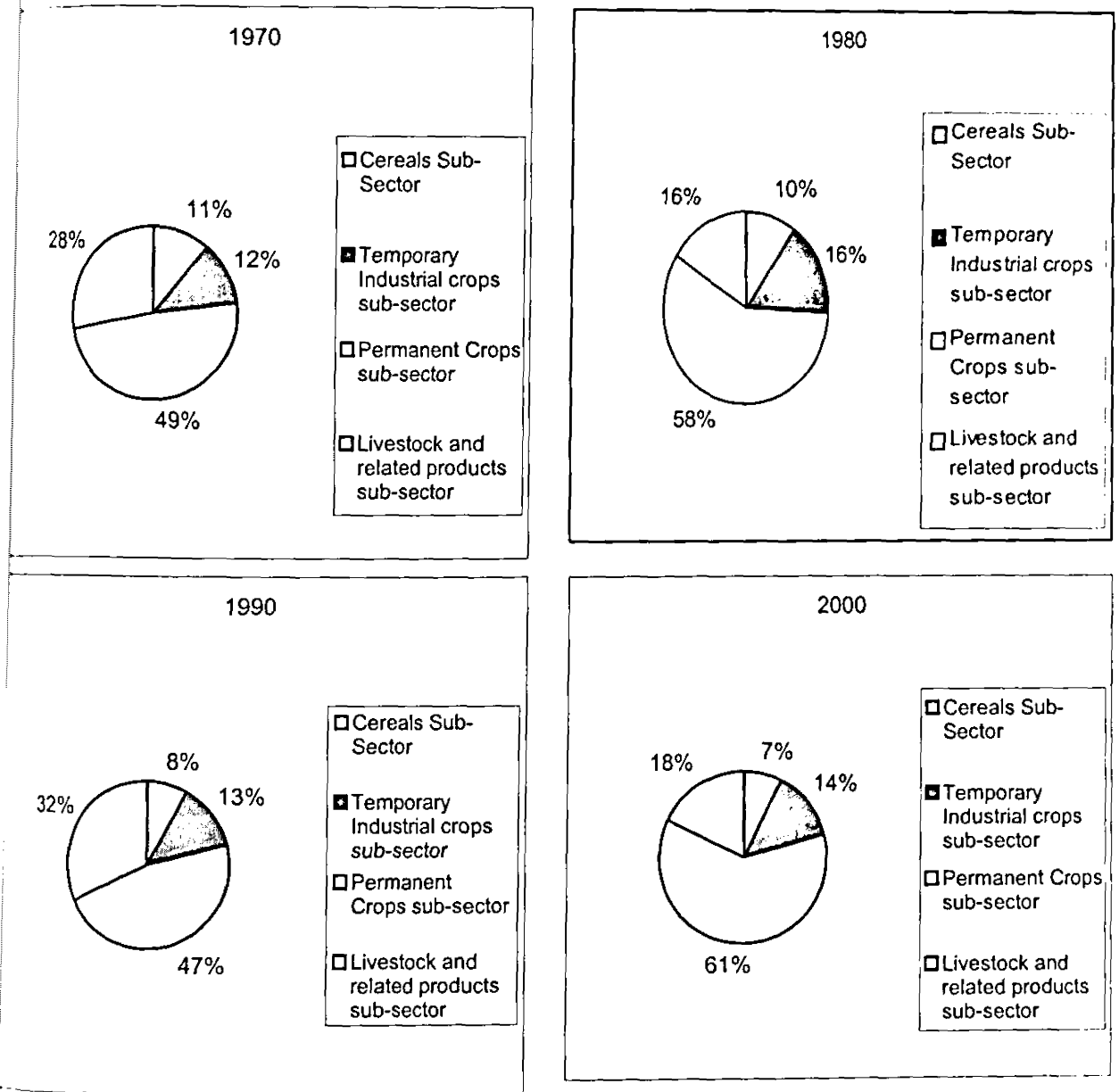
Figure 2 shows marketed agricultural production data series at both the current and 1982 prices. As in Figure 1, marketed agricultural production data series at current prices indicate a feature clearly distinct over the 1970-1985 period from the 1986-2001 period. At constant prices, the data series over the two periods does not appear to be different. The distinction exhibited in the current data series over the two periods can be attributed to differences in prices between the two periods rather than changes in the actual agricultural output for marketing.

Figure 2:



Source: Various issues of Statistical Abstracts, CBS

Figure 3: Subsectoral Shares of Marketed Agricultural Production at Current Prices 1970 – 2000.



Source: Statistical Abstracts 1970, 1980, 1990, 2000.

Figure 3 above shows changes in subsectoral shares of Marketed Agricultural Production at current prices over the 1970-2000 period. The cereals subsector records a downward decline in the share of Marketed Agricultural Production from 11 percent in 1970 to 7 percent in 2000. The share of Temporary Industrial Crops subsector has fluctuated between a low of 12 percent in 1970 and a high of 16 percent in 1980 while the share of Livestock related products subsector fluctuated between a low of 16 percent in 1980 and a high of 32 percent in 1990. The share of

permanent crop subsector record an upward increase from 49 percent in 1970 to 61 percent in 2000.

4.2.2 Government's commitment and rural performance

The study analyses policies in various Annual Budget Speeches since late 1960s to indicate the extent of the Government commitment to rural development in terms of policies interventions and budget allocations, and attempts to relate this commitment to the rural performance in terms of real rural GDP over the two decentralization periods, i.e. the Introductory Rural Decentralization (IRD) period or Phase I over the 1970-1985 period and the Full Rural Decentralization (FRD) period or Phase II over the 1986-2002 period. The budget allocation figures are obtained from various issues of the Statistical Abstract. The study also compares the Government commitment to the rural economy with its commitment to the manufacturing sector. An analysis, in the study, of Kenya's recent Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) as well as the recent Annual Budget Speech will an indication of the direction of the Government for rural development.

In the 1968 Budget Speech, the Government emphasized credit expansion to farmers and promotion of exports through acceleration of import substitution. Central Government took over County Councils in 1970 and introduced the system of grant-in-aid to local authorities to reduce their dependence for revenue on agricultural cesses, a dependence seen as likely to retard development of agricultural production. The timeframe of the system was 5 years within which period the local authorities would develop their own independent sources of revenue such as land rates to replace the Government grants-in-aid. Import quotas were introduced in 1971 enhancing a tax system and the industrial philosophy of inward-looking only to Kenyan or and East African market and creating a highly protected manufacturing industry in Kenya. Export compensation payments scheme was introduced in 1973 as an outward-looking measure for exports and industrial expansion beyond East Africa, and export taxes on coffee and sisal were abolished. 1974/75 was a difficulty period because of the oil crisis. Sessional Paper No. 4 of 1975 on 'Economic Prospects and Policies' emphasized raising expenditure on agriculture and faster yielding projects and reducing expenditure on infrastructure.

