

**THE EMERGENCE AND DEVELOPMENT OF THE INFORMAL SECTOR 1908-  
2009 IN ELDORET, KENYA**

**BY**

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## DECLARATION

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**DEDICATION**

This study is dedicated to my wife Anne Wanza, my daughters: Deborah Kagendo, Victoria Makena, Faith Kangai and my son Brian Gitonga.

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I truly express my gratitude to the Almighty God for the gift within me. I am grateful to my to my wife Anne Wanza, my daughters Deborah Kagendo, Victoria Makena, Faith Kangai and my son Brian Gitonga for the inspiration I draw from their love and encouragement. I also wish to thank my supervisors Dr. Prisca Tanui Too and Dr. Timothy Onduru for the invaluable contribution in making this Thesis a reality. They tirelessly guided me in writing this work without giving up. May the good Lord bless them.

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## ABSTRACT

The main purpose of this study was to examine the development of the informal sector 1908-2009 in Kenya, the case study of Eldoret town. The objectives of the study were; to examine what led to the emergence and development of informal sector in Eldoret during the colonial period; to examine the policies formulated by the government of Kenya since independence with regard to the informal sector and the relationship between the formal and informal sectors; to examine the challenges facing the informal sector in Eldoret since the introduction of multipartism in Kenya. Random stratified sampling was employed to obtain a reasonable sample size for administering questionnaires. The researcher sampled 50 people actively involved in the informal sector. The researcher sampled an average of 3 people from each of the 15 wards of Eldoret by then apart from the densely populated wards where 4 people were sampled. These wards were; Langa, Market, Kapsoya, Huruma and Kamukunji to make a total of 50. The questionnaires had both open-ended and closed ended questions. The data was collected from the field using one on one interviews and subsequent filling of the questionnaires. The data was analyzed using descriptive tools. The study findings indicated that the motivation behind the development of the informal sector in Eldoret and Kenya at large was due to the reluctance on the side of the government in having clear-cut policies on the informal sector. The dynamism and creativity of the people in the informal sector provides the basis for self-reliance and alleviation of poverty among the urban poor in Eldoret. The government has formulated several policies in support of the informal sector though not enough. The post elections violence affected the informal sector negatively as many people had to relocate or abandon the whole idea all together. Informal sector is very key in expanding the economy as well as creating job opportunities. The small and micro enterprises are the backbone of Kenya's economy and Eldoret in particular. The following recommendations were made based on the research findings; there is need for the government to come up with clear-cut policies on the informal sector through proper legislations and other government initiatives aimed at improving and/or assisting the informal sector; people especially those seeking for employment opportunities should embrace the informal sector instead of tarmacking for years looking for formal employment; the county government of Eldoret should come up with legislations within the county assembly aimed at supporting the informal sector in the county; there is need for structured funding of the small enterprises in Eldoret and its environs.

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## DEFINATION OF TERMS

**Artisan:** In this study, the ILO (2004) definition of an artisan has been adopted. It defines artisan as a skilled workman or woman. For the purposes of this study, it refers to vendors and hawkers among other informal entrepreneurs.

**Juakali/Informal Sector:** It refers to that sector that is unregulated by the institutions of society in a legal and social environment in which similar activities are regulated. In this study, the term is used to refer to self-employed people who include metal fabricators, motor vehicle repairs, vendors and hawkers among others.

**Articulation of Modes of Production:** According to Karl Max, the combination of forces and relations of production means that the way people relate to the physical world and the way people relate to each other socially are bound up together in specific and necessary ways. People must consume to survive but to consume, they must produce and in producing they necessarily enter into relations, which exists independently of their will.

**Development:** According to Oxford Advanced Learners Dictionary, Development is the gradual growth of something so that it becomes advanced or better. In this study the term is used to refer to how the informal sector started in Eldoret and grew to what it is today; a key sector of the economy

**LIST OF ABBREVIATIONS AND ACRONYMS**

<b>AIDS:</b>	Acquired Immune Deficiency Syndrome
<b>CPC:</b>	Corn Products Company
<b>DANIDA:</b>	Danish International Development Assistance
<b>DFID:</b>	Department of International Development
<b>DDF:</b>	District Development Fund
<b>EJUKASO:</b>	Eldoret Juakali Society
<b>ETR:</b>	Electronic Tax Register
<b>GDP:</b>	Gross Domestic Product
<b>GNP:</b>	Gross National Product
<b>GTZ:</b>	German Fund for International Development
<b>HIV:</b>	Human Immune Virus
<b>IDS:</b>	Institute of Development Studies
<b>IDRS:</b>	Internal Development Research Centre
<b>ILO:</b>	International Labour Organization
<b>IMF:</b>	International Monetary Fund
<b>JUKAME:</b>	Juakali Members
<b>KADET:</b>	Kenya Agency for the Development of Enterprise and Technology
<b>KADU:</b>	Kenya African Democratic Union
<b>KANU:</b>	Kenya African National Union
<b>KBA:</b>	Kenya Bankers Association
<b>KCC:</b>	Kenya Co-operative Creameries
<b>KIE:</b>	Kenya Industrial Estate

