

BRIDGING THE GAP

TOWARDS A CONDUCTIVE POLICY FRAMEWORK FOR SOCIO-ECONOMIC DEVELOPMENT IN KENYA

A reflection by development experts on the possible ways to deal with development disparities that characterizes the Kenyan economy

This **“Bridging The Gap”** is a Policy Brief recapitulating the discussions and recommendations of the first Economic Roundtable debate held in Nairobi on 7th June 2007 under the theme: **“An Enabling Environment for Promoting Socio-Economic Development”** in Kenya.

The Economic Roundtable is an initiative of CUTS-International Nairobi Resource Centre (CUTS-NRC) and the Friedrich Ebert Stiftung (FES-Kenya) as a modern concept of periodic dialoguing on the challenges to national development presented by globalisation policies and proposing their possible solutions. The outputs of these dialogues are aimed at complementing other national and international efforts and strategies of promoting socio-economic and political development.

This first Economic Roundtable brought together a wide-range of stakeholders representing Kenyan Civil Society, Private Sector, Media, Academia, and Key Government Representatives to discourse on the possible pro-active policies that could overcome the socially divisive disparities existing in the Kenyan economy so as to foster socio-economic development in Kenya.

Introduction

The 1995 World Summit for Social Development, through embracing the Copenhagen Declaration and Programme of Action for Social Development, provided the Roadmap to tackling the pervasive concern of socio-economic development. The alarm of addressing issues of poverty, unemployment, inequality, social exclusion and enhancing social integration, has been made sufficiently loud in the Copenhagen Declaration and constitute the imperative elements in addressing the predicament of the poor. Social development is also delineable through the development of peace, freedom, stability and security and the desire to achieve it requires increased national solidarity but also internationally, expressed through appropriate multilateral programmes and strengthened international cooperation. In its broadest definition, socio-economic development entails the attainment of equitable conditions in society where individuals have guaranteed respectable outcomes in income, health, food, personal security and participation in policy making processes in a democratic process.

However, most of the current economies are still threatened by chronic food crises; common ailments from diseases like malaria and tuberculosis; social decadence witnessed through corruption, fatal violence and criminality; and environmental calamities—all of which are evadable. Disturbingly, such lack of social progress has remained an intractable phenomenon at a time when the developing economies have signed up to and aspire to achieve certain international declarations on human socio-economic progress such as the Copenhagen Declaration and the Millennium Development Goals (MDGs). At the Copenhagen Summit, world leaders put their best foot forward to ensure people were put at the centre of equitable development process. This dream seems to remain a nightmare to many developing economies like Kenya. At a time when the rest of the world is increasingly forming into a global village and successfully seeking to address the concern of socio-economic development, to Kenya the reality is that of a world that is increasingly forming into a global jungle in which there is ever more a downward trend in the progress of social development.

An Insight into the Kenyan Social Economy

The Kenyan sectoral analysis depicts serious deterioration of the social fabric of the economy which is a comprehensive indication that the socio-economic status of the country is still below the assertion of 1995 Copenhagen Declaration on social development.

Economic Benefits Stifled by high Inflation Growth

While a superficial analysis of the Kenyan economy shows an increasing trend in the growth of Gross Domestic Product (GDP), a closer scrutiny of the parallel growth of the leading economic indicators such as inflation at rates higher than that of the GDP conveys a different picture of the real socio-economic situation in the country. GDP, as the name sounds, is simply a very gross indicator which cannot provide an inclusive yardstick to gauge economic performance of a country. Although the economy grew from 0.6% in 2002 to 6.1% of GDP in 2006, the parallel rise of inflation from 1.96% to 14.4% in the same period is an indication that life has become increasingly more expensive for Kenyans as the high inflation rates stifles people's real incomes, hence their lesser and lesser ability to increase expenditure.