The 1976 Budget Speech emphasized higher productive investment and rural output by injecting loan money into the rural areas through large loan provisions to Cereals and Sugar Finance Corporation (CSFC). Amendments were made on the foreign investment protection Act and the price control policies (i.e., Price Control [General] Order) to reduce their over-protective adverse effects on local manufacturing. Rural areas experienced an increased stream of expenditures during the 1976/77 period financed by the Rural Development Fund whereas the Government also emphasized promoting productivity of rural development by increasing its development expenditures in the areas of agriculture, settlements, water, cooperatives, education, health and rural access roads. Kenya, experiencing deficits in both the balanced of payments and public sector after the coffee boom during the 1977/78 period and because of petroleum oil increases in 1979, went for limited foreign commercial borrowing, and increased the Consolidated Services Expenditure substantially to KShs. 1.7 billion due to increased debt payments. The Budget speech for 1980 emphasized support for agriculture and increased productivity of idle and underutilized land. Sessional Paper on Nation Food Policy formulated in 1980, enhanced agricultural policy emphasizing specifically the boosting of food production to restore national self-sufficiency, improved agricultural planning, and improved rural infrastructure including rural access roads, pricing policy and marketing of agricultural products and inputs, agricultural credit, and agricultural extension and services.

In 1983 domestic terms of trade moved in favour of agriculture vis a vis industry. Adoption of DFSRD in 1983 with objective to encourage local initiatives to complement role of line ministries in improving efficiency of rural development efforts by increasing effectiveness in problem identification, resource mobilization and project management. DFSRD was a milestone for rural development. Structural adjustment policies (SAPs) and measures of the economy and review of industrial protection policies were initiated in early 1980s as transition process shifting the economy towards outward-looking industrial production. The measures included tariffs, import and trade policy aimed at promotion of export-led industrialization, for example, such as abolition of quantitative restrictions or import licensing liberalization, revisions of export compensation scheme and composition of import

schedules as well as expenditure control. The Budget Rationalization Programme (BRP), introduced in 1984, was aimed at Government management of its resources in order to optimize returns from public expenditures and contribute more effectively to economic growth.

Sessional Paper No. of 1986 on 'Economic Management for Renewed Growth' setting policy agenda for the period up to the year 2000, introduced the Rural-Urban Balance Strategy (RUBS) as a major focus on Kenya's development strategy. Its special dimensions included DFSRD and Jua Kali Development Programme (JKDP). RUBS emphasized high priority for rural infrastructure in future budgets, the infrastructure that included expansion of more dynamic rural centers and small towns that serving farm communities and complementing growth of agriculture. RUBS also emphasized promotion of the informal sector. Agricultural development depended on active market centres that provided farmers with production inputs and profitable outlet for their produce. Relationship between agriculture and market centres was the heart of RUBS. Rural Trade and Production Centres (RTPCs) Programme was introduced in 1987 to stimulate growth of market centers by which scarce resources would be concentrated for urban infrastructure in selected small towns supporting a growing agricultural sector. In support of RUBS, the Government established the District Development Fund (DDF) in 1987 as a powerful instrument to operate within the DFSRD to finance and promote the RTPCs as well as Jua Kali programmes and small firms in rural centers. The 1988 Budget Speech recognized agriculture as the biggest private sector activity in Kenya's economy and increased budget allocation to Ministry of Agriculture as well as initiating agricultural reforms of National Cereals and Produce Board, Kenya Meat Commission with promise to embrace others including sugar companies, Agricultural Finance Corporation, Cotton Board, Kenya Creameries Cooperatives, etc. The 1989 Budget Speech emphasized Structural Adjustment Policies (SAPs).

Economic performance in 1992 was very poor due to poor rains, ethnic clashes, general climate of uncertainty following transition phase to multiparty democracy. Emphasis in the Budget Speech for 1993 included establishment of Export Processing Zones (EPZs); export promotion through Manufacturing Under Bond (MUB); Parastatal reform strategy under the Corporate Governance System; long

term perspective of agricultural adjustment process focusing reforms in three areas of food security, agricultural inputs and pricing policy, and small scale industries and enterprises. Sessional Paper No.2 of 1992 provided guidelines for promoting development of small-scale enterprises in Kenya. The Speech also indicated that the RUBS implemented through DDCs, DDF, RTPCs with some inputs from Las was very unsuccessful and required greater coordination between development of LA and rural development programmes. Sessional Paper No. 2 of 1994 on National Food Policy emphasized long term growth by increasing output per unit area through better quality agricultural inputs and enhancing the role of government in the agricultural sector such as policy formulation, provision of infrastructural facilities, and research and extension. The Food Policy provided also for duty/VAT-free importation of critical agricultural inputs and increased budgetary allocations for infrastructure in rural roads, milk collection points, cooling facilities, and small rural town/urban market centers.

The ultimate goal of Kenya's policies for most of the second half of 1990s was spelt out in the Sessional Paper No. 1 of 1994 on 'Recovery and Sustainable development to the Year 2010' as being that of self-sustaining high rate of economic growth through progressive liberalization, structural adjustment and eradication of social injustice and poverty. Expansion of economic liberalization and restructuring in favour of private sector embraced civil service reform, reform of state enterprises, financial sector reform, local government reform. Poverty alleviation policies were emphasized seeking to ensure that the poor were included in the growth process by encouraging labour-intensive technologies and rural development. The Social Dimensions of Development Programme (SDDP) was established in 1995. In 1995, the Government fostered a more rapid growth in micro enterprises through National Jua Kali Programme and increased funding for priority interventions in rural areas including minor roads, low-cost crop storage facilities, rural water, school feeding and immunization programmes, etc.

Emphasis over the 1996/97 period focused improving agricultural marketing and purchasing arrangements, provision of upgraded seeds and other inputs, and upsetting agricultural support costs by savings from the cost-sharing arrangements. The long-term policy framework perspective formulated during the second half of

1990s focusing agriculture as critical factor in poverty reduction and support in the industrial strategy was contained in the Sessional Paper No. 2 of 1997 on 'Industrial Transformation to Year 2020' and the National Poverty Eradication Plan (NPEP) over the 1999-2015 period. The Budget Speech (1997) emphasizes agriculture and livestock extension, horticulture export programme, soil conservation, agricultural and livestock research, road maintenance under Stabex (funds for building rural roads) and rural electrification as well as restructuring of cooperatives. The 1998 Budget Speech highlights the EU Programme for the improvement of rural roads (matching funds to supplement the cess collected) and reducing of interest rates in order to benefit the agricultural sector. The three-year Policy Framework for Economic Reform (PFER), 1999/2000-2001/02, marked a departure in Kenya's planning and budgeting process and outlined measures to translate the long-term strategies into effective medium-term implementation and operational plans involving the Poverty Reduction Strategy Paper (PRSP) and the Medium Term Expenditure Framework (MTEF) process started during 1999/2000. In this process, priorities identified for public resources as well as the policies and programmes are outlined in the PRSP whereas the annual budgets to be formulated within the long-term framework are outlined in the MTEF.