<b>KNA:</b>	Kenya National Archives
<b>K-REP:</b>	Kenya Rural Enterprise Programme
<b>MGR:</b>	Merry Go Round
<b>MFIs:</b>	Micro Finance Institutions
<b>MTRH:</b>	Moi Teaching and Referral Hospital
<b>NYS:</b>	National Youth Service
<b>NCCK:</b>	National Christian Council of Kenya
<b>ODA:</b>	Overseas Development Agency
<b>RIVATEX:</b>	Rift Valley Textiles
<b>RTPC:</b>	Rural Trade and Production Centres
<b>ROSCAS:</b>	Rotating Savings and Credit Associations
<b>RUPA:</b>	Retired United Pilots Association
<b>SACCO:</b>	Savings and Credit Co-operative Societies
<b>SAPs:</b>	Structured Adjustment Programmes
<b>SIDA:</b>	Swedish International Development Agency
<b>SMEs:</b>	Small and Medium Enterprises
<b>UGDDP:</b>	Uasin Gishu District Development Plan
<b>UNDP:</b>	United Nations Development Programme
<b>USA:</b>	United States of America
<b>USAID:</b>	United States Agency for International Development
<b>VAT:</b>	Value Added Tax
<b>WB:</b>	World Bank
<b>WEP:</b>	World Employment Program

## CHAPTER ONE

### 1.0 Introduction

A British anthropologist, Keith Hart, at the Institute of Development Studies (IDS) in England coined the term ‘informal sector’, in the early 1970’s, based on his fieldwork in Kumasi, Ghana. The International Labour Organization (ILO) following a joint World Bank/Institute of Development Studies (IDS) took it up, with a mission to study unemployment in Kenya. Visiting a large slum area in Nairobi this mission came to realize that far from being unemployed, the people were very busy: making a livelihood by all sorts of activities; washing cars, selling matches, making shoes out of old tyres and so on.

Desmond McNeill<sup>1</sup> points out that the term “Informal Sector” entered the development vocabulary over 40 years ago to refer to the numerous and variegated activities people engage in, mainly poor countries which fall outside the official categories of what count as employment. Informal sector encompasses all jobs which are not recognized as normal income sources, and on which taxes are not paid. The term is sometimes used to refer to only illegal activity, such as an individual who earns wages but does not claim them on his or her income taxes, or a cruel situation where people are forced to work without pay. However, the informal sector could also be interpreted to include legal activities, such as jobs that are performed in exchange for something other than money. It is the opposite of formal sector<sup>2</sup>.

In 1969, the Director General of International Labour Organization (ILO) had launched the ILO World Employment Programme (WEP) with an aim of analyzing employment problems and devise strategies of overcoming them. This and a series of other studies were undertaken, each with their own terms of reference, but within an overall brief to evolve employment orientated strategies of development. The studies made a considerable use of the term “Informal Sector” which was much debated both among academic and policy makers. Later the “Informal Sector” also came to be applied to urban employment in the developed countries<sup>3</sup>. The Informal Sector corporate with other sectors of the economy such as agriculture, tourism among other sectors, absorbs more people in employment in Kenya and Eldoret in particular. The sector has come to constitute a major structural feature of society in Eldoret<sup>4</sup>.

### **1.1 Background of the Study**

In recent years, many African countries have experienced a growth revival, but this has not necessarily generated decent jobs. Unemployment remained high among youth and the adult. African population, little attention has been paid to the role of informal sector in fostering growth and creating jobs. In fact, the informal sector contributes about 55 per cent of Sub-Saharan Africa’s

GDP and 80 per cent of the labour force. Nine in 10 rural and urban workers have informal jobs in Africa and most employees are women and youth. The prominence of the informal sector in most African economies stems from the opportunities it offers to the most vulnerable populations such as the poorest, women and youth. Even though the informal sector is an opportunity for generating reasonable incomes for many people,

most informal workers are without secure income, employment benefits and social protection. This explains why informality often overlaps with poverty. For instance, in countries where informality is decreasing, the number of working poor is also decreasing and vice versa.

Kenya like any other developing country follows an import substituting industrialization strategy for industrial development. This is usually concentrated on large-scale, capital intensive industry, mostly foreign-owned and uses imported technology. There is also duty-free import of capital goods (but micro enterprises are taxed on importation of capital goods), assistance to the large-scale enterprises by the governments to compete with the small scale enterprises (micro enterprises), subsidized interest rates and access to finances, and direct support.

In Eldoret, the Informal Sector comprises of small and medium enterprises. Some of the enterprises are not registered and others have no specific location. For example, we have hawkers roaming the town centre of Eldoret and to some extent residential areas selling a range of products. The Informal

Sector has provided an opportunity in which some of the unemployed people in Eldoret have been able to secure gainful self-employment. This sector has grown very fast in Eldoret employing a considerable number of people<sup>5</sup>.

