

# ECONOMIC AND REGIONAL DISPARITIES IN KENYA

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## Abstract

*The paper examines the various economic and regional disparities in Kenya with the main aim of suggesting Policies that will enhance an equal level of economic growth and development in all the regions in the country. Data on the geographical division of Kenya into four main Regions and the main resources and potentials of these regions, was obtained from various government publications and other sources of secondary data.*

*The relative regional wealth and potentialities were then highlighted and their impacts on the wear and living standards of the population observed. Availability of natural resources, Social amenities and educational instructions in each region were observed to have impacts and played a decisive role in the rate and extent of poverty and high income disparities between regions. This paper will only consider the main factors that directly lead to regional disparities in Kenya. These factors are both natural and man-made. They include:- Agriculture, commerce, climatic conditions, political influence and population density. An overview of other factors may also be considered just to link and effect relationships that influence human welfare.*

## Introduction

### Regional Development

A region is defined as "a sub national division of space, delimited in terms of one or more criteria" (Simon 1990a: xv) Such criteria can be of several kinds: physical delineation, population distribution, economic activities, political divisions and socio-cultural characteristics (sada 1993). During the 1960s, regional development and development in general were equated with economic development. Friedmann (1964), defined regional development simply as economic growth with a spatial perspective. At present, development and regional development have a much broader meaning "a multifaceted process whereby the quality of life and personality of individuals and groups improves" (Simon 1990a: xiv).

In the recent literature, the element of control and management of resources has come to be included in the concept of development. For example, in 1995, UNDP defined (human) development as the broadening of the options that people have in order to improve their livelihoods and determine their future. Four years later, human development had simply become, "the process of enlarging people's choices" (UNDP 1999:16) Development then embraces all social, cultural, economic and political aspects of life, quantitative as well as qualitative in nature

### Regional Development Strategies

There are two main approaches to regional development that have come to be recognized, of late namely, the centralized and decentralized strategies, these have conveniently been labeled as 'top-down' and 'bottom-up' approaches (Obudho 1988, Simon 1990 and Hoorweg et al. 2000). During the 1960s, the growth center or growth pole theory was widely accepted as the basic for regional planning in less developed counties. An activated expansion of certain industrial sectors in selected urban center would stimulate development in the surrounding hinterlands. The positive spread effects were expected to outweigh the negative 'backwash' effects such as the destruction of local industries and the ensuring loss of employment.

However, the results of this planning model, have been disappointing (Block 1990, Simon 1990b). In many cases, the growth centers became or remained 'Islands' in impoverished environs. Recent top-down strategies tend to aim at curbing the growth of the large metropolis and instead focus on the development of small and intermediate centers. An example is Kenya's development center policy (Nyakoana 1995, Obudho 1988). One of the major complaints against the growth pole strategy was that the poorer groups were not given special attention (Van der Hoeven 1987). As a reaction, the so-called basic needs policy was developed. 'Development 'from below' considers development to be based primarily on maximum mobilization of each areas natural, human, and institutional resources" (Stöhr 1981)

## **Regional Structure in Kenya**

Kenya has four physical geographical regions; namely the coastal plains; The arid low plateau; The Kenya Highlands and The Lake regions. The coastal plains are relatively narrow and the climate is hot and wet with the highest rainfall usually around the southeastern part of Kwale District. Much of the arid low plateau is desert, which is only fit for pastoral agriculture.

Nearly all the Highlands have a reliable rainfall and a pleasant climate with the soils being among the best and most fertile in Africa. The lake region is warm and wet and is a densely populated agricultural region. These wide ecological and climatic differences have had a profound influence on the distribution of people, within the country.

In a country like Kenya, with its wide variations in ecological and climatic characteristics, regional disparities are likely to grow as economic development gets underway (Myrdal 1957). Economic activities cannot be spread over a country's surface in such a way that all will equally benefit. Growth is bound to induce inequalities between people as well as between regions. A further analysis of regional disparities in Kenya may be made on the bases of two the urban centers, and rural areas.

Urban centers include the major towns in Kenya like Nairobi City, Mombasa City, Kisumu City Eldoret, Kitale, Nakuru, Thika and others. These areas are densely populated with high levels of economic activities in both formal and informal enterprises. The Rural areas are basically the hinterland, which includes the interior parts of the province in the country. Low levels of economic activities usually characterize these areas, high dependency on farming for subsistence and higher illiteracy levels.