The Strategy for Economic Recovery for Wealth and Employment Creation emphasizes democracy and empowerment of the people as the two governing principles for Recovery Action Programme of Kenya's economy in terms of restoration of economic growth, generation of employment, and reduction of poverty. The rural economy in the Strategy will be stimulated through improved efficiency and productivity in the productive rural enterprises including agriculture. Specific attention will be given to the full development of the unexploited economic potentials in the ASALs to strengthen their economic base and integrate them in the overall national development strategy. The development objective in the ASALs is to strengthen rural livelihoods by providing support to implement a broad-based livestock development programme especially in production and marketing as well as investment in livestock-based cottage industries; range management; eco-tourism; and long-term irrigation projects as well as promotion of fishing and mining. Agriculture, together with trade, industry and tourism, are the primary productive sectors emphasized in the Strategy as crucial for steering economic recovery but

currently are performing poorly due to various factors including high cost of engaging productive activities, high cost of capital for Micro and Small Scale Enterprises (MSEs), lack of supportive services, and weak institutions. Various regulatory impediments that raise the cost of doing business will be removed. The intervention measures to improve agriculture include focusing on single enabling legislation to replace the several existing legislations in the sector and rationalizing the roles and functions of agricultural institutions in order to enhance service delivery to the farmer.

The Annual Budget Speech for the 2003/04 fiscal year, emphasize six areas as being critical to the improvement of rural development. These include the agricultural sector, the cooperative movement sector, development finance corporations sector, the local authorities sector, the irrigation sector, and the MSEs sector. Focus will be given to agriculture making it more productive and better organized to enhance its competitiveness. The major problems to be addressed include poor governance in key agricultural institutions, poor and inadequate infrastructure that contribute to high cost of production, poor access to credit and marketing arrangements, inadequate technology and inadequate funding for research and extension. Measures for enhancing agricultural sector productivity include rationalization of roles and functions of key agricultural institutions, harmonization of government interventions, and improvement of good governance in the management of agricultural cooperatives as well as flood control measures. The Annual Budget Speech anticipates LAs becoming primary vehicles for implementing successful community based and driven development and formulates measures such as improvement of financial and institutional viability of LAs strengthening their capacity to deliver essential services through the Local Authority Transfer Fund (LATF) system. The Draft Constitution Review proposes giving LAs enormous responsibility as part of the devolution process. In the irrigation sector, the intervention measures include review of irrigation Act, rehabilitation of neglected irrigation schemes to increase cotton and rice crops production, and development of an irrigation master plan. Measures for MSEs emphasize development of policy foundation to enhance development and improvement of MSEs in terms of a sessional paper focusing legal and regulatory framework as well as access to finance and spreading of investment into the rural areas.

Table 3 below shows the recurrent and development Government expenditures on the total economy (Total Government Expenditure column), total economic services (Economic Services Expenditure column), manufacturing sector (Manufacturing Expenditure column), and rural economy (Rural Expenditure column). Rural economy and the manufacturing sector comprise two key activities under economic services. From the Statistical Abstracts, the study has considered rural economy expenditures under the economic services category of government expenditures as including agriculture, veterinary, forestry, games, fisheries, national parks, tourism, lands, mines, surveys and geology. Some of these activities are merged together in the Statistical Abstracts since mid-1970s. Before 1974, the manufacturing activity was recorded in the Statistical Abstracts as comprising commerce and industry but since then it is recorded as comprising mining, manufacturing and construction activities. Table 4 shows the rural economy expenditures and manufacturing expenditures as percentage of both the Economic Services Expenditure and Total Government Expenditure. The general feature of the Table is the declining trend of both the recurrent and development rural and manufacturing expenditures as percentage of both the economic services and total government expenditures over the 1970/71-1999/00 period. For example, the figures are 55.8 percent, 52.0 percent and 31.3 percent for rural recurrent expenditures as percentage of economic services over 1970/71-1979/80, 1980/81-1989/90 and 190/91-1999/00 periods, respectively; the corresponding figures for combined rural recurrent and development expenditures as percentage of economic services are 44.2 percent, 41.5 percent and 31.4 percent, respectively; whereas the corresponding combined rural recurrent and development expenditures as percentage of total government expenditures are 11.0 percent, 9.7 percent and 8.0 percent, respectively. The corresponding figures for the manufacturing sector are much lower being for example, 10.9 percent, 13.3 percent and 10.5 percent for recurrent expenditures as percentage of economic services; 12.2 percent, 10.9 percent and 8.6 percent for combined both recurrent and development expenditures as percentage of economic services; and 2.9 percent, 2.5 percent and 1.3 percent for combined both recurrent and development expenditures as percentage of total government expenditures. A remarkable feature in the expenditures for both the rural economy and manufacturing sector is that the development component as percentage of total government expenditure is higher than the corresponding recurrent component.

Table 3: Government expenditures on Rural Economy and Manufacturing Sector, 1970/71 – 2000/01 (million KES).

