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CASE STUDY OF RURAL INDUSTRIALIZATION IN
KAKAMEGA DISTRICT, KENYA^{1/}

by

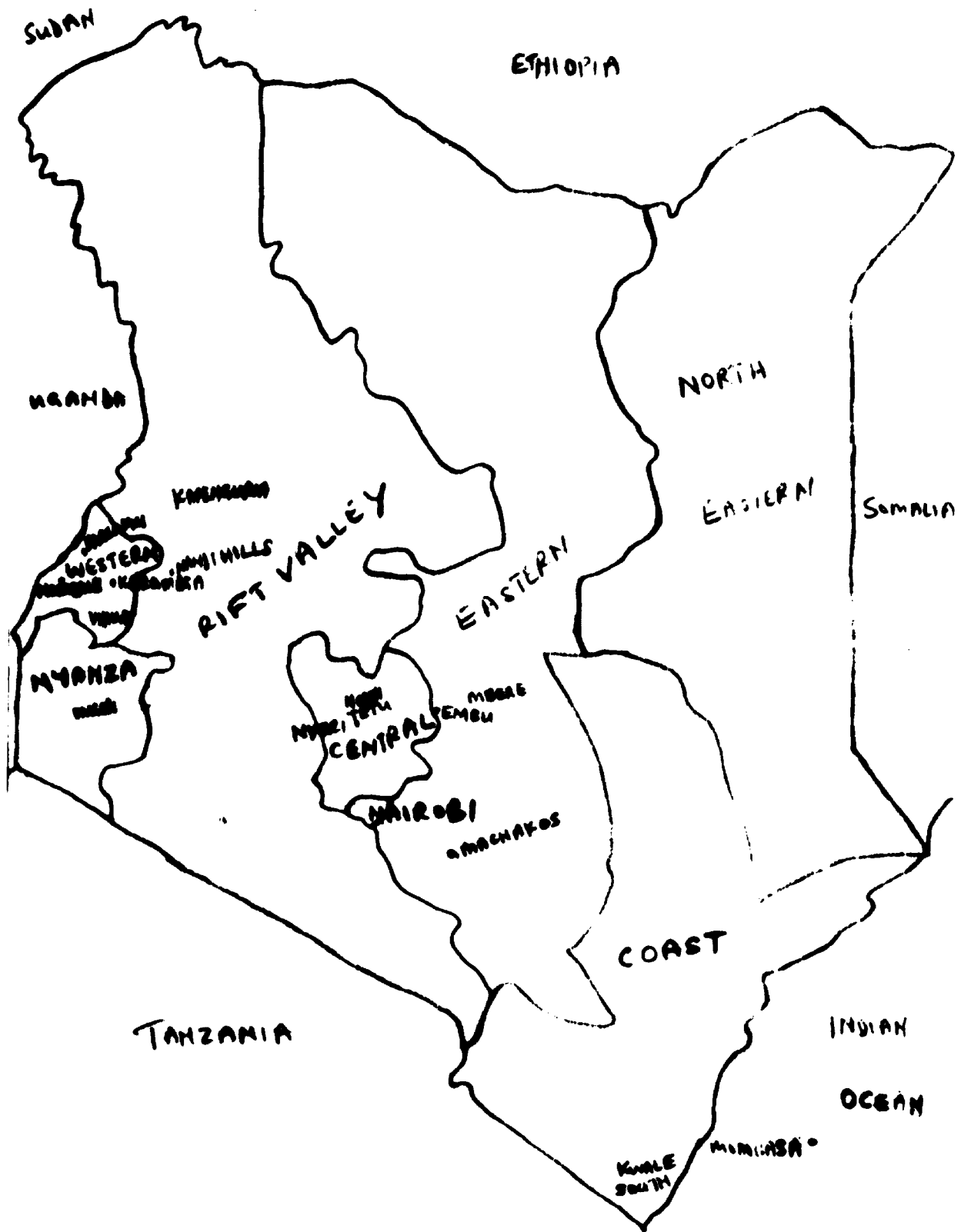
F.L. Saluja*

* Industrial Credit Consultant, Kenya Industrial Estates Limited.

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MAP OF KENYA SHOWING THE PROVINCES AND SOME OF THE AREAS MENTIONED IN THE PAPER



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PREFACE

During the middle of June 1977, the writer was asked by the International Centre for Industrial Studies of the United Nations Industrial Development Organisation (UNIDO) to undertake the case study of Kakamega centre, so as to examine the operation of the industrialisation programme as a part of integrated rural development. The hypothesis of UNIDO was that in rural areas if industrialization forms a part of rural development, only then can it be self sustaining and self perpetuating. This automatically means optimum utilization of local resources, both human and material, exploiting local and neighbouring markets and providing forward and backward linkages to other rural activities.

2. In the beginning some time was spent in getting in-depth knowledge of Kenya Government's policies and strategies regarding rural industrialization and rural development in general by going through some of the official publications such as the different Development Plans, the publications of different organs of United Nations such as I.L.O. and World Bank's country studies and the research papers prepared by the University of Nairobi on Special Rural Development Programme (SRDP) and rural industrialization.

3. As mentioned, SRDP had been started in 1970 on a pilot basis in 6 selected areas, including Vihiga division of Kakamega district. At the same time Rural Industrial Development Centres (RIDC) had been started in 1972 in the country on a pilot basis at four places, including Kakamega. Thus the district had the advantage of testing SRDP and RIDC at more or less the same time. S.R.D.P. ended during early part of 1977. But its major programmes are expected to be implemented in all districts through District Planning. Among the areas, where SRDP and RIDP were tried, Kakamega appeared to be a typical centre and reasons for its selection for this case study have been given in this paper.

4. The factual information was supplemented with field investigations carried out in the district for a few days. Advantage was also taken of the discussions held with the district officials, like the District Commissioner and the R.I.D.C. Manager. At the headquarters, discussions were also held with the General Manager, Deputy General Manager and the Project Economist of Kenya Industrial Estates Limited which has the overall charge of R.I.D.C.s. The writer wishes to acknowledge thanks to all those who gave him the benefit of their views.

SUMMARY OF THE PAPER

Measures taken in rural areas of Kenya prior to the introduction of Special Rural Development Programme (SRDP) and Rural Industrial Development Programme (RIDP) in 1970-71 related to the provision of financial assistance to needy enterprises and training facilities for persons, particularly the artisan class. The initiation of SRDP in 1970 and RIDP in 1971 as pilot projects were meant to determine the best means through which accelerated overall rural development could be achieved. SRDP placed emphasis on schemes to improve the agricultural and the natural resource sector's productivity. RIDP could take advantage of improved productivity and encourage industries based on local resources and demand. SRDP and RIDP were thus complementary schemes, helping in achieving rural development at a faster rate. To lend RIDP content of industrial activities, the two Reports by M/S. Maxwell Stamp Associates & Intermediate Technology Development Group and Kenya Industrial Estates were of special significance. Rural Industrial Development Centres (RIDC) were the tools through which the strategy of RIDP could be applied in practice.

To start with RIDCs were established at 4 places viz. Nyeri, Embu, Machakos and Kakamega during early 1972. Kakamega district like majority of districts lies outside the influence of metropolitan cities like Nairobi and Mombasa. Yet the district's vicinities have six large scale industries, producing Sugar, Cotton Textiles and paper. Moreover being highly potential, the district grows both food and cash crops offering scope for industries processing agricultural produce and servicing agriculture. Yet the bulk of population of the district has relatively low incomes. It was therefore felt that RIDC Kakamega could make a definite impact on its economy. Being located in the Western Province of Kenya, Kakamega could also take advantage of border trade existing between Kenya and Uganda. Lastly, Vihiga division of Kakamega district had been selected as one of the pilot areas for SRDP. These were the principal considerations underlying the selection of Kakamega for this case study.

II. The Kakamega district had a population of 783,000 as per census 1969. It had a working force of about 361,600 out of which about 95% were engaged in agricultural pursuits, the rest finding gainful employment in public administration, agriculture and forestry, manufacturing industries including the informal sector.

On account of lack of opportunities of employment in the area, a number of educated elite of Kakamega have been known to be migrating to Nairobi and Mombasa in search of jobs. The total land area for agricultural purposes is 352,000 hectares and with an average rainfall of 857.5 mm., most of the area is highly potential. But the district has an average of a little more than 0.45 hectares of arable land per person as compared to 0.5 hectares for Kenya as a whole. As such, the pressure on agricultural land is becoming more as the population increases. During 1969, the principal crops of the area were maize, sugar cane, tea and oil seeds like sun-flower, groundnuts, simsim and soya beans. The Kenya Government was proposing to set up a sugar factory and negotiations about terms of management of this proposed venture were in progress with M/S. Bookers Agricultural Company U.K. The Kakamega township was well served by economic facilities such as power, water and means of communication and transport. The industrial structure of the township was however not very impressive. There was no large scale or medium scale factory within the town or district. The only industries that existed in the township were small scale garages, saw mills, furniture making, bakery, sheet metal goods making, a few tailors and other complementary skills. The area seemed to have scope for development of such industries as starch from maize, dehydration of vegetables, semi tanning of hides and skins, steel tubular furniture, bicycle parts and sheet metal goods of better quality.

III. The basic strategy of RIDP was to enlarge employment opportunities in the rural areas, to raise incomes and living standards of rural communities; diversification of rural occupations; and elimination of regional economic imbalances. The RIDCs which were set up as a tool of R.I.D.P. are concerned with provision of extension services and financial assistance. It is expected that by the end of 1977, 8 RIDCs would be in operation in Kenya.

It needs to be mentioned that the activities of the first 4 RIDCs were not confined to individual districts; in fact they looked after the interests of the entire province in which they were located. On the other hand, SRDPs covered small sections of the district. The two programmes, therefore did not cover the same area. Twenty five schemes launched in SRDP Vihiga (one of the divisions of Kakamega) were closely connected with different aspects of agriculture. They were instrumental in raising the agricultural productivity of the SRDP area.

It has further been noticed that the area under maize, sugar cane, oil seeds and tea in the district has gone up substantially. Simultaneously the production of hides and skins has also increased.

The activities of Kakamega RIDC have been fairly impressive. Apart from 129 clients who have called on the Centre for getting some type of extension service, the Centre has been able to encourage one 'open pan System' of small white sugar plant, based on Indian technology. With a crushing capacity of 80 tons of sugar cane per day in two shifts, the plant is expected to produce 1830 tons of sugar in one year which together with by-products should be worth about Shs.6.34 million. It provides employment to about 130 persons. Apart from this unit, the RIDC has been able to promote 12 units, out of which 9 are within the Industrial Promotion Area (constructed in the back-yard of R.I.D.C.) in Kakamega Municipality. These units produce such items as chicken feed, steel door and window frames, wooden furniture and pottery products. These units employ simple techniques of production and have on the whole been allotted to suitable entrepreneurs, having necessary skills, training or experience of the line. Though the R.I.D.C. has provided loans for machines to 18 units, including most of these units, some of them face difficulties of working capital. It is hoped that when the modified 'Bulk Purchase Scheme' under which the management of RIDC purchases raw materials on the request of needy entrepreneurs and releases them in dribbles comes into operation, the working capital problems would be to some extent be mitigated.

A large scale project which has made a great impact on the economy of the area and has supplemented the efforts of RIDC is the state sponsored project 'Mumias Sugar Company Limited.' With an installed capacity of 70,000 tons of sugar, the factory during 1976 produced more than 61,000 tons. It provides regular employment to 3,300 persons. In view of good demand prospects of sugar, the factory has decided to expand its capacity from 70,000 tons to 180,000 tons by 1984.

IV. The impact of SRDP Vihiga is apparent in that a number of roads have been built in the area; safe water through 12 water schemes has been supplied; and health services have been improved. Since Vihiga is only a division of the district, its infrastructural progress could not possibly influence the industrial development of the district as a whole.

It however appears that the improved agricultural productivity and facilities created in Vihiga division could be harnessed in the future for its industrial development. Further, since the important programmes of SRDP will now be applied to all the districts of the country through District Planning, R.I.D.P. will take full advantage of increases in agricultural productivity and facilities that would be created.

For the five years that the RIDC Kakamega has been in operation, the small white sugar plant and the 9 new units in Kakamega Municipality have been able to provide about 180 new jobs. Again fresh incomes have been created which could be measured by 'Value added by manufacture' in these ten units. This has been estimated at about Shs.4.492 million in one year. Though it is difficult to measure the impact of the programme on rural-urban migration, it is noticed that the number of manufacturing and servicing enterprises in Kakamega Municipality has gone up from 39 in 1972 to 102 in 1976. Since RIDC has been responsible in initiating some of these activities, it is evident that the programme has offered opportunities of gainful employment in the area.

Apart from mobilising man and material resources for the establishment of above-mentioned industries, the programme has contributed to the provision of some of the basic human needs. The 'Need-based development', the latest slogan of the World Bank and I.L.O. which is intended to satisfy the basic human needs of the population can be said to find application in areas served by R.I.D.C.s. The Kenya Government's Fourth Development Plan's main theme is 'alleviation of poverty.' Since most of Kenya's population lives in the rural areas, accelerated rural development is crucial both for alleviating poverty and satisfying basic human needs. In setting up small sugar plant and chicken feed unit, the programme is definitely fostering linkage between agriculture and industry. This linkage will grow further when a few potential projects like maize meal and dehydrated vegetables are established.

V. The Government of Kenya has not yet evolved a machinery for licensing capacities. This has resulted in concentration of even simple industries in urban areas. Moreover a number of large scale units in the country are either themselves producing components and parts required by them or are importing them from overseas. Through a system of licensing (if it is introduced), the Government could regulate the location of industries.

At the same time it could insert a clause that the manufacture of specified parts and components would be farmed out to small scale units.

In order to enable small manufacturers in rural areas and sub-urban areas to take advantage of Provincial Administration's effective demand, the Government should consider the advisability of transferring tenders of simple items such as wooden furniture and school stationery from the Central Tender Board to the District Tender Boards. It would be more economical to manufacture bulky items locally and in the process a good deal of transportation costs would be avoided. At the same time, the County/Urban Councils should pass a resolution to the effect that in matters of their purchases, they would give preference to local manufacturers if they have the ability to make such products or render such services.

The small scale factories with their limited resources cannot look after the agronomy side of their resource-based projects. It is therefore essential that the state should intervene and do advance planning to ensure timely supplies of raw materials. The desirability of application of 'Minimum Package Approach' as suggested by the World Bank should be considered by the Government.

Even though highly profitable opportunities do exist in commercial undertakings and Service Sectors in urban areas, for serious and more sophisticated entrepreneurs, industry remains the most attractive field to invest funds.

Some of the roads in the district cannot sustain heavy traffic which passes on them. Therefore there is a need to improve the more important sections of such roads. Similarly, the necessity of linking Kakamega township to the rest of the country through an extended railway line from Butere cannot be over-emphasised.

With the exception of Kakamega township, Mumias Sugar Company Limited and villages lying along the Kisumu-Kakamega road, the rest of the district is not served with electricity. This no doubt inhibits the exploitation of industrial potential and deters people, especially the artisans from adopting better methods of production. Again except Kakamega township and Vihiga division, most of the district, though having permanent rivers, has no well-organised water supply system. Therefore water supply for people and industrial needs leaves much to be desired.

The district also lacks in institutional facilities. There is a need for commercial banks, like the Kenya Commercial Bank to open branches at important Centres like Mumias to mobilise available monetary resources. Similarly other facilities like good hotels, housing and recreational facilities are eminently lacking in the district.

It is thus apparent that both physical and infrastructure and institutional facilities need to be improved considerably to increase the mobility of labour and goods within the district to ensure smooth running of existing and potential projects.

VI. The strategy of the programme should aim at increasing employment opportunities, raising incomes and standard of living of rural areas. This strategy could be transformed into a reality by embarking on rural industrial development programme backed by an integrated development of other related sectors such as agriculture and other natural resource sectors on the one hand and developing physical and institutional infrastructure on the other. At the same time steps should be taken to involve the people themselves in the programme either as entrepreneurs, suppliers of raw materials or consumers. In case of lack of response from local entrepreneurs, the state should start a few industrial units on its own and sell them to the entrepreneurs, once they start yielding profits. The involvement of local people in the process is the most important single factor ensuring success of such a programme.

The governments of developing countries should evolve a licensing system under which capacities should be issued for particular locations in rural areas. At the same time, in view of limited resources, the governments should draw up a time table to provide physical and institutional facilities in these areas, keeping in view the local, regional and national considerations.

In order to secure the employment generating aspect of the programme, it is essential to set up an 'Appropriate Technology' Unit at the national level. This unit should develop such products with which the people are familiar and also develop labour-intensive methods of production.

In order to attract private entrepreneurs to start industries in the rural areas, such incentives like the provision of social overheads and an investment allowance on initial fixed capital investment, available only in the first year have been recommended. The small scale and cottage industries in the rural areas in addition should be given 100% loan on machinery and equipment. At the same time, the state should stand guarantee for a part of the working capital given as loan by the banking institutions.

To implement this programme, there should be a Rural Business Promotion Agency at the Central level. This Committee should consist of experts from Ministry of Economic Planning and other development ministries and institutions. This Committee should be concerned with coordinating efforts at promoting large scale industries at different rural locations. To execute the decisions of this agency, there should be Provincial/Divisional Coordinators. Under the Coordinators, there should be Rural Industrial Development Planning Agency on the one hand and a Committee of Representatives of different provincial departments concerned with development on the other. The former will identify the potential projects for different locations in the province, suggest rationalization of existing industries and pin-point the areas of short-falls, to which the relevant department in the Committee of Representatives will attend to. At the lowest ladder should be the Rural Industrial Development Centres which will be concerned with actual implementation of small industries programme.