Regional income disparities therefore, mainly arise from the diverse availability of natural resources in the region. Some regions, like the Kenya Highlands have an upper hand in agriculture, while others like the arid low plateau may have an advantage in livestock keeping. Republic of Kenya (2003) Currently the productive sectors in the context of the economic Recovery strategy are agriculture, tourism trade and industry. These sectors account for approximately 50 percent of GDP provide 628,000 formal sector jobs and 3.7 million SME sector jobs; while agriculture alone provides 62%

## **Literature Review Specific to Kenya**

According to the 1972 ILO- mission in Kenya, there are three fundamental imbalances that need to be corrected for the economy to be able to provide employment and a reasonable income for entire population. These are the imbalance between:-

The imbalances were:

- the centre and the periphery, that is, the imbalance between Nairobi and the rest of the country, between the rural and the urban in general and among provinces and districts.
- rate of population growth and the nature of technology
- the formal and informal sectors"

The imbalance between different regions was thus pointed out by the mission as one fundamental aspect of the general problem of inequality in Kenya. ILO (1972) Mullei (1994) carried out a regional analysis of the status of poverty in Kenya. In brief, the regional profile shows that the majority of the poor are in the rural areas and that poverty levels, depth and severity in rural areas are much higher than in urban areas. Poverty has persisted in particular provinces and social groups since the 1970s.

In the 1950s, Myrdal noted the tendency towards increasing regional inequalities in under developed countries, amounting from the "free play of economic market forces" (Myrdal 1957:34). His argument is still relevant today and refers to the forces determining the allocation of production factors, in particular capital and labour. According to the author capital moves to places where development has taken place and return to investment is highest, while labour tend to move away from the backward area into regions where a market of paid employment has already emerged.

According to Hazlewood the greatest regional inequalities "are the work of nature" and that "the existence of provincial inequalities in Kenya does not necessary imply that they all should, - let alone could - be diminished. Some inequalities are simply differences." (Hazlewood 1979: 75). Kiilick and House (1983) came up with a different view from Hazlewood. Admitting " inequality has been built into the country's rural economy by the forces of nature," they nevertheless blame the Kenyan government for their inaction when it comes to 'correct nature; "Government policies have done little to alleviate the 'natural' inter-provincial disparities."

Bigsten (1981) studied Kenya's regional inequality patterns, and contends that, at independence, there were already large inequalities between regions and population groups and that most of these had evolved during the period of colonial domination. Kenya inherited a disintegrating economic structure with enormous inequalities between different regions.

Concerned with the consequences of these large regional inequalities, Bigsten (1981) stressed that a balanced regional development pattern is necessary, in order to stare off interregional conflict. World Bank (1991) carried out a research on the degree of food poverty among rural households in Kenya using the income and expenditure information provided in the 1981/82 Household survey. The analysis reveal that problem of the incidence of rural food poverty was concentrated in the Western (poorer) provinces of Kenya, notably Nyanza, Western and Rift valley, where, paradoxically most of the country's food is being produced ("the West feeds the rest" is a well-known saying in Kenya).

## **Causes of economic and Regional Disparities in Kenya**

This section has addressed some of the main factors that have contributes to the current economic and disparities in Kenya.

### **Status of Poverty in Kenya**

Poverty alleviation has been the main objective of Kenya's development policy since independence in yet poverty still remains widespread and severe. The welfare survey for 1994, which contains the most comprehensive informational poverty in Kenya, shows that 47% of the Kenya population lives in absolute poverty, a fact that indicates the past anti - poverty measures have not worked. (Mwabu and Mullei, 1994) The report indicates high poverty rates among subsistence farmers, pastoralists, large households, widows, polygamous families and in household with poor access to markets, and social amenities.

The subsistence farmers accounted for over 50% of the overall poverty in the country. The regional profile shows that the majority of the poor are in rural areas and that poverty level, depth and severity in rural areas are much higher than in urban areas. Poverty has persisted in particular provinces and social groups since 1970, (Mwabu and Mullei 1994).

The same report of 1994 notes that poverty depth and severity tend to be high in provinces and districts with high incidence of poverty. In 1994, absolute and food poverty rates were highest in the North Eastern and Eastern Provinces, where 58% of the population was food poor. Central province had the lowest absolute and food poverty

rates at 32%. Kisumu was the poorest urban town, with absolute and food poverty rates of 46% and 44% respectively.

Food poverty has been persistent in coast and western provinces since the mid - 1970s. Analysis of the 1974 - 75 Integrated Rural Household survey showed that coast and western provinces had the highest food poverty rates of 42% and 45% respectively. In 1994, the same provinces had the second highest regional poverty rates of 51% and 52% respectively, with Eastern province being the highest poverty rate of 60% even though it had the lowest rate in 1975.