Rural Expenditure			Manufacturing Expenditure			Economic Services Expenditure			Total Government Expenditure		
Rec.	Dev.	Total	Rec.	Dev.	Total	Rec.	Dev.	Total	Rec.	Dev.	Total
193	141	334	31	96	127	256	375	631	2,226	910	3,136
240	195	435	32	105	137	290	328	618	2,573	1,037	3,610
276	289	565	40	146	186	296	556	852	2,811	1,434	4,245
299	258	557	28	146	174	351	532	883	3,275	1,329	4,604
272	408	680	109	26	135	772	1,324	2,096	4,181	1,851	6,032
411	430	841	111	30	141	921	1,564	2,485	4,972	2,490	7,462
381	480	861	112	34	146	956	1,636	2,592	5,740	2,455	8,195
523	948	1,471	175	44	219	1,400	3,244	4,644	8,661	4,698	13,359
502	793	1,295	203	100	303	1,504	3,170	4,674	9,550	4,402	13,952
550	801	1,351	216	190	406	1,701	2,658	4,359	10,985	4,641	15,626
1,040	1,134	2,174	251	405	656	2,601	3,318	5,919	13,787	5,655	19,442
906	1,165	2,071	280	314	594	2,578	3,652	6,230	16,605	5,841	22,446
1,172	943	2,115	300	192	492	2,696	2,767	5,463	19,534	4,461	23,995
1,539	337	1,876	395	326	721	4,431	1,610	6,041	19,476	5,373	24,849
1,956	861	2,817	488	492	980	3,738	4,087	7,825	23,969	6,466	30,435
1,394	1,569	2,963	598	115	713	3,396	3,537	6,933	26,387	6,182	32,569
2,654	2,034	4,688	733	129	862	4,930	4,197	9,127	32,018	9,244	41,262
3,570	1,382	4,952	720	117	837	3,720	4,237	7,957	35,805	8,172	43,977
6,435	1,843	8,278	785	702	1,487	8,968	7,311	16,279	50,887	12,608	63,495
1,922	2,324	4,246	847	901	1,748	4,585	8,738	13,323	48,411	14,709	63,120
1,289	1,242	2,531	265	1,884	2,149	7,036	13,260	20,296	35,628	20,687	56,315
1,084	274	1,358	549	820	1,369	9,469	11,363	20,832	79,442	19,091	98,533
2,596	4,022	6,618	940	348	1,288	6,113	8,724	14,837	104,266	17,028	121,294
3,212	6,058	9,270	1,195	568	1,763	8,102	11,163	19,265	159,622	20,532	180,154
3,687	3,845	7,532	1,500	279	1,779	11,202	11,411	22,613	139,491	26,124	165,615
4,322	3,409	7,731	1,408	227	1,635	13,077	14,710	27,787	155,909	27,684	183,593
4,403	2,560	6,963	1,738	553	2,291	14,875	11,583	26,458	156,899	26,844	183,743
5,153	2,622	7,775	1,798	440	2,238	16,430	9,259	25,689	291,950	23,187	315,137
6,200	5,121	11,321	1,563	758	2,321	16,962	10,331	27,293	222,641	20,100	242,741
7,396	5,026	12,422	1,715	569	2,284	19,321	8,860	28,181	206,572	19,584	226,156
8,292	13,337	21,629	2,166	849	3,015	21,125	18,238	39,363	237,012	33,056	270,068

Source: Various Issues of Statistical Abstracts, CBS.

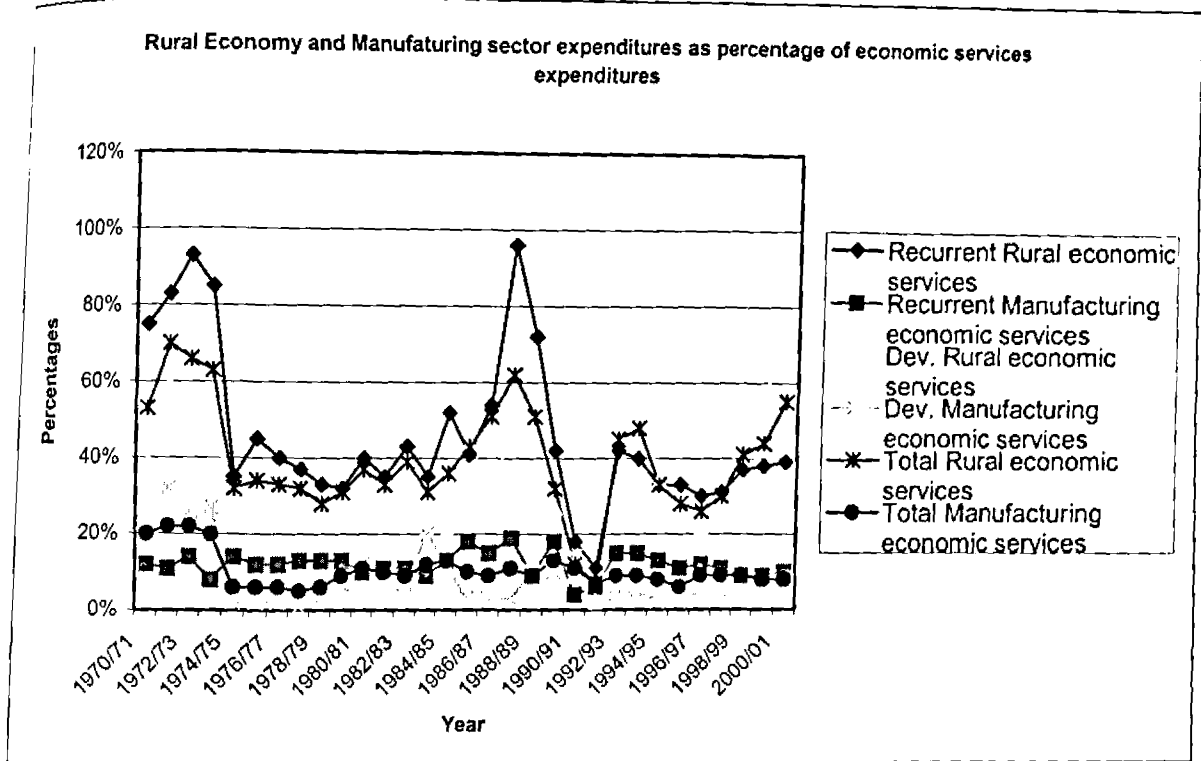
The rural development component is 18.7 percent, 17.5 percent and 16.0 percent over the 1970/71-1979/80, 1980/81-1989/90 and 1990-91-1999/00 periods, respectively as compared to the rural recurrent component at 7.5 percent, 7.7 percent and 2.7 percent, respectively; the corresponding manufacturing figures are 5.2 percent, 4.6 percent and 3.1 percent for development as compared to 1.8 percent, 2.0 percent and 1.0 percent for recurrent.

Table 4: Rural Economy and Manufacturing Sector Expenditures as Percentages of Economic Services and Total Government Expenditures, 1970/71 – 2000/01