In view of the ability and potential of the informal sector in absorbing the unemployed in the labour force, it has been necessary to study the development of this sector with a view of giving my contribution to this fast growing sector. It is worth noting that, any

economy characterized by unemployment, low growth and social evils like in the case of developing countries, there is need for the introduction of new techniques and ways of doing things through entrepreneurial activities a common phenomenon in the informal sector. This sector is key to job creation in Eldoret, a scenario likely to hold for some time to come<sup>6</sup>.

## **1.2 Statement of the Problem**

The informal sector is increasingly becoming an important employer and possibly the answer to unemployment crisis in Kenya and Eldoret in particular. The crucial role played by the informal sector gave the impetus to this study especially after witnessing running battles between the county workers and the informal sector people in Eldoret. Informal sector is the key in providing self-employment to most of the unemployed population in the urban centres<sup>7</sup>. Key areas to research include an attempt to answer the following questions, which have provided a guideline for this study:

- 1) What are the factors that led to the emergence and development of the informal sector in Eldoret in the colonial period?
- 2) What are the policies formulated by the government of Kenya since independence with regard to informal sector and the relationship between the formal and informal sectors since independence?
- 3) What are challenges faced the informal sector in Eldoret 1990-2009?

### 1.3 Objectives of the Study

The study is based on the following objectives:

- 1) To examine the factors that led to the emergence and development of the informal sector in Eldoret during the colonial period.
- 2) To assess the policies formulated by the government of Kenya since independence with regard to informal sector and the relationship between the formal and informal sectors since independence.
- 3) To examine the challenges that faced the informal sector in Eldoret 1990-2009.

### 1.4 Review of Related Literature

There is a corpus of literature on the development of the informal sector in Kenya; Kenneth King<sup>8</sup> writing on the informal sector argues that there are three dimensions of the development of the informal sector in Kenya. One is the issue is that of incorporating the informal economy fully into the national economy and giving due recognition to its importance. Another is the development of a specifically Kenyan contribution to the continuing academic policy debates about the role of the micro-enterprises, in a situation where traditionally foreign scholars had dominated both the academic and policy discussions of the informal sector. Then, there is the third dimension, which has often been absent in the discussion about the informal economy and that is the voice of the *juakali* people in the African Artisan<sup>9</sup>. Kenneth King's study was concerned with the



*juakali* subsector in Nairobi while this study has endeavored to look into the development of the informal sector in Eldoret.

An important milestone in the development of the informal sector in Kenya came in 1966, just three years after independence at a conference held in Kericho town. The meeting was the result of the growing awareness of the scale of Kenya's primary school leaver crisis and what was conceived of as the stark arithmetic of unemployment that faced the dramatically rising members of the youth. Sheffield<sup>10</sup> argues that there are two essential elements of the development of the informal sector in Kenya. This includes East Africa Royal Commission of 1953-1955 and the report of the 1966 Kericho conference in Kenya, which Sheffield published as *Education, Employment and Rural development*. The first one is particularly important because it addressed one of the issues that were later on to be considered an obstacle to informal sector development.

International Labour Organization (ILO) argues that activities of Africa traders are of very small scale and lack security of tenure. For instance, traders have no incentives to improve their premises. However, these areas of their inhabitants would be to destroy what in some urban areas constitutes the only development of African commercial enterprise<sup>11</sup>. Horbison<sup>12</sup> argue that the urban informal sector is a sector where the unemployed can "eke out an existence as casual labourers, stallholders extra and whose activities also included a wide variety of petty barter trade and traditional crafts". He further argues that the challenge to this traditional sector in the urban area was how to "utilize the somehow small scale service industries such as automobile and machinery repair, maintenance, construction and other activities for which demand is constantly

rising in urban areas". Morris and Sommert<sup>13</sup> looks not only at the pre-independence base of African business and focuses not only on the particular group who had acquired ICDC loans, but also examine this special group against the background of the ordinary, very small scale trader or produce in the market squares across Kenya Eldoret included. The ordinariness of these little beginning of African business are well captured in the book of Morris and Sommert, where the lack of differentiation amongst the enterprise is very marked. This study by Morris and Sommert is similar to this study in that there are mostly retail stores in various estates of Eldoret town selling the same scant stock of cigarettes, cloth and general groceries arranged on wooden shelves behind a counter. There are also several bicycle repairs and blacksmiths, hoteliers and bar owners, butchers, barbers, photographers, hides and skin dealers, posho millers, furniture makers or watch repairs among others.

Kenneth King (1996) argues that the analogy with the harambee movement touches on the dilemma of much of the informal sector policy. He further argues that if what is special and positive about the informal sector has been developed despite total neglect and even active discouragement by the state, and then would it not be valuable for government to continue a hands-off approach? This was the origin of the view that the whole sector should be left alone; that there was nothing to be gained by government interference. King continues to argue that any attempt in formalizing the informal sector could well undermine its robust independence<sup>14</sup>. Kings views are totally different from my findings as in there is need for the government to take a hands on approach in handling the informal sector. The informal sector people in Eldoret are yearning for the support from the government. There was a general feeling that they have been neglected

and they wanted the government to be more visible in their undertakings to avoid the running battles witnessed in the town. They also felt that the government would stand to gain a lot from the informal sector through revenue collection. The government therefore needs to have a hands-on approach on the informal sector.

