Mchamara papers

Travel briefs
Jan. 6-19,

KENYA

Thursday, January, 15

07.00 a.m.	Drive to Entebbe Airport.
08.00	Leave Entebbe for Kisumu by Kenya Police Airwing Plane.
09.00	Arrive Kisumu ~~Airstrip~~ Airstrip to be met by the Minister for Agriculture.
09.30	Arrive National Irrigation Board Project-to be met and shown round by the General Manager, National Irigation Board.
10.00	Leave Ahero for Mhoroni Sugar Roads, Sugar Small Holder Scheme via Chemelil.
11.45	Leave by plane for Nakuru - fly over Kericho tea area.
12.15	Arrive Nakuru Airstrip-to be met by the Provincial Commissioner, the UNDP Representative, the Project Manager, Beef Resarch Station - Tour the Beef Station.
13.00	Lunch at the Station.
14.00	Leave Nakuru Airstrip for Wanguru Airstrip.
15.15	Tour three Mwea Irrigation Scheme and then proceed to the small holder tea area around Kangaita. Return to Wanguru Airstrip.
17.15	Leave Wanguru Airstrip for Mombasa.
18.30	Arrive Mombasa.
	Evening Free
Overnight	Mombasa Beach Hotel.

Friday January 16

8.30-1245	Meeting with Economic Ministers at Mombasa ~~Capital~~ State House.
12.45	Lunch with His Excellency President Kenyatta.
15.00	Leave Mombasa for Nairobi by Kenya Police Airlwing.
16.30	Arrive Nairobi.
16.45 - ~~1800~~ 1730	Drive from Airport through the Industrial area and Eastlands Housing Estate including Pumwani Housing Redvelopment Scheme.
1730-1800 ~~1800-18:30~~ Steadman	
~~18.30-20.30~~ 1830-2000	Cocktail given by Minister of Finance
2000 Jack Olsen Dinner	

KENYA

Saturday January, 17th.

08.00	At the Bank's Permanent Mission and Private meetings.
~~10.30~~	~~Mayor's Parlor.~~
11.25-12.20	Meeting with Kenya National Farmers' Union.
12:30-13:30 lunch after confer	
13.30	Drive to Nyeri and proceed to Treetops for the night.
16.00 arr.	
Overnight	Treetops Hotel.

Sunday, January 18th.

07.00	Leave for Treetops for Nyeri.
08.00	Fly to Nairobi by Kenya Police Airwing
09.00	Arrive Nairobi Airport.
10.00	Leave for London by B.A. 074.

0900-9:45 Marshan & McDonald - East African Tea
0935-10:15 Omore & Ochieng - Native Ag
1015-10:40 Kamau - Tea & Vet Chest Council
10:50-11:20 Mayor's Parlor

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32

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KENYA

Thursday, January 15*

07.00	Drive to Entebbe Airport
08.00	Leave Entebbe for Kisumu by Kenya Government Planes
09.30	Arrive at Kisumu (Minister McKenzie, Assistant Ministers Khaoya and Wanjigi and Permanent Secretary Ndegwa will meet Party on arrival)
	Drive to Muhoroni (Sugar Road and Settlement Scheme) via Ahero (Pilot Irrigation Scheme)
11.30	Leave Muhoroni for Nakuru by Government Planes
	Visit Lanet Beef Project
	Picnic lunch at Lanet
14.30	Leave Nakuru for Mwea by Government plane to see smallholder tea schemes.
17.00	Leave Mwea for Diani Beach by Government planes
Overnight	Minister McKenzie's cottage at Diani Beach.

* The program for this day is different in several respects from the original one approved by Mr. McNamara. It was drawn up by Mr. McKenzie (Minister of Agriculture) on January 6, after consultation with Mr. Kibaki (Minister of Finance). The changes suggested are partly due to the fact that it proved impossible for the planes to land at Sultan Hamud which Mr. McNamara according to the original schedule should have visited in order to see a livestock project, including a visit to a group ranch.

KENYA

Friday, January 16

09.00	Arrive Mombasa Airport by plane from Diani Beach
09.15	Meet small group of Ministers dealing with economic matters
12.45	Lunch with President Kenyatta
15.00-16.30	Leave Mombasa for Nairobi by Government Planes
16.45-17.45	A tour of Nairobi's Industrial Area accompanied by the Ministers of Commerce and Industry, and Housing and Mayor
18.00-19.30	Meet individually with prominent personalities (hotel suite):
(18.00-18.30)	Mr. Slade - Former Speaker
(18.30-19.00)	Dr. Leakey - Noted Anthropologist
19.00-19.30	Bruce Steadman, UNDP
	Evening Free
Overnight	Intercontinental Hotel

KENYA

Saturday, January 17

08.00	Briefing at Bank's Permanent Mission
09.00-11.10	Individual meetings with prominent personalities:
(09.00-09.25)	Messrs. E. Marsden, Assistant Editor and P. McDonald, Chief Reporter, East African Standard (at their downtown office - Rhokatan House, York Street)
(09.35-10.00)	Messrs. Boaz Omori, Editor-in-Chief, Nation Group and Philip Ochieng, Columnist, Nation Group (at their office)
(10.15-10.40)	Mr. John Kamau, General Secretary, National Christian Council in Kenya (at his office)
11.25-12.20	Meeting with Kenya National Farmers' Union
12.30**	Visit City Hall and Mayor's Parlor (for customary signing of Visitors' Book)
12.45**	Working luncheon with Mayor or Deputy Mayor and a small group of City officials, President or other representative of Chamber of Commerce.
13.30-15.15	Drive to Nyeri and Treetops Hotel (a representative of the Ministry of Agriculture and Finance will accompany Party up to Nyeri to brief Mr. McNamara on agricultural developments in the Central Province)
16.00	Arrive at Treetops Hotel
Overnight	Treetops Hotel

** Left in on a preliminary basis, after Mr. Clark in a discussion with Mr. Michuki (P.S. of Finance) was told that the government attaches special importance to this luncheon and that, if the present Mayor would not be available, the Deputy Mayor, Miss Kenyatta (daughter of President Kenyatta) would be hosting the luncheon

KENYA

Sunday, January 18

07.00	Leave Treetops for Nyeri
08.00	Fly to Nairobi by Government planes
09.00	Arrive Nairobi airport
10.00	Leave for London by BA 074

January 6, 1970
IHKang:bs

KENYA - Index of Briefing Material

ITINERARY

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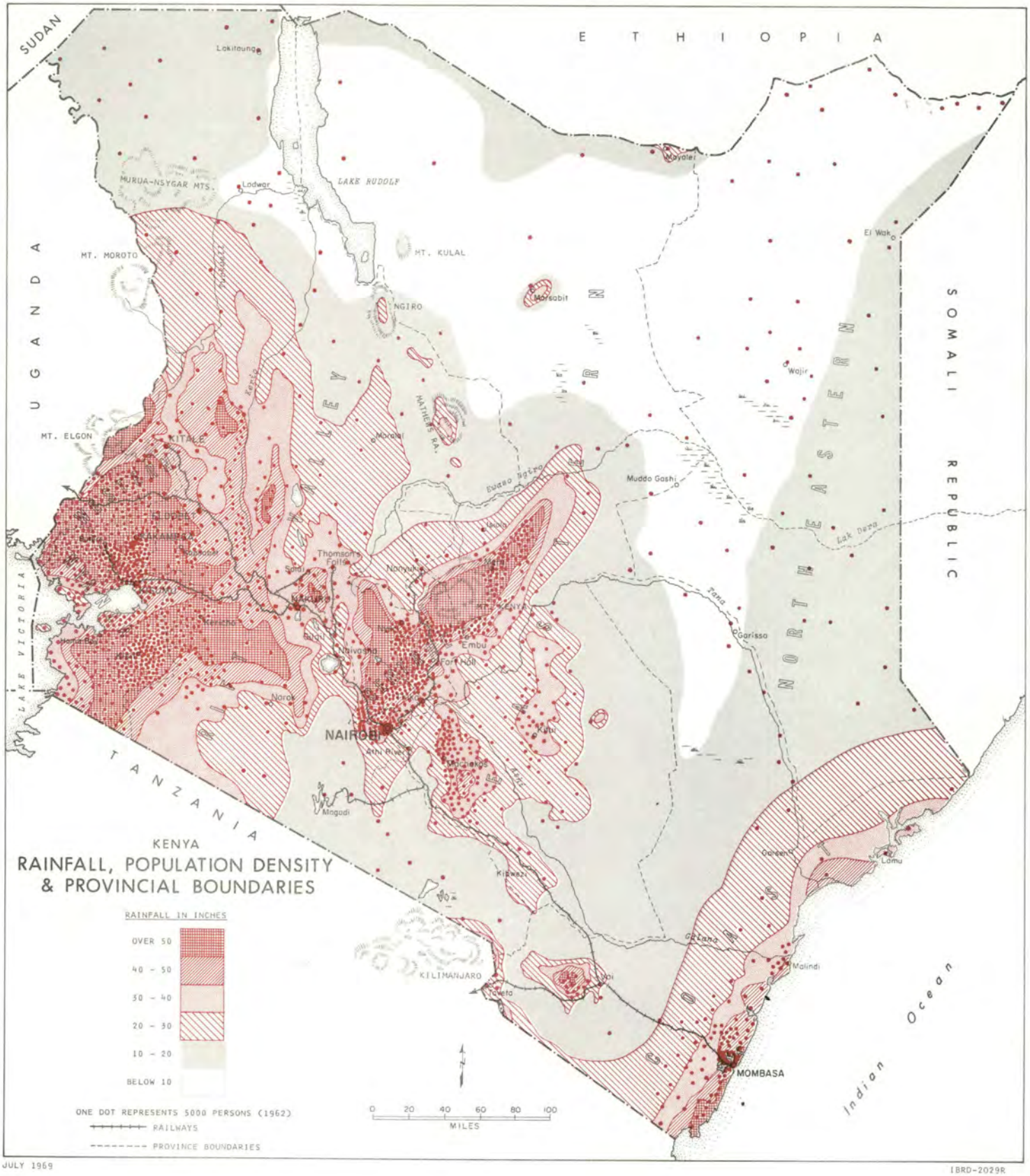
(re meeting January 17 at 9.00)

TAB 18 Kenya National Farmers Union
(re meeting January 17 at 11.15)

December 22, 1969

1.



JULY 1969

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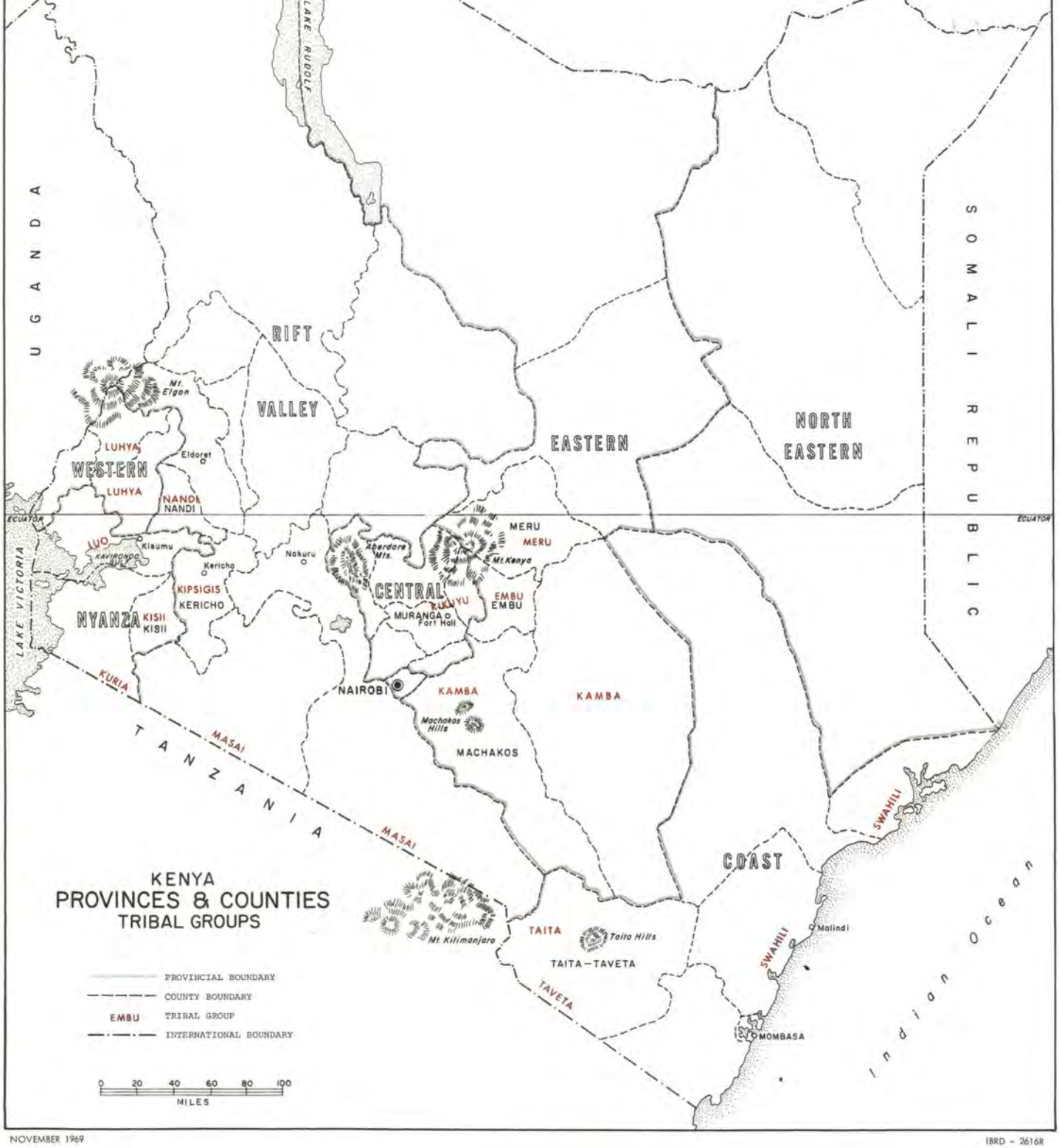

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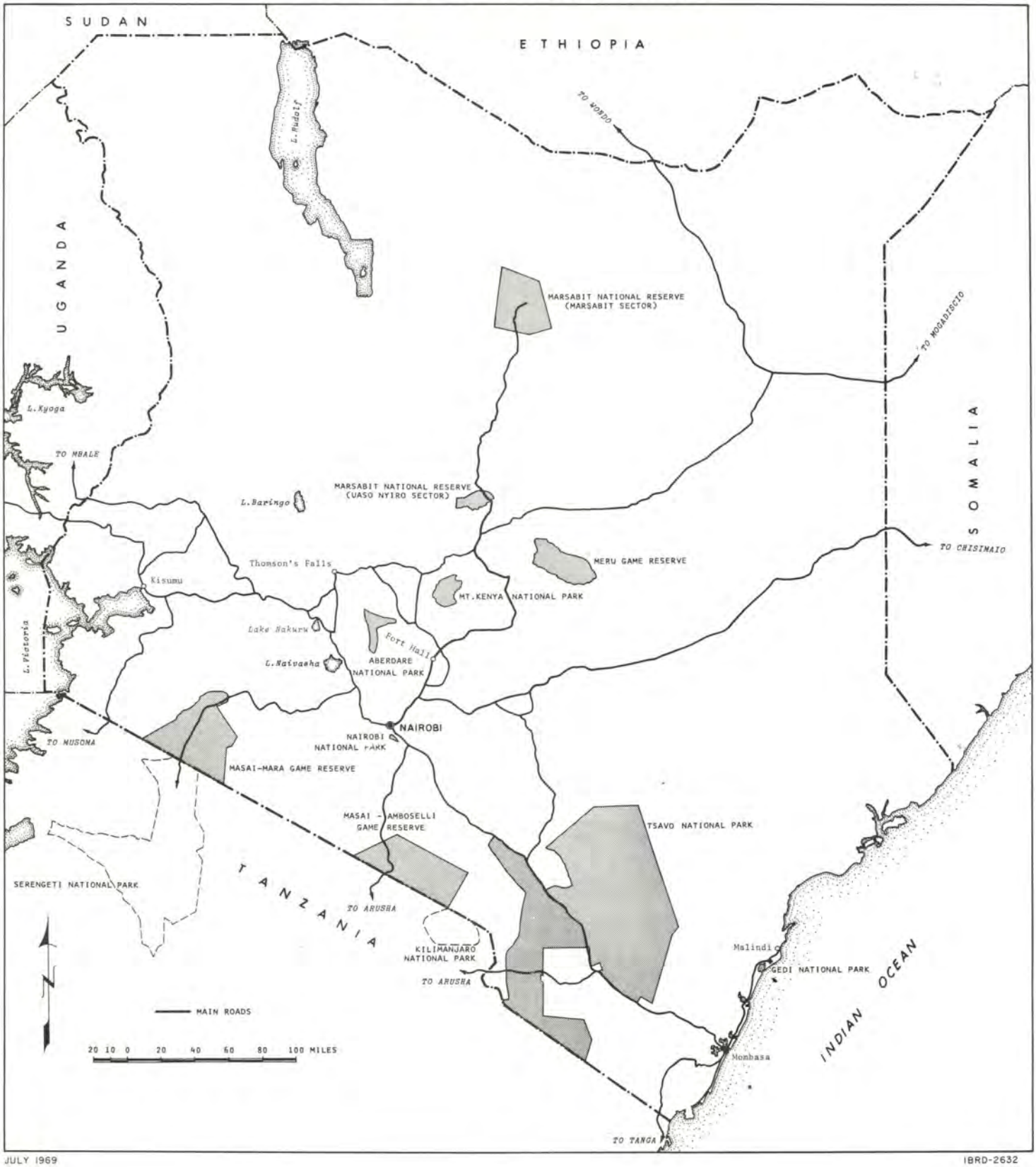
3.