Year	Rural expenditure percentages						Manufacturing expenditure percentages					
	Economic services			Total Government			Economic services			Total Government		
	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total	Recurrent	Dev.	Total
1970/71	75%	38%	53%	9%	15%	11%	12%	26%	20%	1%	11%	4%
1971/72	83%	59%	70%	9%	19%	12%	11%	32%	22%	1%	10%	4%
1972/73	93%	52%	66%	10%	20%	13%	14%	26%	22%	1%	10%	4%
1973/74	85%	48%	63%	9%	19%	12%	8%	27%	20%	1%	11%	4%
1974/75	35%	31%	32%	7%	22%	11%	14%	2%	6%	3%	1%	2%
1975/76	45%	27%	34%	8%	17%	11%	12%	2%	6%	2%	1%	2%
1976/77	40%	29%	33%	7%	20%	11%	12%	2%	6%	2%	1%	2%
1977/78	37%	29%	32%	6%	20%	11%	13%	1%	5%	2%	1%	2%
1978/79	33%	25%	28%	5%	18%	9%	13%	3%	6%	2%	2%	2%
1979/80	32%	30%	31%	5%	17%	9%	13%	7%	9%	2%	4%	3%
1980/81	40%	34%	37%	8%	20%	11%	10%	12%	11%	2%	7%	3%
1981/82	35%	32%	33%	5%	20%	9%	11%	9%	10%	2%	5%	3%
1982/83	43%	34%	39%	6%	21%	9%	11%	7%	9%	2%	4%	2%
1983/84	35%	21%	31%	8%	6%	8%	9%	20%	12%	2%	6%	3%
1984/85	52%	21%	36%	8%	13%	9%	13%	12%	13%	2%	8%	3%
1985/86	41%	44%	43%	5%	25%	9%	18%	3%	10%	2%	2%	2%
1986/87	54%	48%	51%	8%	22%	11%	15%	3%	9%	2%	1%	2%
1987/88	96%	33%	62%	10%	17%	11%	19%	3%	11%	2%	1%	2%
1988/89	72%	25%	51%	13%	15%	13%	9%	10%	9%	2%	6%	2%
1989/90	42%	27%	32%	4%	16%	7%	18%	10%	13%	2%	6%	3%
1990/91	18%	9%	12%	4%	6%	4%	4%	14%	11%	1%	9%	4%
1991/92	11%	2%	7%	1%	1%	1%	6%	7%	7%	1%	4%	1%
1992/93	42%	46%	45%	2%	24%	5%	15%	4%	9%	1%	2%	1%
1993/94	40%	54%	48%	2%	30%	5%	15%	5%	9%	1%	3%	1%
1994/95	33%	34%	33%	3%	15%	5%	13%	2%	8%	1%	1%	1%
1995/96	33%	23%	28%	3%	12%	4%	11%	2%	6%	1%	1%	1%
1996/97	30%	22%	26%	3%	10%	4%	12%	5%	9%	1%	2%	1%
1997/98	31%	28%	30%	2%	11%	2%	11%	5%	9%	1%	2%	1%
1998/99	37%	50%	41%	3%	25%	5%	9%	7%	9%	1%	4%	1%
1999/00	38%	57%	44%	4%	26%	5%	9%	6%	8%	1%	3%	1%
2000/01	39%	73%	55%	3%	40%	8%	10%	5%	8%	1%	3%	1%

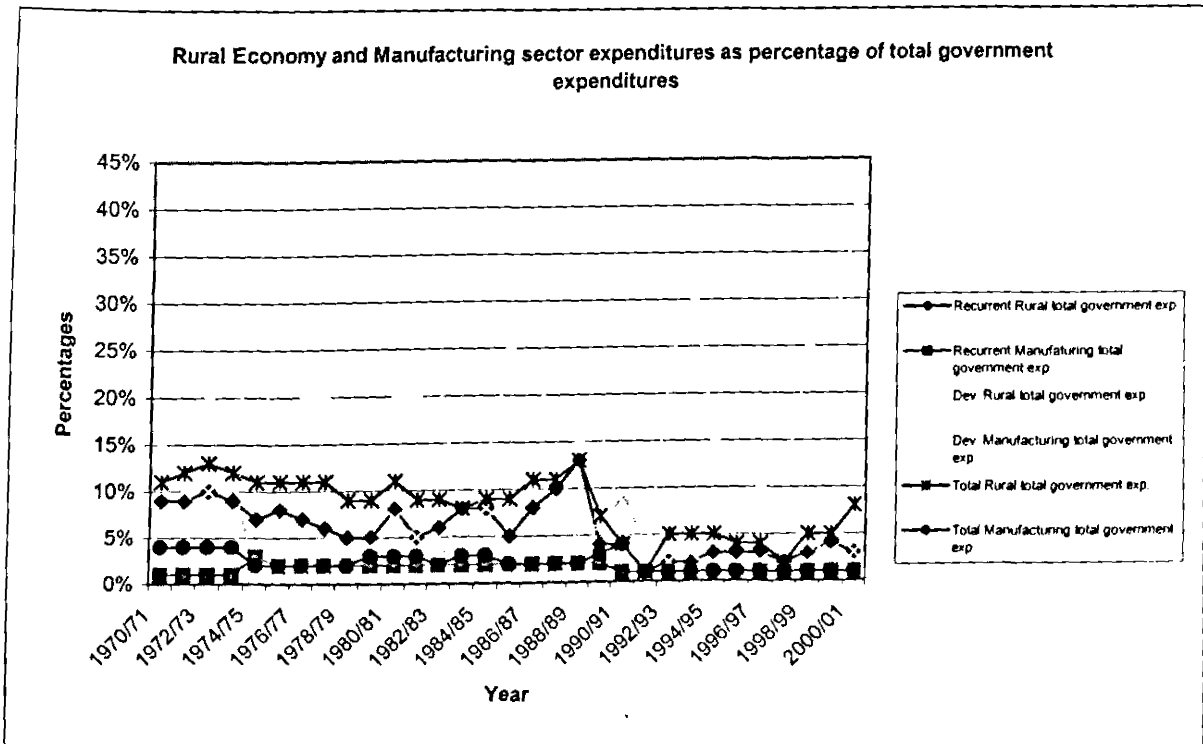
Source: Own Study Computations.

Figure 4:



Source: Own Study Computations

Figure 5:



Source: Own Study Computations

Figures 4 and 5 bring out more clearly the declining tendency of rural and manufacturing expenditures as percentage of economic services expenditures and

total government expenditures, respectively. Another marked feature in the charts are larger fluctuations revealed in the recurrent expenditure component as compared to the development expenditure component.

Table 5 below shows the Government commitment in terms of policy prescriptions and budget allocations to both the rural economy and manufacturing sector and relates this commitment of the Government to the growth performance of the rural economy and manufacturing sector in terms of the GDP over the 1970/71-1999/00 period. The analysis of the Table compares the performances of the two sectors over the two distinct periods, the Introductory period of rural decentralization, i.e., the 1970/71-1984/85 period also referred in the study as Phase I and the period of Full rural decentralization, i.e., the 1985/86-1999/00 period also referred to as Phase II.