### Agricultural Sector Performance

According to Republic of Kenya (2003), the agricultural sector, with the exception of horticulture, experienced low and declining productivity in terms of export earnings, employment creation, food security and household farm incomes in the last decade. The sector realized a real growth rate of 4.4% in 1996, decelerated to 1.5% in 1999 and a negative 2.4% in 2000. In the year 2002, the performance remained weak with a growth of 0.7%. The country's traditional exports; coffee and tea, face declining real world prices coupled with low value addition that has led to low returns. The sugar sector dominance of the western region has been adversely affected, with sugarcane growing almost collapsing due to poor performance farmers. This being a major source of income to the rural folk especially the western province, negative growth of this sector is likely to adversely affect their incomes and increase poverty. In the daily Nation article (27/07/03) Professor William Ochieng says the primary problem in the sugar industry is that the Kenyan sugar is expensive, compared to sugar from our trading partners in the Comesa region which means that it cannot compete. In his concluding remark Ochieng states that most of us in Kenya are poor and we cannot afford the expensive Sugar produced locally. Logic requires that we go for cheap sugar from the Comesa region or from Latin America.

Problems in the fishing industry have contributed to the low incomes in some areas. This sector has the potential to contribute significantly to employment and exports earnings. In terms of exports fish products earn Kenya Ksh. 4 billion annually. Its contribution to local incomes, subsistence and nutrition is extremely important as most of this contribution occurs in areas that have the highest incidence of poverty in the country (Nyanza and Coast province (ROK, 2003) The industry is however unable to realize its full potential due to among other factor, a stagnant aquaculture sub-sector, over - reliance on capture fisheries, environmental degradation and an uncertain export market. The poor performance of the tourism sector in the recent past has also contributed to the fall in incomes of fish farmers especially in the coastal region. This has been due to low performance of the hotel industry, which provide a ready market for fishermen in the region.

### Tourism

Tourism in Kenya continues to play an important role in the country's economic development in terms of Gross domestic product (GDP) Contribution, foreign exchange earnings and employment. Due to this high multiplier effects, the sector acts as a stimuli to growth of other sectors like transport entertainment agriculture, trade and industry (Republic of Kenya 2003). However, this sector is currently experiencing callings in terms of escalation of global terrorism; other challenges include infrastructure deficiencies, static and non innovative products, meager resources allocation for promotion and marketing, declining standards of tourism products increased regional competition and also political interference. A further downturn on tourism resulted from the travel advisories by the American and British governments. Although the British government has lifted its travel advisory to Nairobi, Mombasa, the gateway to the Coast region that controls over 65% of tourism, remains blacklisted. This Sector is a Key driver of the Kenyan economy, with an annual turnover of Kshs. 24 billion or 3% of GDP. Employing directly or indirectly - before the travel ban - an estimated 500,000 people. But within 2 weeks after the issue of the UK travel advisory on may 15th the sector was losing some Kshs. 200 million a day. Hotel workers were laid off, some taking sever pay - cuts while others were sent on compulsory leave. (Daily Nation 27/07/2003).

## Natural Resources

Looking at the availability of minerals and natural resources in various regions, and their contributions to regional growth, we find that the coastal region, for instance, has a lot of potential in terms of employment and wealth creation. The Bamburi Portland cement factory, for example, has its main raw material, limestone, which it mines in its backyard. It has thus created a lot of employment and consequently a source of income to thousands of people. The natural harbour at the port of Mombasa has also done a great job in creation of employment and income to households. The growing of sisal and Bixa in Kilifi and Kwale respectively, small scale coffee production in Taita, Fruit processing by milly fruit processors in Kilifi, Dairy farming, Kilifi Plantations Ltd. And Hussein Dairy Ltd., among others, are the potentials that need to be maximized to reduce the poverty levels and income disparities in the coastal region.

The government anticipates revenues of about Kshs. 460 million from the project. Out of this, at least 30% must be dedicated to implementing a variety of development projects in the district. It would be plainly unjust for all that money to go to the central government, while Kwale languishes in poverty. Further gains in the coastal region are anticipated from the arrival of a Norwegian ship at the port of Mombasa for a three - month oil search along the Kenyan Coast. If results of these explorations of oil availability in the region are positive, there will be an expected increase in investors in the region, leading to gains in revenue both to the locals and to the government, Daily Nation (2/08/2003). Due to the poor performance of the agricultural and tourism sectors, which have for a long time been major income earners to majority of the people (especially agriculture) in most third world countries, the alternative has been the trade and industry sector. In Kenya this sector accounts for over 20% of GDP and employs about 300,000 people in the formal sector and 3,7 million people in the informal sector. In addition, this sector accounted for over 43% of Kenya's total export earnings in 2002, Republic of Kenya (2003) The trade and industry sector, according to the Economic Recovery Strategy for wealth and Employment is strategic to economic recovery because it is likely to recover fastest. But a number of constraints limit the realization of the full potential of this sector. These factors include, low morale occasioned by poor governance, poor infrastructure, high business transaction costs, insecurity, unfair competition from counterfeit import goods, and problems of access to external markets.