KENYA

LOCATION OF GAME PARKS & RESERVES



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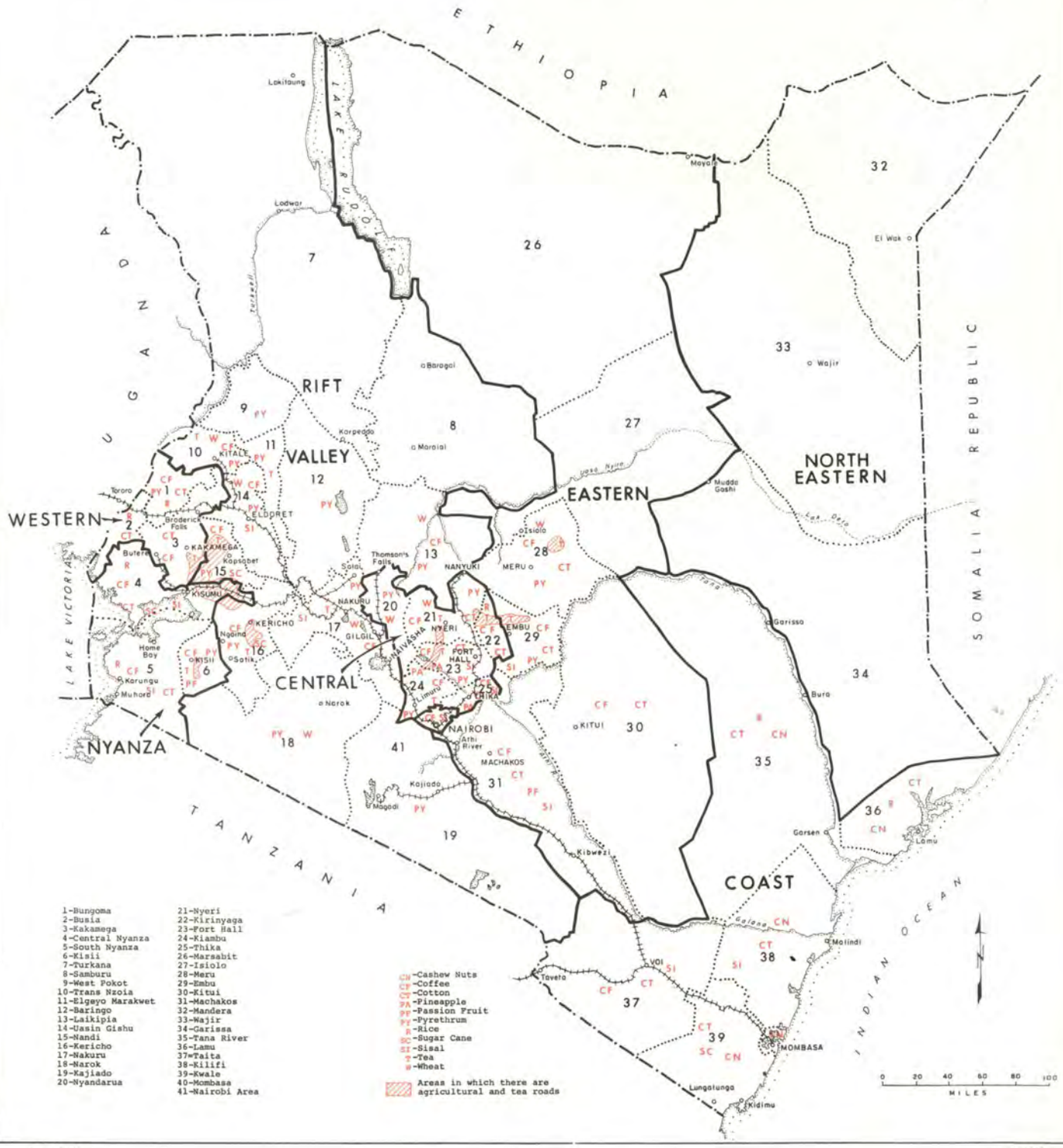
KENYA
CASH CROP PRODUCTION BY DISTRICT



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KENYA

Basic Data

Area: Total - 225,000 sq. miles = 582,750 sq. kilometres
Land area - 219,800 sq. miles = 569,282 sq. kilometres

Population: (1969 census, prov.): 10.89 million
Rate of growth: 3.3 percent
Population density: Total land area - 43.7 per sq. mile
Arable land area - about 450 per sq. mile

Literacy Rate (1968): 30 percent estimated

Political Status: Republic since Independence on December 12, 1963
Member of the British Commonwealth & the Sterling Area

Gross National Product at Factor Cost (1968): K£ 420 million ($1,176 million)

GNP per capita (1968): K£ 41.1 ($115.1)

GDP (at factor cost) Growth Rate:

	1964-68	1968
Constant 1964 prices	6.3%	6.6%
Current prices	6.8%	5.9%

Industrial Distribution of GDP (at constant prices):

	% 1964	% 1968
Agriculture	39.28	36.77
Manufacturing & Mining	10.62	10.32
Building & Construction	3.81	3.98
Electricity & Water	2.09	1.87
Transport, Storage & Communications	7.59	9.16
Services & Others	23.63	23.81
General Government	12.98	14.09
TOTAL	100.00	100.00
Of which is Monetary	73.17	75.10
Of which is Non-Monetary	26.83	24.90

Investment & Savings:

	K£ Million 1964	1968
Gross Fixed Capital Formation	45.14	91.00
Change in Stocks	2.30	2.60
Gross Capital Formation	47.44	93.60
Balance of Goods and Non-Factor Services	14.70	-14.80
Gross Domestic Saving	62.14	78.80
Net Factor Income Payments	-7.10	-4.30
Gross National Saving	55.04	74.50
Capital Formation as percentage of GDP at factor cost	14.3%	21.7%
Gross Domestic Saving percentage of GDP at factor cost	18.8%	18.3%
Gross National Saving percentage of GNP at factor cost	16.6%	17.3%

Balance of Payments:

	K£ Million 1964	1968
Exports of Goods & Non-Factor Services	119.7	134.7
Imports of Goods & Non-Factor Services	105.0	149.5
Balance of Goods & Non-Factor Services	14.8	-14.8
Net Factor Payments	-7.1	-7.1
Net Transfers	9.8	5.7
Balance of Payments on Current Account	17.5	-16.2
Net Private Long-Term Capital Inflow	-15.0	10.5
Net Public Long-Term Capital Inflow	-1.0	8.9
Net Short-Term Capital Movements	0.1	1.6
Change in Reserves - Increase (-) Decrease (+)	3.4	-11.3

Budget:

	K£ Million 1967/68
Current Revenue	73.78
Current Expenditure	66.68
Current Surplus	7.10
Capital Revenue	5.42
Balance	12.52
Capital Expenditure	-27.30
Overall Deficit	-14.78
Financed by: Internal Grants & Loans	8.56
External Grants & Loans	7.87
Increase in Cash Balance	1.65

Foreign Exchange Reserves (April, 1969): Total K£ 52 Million ($146 million)
Equivalent to: 5 months' imports

IMF Position (Million U.S. $)

	1965	1968
Quota	25	32
Drawings	--	--

External Debt (31 December 1968):

	$ thousand	
	Disbursed	Including Undisbursed
Total Debt Outstanding		
Kenya:	254,588	343,152
Notional 1/3 share of East African Community Debt:	58,706	64,864
TOTAL	313,194	408,016
Total Debt Service - 1968		
Kenya:	17,799	
Notional 1/3 share of East African Community Debt:	10,935	
TOTAL DEBT SERVICE	28,734	

Debt Service Ratio: 6.9%

Background Notes

KENYA

Population: 9,948,000 (1967 est.)
Capital: Nairobi

Predominantly an agricultural country, Kenya lies on the east coast of Africa and is bound on the north by Ethiopia and the Sudan, on the south by Tanzania, on the west by Uganda, and on the east by Somalia and the waters of the Indian Ocean. Visitors arrive at Kenya's coast from all parts of East Africa, and ships sail into the port of Mombasa from every part of the world. The famous Rift Valley, the beautiful Aberdare Mountains, the rugged Athi plains, and numerous other areas offer a wealth of animal and plant life, and a variety of impressive scenery.

Kenya's capital, Nairobi, which has become the hub of communications, commercial, and industrial activities in East Africa, is the starting point for many of the safaris for which this country and region are world famous. Adorned with flowering trees and shrubs, beautiful homes and public buildings, Nairobi calls itself the "City in the Sun."

Kenya has a total area of 224,960 square miles (slightly less than the area of Texas). The northern three-fifths of the country is arid and almost waterless. The southern two-fifths, where 85 percent of the population and nearly all economic production is centered, comprises a low-lying coastal area and a plateau varying in altitude from 3,000 to 10,000 feet. It is better endowed with water resources. Included in this latter area are Mount Kenya (17,040 feet), Mount Elgon (14,000 feet), the Aberdare Range (12-13,000 feet), and part of the Great Rift Valley. The Valley is some 30 to 40 miles wide and often 2,000 to 3,000 feet lower than the surrounding country.

Kenya generally has two rainy seasons, the "long rains" from April to June and the "short rains" from October to December; however, in the high areas west of the Rift Valley and north of the railway the wettest months are April to August. With the exception of the coast and the immediate interior, where the average temperature is about 80°F., the climate of Kenya is cool and invigorating. At Nairobi the mean temperature is 67°F., the mean maximum being 77°F. and the mean minimum 57°F.

THE PEOPLE

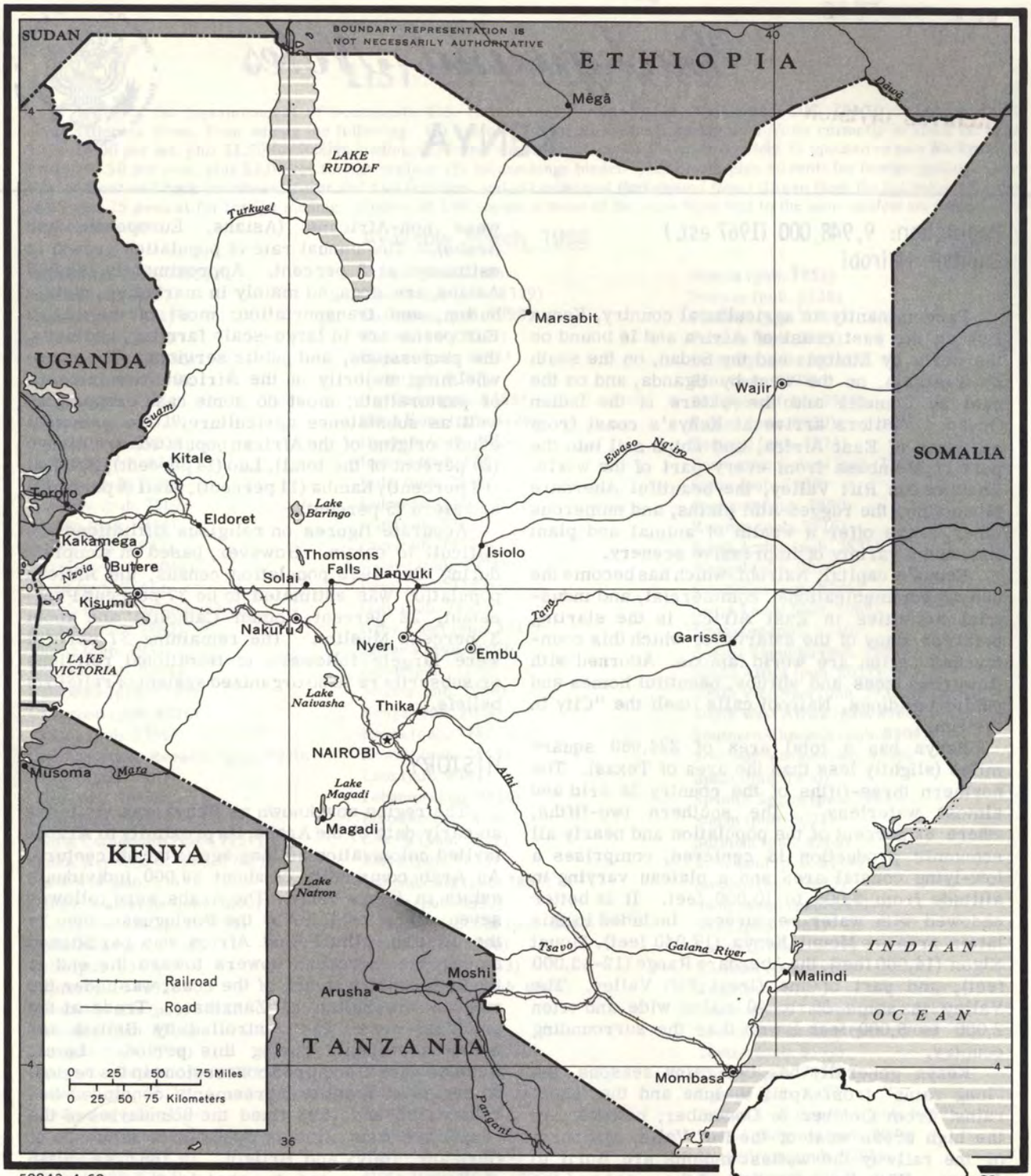
Kenya's population was estimated to be 9,948,000 in mid-1967, of which only about 277,000 were non-Africans (Asians, Europeans, and Arabs). The annual rate of population growth is estimated at 3 percent. Approximately 192,000 Asians are engaged mainly in marketing, distribution, and transportation; most of the 42,000 Europeans are in large-scale farming, business, the professions, and public services. The overwhelming majority of the Africans are farmers or pastoralists; most do some cash cropping as well as subsistence agriculture. The principal ethnic origins of the African population are Kikuyu (20 percent of the total), Luo (14 percent), Baluhya (13 percent), Kamba (11 percent), Kisii (6 percent), and Meru (5 percent).

Accurate figures on religious affiliations are difficult to obtain. However, based on sampling during the 1962 population census, the African population was estimated to be 37 percent Protestant, 22 percent Roman Catholic, and about 3 percent Muslim. The remaining 37 percent were largely followers of traditional religions or subscribers to no organized system of religious beliefs.

HISTORY

The region now known as Kenya was visited at an early date by the Arabs; its proximity to Arabia invited colonization as long ago as the 8th century. An Arab community of about 39,000 individuals exists in Kenya today. The Arabs were followed seven centuries later by the Portuguese, then by the British. Until East Africa was partitioned among the European powers toward the end of the 19th century, much of the coast was under the rule of the Sultan of Zanzibar. Trade at the principal ports was controlled by British and Indian merchants during this period. Later, German agents acquired concessions in the region. A series of frontier agreements concluded between 1886 and 1893 fixed the boundaries of the respective East African spheres of influence of Germany, Italy, and Britain. In 1887 the Sultan of Zanzibar granted to what later became the Imperial British East African Company a 50-year concession covering his mainland possessions not falling within the German sphere. In 1895 the British Government purchased the company's rights and appointed a commissioner to the area, thereafter designated the East Africa Protectorate. The name was changed to Kenya Colony and Protectorate in 1920.