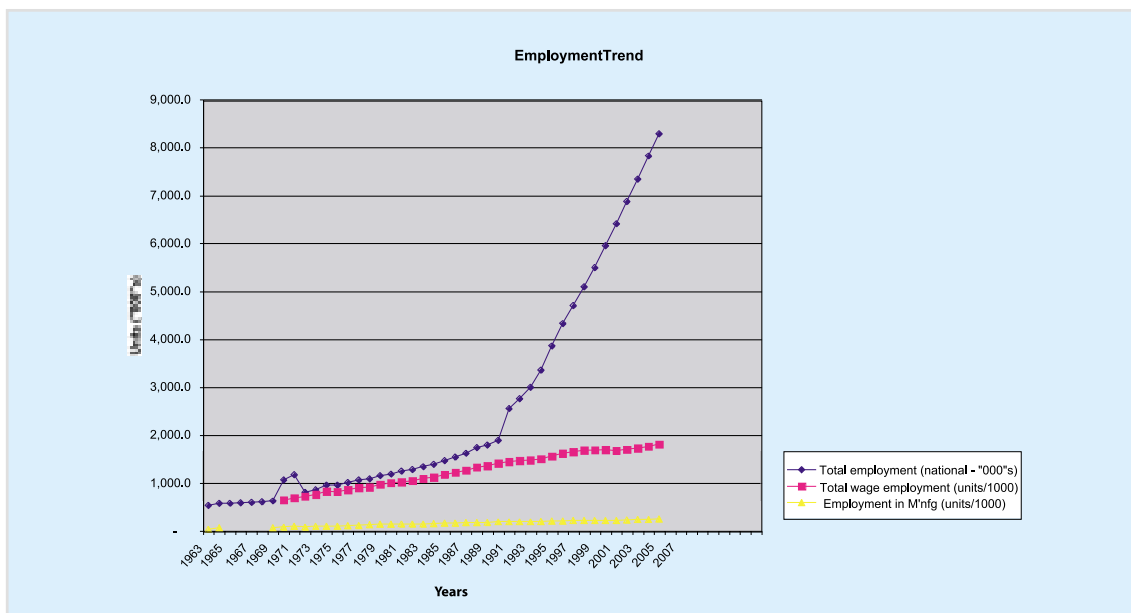
ECONOMIC GROWTH WHERE, AND, FOR WHOM?

- **In the assessment of whether economic growth favours the poor, it is important to analyse the sectors contributing to that growth, who the major players in the sectors are, and how their productivity is being enhanced to reduce poverty.**
- **The biggest contributors to Kenya's 6.1% GDP were the hotel industry, wholesale, manufacturing industry, building and construction, financial and agriculture. But the extent to which these sectoral growths contributed to poverty alleviation is hard to obtain since the sectors have normally no direct link to the grassroots and the marginalised. Most of the sectors are also the so called "elite sectors". It is also hard to ascertain whether public resources are being targeted at improving these productive sectors anyway.**

A Nation with Paltry Income and Low Employment Growth

The income and employment levels in Kenya are the main determinants of the poverty levels in the country. The levels of unemployment have been escalating, especially, among the graduate youths whose turnover has been increasing at a faster rate than the employment opportunities available. Although there has been some increase in employment opportunities, this has come from the informal sector but the formal sector employment, particularly in the manufacturing sector, has experienced a somewhat steady stagnation. As thus, the gap between total employment and total wage employment has steadily widened, especially since 1993. This reality is consistent with the fact that formal employment has reduced from its level of 70% in the first decade of independence to 30% today and the drop has been absorbed in the informal sector.

Chart 1: Employment Trends in Kenya 1963-2006



Source: Republic of Kenya, Economic Survey (Various Issues)

The informal sector employment is mainly in the labour intensive small-scale enterprises (the so-called Jua-Kali sector) and farm labour. Income derived from this sector hardly suffices for decent living and the jobs are of seasonal character, implying that the worker is periodically unemployed during the off-seasons and is often subjected to hardship because such employment is his primary

AN INCREASINGLY 'JUA-KALI' NATION

- **Out of the 465,000 jobs created in 2006 (an increase of 5.7% from 2005), 89% were from the informal sector.**
- **Employment in the public sector between 2003 and 2005 remained fairly stagnant, but, increased in the modern private sector by 4.8%.**
- **The increase in employment has only affected nominal wages marginally.**
- **The rise in average nominal wages from 14.4% in 2005 to 14.6% in 2006 translated into only 0.2% increase on people's real earnings.**
- **Put against the levels of inflation, it means life has increasingly become more expensive for many Kenyans than ever before the NARC government.**

means of livelihood. Unlike in the formal sector, workers in the informal sector have no effective recourse to protection of the law regarding their minimum wages and related benefits; meaning they are continuously exploited and work under poor conditions without an ombudsman to present their misgivings.