It is suggested that the monitoring of the programme should be carried out both from within and on the national level on the one hand and should be compared with similar experiences at the international scene on the other.

VII. Further research should be carried out in the following fields:-

- 1) Could the Cooperative Movement (Harambee spirit) in Kenya be utilized effectively for industrial development?

- ii) Whether it is desirable to have the same organization responsible for implementing the Modern Scale Industry Development Programme in urban areas and the Rural Industrial Development Programme?
- iii) How to attract entrepreneurs from towns to rural areas for implementation of rural projects?
- iv) Which is the more suitable organisation for monitoring the evaluation of the programme, a local institution like the University or a Government department?

I N T R O D U C T I O N

A HISTORICAL BACKGROUND

Trade Development Joint Loan Boards

The Rural Industrial Development Programme (R.I.D.P.) in its present form in Kenya traces its origin to the year 1956-7, when Trade Development Joint Loan Boards were set up in each District for advancing loans upto Shs.10,000 for working capital to individual commercial and industrial enterprises. This scheme has since continued. Originally it used to be operated from funds contributed jointly by local authorities and the Central Government on an equal basis. However, in due course of time, on account of limited resources of local authorities, the scheme has come to be financed entirely by the Central Government. To start with only commercial enterprises were eligible for loan assistance. Later, the scheme came to be applied to small industries, generally local in character. Such industries are bakeries, sheet metal goods, steel doors and window frames, wood working, saw mills, shoes, leather tanning, etc. The normal yearly loan disbursed under this scheme per district varies considerably, depending on the allocation for the purpose on the one hand and the status of districts, as regards industrial and commercial activities on the other. The loan is administered by a local committee with District Commissioner as the Chairman and District Trade (Development) Officer as the Secretary. Apart from helping the local traders in filling the loan applications and keeping a watch on the utilization of loans, the District Trade (Development) Officer arranges short term management courses for the traders, where book-keeping, price fixation, cost accounting, etc. are taught.

1.2. However, this measure did not go far enough. The problems facing the industrial sector in Kenya as a whole, prior to Independence could be analysed as follows:-

- i) More or less complete control of commerce and industry except the craft rural industry by minority expatriate classes, leading to lack of opportunities for Africans.
- ii) Lack of confidence and trust in the Africans by the financial institutions such as commercial banks, denying financial accommodation to even enterprising Africans.
- iii) Inexperience among Africans in the management practices and lack of necessary skills.

Small Industry Loans Scheme of I.C.D.C.

1.3. Although the Industrial & Commercial Development Corporation (I.C.D.C.) then known as Industrial Development Corporation, as a statutory body of the Ministry of Commerce & Industry became operative in 1954, no definite steps had been taken by the Colonial Government to correct the situation. However, in 1961-62, the American Government advanced a loan of one million shillings, a non interest bearing fund to be used in assisting small enterprises on a revolving fund basis.

1.4. Immediately after independence it was realised in Government circles that small industries could serve as an effective instrument for implementation of their socio-political and economic policies. Small Industries, for example, were considered one of the desirable means for achieving diffusion of ownership of the means of production and providing investment opportunities to the African Community with limited capital. These could thus assist in creating and activating latent entrepreneurship among Africans, thereby helping the process of integration of Africans into the industrial fabric of the economy.

Apart from creating large employment opportunities, small scale industries offered a method of ensuring a more equitable distribution of national income as also preserving a healthy balance between the rates of economic growth in the rural and urban areas on the one hand and as between the different regions of the country on the other. More important than these social considerations were the economic considerations necessitating production on small scale basis. Catering to the limited market, small scale industries with appropriate technology and lesser overhead expenses could utilize optimum capacity and might produce goods at comparable or even lesser cost per unit of out-put.

1.5. Thinking on such lines led to augmenting the funds of I.C.D.C. by Government grants and loans for administering the Small Industrial Loans Scheme in the rural areas.

1.6. Under the Small Industrial Loans Scheme, loans are provided for short periods for working capital and long periods for purchase of machinery and equipment. This loan is given at an interest rate of 10% and the periodicity of loan can be upto 8 years. However, these terms and conditions are generally flexible. The type of small scale industries financed by the I.C.D.C. are maize milling, saw milling, joinery and wooden furniture, sheet metal goods, shoe making and tanning, dry cleaning, automobile servicing and repair, ready made garments, etc. Starting from a loan of Shs.160,760 given in 1961-62, it reached an impressive figure of KShs.1,816,000 in 1968-69 and KShs.10,937,420 in 1973-74. It may be mentioned that only applications for individual loans of amounts above Shs.10,000 are considered.

1.7. Despite this seemingly impressive effort and drive by the Kenya Government, the industrial development was still concentrated in a few urban areas like Nairobi, Mombasa, Nakuru, Kisumu and Eldoret, with more or less complete exclusion of other less favourably placed areas of the country. In addition, the industrial sector of the country continued to be dominated by expatriate firms. It was thus natural that if the Small Industrial Loans Scheme had to make any impact, a programme of rural industrialization based on a net work of carefully chosen rural industrial centres had to be launched. This meant that I.C.D.C. had to assume more developmental and promotional functions, besides acting as a development bank. This was the philosophy which led to the creation of Kenya Industrial Estates Limited a body which has been entrusted with the establishment of industrial estates in different urban areas of the country, like Nairobi, Nakuru, Kisumu, Mombasa and Eldoret.

Village Polytechnics

1.8. The above schemes namely the Trade Development Joint Loan Boards and the Small Industrial Loans Scheme of the I.C.D.C. emphasized more on the fiscal side of the small industrial projects, apart from arranging short-term management courses. Skill formation or upgrading in the case of rural artisans was completely ignored. To meet this dire need, a self-help project known as Village Polytechnics took shape in the country. This movement now also known as the 'Youth Development' under the Ministry of Housing and Social Services, was launched in 1967 by the National Christian Council of Kenya. Village Polytechnics aim at imparting training among primary school leavers and improving their skills, thereby enabling them to look for worthwhile occupations in the rural areas, where they live. The movement was launched as a pilot project so as to help local churches and communities to set up village polytechnic centres in their respective areas.

The local management committees decide on the type of training facilities to be created in their areas. The most common courses offered at present are carpentry, masonry, tailoring, domestic science, typing, tinsmithy, plumbing and leather work. The duration of the courses varies from 6 months to 2 years. During the second year, trainees are encouraged to form co-operatives and get some contractual work from the local authorities. The money so earned goes partly to finance Village Polytechnics and partly to purchase tools for the trainees when they leave the Centres. Another source of finance is the annual fee per trainee which averages Shs.250 per annum. With a few exceptions, all managers and instructors are Kenyans. Their experience lies in teaching or craft or both.

Special Rural Development Programme (S.R.D.P.)

1.9. In 1966, political leaders, policy makers, professors and researchers from the University of Nairobi and Social leaders met at Kericho to evolve a programme for the development of rural areas of Kenya. This ultimately assumed the shape of what came to be known as 'Special Rural Development Programme' (S.R.D.P.). Officially launched in 1970, S.R.D.P. was designed to evolve an effective strategy for bringing about rural development in Kenya. In pursuit of this goal six areas were chosen to represent different, yet typical human and environment characteristics of Kenya. These were South Kwale in Kwale district in the Coast Province, Mbere in Embu district in Eastern Province, North Tetu in Nyeri district in Central Province, Kapenguria in West Pokot district in Rift Valley Province, Migori-Kihana in South Nyanza district in Nyanza Province and Vihiga in Kakamega district in Western Province. This programme was intended to concentrate on different integrated rural projects and later by means of research and evaluation to ascertain its replicability in other parts of the country.

1.10. The basic aims of the programme was to maximise agricultural output.

The programme was to involve co-ordination of schemes of many departments. For example the grower should have precise information about improved agricultural practices; seed, fertilizers and plant protection must be timely and adequate for small growers; roads, water supply and marketing arrangements must be adequate for proposed increase in output; some mechanisation might be needed; and the programme of agricultural and marketing information must be designed in support. Thus the programme involved an integration of agricultural improvement, credit, extension services, roads, water supplies, health and education. Each pilot area was assigned to an Area Co-ordinator, who coordinated the activities of district ministerial departments. The S.R.D.P. came to an end during the early part of 1977.

1.11 Valuable lessons have been learnt and it has been decided that planning should start from District level. The district is thus intended to become the basic operation unit for planning. When all districts are able to prepare their own plans, the national plan will be based on these programmes. The role of Provincial Development Committees will be confined to the provision of professional guidance to the District Committees, setting up inter-district priorities and helping in the elaboration of projects which involve more than one district.

1.12. As said earlier, S.R.D.P. laid stress on accelerated agricultural development in the 6 selected areas. But any co-ordinated approach should have taken into account the importance of non-agricultural sector of the economy not only for creating new employment opportunities and raising incomes of the non-farming class but also for providing the farmers with better tools and implements with which to perform agricultural operations. One of the basic weaknesses of the S.R.D.P. was that the selected centres were typically small rural areas and, therefore, the infrastructure and resources could not warrant the establishment of any small scale industries. All that was possible was that a few servicing industries could be set up.

1.13. The identification and initial promotion of rural industries and the promotion of African entrepreneurs were ignored by S.R.D.P. It was however felt that this important part of the package deal for any area could make a significant contribution to development of any rural area in the country.

Maxwell Stamp Associates & I.T.D.G. Report

1.14. Sensing this weakness of the S.R.D.P., the Ministry of Commerce & Industry, Government of Kenya asked M/S. Maxwell, Stamp Associates and M/S. Intermediate Technology Development Group to undertake the study on the 'Scope of Development of Cottage Industries based on Sisal, Wood, Metal working and Leather' in Kenya. The results of the study were known before publication of the Development Plan 1970-74 and some of the findings were incorporated in the published final version. The principal finding of the Maxwell Stamp/Intermediate Technology Development Group Report was:-

'The team supports the concept of rural development centres whose main objective would be the establishment of Kenyans in small industries in the rural areas. The functions of each individual centre would depend on the economic and social character of the area to be served. These centres would have to have an assured source of finance, for which they should be accountable to one Ministry. Locally, there should be advisory and guiding bodies. As a first step, we recommend that a pilot centre be started as soon as possible.'

1.15. The Development Plan 1970-74 referred to this Report in paragraph 10.72.

'The Government has just received a report by a consulting firm on the "Development of Cottage Industries based on sisal wood and metal working and leather." The relevant Ministries and departments are examining the recommendations included in this report, which concludes that there is scope for improved design in furniture manufacturing in the rural areas and also for instruction in the use of simple mechanical aids such as Universal Wood-working machines. The report also suggests that there is potential for establishing manufacturing in the rural areas and small towns of the following products:- wheel barrows, simple household equipment, beehives, blacksmithing in combination with agricultural machinery repair, agricultural hand tools and boat building, tanning and leather products and handicrafts. The Government has provided a sum of K£.284,000* for the creation of rural industrial centres during the new plan, over and above K£.52,000* for small scale and cottage industries and loans issued through I.C.D.C. from the Small Industrial Loans Fund."

Techno-Economic Survey Report of Kenya Industrial Estates Limited

1.16. Thus the seeds of establishing rural industrial development centres were sown by the Maxwell Stamp/ITDG report and the Development Plan 1970-74. In pursuance of this declared policy to develop rural areas and to give concrete shape to these ideas, the Ministry of Commerce & Industry in April 1970 requested the Kenya Industrial Estates Limited through the Industrial and Commercial Development Corporation to carry out a quick techno-economic survey of 12 selected centres viz. Machakos, Embu, Meru, Karatina, Kakamega, Busia, Kisii, Homa Bay, Kericho, Garissa, Voi (Taita Taveta) and Malindi and evaluate their industrial prospects.

* one K£. = Shs. 20.

Obviously, industrial prospects meant the assessment of scope for expansion and rationalization of existing industries and introduction of new ones. The Ministry did not limit the scope of new industries as regards type and size, which could be suggested at these centres. In fact all types of viable industries, small, medium and large; manufacturing or servicing; and hand operated or mechanized could be suggested provided some or all such considerations as local resources, both human and material, consumption patterns of the areas, demand within the area and country as a whole and export possibilities justified their encouragement. The field work was immediately started and report was submitted to the Government by the end of July 1970.

1.17. Based on local resources and empirical study of the pattern of consumption of different centres, the following industries were suggested:-

Wire nails; barbed wire; sheet metal goods; washing soap; tyre retreading; furniture and joinery; printing presses; starch; dehydration of vegetables; semi-tanning of hides and skins; sheet tubular furniture; repair and servicing of vehicles; dry cleaning; bakeries; armature rewinding; concrete blocks; slaughter houses; cum-meat processing; ready made garments and uniforms; honey refining; coir yarn and coir matting; manufacture and repair of boats; small salt refining plant; etc.

R.I.D.P. and R.I.D.C.s

1.18. With the publication of Kenya Industrial Estates Limited report in July 1970, Rural Industrial Development Programme (R.I.D.P.) was finally adopted as the Kenya Government's strategy for rural industrial development and the implementation of this programme was vested in the Kenya Industrial Estates Limited, a wholly owned subsidiary of Industrial & Commercial Development Corporation. To start with, the programme was initiated at three centres viz. Machakos, Nyeri and Kakamega as pilot centres. Embu was later added to the list of pilot centres.

Strategy

1.19. The key strategy in Kenya's development since 1970 has been to direct an increasing share of the total resources available to the nation towards the rural areas. This strategy has been adopted by the Government to bring about accelerated development in the rural areas. It is believed that through development of the rural areas in Kenya a balanced economic development could be achieved. Development of rural areas is also meant to create necessary growth of employment opportunities to make people in these areas participate fully in the development process, without migrating unnecessarily to big towns where most of them will add to the number of unemployed people. It is also hoped that by developing rural areas, money will circulate more in these areas to create even greater impetus for economic development and social changes in these areas. R.I.D.P. is one of the number of schemes which the Government has initiated in order to ensure accelerated development and to uplift welfare of people living in the rural areas.

Objectives of R.I.D.P.

1.20. The basic objectives of R.I.D.P. is to contribute to rural development and promotion of people's welfare by providing opportunities for developing small scale industries. Another objective is to create more jobs by encouraging labour intensive activities in these areas. The R.I.D.C.s are an instrument through which the objectives of R.I.D.P. are proposed to be achieved.

Activities of R.I.D.C.s

1.21. Apart from giving technical and managerial assistance to existing and future Kenyan rural entrepreneurs, the Centres provide financial assistance and technical service facilities. Each of the Centre is equipped with wood working machinery, general mechanics machinery and sheet metal goods making machinery. The entrepreneur, by means of these machinery can get on-the job training to operate a particular technology. The staff at the Centres identify and prepare pre-feasibility studies and feasibility studies for new rural industries. They thus have all the necessary ingredients for making a project successful.

1.22. What started as a pilot project proved a success and has now been adopted for application to the entire country. As on 30th June, 1977, the Rural Industrial Development Centres are operating at Nyeri, Machakos, Kakamega, Embu, Kisii, Voi and Malindi. Plans are quite advanced for setting up such centres at Homa Bay and Kericho. It is intended that at least 23 R.I.D.C.s should be built up by 1978.

Partnership for Productivity (P.F.P.)

1.23. It may be worthwhile alluding to another movement, known as 'Partnership for Productivity' (P.F.P.) which aims at combining the advantages of skill formation and up-grading on the one hand and extension of credit facilities on the other. Largely, financed by P.F.P. foundation, U.S.A., P.F.P. Kenya was started at Kaimosi in Western Province in 1971. The principal objective of this organization is to encourage and assist rural productive enterprises, owned by Kenya Citizens of African Origin.

It helps individual units by managerial and technical advice and grants short-term loans under Rural Market Loan Scheme. So far, it has assisted a number of units engaged in cloth printing, ready made garments and uniforms, bakeries, motor repair and servicing, women's knitting co-operative, etc. It collaborates with National Christian Council of Kenya in the establishment of new rural cottage industries. A 'bicycle brigade' comprising of accountant graduates from Kaimosi Friends College works as field consultants to existing and new rural enterprises. This brigade has assumed the role of Rural Enterprise Extension Service. It may however be mentioned that the activities of P.F.P. Kenya have been confined only to Western Kenya.

B. Considerations underlying the selection of Kakamega R.I.D.C. for case study

1.24. Kakamega like the majority of districts lies outside the influence of metropolitan cities like Nairobi and Mombasa. Unlike Machakos which is at a distance of 40 miles from Nairobi, Kakamega is not less than 250 miles through the shortest route from Nairobi. Mombasa being a port town on the Indian Ocean lies about 300 miles from Nairobi in the other direction. Therefore, development in Nairobi and Mombasa have little influence on the economy of Kakamega. Yet the surroundings of the district are completely devoid of industrial activities. Kakamega is located more or less midway between Kisumu in Nyanza Province and Webuye in the Western Province.

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Kisumu has one textile mill (Kisumu Cotton Mills Limited) and three large scale sugar mills (Chemelil Sugar Company Limited, Muhoroni, E.A. Sugar Industries Limited, Muhoroni and Miwani Sugar Mills Limited, Miwani - Kisumu). The largest sugar mill in the country (Mumias Sugar Company Limited, Mumias) is located within Kakamega District itself. Similarly, Webuye, which lies about 40 miles from Kakamega accommodates one of the largest single enterprises in the country viz. Pan African Paper Mills. The midway location of Kakamega thus offers it opportunities to set up ancillary and auxiliary industries in and around the township.