A Colonists' Association to look after settler interests was founded by the Europeans who came to Kenya in the first years of this century. In


BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
SUDAN
ETHIOPIA
Mēgā
Dawa
LAKE RUDOLF
Turkwel
Marsabit
UGANDA
Wajir
Sugam
Ewaso Ng'iro
SOMALIA
Kitale
Tororo
Lake Baringo
Eldoret
Kakamega
Thomsons Falls
Isiolo
Butere
Nzoia
Solai
Naivuki
Kisumu
Tana
Nakuru
Garissa
Nyeri
Embu
LAKE VICTORIA
Lake Naivasha
Thika
NAIROBI
Musoma
Mara
Athi
Lake Magadi
Magadi
KENYA
Lake Natron
Tsavo
Galana River
INDIAN
Moshi
Malindi
Railroad
Road
Arusha
OCEAN
TANZANIA
0 25 50 75 Miles
0 25 50 75 Kilometers
Mombasa
Pangani
40
36
4
0

58843 4-68

1907 a nominated Legislative Council was established, and in 1919 the selection of most of its members was placed on an elective basis. Until 1944, when the first African was nominated to the Legislative Council, Africans had no direct participation in the central government's legislative or executive institutions. The first direct elections for Africans, under a restricted multivote franchise, occurred in 1957. From October 1952 to December 1959 Kenya was under a state of emergency arising from the Mau Mau rebellion.

Partly because of the emergency and partly because of the important political role played by the European settlers, Kenya's constitutional development eventually was to lag behind that of its East African neighbors. Tanganyika and Uganda became independent in 1961 and 1962, respectively; but Kenya did not achieve independence until December 1963. Moreover, the internal political quarrels and tribal distrust that have long plagued Kenya's politics made cooperation among African politicians exceedingly difficult. The vexing constitutional issues were not finally settled until early in March 1963. The complicated constitution finally agreed upon established a quasi-federal system under which regional, and even local, governments had considerable powers. In this latter respect the constitution reflected the small tribes' fears of domination by the Kikuyu and Luo, Kenya's two largest tribes.

After its overwhelming victory in the May 1963 elections, the majority political party, the Kenya African National Union (KANU), formed a new government headed by Jomo Kenyatta and Kenya entered the phase of full internal self-government. Several months later KANU demanded and received certain modifications in the constitution which strengthened the central government's powers, especially over the police and the civil service. This modified document became the Constitution for Kenya when it received its independence on December 12, 1963.

A historical oddity was terminated at this time, when the Kenya Protectorate passed into history. The Protectorate was a strip of land, about 2,000 square miles in area, which extended 10 miles inland from the coast and included the islands of the Lamu Archipelago. The British had leased the area from the Sultan of Zanzibar for an annual rent of £10,000. The Sultan ceded the strip to Kenya on its Independence Day.

POLITICAL CONDITIONS

Upon independence on December 12, 1963, Jomo Kenyatta, the head of KANU, became Prime Minister. Kenya joined the Commonwealth, recognizing the British Queen represented by the Governor General, as Head of State. Precisely 1 year later, constitutional changes were announced which made Kenya a Republic. The office of Governor General was abolished; Kenyatta became President and Head of State, while A. Oginga Odinga was named Vice President. In November, the opposition party, the Kenya African Democratic Union (KADU), dissolved itself and its members joined KANU. Since KADU had been a political party with support from many of the smaller tribes while KANU had drawn its principal support from the larger tribes, this appeared to resolve one of the major problems which had delayed independence. It also facilitated the removal of what Kenya felt to be a divisive feature of the Constitution. Regional assemblies with a great deal of autonomous authority had been provided for each of the seven regions into which the country was divided. Under the Constitution Amendments Act of 1965, the power of these assemblies was drastically reduced and their name changed to Provincial Councils; even these will be abolished on June 1, 1968.

In April of 1966 KANU split when Oginga Odinga resigned from the Party and as Vice President of Kenya. He then formed an opposition party, the Kenya People's Union (KPU), of which he became President. Several members of the Senate and of the House of Representatives also resigned to join the KPU, although some of them later changed their minds. Under the terms of an amendment to the Constitution, all these men were made to stand for reelection in June of 1966, while those whose allegiance had not wavered were not required to do so. At this "little general election" the KPU won seven House and two Senate seats, while KANU obtained 13 House and eight Senate seats. The opposition party received most of its support from those dissatisfied with the status quo and from members of Oginga's own Luo tribe.

On January 5, 1967, the latest amendment to the Kenya Constitution came into effect when the two chambers of the Kenya legislature were joined into one National Assembly. There are also plans to further amend the Constitution to provide for the direct election of the President and Vice President and for the Vice President to succeed to the presidency should the incumbent die in office.

GOVERNMENT

The Republic of Kenya is led by an Executive President who is Head of State, Head of the Cabinet, and Commander in Chief of the Armed Forces. He is elected by the National Assembly and chooses a Vice President, Ministers, and Assistant Ministers from among the members of that Assembly.

The National Assembly is a unicameral legislature consisting of 158 elected members and 12 members who are chosen by these elected members. In addition, the Attorney General is an ex officio member of the National Assembly. The present Assembly consists of those elected to the former Senate and to the former House of Representatives.

The judiciary is headed by a Supreme Court consisting of a Chief Justice and at least 11 Puisne Judges.

The basic local administrative divisions are the 40 rural districts into which the country is divided. The districts in turn are joined together to form rural provinces. The Nairobi area is not included in any district or province but has a special separate status of its own. The administration of both the districts and the regions are closely supervised by the central government.

ECONOMY

While Kenya is primarily an agricultural country, only about 12 percent of the total land area, or 16.8 million acres, is considered to have a high agricultural potential. Another 5.5 percent, or 7.8 million acres, has a medium potential, mostly for stockraising. The rest is arid or devoted to nonagricultural uses.

Land pressure in certain areas is strong. It has been aggravated by the traditional system of reserving certain areas for certain tribal groups. Some relief has been achieved since independence by the Government's program of purchasing land from farmers of European origin. One million such acres are being devoted to settlement schemes, an additional 550,000 acres have been purchased by individual Africans or cooperatives with assistance from the Government, and perhaps 4-1/2 million acres remain in European ownership.

The predominance of agriculture in the nation's life is reflected by Kenya's export statistics. Excluding trade with Tanzania and Uganda, more than 80 percent of exports are agricultural. In recent years, the main exports have consisted of coffee (30 percent), tea (12 percent), sisal (10 percent), pyrethrum (a flower used in the manufacture of insecticides)(4 percent), and meat and meat products (4 percent). Imports are slightly more varied, but emphasize the products of heavy industry: industrial machinery accounts for 11 percent of the total, crude oil 9 percent, motor vehicles 7 percent, fabrics 6 percent, iron and steel 5 percent, paper and paper products 4 percent, agricultural machinery 2 percent, and fertilizers 2 percent.

A wide range of light industries has, however, come into existence since World War II. These involve for the most part small-scale consumer goods, agricultural processing, and oil refining. The consumer goods industries attempt with some success to compete in the entire East African market. Thus, in the 1964-1966 period, Uganda was Kenya's best customer, taking 18 percent of total exports. Tanzania was in second place, taking 16 percent. The other chief markets were the United Kingdom taking 14 percent, West Germany 10 percent, and the United States 6 percent of total exports. In 1966 Kenyan exports to the United States were valued at $15 million; imports from the United States at $32 million.

In this same year total Kenyan exports were worth $259 million and imports $346 million, for a trade deficit of $87 million. This was covered in part by (a) grants and loans from various aid donors, (b) private foreign investment, and (c) earnings on invisible exports of which tourism was by far the most important. In 1967 tourism was second only to coffee as a foreign exchange earner.

Kenya has meager mineral resources; mining and quarrying contributed only $2,350,000 to its gross domestic product in 1965. No coal or oil deposits have been found. However, the output from imported crude petroleum of the new oil refinery at Mombasa has become an important export item.

In 1966 the gross national product (GNP) of Kenya was $1,085 million, or $113 per capita. From 1962 to 1966, the average annual increase in the per capita GNP in constant prices has been 3.1 percent.

FOREIGN RELATIONS

In common with many independent African nations, Kenya's foreign policy is based on the principle of nonalignment. It is a member of the United Nations, the Organization of African Unity (OAU), and the East African Community.

Kenya enjoys good relations with neighboring Uganda, Tanzania, and Ethiopia. However, a dispute arose with the Somali Republic over the some 275,000 ethnic Somalis who inhabit Kenya's Northeast Province. Somalia urged self-determination for the people of the area, while Kenya refused to consider any steps which might threaten its territorial integrity. In October of 1967 the Prime Minister of Somalia met President Kenyatta at Arusha in Tanzania. At this meeting the two men formally recognized the need to restore peaceful relations between their countries, and good progress in normalizing relations has been made since.

THE EAST AFRICAN COMMUNITY

The seeds of economic cooperation in East Africa were planted in 1917 when free trade between Kenya and Uganda began. After World War I, Tanganyika was added to the free trade area in 1923 when Britain became the mandatory power over Tanganyika, formerly held by Germany. Tanganyika maintained its own customs department, however, until 1949. Common services developed concurrently with the market, and the two concepts were institutionalized in 1948 with the creation of the East Africa High Commission which was headed by the colonial governors of the three countries. With the advent of Tanganyikan independence in 1961 the High Commission was replaced by the East African Common Services Organization (EACSO) which was headed by the prime ministers of the three countries. In June of 1967 a Treaty for East African Cooperation was signed, creating

an East African Community headed by an Authority consisting of the presidents of the three countries. At the time of the treaty signing, EACSO was operating with an annual budget of $252 million and had 60,000 employees.

The treaty, which came into effect on December 1, 1967, grew out of a desire by the three countries to compose differences arising among them over allocation of industries. These differences had started a disintegrative process which in 1965 included decisions by member states to impose trade restrictions and establish separate currencies and central banks.

The treaty continues previous common services and stipulates that self-contained services—railways, harbors, airways, posts and telegraphs—shall be organized as corporations. Whereas headquarters for all the Common Services previously were at Nairobi, now they are to be decentralized. For example, the Secretariat of the Community will be located at Arusha, in Northern Tanzania, and the Harbors Corporation in Dar es Salaam. The new East African Development Bank, an institution established under the treaty to help right the industrial imbalance in the region, is to be located at Kampala in Uganda, as is Posts and Telecommunications. Headquarters of the Airways Corporation and Railways Corporation will remain at Nairobi.

U.S. POLICY

U.S.-Kenya relations are warm and friendly. More than 2,800 American citizens reside in Kenya, and 20,000 American tourists visited the country in 1967. The resident American community includes some 1,000 missionaries and their families. In addition, about 60 American firms are represented in Kenya. U.S. investment in Kenya totals approximately $100 million.

United States bilateral aid to Kenya is concentrated primarily on (a) agriculture and rural development, and (b) education and training to develop manpower for key institutions and public facilities. The program includes technical assistance in public safety, youth leadership, and communications; and capital assistance through development loans for schools, water supply, and roads. The United States has an active Peace Corps program with some 258 volunteers working in Kenya at the end of 1967 and another 62 expected to arrive in 1968. The volunteers are concentrating their efforts in agriculture and education. The United States Information Service (USIS) maintains a library in Nairobi and engages in an active program throughout the country.

The United States supports the move by the three East African governments to give increased emphasis to regional economic cooperation. It does this by giving greater priority to U.S. AID projects which take advantage of regional opportunities to contribute to the multilateral development of the three countries.

PRINCIPAL GOVERNMENT OFFICIALS

President—Jomo KENYATTA
Vice President—Daniel Teroitich Arap MOI
Minister of Finance—James Samuel GICHURU
Minister of Economic Planning and Development—Tom MBOYA
Minister of Defense—Njoroge MUNGAI
Minister of Agriculture and Animal Husbandry—Bruce Roy McKENZIE
Minister of Commerce and Industry—Mwai KIBAKI
Minister of Cooperatives and Social Services—Ronald Gideon NGALA
Minister for East African Affairs—Joseph ODERO-JOWI
Minister of Education—Julius Gikonyo KIANO
Minister of Foreign Affairs—Jomo KENYATTA
Minister of Health—Joseph Daniel OTIENDE
Minister of Home Affairs—Daniel Teroitich Arap MOI
Minister of Housing—Paul NGEI
Minister of Information and Broadcasting—James C. N. OSOGO
Minister of Labor—Eliud Ngala MWENDA
Minister of Lands and Settlement—Jackson Harvester ANGAINE
Minister of Local Government—Lawrence George SAGINI
Minister of Natural Resources—Jeremiah J. NYAGAH
Minister of Power and Communications—James NYAMWEYA
Minister of State for Administration—Mbiyu KOINANGE
Minister of State for Foreign Affairs—C. M. G. ARGWINGS-KODHEK
Minister of Tourism and Wildlife—Samuel Onyango AYODO
Minister of Works—Dawson MWANYUMBA
Attorney General—Charles NJONJO

Kenya maintains an Embassy in the United States at 1875 Connecticut Avenue, N.W., Washington, D.C. 20009. Kenya's Ambassador to the United States and the United Nations is Burudi NABWERA.

PRINCIPAL U. S. OFFICIALS

Ambassador—Glenn W. Ferguson
Deputy Chief of Mission—Wendell B. Coote
Director, U.S. AID Mission—Carroll S. Hinman
Public Affairs Officer (USIS)—Stanley D. Moss

The U.S. Embassy in Kenya is located at Cotts House on Eliot St., P. O. Box 30137, Nairobi.

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KENYA/SOMALIA RELATIONS

From 1963-1967 warlike conditions prevailed in the border areas between Kenya and Somalia. Nationalized militants among the 200,000 Somalis living on the Kenya side conducted a guerilla war in support of their demand for unification with Somalia and were supported by the Somali Government. Kenya security forces claimed to have killed 2,000 of the guerilla forces, the so-called shiftas; some 600 civilians and about 70 policemen, soldiers and Government officials also lost their lives on the Kenya side.

The hostilities came to an end late 1967, 4 - 5 months after Mohammed Ibrahim Egal became Prime Minister of Somalia. President Kaunda of Zambia presided over the talks which led to agreement between Kenya and Somalia, and President Nyerere of Tanzania and President Obote took part in the final sessions.

It was feared that hostilities would fare up again when Mr. Egal's Government was toppled by a military coup on October 21, 1969. The new Government has stated its intentions in somewhat ambiguous terms: on the one hand, to honor all existing treaties and international agreements, on the other, to support the "liberation" of Somalia outside the present national boundaries. So far, however, no change is evident in Somali Government policy towards Kenya.

December 18, 1969

4

Political Parties

At Kenya's first elections in 1963, there were two political parties: Kenya African National Union (KANU), led by Jomo Kenyatta, and Kenya African Democratic Union (KADU), led by Ronald G. Ngala. KANU, with its strength in the largest single tribe, the Kikuyus, and in urban areas, won the elections. KADU, supported by dissidents dissatisfied with KANU leadership in alliance with smaller tribes in rural communities, provided Parliamentary opposition until November 1964, when Mr. Ngala dissolved his party in the interest of national unity, and joined KANU.

The one-party situation lasted until April/May 1966, when Vice-President Oginga Odinga resigned and formed the Kenya People's Union (KPU). Twenty-nine of the 169 members of Parliament resigned with Odinga. In the ensuing bi-elections KANU won most of these seats, giving KANU 121 against 7 KPU representatives in the House, and 39 against 2 in the Senate. KANU has adopted a policy of "African Socialism", a humanistic philosophy which in practice has allowed a pragmatic mixture of private enterprise and centrally-controlled economic activity to develop; the foreign policy is strict non-alignment. KPU has adopted a more radical line and has advocated policies closer to those of the ruling TANU party in Tanzania.

Since the assasination of Tom Mboya in July 1969, the differences between the two largest tribes, Kenyatta's Kikuyus and Odinga's Luos, have been accentuated. Although a Luo, Tom Mboya had support from all tribes, but his assasination had the effect of antagonizing the Luos against the Kikuyu dominated Government. The Kikuyus were accused, even in Parliament, of oath-taking between themselves to secure support for Kenyatta and KANU. In the heat of the election campaign, there were incidences of violence. The Government held the KPU responsible for the incidents, accusing Odinga of subversive intentions. A few weeks before the elections KPU was banned, ~~and~~ Odinga with his top lieutenants arrested.

