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THEME: ENHANCING THE PERFORMANCE OF THE PUBLIC SERVICE IN A DEVELOPMENTAL STATE.

TOPIC: THE ROLE OF STATE CORPORATIONS IN A DEVELOPMENTAL STATE: THE KENYAN EXPERIENCE

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Abstract

The Kenya government forms state corporations to meet both commercial and social goals. They exist for various reasons including: to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. At independence in 1963 parastatals were retooled by sessional paper no. 10 of 1965 into vehicles for the indigenization of the economy. This paper looks into the role state corporations have played in the development of Kenyan economy. In so doing it draws some challenges that are faced by the state corporations and recommends the need to reform corporations so as to reap in economic growth.
Introduction

The African continent lags behind all other regions of the world by most development indicators. For example, the Gross National Income in Purchasing Power Parity GNI PPP per capita in 2005 was US$ 2480 against a worldwide figure of US$9190. Given the current trends, Sub- Sahara Africa (SSA) could, with the exception of a handful of states, be in danger of missing out on meeting many of the Millennium Development Goals (MDGs) by the year 2015.

It is dismal ling to note that at some stage in the 1960s, some African states were at par with some of the countries that have achieved rapid rates of development in the last four decades, among these being the first generation of East and South East Asian Newly Industrialized Countries (NICs) of South Korea, Taiwan, Malaysia, Thailand and Singapore. However, even within Africa itself, some of the poorest countries in the 1950s and 1960s such as Botswana, Mauritius and Cape Verde have in development terms, gone ahead of their African compatriots who were in more favourable conditions then, such as Ghana, Nigeria and Uganda. Some countries that did well at one time (Cote d’Ivoire, Zimbabwe) are now under stress. The question to be asked is not just why SSA has lagged behind of their East (and now , South) Asian compatriots, but also why some African countries have sprung up from behind and are now forging ahead of the others.

This paper, in attempting to answer the question as to why some countries have lagged behind, will narrow to Kenya and specifically address the question on the role of state corporations in a developmental state. The paper is organised into five main sections. The first section will give a background to the issue being addressed. It will describe the concept of a developmental state, the concept of state corporations and Kenya’s progress in development indicators. The second section will outline the problems, objectives and methodology of the paper. The third section will present the findings of the study and the final section will discuss those findings and draw conclusion and recommendations.
2 Background to the Study

2.1 The Concept of Developmental State

Different people give different meanings to the concept of a developmental state. This depends upon the specific historical conjuncture being considered and the particular ideological perspective adopted. In addition, underlying each of the meanings are the primary social forces and imperatives shaping public policy. The adjective “developmental” focuses attention on processes rather than structures. The term “developmental state” highlights the ethical dimensions of economic and social policy. The term was coined in academia to explain, after the fact, the phenomenal rise of the South East Asian economies: Japan, Singapore, and South Korea. None of those countries developed along pure free market principles like the US did, yet they were undeniably successful. The classic work trying to explain all this was written by Chalmers Johnson in 1981. He described the developmental state as a state driven by an ideology of development where it does all it can to promote and facilitate growth and social development.

International political economy scholars use the term ‘Developmental state’ to refer to the phenomenon of state-led macroeconomic planning in East Asia in the late twentieth century. The term has subsequently been used to describe countries outside East Asia which satisfy the criteria of a developmental state. Botswana, for example, has warranted the label since the early 1970s (Meredith 1999). In a developmental state, it is recognized that in states that were late to industrialize, the state itself led the industrialization drive, that is, it took on developmental functions.

There are two differing orientations toward private economic activities, the regulatory orientation and the developmental orientation. These two orientations produced two different kinds of business-government relationships. The United States is a good example of a state in which the regulatory orientation predominates, whereas Japan is a good example of a state in which the developmental orientation predominates. A regulatory state governs the economy mainly through regulatory agencies that are
empowered to enforce a variety of standards of behavior to protect the public against market failures of various sorts, including monopolistic pricing, predation, and other abuses of market power, and by providing collective goods that otherwise would be undersupplied by the market. In contrast, a developmental state intervenes more directly in the economy through a variety of means to promote the growth of new industries and to reduce the dislocations caused by shifts in investment and profits from old to new industries. In other words, developmental states can pursue industrial policies, while regulatory states generally cannot.