1.25. Again because of high rainfall, arable land in Kakamega according to national standards is highly potential and grows both food crops, like maize, millet, pulses and cassava and cash crops like sugar cane, cotton, groundnuts, sunflower, coffee and tea. These crops offer Kakamega a fair chance to develop industries processing agricultural produce, on the one hand and those servicing agriculture, on the other. Yet Kakamega because of high population and having one of the highest density rates in Kenya, has one of the lowest average small scale firm family income. The bulk of Western Province's population falls in the 'working poor' category as defined by the I.L.O. STUDY. It was therefore felt that R.I.D.C. programme with emphasis on the development of small and medium scale industries could make a definite impact on the economy of Kakamega.

1.26. Over and above these considerations, the Kakamega R.I.D.C. has been in operation for the last over 5 years.

1.27. As said earlier, Machakos is located only 40 miles from Nairobi and is thus directly influenced by developments there. Nyeri and Embu though lying outside the influence of Nairobi and Mombasa are agriculturally fairly well-off and enjoy relatively much higher average income levels than Kakamega.

1.28. Lastly, though small scale industries usually cater to local demand, Kakamega appears to have potential for setting up small scale industries, which could sell their products to places as far as Nairobi and even beyond the country's borders. A case in point is the pottery unit, which sells its products to the bulk consumers like hotels in Nairobi. Kakamega is well connected with national urban areas like Kisumu, Eldoret, Nakuru and Nairobi. Even Kampala, the capital of Uganda which is situated at a distance of not more than 150 miles from Kakamega is connected by a bituminised road. Border trade between Kenya and Uganda, though facing some problems at present could be easily looked after from Kakamega on the Kenyan side.

II. THE POSITION OF KAKAMEGA BEFORE THE ESTABLISHMENT OF R.I.D.C.

Kakamega R.I.D.C. became operational during the first quarter of 1972. This part deals with the status of Kakamega in 1970 or thereabout. The first census in Independent Kenya had been conducted in 1969. A few other publications, containing references to Kakamega were also published during that period. Over and above this, facts have been gathered about Kakamega in 1970 during field investigations.

2.2. Located in Western Kenya, Kakamega is the headquarter of the Western Province. The district is the biggest in Kenya, its population being about 783,000 as per census 1969.

Though not the largest (for the district has an area of 3,520 sq.km.), it is one of the most thickly populated districts in the country, the density per sq.km. being 222. The district is bounded by Busia district on the West and North West, Bungoma district on the North, Rift Valley on the East and Kisumu district on the South.

2.3. Western Province lies between $1^{\circ} 15'$ North and $0^{\circ} 3'$ South latitudes. To the West, it extends $E 33^{\circ} 15'$ East Longitude and to the East to $35^{\circ} 12'$ East Longitude. The area of Western Province is at an altitude, varying between 1,250 meters to 4,300 meters. The annual rainfall ranges between 1000 mm. to over 2000 mm. and is well distributed throughout the year, though the two peak seasons are April-May and November-December. Geologically, the Western Province has sandy loam soils, which are known to be relatively fertile.

2.4. Kakamega township had a population of 6244, as per 1969 census. The district had five divisions viz. Vihiga, Lurambi, Mumias, Central and Lugari. At present, the district is divided into 8 divisions, which might have been done on account of increasing population and other administrative considerations. The population of Kakamega district, as per sex, area and density in 1969 for each division is given in Table 1.

Table 1

Distribution of Population of Kakamega District as per divisions, sex, area and Density

Name of the division	Population			Land Area sq. kilometer	Density per sq.kilometer
	Total	Males	Females		
I. Divisions					
Lurambi	128,461	62,660	65,801	860	149
Central	181,912	88,060	93,852	762	239
Mumias	128,464	59,900	68,564	806	159
Vihiga	296,254	140,308	155,746	551	538
Lugari	40,268	21,127	19,141	570	71
II. Townships					
Kakamega	6,244	3,528	2,716	8	767
Mumias	697	349	348	-	-
Butebo	286	166	120	-	4269
III. Kakamega District	782,586	376,298	406,288	3,508	222
IV. Western Province	1,328,000	641,000	687,000	3,233	162
V. Kenya	10, 943,000	5,483,000	5,460,000	569,249	19

Source:- Kenya Population census 1969, issued by statistic Divisions of Ministry of Finance and Economic Planning.

The above table indicates that of the total population of Kakamega district, 48 percent are males and 52 females. While this percentage also holds good for Western Province, the position of the country is somewhat different. On the national level, the population is more or less equally divided between males and females.

2.5. Another fact to be noticed from the above table is that the district as a whole is very thickly populated, though there are considerable variations within the district. The average density of population per sq. km. is 222, compared with 162 for the province and 19 for the country as a whole. It may be mentioned that Vihiga Division within the district had been selected as one of the six pilot projects in the country for Special Rural Development Programme.

2.6. Comparing the population of 1962 and 1969, it has been estimated that the population grows at the rate of 3.9 percent per annum. This growth rate is due to high birth rate and increasingly falling death rate on account of improved health services becoming available to people. In 1969 census, it was found that the average fertility ratio is about 7.6. Assuming that the annual growth rate in population has continued unabated, the population of Kakamega district should be over 1 million persons during 1976.

2.7. The distribution of population in different age groups for Kakamega district has not been separately classified. This information is however available for the country as a whole. The distribution of population into various age groups as per census 1969 is given in table 2.

Table 2

Distribution of Kenya Population in Various Age-groups during 1969

Age groups	Total population (000' omitted)	Percentage of total
0-14	5293.0	48.4
15-19	1105.0	10.1
20-24	878.1	8.0
25-29	760.7	7.0
30-34	580.1	5.2
35-39	516.9	4.7
40-49	732.2	6.7
50-59	488.4	4.5
60+	587.9	5.4
Total	10942.5	100.0

Source:- Statistical Abstract issued by Central Bureau of Statistics, Ministry of Finance & Planning.

Applying these percentages to the Kakamega population, the distribution in different age groups would be as shown in Table 3.

Table 3

Estimated Distribution of Population of Kakamega District in Various Age Groups.

Age groups	Estimated No. of persons.
0-14	378,770
15-19	79,040
20-24	62,600
25-29	54,780
30-34	40,695
35-39	36,785
40-49	52,430
50-59	35,225
60+	42,261
TOTAL	782,586

2.8. Assuming that the population falling in the age groups 15-59 years constitutes the working force, the same has been worked out at about 361,600 for Kakamega for the year 1969. With the help of well informed people in Kakamega, it has been estimated that about 95% of the people were engaged in agricultural pursuits and a vast majority of them in subsistence farming. Of the balance of about 18,100, about 10850 were engaged in public administration, agriculture and forestry, manufacturing industries and other sectors. The distribution of wage employment in Kakamega district in 1969 is given in Table 3A.

Table 3A.

Wage Employment in Kakamega District By Industry During 1969:

Industry	No. of Persons Employed	% of total employed
1. Agriculture & Forestry	2105	19.4
2. Mining and Quarrying	-	-
3. Manufacturing	275	2.5
4. Electricity & Water	30	0.3
5. Construction	245	2.2
6. Wholesale & Retail Trade, Restaurants and Hotels	420	3.9
7. Transport & Communications	345	3.2
8. Services	7438	68.5
Total	10,858	100.0

Source:- Central Bureau of Statistics,
Ministry of Finance & Planning.

It would be observed from the above table that services, including public administration was the single largest sector providing employment to over 68% of the wage-employed. Next in order of importance was agriculture and forestry, which provided employment to about 20%. Manufacturing sector was relatively unimportant accounting for employment of little over 2% during 1969. The rest of the employment was more or less equally generated by all the other sectors.

2.9. It is an accepted fact that on account of lack of opportunities of employment within the area, a number of educated elite of Kakamega district and Western Kenya as a whole, have been migrating to Nairobi and Mombasa. In fact Western Kenya has been known to be providing administrators and managers to the civil service, public sector undertakings and industry in the private sector. However it is difficult to make any reasonable guess about their approximate number; but according to well informed sources, it is said to be quite sizeable.

2.10. The rest of the working force is accounted for by the cottage industries including the informal sector, providing the community's needs for servicing of agricultural implements, servicing and repair of automobiles, fabrication of sheet metal goods, like water storage tanks, water cans, buckets, etc., furniture and joinery, printing, ready made garments etc.

2.11. It may however be mentioned that in 1969, the commercial and industrial life of Kakamega weighed in favour of non-Africans. Important commercial shops, like hardware, ready-made garments, textiles, automobile servicing and repair, tailoring and saw mills were in the hands of non-Africans. It however, appeared that Africans were gradually asserting themselves in such fields as groceries, bicycle repair, sheet metal goods, automobile servicing and repair, bakery, printing, etc. Management ability, entrepreneurship and skills were gradually being built up among Africans through experience, initiative and opportunities.

Agricultural Resources.

2.12. The total land area of the district for agricultural purposes is reported to be 352,000 hectares. As the district receives an average rainfall of 857.5 mm. most of this area viz., 325,000 hectares has been classified as highly potential.

2.13. There is an average of a little more than 0.45 hectares per person in the district as compared to 0.5 for Kenya as a whole. As such the pressure on agricultural land is becoming more and more as the population of the district increases.

1.14. Among the different cash, food and horticultural crops grown in the district, important ones from the point of view of industrial potential were maize, coffee, cotton, sugar cane, tea, cassava, oil-seeds like groundnuts, sim sim and sunflower and vegetables and fruits like cabbages, onions, beans and bananas. Area and production of crops in 1969 is given in table 4.

Table 4
Area & Production of Important Crops (1969)

<u>Name of the Crop</u>	<u>Area (Hectares)</u>	<u>Production (M.tons, Unless otherwise Specified)</u>	<u>Important Divisions</u>
I. <u>Food & Cash Crops</u>			
i) Maize, both hybrid and local	55,317	14,896	All Divisions
ii) Cassava (Dry)	4,800	48,960	-do-
iii) Coffee	874	1,126	-do-
iv) Tea	622	1,567,722 lbs.	Highlands of Vihiga, Central & Lurambi
v) Cotton	2,040	1,275 bales	All Divisions especially Mumias
vi) Sugar cane	8,248	45,614	-do-
vii) Sunflower, ground-nuts (shelled), Sim sim & Soya Beans	3,071	2,710	Mumias, Lurambi and Vihiga
II. <u>Fruits & Vegetables</u>			
i) Cabbages	333	3,497	Vihiga & Central
ii) Onions	101	3,232	-do-
iii) Beans	13,323	1,963	All Divisions except Vihiga
iv) Bananas	5,126	N.A. but unlimited.	-do-

Food & Cash Crops

The district has been surplus in maize production for a very long time and the surplus maize is sold to Maize & Produce Board.

Cassava, which is grown extensively in Kakamega is normally treated as a famine crop, the primary crop being maize. Coffee was being cleaned in the coffee factories in the district. Tea, which was produced in Central & Vihiga divisions on an experimental basis in 1969, was sent to Nandi for being processed in tea factories. The local production of tea had to be more than doubled before a tea factory for Kakamega could be considered by the Kenya Tea Development Authority. The production of cotton in the district being insufficient to justify the setting up a ginnery, it was sent to Malakisi in Bungoma district and Nambale in Busia district, where it was cleared and ginned. Seed cotton obtained as a bye-product of cotton lint was milled for oil at Malakisi oil plant. Therefore the seed cotton available from cotton lint could not be considered as a resource in Kakamega district.

2.15. Sugar cane in 1969 was not produced in sufficient quantities and its production during the period was 45,614 metric tons. It was being supplied to local jaggery units at Shs.25 per ton (at the gate) and the red-sugar obtained therefrom was utilized for local liquors. In 1969, there were reports that the Government of Kenya was thinking of setting up a factory at Mumias and that they were negotiating with M/S. Bookers Agricultural Company the terms of a Management Agreement.

2.16. Though a number of oil seeds were available in Kakamega district, the fact that there was idle capacity to the tune of even 50% in existing oil mills it was not considered worthwhile setting up of a new oil plant.

Fruits & Vegetables.

2.17. A number of fruits and vegetables are grown in the district and the ones which yielded a good deal of marketable surpluses in 1969 were bananas, carrots, cabbages, onions and beans. It was reported that about a million bunches of bananas (each bunch has about 100 bananas) costing about 1.50/- - Sh.3.00 per bunch were sent to Kitale, Eldoret, Nakuru, Nairobi and Mombasa during 1969. It needs to be mentioned that in certain locations in the district, bananas are available to such an extent that there is a considerable waste. Similarly, beans had a marketable surplus of 1963 metric tons, worth about Shs.1.091 million in 1969. Popular varieties of beans grown in the district are Canadian Wonder and Rose Coco. The soil and climate of Kakamega is known to be very suitable for growing different types of vegetables and fruits. If the dehydration of vegetables could be started at Kakamega, availability of vegetables would not be a problem.

Livestock Wealth.

2.18. The population of dairy and other cattle during 1969 was 242, 829 of which 2201 were grade cattle and the rest were indigenous. The grade cattle were mostly reared in Lurambi division, followed by the Central Vihiga and Mumias divisions. Since the daily collection of milk in Kakamega was about 1500 - 2000 gallons, which was about 10% of the minimum milk plant capacity, the possibilities of Kenya Co-operative Creameries setting up a plant in Kakamega were few and far between.

2.19. Kakamega is an important Centre for the collection of hides and skins. According to Directorate of Skins, 65561 hides, 4755 goat skins and 7463 sheep skins were sent out of Kakamega during 1969. Most of the hides and skins available in the district were of grade I specifications.

The distribution of hides and skins as per grades available in 1969 is given in Table 5.

Table 5
Distribution of Hides & Skins as per grade
(1969)

Hides & Skins	Grade I	Grade II	Grade III	Grade IV	Total
Hides	46,243	12,426	5,222	1,670	65,561
Goat skins	2,862	1,340	407	146	4,755
Sheep skins	4,666	1,994	620	183	7,463

Source:- Directorate of skins, Ministry of Agriculture.

There is reported to have been a small tannery in Kakamega district. But it was poorly staffed and ill-equipped to do satisfactory semi-tanning of hides or skins. Consequently, practically all hides and skins were sent out of the District.

Economic Facilities.

Power and Water

2.20. In 1969, power was available only at Kakamega township and villages along Kisumu and Kakamega road at normal tariff rates from the East African Power & Lighting Company. Though the rates have since been raised on the higher side, the local charges at Kakamega are the same as the national rates. Water was and is supplied by the Water Development Division of the Ministry of Water.

Communication

2.21. The district was well connected both within and with outside districts. Kakamega township was linked with Vihiga, Mumias and other divisional headquarters with all-weather roads. As such no difficulty was experienced in collecting agricultural produce and livestock wealth at Kakamega. The present 32 miles bituminised road connecting Kakamega with Kisumu existed in 1969. Again, the road from the township to Broderick Falls, where ^{now} Webuye township has sprung up, was being bituminised. The road has since been completed.

The Industrial Structure of Kakamega in 1969.

2.22. The Industrial Structure of Kakamega township comprised of 4 garages (automobile servicing and repair units) 3 saw mills (one was located in the township and 2 in the forests), one each furniture making, bakery, sheet metal cum-automobile repair and servicing and a small printing press. There were a number of tailors and carpenters, working sporadically and on an individual basis. The township had a small laundry-cum-dry cleaning unit but due to management problems, it had changed hands. There were also a few sheet metal workers, making oil burners, funnels, oil drawing pumps, charcoal stoves, karahis, etc. These cottage units mostly worked on orders and their activities were irregular. These sheet metal shops, tailors and the printing press worked with hand tools/hand operated machines, though with short training, they had the potential of becoming master craftsmen. Basically, they possessed the requisite skills.

2.23. The existing garages and saw mills were considered sufficient to meet the local demand and had thus no scope for further expansion. The bakery had infact idle capacity, which the unit could utilize by increasing its sales in virgin districts of Bungoma and Busia, thereby reducing its ex-factory price. Similarly, the number of tailoring shops were also thought to be sufficient in meeting the local demand. However there appeared to be a good scope for expansion of furniture making, sheet metal working and printing press, on account of expanding local market for these goods.

Scope for introduction of new industries:-

2.24. In 1969, there existed potential for the following two groups of industries:-

- A. Industries for which raw materials were available in the District and for the products of which there was adequate demand in the area, country or export markets.

These industries were:-

- 1) Starch from maize
- ii) Dehydration of Vegetables
- iii) Semi-tanning of hides & skins.

- B. Industries for which there was adequate demand in the district and for which raw materials could be obtained from adjoining districts or from foreign countries at competitive prices.

- 1) Sheet metal goods in reorganised fashion
- ii) Bicycle parts, like carriers and bicycle frames.
- iii) Steel tubular furniture.

III. DEVELOPMENT OF RURAL INDUSTRIAL DEVELOPMENT
PROGRAMME AND KAKAMEGA R.I.D.C.

In part 1, it has been stated that Vihiga Division in Kakamega District had been selected as one of the S.R.D.P. projects. As stated earlier, this programme was intended to concentrate on different integrated projects. The overall objective was to raise the level of productivity, incomes and welfare of the rural population. For example, in Vihiga division, the following projects were implemented:-

(i) Agriculture and Livestock Production

1. Dairy cattle and milk production
2. Livestock staff
3. Pig production
4. Poultry production
5. Agricultural credit
6. Hybrid maize
7. Agricultural inputs supply
8. Demonstration plots
9. Fruit and vegetable production for cash sale
10. Crop extension experiment
11. Coffee and tea expansion
12. Fruit and vegetable marketing
Co-operatives.