Thus, with only one party represented at the elections, the primary polls which were taken on December 6, 1969, became decisive. The Luos did not boycott the elections, but members of their tribe who had been closely associated with KANU were voted out -- among them Economics Minister Joseph Odero-Jowi and Tourism Minister Samuel Ayodo. The elections were a victory for KANU and President Kenyatta, but introduced at the same time a generation shift, as more than 60 of the old members of Parliament were replaced by younger and better educated people. Most people will concede that in spite of banning of the official opposition, the elections were a democratic and effective demonstration of the wishes of the people.

December 19, 1969

THE ROLE OF THE WHITE FARMERS IN KENYA

Settlement of British farmers was encouraged by Britain principally in the highlands of Kenya from the early years of the century, and this policy continued until as late as 1960. Throughout the first half of the century, the European farming sector provided the growth point of the economy, and successfully established a wide range of export crops in Kenya, many of them under estate conditions such as sisal, coffee and tea. The political influence of the white farming community was naturally commensurate with their economic power.

In common with other countries in southern and eastern Africa in which European farmers were well established, the African farm sector was relatively neglected. Most African farmers were cultivating at the subsistence level, and no concentrated effort was made to change the situation. It was widely believed that African farmers were incapable of growing sophisticated cash crops, requiring a high level of management and crops tended to be catalogued therefore, as "European" or "African" crops.

In the 1950's and 1960's, however, this position underwent a dramatic change, and the African (or small farm) sectorhas rapidly overtaken the European (or large farm) sector as the growth point of the industry. This process was mainly, but not wholly, the concomitant of political change during the period. Two events might be singled out as being of particular importance in this metamorphosis:

(a) the Swynnerton Plan (1953/54) pioneerred the change to a more positive attitude to the development of African areas by recommending the introduction of high-value crops, the setting of target incomes, and the coordinated planning of agricultural services in African areas; and

(b) the Constitutional Conference in 1960 which, by setting Kenya on the road to Independence, marked the turning point in European farming.

The progress of "Kenyanization" cannot be accurately measured because figures of agricultural production are no longer published on a racial basis. All we can do is to show the trends in production on small and large farms, where small farms have always been purely African and large farms were originally almost wholly European and are still largely European. The following selection of figures show some of the recent developments.

Sales of Produce (1,000 tons)

	1959			1968		
	Small Farms	Large Farms	% Small	Small Farms	Large Farms	% Small
Pyrethrum	0.6	4.2	12.5	10.5	1.2	89.7
Tea	0.1	12.3	0.8	5.1	24.8	17.1
Coffee	3.6	19.6	15.5	22.1	16.9	56.5
Cattle (1,000 head)	43.5	96.8	31.0	(1966)105.9	81.0	56.7

Apart from the remarkable performance of the African sector, the other notable feature of this transitional era has been that, although there are now fewer large farmers on a smaller area of land, their contribution to the economy has remained about the same in absolute terms, as can be seen from the following figures of gross marketed production:

	Large Farms £ m	Small Farms £ m	Total £m	% Small %
1964	35.8	24.6	60.4	41
1965	33.3	23.8	57.2	42
1966	36.0	32.7	68.8	48
1967	33.0	34.0	67.0	51
1968	34.7	36.0	70.6	51

In spite of the emergence of the African as an important commercial farmer, the white farmers are still of critical importance to the Kenyan agricultural industry and the general economy because :

(a) they still produce nearly half total output;

(b) they produce nearly all the sisal and wheat and a large proportion of tea and maize (the staple food);

(c) the production of the large-farm sector tends to be more seasonally stable, and therefore of importance for both strategic and economic reasons;

(d) the large-scale farmers continue to be innovators, and are presently pioneering such growth industries as the exports of vegetables by air and of breeding stock;

(e) they continue to have a valuable demonstration effect;

(f) they continue to provide a large demand for labor.

For these reasons it would be to Kenya's advantage to encourage non-Kenyan farmers to continue in production (a) as long as they are productively using their land (see note on settlement under Tab 7) and (b) as long as this policy is politically feasible.

December 22,1969

Land Adjudication and Registration Program

Kenya is in the middle of a major program of land tenure reform designed to give individual farmers title to their land holdings. In many cases this also involves the consolidation of fragments of individual pieces of land into one holding. This program has so far been financed by a large aid program from the U.K. When the agreement expires in the middle of 1970 it is expected that some 7-1/2 million acres will have been registered -- 60 percent in arable areas. The Kenya Government proposes to accelerate the process in the new plan period (1969-74) and hopes to register a further 15 million acres by 1973/74, mainly in predominatly ranching areas in which registration is quicker and cheaper than in arable areas. It is generally assumed that the U.K. will continue to provide assistance for this program.

We have supported this program in the Bank, not only because the registration of land titles provides an acceptable form of collateral for agricultural credit, but also because the program provides a planned basis for the development of agriculture as a whole. We have, however, drawn attention to three particular problems which we feel should be resolved before any acceleration in the program can be encouraged:

(a) any accelerated program will need to be coordinated more closely with the necessary follow-up program of extension and other services;

(b) there is evidence that the machinery for processing applications for land transfer is inadequate and that the land register is already out of date. The capacity of the administrative unit will need to be increased to keep pace with an accelerated rate of registration;

(c) the present program is based on certain norms concerning the minimum acceptable size of holding for a family. With rapid population increases, however, these norms will almost certainly have to be modified, and this problem should be faced before a further phase of the program is mounted.

December 22,1969

7

LAND TRANSFER AND SETTLEMENT

The most important settlement program in Kenya has been the "million acre" scheme which was initiated in 1961 and has settled over 33,000 families on some 1.2 million acres of land previously owned by European farmers. This program received massive assistance in grants and loans from the U.K. Government. There has also been a sizeable program of transferring individual farms to African ownership, either by direct purchase or through the intermediary of the Agricultural Finance Corporation or the Agricultural Development Corporation. The million acre scheme (in which the Bank has an interest through its Land Settlement and Development loan) has been generally successful when assessed from the broad national view, although many problems in implementation have been, and are being, encountered. On the other hand, the transfer to African ownership of large-scale farms has not been very successful, mainly because of the scarcity of farmers with sufficient managerial experience. There is not sufficient extension advice of the right caliber to provide the support necessary, and the farms are often run by indifferent managers on behalf of prominent individuals or groups of people living in the towns. For economic and political reasons, no priority could be given to the continuation of this program in the future, and the Government has now decided that in future farms will be split into smaller units before transferring them to African ownership or lease.

The Government's present attitude is to consolidate existing settlement schemes before embarking on further programs and, apart from an accelerated program of squatter-settlement, there is no major expenditure on settlement proposed in the new 1969-74 Plan. While it is clearly necessary to strengthen the operation of existing settlements, the wisdom of the Government's policy may be doubted. In considering the future role of settlement in Kenya, there are really two basic questions to answer:

(a) Can they ensure the maximum productive use of land now cultivated by the white farmers?

(b) Which type of settlement is appropriate in overcoming population pressures and unemployment?

Since most of the white farmers are British, the Kenya Government has tended to take the view that their future is a problem for Britain to solve. Looking at it from the economy's point of view, however, it is clear that the future use of the valuable land now occupied by whites must be properly planned. In the long run, most, if not all, of this land may be transferred to African use anyway: the key questions are how fast this process willtake place and whether the transfer can be planned to benefit rather than disrupt the economy. Kenya's economy cannot yet afford to encourage white farmers to leave, and many of those still remaining would be content to continue indefinitely, assuming the

present favorable economic and political climate continues, and provided they could be assured of a reasonable market value for their farms when they do eventually wish to go. In the present circumstances, such security can only be offered by a Government-sponsored program of land transfer and settlement.

The role of settlement in easing population pressures is a far harder problem. Settlement, by itself, cannot hope to keep pace with population growth. (By way of illustration, all the families settled under the million acre project represented the equivalent of less than one year's increase in total population.) However, until population planning programs start to bite, a continuing program of settlement could help to alleviate population and employment pressures and could also difuse some of the political pressure which will almost certainly arise if the Government does nothing to transfer more European land to Kenyan occupation. In fact, a further argument in favor of planned settlement is that de facto settlement in the form of squatting will continue at an accelerating rate anyway, as a natural consequence of the increasing pressure of population, and that it would be better if this were planned before the event than after. For these reasons, the recent Economic Mission suggested that serious consideration be given to planning further settlement programs in Kenya.

December 22, 1969

UNEMPLOYMENT AND THE PILOT RURAL DEVELOPMENT SCHEMES

1. Increasing attention has been given in recent years to the problem of growing unemployment in Kenya, and very good progress has been made in defining the structural causes of chronic unemployment. A particularly significant milestone in understanding the nature of unemployment and in starting to find longer-term solutions was the Kericho Conference held towards the end of 1966. This conference, in which both government officials and private persons from Kenya and abroad participated, explored the whole complex relationship between education, employment and rural development. Its conclusions have already had a notable influence on government policy. Progress has been made in modifying the school curriculum to make it more relevant to the needs of the country, while the new development plan provides for a package of policies and measures designed to stimulate growth in employment opportunities. The plan lays particular emphasis on rural development and on the experimental pilot rural development schemes.

2. The Kericho Conference estimated that some 2.3 to 2.5 million people were in full time employment or self-employment in 1966. Of these about 800,000 were estimated to be employees, and the remainder were self-employed small-scale farmers. Hard-core unemployment, on the other hand, was estimated to be at least 200,000, and underemployment the equivalent of 500,000-700,000 manyears per year. In very crude terms, therefore, perhaps 25-30 percent of the labor force is not being utilized, and even this estimate makes no allowance for the low productivity of many of those who are employed or for the largely untapped resources of the female population outside peasant farming. In fact, total wage employment has barely increased since 1960, and it can be assumed that hard-core unemployment will continue to grow in absolute proportions, and probably even in relative proportions, in the future. For this reason, it is clear that the bulk of young people entering the labor market in future will have to be absorbed into the agricultural industry, either as self-employed farmers, as farm employees or in subsidiary occupations servicing the agricultural industry. This employment problem has given particular urgency to the need to accelerate agricultural development. But there has been an increasing awareness that a coordinated approach to rural development as a whole will be required if associated problems such as rural training, rural infrastructural planning and local participation through self-help programs are to be tackled. These aspects of development have been examined in the Annex B of the recent Economic Report.

3. In the search for a solution to the problem, a special rural development program has been prepared by the Government which will take the form of a coordinated development program mounted in a number of representative areas. The foundation of the program will be a concentrated drive to increased agricultural output. It is also intended to identify the potential for an expansion in rural industries, and the program as a whole will provide a framework for the more rational planning of roads, water

What is the trend [illegible] + [illegible]

supplies, education, health and other services. Considerable emphasis will be put on training at the local level, not only to supply the growing range of skills required, but also to tackle the needs of adult education and the training of youth in the perspective provided by the program.

4. The content of the program and the priorities of development will clearly vary from area to area, and with this in mind the 14 pilot areas have been selected to cover a wide sample of ecology, relative development and tribal background. The Government is anxious to evolve methods which can be widely applied throughout the country, and the first six programs now being prepared will be implemented as far as possible by existing staff and finance, and by working through existing institutions. The program is coordinated by a high level National Rural Development Committee, with a small secretariat in the Ministry of Economic Planning and Development. An evaluation unit will be established which will, in collaboration with the Institute for Development Studies at the University College, set up an evaluation program to appraise the results of the pilot schemes and assess the extent to which the successful innovations can be applied to other areas.

December 23, 1969

OFFICE MEMORANDUM

TO: Mr. B. Chadenet

DATE: December 31, 1969

FROM: L. J. C. Evans

SUBJECT: KENYA - Country Program Review: Management of Agricultural Projects

1. I refer to your memorandum of December 19. Two of the questions raised by Mr. McNamara during the country program review pertaining to agriculture were:

a) What are the "rural development schemes"; and what is their performance?

b) What are the shortcomings in appointments in management?

The East African Department is sending direct to Mr. McNamara a brief on the first question, of which I attach a copy. We doubt whether these schemes have yet been thought through conceptually and operationally. I am sending you today a separate reply to the question on regional research which Mr. McNamara also asked. This memo deals specifically only with the management question.

2. Shortcomings in Appointments in Management: Since the beginning of Bank Group lending for agricultural projects in Kenya it is their administration within the government system and their management at project level that have posed the most trying problems; the only exception has been the smallholder tea project (financed under IDA credits 64-KE and 119-KE). In the latter case before IDA came into it, in the second stage, the project had already been planned and got underway with financial and managerial assistance from CDC. Kenya had set up an autonomous authority to run the project and had accepted CDC staff in the key management posts. The Kenya Tea Authority has been well run, and this has been a successful project.

3. The present position of the remaining four active agricultural projects is tabulated below:

Loan/Credit	Date	Project	Management Vacancies
303-KE	4/2/64	Settlement	5 Agricultural Officers, 1 Contract Officer, 1 Marketing Adviser
105-KE (IDA)	5/11/67	Credit	1 Accounting Specialist, 1 Financial Specialist
129-KE (IDA)	9/26/68	Livestock	3 Technical Range Officers; 7 Veterinarians; 1 Civil Engineer; 1 Senior Inspector (Water); 1 Marketing Economist; 1 Range Management Specialist
641-KE	Nov. '69	Forestry	Not yet effective - two of three appointments to be made prior to effectiveness have already been made

4. Settlement

On 303-KE the Closing Date was September 30, 1969, and the undisbursed balance of the loan has been cancelled. Following tripartite discussions with the UK Government and CDC (co-lenders) the Kenya Government and the Bank in London in 1968, the UK Ministry of Overseas Development (ODM) was requested and agreed to fill the seven vacancies with expatriate personnel. ODM's first set of proposals was rejected by the Government of Kenya. No appointments have been made to date and Kenya is waiting for ODM to make new nominations.

5. Credit

For the Credit project (105-KE) four management positions were to be filled within the Agricultural Finance Corporation (AFC) and another six technical positions in the Ministry of Agriculture. Two AFC positions (General Manager and Accounting Specialist) were initially filled but the appointees have since been terminated. With the help of USAID, a replacement for the General Manager has been found who is to take up his post on January 10, 1970. No replacement has yet been nominated for the accounting specialist though USAID is trying to locate a suitable person. The Agricultural Economist position in AFC was filled by secondment from the Ministry of Agriculture more than a year after the signing of the credit. No appointment has been proposed as yet for the financial specialist position. For the six technical officers in the Ministry, four positions have been created in November 1969 but no appointments have been made as yet.

6. Livestock

For the Livestock project (129-KE) three positions (Head of Ranch Mission, AFC; Head of Range Water Division and Head of Livestock Marketing Division, Ministry of Agriculture) had to be and were filled with IDA consent. In addition, five technical range officers were to be appointed within AFC; effectively, two are on the job and three positions remain vacant. The Range Water Mission of the Ministry of Agriculture is to be strengthened by the appointment of a civil engineer and a senior inspector (water). The Ministry failed to obtain sanctioning of these positions in its budget and attempts are now being made to retain expatriates from local contracting firms on a consultancy basis. Four posts were added for the project in the Livestock Marketing Division of the Ministry (2 veterinarians and 2 marketing specialists). One marketing officer and one veterinarian have been appointed. The other two positions remain vacant. Another six veterinarians are required for the Veterinary Services Division of the Ministry but no appointments have so far been made. In the Range Management Division of the Ministry the situation is at present satisfactory, with one senior position filled and the other under active recruitment.

7. Forestry

Management problems on this project have been less than on others. Fewer expatriates are required. Two of the three men have already been appointed and probably our insistence that these appointments be made prior to the date of the credit becoming effective has been responsible.

8. Reasons for Delay

Reasons for delay in filling the above vacancies have included the following:

a) Failure to establish new positions in the budget;

b) Prolonged discussions about job descriptions and terms of reference;

c) Difficulties in locating suitable personnel;

d) Disagreement between Kenya and ODM over suitability of personnel proposed;

e) Reluctance to accept ADS men for management positions;

f) Prolonged search for suitable local personnel;

g) Unsuccessful attempts to obtain expatriate personnel under bilateral assistance;

h) Unwillingness to offer terms and conditions of employment which expatriates will accept.