In 1985, the government introduced 8-4-4 system of education. This was a major restructuring of education and training in which emphasis was placed on vocational, scientific and technological development. This was followed almost immediately by the commissioning of a presidential party on education and manpower training for the next decade and beyond, which was very concerned about the skills of expanding population<sup>15</sup>. 8-4-4- system of education failed to achieve the intended purpose because instead of it being vocational, scientific and practical, the education has always remained theoretical with limited practical skills. However, most of the 8-4-4 drop out ventured into the informal sector in Eldoret.

Assuncao<sup>16</sup> did a comparative study on Kenya, Tanzania, Mozambique and Angola. He argues that the informal sector is probably one of the most thorough in attempting to put in place a set of strategies that would privilege the small enterprise and the *juakali* enterprise in Africa. Ikiara<sup>17</sup> argues that programmes to sponsor growth through direct government interventions have been assisted in Kenya. Evidence for this position on small scale enterprises is not of course derived from the *juakali* sector where the great majority of firms have never been confirmed by the poor showing of Kenya Industrial Estates (KIE), which was alleged to have undermined entrepreneurial capacity by feather-bedding and over subsidizing. In Eldoret for instance a number of *juakali* people have

been given financial support by Kenya Industrial Estate (KIE) to start Small and Micro Enterprises (SMEs).

Liedholm and Meed<sup>18</sup> compared several developing countries in Africa, which showed that Nigeria had 60 per cent, Sierra Leone 50 per cent, while Kenya had 12 per cent of its total employment in modern small-scale manufacturing. This shows why there are very few people in the manufacturing sector of the informal sector in Eldoret. A notable example is the owner of Paul's Bakery in West Endies, Eldoret, who started as a hawker and ended up establishing a factory manufacturing bread<sup>19</sup>. A Kenyan strategy paper<sup>20</sup> addressed the question of the bottlenecks to dynamic entrepreneurship through what it termed "its non-financial promotion programmes". A central feature of this part of the strategy was the development of an enterprise culture and a whole series of recommendations were made that would seek to ensure that students at all educational training levels in Kenya should receive instruction relating to self-employment and entrepreneurship.

The Sessional Paper No. 2 of 1992 on Small Enterprise and *juakali* development in Kenya did in effect, condense a good deal of insights that had been gained in the development of the strategy paper and its programme of action. It underlined the missing middle problem in Kenya compared to other developing countries and it pointed to the lack of powerful indigenous role models for entrepreneurship in the country and in particular Eldoret. However, the situation was different in Eldoret since the local people were actively involved in the informal sector with some ending up to being very successful businessmen and women.

W.S. Berger<sup>21</sup> points out that the informal sector encompasses economic activities outside the framework of the official employment plan by the government. He further points out that urban migration was a growing phenomenon and the urban setting the gap between the planned employments and the visible reality was especially active, but what they were doing did not appear in the plan. Demographic trends and seemingly unstoppable urban migration meant that ever-increasing number of people are entering the urban labour market, which was the formal sector per excellence. The influx of people from almost all parts of Kenya to Eldoret in the early 1960s and 1970s can attest to this.

Hart<sup>22</sup>, study in one of the earliest that used the term “informal sector” provides a description of the income sources of the Frefra, an ethnic group in Nima, a slum area in Accra, Ghana and divides urban income opportunities into informal and formal. He points out that informal opportunities can further be subdivided into legitimate and illegitimate. The legitimate opportunities include primary and secondary activities such as farming and shop keeping. Harts study had some weaknesses because some opportunities he regarded as illegitimate such as prostitution are legalized in some societies though not in Kenya. Rempel<sup>23</sup> points out that Harts study is a description of informal activity in a community rather than in a sector of an economy. Therefore, Hart discusses a wide range of activities in the community some of which can endanger the people. For example, drug trafficking and robberies are clearly illicit. Hart’s work is important for this study as it provides a good basis for comparison between the Ghanaian informal sector and the Kenya informal sector in Eldoret. There is a lot similarity

between Nima in Ghana and Eldoret in Kenya in that there are legitimate and illegitimate opportunities as mentioned earlier.

There are several studies, which have been undertaken on the informal sector in Latin America, which include Webb<sup>24</sup>, Merrick<sup>25</sup>, Castells<sup>26</sup>, Portes<sup>27</sup> and Hernando de Soto<sup>28</sup>. Merrick and Webb have undertaken two major surveys on the urban informal sector in Brazil and Peru. In general, they point out that the sector is largely a provider of services with the major occupation grouping being shopkeepers, tailors, cobblers, laundries and street sellers. The two researchers state that source of the distinguishing characteristics of the informal sector include age, education and sex. The majority of those in the sector are described as either the youth or the elderly, with women being the most dominant group. Merrick and Webb study are similar to my study. However, there were more men involved in the informal sector than women. In addition, Merrick's gives the distinct impression that the informal sector serves as secondary labour market. He estimates that 15 per cent of the workers in the sector at Belo Horizonte in Brazil are heads of households. He argues that this probably explains why the members of the middle bracket are absent from the sector because their ages are between the youth and elderly. Merrick's study is slightly different from this study in that in my case, all ages are involved in the informal sector.