(ii) Supporting Services

13. Roads
14. Telephones
15. Water supplies
16. Functional literacy and
Adult education
17. Farmers Training
18. Land adjudication

(iii) Coordination and Publicity

19. Coordination
20. Community development
21. Information services

(iv) Other Programmes

22. Village Polytechnics
23. Fruit vegetable processing
24. Medical Services
25. Family Planning.

3.2. A quick glance over the whole gamut of schemes would convey an impression that S.R.D.P. laid stress on accelerated agricultural development. In the process, a number of rural roads have been built, water supply schemes have been started and through family planning clinics considerable stress has been laid on improvement of health services. Though in S.R.D.P., provision had been made for Rural Industrial Development Centres, the non-agricultural sector of the economy did not receive much attention. It was not realised that the development of non-farming sector helped not only in the creation of new employment opportunities and raising the income levels of the rural population, but was also important for providing the farmers with better tools and implements with which to perform agricultural operations. Since these and other related aspects were not given adequate importance by S.R.D.P., this prompted the Ministry of Commerce & Industry to ask M/S. Maxwell Stamp Associates and M/S. The Intermediate Technology Development Group to undertake the study of scope of development of Cottage Industries, based on sisal, wood and metal working in Kenya.

This study coupled with the Kenya Industrial Estates study 'Techno-economic survey report of selected centres,' became the basis of establishment of Rural Industrial Development Programme. Initially, there was a great controversy as to the body to whom R.I.D.P. should be entrusted for implementation. However, in the end, it was decided that Kenya Industrial Estates Limited was the best equipped organization to implement the programme.

A. Rural Industrial Development Centres

3.3. Under the programme, 12 selected centres were to be initially selected throughout the country. It was however envisaged that at least one R.I.D.C. should be established in each of the 7 provinces and later such centres should be established on district basis. However, no centre was to be built just for the sake of serving a province or a district unless there was suitable industrial climate in the region.

3.4. A centre in the province or district should have some of the following features, among other things to qualify for establishment of an R.I.D.C.:-

- a) A market or township where economic activities in the province/district converge.
- b) A growth centre with a fairly sound infrastructural facilities such as power, water, banking facilities, communications and transport both within and around the centre.
- c) An area where artisan type of labour is naturally attracted because of relatively greater work opportunities, or where there is potential for attraction of such labour.

- d) Places where agricultural produce, livestock wealth, timber and other materials suitable for manufacturing/processing activities are collected for sale or where manufactured goods from bigger towns are sold.

R.I.D.C.s IN PHASES

3.5. The R.I.D.P. was a new exercise in Kenya and obviously a number of unforeseen factors were likely to effect the programme one way or the other. For this reason, it was decided that in the beginning, the Kenya Industrial Estates Limited should initiate this programme at four places viz. Kakamega, Nyeri, Machakos and Embu. The remaining other proposed centres at such places as Malindi, Voi, Garissa, Meru, Kericho, Kisii, Homa Bay and Busia were to be established after gaining some experience on the first four.

STRATEGY OF R.I.D.P. AND OBJECTIVES OF THE RURAL INDUSTRIAL DEVELOPMENT CENTRES

3.6. The basic strategy of the R.I.D.P. was to improve the welfare and living standards of the rural population, by creating incentives for them and providing them with necessary facilities, which they need to develop. The main features of this strategy were:-

- a) enlarging employment opportunities in rural areas.
- b) raising incomes and standard of living of rural communities,
- c) diversification of rural occupations,
- d) reducing exodus of rural population to big towns.
- e) eliminating regional economic imbalances.

The R.I.D.C.s which were established as a tool to translate the strategy of R.I.D.P. had the following objectives:-

- a) Advice technical and managerial assistance to existing and future Kenyan rural entrepreneurs in the areas covered by R.I.D.C.s.
- b) Financial assistance to such entrepreneurs.
- c) Technical service facilities to existing and future Kenyan entrepreneurs in the areas covered by R.I.D.C.s.
- d) On-the-job training for entrepreneurs in the use of machines, necessary to operate a particular technology.
- e) Temporary engagement in production, when necessary, to demonstrate to Kenyan entrepreneurs the economic viability of an important new rural industry.
- f) The identification of new rural industries and the preparation of pre-feasibility and feasibility studies for them.
- g) Finding suitable entrepreneurs and seeing that they are prepared by training courses in training institutions.
- h) Recommending the degree and method of financial participation by Kenya Government in each project.
- i) Seeing that the projects once started progress as planned.

3.7. In the performance of their activities and to avoid duplication of effort, the R.I.D.C.s were expected to seek close cooperation of the other institutions and organizations existing in the centres. For example, such organizations in Kakamega R.I.D.C. were the Village Polytechnics, Partnership for Productivity, (Kenya), the District Trade Office, the I.C.D.C. Provincial Office, the S.R.D.P. Vihiga and other relevant institutions such as commercial banks, Provincial Planning Officer, etc. etc.

3.8. Though the programme was initiated by the Central Government, most of the local authorities, including County Councils (at the time of conducting Techno-economic Surveys of Selected Centres by Kenya Industrial Estates Limited) had evinced considerable interest in the development of their areas. Thus the programme has the full support and blessings of social and church leaders and County Councillors of areas where the Centres operate.

Assistance from bilateral agencies

3.9. In the initial stages, the Government of Kenya had sought the financial assistance of the Government of Denmark in the setting up and detailed implementation of R.I.D.C.s at Kakamega, Nyeri, and Machakos and of Norway for Embu R.I.D.C. Apart from giving a financial assistance of Shs.2.7 million for the erection of administrative buildings, workshop buildings and supplies of machinery, equipment and furniture for the three centres, the Government of Denmark provided technical expertise in the form of a Chief Technical Adviser (to be attached to the Headquarters of Kenya Industrial Estates Limited, Nairobi) and three Technical Advisers (one to be attached to each of three R.I.D.C.s, viz. Kakamega, Nyeri and Machakos).

Though the exact assistance given by the Government of Norway is not available, they also provided both financial assistance and technical personnel for establishment and subsequent running of R.I.D.C. Embu. On their part, the Government of Kenya, apart from providing suitable sites for erection of administrative buildings and the workshop buildings, posted one Manager (who is either an engineer or an economist), an economist or an engineer (to supplement the role of manager), mechanics to run the workshops and other office complementary staff. Thus like the industrial estates programme, the R.I.D.C.s are models of cooperative effort between Kenya Government and foreign Governments like Denmark, Norway and other Governments which agreed to participate in the programme as it has since progressed. It may, however, be mentioned that the contractual period of five years of the Government of Denmark has ended on 30th June, 1977. The programme is now being financed by the Kenya Government.

PRESENT POSITION OF R.I.D.C.s

3.10. The R.I.D.P. was initiated in October, 1971. As stated earlier, initially four centres viz. Nyeri, Kakamega, Machakos and Embu were selected. These Centres became operational during the first quarter of 1972. In due course of time, the Government of Kenya decided that such centres should be established at Kisii, Homa Bay and Siaya. The Swedish Government through Swedish International Development Agency, which had assisted in the establishment of Kisumu Industrial Estate in 1974-75 undertook to service these centres located in Nyanza Province. The construction of the Kisii R.I.D.C. complex, comprising of an administrative block, common facility workshops and a cluster of workshop buildings started in February 1976 and have since been completed.

The site for Homa Bay R.I.D.C. has been acquired and the construction will start shortly. However, pending the completion of this centre, the work for the centre is done from Kisumu Industrial Estate. In the meantime, the Government of the Federal Republic of Germany (W. Germany), which had assisted in the establishment of Mombasa Industrial Estate in 1975 have also undertaken to service Malindi at the Coast Province. Another centre being implemented at the Coast is Voi. The centre at Malindi has been established. The Manager at Voi has been posted and the Centre is expected to be operational shortly. All in all, there could be 8 centres viz. Nyeri, Kakamega, Machakos, Embu, Kisii, Malindi, Voi and Homa Bay in operation before the end of the current financial year. Nyeri is located within Central Province, Machakos and Embu within Eastern Province, Kakamega in Western Province, Malindi and Voi in the Coast Province and Kisii and Homa Bay in Nyanza Province.

3.11. To start with, it was envisaged that each centre will look after the industrial activities of the district where these centres are located but with passage of time, it was decided that the Centres should look after the interests of the entire Province in which they are situated. It is on account of this reason that Kakamega R.I.D.C. is looking after industrial promotion activities in the whole of Western Province.

3.12. Each of the R.I.D.C.s has an administrative block and attached to it are the three workshops viz. sheet metal goods workshop, general mechanics workshop and wood working workshop. Apart from a mechanical engineer and an economist (one of whom is also the Centre Manager), the centre has complementary staff including that required to run the workshops. In addition, Technical Advisers from bilateral sources, whose Governments participate in the programme are in position at the centres. The termination of the Danish Government's participation in the programme has not adversely affected the staff position at Nyeri, Machakos and Kakamega as these advisers have now been replaced by trained local staff.

FACILITIES PROVIDED

3.13. The centres through their technical staff, provide technical and managerial advice to existing units and potential entrepreneurs. The workshops' machinery is utilized in providing technical service facilities to the existing small and cottage industries as well as giving them theoretical instruction and practical demonstration of working of different machines. As a result, some of the units buy similar machines and increase their productivity. It may however, be mentioned that these services are provided on subsidized charges.

3.14 In addition, the centre staff assist the potential entrepreneurs with pre-feasibility and feasibility studies of new items. The centre arranges loans for purchase of machines for new projects and assists in their installation, trial production and finally commercial production. Assistance in finding solution of day-to-day problems faced in production such as reduction in waste, upgrading efficiency in production, etc. is also afforded.

3.15. As the work of R.I.D.C.s progressed, most of the Centre Managers reported that apart from technical and managerial advice, extension services and loan assistance the Centres should also provide small suitable premises to entrepreneurs within the R.I.D.C. compound on rental basis. This feeling was also expressed by researchers and evaluation teams. In their publication 'An Industrial Development Programme for Vihiga (one of the divisions of Kakamega District), M/S. V. Poling and W.L. Reed observed "although some entrepreneurs will have or be able to secure their own working quarters in major markets or sites of their own choice, others will not. In order to tackle this problem immediately, adequate worksheds could be provided which can be rented or purchased on a higher purchase plan by entrepreneurs."

3.16 In accordance with this recommendation, the centres have also undertaken to construct small business-like premises known as 'Industrial Promotion Areas (IPA), both for existing and new units. An I.P.A. is a cluster of cheap factory premises within reach of R.I.D.C. staff for easy extension services.

LOAN ASSISTANCE AND ITS DISBURSEMENT

3.17 As stated earlier, the R.I.D.C.s also arrange loans for existing units and potential projects. At different centres, R.I.D.C. Loan Committees, comprising of District Commissioner as Chairman, R.I.D.C. Manager as Secretary and five or six other members concerned with development aspects such as Provincial Planning Officer, Provincial/District Trade (Development) Officer, I.C.D.C. Provincial Officer, etc. have been set up. The Kenya Industrial Estates Limited is represented on the committee by its General Manager or a member nominated by him. These committees administer R.I.D.C. loans to small scale and cottage units of the area and authorise individual industrial loans upto Shs.50,000. This loan is usually available for purchase of machinery and equipment at a rate of interest of 8% per annum for a period of five years. However, in case of smaller loans, the period of repayments is reduced accordingly. In special cases, the R.I.D.C. Loan Committee can recommend short term loans for working capital. Loans are usually secured by machinery and equipment and other goods purchased out of it.

3.18. In addition to this function, the R.I.D.C. Loan Committees give general advice on the scope and activities of R.I.D.C.s; they are consulted on matters regarding coordination of R.I.D.C. activities with other development activities in the area; they make a periodic review of progress of existing and proposed industrial projects; and they approve and recommend to Kenya Industrial Estates Limited loan applications above Shs.50,000.

NEED FOR AN APPROPRIATE TECHNOLOGY IN R.I.D.P.

3.19. With a view to emphasize the employment generating aspect of R.I.D.P., it was realised that there was a need not only to improve the functions, qualities and designs of goods, manufactured in rural areas but also to develop and (or) introduce new products and appropriate labour-intensive manufacturing methods suitable for Rural Industrialization in Kenya. Accordingly, in 1974 a Product Development Unit was set up at Machakos to serve all R.I.D.C.s. In the selection of goods for development, special emphasis has been placed on meeting rural demands, utilization of local raw materials, products substituting imported goods and export goods based on local raw materials. The functions of the Product Development Unit are to:-

- a) Collect and analyse information on products and processes.
- b) Establish a library on Product Development and communicate relevant information to R.I.D.C.s.
- c) Decide on products and processes to be developed and (or) introduced.
- d) Produce/procure manufacturing drawings and specifications.
- e) Manufacture of proto-types.
- f) Introduce to all R.I.D.C.s the approved products and processes.
- g) Introduce the clients with such products and processes.

3.20. To start with, the Unit undertook to develop intermediate technology products, whose designs were usually imported. But it was soon discovered that the possibilities of their application were rather limited and these could not be commercially exploited. This approach was, therefore, changed to one of developing and improving appropriate products, whose commercial viability had been established. This new strategy has proved very rewarding. A number of proto-types have been developed and among them some are wheel barrows, transport equipment (trolleys), wooden furniture like folding chair, folding table, foot stool, coffee table, sofa set, etc. wind mill, bicycle trailer, push wheel chair etc. Most of the wooden items have been produced in close cooperation with clients who still produce them. Some of the other items like wheel barrows and transport equipment are under implementation in different Industrial Promotion Areas of R.I.D.C.s.

B. DEVELOPMENT OF KAKAMEGA R.I.D.C.

Impact Of S.R.D.P. On Kakamega

3.21. It has been mentioned in part 1 that Vihiga Division of Kakamega district had been selected as one of the pilot areas where the S.R.D.P. had been initiated in 1970. The details of schemes implemented under this programme are mentioned at the beginning of this part. A perusal of these schemes would reveal that almost all of these were aimed at raising the productivity of agriculture, thereby increasing incomes and welfare of the population of the area. Though the programme was concentrated on Vihiga division only, where it has had satisfactory results, the overall impact is reflected in the performance of the entire district.

A direct measurement of the impact of these schemes could be assessed in terms of increases in the area of different crops during 1975/76 over that of 1968/69. For example, the area under maize has gone up from 55,317 hectares in 1968/69 to 71,600 hectares during 1975/76 or by about 30%; the area under sugar cane from 8248 to 14,400 or by about 75%; that under sunflower and groundnuts from 3071 to 3800 or by about 24%; and that under tea has more or less doubled from 622 to 1200. Though production data is not available, it is presumed that the production would have gone up proportionately to increases in area under these crops.

3.22. The area has not experienced any notable rise in the production of hides, though the production of skins has gone up significantly. The production of hides and skins during 1975 and 1969 is given in table 6.

Table 6
Production of Hides and Skins in Kakamega District during 1975 and 1969

Particulars of Hides and Skins	1969	1975
A. <u>Hides</u>		
Grade I	46,243	44,773
Grade II	12,426	14,957
Grade III	5,222	6,333
Grade IV	1,670	2,631
Total	65,561	68,694
B. <u>Sheep & Goat Skins</u>		
Grade I	7,528	11,860
Grade II	3,334	9,220
Grade III	1,027	3,950
Grade IV	329	1,316
Total	12,218	26,346

The availability of hides and skins of the above magnitude could warrant two small scale semi-tanning units, but none is reported to exist at present. More about this is mentioned later in this paper.

DEVELOPMENT OF KAKAMEGA R.I.D.C.

3.23. Kakamega R.I.D.C. was started in the first quarter of 1972. The Centre has an administrative block and attached to it are the three workshops viz. Sheet Metal Workshop, General Mechanics Workshop and Wood Workshop. The Centre is staffed by a Manager (who is an economist), a mechanical engineer, 3 workshop technicians and other secretarial supporting staff.

3.24. Like all other centres, the Kakamega centre started its work by giving extension services. Since 1972, the Centre has registered 129 clients, of which 45 clients have sought assistance for use of wood workshop facilities, 30 for sheet metal workshop and 20 for general mechanics workshop. The rest of the 34 clients have called on the Centre to seek advice for starting potential industries. The charges for use of different machines, with or without the help of Centres' Technicians are subsidized. The provision of these facilities has resulted in creation of general industrial awareness among the clients, who have started purchasing machines, thereby increasing their individual productivity.

3.25. The Centre extends financial assistance in the form of loans both to existing and new enterprises for purchase of machinery and equipment though in special cases, it also extends such assistance for working capital. The Centre till June 1977, had extended a loan assistance of over Shs.4.4 million (this also includes assistance being provided to the units in the area directly from the head office) to 18 existing and new units, spread over the entire Western Province.

The beneficiary industries are general engineering, saw milling and wooden furniture, ready made garments, animal feeds, small white sugar plant, pottery, printing press, tanning, table salt grinding, etc. It may however, be mentioned that the largest single beneficiary has been M/S. Kabras Investments Company Limited, Kabras in Kakamega, the small producer of white sugar. This unit has been given a loan of about 3.97 million. More about this unit is said in subsequent paragraphs of this part.