The Introductory rural decentralization period was characterized mainly by a State-controlled economy emphasizing policies of export promotion through the inward-looking industrial philosophy of accelerated import substitution; promotion of rural investment, output, and productivity; restoration of national food self-sufficiency; introduction of SAPs and DFSRD. The rural economy recorded a declining trend in real rural GDP growth. The annual average growth rates were 4.9 percent over the 1970/71-1974/75 period, 3.5 percent over the 1975/76-1979/80 period, and 4.3 percent over 1980/81-1984/85 period, giving an overall annual average real rural GDP growth rate of 4.2 percent over the 15 year-period of Introductory rural decentralization. This is a drop of 14.3 percent from the achieved during the initial 5 years of Phase I. On the other hand, the comparable figures for the manufacturing sector were lower at 2.5 percent, 2.2 percent, and 2.4 percent over the 1970/71-1974/75, 1975/76-1979/80, 1980/81-1984/85 periods, and an overall annual average figure of 2.4 percent over the Phase I which is 4.0 percent lower from the annual average real manufacturing GDP growth rate achieved during the initial 5 years of Phase I.

Table 5: Government commitment and performance of Rural economy and Manufacturing sector, 1970/71 – 2000/01.

Period or Timeframe	Policy prescription	Government Commitment				Average GDP growth rate pa.	
		Budget allocation				Rural	Manufacturing
		Rural as a percentage of:		Manufacturing as a percentage of:			
Economic services exp.	Total gov. exp.	Economic services exp.	Total gov. exp.				
1970/71 – 1974/75	<ul style="list-style-type: none"> ▪ Agricultural credit expansion ▪ Export promotion (accelerated import substitution-inward-looking industrial philosophy) ▪ Grant-in-aid system to LAs. ▪ Infrastructure exp. reduction. 	56.8%	11.8%	18.0%	3.6%	4.9%	2.5%
1975/76 – 1979/80	<ul style="list-style-type: none"> ▪ Promotion of rural investment and output (loans provision through (CSFC). ▪ Foreign investment protection Act amendment ▪ Price control amendment ▪ Promotion of rural development productivity (RDF etc). ▪ Restoration of national food self-sufficiency. 	31.6%	10.2%	6.4%	3.7%	3.5%	2.2%
1980/81 – 1984/85	<ul style="list-style-type: none"> ▪ Adoption of DFSRD ▪ SAPs (cost-sharing schemes, transition process towards outward-looking industrialization) ▪ Government expenditure control (BRP) 	35.2%	9.2%	11.0%	2.8%	4.3%	2.4%
1985/86 – 1989/90	<ul style="list-style-type: none"> ▪ Rural-Urban balance (Rural trade and production centers, DFD) ▪ Promotion of informal sector (National Jua Kali Programme) ▪ Agricultural reforms. 	47.8%	10.2%	10.4%	2.2%	2.2%	2.4%
1990/91 – 1994/95	<ul style="list-style-type: none"> ▪ Export promotion (EPZ, MUB etc) ▪ Parastatal reform ▪ Promotion of small scale enterprise development ▪ Poverty Alleviation (Social Dimensions of Development Programme) ▪ Long-term agricultural production perspective (National food policy SP of 	29.0%	4.0%	8.8%	1.6%	7.0%	4.2%

		1994).					
1995/96 1999/00	<ul style="list-style-type: none"> ▪ Expansion of economic liberalisation ▪ Public sector reforms (Public institutional reorganization and restructuring in favour of private sector) ▪ Eradication of social injustice and poverty ▪ Industrial transformation ▪ Planning and budgeting reforms (PRSP/MTEF). ▪ Rural roads and agricultural sector improvement under Stabex and EU. 	33.8%	4.0%	8.2%	1.0%	0.9%	5.5%
2000/01 2003/04	<ul style="list-style-type: none"> ▪ Promotion of irrigation development (A Master plan forthcoming). ▪ Restoration of good governance and rationalization of key agricultural institutions. ▪ LATF ▪ Promotion of micro finance (spreading investments to rural areas – SP on MsEs forthcoming) ▪ Strengthening LAs. ▪ Promotion of ASALs development. 						

Source: Own Study Computations

Government commitment in terms of budget allocations also show a declining trend in both the rural and manufacturing sectors during Phase I of rural decentralization. The allocations for the rural sector as percentages of economic services and total Government expenditures remain significantly higher than those of the manufacturing sector. The rural sector figures are 56.8 percent and 11.8 percent for economic services and total government expenditures, respectively over the 1970/71-1974/75 period, 31.6 percent and 10.2 percent over the 1975/76-1979/80 period, and 35.2 percent and 9.2 percent over the 1980/81—1984/85 period giving overall averages of 41.2 percent and 10.4 percent for economic services and total government expenditures, respectively during Phase I of rural decentralization. The corresponding figures for the manufacturing sector are 18.0 percent and 3.6 percent over the 1970/71-1974/75 period, 6.4 percent and 3.5 percent over the 1975/76-

1979/80 period, 11.0 percent and 2.8 percent over the 1980/81-1984/85 period, and 11.8 percent and 3.4 percent during the 15-year Phase I of rural decentralization.

The period of Full rural decentralization or Phase II, i.e. 1985/86-1999/00 was characterized mainly by export promotion through the outward-looking industrial philosophy, pursuant of vigorous macroeconomic reforms under policies and SAPs advocated by the Breton Woods institutions, expansion of economic liberalization, public sector reforms, industrial transformation, introduction of rural-urban balance strategy, poverty alleviation, promotion of small scale enterprises development, etc. During this period, the economy was facing serious problems related to corruption, poor public finance management, and unmanageable domestic debt, according to the Economic Recovery Strategy for Wealth and Employment Creation. Our analysis shows that the rural economy recorded high fluctuations in real rural GDP growth at annual average rates of 2.2 percent, 7.0 percent, and 0.9 percent over the 1970/71-1974/75, 1975/76-1999/80, and 1980/81-1984/85 periods, respectively giving an overall annual average real rural GDP growth rate of 3.4 percent over the 15-year period of Full rural decentralization. The comparable real GDP growth rates for the manufacturing sector are 2.4 percent, 4.2 percent, and 5.5 percent over the 1985/86-1989/90, 1990/91-1994/95, and 1995/96-1999/00 periods, respectively giving an overall annual average real manufacturing GDP growth rate of 4.0 percent over the Phase II of rural decentralization. These figures show striking differences in the performance of the rural economy compared to that of the manufacturing sector. The annual average real rural GDP growth rate of 3.4 percent over the Phase II of rural decentralization is drop of 19.1 percent from the corresponding growth rate recorded over the Phase I of rural decentralization.. On the other hand, the comparable annual average figures for the manufacturing sector are 4.0 percent for the Phase II and 2.4 percent for the Phase I, marking a profound increase in real manufacturing GDP growth rate of 66.7 percent in Phase II over Phase I.