A Peruvian economist Hernando de Soto (1989), argues that the growth of the informal sector is connected to "mercantilism", a system whereby private capital is given preferential treatment by the state such as monopoly over lucrative businesses in return for kickbacks to the political elite and the bureaucracy. He points out that informal sector

arises from the fact that those who miss out on such preferential arrangements by virtue of lack of political connections or lack of resources are forced to join the sector. For instance, the two categories of informal trading namely street hawking and informal markets are viewed not as rigidly compartmentalized activities but rather as different levels of development of the same business. Thus, he views those who begin as street vendors as people who do so with the intentions of moving on to better economic activities such as shop retailing or even wholesale enterprises<sup>29</sup>. De Sotos views are very relevant to the informal sector in Eldoret in terms of providing a theoretical insight into the dynamics, resilience and other developments in the informal sector. Viewed this way informal sector is the result of articulation of modes of production among the people in the society.

Elwood<sup>30</sup> has undertaken a pioneer study on the informal sector in Asia under the auspices of the Internal Development Research Centre (IDRC) and notes the scarcity of socio-economic studies on informal industries in Asia. The intent of the study was to find out the role of artisan in the economic development of the regions in Nepal. Elwoods study therefore examines in detail the large and heterogeneous groups of workers employed as artisans in Nepal, Sri Lanka, Indonesia, Thailand and Philippines. One of the conclusions of the study is that the rapid growth of exports and competitions from factory products is forcing fundamental changes on the informal sector that traditionally has been responsible for creating millions of jobs. Elwoods study is significant to this study in that informal sector is also key to job creation in Eldoret.

In Africa, some scholars have identified the informal sector as an important contributor to economic development. Oluranti<sup>31</sup> examines the impact of the urban informal sector in Ibadan on income, employment generation and skill formation using analytical method drawn from the field of economies, such as the use of employment and earning regression models as well as informal employment. The study concludes that the informal sector workers compare favorably with their formal sector counterparts. In terms of skill development, the study points out that the system of apprenticeship is the most efficient mode of training in Ibadan. Indeed 90% of the entrepreneurs in Ibadan were trained through this system. In Eldoret, the scenario is similar in that many of the people in the informal sector had no basic training on the jobs they were doing. They learned the skills through apprenticeship. This makes Oluranti's study very relevant.

Yankson<sup>32</sup> focuses on the small-scale aluminum industry in Ghana. He argues that like many other developing countries, Ghana in the 1980s pursued industrialization as a means of stimulating accelerated development and improving the standard of living of the population through the generation of employment and income earning opportunities. Unfortunately in an attempt to promote growth of the informal sector, the small-scale industrial sector did not receive adequate attention inspite of the fact that small-scale establishments have always dominated the manufacturing sector in the country. The study identifies a number of the structured characteristics of the Ghanian small-scale industry such as the use of the locally made tools. For instance, most operators in Ghana start their enterprises with very small amounts of liquid capital and depend mainly on their own resources or help from relatives and friends to start their enterprises. The current study investigated these characteristics and analyzes the factors that have enabled



the artisans to become resilient in the face of great economic and political problems as witnessed in 2007/2008 Post Election Violence in Eldoret, Kenya.

Several studies have also been conducted focusing on the small-scale enterprises in East Africa. One of these is Dorothy McCormick and Paul Pederson<sup>33</sup>. Coming from the specialization of development studies, economics, sociology and geography, the authors tackle various themes pertaining to the small-scale enterprises in East Africa, such as the alternative paradigms that explain the persistence of small scale enterprises in the less developed countries. For example, the study observes that there exists a variation between the three east African countries in terms of the growth of small-scale enterprises, marked by more activity in Kenya. This can be attributed to the aggressive nature of Kenyans in entrepreneurship. Similarly, Patrick Alila and Paul Pedersen<sup>34</sup> explored the different aspects of micro- enterprise development in East Africa in the 1990s. The two scholars give some insight into the wider environment within which micro-enterprise development has taken place in the region, including political and economic instability as well as poverty.

Child<sup>35</sup> made an empirical study on the small-scale rural industry in Kenya and established that industrial enterprises are typically small but provide a better than average income for their owners. He concludes that returns rates on invested capital, exceeds that of modern sector by a substantial margin. In his view, capital invested in the informal sector contributes immensely to Gross National Product (GNP) and creates more employment opportunities than does equivalent amount of capital investment in the modern sector. He asserts that wages earned by informal sector workers compare

favorably well with working class incomes of the modern sector and wages in commercial agriculture. Out of the observations, he makes some policy recommendations in a bid to promote the sector. For instance, he calls for the removal of legal impediments, the provision of infrastructure for the informal sector, expansion of the small business extension services and the expansion of subsidy on the job training programs for those in the informal sector. Child's study is significant to this study especially on the issue of looking at the impact of the informal sector in Eldoret.