3.26. From the small number of clients who called on the centre in the first year, it was evident that Kakamega district did not have any industrial traditions. It was, therefore, decided that the R.I.D.C. should concentrate its efforts on development of new industries. For this reason, the Centre during the close of 1972, decided to construct 10 workshops in the Industrial Promotion Area, located within the compound of the centre itself. Sizes of premises and the rent charged (from 1st July, 1977) are as follows:-

Size of the Premises (sq.ft.)	No. of Units	Monthly rent charged (Shs)
480	1	197.75
750	6	309.00
900	2	370.80
1,080	1	444.95

All the sheds have since been occupied, though one of them is temporarily acting as a godown of one of the furniture making units.

NEW INDUSTRIES WHICH HAVE COME UP IN THE
AREA AS A DIRECT RESULT OF R.I.D.C. ACTIVITIES

3.27. A new factory to which reference has been made earlier in this part is M/S. Kabras Investment Company Limited. This is a small white sugar factory, located about 20 km. from Kakamega town at Kabras in the division of the same name. This factory is owned by a Company of 46 local people of whom 30 are small farmers in the area and was established during 1976. Based on Indian technology, the factory has a crushing capacity of 80 tons of sugar cane per day per two shifts. The unit has a fixed capital (land, building, machinery and equipment and 2 tractors) investment of Shs.3.98 million of which Shs.3.97 million (land worth Shs.10,000 has been contributed by the farmers) has been given by Kenya Industrial Estates Limited as loan. The members of the Company have raised a working capital of Shs.564,000 making a total investment of Shs.4.55 million. On the basis of its cane crushing capacity and sugar recovery rate of about 7.5% - 8%, it can be estimated that the factory would produce around 1830 tons of sugar, which along with by-products like mollasses should sell at Shs.6.34 million. The unit provides employment to about 130 persons apart from providing indirect employment to more than 300 small holder cane growers. The value of sugar cane being Shs.133 per tonne, the value added by manufacture works out to be about Shs.3.922 million. At present, a case for remission of excise duty of Shs.100 per one ton of sugar has been put up before the Government. In case this case is accepted by the Government, there would be very good scope for establishment of similar small sugar factories in this and some of the other districts.

3.28. The Industrial Promotion Area,
wherein 10 worksheds of different sizes have been
constructed accommodates 9 new industries. Particulars
of industries, products manufactured, investment,
estimated yearly production and value added by
manufacture are given in Table 7.

Table 7
Some parameters of Industries in Industrial Promotion Area, Kalamang

Name of the Industry	Products Made	I N V E S T M E N T		Total	No. of workers employed	Annual Production (estimated)	Value added (estimated)
		Machines & equipment	Working capital				
1. Animal Feed	Chicken feed	50,000	20,000	70,000	6	174,000	95,000
2. Steel window & door frames, sheet metal products	steel window & door frames & sheet metal goods	12,500	2,000	14,500	3	48,000	24,000
3. -do-	-do-	5,000	8,000	13,000	10	120,000	59,000
4. Ready-made garments	shirts & other garments	28,000	2,000 (wages on orders)	30,000	5	150,000	30,000
5. Wooden furniture & Joinery	Chairs, tables, beds, door and window frames	50,000	9,000	59,000	4	48,000	30,000
6. Wooden furniture & Joinery	chairs, tables, sofa sets, door & window frames	60,000	9,000	69,000	5	300,000	140,000

Name of the Industry	Products Made	I N V E S T M E N T		Total	No. of workers employed	Annual Production (estimated)	Value Added (estimated)
		Machines & Equipment	Working Capital				
2. Pottery	glazed trays, ash trays, jugs, candle holders, lamps, tea pots, coffee pots, etc.	28,000	3,500	31,500	4	175,000	110,000
8. Printing press, & office supplies	Printing on order from firms, bookshops, government offices & schools	95,000	15,000	110,000	8	144,000	71,000
9. Design section for Partnership for Productivity	Greeting cards, bamboo glasses, lamp shades etc.	A few Hand tools	1,000	1,000	1	19,000	11,000
10. Occupied by the Unit		328,500	69,500	398,000	46	1,178,000	570,000
TOTAL							

3.29. A detailed account of each of these industries set up in the Industrial Promotion Area of Kakamega R.I.D.C. is given below:-

ANIMAL FEED

The Unit is owned by a partnership formed between a technician of Bio-chemistry Section of Veterinary Department of the University of Nairobi and an ex-accountant of a sugar factory. Started in March this year, the unit is engaged in the production of feed for chicks of 0-8 weeks, 8-20 weeks and over 20 weeks. The principal raw materials like maize, maize germ and bran, cotton seed cake, meal and bone meal, blood meal and the skimmed milk are available from local sources and the country. Though there are a number of units in the country making chicken feed, because of its relatively lower overheads, the unit can under-sell even some of the established units. Its sale price is Shs.77/- per bag of 70 kgs., where as the price of such an established unit as M/S. Unga Limited is as much as Shs.80/- per bag. The unit at present sells to individuals and shops in and around Kakamega. It is reported to have finalized marketing agreement with M/S. Kenya Farmers Association, which has wide marketing channels throughout the country. Through this arrangement, the unit could effectively concentrate on its production.

STEEL WINDOW FRAMES AND SHEET METAL GOODS

There are two units making steel window and door frames and different sheet metal goods. The proprietor of one of the units was a trainee in a Village Polytechnic and the other has been a skilled worker in Nairobi and Kampala (in Uganda) for a very long time before he established this industry.

The former, because of problems of working capital, works to half of its capacity, though the quality of his products is appreciated both by public and shops. The latter unit is reported to be working smoothly.

WOODEN FURNITURE AND JOINERY

There are two units making wooden furniture and joinery. One of the units is owned by a medical practitioner, who looks after his business only part time. The second is owned by a trainee from National Christian Council of Kenya. The former has even opened a shop in the town centre to sell wooden furniture and door and window frames, produced in the factory. The other unit though helped by bulk consumers like schools, faces serious problems of working capital. Usually it works to orders and gets either timber or advance to purchase timber at the time of accepting orders.

READY MADE GARMENTS

Owned by a former employee of East African Airways, the unit employs 5 skilled workers. It produces shirts and other garments for sale to shops and customers. It faces difficulties of working capital which restricts it from buying raw materials direct from the textile mills. It is, therefore, forced to buy cloth at higher prices from wholesalers in Kisumu. There is no problem about the market.

POTTERY

This unit was formerly started by two Danish experts on an experimental basis. They collected some local clay from Ilesi (about 10 km. from Kakamega), Maragoli and Butere (about 25 km. from Kakamega in different directions).

The clay was tested and found suitable for making pottery products such as glazed decorative animals, small ash-trays with glass at the bottom), bowls, jugs, candle holders, vases, electric lamps, mugs, name pla es and lots of other items. The present owner who joined them as an employee decided to buy this factory in May this year. He received training for a period of about 6 months and knows the art of producing though he is trying to register the assistance of Kenya Tourism Development Authority and other bulk consumers like hotels, local authorities to promote the sale of its products. In three months that he has been in existence, he has been able to produce different items worth Shs.50,000. The general opinion is that this unit should do well, provided it concentrates on the production of non-standard and traditional items.

PRINTING PRESS

The unit is owned by an ex-Chief supplies officer of the University of Nairobi. While at the University, the chief supplies officer had taken lessons in printing and had actively participated in the establishment of press at the University. He procured a loan of Shs.60,000 from I.C.D.C. to purchase the composing unit, plate making machine, etc. From personal savings, the owner purchased two second hand printing machines. The unit is, therefore, manned by an experienced person. Apart from obtaining orders from local authorities, the unit does printing work for Eldoret firms. The unit cannot afford to buy printing paper from the factory at Webuye, for a minimum quantity of 10 tons has to be bought. Because of working capital problems, the unit has to buy smaller quantities of paper from wholesale dealers in Kisumu. The unit could also expand its operations if it could get new printing machines and a guillotine machine.

DESIGN SECTION FOR P.F.P.

This unit belongs to P.F.P. who are financing this small handicraft. The unit employs only one part-time technician. The main activities of the unit are to create designs and transform them on greeting cards, manufacture bamboo mugs, lamp shades, etc. Apart from selling lamp shades to the pottery unit, P.F.P. have opened shops at Kakamega and Kisumu for marketing these handicrafts. As stated earlier, the technician works only part time at the workshop. About 2-3 days in a week, he remains on field duty assisting groups of women designers to evolve new designs.

MUMIAS SUGAR COMPANY LIMITED.

3.30. One of the large scale projects which has made a great impact on the economy of the district but came independently of the R.I.D.C. activities is Mumias Sugar Company Limited. Started during 1973, Mumias Sugar Company Limited, a Kenya Government sponsored project is managed by a British Firm, M/S. Bookers Agricultural and Technical Services. With an annual installed capacity to produce 70,000 tons of sugar, the factory during 1976 produced more than 61,000 tons. It provides regular employment to about 3,300 persons.

3.31 For the supply of sugar cane, the factory depends on two complementary sources. It operates a nucleus estate of 2800 hectares. The second source of sugar cane supplies is the Mumias Outgrowers Company comprising of some 6,000 small farmers. They together own a land of 9,700 hectares which is cultivated with sugar cane and lies within a radius of 13 km. from the gate of the factory. In order to ensure supplies of good quality sugar cane, Mumias Sugar Company on the security of Mumias Outgrowers Company extends them varied type of extension services, such as supplies of seeds, fertilizers and transport services.

The cost of these services is deducted by the factory at the time of making payment for sugar cane. It has been estimated that on an average, the outgrowers receive a net amount of Shs.2,280 for sugar cane grown on one hectare per annum.

3.32. As the country is not yet self sufficient in the production of sugar, the factory has decided to expand its capacity from the present 70,000 tons per annum to about 180,000 tons per annum. The expansion programme is expected to be completed by 1984. It is hoped that the extra requirement of sugar cane would be met by supplies from an expanded area of large number of outgrowers. This area is expected to be expanded to 27,100 hectares and production of sugar cane would increase from 348,000 tons at present to about 1.2 million tons in 1984.

3.33. Thus Mumias Sugar Company Limited is expected to help in further improving the economy of the area. With improvement in purchasing power, new demands would be created, necessitating development of small industries at Mumias. Mumias Sugar Company may thus become a 'pole' of development and supplement the efforts of R.I.D.C. in improving rural welfare of the district.

CHOICE OF TECHNOLOGY FOR INDUSTRIES
ESTABLISHED AND PROMOTED.

3.34. It has been stated earlier that Machakos Product Development Unit was established to develop or introduce new products and appropriate labour intensive manufacturing methods with a view to creating more employment opportunities in the rural areas. Keeping in line with this policy, the Kenya Industrial Estates Limited has borrowed the technology of producing white sugar on small scale basis from India.

The technology is known as the 'open pan system' of producing sugar as against 'vacuum pan system' used by large scale factories. As mentioned earlier, a unit known as M/S. Kabras Investments Limited based on this technology has been encouraged at Kabras in Kekamega district. With an investment of about 3.98 million in fixed assets, the factory provides employment to about 130 workers today. In other words, the labour fixed capital ratio works out to be 1:Shs.28430. This is much lower than that of large scale sugar factories. Similarly, the other industries promoted in the Industrial Promotion Area employ simple but standard machines, producing items required by the local market. In such industries, the average investment per worker is Shs.7,140. Except Designs Section of P.F.P. the lowest investment of Shs.500 per worker is found in one of the steel window and door frames factories while the highest of Shs.12,000 per worker has been noticed in Printing Press and wooden furniture and joinery. While selecting machines for such units, the only consideration kept in view is that techniques of production should be such which produce good quality of items and do not induce people to divert their demand to relatively similar better articles.

SOURCE OF FUNDS

3.25. One of the important reasons for constructing worksheds in Industrial Promotion Area is to help the small industrialists in securing suitable working premises, thereby obviating the necessity of their spending sizeable amounts in this direction. The worksheds are given on subsidised rents of 40 cents per sq.ft. per month. Apart from this assistance, loans are provided for purchase of machinery and equipment at relatively concessional rate of interest and on easy repayment schedule.

It is however expected that the entrepreneurs would make arrangements to raise their own working capital. Usually the units have started production with petty sums, raised from their savings from earlier occupations or from friends and relatives. Of the 9 existing units in the Industrial Promotion Area, only 3 units engaged in animal feed, steel window frames and wooden furniture and joinery have been able to raise their own working capital; the others have invariably complained of shortage of working capital. There are other sources of institutional credit available to them, but all of them insist on production of tangible securities before loans could be advanced. In order to help them in this direction, the R.I.D.C. Kakamega had started what is known as the 'Bulk Purchase Scheme.' The management would buy raw materials on the request of needy entrepreneurs and release them in driblets, depending on the purchasing capacity of entrepreneurs. On account of certain complications, the scheme has been temporarily suspended and a modified form of the scheme is expected to be introduced in not too distant a future. It is hoped that the 'Bulk Purchase Scheme' would to some extent mitigate the working capital problem of the units.

SOURCE OF ENTREPRENEURSHIP

3.36. Of the 9 industries started in Industrial Promotion Area of Kakamega R.I.D.C., 7 have been allotted to skilled or semi-skilled workmen with sufficient experience or who had received formal training at Village Polytechnics/ other training institutions or on-the-job training. This is the way five industries viz. 2 units of steel door and window frames, and one each of wooden furniture and joinery, pottery and Design Section have been allotted.

The Design Section, though owned by P.F.P. is manned by a technician who had been trained by P.F.P. Even the units engaged in printing press and animal feed have been allotted to experienced persons. The proprietor of printing press, a former chief supplies officer of the University of Nairobi, had received private lessons in printing industry and had been instrumental in the establishment of the printing press at the University. Similarly, one of the partners of animal feed unit had been working in Bio-chemistry section of the Veterinary Department of the Faculty of Agriculture, University of Nairobi. He has the necessary skill in the production of animal feed. This, however, cannot be said to be true of the owners of ready-made garments and the second unit engaged in the production of wooden furniture and joinery. The former was an employee of the now defunct East African Airways and the latter a private medical practitioner. Though the latter appears to be an experienced man in that he has set up a selling shop in the town, from where he sells products made in the factory in Industrial Promotion Area, the success of the ready made garments unit seems doubtful.

3.37. In passing, it may be mentioned that when the programme of R.I.D.C.s was entrusted to Kenya Industrial Estates Limited, the latter had opined that the class in rural areas which could be relied upon to provide entrepreneurs for new industries should be the artisans, working with hand-operated machines or semi-skilled workmen, who had received training in Village Polytechnics/other training institutions or small scale merchants. Looked from this context, the allotment of premises in the Industrial Promotion Area of Kakamega R.I.D.C. has on the whole been judiciously done.

IMPACT OF INDUSTRIAL DEVELOPMENT ON KAKAMEGA

IV. S.R.D.P. VIHIGA/HAMISI AND ITS IMPACT
ON R.I.D.P. IN KAKAMEGA

S.R.D.P. had been started in 6 selected areas, so as to experiment with certain rural schemes concerned with improvement of agricultural productivity and replicate them to other areas in case the results were satisfactory. As stated earlier in this paper, 26 rural schemes were in operation in Vihiga/Hamisi Division of Kakamega District. Though all the schemes affected the rural productivity in one way or another, 7 were intimately concerned with crop production. There have been serious criticism about the various schemes and the only ones which have been well received by the researchers are the Group Extension and Farmer Training Projects, the labour-intensive roads programme, Credit Scheme (not for the least progressive farmers but the average farmers) and the Functional Literacy Programme.

4.2. Without going into details of these schemes, it can be said that these together must have gone to raise agricultural production and create certain infrastructural facilities in the selected areas, which are essential for building up the industrial structure. So could be said about Vihiga/Hamisi Division. For example, road network has been improved and developed; safe water through 19 water schemes in the district, 12 of which are in operation in Vihiga Division, has been supplied health services have been improved. Being only one of 7 divisions of the district, these developments in Vihiga/Hamisi division have not significantly influenced the industrial development of Kakamega district so far. However, one industry namely Papain out of Paw Paw has come up within this division. This factory is facing some problems, namely the non-availability of seeds and Extension staff. It is hoped that these problems would be solved and the factory would be able to operate successfully.

It however seems that the facilities developed could be harnessed in the future industrial development of this division. As the Development Plan 1974/78 reads, "Valuable lessons have already been learnt and through District Planning, the programme (S.R.D.P.) will be extended to the rest of the country." When this scheme is applied to the district as a whole, it is expected that R.I.D.P. would take full advantage of increase in agricultural productivity and facilities that would be created.

Assessment Of the Programme in the
Context of its objectives

4.3. As mentioned earlier, the R.I.D.P. has been in operation in Kakamega district for the last five years. The R.I.D.C. has been the principal instrument in fostering the programme. In assessing the role played by this programme, the following should be borne in mind, before any conclusions could be drawn:-

- (a) The programme was established on a pilot basis and a good deal of time and resources had to be incurred in trying to assess the best ways to pursue the programme.
- (b) The R.I.D.C. at Kakamega as stated in part III was responsible not only for the district but also for the whole of Western Province. This aspect is rather crucial in the sense that only a limited number of qualified staff (capable of giving advice on potential industries and other managerial matters and extension service) were employed at the centre. This dissipated the centre's resources to concentrate on Kakamega district alone.