A Vicious Dependency Syndrome and lack of Funds for Development

The viability of funding for development programmes in Kenya is in great doubt considering the narrow taxation base of the country. In a population of 34 million people, it is approximated that only 2 million people pay taxes. The other face of this scenario is the unsustainable dependency ratio in the country. Up to 30% of incomes for rural dwellers come from remittances from relatives in urban areas.

Unsustainable Universal Primary Education Policy

On another front, the country's target to provide universal security to the society has been in vain. This has actually left the society in a social distress in which the poor are the most vulnerable in such incidence. Although, the incumbent government may be applauded for the introduction of compulsory Universal Primary Education (UPE) which has led to positive transition to secondary schools by up to 10.3% in 2006 alone, the analysis depicts that the quality of education will extremely deteriorate and the chance to reduce unemployment through innovation remaining unattainable. Similarly, while the enrolment is said to have increased by 6% from 7,159.5 thousands in 2003 to 7591.5 in 2005, following the introduction of UPE, a parallel analysis of the trends in primary school enrolment against population trends by age shows that enrolment did not increase in relative terms since population increase was still high.

THE EDUCATION SECTOR: WHERE IS THE MISHAP?

- **There is limitation in sustaining the UPE policy, and in future –the Universal Secondary Education (USE), as the rate of increase in the education and teaching facilities is still disproportionately lower than the rate of enrolment;**
- **There are less than 5,000 secondary schools against 18,000 primary schools.**
- **Transition from primary to secondary education is still higher for boys than girls, despite the high girl-proportion in the country;**
- **Education training mainly focuses on formal employment rather than job creation through innovations.**
- **Few trainees select agricultural course yet the sector is claimed to be the nerval center of the economy.**

47 Years Longevity: A factor of poor Health, Housing, and Education

Similarly, it is still a nightmare for the Kenyan economy to augment its labour productivity. A huge section of the economy is still faced with high prevalence of malaria and tuberculosis (TB) (comprising 50% of the sick), and low immunizations rates which continues to exacerbate mortality rates, impeding the productivity of the population and thus negatively affecting the overall economic

performance of the country. TB is highly associated with the HIV burden –implying, thus, that HIV infection is highly concentrated in the Western and the Coastal regions where there is high prevalence of TB, yet both TB and malaria are curable diseases.

The analysis highlights three serious socio-economic conditions of the country: a life span of only 47.5 years for those born from 2004; a below average Human Development Index of 0.491; and that nearly 50% of Kenyans still live under poor housing with walls made of mud and wood.

Noting that the largest proportion of stone and brick walled dwellings are situated in Nairobi at 39.5% and 26.4% respectively, it is clear that the availability of wage income is also a primary driver of the quality of housing for Kenyan families. Another important conclusion is that construction material is derived from locally available resources but they obviously lead to poorer quality of housing in rural areas.

Finally, noting that the proportion of stone dwellings is lowest in North Eastern, Western and Nyanza provinces is a pointer to the fact that the quality of stone housing in Kenya is largely determined by the cost of cement in addition to the transportation costs attached to the distance from the cement manufacturing plants in the country. However, the disparity in housing conditions in Kenya underlines the observation that the current housing development policy does not favour the poor, particularly the marginalized, and has not been focused on addressing market failures resulting from the oligopolistic tendencies in the cement market to make cement more affordable

Region	Iron Sheet	Tiles	Concrete	Asbestos	Grass	Makuti	Tin	Other
Kenya	73.6	2.4	3.4	0.6	14.8	3.2	0.3	1.7
Rural	74	0.5	0.2	0.1	19.5	3.3	0.3	2.2
Urban	72.3	8.1	13.3	2.1	0.8	2.8	0.4	0.2
Nairobi	56.6	12.4	27.9	2.3	0	0.1	0.6	0

Source: Adapted from Kenya Integrated Household Budget Survey (2005/6) pp238-239.

to a majority of Kenyans. Apart from the distance from the source, construction materials and road conditions, market structures have played a significant role in setting the cost of building materials very high for a majority of Kenyans, and the situation is worse for those who are located away from the resource base of the materials. While the long distance and poor road conditions could be the justification for costlier cement in Kisumu than in Athi River (the production source), there is no justification why the same bag should be costlier than imports from Egypt.