Rempel<sup>36</sup> divides the informal sector into two categories, namely, the potential (viable group) and the community of the poor views its conditions as temporary. This group, therefore, are people who are in the helpless situation as they find themselves unable to join the formal sector where they believe they rightly belong. Thus their helplessness breeds an attitude or culture of poverty. He further states that the second group comprises those who consider their current condition permanent and consciously strive to improve their lot. He describes this group as having potential to develop due to their rejection of wage labour in the formal sector, and perceive their activities in the informal sector as sources of the necessary income to escape from poverty. Rempel concludes that this group needs a favorable and enabling environment providing protection and possibilities of expansion due to its great potential for employment generation and economic development. Rempel's study is similar to my study, which examines the development of the informal sector in Eldoret.

Leys<sup>37</sup> and the World Bank mission to Kenya (1975) are skeptical of the informal sector. The World Bank mission to Kenya (1975) perceives the informal sector as a residual

employer of those rural-urban migrants who fail to get jobs in the formal sector of the economy. Consequently, the World Bank argues that the development of the informal sector cannot be the basis of development for Kenya. It should be noted however, that whereas some of those in the sector include those who miss jobs in the formal sector, it does not necessarily follow that their activity in the informal sector is insignificant to the economic development of the country.

Killick and Koplinsky<sup>38</sup> are concerned with the problems that plague the informal sector in Kenya and seek solutions in a bid to make it viable and dynamic. Killick discusses the role of the sector in the context of the overall development strategy of the country and makes several observations. The first observation is that the sector was given a key role to play. Secondly, he observes that a discrepancy between the rates of modernization in Kenya and the rate of modern sector employment as illustrated by the growing number of the landless that was estimated to be over 289,380 by 2009<sup>39</sup>. He concludes that the government's response to the International Labour Organization (ILO report 1972), initially appeared sympathetic but the latter's recommendations were grossly diluted by the government to the extent that no coherent policy seems to have been formulated on the informal sector. Killick study was important since my study is sought to examine the policies formulated by the government on informal sector in Eldoret since independence.

Felix Kiruthu<sup>40</sup> explores the genesis of the informal sector specifically the *juakali* sector in Nairobi, Kenya. He has analyzed the sources of artisanal skills among the Africans and the historical development of the *juakali* sub-sector in Kenya dating back from 1899 to 1998. He points out the factors that have enhanced the sectors dynamism, resilience

and creativity. Kiruthu's study is different from this study in that his study goes back to as early as 1899 whereas this study traces the emergence and development of the informal sector from 1908 when the first settlers arrived in Eldoret and ends in 2009, two years after election violence 2007/2008. Kiruthu's study is on Nairobi while this study is on Eldoret. However, there is a similarity on the issue of examining the dynamism, resilience and creativity of the informal sector. Both studies have explored this area.

King<sup>41</sup> gives a general account of the development of the artisanal skills in Kenya up to 1970s. He argues that the missionaries and the colonial government started vocational primary schools for Africans at the early years of colonial rule. Most pupils in these schools were indentured to follow the basic trades of masonry and carpentry, although in some missions it was possible to offer courses such as teaching, nursing and catechism. The colonial government encouraged vocational courses. One of the reasons why such courses were introduced within the school system in Kenya at the time was because of the absence of good industrial sector. King's study assisted in examining the development of the informal sector, since vocational training is very key to informal sector development.

Obilo<sup>42</sup> focuses on employment potential of urban informal garages in Nairobi. From his research, he points out those garages have great potential for employment. Some of the garages studied engaged an average of thirteen vehicle repairs daily. Such informal garages are characterized by certain factors such as conducting their activities in under developed plots and opening from temporary structures. Most garages are usually not registered by the government.

Kenneth King<sup>43</sup> undertook one of the most important studies on the *juakali* sector in Kenya. He analyses the changes and development in the sector between 1970 and 1995. The study traces what he calls pre-history of the informal sector in Kenya to the East African Royal Commission 1953-1955, and points out that it was this commission that highlighted the colonial governments contribution to the failure of the sector because of playing restrictions and regulations, which inhibited the advancement of Africans in colonial Kenya. Such obstacles ranged from lack of licenses and credit, to restrictions on the use and sale of land itself. This notwithstanding, he argues that from early 1970s a lot of developments have taken place in the Kenyan informal sector. For instance, Kenya has adopted her own policy paper on *juakali* development. King's study was significant in that it assisted this study in examining government policies on informal sector in Eldoret.