One of the principal reasons that had led the Kenya Government to launch the S.R.D.P. and later on the R.I.D.P. was the need to evolve a strategy that would enlarge the employment opportunities in the rural areas. In part II, it has been stated that Kakamega is one of the most populous district and is also predominantly agricultural. This district was a very good area for testing the new programmes.

4.4. In the first year of their operation, the R.I.D.C.s devoted most of their resources in giving extension service to existing units and potential entrepreneurs. While the other three centres reported substantial activities on this score in the first year of operation, the Kakamega case was a bit different in that the then manager reported that this strategy could not function because there were very few local industrial units. At a meeting to review the progress of their work, it was recommended that the centre at Kakamega should aim more at identifying new rural industries. This was followed by the recommendation that low-cost worksheds should be constructed in the Industrial Promotion Area of the Centre, so that new identified projects could be located in them.

4.5. The contribution towards job creation can be assessed by the number of new jobs that have been found in these units. Of the nine units that are operational in the Industrial Promotion Area, a total of 46 jobs have been created. The Small Sugar Plant at Kabras provides employment to about 130 persons. Another unit for brick-making which is presently under establishment at Kisa Location in the district would also provide a few more jobs. All in all 180 new jobs would have been created in the district as on 31st July, 1977. Apart from the jobs created by new units, it is reported that the centre has registered some 129 clients who have been and (or) being assisted by the R.I.D.C. in one way or another.

The type of assistance has been either one of utilising the centre's machinery or getting advice from the centre's staff. Although it has not been possible to quantify the effects of this assistance on the creation of new jobs, it is quite reasonable to conclude that a few people may have found employment in the units belonging to the clients after the advice given by the centre has been adopted.

Thus in terms of employment creation, the programme can be said to have had quite an impact on the area. It the next few years, when more units are established, the trend should be for the better.

4.6. The programme's contribution towards increase in income could be seen by the amount of 'value added by manufacture' in new units that have come up with the direct assistance of the programme. To this should also be included part of the value added in the existing units which has resulted from implementation of advice from the centre. The value added/generated by the new units including the small sugar plant has been estimated at Shs.4.492 million in one year. This figure does not include the gains that have accrued to the existing/old units, who may have obtained any other type of assistance from the centre.

Effects of the Programme on Reduction of Migration to Urban Areas

4.7. Apart from the jobs which people have found in the new industries that have been developed, it may be mentioned that the R.I.D.P. had some impact on the rural urban migration. In 1970- when the Kenya Industrial Estates Limited had carried out a techno-economic survey of the area, there appeared to be only a few entrepreneurs, who could exploit the potential for new industries. Table 8 shows some of the changes in the case of Kakamega Municipality that have since taken place.

Table 8

MANUFACTURING AND SERVICE INDUSTRIES IN KAKAMEGA MUNICIPALITY

Particulars of Activities	No. of Enterprises	
	1972	1976
Saw Mill	1	1
Carpenters & Furniture makers	3	15
Tailors & retailing & tailoring	18	29
Metal workers	-	11
Bicycle repairers	2	5
Automobile repairers	2	9
Watch/radio repairer cum-electrical service	7	17
Shoe makers/repairers	5	5
Posho Mill	1	3
Quarries/blockmakers	-	2
Pottery	-	2
Printing Press	-	2
Goldsmith	-	1
TOTAL	39	102

Source:- Records of Kakamega Municipality.

That the R.I.D.C. has been responsible in initiating some of these activities is an indication of increasing awareness among the local people that rather than rushing to towns to look for jobs or to set up industries, opportunities do also exist at Kakamega.

4.8. Industrial development in Kenya has been marked by high concentration of industries in the urban areas, mainly Nairobi and Mombasa. Towns like Nakuru, Eldoret and Kisumu where Industrial Estates have also been set up, have seen the establishment of new industries recently. Kakamega has however not benefitted much from this industrial development. As of today, there is no large scale industry in the Municipality and even the whole of the district can boast of only Mumias Sugar Company Limited, Mumias. As said earlier, this sugar mill with a capacity to produce 70,000 tons of sugar is now being expanded to reach a capacity of 180,000 tons in 1984. It benefits an outgrower population of 6,000 and the expanded one will benefit some 17,000 outgrowers.

4.9. Apart from Mumias, the rest of the industrial development though small can be attributed to the R.I.D.P. This programme has seen the establishment of the small sugar plant at Kabras, the nine small scale units in Kakamega Municipality and has given assistance to several others scattered over the entire district. The effect of this has had on decentralized development of industries though minimal is appreciated by the local administrators and social leaders.

ECONOMIC VIABILITY OF THE PROGRAMME:

4.10. The R.I.D.P. was established as a Government programme aimed at improving the welfare of the rural population. Most of the services that were to be rendered by the programme were to be given free of charges. The extension service was to be rendered free of cost. The loans for the purchase of machinery are advanced at a subsidized rate of 8% per annum while the sheds are rented on a very subsidized rate of only 30 cts. per sq.ft. per month.

(This rate has now been raised to 40 cts. as from 1st July, 1977). The use of the machines and equipment from the centre's workshops is offered at a fee equivalent to the cost of power and the depreciation of the machinery. All the services rendered in the preparation of feasibility studies are given free.

4.11. It would thus appear that the programme is very much subsidized. Because the programme is a non-profit making one, it would not be possible to compile its viability in figures. On the other hand, the programme is to be judged from the number of clients assisted, the number of jobs created and the amount of value added/ generated which for the short time involved and for the money invested is fairly reasonable achievement.

EFFECT OF THE PROGRAMME ON THE COMMUNITY

4.12. It is only five years since the programme was initiated and from discussions with administrators in the area and from observations it is evident that the programme has contributed in creating general awareness among people about industrial opportunities obtaining in the district. By the encouragement of a few resource based industries like small sugar plant, pottery and animal feed and a few demand oriented industries like steel door and window frames and printing press, the centre seems to have laid the basis for future steady industrial development of Kakamega. The following examples and case studies drawn from various parts of Kakamega help to illustrate the point.

Mobilisation of resources

Forty six local farmers and businessmen have set up Kabras Investment Limited and together contributed land and Shs.564,000 towards working capital of the small sugar plant. The success achieved by this unit is leading many others to think of mobilising resources towards the setting up of more similar units.

The young Village Polytechnics graduates, who were loaned machinery by the R.I.D.C. managed to get Shs.2,000 from their relatives and started a sheet metal unit, which is gradually coming up.

Development of entrepreneurship

The setting up of a few successful examples appears to have a radiation effect; it has created and activated latent entrepreneurship among the people in the area. According to District Commissioner, when his office invited tenders for the sale of 39 commercial plots in Kakamega Township, more than 100 applications from local people were received. It is also reported that a number of people from Kakamega at present working in Nairobi and Mombasa are making serious enquiries about industrial potential in the area from local administrators and development authorities.

The main reason for development of entrepreneurship in the area appears to be that unlike 1970, when most of the agriculture in the area was in the nature of subsistence farming and it was therefore difficult to come across many entrepreneurs, today with the introduction of cash crops like hybrid maize and sugar cane, a good deal of money is flowing in the district. For example, the Mumias Sugar Company is paying out some Shs.800,000 to the farmers every week for the sugar cane purchased. According to the District Commissioner, working capital is no longer a serious bottleneck that used to be a few years ago. /it

Provision of Human needs

Through the production of sugar, shelter building materials, wooden furniture and joinery and ready-made garments, the programme is trying to meet some of the basic human needs.

In this connection, it may be mentioned that the latest slogan of the World Bank and I.L.O. is 'need based development.' The R.I.D.P. is ideally suited for this purpose. The Fourth Development Plan's (of Kenya) theme is 'alleviation of Poverty'. Since most of Kenya's population lives in the rural areas, accelerated rural development is crucial both for alleviating poverty and satisfying basic human needs.

DEVELOPMENT OF LINKAGES BETWEEN AGRICULTURE AND INDUSTRY

4.13. The role of agriculture as is evident from this paper is predominant in the district. Any development in Kakamega has been and is likely to remain tied up to agriculture in the years to come. Even the only large scale industry in the district viz. Mumias Sugar Company is wholly based on agriculture. An examination of the R.I.D.C. programme in Kakamega clearly shows this close relationship between the two sectors. Two of the important industries initiated through the R.I.D.C. programme, namely the small sugar plant and the animal feed project are based on the processing of agricultural products viz. sugar cane and maize. As there is definitely scope for setting up of more sugar plants, this linkage will continue to remain important. If animal feed project which at present is producing chicken feed expands to produce other types of feeds, it will very much depend on the locally available ingredients.

4.14. A few other projects like sifted maize meal, dehydrated vegetables, tanning of hides and skins and charcoal briquettes out of saw dust and agricultural wastes, that seems to be quite feasible for this area will be based on this linkage between agriculture, livestock wealth and forest on the one hand and industry on the other.

CONTRIBUTION MADE BY THE PROGRAMME
TOWARDS NATIONAL INDUSTRIALIZATION

4.15. As said earlier, the promotion of industries in Kenya for a long time has remained concentrated in the urban areas. Recently, the Government is placing emphasis on decentralized development and also involving the local people in the process. Till date, the programme has assisted in the establishment of 11 new projects in the district, though the centre has been instrumental in encouraging two other industries in other districts of Western Province. About 129 clients have also called on the centre and have obtained some type of assistance, which should have contributed to increase production and rationalisation of existing activities.

If looked at from the rural aspect of industrial development and the involvement of citizens of this country in some industrial work, the programme has had some impact on the area. From discussions with local leaders, it seems that the programme has at least created a basis for further industrial development in the area. People both within and working outside are slowly realizing that there is something to gain by investing in Kakamega. It seems that establishment of new identified industries would present no serious problems.

V. BOTTLENECKS, KEY PROBLEM AREAS AND
LIMITATIONS OF THE PROGRAMME

A. Industrial Strategies and Policies

Immediately on Independence in December, 1963, the Government of Kenya adopted the policy of accelerated industrial development with a view to achieving higher levels of Gross Domestic Product and thereby enlarging employment opportunities for the people. Such a policy was based on the assumption that the improvement in the standard of living of the people and even income redistribution were the functions of growth.

5.2. This thinking is evident in the country's First Development Plan 1964-1970. This policy did result in the rapid growth in output of the industrial sector, though the development of industries remained concentrated in the two principal urban areas viz. Nairobi and Mombasa.

5.3. The first concrete indication of the anxiety of the Kenya Government to achieve higher employment avenues and fairer distribution of income in the country as a whole came with the convening of Kericho Conference in September, 1966, when political leaders, administrators and research workers with a common concern for effective utilization of Kenya's human resources for full development drew up a list of 112 conclusions, regarding the strategy of development. It was during the second plan period 1970-74 that the conclusions of the Kericho Conference found expression in the adoption of S.R.D.P. and R.I.D.P. These programmes were initiated to experiment on the best ways to achieve rural development. The Third Plan 1974-1978 has witnessed the beginning of implementation of strategies evolved from previous experiments. Thus looked from policy point of view, the Kenya Government is making a deliberate and concerted efforts to evolve strategies that will lead to rural development. The S.R.D.P. though advocating an integrated approach could not do proper testing of industrial development in the overall development exercise. However, the initiation of R.I.D.P. has made up the deficiency of S.R.D.P. and an insight into the problem areas has been achieved. It is only hoped that when the two programmes are incorporated through the District Planning Strategy, the implementation would be more penetrating and successful.

5.4. Kenya is a mixed economy and an important role has been assigned to the private sector, especially in the development of industries.

Therefore, unless conditions of raw materials supply warrant, the dictates of demand have been most crucial in determining the location of most of the industries. This, as stated earlier, has led to the establishment of industries in the urban areas. The establishment of any sizeable industry in a particular area brings along with it several other advantages like the supply of electricity, protected water supplies, provision of health and recreation facilities, improvements of road network, etc. These factors are sufficient incentives for the establishment of other industries. This concentration has thus led to unwarranted neglect of rural areas. Being more obsessed with maximisation of profits, it may be necessary for the Government to offer certain compensating fiscal and non-fiscal incentives to private companies to set up industries in rural areas. Details of these incentives are given in in part VI. At the same time, the Government may itself consider participating in such large scale ventures as the Nanyuki Textile Mill, (which has been established in an area far from the market and sources of raw material as a direct attempt to decentralize industries). With the adoption of such a strategy, the earlier trend may be reversed.

(1) Necessity of introducing a system of licensing capacities

5.5. Though Kenya has experienced about a decade and a half of planned development, it has not yet evolved a machinery for licensing of capacities. The result is that the entrepreneurs of such simple industries as wire nails, wire mesh, barbed wire, ready-made garments and concrete blocks, because of 'pull' and 'push' factors have usually been attracted to the urban centres. If there was a system of licensing of industries, there could be a deliberate attempt at setting up small resource-based and demand oriented industries in rural areas, owned and run by the local people.

With such a system, it would have been possible to set up as many economically viable and technically feasible small scale units, as desired. This could foster healthy competitions as between producers and could also work to the advantage of consumers. But as the position obtains today, even small projects are located in the urban areas, leaving few opportunities for people in the rural areas.

(ii) Few Opportunities for ancillary Industry Development.

5.6. It has further been noticed that a number of large scale units in the country are themselves producing components and parts, even though their manufacturing process has no relation to that of their principal items of production. While this has enabled the large scale units in spreading their over-heads, it has definitely limited the scope of ancillary industry development. In other cases, the large scale industries are getting even simple parts as vent plugs for auto batteries and caps for collapsible tubes from their associate factories/principals from overseas. With a view to encourage small scale units to take up the production of parts and components, the Government of Kenya could consider inserting a clause in the licenses (when this system is established) that the manufacture of specified parts and components would be farmed out to small scale units.

(iii) Desirability of Transferring Some of the items From Central Tender Board to District Tender Boards

5.7. It needs to be mentioned that the largest single source of effective demand for different articles in semi-urban and rural areas is the Provincial Administration. They require substantial quantities of such goods and services as wooden furniture including cupboards, wooden trays and waste paper baskets; stationery items such as writing pads, pen holders, file covers, etc; uniforms for staff, printing services such as printing of files, letter heads, etc; steel chairs; and a host of other goods and services.

As per the present position, the Ministry of Works assesses the requirements for different items in respect of various districts at the beginning of the year and the Central Tender Board calls tenders from the country. All items of value of more than Shs.10,000 goes to the Central Tender Board, which is entrusted with the responsibility of procuring goods required by the Government through tenders. Tenders for amounts less than Shs.10,000 are called by the Permanent Secretary of the concerned Ministry. Tenders for only a few items are issued by the District Tender Board. Both the Central Tender Board and District Tender Boards accord a price preference ranging between 5-10% to African Tenderers.

5.8. As the Tenders for any sizeable order are generally issued by the Central Tender Board, which is stationed in Nairobi, small scale manufacturers, located in remote areas in different districts are hardly able to take advantage of the sizeable effective demand existing in their areas. They have neither the knowledge about timings of such tenders nor the financial resources to discharge their obligations even if their tenders were accepted. That they could even fill the tender forms is also doubtful. If, therefore, the policy of decentralized development is to make any impressive head-way, it is felt that this source of bulk effective demand should not be drained dry for the local manufacturers. On the other hand, deliberate efforts should be made and suitable measures devised to encourage participation of small scale manufacturers in the purchase programme of the Government.

(iv) Necessity of Local Authorities patronizing local PRODUCTS

5.9. The second important bulk consumer in the district is the local county councils, urban councils and municipal authorities. They need certain goods and services, the typical examples being dust bins and printing services. At present, they obtain these goods and services by calling for tenders both from within and outside the district.

There appears to be no clause in their charters or resolutions to the effect that they should accord preferential treatment to local manufacturers over those from other parts of the country. In the event of decentralized development, it is suggested that county councils/urban councils should pass resolutions to the effect that in the matter of their purchases, preference should be given to local manufacturers if the latter have the ability to make such products or render such services.

B. Agricultural Policies and Programmes

5.10. The success of resource-based projects depends among other considerations, on the manner in which their agronomy part is handled. The experience of Mumias Sugar Company Limited in organizing the production of sugar cane over an area of 9,700 hectares, owned by about 6,000 farmers is a case in point. As stated in part III of this paper, Mumias Sugar Company on the security of Mumias Outgrower's Company extends to the individual outgrowers varied type of extension services such as supply of seeds, fertilizers and transport services. Service roads have been developed by the state. This not only ensures the growth of quality sugar cane but also regular supplies to the Mumias Sugar Company Limited. This has been made possible by the larger scale nature of the undertaking on the one hand and deliberate assistance from the state on the other. The same however could not be said to be the case with M/S. Kabras Investment Company Limited. This factory has already started feeling the problems of getting adequate cane supplies. (The existence of jaggeries within the outskirts of the factory has added fuel to the fire and they have even started offering higher prices than the minimum statutory price for sugar cane fixed by the Government). It is therefore obvious that small factories, with their limited resources could look after not the agricultural side of the projects.

Therefore, there has to be not only long-term planning before such factories come into existence but also the state has to intervene and make advanced planning to ensure timely supplies of resources.