2.2 Characteristics of the Developmental state

The main characteristics of a developmental state are:

1. Emphasis on market share over profit
2. Economic nationalism - a term used to describe policies which are guided by the idea of protecting domestic consumption, labor and capital formation, even if this requires the imposition of tariffs and other restrictions on the movement of labor, goods and capital. It is in opposition to globalization in many cases, or at least it questions the benefits of unrestricted free trade. Thus social and economic development is seen as the over-arching purpose of government.
3. Protection of fledging domestic industries
4. Focus on foreign technology transfer: Technology transfer is the process of sharing of skills, knowledge, technologies, methods of manufacturing, samples of manufacturing and facilities among industries, universities, governments and other institutions to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology into new products, processes, applications, materials or services.
5. Large government bureaucracy
6. Alliance between the state, labour and industry called corporatism:
7. Skepticism of neoliberalism and the Washington Consensus
8. Prioritization of economic growth over political reform
9. Legitimacy and Performance
10. Public and private sector elites work together intimately to pursue this goal. Government assist business even with direct investment and overheads; and business assist government to meet social goals. “Crony capitalism” that became so infamous after the 1998 financial crisis in South East Asia, can be traced back to this characteristic.

11. A highly educated and efficient bureaucracy is created that facilitates growth and development. The Ministry of International Trade and Industry (MITI) in Japan and the equally famously well paid and efficient civil service of Singapore can be traced back to this characteristic.

12. A non-challenging civil society does not interrupt the process – this is where the “strong state” element of Latin America came from. A developmental state does not necessarily prize the rule of law.

The history of the post-independent African state is that of monumental democratic and developmental failures. The few exceptions to this have been Botswana and Mauritius, and to a degree, democratic South Africa. After almost four and a half decades of independence, most countries on the continent are characterized by underdevelopment. The evidence for this state of underdevelopment can be found in any social and economic indicators one cares to examine. At the economic level, Africa has been marked by:

- the dominance of the primary sector – agriculture, oil and minerals - partly as a result of the inability of the African state to foster an environment for high value added economic activities
- low domestic capital formation and declining direct foreign investment foreign aid dependence
- heavy indebtedness
- High unemployment and the informalisation of the economies where the majority of its people live in poverty.

Consequently, at the beginning of the 21st century, Africa is unable to compete in the global economy. In fact, its marginalization has been reinforced, particularly since the 1980s.
In the same vein, the majority of African countries lack basic social and physical infrastructure. As a result, most people on the continent have no access to basic services such as potable water, electricity, good sanitation, roads and healthcare. All of this is coupled with a high illiteracy rate, especially among women. The lack of access to basic medical care occurs against a backdrop of ravaging diseases; a situation which has become exacerbated with the advent of the HIV/AIDS epidemic. The continent accounts for about 70% of all HIV-infected persons and AIDS-related deaths in the world. All of this is against the backdrop of the absence of a social safety net to cushion the effects of the harsh socioeconomic realities experienced by most Africans (Omano, 2005). In spite of these failures, the question of the democratic developmental state is not sufficiently on the agenda in Africa. It has also received little attention in academic discourse.

2.3 The concept of the State Corporation

Historically, corporatism or corporativism refers to a political or economic system in which power is given to civic assemblies that represent economic, industrial, agrarian, social, cultural, and professional groups. These civic assemblies are known as corporations (not necessarily the business model known as a 'corporation', though such businesses are not excluded from the definition either). Corporations are unelected bodies with an internal hierarchy; their purpose is to exert control over the social and economic life of their respective areas. Thus, for example, a steel corporation would be a cartel composed of all the business leaders in the steel industry, coming together to discuss a common policy on prices and wages. When the political and economic power of a country rests in the hands of such groups, then a corporatist system is in place.

Corporatism is the theory and practice of organizing society into “corporations” subordinate to the state. According to corporatist theory, workers and employers would be organized into industrial and professional corporations serving as organs of political representation and controlling to a large extent the persons and activities within their jurisdiction. However, as the “corporate state” was put into effect in fascist Italy between
World Wars I and II, it reflected the will of the country’s dictator, Benito Mussolini, rather than the adjusted interests of economic groups

Political scientists may also use the term corporatism to describe a practice whereby a state, through the process of licensing and regulating officially-incorporated social, religious, economic, or popular organizations, effectively co-opts their leadership or circumscribes their ability to challenge state authority by establishing the state as the source of their legitimacy, as well as sometimes running them, either directly or indirectly through corporations. This usage is particularly common and is sometimes also referred to as state corporatism. Some analysts have applied the term neocorporatism to certain practices in Western European countries, where a popular level in recent years "corporatism" has been used to mean the promotion of the interests of private corporations in government over the interests of the public.