The availability of housing and the quality of shelter is a reliable and significant parameter for assessing the degree of socioeconomic development. Apart from the fact of being in possession of a structure that provides shelter to households, the material that is used in such construction is also of significance. Poor dwelling conditions in the country, together with poor health and low literacy levels are the major causes of low longevity for many Kenyans; attestation to the fact that the country has the 2nd largest slum in Africa. The country's Human Development Index value is below average at 0.491 and it is rated at position 23 out of the 177 countries of low longevity studied in the year 2006 by the United Nations Development Programmes (UNDP) on Human Development Index.

THE IMPASSE OF HOUSING CONDITIONS IN KENYA

- Out of the 6.8 million households in Kenya, 66.1% reside in owner-occupied housing while 23.8% live in rented premises;
- Rented premises provide shelter to 75.4% of urban households but owner-occupied dwellings provide shelter for 82.5% of rural households;
- 45.4% of all houses in Kenya have walls constructed from mud and wood. Houses with stone walls and bricks are 14.3% and 16.7% a piece;
- House walls made of a mixture of mud and wood make up 54% of all dwellings in the rural areas; brick walls alone make up 14.5% and wood-walls make up 12.1% of rural houses.
- In urban areas, the predominant materials for the construction of dwellings are stone at 37.9%, bricks at 23.3% and mud and wood at 19.4%;
- Of all stone and brick walls of dwellings in Kenya, the largest proportion is situated in Nairobi at 39.5% and 26.4% respectively
- The proportion of stone dwellings is lowest in North Eastern, Western and Nyanza provinces. Nyanza and Western Provinces represent a paltry 1.9% and an insignificant 1.0% respectively of all stone houses in Kenya.

Inequality, Human Rights Abuse and Undemocratic Participation

The glimpse of Kenyan economic analysis in the context of social development has never been forthcoming due to the policies that have not addressed issues of inequality, undemocratic participation in policies and abuse of fundamental human rights:-

- Being the leading provinces with highest prevalence of malaria, TB and low immunisation, the three provinces are also the least supplied with health care provisioning (see table 1).
- In the area of immunization, although the number of children receiving immunization against vaccine-preventable diseases is said to have increased from 63% to 70% between 2005 and 2006, regional disparities are unacceptably large and the lowest coverage in 2006 was at an alarming 58% in Western province. In the same period, North Eastern Province exhibited the highest gain in coverage from 48% in 2005 to 73% one year later¹.
- Participation of women in public institutions is still very poor as they remain least in key government professional jobs
- Women are also the most disadvantaged in terms of education and wage employment, which is 30% for women and 70% for men –all of which contribute hugely to their inability to provide better health to their families.

TABLE 1: GROWTH IN NUMBER OF HEALTH INSTITUTIONS PER PROVINCE

Province	2002	2003	2004	2005	2006*
Nairobi	356	361	377	389	409
Central	819	829	868	894	941
Coast	519	525	550	566	596
Eastern	778	788	824	849	894
North Eastern	127	127	135	139	146
Nyanza	466	472	494	509	536
Rift Valley	1082	1096	1146	1181	1243
Western	352	357	373	385	405
Total	4499	4557	4767	4912	5170

Source: Economic survey 2007. p.53

¹ Republic of Kenya (2007). Economic Survey p. 56

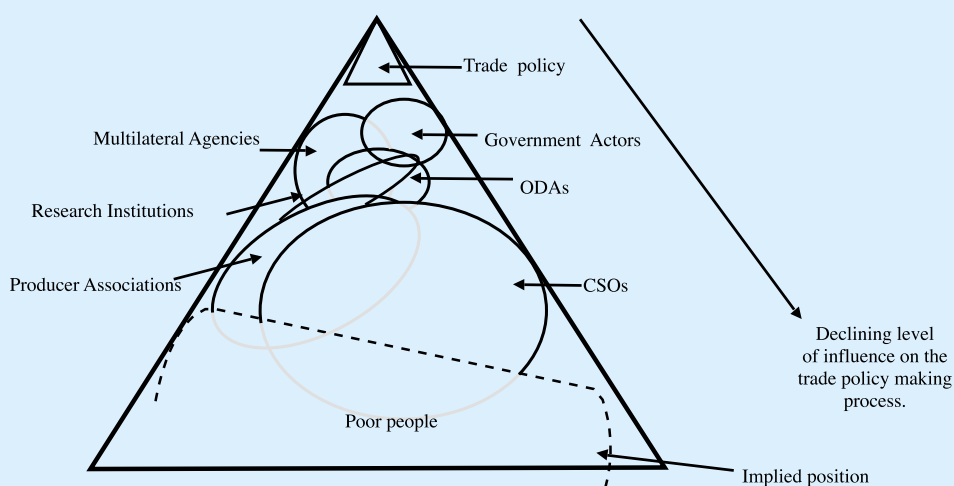
TABLE 3: WOMEN IN DECISION MAKING BY MAY, 2006