5.11. The entrepreneurs or organisers of such factories have to keep the agricultural authorities or other concerned departments well informed about their intentions, so that the latter could do advance planning to ensure that the agriculturalists in the neighbouring areas grow relevant crops (provided the soil characteristics of land warrant it). The experience of S.R.D.P. has indicated that the schemes which could make an impact on the agricultural productivity are among others, Group Extension and Farmers' Training project and the Credit Schemes for average farmers. The Agricultural Extension Officers would acquaint the agriculturalists in the application of fertilizers, improved seeds and disseminate knowledge on the prevention of diseases to crops. The Credit Scheme would enable the agriculturalists to borrow from such institutions as Agricultural Finance Corporation and Cooperative Banks. With the help of this money, the agriculturalists could buy the necessary inputs, enabling their land to yield better quality crops in greater quantities. If these services could be given to the agriculturalists or other concerned sectors, it is hoped that they could respond effectively to a demand created in the area.

5.12. The application of such a 'Minimum Package Approach' as suggested by the 'World Bank Country Economic Report - Kenya into the Second Decade' may not be found practical for Western Province and for that matter, Kakamega district. It has been estimated that by the end of 1975, a total of 6,200 sq. kilometers had been registered by small holders (in Western Province).

There were about 240,000 holdings averaging about 2.6 hectares in size, although in densely settled areas average holdings are only little more than one hectare. Subsistence farmers are usually growing low value crops, primarily cereals and food for self consumption. It is however felt that to become reasonably well off, such farmers must change their cropping patterns and just as they have responded to the demands of the sugar factory, they would do when new demands crop up. By the money they will secure, they could arrange to buy basic food supply from other farmers.

- C. Lack of entrepreneurial motivation and investment in rural industries due to opportunities in trade, transport and service sectors in urban areas

5.13. As stated earlier in this paper, Kakamega has had no industrial traditions and about 95% of its population is dependent on agriculture (most of which is of the nature of subsistence farming). The educated elite of the district generally migrate to urban centres and occupy administrative and managerial positions. Thus for a long time, the entrepreneurial group willing to take risks and invest in industries did not develop.

5.14. During the last 3-4 years, a few changes have been noticed. The village polytechnics, apart from giving training to primary school leavers have inculcated in them the principle of self help and self reliance. Mumias Sugar Company which was started in 1973 distributes about Shs.800,000 to a population of 6,000 outgrowers every week.

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1. The Kakamega Basis Industrial Estate - Project Study page 21.

This has created some investible resources in the pockets of some people. Of late there has been a tendency on the part of some people who had migrated to urban centres to look back home and engage in some form of commercial and industrial business. Some groups of people even seem to have been enthused by the example of small white sugar plant viz. M/S.Kabras Investment Company and have indicated a desire to start similar units in other areas. The activities of R.I.D.C., Kakamega have also been instrumental in creating general industrial awareness among the people. It is therefore hoped that finding entrepreneurs for initiating industrial enterprises in the future would not be an insurmountable problem.

5.15. There is no doubt that some of the sectors like commercial undertakings, residential and commercial buildings in the urban centres offer highly profitable opportunities. Even small scale firms, engaged in transport system offer very lucrative investment opportunities. The requirements of these activities are not very demanding. For the devoted investor, who is serious and more sophisticated, industry remains the most attractive field to invest funds. Thus while there is definitely some competition for entrepreneurs between industry on the one hand and trade, transport and service sectors in the urban areas on the other, this competition cannot be considered as a serious bottleneck towards further development of industry in Kakamega.

D. Technological Capabilities

(i) Assistance towards adoption of appropriate technology

5.16. Soon after launching of R.I.D.P. in the early part of 1972, the Kenya Industrial Estates Limited realized that the target group towards whom the programme was being directed could not easily adopt the sophisticated type of machinery.

It was, therefore, decided to set up a Product Development Unit at Machakos to cater to the requirements of R.I.D.C.s in the country. The functions and achievements of the Product Development Unit have been mentioned in detail in part III of this paper and need not be dilated here. Suffice to say, the Unit has developed and improved appropriate products whose commercial viability has been adequately tested.

(ii) Lack of Trained or skilled manpower

5.17. In the case of Kakamega, the level of trained and skilled manpower was very low, like most other rural areas of Kenya. The trainees of the village polytechnics and technical institutes could not directly be depended on to operate machines, unless they received some short term training in handling simple machines. This deficiency has been made up by R.I.D.C. Workshops, where assistance in the use of common wood working and sheet metal goods making machinery is provided. Therefore, the utility of workshop machines to provide training in handling the machines and demonstrating the process of manufacture cannot be over-emphasized. Thus the lack of trained or skilled manpower is not considered a crucial problem for starting the simple industrial activities, the planners have in mind.

E. Infrastructure

(i) Roads

5.18. Compared to other districts in the country, the road network in the district is reasonably advanced. Kakamega township is linked with Vihiga, Mumias and other divisional headquarters with all weather roads. Even in Mumias Sugar belt roads though not bituminised are passable throughout the year. However, some of these roads cannot sustain heavy traffic which passes on them eg. Mumias-Kakamega road.

Moreover, there is a need to link the main urban and market centres. Therefore, some of these roads will need some improvement. It is understood that plans are in hand to upgrade the more important sections of roads and this should definitely assist in accelerating the movement of people and goods. Kakamega is however very well connected to other major centres like Kisumu, Webuye, Eldoret, Nakuru and Nairobi.

(ii) Railways

5.19. The town is not connected by rail to the rest of the country. This means that most of the heavy goods destined for Kakamega and those emanating from that area, have first to be moved by road either from or to Kisumu or Eldoret, the nearest rail heads. The breaking of bulk required in such cases can be quite an expense to any sizeable industry and this consideration may have desisted a few from setting up industries at Kakamega. If the anticipated extended line from Butere is joined to Kakamega and perhaps on to Bungoma, this could go a long way in improving the communication network in the district.

(iii) Telephones

5.20. Telephone system leaves room for much improvement. Arrangements are however nearing completion to put Kakamega on Subscriber Trunk Dialling (S.T.D.) system which will go a long way to improve the communication system.

(iv) Supply of Electricity and Water

5.21. The supply of electricity is confined to Kakamega Municipality, Mumias Sugar Company Limited, and Villages lying along the road from Kisumu to Kakamega.

Most of the urban and market centres where some of the small industries could be located are not supplied with electricity. Even a township like Mumias only a few yards from the Sugar Mill, which is served with electricity from the national grid system has no power. This naturally inhibits the exploitation of industrial potential and deters people especially the artisans from adopting better methods of production.

5.22. With the exception of Kakamega township which is served with water by the Water Development Division of the Ministry of Water and Vihiga, where several water schemes were initiated under the S.R.D.P., most of the district, though having permanent rivers, has no well-organized water supply system. As such protected water supplies for people as well as industrial needs leaves much to be desired.

5.23. It is thus apparent that the physical infrastructure needs to be improved considerably to increase the mobility of labour and goods within the district to ensure smooth running of existing and potential projects.

(v) Lack of other facilities

5.24. On the institutional side, the district is also deficient in a few respects. The banks which have branches at district headquarters are the Kenya Commercial Bank, the Standard Bank and the Cooperative Bank. There is a need for the banks to establish branches at important centres like Mumias to tap the increased incomes that are accruing to the people from the sale of sugar cane, maize, etc. Apart from mobilising the available money resources for investment in other sectors, this would assist in spreading the message of R.I.D.P.

5.25. Good hotels, housing and recreation facilities are eminently lacking in the district. Though these may not appear important, the role they play to attract new activities should not be minimised.

VI. PRINCIPLES AND METHODS OF GENERAL APPLICABILITY TO RURAL INDUSTRIALIZATION PROGRAMME

One of the dilemmas facing most of the developing countries is the manner in which their manpower and material resources in rural areas should be mobilised, so as to promote their well-being and through that, the overall national development. Even when the country may be achieving a satisfactory growth rate, reflected in increasing Gross Domestic Product, the majority of people living in rural areas might not be feeling its impact and apart from under-employment and unemployment, they may be experiencing lowering of living standards.

6.2. Most of the developing countries are characterised by an acute concentration of industrial activities in a few urban centres to the total or near exclusions of other areas. Rural areas, where generally majority of the population live usually remain unaffected by economic development in urban centres. This naturally results in unbalanced development of different parts of the country. Such a tendency, if allowed to continue unabated could affect the political stability and economic well-being of the country as a whole. Therefore, if economic development is to have any real meaning for rural areas of the country, it should also involve the rural manpower in the entire process of development.

6.3. Another problem of development is that urban industrialization accompanied by provision of economic facilities and social overheads leads to unwarranted neglect of rural areas, resulting in uncontrollable migration from rural to urban areas. Apart from straining the economic facilities, it aggravates the problem of unemployment in urban centres.

Therefore, the overall solution would lie not only in developing facilities but also creating opportunities of employment in rural areas by spreading general industrial awareness so that the tendency of the people to migrate to urban areas could be brought to a halt.

Strategy

6.4. The strategy should aim at:-

- (i) enlarging employment opportunities in rural areas;
- (ii) raising incomes and standard of living of rural communities;
- (iii) diversification of occupations;
- (iv) reducing exodus of rural population to big towns; and
- (v) eliminating regional economic imbalances.

6.5. This strategy could be translated into a reality by embarking on rural industrial/development programme, backed by an integrated development of other related sectors such as agriculture, forests, livestock wealth and other natural resource sectors. Though R.I.D.P. could not be considered to be a panacea to economic development, yet it is one of the effective methods of mobilising both man and material resources for the benefit of inhabitants of an area. It needs to be emphasized that the programme to be a success, could not be undertaken in isolation. The programme, apart from involving rural population, should make full use of agricultural resources and other natural resources, which should be made to respond effectively to any demands of industrialization.

6.6. For the rural industrialization to be of permanent nature, both physical and institutional infrastructure should be simultaneously developed. Items like roads, railways and telephone facilities are quite vital for easy mobility of both goods and labour. The availability of banking facilities and other financial institutions and credit schemes are also equally crucial.

6.7. But the most critical aspect of development is the people themselves. Entrepreneurial motivation and urge to take up industrial enterprises through the provision of facilities (which may aim at developing the calibre of personnel either through training or through apprenticeship or through upgrading the existing local entrepreneurship itself is the most important aspect of such a programme.'

Interrelationship between Rural Industrialization, Rural Development, Regional National and Sectoral Plans, Policies and Programmes.

6.8. As would be evident from this case study, rural industrial programme is very much related to the developments in the rest of the economy, be they training of both workers and entrepreneurs, improvement of physical and institutional infrastructure, increased production in agriculture, forestry, fisheries, etc. etc. For example if a sugar factory is to be established, quality sugar cane should be available in sufficient quantities; the Agriculture Department should make arrangements to provide hybrid cuttings and fertilizers; there should be good roads to transport sugar cane to the gate of the factory, etc. etc. Therefore, a number of factors have to work in unison to achieve a desired result in the field of rural industrialization.

6.9. The number of factories of different industry sub-sectors depends on a number of factors i.e. demand of the country and export possibilities, the level of production of raw materials and a number of other factors that the planners may have to keep in mind such as availability of foreign exchange, apportionment of foreign exchange for industry sub-sectors etc. For this reason, while apportioning resources at the national level, some type of coordination is called for to determine which projects to promote, their number and location.

6.10. Again programmes of training, road construction, railway extension, telephones and other communication network have to be established on the basis of an integrated national approach, if the maximum has to be achieved out of meagre resources usually available with the developing countries. The needs of all rural areas have to be kept in view and priorities have to be assigned before making provision for improvement of such facilities.

Linkage with other sectors particularly the Agricultural Sector and the Natural Resources Sector.

6.11. The first priority industries for rural areas are those which are based on local resources available from agricultural sector and other natural resource sectors. It is an open secret that due to reasons of high costs involved in transportation of raw materials, such industries have in most cases been put up near the source of raw materials e.g. sugar mills, paper mills, fruits and vegetable preservation units, minerals processing units etc. Since these are usually large scale industries, they are capable of attracting several essential facilities such as power, water, roads, telephones and even hospitals and schools. Therefore the importance of a close linkage between rural industrial programme on the one hand and agricultural and other natural resource sectors on the other need not be over-emphasized.

Provision of a favourable environment by the Government through industrial strategies and policies and provision of physical and service infrastructure

6.12. Left to themselves, advisers on industrial locations, be they for private investment or public undertakings, make their decisions on all costs, internal and external, to an industry. It is this basic consideration that has led to the concentration of industries in urban areas and if left unchecked would continue because industries tend to attract others.

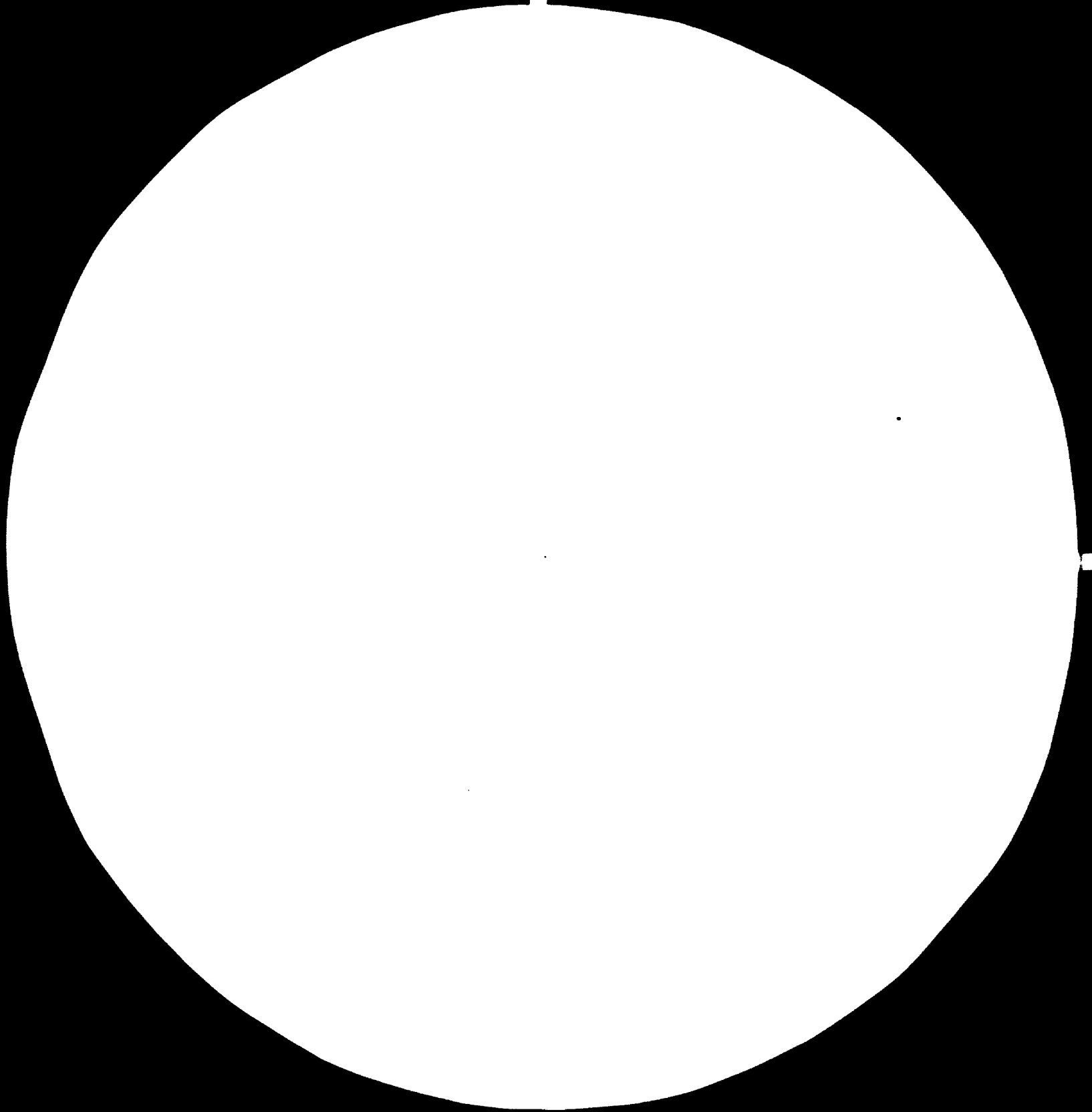
6.13. It, therefore, such a vicious circle is to be avoided, there must be a deliberate attempt by the concerned Governments to see that as far as possible industries are decentralized to small townships and rural areas. There is, therefore, need for an industrial strategy or a programme. Such a programme should aim at evolving a licensing procedure under which capacities in the context of overall national requirements, should be issued for particular locations in rural areas. If necessary the Government should offer incentives, so that the local companies and foreign investors are induced to set up such undertakings in rural areas. Details of incentives are discussed later in this part. Apart from incentives the Government should introduce a number of physical and infrastructural facilities that would be too costly for the industry to create for itself and which the industrialists would like to see established in the area before they could think of establishing the industry. Some of these facilities would include:-

- (i) Good railway or road network for the mobility of labour and finished products and (or) raw materials
- (ii) A good communication network in terms of telephone and postal services
- (iii) Adequate supplies of water and power for industrial and domestic use, supported by health, housing and other related facilities.