Kinyanjui and Fowler<sup>44</sup> on the other hand, examined the growth of K-Rep as a micro enterprise support agency over more than twenty years. The two had shed some light on some of the challenges encountered by the informal sector since independence and some of the possible avenues of funding those in the *juakali* sector. The work highlights the twin aspects of the commitment and good governance, as the two pillars that have enabled K-Rep to mature into an international Non-Government Organization. Finally, the study emphasizes the intricate relations between good governance and success in *juakali* operators, which have been undertaken on the political economy of Africa particularly in the post-independence era. Kinyanjui's study was significant to my study especially on the area of examining the challenges facing the informal sector in the

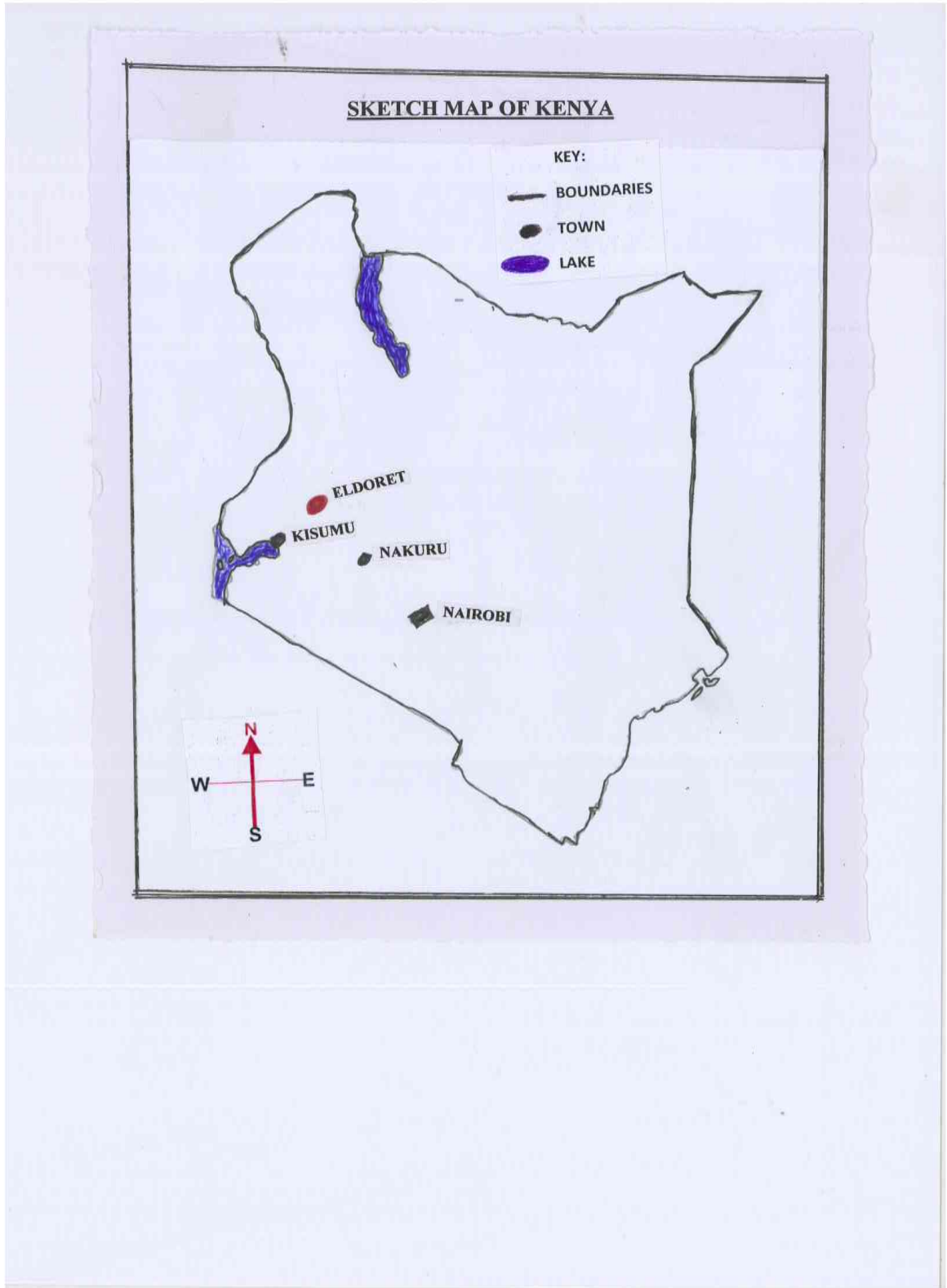
postcolonial Kenya and in particular Eldoret. The literature reviewed illustrates that the informal sector plays an important role in the employment of people in the developing countries including Kenya. In Eldoret, the informal sector is key to employment creation and this scenario is likely to hold for some time to come and could be the solution to the economic quagmire and joblessness in Eldoret.