Analysis of the Government commitment in terms of budget allocations in the two sectors, i.e., the rural and manufacturing sectors, does not seem to explain the striking differences in the GDP growth patterns between the two sectors. Budget allocations in both the sectors, are lower during Phase II compared to the allocations during Phase I. The allocations for rural sector are 47.8 percent and 10.2 percent for

the economic services and total government expenditures, respectively over the 1985/86-1989/80 period, 29.0 percent and 4.0 percent over the 1990/91-1994/95 period, and 33.8 percent and 4.0 percent over the 1995/96-1999/00 period giving overall annual averages of rural sector expenditures during Phase II period of rural decentralization of 36.9 percent and 6.1 percent as percentages of the economic services and total government expenditures, respectively. This marks a drop of 10.4 percent and 41.3 percent in rural budget allocations as percentages of economic services and total government expenditures compared to the allocations in Phase I period of rural decentralization. The corresponding budget allocation figures for the manufacturing sector are 10.4 percent and 2.2 percent, 8.8 percent, 1.6 percent, and 8.2 percent and 1.0 percent for the periods 1985/86-1989/90, 1990/91-1994/95, 1995/96-1999/00, respectively giving overall annual averages of manufacturing sector expenditures over Phase II period of rural decentralization of 9.1 percent and 1.6 percent as percentages of economic services and total government expenditures, respectively. This marks a drop of 22.9 percent and 52.9 percent in manufacturing budget allocations as percentages of economic services and total government expenditures compared to the allocations in Phase I period of rural decentralization. The magnitude of reduction of the budget allocations in the Phase II over Phase I periods of rural decentralization is less in the rural sector than in the manufacturing sector and thus, the decline of 19.1 percent in rural growth and the increase of 66.7 percent in the manufacturing growth in Phase II over Phase I of rural decentralization is a striking feature in that the pattern of the Government commitment in terms of budget allocations does not seem to explain. However, a plausible explanation is attributable to the policies being pursued during Phase II period of rural decentralization having been profoundly pro-manufacturing sector at the expense of the rural sector. For example, it is during this period liberalization and cost-sharing schemes mostly brought about the near collapse of several agricultural institutions as well as hue and cry in the social sector due to unbearable burdens on households.

An interesting feature for both the rural economy and the manufacturing sector is the high growth rates in real GDP at 7.0 percent (highest) for the rural sector and 4.2 percent for manufacturing achieved during the 1990/91-1994/95 period with budget allocations at 29.0 percent and 4.0 percent for rural expenditures as percentage of

economic services expenditures and total government expenditures, respectively, and the corresponding figures at 8.8 percent and 1.6 percent for manufacturing expenditures, that were below the overall Phase II annual averages at 36.9 percent and 6.1 percent for the rural sector and 9.1 percent and 1.6 percent for the manufacturing sector, respectively. The governing policies during the period focused on export promotion (EPZs, MUB, etc), parastatal reform, promotion of small scale enterprises development and long-term agricultural adjustment perspective.

CHAPTER 5

5.0 CONCLUSION AND POLICY PRESCRIPTION

The study has provided a critical analysis of rural development policies in Kenya over a period of 32 years between 1970-2001 with particular emphasis on the decentralization process and focusing on the objectives, changes over time, and possible reasons for the success or failure of these policies. The study has applied four approaches in the analysis including the interview method, documentation analysis, and descriptive analysis. The results of the study bring out some understanding over interesting concerns such as the extent of the implementation of rural development policies in Kenya, the extent of government commitment and seriousness to the rural sector development in terms of both budget allocation and policies to the sector or even to judge whether or not the Government commitment was biased towards the rural sector against the manufacturing sector, etc.

Kenya's decentralization initiatives contained in the SP No. 10 of 1965 as well as in the first NDP (1966-1970) emphasized decentralized planning functions to provinces, districts and municipalities in order to ensure development progress for each administrative unit, the district, in the implementation and coordination of development projects and policies according to the needs of the local people as well as enhancing people's commitment towards successful implementation of rural activities. The study shows that Kenya has pursued the decentralization process as an important instrument for promoting rural development and improvement of rural services delivery, using various policy initiatives and structures both formal and informal, including SRDP, LAs, RDAs, DFSRD, and KRDS.

The key objectives of the SRDP structure established in 1966, included testing the coordination of the administrative capacity for planning and development activities at the district and divisional levels as well as strategies to accelerate rural development and increasing local involvement. Its great shortcoming was lack of technical and administrative capacity as well as poor coordination. Experiences gained in the SRDP structure stimulated the creation of the DFSRD structure in 1983 through which the authority of the Central Government to plan, finance, manage and

plement rural development was transferred to the district. A fundamental strength of the DFSRD structure is in the establishment of an elaborate and all-embracing network of decision-making committees at various local levels with the DDC as the apex. Its major weakness is that the DDC is not a legal entity and therefore its decisions are not legally enforceable and lacks financial autonomy.

LA, a formal type structure established in 1963 by an Act of Parliament, also has local representative bodies, the County Councils with borders coinciding with those of the districts in the rural areas and municipalities in the urban centers. A review of the Act is seeking the devolution of power to the LAs to enhance resources including financial resources. A major shortcoming of the LA structure is lack of technical and administrative capacity as well as lack of an all-embracing decision-making network. The RDA structure is integrated and multi-disciplinary in nature, established by an Act of Parliament in 1970s, with a mandate of promoting regional socio-economic development and integrated resource planning and management. The structure lacks a concise policy framework for community participation in overall rural development activities including project identification, prioritization, implementation, coordination, monitoring and evaluation and their operations are characterized by duplication of functions of other stakeholders in rural development. The coverage of both the LAs and RDAs is limited to pockets of beneficiaries. The proposed KRDS structure by the Ministry of Agriculture in 2002 emphasizes LAs as the loci of development and implementing agencies, establishment of a Rural Development Trust Fund, and mobilization of resources through local taxes.

The perception about the impact of Kenya's decentralization efforts in the past is mixed. One thought indicates that the degree of actual implementation of District Focus decentralization can be perceived in terms of the various changes experienced including positive changes in the organization and administrative procedures, increased district administrative and planning capacity, procedures in planning, budgeting and financial management as well as changes in the amount of funds available for discretionally decision-making by the DDCs that entailed increased formal authority and actual power in planning, budgeting, financial management, implementation and coordination of development activities at the grassroots level. Another thought attributes failure in the DFS becoming a true

decentralization effort in Kenya to various factors including severe economic constraints, prevailing during most of the period since the DFS was introduced, lack of physical infrastructure in most of the rural areas, and the political factor that appeared commonly in the tendency of the DDCs to identify national priorities those of the District Administration rather than the priorities of the local communities. This thought alleges that the success of decentralization was a clear of deconcentration process, increasing central control rather than a devolution process. In a positive note other thoughts contend that the fact that the district has become firmly established as the focal point for rural development is in itself a success in the decentralization effort and an important step towards establishing the necessary framework.