Position	Female	Male	%Female
Members of Parliament	18	204	8
Ministers	2	26	10
Assistant Ministers	4	39	9
Permanent Secretaries	6	25	19
Diplomatic Corps	11	25	31
Judges	8	57	12
Provincial Commissioners	-	8	-
District Commissioners	2	71	3
Chiefs	41	2,424	2
Assistant Chiefs	225	5,384	4

Source: Adapted From Draft APRS 2005-2006 Gender Data sheet 2005

- Government and multilateral agencies are still the dominant and most influential in the making of policies of this country, while the Civil Society Organisations (CSOs) and marginal producer groups are predominantly located at the bottom of the pyramid of influence in policy-making, implying that they are not being consulted (effectively) in the policy making process (see Figure1).
- Despite the establishment of the Kenya National Commission of Human Rights (KNCHR) being a marked success in the drive to ensure respect for human rights and investigation of human rights abuses in the country, the success has been constrained by its lack of power to prosecute as it is merely a semi-autonomous government watchdog on human rights. As a result, law enforcement and protection of lives of Kenyans is still below par and the effectiveness of law enforcement institutions is heavily compromised by corruption. Although bribery cases

FIGURE 1: INFLUENCE OF ACTORS IN THE POLICY-MAKING PROCESS AS PERCEIVED BY NON-STATE ACTORS



Notes:

- ODA – Overseas Development Agencies
- CSOs – Civil Society Organizations (including Research Institutions)
- Producer associations include the private sector umbrella bodies, and farmer's associations.

have reduced, the amount paid is very high and the poor are normally the main victims of such lack of justice in the country since they are unable to pay the large sums in bribery.

- The defeat of the Draft Constitution at the November 2005 plebiscite is an indication that Kenyans were still far from realising the gains of a democratic constitution and the matter is highly unlikely to be resolved in the current Parliament. It is critical that Kenyans demand for a proper constitutional debate.

Illuminating the Gap

RECOMMENDATIONS ON POLICY OPTIONS TO IMPROVE THE SOCIO-ECONOMIC CONDITIONS IN KENYA

- Prevention of childhood and infant mortality requires that the immunization coverage in Kenya be raised as close as possible to the absolute levels within the next five years. This is because immunization is not only a life saver for children but is also important in cushioning children from disability and other ailments which may affect cognitive performance in school.
- The government should set the structures that would allow non state actors to fully participate in policy making process. This will ensure that they represent the plight of the poor who are usually neglected in the policy making process.
- The education curriculum should be revised to ensure that training is geared towards creating jobs by encouraging innovations among the young entrepreneurs.
- Government should work with the civil society in building the capacity of young graduates on integrating their knowledge in the field of innovation to enhance job creation. This will help in reducing the escalating levels of unemployment in the economy.
- Good shelter and housing development policy that avails the building resources to the low income earners at a fair cost should be enacted. This will improve the quality of the houses that the population own.
- The policies that encourage affirmative action should also be put in place. This will increase the participation and representation of women in public institutions and also in the public jobs.
- Distribution policies, should aim at addressing the current regional disparities, especially of healthcare services, to ensure that resources are distributed based on population distribution and geographical prevalence of the problem to be addressed. Where there is higher disease prevalence, for example, even mobile health care machines should be deployed.
- The country's security policy needs revisiting as a major threat to people today is the many violent robberies and cold murders leading to plunder of people's wealth and loss of life. Security should be seen as more about protecting the people than just the state.
- Government should formulate trade policies that promote domestic industrialization. Some of the trade policies encourage dumping in the economy killing the domestic industries.

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