Behind these specific reasons seem to lie two overriding attitudes on the part of the Kenya authorities since Independence: i) a general reluctance to accept our assessment of management requirements or our requirement that we should approve or at least be consulted about proposed appointments to key positions and ii) the continuing political urge to Africanize senior positions even when suitable Kenyans are not available, which may explain why ADS has been rather unsuccessful in providing management assistance for Bank projects in Kenya.

The present status of our agricultural projects in Kenya would seem to indicate that the administrative and organizational capacity for project implementation is already over-extended in certain areas. Future lending operations will need to take this into account even more than has been the case in the past. Our only remedy may be to be even more demanding in our management covenants by increasingly making appointments to key management positions subject to approval of the Bank group a condition of effectiveness.

Attach.: E. African Department brief
on "rural development schemes"

cc: Mr. El Emary/Mr. Williams
Mr. Lejeune
Mr. Willoughby

WAWapenhans:et

UNEMPLOYMENT AND THE PILOT RURAL DEVELOPMENT SCHEMES

1. Increasing attention has been given in recent years to the problem of growing unemployment in Kenya, and very good progress has been made in defining the structural causes of chronic unemployment. A particularly significant milestone in understanding the nature of unemployment and in starting to find longer-term solutions was the Kericho Conference held towards the end of 1966. This conference, in which both government officials and private persons from Kenya and abroad participated, explored the whole complex relationship between education, employment and rural development. Its conclusions have already had a notable influence on government policy. Progress has been made in modifying the school curriculum to make it more relevant to the needs of the country, while the new development plan provides for a package of policies and measures designed to stimulate growth in employment opportunities. The plan lays particular emphasis on rural development and on the experimental pilot rural development schemes.

2. The Kericho Conference estimated that some 2.3 to 2.5 million people were in full time employment or self-employment in 1966. Of these about 800,000 were estimated to be employees, and the remainder were self-employed small-scale farmers. Hard-core unemployment, on the other hand, was estimated to be at least 200,000, and underemployment the equivalent of 500,000-700,000 manyears per year. In very crude terms, therefore, perhaps 25-30 percent of the labor force is not being utilized, and even this estimate makes no allowance for the low productivity of many of those who are employed or for the largely untapped resources of the female population outside peasant farming. In fact, total wage employment has barely increased since 1960, and it can be assumed that hard-core unemployment will continue to grow in absolute proportions, and probably even in relative proportions, in the future. For this reason, it is clear that the bulk of young people entering the labor market in future will have to be absorbed into the agricultural industry, either as self-employed farmers, as farm employees or in subsidiary occupations servicing the agricultural industry. This employment problem has given particular urgency to the need to accelerate agricultural development. But there has been an increasing awareness that a coordinated approach to rural development as a whole will be required if associated problems such as rural training, rural infrastructural planning and local participation through self-help programs are to be tackled. These aspects of development have been examined in the Annex B of the recent Economic Report.

3. In the search for a solution to the problem, a special rural development program has been prepared by the Government which will take the form of a coordinated development program mounted in a number of representative areas. The foundation of the program will be a concentrated drive to increased agricultural output. It is also intended to identify the potential for an expansion in rural industries, and the program as a whole will provide a framework for the more rational planning of roads, water

supplies, education, health and other services. Considerable emphasis will be put on training at the local level, not only to supply the growing range of skills required, but also to tackle the needs of adult education and the training of youth in the perspective provided by the program.

4. The content of the program and the priorities of development will clearly vary from area to area, and with this in mind the 14 pilot areas have been selected to cover a wide sample of ecology, relative development and tribal background. The Government is anxious to evolve methods which can be widely applied throughout the country, and the first six programs now being prepared will be implemented as far as possible by existing staff and finance, and by working through existing institutions. The program is coordinated by a high level National Rural Development Committee, with a small secretariat in the Ministry of Economic Planning and Development. An evaluation unit will be established which will, in collaboration with the Institute for Development Studies at the University College, set up an evaluation program to appraise the results of the pilot schemes and assess the extent to which the successful innovations can be applied to other areas.

December 23, 1969

6

Kenya Loans and Credits as of November 30, 1969

No.	Year	Purpose	Amounts in US $ million Bank	IDA	Undisbursed	Closing Date
256-KE	1960	Agriculture and Roads	5.6	-	-	Dec. 31, 1963
303-KE	1961	Land Settlement	3.0	-	-	Sept. 30, 1969
64-KE	1964	Tea Development I	-	2.8	.4	Dec. 31, 1970
70-KE	1964	Highways I	-	4.5	-	Mar. 31, 1969
77-KE	1965	Tea Roads	-	3.0	-	Dec. 31, 1969
93-KE	1966	Education	-	7.0	.8	Dec. 31, 1970
104-KE	1967	Agricultural Roads	-	5.3	2.0	Dec. 31, 1969
105-KE	1967	Agricultural Credit	-	3.6	3.3	June 30, 1971
119-KE	1968	Tea Development II	-	2.1	2.1	Dec. 31, 1973
120-KE	1968	Highways II	-	10.7	6.1	June 30, 1971
129-KE	1968	Livestock Development	-	3.6	3.6	Dec. 31, 1973
639-KE*	1969	Highways III	23.5	-	23.5	Dec. 31, 1973
641-KE**	1969	Forest Plantations	2.6	-	2.6	Dec. 31, 1975
		Total (less cancellations)	34.7	42.6		
		of which has been repaid to Bank and others	4.9			
		Total now outstanding	29.8			
		Amount sold 4.3				
		of which has been repaid 4.0	.3			
		Total now held by Bank and IDA	29.5	42.6		
		Total undisbursed	26.1	18.5	44.6	

* Effective December 16, 1967

** Not yet effective

December 22, 1969

KENYA

COMPLETED AND ON-GOING PROJECTS

As of the end of December 1969, thirteen loans and credits totalling $77.3 million (after cancellations) had been signed. One loan with a $2.6 million commitment had not yet become effective (the Forest Plantations Project). Three projects had been fully disbursed and another three had been physically completed as originally designed. Of the remaining six projects, three are well under way (Education I, Tea Planting II and Highways II), one is in its initial stage of implementation (Livestock Project), one has barely become effective (Highways III), while the last one, the Smallholder Agricultural Credit project, is behind schedule. Of the $74.7 million in effective loans and credits, $42.0 million remained undisbursed as of November 30, 1969, including $23.5 million in respect of the Highways III project.

By sector, loans and credits signed up to the end of 1969 are distributed as follows:

	Total Commitments $ million	No. of Projects
Roads	49.5	6
Agriculture	20.8	6*
Education	7.0	1
	77.3	13

* Of which one also included a road component.

Roads

The Bank and IDA through the several road projects have financed trunk, secondary and feeder roads; some are captive roads, serving specific agricultural schemes, such as tea and sugar plantations. Usually, one type of roads is involved in a project, but, for the most recent road project, Highways III, sections were selected from the Government's road development program. Over the years, the Ministry of Works has assumed an increasingly important role in design and execution of road projects, and it is entirely responsible for the roads in settlement areas which are included in the Highways III project.

Execution of road projects has, on the whole, been satisfactory, although progress reporting at times has been slow and incomplete with the effect of hampering loan administration. But road maintenance has not always been adequate. This is due, in part, to organizational problems and lack of equipment, in part also, to unduly heavy traffic. Early in 1969 a bank mission found that roads were being broken up by trucks with axle-loads well in excess

of the ceilings permitted in the traffic ordinance. However, the problem was soon resolved as the Government revoked licences for such trucks, following representations by the Bank. At the present time, the Government is preparing a major effort to improve the organization and operation of its road maintenance administration.

Agriculture

In agriculture, the Bank is supporting greatly different activities of which some are such truly pioneer projects as land settlement, agricultural credit and livestock development. Others support essential schemes started some years ago - tea planting, sugar-cane planting, and, most recently, forest planting. In some of the agricultural projects, Commonwealth Development Corporation (CDC) and Sweden have participated.

The Government is the borrower in all existing projects, but in some cases the proceeds are relent to separate specialized agencies, such as the Kenya Tea Development Authority (KTDA) (tea planting) and the Agricultural Finance Corporation (AFC) (agricultural credit and livestock). Execution of agricultural projects has been and remains of varied quality. The two tea-planting projects have so far benefited from good management, but growers have been severely hit by falling export prices, notably as a result of the sterling devaluation in November 1967. You will have an opportunity of inspecting part of the project during your stop at Kericho.

However, for other agricultural projects implementation has not been easy. In part, this can be attributed to the pioneer nature of the projects, but some recurrent problems can be referred to "limited absorptive capacity", including lack of communication between ministries and other offices concerned.

The land settlement project has been on the Bank's list of problem projects for some years, resulting from a shortage of experienced agricultural development staff, general insufficiency of marketing cooperatives within the settlements and, for the Muhoroni sugar subproject, lacking capacity of the sugar mills to process cane as being harvested. In October last, a balance of $0.9 million, which remained undisbursed after the Closing Date, was cancelled. There had been two earlier cancellations and as many as three postponements of the Closing Date from the original date of June 30, 1965. Of the original $8.4 million loan signed in November 1961 only $3 million was disbursed. A major revision of the loan agreement was agreed with Kenya, the CDC and the United Kingdom or donor and guarantor, in 1964 in an attempt to facilitate execution, but without appreciable results. Although we are no longer disbursing funds, we are still concerned with certain management problems.

The biggest current problem encountered in administration of Kenya projects is presented by the agricultural credit project (Credit No. 105-KE). This project was signed in May 1967, and although the Closing Date is June 30, 1971, yet only $0.3 million has been disbursed of the total $3.6 million credit. The main executing agent is the Agricultural Finance Corporation, but implementation also depends to some extent on certain technical

services to be provided by the Ministry of Agriculture. Cooperation between the AFC and the Ministry of Agriculture has been less than desirable, but some improvement has taken place since the establishment of a coordination committee some months ago.

The weakest point is perhaps management of the AFC itself. Staffing problems have been and remain severe, and allegations of Government intervention in day-to-day operations appear to have some substance. Relations between the Chairman of the Board and the General Manager, who left upon completion of his contract last December, have not been good. It would also appear that the key officials of the Ministries of Finance and Agriculture who both have a say in AFC operations have not been pulling well together. It is, then, not surprising that a highly needed credit specialist provided for in the IDA project left after 2 years' service and that the post for another has not yet been filled. A new General Manager has now been appointed, and is scheduled to take up his duties early January 1970. In addition to staffing problems, he will be faced with serious difficulties in other areas, notably accounting and control. The financial position is also in need of urgent attention; indeed, the entire financial and organizational structure of the AFC is overdue for an overhaul. Although the General Manager can make an important contribution towards improving the present situation, he will need active and positive participation by the Government to be successful.

Government has recently proposed a study to review the whole structure of credit administration in Kenya. We have strongly supported this proposal and have cooperated in drafting the term of reference of the study. From the United States Agency for International Development (USAID) we have now learned that the Government has engaged a team through USAID to undertake part of the proposed study, and we have contacted the Government with a view to avoid duplication.

The administration of agricultural projects has also been adversely affected by prolonged delays on the Government's part in meeting the requirements of loan and credit documents and other established Bank procedures. For example, delays in recruiting staff to manage the Livestock Project led to an unduly long interval between signing and effectiveness of that credit.

Education

In the third and last sector of lending so far, Education, one IDA credit was made in August 1966. Progress of this project has generally been satisfactory.

December 18, 1969

KENYA

I. INVESTMENT FINANCE INSTITUTIONS IN KENYA

1. Kenya has many institutions which provide medium- and long-term financing for investments in industry, agriculture, trade, and other economic sectors. The main ones are:

Industrial and Commercial Development Corporation (ICDC)

2. ICDC was established in 1954 as the Industrial Development Corporation, for the financing of industry. It is a statutory body under the Ministry of Commerce and Industry, and has no share capital. Its name became ICDC after Independence (in 1963), when ICDC was given the task of promoting and financing the "Africanization" of trade as well as industry. In particular, it has been given the responsibility for carrying out the Government's program for the establishment of several industrial estates, the first of which (in Nairobi) is now nearing completion. But it also has an ambitious program for the financing of small rural industries, other new industries of small and mediun sizes, and of African merchants who want either to establish new businesses or take over businesses from owners belonging to the various Asiatic communities (mainly Ismailis and Indians).

3. As of March 31, 1969, ICDC had total assets of K£ 2.5 million ($ 7 million), financed by Government loans of K£ 1.6 million, commercial bank loans of K£ 0.5 million, and loans from U.S. AID and the German Kreditanstalt fuer Wiederaufbau (KfW).

4. ICDC's Chairman is Mr. J. Keragori, Chairman of the Nyasa Provincial Advisory Council. Its chief executive, who has the title of Executive Director, is Mr. J.M. Wanjigi. (Reportedly, he either has relinquished, or soon will relinquish, his position in ICDC to enter politics.)

Development Finance Company of Kenya (DFCK)

5. Established in 1963, DFCK is owned by the ICDC (Kenya Government), the Commonwealth Development Corporation (U.K.), the Deutsche Entwicklungsgesellschaft (Germany), and the Netherlands Overseas Finance Corporation (Netherland), each holding 25%. Its share capital is K£ 2,000,000. Other resources so far have been "income notes", subscribed in equal amounts by the four shareholders. DFCK makes loans to and equity investments in industrial and other enterprises.

6. At the end of 1968, DFCK had made investments and commitments amounting to K£ 2.5 million, of which K£ 2.3 million had been disbursed.

7. DFCK's Chairman is Alderman C.W. Rubia. Its General Manager is Mr. J.B. Morgan, seconded by the Commonwealth Development Corporation. (The former General Manager of DFCK, Mr. C.M. Southall, is now on the Bank's staff, in the DFC Department.).

East African Industrial Promotion Services (IPS).

8. The East African Industrial Promotion Services Group was established in April 1963 by members of the Ismaili community under the leadership of the Aga Khan. A parent company is located in Switzerland. The original intent was to concentrate on financing projects of a regional character. But, when after 18 months no such projects had been forthcoming and, when the Common Market itself seemingly was in jeopardy, the decision was made to switch the focus to smaller projects serving the national markets. Accordingly, three separate corporations were established, one in each country. The direction of all three corporations is centered in Nairobi, which also provides certain common services.

9. IPS-Kenya (IPS-K) has an authorized capital of K£ 300,000, K£ 234,000 of which had been issued and fully paid at June 31, 1968. About 95% of the capital is owned by the Aga Khan. As of June 30, 1968 it had made equity investments in 13 companies, in a total amount disbursed of only K£ 119,000.

10. The Chairman of IPS-K is Mr. A.G. Nanji, and the Managing Director Mr. A.H. Rashid (who is also the Managing Director of the IPS-East Africa Group).

Africindo Industrial Development Corporation (AFRICINDO).

11. This is the smallest of the investment institutions in Kenya, established in 1965 with an authorized share capital of K£ 250,000, of which only about K£ 36,000 had been issued and paid at December 31, 1968. It is owned by a group of Kenyan businessmen of Indian origin. Its aim is to help merchants of Indian origin to move in industry, by providing them financial and technical assistance. So far, AFRICINDO's investments have been almost negligible.

12. AFRICINDO's Managing Director is Mr. Hakhamshi Shah.

Commercial Banks

13. Kenya has a relatively developed banking system. There are eleven commercial banks operating in the country. Three of them (National and Grindlays,

Barclays DCO, and Standard Bank) have 82 out of a total of 94 branch offices, and 87% of total assets. Each of these three banks has an investment subsidiary providing medium term finance.

Other Investment Companies

14. Kenya also has an Agricultural Finance Corporation, a Cooperative Bank, the Fishermen Funds, and other credit schemes administered by marketing boards.

II. PAST DISCUSSIONS ABOUT POSSIBLE BANK ASSISTANCE

15. Discussions concerning Bank Group assistance to development finance companies in Kenya go back to 1962. The principal obstacle to such assistance has been the impossibility of achieving agreement on an institution which would be acceptable, both to the Bank Group and to the Kenyan Government.

(a) The Commonwealth Development Corporation asked IFC to participate in DFCK (as well as in the comparable institutions in Tanzania and Uganda). The IFC would not, because all the partners were governmental in character and because the majority of the shares would be non-Kenyan. Subsequently, the Government would have been interested in IFC participation, but the other partners did not welcome it.