Corporatization refer to the construction of state corporatism, where government-owned corporations are created and delegated public social tasks resembling Corporate nationalism, away from autonomous privatization. Corporatization can also refer to non-corporate entities like universities or hospitals taking up management structures or other features and behaviours employed by corporations.

2.4 Criticism of Corporatism

Corporatism or neo-corporatism is often used popularly as a pejorative term in reference to perceived tendencies in politics for legislators and administrations to be influenced or dominated by the interests of business enterprises, employers' organizations, and industry trade groups. Corporatism is also used to describe a condition of corporate-dominated globalization. Points enumerated by users of the term in this sense include the prevalence of very large, multinational corporations that freely move operations around the world in response to corporate, rather than public, needs; the push by the corporate world to introduce legislation and treaties which would restrict the abilities of individual nations to restrict corporate activity; and similar measures to allow
corporations to sue nations over "restrictive" policies, such as a nation's environmental regulations that would restrict corporate activities.

Critics of capitalism often argue that any form of capitalism would eventually devolve into corporatism, due to the concentration of wealth in fewer and fewer hands. A permutation of this term is corporate globalism. John Ralston Saul (2005) argues that most Western societies are best described as corporatist states, run by a small elite of professional and interest groups, which exclude political participation from the citizenry. Other critics say that they are pro-capitalist, but anti-corporatist. They support capitalism but only when corporate power is separated from state power. Olson (1971), another critic, argues that corporatist arrangements exclude some groups, notably the unemployed, and are thus responsible for high unemployment.

2.5 Kenya as a Developmental State

Notwithstanding the above critiques, state corporations have become a strong entity in Kenya and very useful engines to promote development. On the international scene the global economy recorded a growth of 5.1 per cent in 2006 compared to 4.3 per cent in 2005. The low income countries’ growths were largely boosted by the strong commodity prices. As a result of global demand for commodities and increase in revenue in the oil exporting countries, Africa’s economic performance remained impressive with a real GDP growth of 5.4 per cent. The global economy recorded GDP growth of 4.3% in 2005. Low long-term interest rates and stable inflation boosted the positive developments. World trade grew by 7.0% in 2005 and is expected to grow by 7.4% in 2006. Real GDP for African Continent grew by 4.5% supported by strong global demand and improved macroeconomic policies.
The Role of State Corporations in a Developmental State: The Kenya Experience

Figure 1  Economic growth in Kenya 2002-2007

The above chart notes the progress in economic growth that steadily rose from 3.8 % in 2003 to 7.0 % in 2007. The following table indicates the sectoral performance of the Kenya economy:

Table 1 Performance of the Kenya Economy

<table>
<thead>
<tr>
<th>Source</th>
<th>Economic review 2006</th>
<th>Economic review 2007</th>
<th>Economic review 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Real Gross Domestic Product (GDP)</td>
<td>5.8 % in 2005 from a revised growth of 4.9% in 2004.</td>
<td>6.1 per cent in 2006 compared to a revised growth of 5.7 per cent in 2005.</td>
<td>7.0 per cent in 2007 compared to a revised growth of 6.4 per cent in 2006</td>
</tr>
<tr>
<td>Tourism and Hotels</td>
<td>13.3%</td>
<td>14.9 %</td>
<td>16.3</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>8.3%</td>
<td>11.4 Per cent</td>
<td>14.9</td>
</tr>
<tr>
<td>Building &amp; Construction</td>
<td>7.2%</td>
<td>6.3 Per cent</td>
<td>6.9</td>
</tr>
<tr>
<td>Agriculture and Forestry</td>
<td>6.7%</td>
<td>5.4 Per cent</td>
<td>5.6</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>6.4%</td>
<td>10.9 Per cent</td>
<td>11.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.0%</td>
<td>6.3 Per cent</td>
<td>6.2</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>-</td>
<td>1.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>4.1</td>
<td>12.9</td>
<td></td>
</tr>
</tbody>
</table>
The above table displays a general trend of growth over the last three years that has seen the economy turnaround from an all time low of negative 0.3% in 2001.