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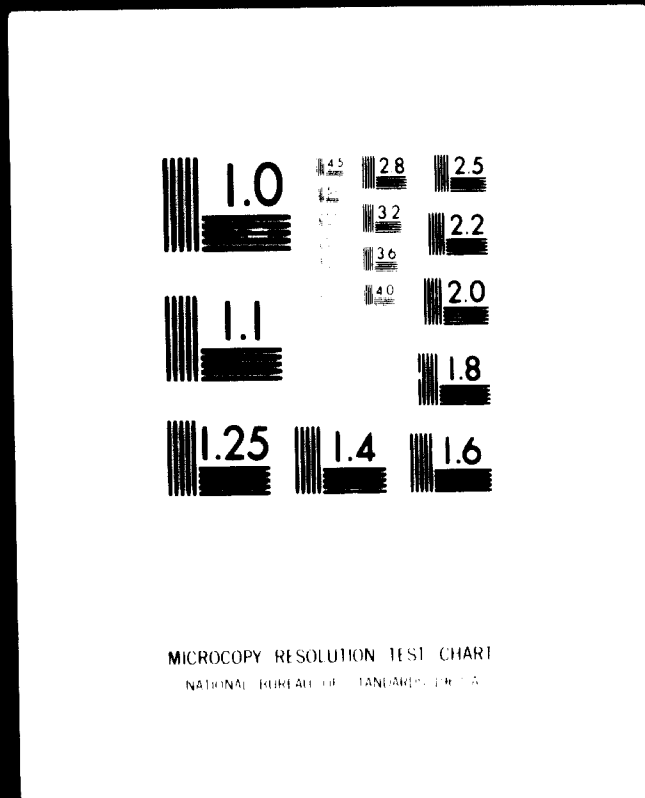


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- (iv) Recreational facilities,
including hotels.
- (v) Institutions like banks,
insurance companies and others
which provide related services.

6.14. The provision of these facilities may be expensive and may not be justified on economic ground in some of the backward areas. Again it might not be possible to make available all the facilities at the same time. However, a timetable for provision of these facilities would have to be worked out keeping in view the local, regional and national requirements.

In this connection, it may be mentioned that in order to avoid the pitfalls of industrial concentration and especially its environmental hazards, it is necessary to re-orient national thinking on pure commercial costing in selecting sites. At the national level, the social costs and benefits of decentralized development has to be taken into account. The costs in terms of incentives, extension and infrastructural facilities needed to develop decentralized development have to be viewed from the social cost benefit point of view.

Maximum Involvement and motivation of the local population

6.15. The type of industries which could be started in the rural areas are three viz:-

- a) Resource-based industries like sugar factories, paper mills, mineral processing units, etc. By the very nature of their operations, such industries could be started on large scale basis. These industries are usually started by private limited companies, public limited companies or foreign investors.

- b) Demand-based industries like steel window and door frames, wire nails, barbed wire, wooden furniture, animal feed, etc. The technology in such industries being flexible, these could be started on very small scale.

- c) Ancillary and auxiliary industries to large scale industries such as steel castings and wattle bark grinding. These industries usually cater to the requirements of the regions and could be started on small scale and medium scale basis.

6.16. It is for the latter two groups of industries that attempts have to be made to secure the complete and absolute involvement of the local entrepreneurs. The local R.I.D.C. to which a reference is made later in this part should make personal contacts with the entrepreneurs and persuade them to start such industries. In case sufficient response is not forthcoming, the Government through R.I.D.C. should start small projects on its own and sell these to local entrepreneurs when such projects start yielding profits. The local R.I.D.C. should try to secure entrepreneurs from the class of artisans, working with hand-operated tools, trainees of village polytechnics and other technical schools and skilled and foreman type of labour employed by the large scale ventures of the area. Small scale industries have an important role to play in introducing industrial thinking among the local people and form a nucleus from which bigger industrialists may emerge.

6.17. The first group of large scale industries would also involve local agriculturalists who would be engaged in supplying raw materials and other incidental services.

By this process, increased incomes would be made available to the local population, leading to more effective demand of daily necessities of life, initiating of new manufacturing industries to cater to such demands and so on.

Need for an appropriate technology in R.I.D.P.

6.18. One of the principal objectives of Rural Industrial Development Programme is to increase the avenues of employment and increase income levels of the people. It, therefore, follows that there is a need not only to introduce new suitable products but also appropriate labour intensive manufacturing methods for rural industries. The products developed should be such with which the local people are familiar and whose manufacture is economically and technically feasible. In evolving appropriate technology, the manufacturing steps could perhaps be increased to the extent that the quality of the resultant product does not suffer and the prices are also competitive. There is, therefore, a need for developing countries to set up a Product Development Unit at the Central level. The functions of the Product Development Unit have been stated in detail in part III of this paper. The Unit should maintain close liaison with similar Units set up in other developing countries, so as to take advantage of research carried out elsewhere. Needless to add, the results of the Units research should be communicated to R.I.D.C.s scattered all over the country.

Incentives suggested

6.19. The incentives recommended could be divided into two categories:-

- A. Provision of social overheads which will include:
- a) Arrangements of worksheds on subsidized rental basis.

- b) Common service facilities
- c) In case of large scale factories, the Ministry of Housing could be requested to consider possibility of putting up cheap housing estates.

B. Fiscal Incentives

- a) In this category, the inducement may take the form of Investment Allowance of 15-20% of initial fixed investment, available only for the first year of operation of the factory. The Investment Allowance, will work as additional depreciation on fixed investment and would be deducted from gross profits, before working out income tax.
- b) 100% loan on machinery and equipment and on their installation. The assistance should be available only to small and cottage industries of the rural areas.
- c) For about 25% of the requirement of working capital, the state could stand guarantee for loans given by commercial and other financial institutions to rural industries.

It is hoped that these incentives would energise the local entrepreneurs and induce even outside investors to start industries in rural areas. The applications for loans upto Shs.100,000 from the existing industries and potential projects would be disposed of by the Divisional Loans Committees referred to later in this paper. Applications, involving loan amount of more than Shs 100,000 could be referred to Rural Business Promotion Agency at the Central level for approval.

Agency and Functions

6.20. At the Central level, there should be a Rural Business Promotion Agency, comprising of a Committee of experts, representing Ministries of Industry, Finance and Economic Planning, Agriculture, Livestock, Natural Resources, Power & Communications and Housing. This Committee shall co-opt Provincial/Divisional Coordinators as its members, when considered necessary. It will coordinate the efforts at promotion of different large industrial undertakings in the context of national requirements. If a sugar, cotton textile or large tannery is to be established, this committee will recommend the particular area, where such an undertaking will be established. It will also decide, keeping in view the conditions of different areas, locations of state undertakings in respect of which the raw materials have to be imported. Matters concerning incentives to be offered will also be decided by this agency.

6.21. To carry out the decisions of this committee and to coordinate the work at the provincial/divisional level, there would be Provincial/Divisional Coordinators. The Coordinators should have under them two bodies viz. the Rural Industrial Development Planning Agency and a Committee of Representatives of different provincial departments like Agriculture, Livestock, Natural Resources and other departments concerned with development of different sectors.

6.22. The Rural Industrial Development Planning Agency, should comprise industrial economists, mechanical and chemical engineers and civil engineers. It may even employ short-term experts on specialised industrial fields such as plastics, rubber, ceramics and glass, whenever needs of particular areas warrant.

It should be entrusted with the job of carrying out techno-economic surveys of different areas in the provinces/divisions and assessing their industrial potential. It should also make a study of existing industries and suggest the outlines along which the solution lies e.g. it may recommend an Industrial Promotion Area not only for new industries but also for existing ones; it may even recommend the establishment of Common Facilities Centre for the solution of technical problems of existing industries. This agency should also prepare feasibility studies for new industries, apart from making recommendations of the method to rationalise the working of existing industries. It should also recommend through the Divisional Coordinator to the Divisional Committee of Representatives of different provincial departments the areas of shortages/deficiencies which might stand in the way of development of industries in particular areas.

6.23. The Provincial/Divisional Committee of Representatives of different development departments should be concerned with improving the productivity of the area, with which they are concerned. They should pay particular attention to the areas of shortages as may be pin-pointed by the Rural Industrial Development Planning Agency.

6.24. At the lowest ladder should be the Rural Industrial Development Centres, which may be headed by the mechanical engineers and other supporting staff. The R.I.D.C. at some places may be in the nature of an Industrial Promotion Area, while at others, it may work only as a common facilities centre. The R.I.D.C.s may not necessarily be coterminus with district boundaries; some districts may have more than one R.I.D.C. The main functions of the R.I.D.C.s should be:-

- (i) Advice on technical matters to existing and future rural entrepreneurs in the areas covered by R.I.D.C.s
- (ii) Technical Service facilities to existing and future entrepreneurs in the areas covered by R.I.D.C.s.
- (iii) Advice on new rural industries to potential entrepreneurs.
- (iv) Finding suitable entrepreneurs and seeing that they are prepared by training courses in training institutions.
- (v) Recommending to the Divisional Loans Committee about financial participation by the state in each project.
- (vi) seeing that the projects once started progress as planned.

6.25. Though the R.I.D.C. would be giving most of the technical assistance itself, it could request for temporary deputation of some of the specialised personnel from the Rural Industrial Development Planning Agency for implementing a particular project.

Criteria for Programme monitoring and evaluation

6.26. The monitoring of the programme is very essential for two reasons. Firstly, it helps to determine how far the initial objectives are being met and secondly, it enables the necessary amendments to the strategy to be carried out well in time before too much effort and resources are wasted in the pursuit of a goal which in due course of implementation may have turned out to be impractical.

It is, therefore, felt that to achieve the above objectives, the monitoring of the programme should be done at the following three stages:-

(i) The programme should have its own monitoring mechanism where the implementation officers should be afforded a chance once or twice in a year to give reports of their experience in office and in the field followed by self-criticism aimed at improving the method of implementation.

(ii) It is also felt that to get the benefits of criticism from outside the programme, it is necessary to request a local institution with the proper understanding of the local conditions, and in this case preferably a local University, to carry out periodic assessment of the achievements and failures of the programme. Such a monitoring would help to determine whether the programme is responding to the original objectives and the manner in which the corrective should be introduced. Alternatively, the Government should be requested to set up a Programme Evaluation Organization, comprising of experts from University and Ministry of Finance and Economic Planning to carry out evaluation of R.I.D.P., Community Projects, Training Institutions and other development programmes of the government. Such an organisation would be permanent in nature and carry out evaluation of R.I.D.P. once in two or three years.

iii) Programmes of rural development are being implemented in most developing countries and different strategies are being tried. It may perhaps be necessary to take advantage of such international experience. This could be done by requesting Evaluation Groups either from countries with a long history of implementing similar projects or from an international organisation like UNIDO to carry out such a monitoring and evaluation exercise. Such an exercise could be carried out once in a decade.

VII. SUGGESTED AREAS FOR FURTHER IN-DEPTH RESEARCH
TO RURAL INDUSTRIALIZATION PROGRAMME

A few areas which need further detailed research related to R.I.D.P. are as follows:-

A. Peculiar to Kenya

Could the Cooperative Movement in Kenya be utilized effectively for Industrial Development

7.2. The Harambee spirit (cooperative spirit) in Kenya has been responsible for the establishment of several schools, hospitals, cattle dips and many other development projects.

7.3. The cooperative movement has also been very effective especially in increasing production and marketing of various agricultural commodities.

7.4. These two movements, which represent mobilisation of man and material resources have unfortunately had no impact on industrial development. What has not been possible to answer is:-

- Is it that industries are difficult to operate on a communal basis?
- Working capital is a crucial issue in several projects assisted by Kenya Industrial Estates Limited. Yet there appears to be quite some money available with the local people. Is there a way that this money or money owned communally could be channelled into industrial development?

B. Applicable to Rural Industrial Development Programme in general

1. Whether it is desirable to have one Organization to implement the modern small industry development programme in urban areas on the one hand and Rural Industry Development Programme on the other?

7.5. Modern small industries with sophisticated technology and rural industries with intermediate technology or appropriate technology have different objectives to subserve. Apart from creating entrepreneurship and employment, the modern small scale industries are expected to save and even earn foreign exchange, by producing import substitution items and promoting exports to neighbouring areas. On the other hand, rural industries with emphasis on intermediate technology or appropriate technology are basically intended to create employment, raise income levels and standards of living of the rural areas. The strategies underlying these two programmes are somewhat different. In some countries, the personnel executing these two sets of programmes are given separate training facilities so as to enable them to appreciate and the strategies underlying the programmes, with which they are concerned. But it has been observed that in certain developing countries, especially those where there is a shortage of experienced trained personnel, there is a single organisation implementing the modern small industry programme in urban areas and R.I.D.P. in rural areas. The personnel are inter-transferrable from one section to the other. They therefore tend to take some time before appreciating the strategy of the section to which they are transferred.

7.6. Further research is called for to determine whether it would not be more desirable to have two separate organizations one to concentrate on the R.I.D.P. and the other to devote its activities on modern small industry development in urban areas.

2. How to attract entrepreneurs from towns to rural areas for implementation of rural projects

7.7. The success of any rural project will depend on the viability of the projects on the one hand and on the quality of entrepreneurs who come forth to implement them on the other. In some cases the rural areas due to massive migration to urban areas have lacked entrepreneurs of high calibre. Yet there could be some entrepreneurs who could be induced to come back from the towns. The question that seeks an answer is 'which is the best way to attract such entrepreneurs. What do they look for before deciding to come back home?'

3. Which of the two bodies, the local University or a Programme Evaluation Organisation as a department of the Government would be a more suitable Organisation to undertake the evaluation of the Programme?

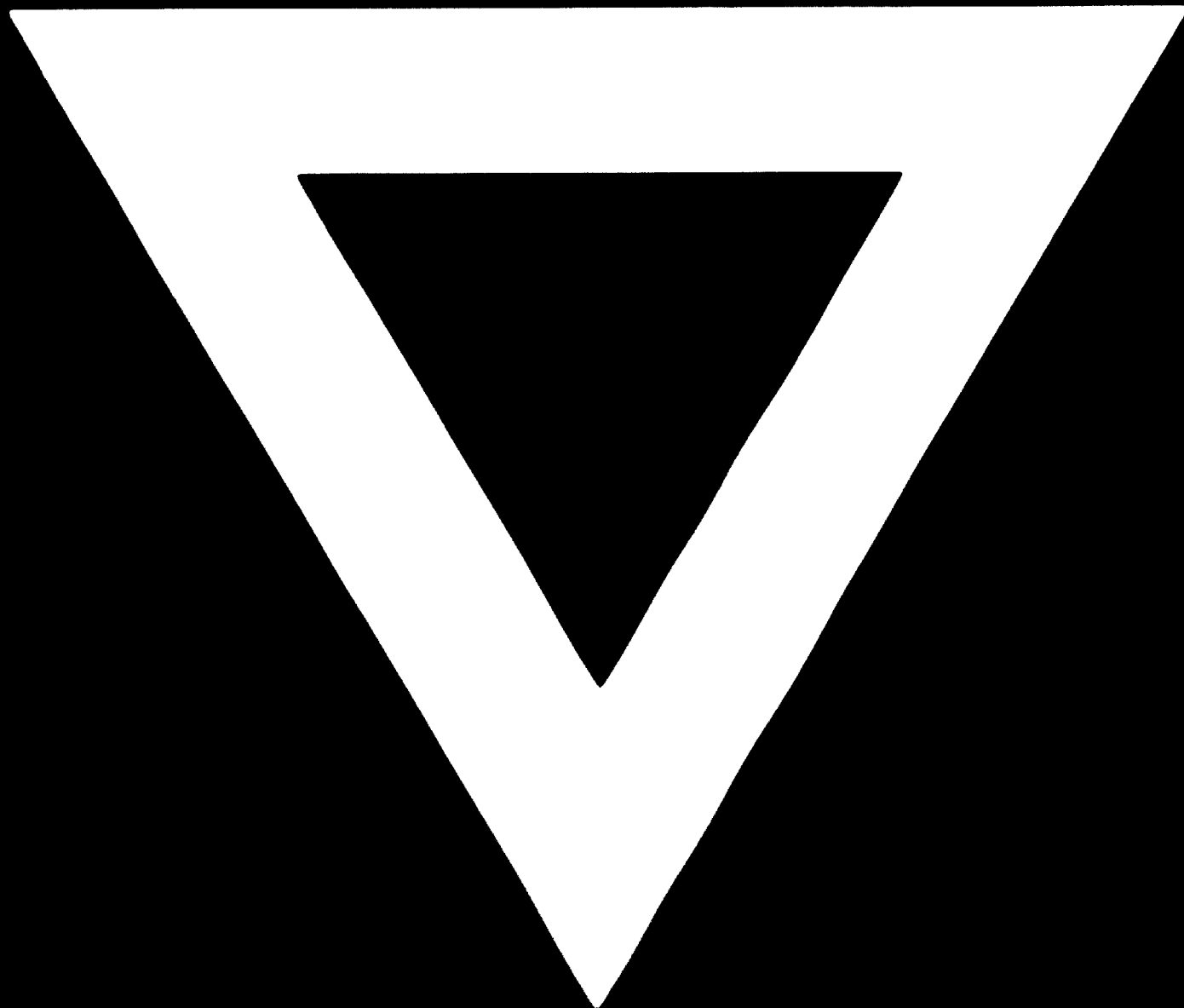
7.8. In part VI of this paper, it has been recommended that there should be periodic evaluation of the programme either by the local University or Programme Evaluation Organization set up as an independent department of the Government. The association of local University is usually recommended on the ground that its personnel would bring their theoretical knowledge to improve the working of the programme. Criticism is also sometimes voiced that the Universities being away from realities tend to be more academic in their approach to the problems and suggest changes in implementation methodology and strategies which may prove unworkable in the field of practical application. Similarly, it is alleged that a Programme Evaluation Organisation being a department of the Government would tend to show partiality in their approach to problems.

7.9. Further research on this topic would be required to determine the best suited institution to carry out an evaluation exercise.

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