(b) The Aga Khan asked for participation in IPS-K (and in the comparable institutions in Tanzania and Uganda). IFC was privately informed that the Governments would not welcome participation in an institution so closely associated with a minority community; and IFC itself wished a broader-based company with a broader policy and orientation.

(c) The Government wanted assistance for ICDC, but this was a wholly government-owned institution, and not in very good shape.

16. In 1967 there were extensive discussions about the possibility of creating a new, more broadly-based company, in which the existing development finance companies in Kenya might participate, and which the World Bank Group might support. However, after the outline of such a proposal was laid out, it was abandoned because the Aga Khan's group were not enthusiastic, there was reason to believe the DFCK would not be, and the Bank's management concluded that creating one more company in Kenya would not be appropriate. We so informed the Government in April 1968, without, however, foreclosing the possibility of resuming discussion of the proposal in the future.

III. RECENT DEVELOPMENTS: ICDC

17. After the change in the Bank's policy with respect to assistance to government controlled development finance companies, in June 1968, the Government, in January 1969, raised with the Bank the possibility of its lending to ICDC. Preliminary discussions about this were had with the Permanent Mission in Nairobi, and with a mission from the DFC Department in May 1969. We pointed out at that time that, in order to qualify for a loan, ICDC would in all probability have to undergo certain changes: in its financial structure, in its position vis-à-vis the Government (independence of management), and in its internal organization.

18. A "draft" loan application from ICDC was received in October 1969, outlining ICDC's program of activities, involving an overly-ambitious investment program, all of which was to be financed by the Bank (!), to the extent of $ 97 million. A study has now been made of information received with the "draft" loan application. This study indicates a need for basic discussions, before the question of a Bank loan can be discussed, on (a) what the role and future scope of operations of ICDC should be, and (b) how it must be strengthened to enable it to fill its role effectively. A letter to ICDC making these points will be sent shortly.

January 4, 1970
ESekse:cb

11

SEVEN PROJECTS UNDER CONSIDERATION

1. Education II
2. Nairobi Water Supply
3. Kamburu Electric Power
4. Road Maintenance Equipment
5. Nairobi Airport
6. Tourism (Hotel and game lodges)
7. Industrial and Commercial Development Corporation (ICDC)

Education II Project

Negotiations for an IDA credit of $5.9 million are likely to take place January 1970. The project would expand agricultural education at all levels - from farmers' training centers to university courses; it would also expand primary teacher training facilities and improve secondary teacher training. The Government requested that a large component of general secondary education be included in the project, but the appraisal mission felt that the item lacked adequate justification. A recent manpower study estimates that the output of graduates from existing general secondary schools will exceed the demand in the future, but that there will be a shortage of persons with technical secondary schooling, thus supporting the strategy adopted for the proposed project. The Government is under political pressure to take over general secondary schools established by local communities (Harambee schools), but this pressure must be resisted until a consistent development plan for education has been adopted. In connection with the Education II Project, we intend to press for a further reorientation in education towards Kenya's development needs.

December 18, 1969

Nairobi Water Supply Project

An appraisal of this project took place in October/November 1969. The appraisal mission has suggested substantial changes in the project as prepared by consultants, and the authorities concerned have agreed. Nairobi City is likely to be the borrower under a Bank loan of $8.5 million for this project, which should be ready for consideration in the summer of 1970.

December 15, 1969

Kamburu Electric Power Project

This project is scheduled first in a coordinated power development program between Kenya and Uganda. Compared with un-coordinated development, the program has been estimated to save more than $50 million in investment for both countries together. The Bank took the initiative to coordinate the two countries' power programs, and an agreed framework was established by a committee chaired by Lord Hinton of Bankside.

The Kamburu project includes construction of a 50 MW hydro-electric station on the Tana River and of transmission lines to Nairobi. The Government plans to commission the new station in January 1974, and the coordinated program envisages the export of electricity to Uganda until the Murchison Falls project, which is next in the program, has been completed. For some years, Kenya has been importing power from Uganda, and no major investment in transmission lines would be needed.

An application for financing of the project was made in September 1969, and the feasibility report was received in December, An appraisal mission is expected to depart before the end of March 1970.

At the present time, final cost estimates are not available, but the foreign exchange component is expected to amount to about $29 million. Swedish aid authorities have expressed interest in providing $5 million, while the German Government is also interested in participating. The Bank's participation may therefore be reduced to no more than $20 million.

Two companies are directly interested in the project:

1) The Tana River Development Company Ltd., in the hydro-electric station; and the foreign exchange component of which is about $23 million, and

2) The East African Power and Lighting Company Ltd., in the transmission lines, with a foreign exchange component of about $6 million.

The Government is seeking to obtain control of the EAPL and has been buying stock in the company on the market for some months. The motives for this policy are apparently to head off pressures to nationalize and a desire to direct the investment activity of the company, in particular to extend the network of supply to new areas for social as well as economic reasons. A conflict of views between the Government and the two companies exists regarding the financing of the Kamburu project. The companies had made efforts to find the funds required on the London market, but the Government insisted that the Bank be approached.

December 22,1969

Road Maintenance Equipment Project

A loan application is being prepared by the Government with the assistance of the PMEA and management consultants and is under final consideration before transmittal to the Bank. The project would have a very high foreign exchange component (perhaps 95% of total cost), and is included in the lending program for FY 1971 for financing by IDA. The amount of the credit would be in the range of $8 - 11 million. If we have received the application by the end of the year, and there are no snags, we plan to send an appraisal mission in the spring of 1970.

This project would afford us the opportunity to work out with the Government a new organization for road maintenance. At present, local authorities are responsible for maintenance of sections of major secondary arteries running through their respective areas and receive funds from the Central Government for that purpose. Experience shows that, with the exception of the larger municipalities, the local councils have not met these responsibilities, and funds received have in many instances been diverted to other purposes, notably primary education and health services. The entire organizational question was the subject of a study by consultants financed under Loan No. 639 KE. Interim conclusions of the study were that the Central Government should take over maintenance of all secondary roads and that the responsibility of local councils should be confined to minor roads. The final version of the consultants' report is being held up because of disagreement within the Government on a question regarding the line of command from the Engineer-in-Chief to the principal technical officers in the field at Provincial level. The reorganization of the Ministry of Works is a factor basic to the highway maintenance project, and the project cannot move ahead until this issue has been resolved to the satisfaction of the Bank.

December 18, 1969

NAIROBI AIRPORT PROJECT

The Government formally requested Bank assistance for development of Nairobi airport in February 1969. The Bank sent a pre-appraisal mission to Kenya in May 1969. On the basis of the report of this mission, representatives of the Government and the consulting firm agreed to certain changes in approach. During recent conversations, however, it has become clear that the Government was hard pressed to speed up the expansion program. The pressure came from politicians who seem concerned that Kenya might rapidly lose ground to Tanzania in the competition for tourist revenue, in view of Tanzania's decision to build an international airport at Arusha. The Kenya Government has now decided with our approval to undertake so-called "urgent works" with budgetary funds. A possible Bank loan for airport development, principally for a new terminal building project, would be considered at a later stage. The feasibility study for such a project is expected to be ready about August 1970 and might provide a basis for a loan of about $8 million.

If we should consider financing the project, we would expect to be assured that the Government is prepared to make the organizational reforms which the Bank would insist upon, namely the establishment of a separate administration for airports which, at the least, would permit coordinated management and unified accounting of the Nairobi and other airports in Kenya. In this connection, the future development of Mombasa airport carries particular interest; the Government has already sought assistance for a study of Mombasa airport.

December 22, 1969

Tourism Project

We have received a request from the Government to help finance a tourism project in Kenya. The request was clearly prepared in a hurry, and the project as well as the method of financing need thorough consideration before we can proceed to appraisal.

We have replied that some elements in the request, namely, a medium-class hotel in Nairobi, six game lodges in the South, and some additional accommodation at the coast, appear suitable for Bank financing and that feasibility reports for these elements should be prepared. Accordingly, we have entered a Bank loan of $4 million in the lending program for FY 1973.

Tourism is a high priority sector in Kenya's economic development, but in our opinion private capital is likely to cover the bulk of the needs, perhaps in participation with IFL, for construction of tourist accommodation, while the Bank's role would be to provide technical assistance more than capital, except for basic infrastructure (e.g., airport, roads) required for the industry to expand. However, we realize that the Government administration responsible for tourism development needs strengthening and that the Bank could make a particularly valuable contribution over the next few years by assisting in preparing organizational and administrative reforms in connection with a loan operation.

December 18, 1969

INDUSTRIAL AND COMMERCIAL DEVELOPMENT CORPORATION (ICDC)

After a brief visit by a Bank exploratory mission in May 1969 the ICDC submitted, in October 1969, a "draft loan application". The Bank is studying the application. The lending program envisages loans for industrial development in Kenya and her East African neighbors in fiscal years 1972, 1973 and 1974.

The ICDC is a statutory body under authority of the Minister of Commerce and Industry. It serves as an instrument for the Government's policy to Africanize commerce and industry by providing technical advice, loan and equity capital to African enterprises; it enters into joint ventures with foreign investors with the aim of eventual transfer of foreign-owned shares to local people.

Established in 1954, the ICDC has no equity capital. Of its $7.0 million total capital, $4.5 million is provided by Treasury as loans, most of it non-interest bearing; other loans come from German and U.S. Government Agencies, and domestic lenders. Outstanding equity holdings and loans have risen by an average of over $1 million a year since 1966. The draft loan application estimates total disbursements during the five years, 1969-74, at $97 million, of which $34 million ($7 million per year) would be for industrial loans and the remainder for commercial loans. The Bank staff study considers these projections exaggerated and, leaving out commercial loans as being outside Bank interest, suggests that $14 million for a three-year period ($5 million per year) would be a more realistic projection of the capital needed for industrial loans. A Bank loan would not be intended to cover this projected total, since not all ICDC loans for industry necessarily would qualify for Bank financing and the ICDC is unproven as a Bank borrower. An initial loan of $3 - $4 million to be disbursed over a two-year period is a reasonably good possibility. Before determining the size and timing of a possible loan, however, the Bank would probably insist on a major reorganization of ICDC's legal and financial structure as well as its operational capacity.

December 19, 1969

IFC Operations

Kenya Hotel Properties Ltd.

Under two Investment Agreements signed in December 1966 and April 1968, IFC committed approximately $3.2 million to Kenya Hotel Properties Ltd. (KHP). The project was to construct a 200-bed hotel in downtown Nairobi and participate in the financing of Kenya Safari Lodges and Hotels Ltd. (KSLH) which was to build two 100-bed game lodges in Tsavo Game Park and a 200-bed beach hotel near Mombasa. IFC's financing was part of $5.3 million to be raised for KHP. Pan American World Airways, through its subsidiary, Intercontinental Hotels Ltd. (IHC), was KHP's principal sponsor and proved $1.2 million of financing which was 48% of the equity totaling about $2.4 million. The Development Finance Company of Kenya Ltd. (DFCK) provided 23%, IFC 23%, the Kenya Tourist Development Corporation (KTDC) 3% and Barclays Overseas Development Corporation (BODC) 3% of the equity. IFC provided all the original loan funds which amounted to about $2.5 million. In addition, there was a $450,000 overrun commitment shared by IFC, IHC, BODC and KTDC.

KSLH is owned 22% by KHP, 33% by KTDC, 1% by the Kenya Park Trustees and 44% by CDC of the United Kingdom. DEG and DHG of Germany, Government controlled development lending institutions, also own control of DFCK. The estimated capital cost of KSLH was about $2.9 million. In addition to equity of $840,000, loans of $2.0 million were arranged with KHP, KTDC, CDC, DEG and DHG. Management was under contract with Hallways Hotels.

The Nairobi Hotel was inaugurated in May 1969 and required the $450,000 overrun financing. IFC provided an additional $112,500 in the form of a subordinated loan. KHP, which owns the hotel operated under lease by IHC, has obtained IFC consent to use overdrafts of up to about $200,000 to cover completion costs and financial charges until revenue is received under the Lease Agreement. A small profit is expected for the first fiscal year ending December 31, 1969. The Nairobi Hotel was completed within the capital cost estimate plus the overrun financing.

The KSLH game lodges in Tsavo Game Park have been in operation since early 1969 and the beach hotel is expected to be inaugurated in January. For the first fiscal year ending June 30, 1969, an operating loss of about $100,000 was shown. The performance of the Hallway management has been less than satisfactory. Occupancy has been low, due to lack of promotion. Capital costs have exceeded the original budget by about $550,000 and the completion of the facilities has been well behind schedule. Hallways have proposed an expansion of the two existing game lodges and the beach hotel and building a third game lodge in Tsavo Park. KHP have indicated to KSLH that they would like to see profits from existing operations before contemplating an expansion.

IFC
December 17, 1969

KENYA: Panafrican Paper Mills: A net IFC investment of $9.7 million was approved by the Executive Directors December 23, 1969 to help finance a $35 million pulp and paper mill at Broderick Falls. The sponsors are Orient Paper Mills, a member of the Birla Group of India, and the Kenya Government.

Orient, the Kenya Government and IFC have agreed to provide up to $50,000 each to enable the development of the project to proceed while a number of matters still outstanding are resolved. These include:

i) raising an additional $5 million from private sources to complete the project's financing;

ii) firming up the financial commitment of the other institutions that are to join in the financing, and

iii) settling issues with regard to further engineering work, selling prices, operating agreements and the like.

An IFC mission is to visit Kenya in the middle of January to decide with the sponsors the program of work for the final stage of project preparation.

IFC
December 30, 1969

KENYA TEA DEVELOPMENT AUTHORITY (KTDA)

KTDA, a corporate statutory body responsible to the Ministry of Agriculture, was set up in 1964 to administer and promote growing and processing of tea. Its Board has representatives from the Ministry of Agriculture, the Kenya Tea Board and the growers; CDC is also represented for the term of its loans to KTDA. All staff are Kenyans, except the Chief Accountant, who is seconded from CDC.

Smallholder tea growing in Kenya began as a pilot project in the early 1950s. Preparation for large scale planting started ten years later. A first and a second planting program have now been completed, and a third one is under way. Two IDA credits have been made for field work:

Credit 64 KE, $2.8 million, signed August 1964, for the second plan

Credit 119 KE, $2.1 million, signed June 1968, for the third plan

A third IDA Credit (77 KE, $3.0 million, signed June 1965) has provided finance for related tea roads. CDC has financed tea factories, as well as joining with IDA in financing the field work. Germany provided financial assistance for the third plan, as well as for some early tea roads.

The second plan (14,400 acres) was completed almost two years ahead of schedule. Planting under the third plan (35,000 acres) is scheduled for 1969-1973. Disbursements of the third credit cannot, according to the agreements, be made until the first has been exhausted. Since disbursements are based on the total KTDA deficit rather than planting expenditure and the deficit has been less than originally anticipated, a balance of about $600,000 remains undisbursed of credit 64 KE. We have received a request from the Government to make available this balance for upgrading of the roads in the scheme area. These roads have stimulated also other agricultural development in the area so that traffic has risen more than expected. The Government has a program for upgrading under way, and the requested transfer of funds would contribute to finance the continuation of this work.