2.6 Kenya Vision 2030

Kenya Vision 2030 is the new country’s development blueprint covering the period 2008 to 2030. It aims at making Kenya a newly industrialized, “middle income country providing high quality life for all its citizens by the year 2030”. The Vision has been developed through an all-inclusive stakeholder consultative process, involving Kenyans from all parts of the country. The vision is based on three “pillars” namely; the economic pillar, the social pillar and the political pillar. This vision’s programme plan comes after the successful implementation of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) which has seen the country’s economy back on the path to rapid growth since 2002, when GDP was at 0.6% rising to 6.1% in 2006.

The economic pillar aims at providing prosperity of all Kenyans through an economic development programme aimed at achieving an average Gross Domestic Product (GDP) growth rate of 10 % per annum the next 25 years. The social pillar seeks to build “a just and cohesive society with social equity in a clean and secure environment”. The political pillar aims at realizing a democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual in the Kenyan society.

3 The Problem

Against the background of economic growth that started form an all time low of – 0.3 % GDP in 2001, Kenya has been experiencing positive growth rate that is still not good enough especially with its ambitious vision 2030. At its current economic growth there is still need for boosted strategies to achieve sustained growth of 10%. One of the factors that are and have a great potential to facilitate growth will be the state corporations.
3.1 Objectives

The overall goal of the paper was to assess the performance of State Corporations during the period 1997-2007 and thereby assess the role of State Corporation in Kenya in development. Specifically the objectives were to

1. Assess the performance of state corporations with reference to the general economic services sector – which seems to contribute most to economic growth
2. Discuss the challenges faced by state corporations in their developmental role
3. Make recommendations on the role of state corporations in a developmental state.

3.2 Research Methodology

This is an exploratory study. The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses.'(Kotler et al. 2006). Data is collected from secondary sources and content analyzed as per the objectives of the study.

4 Development of State Corporations in Kenya

4.1 The State Corporations Act chapter 446 of the Laws of Kenya

The State Corporation act is an Act of parliament to make provision for the establishment of state corporations and for control and regulation of state corporations. In the act, a State Corporation is defined as:

1. a body corporate established by or under an Act of Parliament or other written law; but not-
    (i) The Permanent Secretary to the Treasury incorporated under the Permanent Secretary to the Government Act;
    (ii) a local authority established under the Local Treasury (Incorporation) Act;
(iii) a building society established in accordance with the Building Societies Act;
(iv) A company incorporated under the Companies Act which is not wholly owned or controlled by the Government or by a state corporation;
(v) the Central Bank of Kenya established under the Central Bank of Kenya Act;
(vi) any other body corporate established by or under any written law declared by the President by notice in the Gazette not to be a state corporation;

2. A bank or a financial institution licensed under the Banking Act or other company incorporated under the Companies Act, the whole or the controlling majority of the shares or stock of which is owned by the Government or by another state corporation;
3. A subsidiary of a state corporation.

Attributes of a state corporation
A state corporation has perpetual succession; in its corporate name is capable of suing and being sued and is capable of holding and alienating movable and immovable property. The President assigns ministerial responsibility for any state corporation and matters relating thereto to the Vice-President and the several Ministers as the President may by directions in writing determine. Subject to the Act, every state corporation has all the powers necessary or expedient for the performance of its functions, though the power of a state corporation to borrow money in Kenya or elsewhere is exercised only with the consent of the Minister and subject to such limitations and conditions as may be imposed by the Treasury with respect to state corporations generally or specifically with respect to a particular state corporation. A state corporation may engage and employ such number of staff, including the chief executive, on such terms and conditions of service as the minister may, in consultation with the Committee approve. Further, a state corporation may, with the approval of the Minister in consultation with the Treasury and the Committee establishes a pension, gratuity, superannuation, provident or other funds for the state corporation’s employees and their dependants.
State corporations are managed by boards a chairman appointed by the President who are not executive unless the President otherwise directs, the chief executive, the Permanent Secretary of the parent Ministry; the Permanent secretary to the Treasury; not more than seven other members not being employees of the state Corporation, of whom not more than three are be public officers, appointed by the Minister.

**State corporation overseer**

There is an Inspector of State Corporations whose office is an office in the public service and whose duties are to advise the Government on all matters affecting the effective running of state corporations, to report periodically to the Minister on management practices within any state corporation; and to report to the Controller and Auditor-General and the Auditor-General (Corporations) any cases where moneys appropriated by Parliament are not being applied by state corporations for the purposes for which they were appropriated.