An analysis of the pros and cons of these structures show that the DFSRD structure seems to be the most suitable and has found profound application by both the Government and donors under such programmes as RDF, DDF, MRP, MPP and ASALs. The DFSRD structure, as an instrument for decentralization, has developed over time towards firmly decentralized directions in terms of strengthened administrative capacity at the district and grassroots levels, and in planning, budgeting and financial management procedures. Further development of the DFSRD structure towards the goal of achieving a true decentralization effort, is required in the areas of improving discretionary funds for the districts and transferring of more decision-making authority from the center to the districts and sub-district levels.

The study also brings out some perception of the Government commitment and the seriousness that it accords rural development in terms of both policies and budget allocations, and the impact of this commitment has on rural sector performance in relation to real rural GDP growth. Rural sector is a major factor in the category of Kenya's productive sector referred to in the Statistical Abstracts as 'Economic Services'. Government commitment to the rural sector, in the study, is compared with its commitment to the manufacturing sector, another key factor in the productive sector.

The study has analysed the growth performance of the rural economy in terms of real GDP over the two distinct periods, i.e., the Introductory rural decentralization period or Phase I covering 1970/71-1984/85 years, and the Full rural decentralization period or Phase II covering 1985/86-2000/01 years, and compares the rural sector results with the results of the manufacturing sector. The results are indicative of a declining trend in the performance of the rural economy from an annual average real rural GDP growth rate of 4.2 percent achieved during the Phase I period of rural decentralization to a growth rate of 3.4 achieved during the Phase II period. The corresponding figures for the manufacturing sector are 2.4 percent and 4.0 percent, respectively, and those for the agricultural sector are 4.0 percent and 3.5 percent. This result of declining rural performance in terms of GDP tends to corroborate the evidence of rising incidence of poverty in the rural areas indicated elsewhere in the study as reaching a high level of 56 in 2002.

One of the striking findings of the study is that the Government commitment in terms of budget allocations, though showing a declining trend in both rural and manufacturing sectors, does not seem to explain the poor performance of the rural sector. The annual average allocations are 41.2 percent and 10.4 percent for rural sector budgets as percentages of economic services expenditures and total government expenditures, respectively during the Phase I period of rural decentralization as compared to the corresponding budget figures for the manufacturing sector at 11.8 percent as percentage of economic services expenditures and 3.4 percent as percentage of total government expenditures, respectively. The results for the Phase II period of rural decentralization for the rural sector budgets are annual averages at 36.9 percent and 6.1 percent as percentages of the economic services expenditures and the total government expenditures, respectively as compared to 9.1 percent and 1.6 percent, respectively for the manufacturing sector. The decline in rural budget allocation in Phase II over Phase I is 10.4 percent in relation to economic services expenditures and 41.4 percent in relation to total government expenditures giving a drop of 19.1 percent in real rural GDP growth between the periods. In the case of manufacturing sector, the corresponding declines in the budgets are even larger, at 22.9 percent and 52.9 percent, respectively yet the sector recorded tremendous increase in real manufacturing GDP of 66.7 percent. The fact that the budget allocations for both

ral sector and manufacturing sector are declining, and at fast rate in the case of manufacturing, yet the manufacturing sector records an enormous increase in growth while the rural sector records a drop, is exactly what is the striking feature. A plausible explanation for this outcome is attributable to the policies pursued during phase I period of rural decentralization having been profoundly pro-manufacturing sector at the expense of the rural sector.

The importance of the study however, cannot be overemphasized in that it has achieved both the overall objective of critically analyzing the effectiveness of the implementation of the rural development policies in Kenya, focusing especially on the decentralization process, and the specific objectives of analyzing the growth performance of the rural economy as well as in gaining perception of the commitment of the Government to rural development. The study also sets a pace for future research in this critical area of rural development and agriculture, for example, analyzing Kenya's rural development policy in the context of more embracing rural variables such rural education, rural credit, natural resource endowments (population, labour, land, livestock, etc), infrastructure, capital formation, etc., as well as gauging the effectiveness of Kenya's rural development strategy as a path for national development and balanced regional development. In essence, the future research should be able to provide insights for improving the Kenya's rural development policy as to address more effectively the critical rural problems including rural poverty, which have persisted over time becoming a social menace. The new rural development policy could incorporate, for example, the great ideas such as of David Korten about localized economies, of Henry George about the social integration principle, of Robert Chambers about resources and discretion decentralization, some of China's ideals governing the Peoples' Communes, etc. The study has great potential for usefulness in the forthcoming Kenya's devolution strategy.

In summary, we can say that the results of the study enable us to conclude and to prescribe such key recommendations as the following:

1. That, the key hindrances against efforts in achieving effective and efficient implementation of rural development policies was the difficulty of increasing

formal authority and actual power at the grassroots level, especially at the district level, in threefold aspects of: (1) building adequate and qualified technical and administrative capacity for planning, budgeting, financial management, coordination and implementation of projects and activities. This difficulty has progressively been adequately addressed through training of manpower for the district and establishment of an elaborate network of decision-making committees at various local levels to ensure integration of grassroots planning into the district planning process; (2) district funding framework. Improvements towards this aspect have included making district planning and implementation compatible with district budgeting and financial management through the Budget Rationalization Programme and the Medium Term Expenditure Framework and Poverty Reduction Strategy Paper, success in disaggregating plans and budgets of operating line ministries on district-by-district basis, decentralization of the spending authority by transferring AIEs directly to the DDOs, and introduction of computerization system into the district planning and budgeting process. The major difficult yet to be addressed in regarding this aspect is that of according financial autonomy to the district; (3) making the apex of grassroots institutions, the DDC, a legal entity ensuring that its decisions are legally enforceable. This difficulty remains to be addressed. All in all, the DFSRD structure remains the most suitable structure for promoting rural development in Kenya. The major weakness of the structure relates to a lack of legal framework that would ensure that its decisions are legally enforceable as well as lack of financial autonomy necessary for effective resource mobilization and utilization.

Policy Prescription: Strengthening the DFSRD structure in terms of providing a suitable legal and financial framework.

2. That, the Government's commitment in terms of budget allocations, on the one hand, was weakening over time, more drastically during the Full rural decentralization period for both the rural and manufacturing sectors but more so in the case of the manufacturing sector. On the other hand, the policies pursued during the Full rural decentralization period, were more pro-manufacturing sector development at the expense of the rural sector. The

need for refocusing attention to rural sector development stimulating policies therefore, cannot be overemphasized.

Policy prescription: Increasing the budget allocations for rural sector as well as refocusing attention to the rural sector development stimulating policies. For example, the emphasis in both the Economic Recovery Strategy and the 2003/04 FY Budget on various subsectors including the ASALs, irrigation, cooperatives, micro finance subsectors as well as the restoration of good governance in key agricultural institutions, is move in the right direction.

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