## Corruption

The link between corruption and poverty must never be ignored in any growing economy. Recent studies suggest that corruption retards economic growth by preventing efficient use of investment capital, and by breeding patterns of Public - Investment based towards large, high cost, capital- intensive projects at the expense of broad - based human capital enhancing investments in basic education and healthcare. In other words, corruption distorts government policymaking and priority the disadvantage of the less fortunate members of society setting, and limiting the formation of human capital. All this to the disadvantage of the less fortunate members of society (Mullei et al 1994). Mullei proceed to state that government's effectiveness in reducing poverty is greatly reduced, especially when corruption leads to adoption of unproductive, wasteful and inequitable government projects. Corruption also acts as a disincentive to domestic saving in the sense that non-payment of bank loans by people who obtain them through corrupt means can lead to bank failures and to the collapse of public confidence in bank and financial institutions. The Euro bank saga would come in handy here! In such circumstances, people would tend to Board funds rather than deposit them in banks, thereby denying investors the opportunity to borrow for productive use. In this instance, corruption contributes to inefficiency because resources, which would have been productively used, remain idle. Theory has it that the higher the level of official corruption the greater the skew in the distribution of national income.

## Conclusion

The interrelationships between poverty and growth are best captured within the framework of new growth theory. This theory attributes growth to the level and quality of human resources, access to markets infrastructure and the general political climate. Poverty may also be brought on by insufficient capacity to produce basic necessities of life, by low purchasing power, by inappropriate institutions, by failure to use social services and by large income

inequalities, (Mwabu et al 1994). From the above, there is a link between economic and non-economic problems where many non-economic problems result from the economic imbalance between regions. Regional imbalance for instance has consequently led to excessive concentration of residential industrial and commercial and activities in major urban complexes in the country. This concentration on economic activity in Kenya is excessive in that it results in unnecessary increase in social costs in form of congestion, pollution, noise and other urban problems.

It is increasingly difficult to conform rural - urban immigrations, increased imports into the country, unemployment, unless all regions start growing at an equal rate, or at least, gain the advantages that other regions have against them. The natural resources available in each region need to be well exploited and utilized, and where applicable, preserved for generation of long-term benefits. Finally Kenyans must decide to take the first step towards improving their own lives. Just as professor Bwisa put in his article on lessons on culture and homegrown technology, in the Sunday Nation of 6th July, 2003 year in, year out, African leaders go to G8 meetings They do so apparently with the hope of coming back with all manner of things, including aid and commitment for increased investment. Thus our leaders have all along been inculcating into our future leaders (and us) the culture of looking up to others for aid and direction. Yet deep analysis would show that some of the developed countries believe that for their own prosperity they would rather give Africa fish than teach Africans how to fish.

## The Way Forward

- Design a regional policy that would attain a better balance in the geographical distribution of the population and industry in the different regions of country for both social and strategic reasons.
- Stop corruption culture in Kenya by establishing credible law enforcement to punish offenders, civil service reform and institutionalize a mechanism for lodging complaints about corruption.
- Even though 64% of the Kenyan population is literate, many people remain unemployed because of lack of suitable skills. There is a need to restructure the education system so that schools and training institutions can offer curriculum with is relevant to skill requirements of industry and of specialized non-agricultural sectors of the economy.
- Re-launching Kenya as a global tourism destination. The government to provide resources towards promotion and marketing of Kenya especially after the image created about terrorism threats.
- Information Communications Technology has a good potential for growth as several sectors begin to adopt IT solutions and management techniques. The strategy therefore should be to make Kenya a less agricultural - dependent country by diversifying to other sectors while still recognizing the strategic position of agriculture in fighting poverty.
- Potential investors into the country, for example, Tiomin Resources should be compelled to build a reprocessing plant here in Kenya and process the ore within our borders and the country should not agree to merely provide the raw materials. Such a move of processing within Kenya would create employment, both skilled and unskilled and would further generate a multiplier effect from establishment of social amenities around it. It would also attract more investors to start complimentary industries around it. Kenya would then gain tremendous revenues and benefits, both directly and indirectly.

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