In any investigation conducted by the overseer there may result in the following:

- disallow any item of account which is contrary to the law or to any direction lawfully given to a state corporation;
- surcharge the amount of any expenditure so disallowed upon the person responsible for incurring or authorizing the expenditure;
- to surcharge any sum which has not been duly brought to account upon the person by whom that sum ought to have been brought into account;
- to surcharge the amount of any loss or deficiency upon any person by whose negligence or misconduct the loss or deficiency has been incurred;
- To certify the amount due from any person upon whom he has made a surcharge.

Part V of the acts established the State Corporations Advisory committee which

- with the assistance of experts where necessary, reviews and investigates the affairs of state corporations and make such recommendations to the President as it may deem necessary;
• In consultation with the Attorney General and the Treasury, advise the President on the establishment, reorganization or dissolution of state corporations;
• where necessary, advise on the appointment, removal or transfer of officers and staff of state corporations, the secondment of public officers to state corporations and the terms and conditions of any appointment, removal, transfer or secondment;
• examine any management or consultancy agreement made or proposed by a state corporation with any other party or person and advise thereon;
• Examine proposals by state corporations to acquire interests in any business or to enter into joint ventures with other bodies or persons or to undertake new business or otherwise expand the scope of the activities and advise thereon.

Privatisation of State Corporations
The trend in the last few years has been to let go of any state corporation that is none performing through privatisation. Section 25 of the privatisation Act Cap 2 of 2005 states as such: “… the method of privatization may be any of the following –
(a) Public offering of shares;
(b) Concessions, leases, management contracts and other forms of public-private partnerships;
(C) negotiated sales resulting from the exercise of pre-emptive rights;
(d) Sale of assets, including liquidation;
(e) Any other method approved by the Cabinet in the approval of a specific privatization proposal. “

4.2 State corporations in Kenya
The Kenya government forms state corporations to meet both commercial and social goals. They exist for various reasons including: to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. At independence in 1963 parastatals were retooled by sessional paper no. 10 of 1965 into vehicles for the indigenization of the economy. Thus majority of key
parastatals that exist today were established in the 1960s and 1970s. By 1995 there were 240 parastatals. The main economic activities of parastatals are as follows:

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Percentage of parastatals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing and mining</td>
<td>60</td>
</tr>
<tr>
<td>distribution</td>
<td>18</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
</tr>
<tr>
<td>Transport, electricity and other services</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Swamy (1994)

State Corporations in Kenya have been experiencing a myriad of problems, including corruption, nepotism, and mismanagement (Daily Nation, March 12, 2003; Petiffor, 2001, free dictionary.com, 2004). For example, a World Bank (2004) article stated as follows:

A key area for corruption-busting reform is the parastatal sector. When compared to similar economies, Kenya has an over-abundance of state corporations many of which are a drain on public resources; more to the point, they have been the locus of corruption that thrives in public monopolies, especially when coupled with lax oversight, management and fiduciary control procedures. An area of parastatal dominance that cries out for reform is the financial sector. For years the financial sector was the vehicle for illegal and corrupt transactions, not to mention mismanagement – the result is that the public sector banks are left holding loans, up to 30 percent of which are non-performing, with the result being restricted credit availability to honest individuals.

In fact from the Public Investment Committee reports of 2002, out of 130 reports examined by the Auditor General –Corporations, only 23 managed a clean bill of health. The general story is one of loss, fraud, theft and gross mismanagement.

In June 2003 the government revealed its economic recovery strategy for wealth and employment creation. Here, it reiterated the above strategies and has since June 2005, been putting them into action by requiring all Boards of state corporations to sign
performance contracts with the government and the ChiefExecutive Officers to sign performance contracts with their respective Boards. All this is in a bid to revamp these corporations by ensuring improved and sustained performance and service delivery.