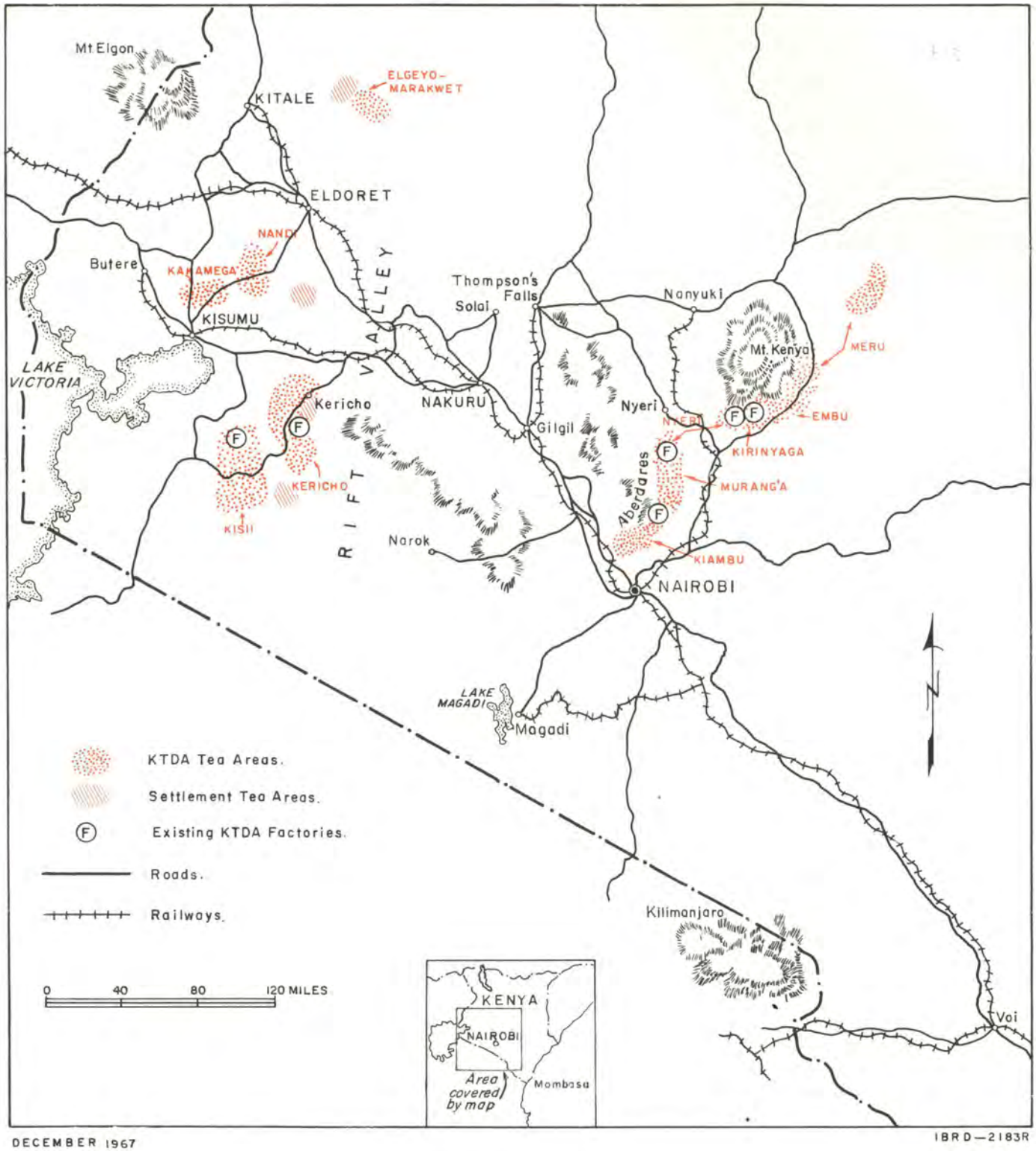
While the KTDA financial position has been rather better than expected at the time the last credit was concluded, tea growers have been hit be the steep fall in export prices, particularly as a result of the sterling devaluation in November 1967. To lessen the disappointment of the growers KTDA has requested the approval of CDC and IDA to a reduction of one cent in the present cess of 18 cents per pound on green leaf tea with with effect from July 1, 1970, thus passing on to the growers a part of the KTDA savings. IDA is now considering with the CDC its reply to the request.

For information on General Manager, F. I. Moreithi, see Biographies.

December 19, 1969

KENYA

SMALLHOLDER TEA GROWING AREAS



DECEMBER 1967

IBRD—2183R

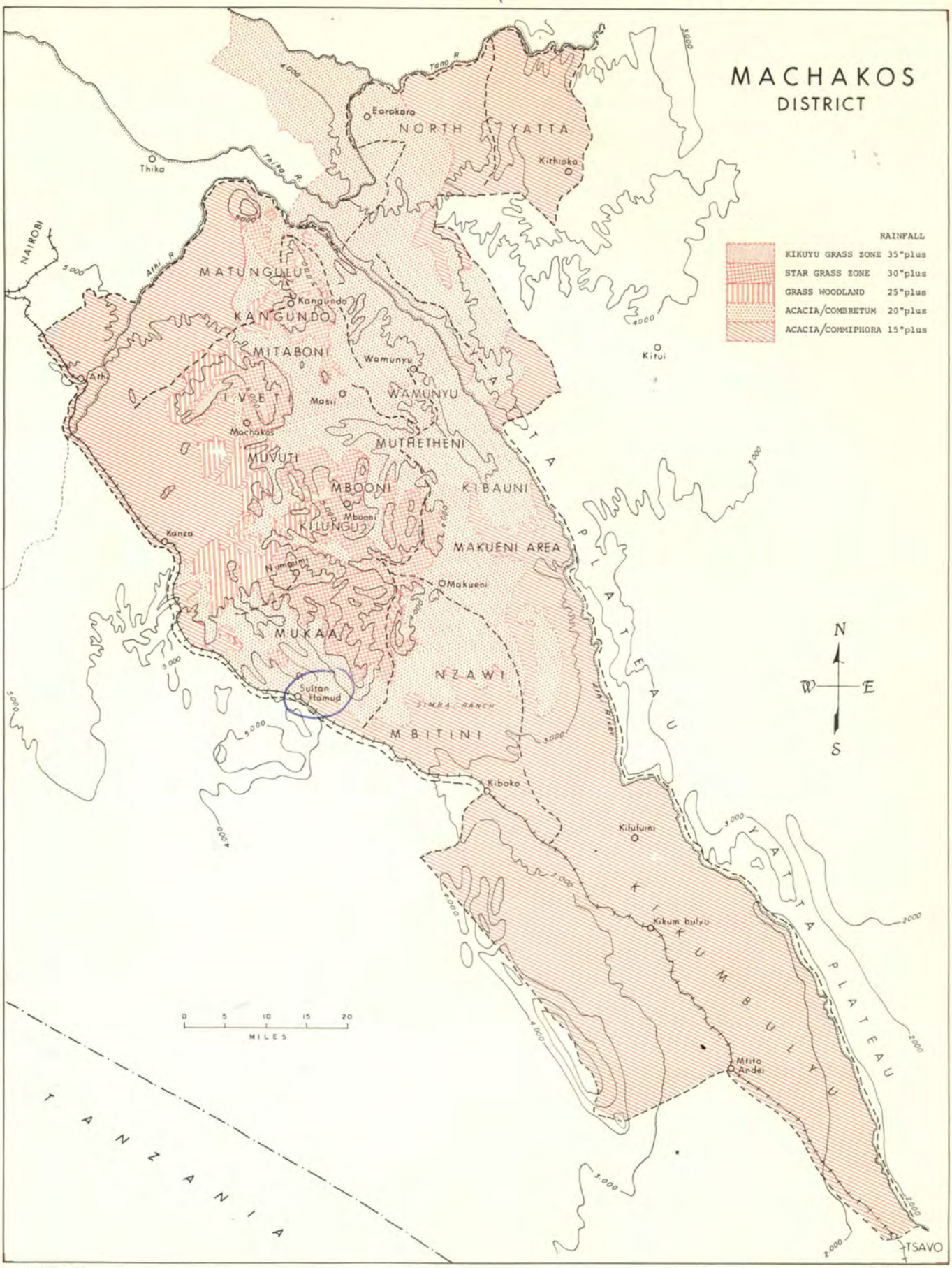
15

Poka Group Ranch, located five minutes drive from the airstrip at Sultan Hamud, was established in 1966, about the time the IDA livestock project (No. 129-KE) was being prepared. The ranch has already served as a pilot project for Government lending of United States Agency for International Development (USAID) funds, through the Agricultural Finance Corporation (AFC), and was selected as one of the first beneficiaries of the IDA credit. The ranch covers 26,000 acres and will have 2,600 head of cattle at full capacity, which it is approaching. It is owned by a group of 37 Masai families who live and entirely depend on the ranch. Meat sales provide cash income and blood and milk the staple Masai diet also become available. Lending to group ranches is hampered by a delay in the issue of title to the land. Delineation of the Poka ranch has been completed, but the Government insists that, as a condition for issuing the title to the group of 37 families, use of the land between members of the group is settled, and that game cropping rights in the area are clarified.

You will be accompanied by Sidney Meadows (see Biographies).

December 18, 1969

Kenya - Livestock



MARCH 1966

IBRD-1662R1

16

UNIVERSITY COLLEGE

The University College, Nairobi, is one of the three constituent colleges of the University of East Africa, the others being Makerere College in Uganda and the University College in Dar es Salaam. Student enrollment has increased from 2,700 in 1965 to 6,500 now. In sympathy with the trend towards a greater emphasis on science and technology in Kenyan education, the high proportion of Arts students is expected to drop in the future. An Education credit due to be negotiated early in 1970 will provide for the establishment of a new Faculty of Agriculture.

For information on the Principal, Dr. Arthur T. Porter, see Biographies.

December 19, 1969

17

NEWSPAPERS IN KENYA

Since Independence, the press has enjoyed a wide degree of freedom in Kenya. To some extent this freedom may have reflected the fact that the press has been generally pro-Government and has been restrained in its criticisms of Government's policies or actions. Recently, the two leading newspapers have been intimidated by actual and threatened deportations when their reporting displeased the Government.

Kenya has three daily newspapers. The East African Standard has the largest circulation (over 40,000) and is published in English. While sympathetic to the Government, the paper was originally published mainly for consumption by the resident European population, and still displays vestiges of its Anglo-Saxon origin. The editor is Eric Marsden, an Englishman. A deportation order was recently issued against him, because, it was said, his paper was giving too much prominence to allegations concerning tribal oathings after the murder of Tom Mboya. The order was subsequently rescinded, so he is still editor. It is rumored that Lonhro, the big industrial and mining empire operating extensively in Africa, has recently bought a substantial interest in East African Standard (Newspapers) Ltd.

Daily Nation has a circulation of roughly 21,000, and is published in English. It too is generally pro-Government. Until September 1969, the editor was Michael Chester, a Briton. A deportation order was issued against him for the same reason as the order against Marsden. Chester left the country, but we do not know whether he has subsequently returned. Daily Nation is published by East African Newspapers (Nation Series) Ltd., which is said to have close links, perhaps even common ownership, with the publisher of the East African Standard.

Taifa Leo (which literally means "Nation Daily") is published in Swahili, and has a circulation of about 20,000. It is said to have very close editorial links with Daily Nation. Our contact there has been with Mr. Rodrigues, a Kenyan editor of Asian origin. This is an important daily, also pro-Government, which is widely circulated in the Swahili-speaking areas of East Africa.

December 22, 1969

18

KENYA NATIONAL FARMERS' UNION

Established in 1948 largely as a union for large-scale European farmers. Since Independence, it has been anxious to change its image as an all European pressure group. In this it has had some success, attracting a fair proportion of new large-scale African farmers and African co-operative societies into its membership. Early this year the Kenya African Farmers Union decided to dissolve and advised its members to join the KNFU. In spite of the KNFU's efforts to expand its coverage, however, it still has limited membership among the mass of small-scale African farmers.

Its leading personality in recent years has been J.H. Feingold, who, as chairman for the past three years, has been active in furthering the interests of the whole farming community. The new President is Mr. P.N. Sifuma.

December 19, 1969

19

Jomo Kenyatta, President of The Republic of Kenya, was born in 1893 in the highlands near Nairobi. As a young man, he distinguished himself as a proponent for return of land which white settlers had taken away from his Kikuyu people, and went on a mission to London in 1929 to present the case to the British Government. Two years later he went to London again, this time to study anthropology at the London School of Economics. He remained in Europe for 15 years, traveled extensively, staying for a time in the Soviet Union. In 1938, he published a detailed study of the Kikuyu, entitled "Facing Mount Kenya".

After his return to Kenya in 1946, he soon became so powerful among the Africans that the white settlers demanded his deportation. In 1952-53 he was fined, convicted, and imprisoned, allegedly for "managing" the Mau Mau rebellion. Released in 1959, he was banished to a remote village. After much agitation by people in Kenya - supported by progressive forces in Britain - he was freed in 1961, accepted the presidency of the Kenya African National Union (KANU) which had been formed by his political supporters, and was elected to the legislative council. When Kenya was granted independence in December 1963 he became the first Prime Minister, and upon the declaration of the Republic a year later, he became President. He has skillfully and successfully led Kenya through the initial years as an independent state, keeping tribal differences and leftist challengers in check, generally without resort to undemocratic means. Recently, a few weeks prior to Kenya's second parliamentary elections in December 1969, the Government banned the only opposition party and arrested its more prominent leaders.

Although the President no longer takes active part in formulating Government policy in detail, he continues to enjoy tremendous popular support. There appears to be no alternative candidate of the same stature and general acceptability as the President, much less one who could keep the country unified. He was nominated as candidate for President and was elected unopposed.

Mr. Kenyatta is affectionately known to his people as "Mzee", grand old man.

December 22, 1969

Daniel T. Arap Moi became Vice-President of Kenya in 1967. Since that time he has considerably increased his political stature and expanded his popular base in Kenya, and he is expected to be a prominent contender to succeed President Kenyatta. Formerly a leader of the opposition KADU (Kenya African Democratic Union) Party, which was wound up in 1964, Mr. Moi is reported to get along well with most politicians within the ruling KANU (Kenya African National Union) Party, of which he is now a member. He is, however, from a minority tribe (the Tugens), a fact which would count heavily against him in any struggle for power with the majority Kikuyu.

Mr. Moi has a reputation for firmness and moderation. He has been extremely tough in dealing with opponents of the Government and notably with Mr. Oginga Odinga, his arch-opponent and predecessor in the Vice-Presidency. He is fiercely anti-Communist, as evidenced by his attitude towards the Eastern European and Chinese Embassies in Nairobi.

Mr. Moi, who was born in 1924, was in the teaching profession before being elected to the Kenya Legislative Council in 1955. He was Minister of Education for a brief period in 1962 and his interest in education continues; he is a member of the Board of Governors of a girls' high school. Mr. Moi left the Ministry of Education to become Minister of Local Government in 1962. Following his election to the House of Representatives in 1963, he became Shadow Minister of Agriculture and First President of the Rift Valley Region. After KADU was dissolved in 1964 he was made Minister for Home Affairs, a position he still holds.

Mr. Moi has deputized for President Kenyatta at various Summit Conferences in Africa. He has travelled widely and has visited Ethiopia, Formosa, Germany, Greece, India, Japan, Lebanon, the United Arab Republic and the United Kingdom as well as the United States.

December 19, 1969.

By cable received December 22, we have been informed of the following appointments to the new Cabinet:

Mwai KIBAKI, Minister of Finance

He was Minister for Commerce and Industry in the last Cabinet. A Kikuyu, born 1931. Studied at Makerere College, Uganda, and the London School of Economics; holds degrees of B.A. and B. Sc. Lectured at Makerere College 1959-60. Became a national executive officer of KANU in 1961, appointed to the Central Legislative Assembly in 1962, was elected to House of Representatives in 1963 and became Parliamentary Secretary to the Ministry of Finance.

Bruce MCKENZIE, Minister of Agriculture and Animal Husbandry, the same as held in the last Cabinet. He headed the Kenya Delegation to the last Annual Meeting of Governors, and is well known to the Bank. The Honorable Bruce McKenzie was born 1919 in Durban, South Africa. He had an Agricultural College education and after serving in the South African Air Force during 1939-45, he took up farming in Kenya in 1946. He was a member of the Kenya Legislative Council from 1957 to 1963 and held the posts of Minister for Agriculture, Animal Husbandry and Water Resources, 1959-60, and Minister for Land Settlement and Water Development, 1962-63. He was elected to the House of Representatives as a member of the KANU party in 1963 and has held the post of Minister for Agriculture and Animal Husbandry since then. He is the only white member of the Kenya cabinet.

ONYANKA, Minister for Economic Planning, a former University lecturer. No more information about him in the Bank.

J.C. OSOGO, Minister of Commerce and Industry, earlier Minister of Information and Broadcasting (since 1966); born 1922 of Luhya parents, a teacher by profession, no known education abroad; became Parliamentary Secretary to the Ministry of Agriculture and Animal Husbandry in 1963, and Assistant Minister of Agriculture in 1964.

December 23, 1969

KENYA: Additional Biographies of Economic Ministers

J. H. ANGAINE, Minister for Lands and Settlement, remains in the Cabinet post he has held since 1963. His political career started in 1961 when elected to the Legislative Council. A Kikuyu, born in 1908, he has some background in accounting, but farming is his main activity outside politics. He has no known education abroad.

James NYAMWEYA, Minister of Public Works, formerly Minister of Power and Communications, since January 1968. A leading member of KANU, he has held a number of prominent Government positions including Parliamentary Secretary to Ministry of Justice and Constitutional Affairs (1963-67), then Assistant Minister to the President, and thereafter, Minister of State in charge of Foreign Affairs (1967). He belongs to the Kisii tribe, was born 1927, studied law in the U.K., and had been a teacher and practicing lawyer before his election to the House of Representatives in 1963.

Ronald G. NGALA, Minister for Power and Communications. He was appointed Minister of Cooperatives and Social Services in May 1966, a post he is believed to have held until the present appointment. He was elected to the Legislative Council in 1958 and was Minister of Labor, Social Security and Adult Education, and later Minister for Education and Minister of State for Constitutional Affairs, in pre-independence Governments. He formed and became President of the Kenya African Democratic Union (see note on Political Parties, Tab. 4). As such, he was leader of the Opposition against Kenyatta's Government during the first couple of years after Independence. He has also been Chairman of the Maize Marketing Board. Born on the coast in 1923, he was educated as a teacher in local schools and at Makerere College in Uganda.

Odongo OMAMO, Minister of Natural Resources, was formerly Principal of Egerton College (Agricultural). He is a graduate of Pakistan, Indian and US universities.

J. L. M. SHAKO, Minister for Tourism and Wildlife, former Chairman of East African Harbours Corporation (See brief on that Corporation).

T. arap TOWETT, Minister of Education, is a veteran politician despite his 38 years of age. He sat on the colonial-era Legislative Council and has also earlier led the Ministry of Education. He was elected in 1963 as a member of KADU (see note on Political Parties Tab 4). He has studied in England and South Africa, has roots in the cooperative movement, is interested in poetry and social work.

December 31, 1969

KENYA CABINET, JUNIOR MINISTERS AND PERMANENT SECRETARIES
December 1969

Ministry	Minister	Previously	Permanent Secty.	Previously	Junior Ministers
President's Office	-	-	G. Kariithi	Unchanged	Kamwithi Munyi
Office of Vice-President and Home Affairs	Daniel arap Moi (Vice-President)	Unchanged	G. S. K. Boit	Co-ops. and Social Service	Robert Matono Martin Shikuku
Foreign Affairs (New Ministry)	Dr. Njoroge Mungai	Defense	D. Mlamba	Agriculture	Burudi Nabwera
Defense	James Samuel Girchuru	Finance	T. Ramtu	Local Govt.	J. Njeru
Finance	Mwai Kibaki	Commerce and Industry	John Michuki	Unchanged	S. M. Bulala S. K. Choge
Planning and Development	Dr. Zakariah Onyanka	Lecturer at University	J. M. Mureithi	Defense	A. S. Khalif
Commerce and Industry	J. Osogo	Information	J. Kibe	Unchanged	Babu Wood Z. M. Anyieni
Agriculture	Bruce McKenzie (nominated member)	Unchanged	Philip Ndegwa	Planning	Maina Wanjigi J. W. Khaoya
Natural Resources	Odongo Omano*	Former principal of Egerton Agricultural College	Z. Ojal	Unchanged	A. Ochweda S. M. Kioko
Education	Taita arap Towett	Government minister before independence	P. J. Gachathi	Information	P. N. Mbai C. Rubia

*elected to seat previously held by Oginga Odinga

Tab 19 (at end)

Power and Communications	Ronald G. Ngala	Co-ops. and Social Services	P. Shiyukah	Unchanged	H. J. Onamu D. C. N. Moss
Works	James Nyamweya	Power and Communications	J. Olvoch	Housing	J. Keen D. N. Kuguru
Tourism and Wild Life	J. M. L. Shako	One-time chairman of Harbors Corporation and Ambassador to Bonn	A. P. Achieng	Unchanged	Jan Mohammed J. M. Kariuki
Co-ops and Social Services	Masinde Muliro	Government minister before independence			K. Cherono L. Ngureti
Local Government	J. G. Kiano	Education	A. J. Omanga	Vice-Pres.	N. Munoko
Labour	Eliud Mwenda	Unchanged	T. Mbathi		F. Kubai P. Kibisu
Lands and Settlement	Jackson Angaine	Unchanged	J. arap Koitie	Unchanged	J. Gachago S. M. Amin
Housing	Paul J. Ngei	Unchanged	A. Abutti		E. K. Bomett E. E. Khasakhala
Information and Broadcasting	Jeremiah Nyagah	Natural Resources	J. K. Njoroge	Education	Z. Kase O. Makone
Health	Isaac Okero	Former Commissioner-General of Customs and Excises	J. M. Kyalo		M. Jahazi S. Oloitipitip
Minister of State	Mbiyu Koinage	Unchanged			
Attorney-General	Charles Njonjo	Unchanged (ex-officio)			
Speaker of the National Assembly	Frederick Mati	Takes over from Humphrey Slade			

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1356 : GOVERNMENT -- LIST :
NAIROBI, DEC. 22, REUTER -- FULL MINISTERS IN THE NEW KENYA GOVERNMENT ANNOUNCED BY PRESIDENT JOMO KENYATTA TODAY ARE:

VICE-PRESIDENT	:	MR. DANIEL ARAP MOI (HOME AFFAIRS).
MINISTER FOR DEFENCE	:	MR. JAMES GICHURU.
FOREIGN AFFAIRS	:	DR. NJOROGE MUNGAI.
AGRICULTURE	:	MR. BRUCE MCKENZIE.
MINISTER OF STATE	:	MR. MBIYU KOINANGE.
LOCAL GOVERNMENT	:	DR. J. G. KIANO.
LABOUR	:	MR. E. N. MWENDWA.
HOUSING	:	MR. P. J. NGEI.
ATTORNEY GENERAL	:	MR. CHARLES NJONJO.
WORKS	:	MR. JAMES NYAMWEYA.
INFORMATION AND BROADCASTING	:	MR. J. J. M. NYAGAH.
POWER AND COMMUNICATIONS	:	MR. R. G. NGALA.
COMMERCE AND INDUSTRY	:	MR. JAMES OSOGO.
CO-OPERATIVES AND SOCIAL SERVICES	:	MR. M. MULIRO (NEW).
EDUCATION	:	MR. TAITA ARAP TOWETT (NEW).
ECONOMIC PLANNING AND DEVELOPMENT	:	DR. Z. ONYOKA (NEW).
TOURISM AND WILDLIFE	:	MR. J. L. M. SHAKO (NEW).
HEALTH	:	MR. ISAAC OMOLO OKERO (NEW).
NATURAL RESOURCES	:	MR. ODONGO OMAMO (NEW).
LANDS AND SETTLEMENT	:	MR. J. M. ANGAINE.

REUTER JDB/HTA.

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OTHER PROMINENT PERSONALITIES: BIOGRAPHIES

1. Reverend Andrew HAKE, a well-known and respected public commentator on social and economic questions, came to Kenya in 1957 as industrial advisor to the Christian Council. He was a KANU member of Nairobi City Council from 1961 to 1963, when he became Chairman of the Wages Council for the Tailoring, Garment Making and Associated Trades, a position he apparently still holds. He was born in the U.K. and educated at Trinity College, Cambridge and Wells Theological College.

2. Dr. Louis S.B. LEAKEY, won worldwide fame in 1959 for the discovery he and his wife made of the zinjanthropus, the fossil remains of an erect, small-boned and small-brained creature who might have lived as long ago as 1.75 million years, although Dr. Leakey now thinks this estimate is exaggerated. The discovery was made in the Olduvai Gorge in Tanzania, and an instructive display of a replica can be examined in a Nairobi museum. Dr. Leakey was born in Kabete, Kenya, in 1903. His Ph.D. is from Cambridge 1929, and he has been awarded honorary doctor degrees from Oxford (1958), California (1963), and the University of East Africa (1965). He has been on several archeological expeditions in East Africa. Since 1962, he is Honorary Director of the National Museum Centre for Prehistory and Paleontology in Nairobi.

3. Isaac LUGONZO has been Mayor of Nairobi for some years. Of the Abuluya tribe, he is considered among the most prominent non-Kikuyu in the Nairobi area. With some hesitation, he accepted about a year ago the Chairmanship of the Nairobi Chapter of KANU, but he does not intend to pursue a political career. Before Mayor, he was Deputy Mayor and Councillor of Nairobi City Council. In his mid-40's, he has no known higher education. In 1946, he joined the East African Power and Lighting Company Ltd. (EAPL) in a position not known, and became General Manager on June 1, 1969. He is a devoted fan of soccer ("football" in the local language), is authorized as international referee and has held (and possibly still holds) posts as President of the Football Association of Kenya and as Chairman of Kenya National Football League.

As Mayor of Nairobi City, Mr. Lugonzo represents the potential borrower for the Nairobi Water Supply Project, and as General Manager of EAPL he is directly interested, even as a possible borrower, in the Kamburu hydroelectric power project.

4. Sidney MEADOWS will accompany you to the Poka ranch. He is Head of the Range Management Division of the Ministry of Agriculture and Animal Husbandry, and ex officio Chairman of the Ranch Livestock Authority which has coordinating responsibility for implementation of the IDA Livestock project (No. 129 KE). Mr. Meadows, a United Kingdom citizen in his early 40's, came to Kenya after World War II as an officer in the Ministry of Agriculture. At independence he retired from the Colonial Service and is on contract with the Kenya Government with support from U.K. under OSAS. Mr. Meadows, who speaks Swahili, is considered highly knowledgeable on livestock matters in general and the Project in particular.

5. F. Isaac MOREITHI became General Manager of the Kenya Tea Development Authority in October 1968, after having served as Assistant General Manager for 2-3 years. He has also been working on East African common services problems. He was in person largely responsible for preparing the Second Tea Development Project which is financed under IDA Credit No. 119 KE, and did a very good job. He has a degree from the Canadian University and his wife is from Canada. Of the Kikuyu tribe, in his early 30's, Mr. Moreithi is knowledgeable, articulate and easy to get on with.

6. Philip OCHIENG is a journalist and widely read columnist. A Kikuyu in his 30's, he writes regularly in the weekly Sunday Nation on current issues. His interest is focused on treatment of minorities in Kenya, continued domination of foreign interests in Kenya's economy, and the growing economic inequalities in the country. His articles are well reasoned and provoke a heavy letter response from readers.

7. Mrs. Grace ONYANGO, Mayor of Kisumu since 1965, won reportedly a "resounding victory" in the December elections for Parliament. A Luo, the assasinated Economic Planning Minister Tom Mboya's tribe and the source of strength of the banned opposition party (KPU), she is politically close to the arrested KPU leader, Oginga Odinga. Nevertheless, she has been on the Kisumu Municipal Council as a KANU representative since 1963. She is a teacher, and has played an active role in Kisumu Municipal Education Commission since 1964, and is participating in the YWCA and welfare organizations for children and women prisoners. She has been to East Germany and Bulgaria as participant in seminars on local government and public health, respectively.

8. Dr. Arthur T. PORTER, Principal of University College, Nairobi, was born in Sierra Leone in 1924. He was educated in Sierra Leone and obtained a B.A. Degree (Durham University, England) at Fourah Bay College. He holds other degrees in history from Cambridge University, a post-graduate certificate in education from London University and a Ph.D. from Boston University. Before taking over the Nairobi position he was Vice-Principal at Fourah Bay from 1960-64. The University of East Africa will break up on expiration of the present agreement in 1970, and each of the constituent colleges will be established as an autonomous university.

9. Charles RUBIA, Alderman in Nairobi City Council and former Mayor (about 1963-67). He is a successful businessman with high ambitions in politics. Of the Kikuyu tribe, he has for some years been Secretary of Nairobi Branch of KANU. Reportedly, he has rejected the offer of an ambassadorial appointment in order to promote his political aspirations. An intelligent and forceful speaker, he is gaining influence. One of his principal fields of interest has been low and medium-cost city housing, and slum clearance. He has participated in the U.S. Government program of leadership exchange.

10. Humphrey SLADE until recently Speaker of the House of Representatives. Born in England in 1905; educated at Eton and Oxford. Trained as lawyer and went to Kenya in 1930. From 1939-41 he was Deputy Judge Advocate General, East Africa. Became member of Legislative Council in 1958 and appointed as its Speaker in 1960. Humphrey Slade, who is also a farmer, was identified with the Colonial regime and was not active in further African political advancement. He has changed his views with the times, however, and has won respect from all sides for his impartial steering of Kenya's first period of independent parliamentary democracy.

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Salient Issues

1. Shortage of Project Managers has hampered and still hampers execution of certain Bank Group projects (Agricultural Credit, Land Settlement and, earlier, Livestock Development. (see "Completed and Ongoing Projects," Tab No. 10). Civil service pay ceilings deter expatriates from accepting positions, even though qualified Kenyans may not be available. Topping-up arrangement by the United Kingdom has proved useful; similar agreements have more recently been signed with Canada and Sweden. (see paragraph 55 of CPP, Tab No. 13).

2. Counterparts have not been appointed for many expatriates in Civil Service and Government agency posts. The Government should make a new effort to make use of the presence of these outside experts to train Kenyans on the job. (see paragraph 55 of CPP, Tab No. 13).

3. Manpower and Education. The lack of skilled manpower remains one of Kenya's major constraints at the same time as there is a growing number of unemployed literates. This apparent paradox is big and due to the liberal arts education system inherited from the colonial era. Through our proposed second education project, we shall help the Government in shifting the emphasis in education to agricultural, technical and vocational training. (see paragraph 8 of CPP, Tab No. 13).

4. Population Growth, at about 3% per year, appears to warrant greater Government attention than at present. (see paragraphs 13 and 51 of CPP, Tab No. 13).

5. Unemployment. The Government recognizes the seriousness of the chronic unemployment problem and is tackling it both through its development programs and in the pilot rural development schemes (see Tab No. 8). We will wish to explore with the Government whether the Bank can assist, either through its lending program or through technical assistance, in creating more employment opportunities. (see paragraph 14 of CPP, Tab No. 13).

6. Shortage of projects in dry farming hampers Bank Group initiative in the immediate future. Action should be taken to intensify identification and preparation. The PMEA will be engaged in this effort, and we will stress the importance of this point also to members of the Consultative Group. (see paragraphs 43 and 56 of CPP, Tab No. 13).

7. Agricultural Research. We have emphasized the need for an accelerated program of both technical and market research in Kenya, designed to improve productivity and promote new crops and new export markets. Their own research agencies could be improved given more reserves and better organization, but considerable external assistance is required. We shall discuss the problem at the Consultative Group meeting in February. The Bank may also become involved -- possibly on a regional basis. (see paragraph 21 of CPP, Tab No. 13).

8. Agricultural Credit. One of the major constraints to agricultural development is the absence of any machinery to disseminate credit to the mass of small-scale African farmers. Present machinery is inefficient and covers only a minority of producers. We have welcomed a suggestion by the Government for a comprehensive study of credit in Kenya and have prepared terms of reference in cooperation with the Government. It would appear that the Government, independently, has engaged a USAID team to undertake a similar study, and we are seeking clarification from the Government before proceeding further. (see "Completed and Ongoing Projects," Tab No. 10; and paragraph 42 of CPP).

9. Rural Development. The emphasis in the new 1969-74 Development Plan is on rural development, and the Bank will be anxious to identify ways in which we can assist. Apart from agricultural projects and rural infrastructure, we are planning to assist in a later stage of their special rural development schemes which are at present at an early experiment stage. (see paragraphs 22 and 44 of CPP, Tab No. 13; and note under Tab No. 8).

10. Irrigation. We have received an advance warning from Minister Mackenzie of a possible request for Bank participation in a major irrigation scheme in Kenya -- which is being pushed for largely political reasons. We have made only a nominal provision for irrigation in our lending program because we consider that dry farming has a higher priority. A priori, the economic justification of a major irrigation scheme in Kenya is poor because (a) there are no suitable export crops presently available for such a large project and (b) larger benefits could almost certainly be obtained from similar investments in other sectors. (see paragraph 45 of CPP, Tab No. 13).

11. Tourism Administration needs considerable strengthening to meet Bank standards for agencies executing projects. (see project note, Tab No. 11).

12. Industrial and Commercial Development Corporation needs a thorough financial and administrative reform before qualifying as a Bank borrower. (see project note, Tab No. 11).

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