4.3 The problem of state corporations

Many reasons why the impacts of the state corporations have been negative have been given some are as follows

1. Politicization and poor corporate governance – boards of parastatals are appointed by political powered (the president and the minister) as are the chief executives. Thus many operational decisions are not necessarily non partisan
2. Weak supervisory mechanism – the role of the state corporation advisory committee is just advisory yet it could play a more powerful as a monitor and evaluator performance
3. The structure of financing and financial management – many state corporations are allocated funds through line ministries thus end up being chronically underfunded. They are allowed to borrow funds but many have not repaid their loans. Expenditure controls are weak.
4. Prosecution of chief executives for abuse of office and misappropriation of funds is usually not carried out

4.4 By Sector Analysis of the Role of State Corporations – the General Economic Services Sector

The General Economic Services Sector consists of five inter-related sub-sectors; Tourism and Wildlife; Trade and Industry; Labour and Human Resource Development; Gender, Sports Culture and Social Services; and Youth Affairs. The sector is mandated to create and facilitate a sustainable infrastructure environment for socioeconomic service delivery, human resource utilization, tourism, trade and industrial development in order to achieve a desired national economic growth and development. This sector thus formulates, coordinates and implements socio-economic policies, strategies and programs geared towards achieving sustainable development and growth.
The sector is a major contributor to GDP and employment creation in the economy. In the last three years (2003 - 2005) the sector contributed 20%, 21% and 23% respectively to GDP.

Manufacturing alone contributed an average of 10% per annum to GDP over the same period. In employment creation, formal employment opportunities created were 407,900 out of 1,727,300 jobs (24%), 413,700 out of 1,765,700 jobs (23.4%) and 429,100 out of 1,907,700 jobs (22.5%) respectively. The shrinking job opportunities were due to retrenchment in both public and private sectors as well as job freeze in the public sector. In the informal sector 4,455,900 jobs out of 5,108,300 total jobs (80.3%), 4,810,100 out of 5,992,800 (80.2%) and 5,147,000 out of 6,407,200 (80.3%) were created in 2003, 2004 and 2005 respectively.

The sector is responsible for delivery of quality socio-economic services to the public. These include services in trade, investment, tourism, human resource development, utilization and employment, culture, sports and wildlife conservation and management.

**The core functions**

The sector fulfils its mandate by focusing on following the core functions: Promoting fair trade practices and protecting consumers; Promoting innovation and enforcing intellectual property rights; Promoting industrial development, research and appropriate technologies; Creating an enabling environment for sustainable trade, tourism, investment and employment creation; Formulating, reviewing, coordinating and implementing policies and programmes geared towards effective human resource development and utilization; Wildlife conservation and management; Development, promotion and diversification of products and services geared towards making Kenya a destination of choice for trade, tourism, and investment and sports activities; Empower marginalized groups to participate fully in national development; Research and development of new products and services; Regulate and standardize products and services to ensure compliance with national and international standards; Preservation and development of diverse cultures into a national culture; Rehabilitating and promoting training institutions and youth friendly resource centers; Enhancing programmes for
National Youth Service (NYS); Implementing various Acts of Parliament addressing issues on the youth, Persons with Disabilities, gender, labour and settle trade disputes.

**Sector Programmes**

The Sector implements a number of programmes which include:

- Promotion and Development of domestic and International Trade;
- Promotion of Industrial Development and Investment;
- Promotion of Industrial Research and Development;
- Promotion and Development of Small Scale Entrepreneurs.
- Promotion and Marketing of Kenya as a Global Tourism Destination;
- Development and Promotion of Domestic Tourism;
- Diversification and Development of Tourism Products;
- Regulation and Standardization of Tourism Facilities and Products;
- Wildlife Conservation and Management.
- Promotion of Best Labour Practices to Meet Laid Down Standards;
- Manpower Development, Utilization and Productivity Management;
- Community Empowerment;
- Development of Sports and Sports Facilities;
- Promotion and Development of Culture and Music;
- Gender Mainstreaming and Development;
- Youth Training Programme;
- Empowerment and Mainstreaming of Youth Participation in National Development; and
- Creation of Economic and Employment Opportunities for the Youth.

The sector has 28 Parastatals and Funds that contribute to the overall achievement of its mandate. These include:

1. Industrial Development Bank (IDB) Capital Ltd;
2. Kenya Investment Authority (KIA);
3. Kenya Industrial Research and Development Institute (KIRDI);
4. Kenya Industrial Estates (KIE);
5. Industrial and Commercial Development Corporation (ICDC);
6. Kenya Bureau of Standards (KEBS);
7. Export Promotion Council (EPC);
8. Export Processing Zones Authority (EPZA);
9. Kenya Industrial Property Institute (KIPI);
10. Numerical Machining Complex (NMC);
11. Kenya National Trading Corporation (KNTC);
12. Kenya Wines Agencies Ltd (KWAL);
14. Kenya Tourist Development Corporation (KTDC);
15. Kenya Utalii College (KUC);
16. Kenya Tourist Board (KTB);
17. Catering and Tourism Development Levy Trustees (CTDLT);
18. Bomas of Kenya;
19. Kenya Wildlife Service (KWS);
20. Kenyatta International Conference Centre (KICC);
22. Tourism Trust Fund (TTF);
23. National Social Security Fund (NSSF);
24. Kenya National Library Services (KNLS); and
25. Sports Stadia Management Board (SSMB);
26. National Council for Persons with Disability (NCPD);
28. Youth Enterprise Development Fund.

**Challenges faced by state corporations in this sector:**

- Inadequate Budgetary Allocation
- Since the introduction of MTEF budgetary process, the sector’s budgetary allocations have been below the resource requirements sought and this has negatively affected the implementation of the sector’s programmes and projects.
- Understaffing both in the headquarters and in the field.
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- Inadequate budgetary allocation for procurement of equipments to effectively execute their mandate.
- Lack of adequate equipment and facilities has inhibited the development of the WAN system that would improve communication link among the ministry’s departments and functional units.
- Deterioration and near collapse of infrastructure in some parts of Kenya has greatly affected access to tourist attractions
- Negative travel advisories against Kenya issued by the Governments in the main international source markets, coupled with actual and perceived concerns regarding safety and security results in negative publicity affects marketing efforts
- Lack of harmonization between national policies on land use results in human wildlife conflicts while unplanned construction and over concentration of tourist facilities in fragile ecosystems pose a real challenge for the sustainability of the tourism and wildlife.
- Lack of systems to ensure equitable sharing of benefits and opportunities accruing from tourism with the local communities has resulted in tension and conflicts
- Lack of adequate training, examination, control and licensing (e.g. tour guides, drivers etc) leading to declining quality of service
- Poor working conditions especially in horticultural, cut flower and tea sub-sectors and lack of effective dialogue between workers and employers has contributed to discordant industrial relations which has resulted in strikes, lockouts as well physical damages to life and property, decline in investment, productivity, output and incomes
- The cost of complying with international labour standards is prohibitive to a majority of Kenyan enterprises rendering the country uncompetitive at the international scene.
- Globalization, trade liberalization and ICT has rendered some of the skills obsolete
- The rate of reform of the legal, regulatory and policies that affect employment and is too slow and Kenya is lagging behind.
5 Conclusions

Based on the foregoing the following conclusions can be made on the role of State Corporation in a developmental state:
1. to develop and maintain physical infrastructure for rapid and sustainable economic growth and poverty reduction.
2. The delivery of government information, services, and processes that is integrated, accessible, and customized.
3. Creation of an Enabling environment
4. development, promotion and diversification of high quality products and services; strengthening of tripartite mechanisms in industrial relations, empower all Kenyans including the marginalized groups; and maintenance of sustainable industrial harmony and employment
5. The engine of growth of economic recovery through appropriate land use, conservation methodologies and integrated regional development for increased production and marketing.
6. Good governance and upholding the rule of law in the society.

The main challenges facing State Corporations are:
The sectors have faced a number of challenges which include: inadequate financial resource allocations for construction, maintenance and rehabilitation of infrastructure; unfavourable contractual commitments; adverse weather conditions; lengthy procurement procedures leading to protracted court cases; fragmented institutional framework, stringent and inefficient regulatory frameworks and increasing demand for services and resources in other sectors of the economy and HIV/AIDS. These have limited the capacity of the government to expand and maintain existing infrastructural facilities. There have been delays in fulfillment of donor conditions precedent to disbursement of funds leading to delays in project implementation.
6 Recommendations

Arising from the discussion in the paper the following recommendations can be drawn out:

- Public corporations should be able to sustain themselves in order to remain viable and survive. This requires inculcating and exercising intrapreneurial knowledge, skills and attitudes in the day-to-day operations of the organisation.

- Lack of adequate human resources has hampered effective and efficient service delivery in the sector. It is therefore recommended that recruitment of technical staff be undertaken to address succession management.

- To ensure sustainable socio-economic development and reduce dependency, it is recommended that community participation and involvement in all aspects of development process be encouraged particularly in human-wildlife management.

- Strengthening the structures for good governance and upholding the rule of law is crucial.

- Develop policies towards economic growth through appropriate land use, conservation methodologies and integrated regional development for increased production and marketing.

- Training is important to inculcating requisite skills towards development. This means that there is a need for training and educational institutions to review curricula to make it relevant to a developmental state.
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