### **1.5 Theoretical Framework**

The study is based on the theory on the Articulation of mode of production. According to Karl Marx, the combination of forces and relations of production means that the way people relate to the physical world and the way people relate to each other socially are bound up together in specific and necessary ways. People must consume to survive but to consume, they must produce and in producing they necessarily enter into relations, which exists independently of their will. For Karl Marx, the whole secret of why/how a social order exists and the causes of social change must be discovered in the specific mode of production that a society has. He further argued that the mode of production substantively shaped the nature of the mode of distribution, the mode of circulation and the mode of consumption all of which together constitute the economic sphere. To understand the way wealth was distributed and consumed, it was necessary to understand the conditions under which it was produced. Residents of Eldoret had to come up with various Articulations of various modes of production in the informal sector to eke a living. Viewed this way, the theory comes in handy to explain the entrepreneurial skills employed by the residents of Eldoret in developing the Informal Sector in the period under review.

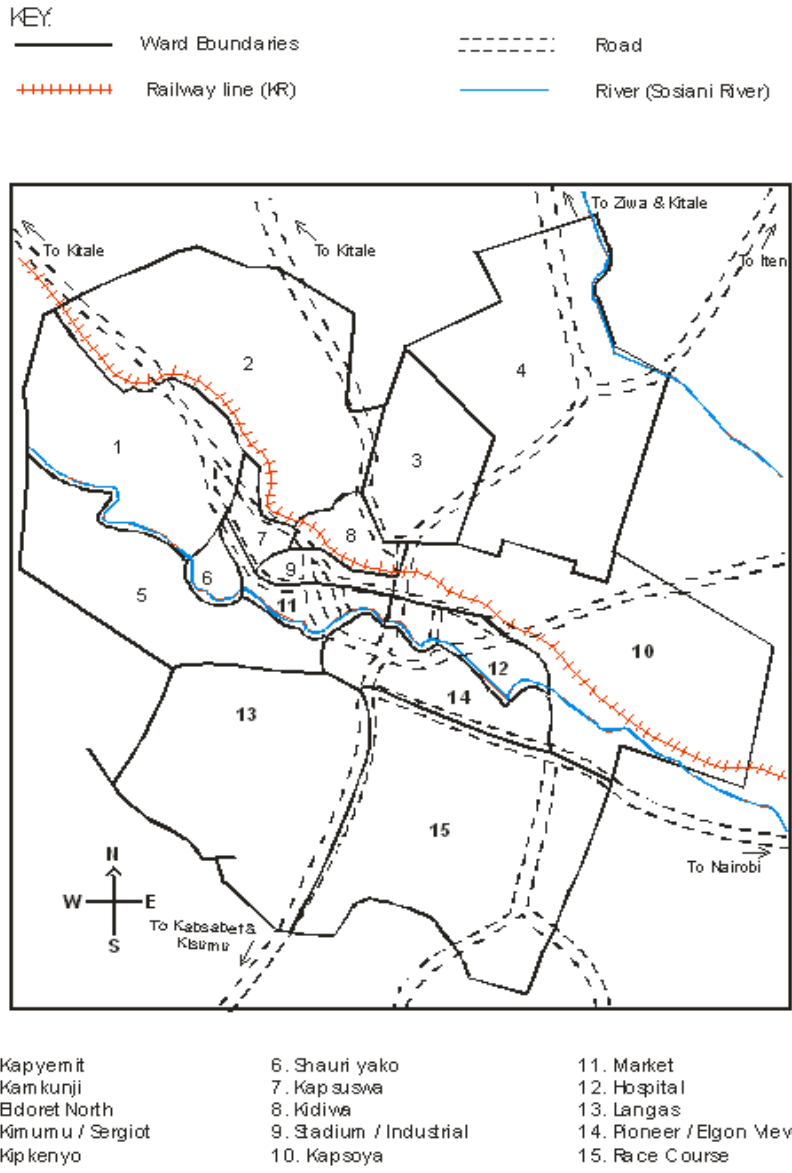
## **1.6 The Study Area**

Eldoret, which is the focus of this study, is the headquarters of Uasin Gishu County with a population estimated at 300,000 inhabitants according to 2009 population census. Eldoret is the heart of business in Western Kenya. It is the capital and the largest town in Uasin Gishu County lying South of the Cherangani Hills, the local elevation varies about 2100 metres above sea level at the airport to more than 2700 metres in nearby areas (7000-9000 feet). It is currently the fastest growing town in Western Kenya and also the second largest urban centre in the region after Nakuru. Eldoret is the fifth largest urban centre in Kenya after Nairobi, Mombasa, Kisumu and Nakuru. Average temperature in Uasin Gishu is 18°C with a maximum of 25°C and on average falling to 9.7°C overnight especially in the months of June and July. Eldoret has an average rainfall of 1.90mm. The sketch map below illustrates the town of Eldoret.



Map 1.1: Sketch map of Eldoret.





Source: Eldoret Planning Department

The origin of Eldoret came in 1900 when the first settlers are believed to have arrived in Uasin Gishu. The emergence of the town was not a historical accident. It was a product of colonial planning for the railway line to tap the resources in the interior. It was

therefore a product of colonial capitalist penetration and expansion, which the Kenya-Uganda railway was symbolic of. This was occasioned by the construction of railway line from Nakuru to Eldoret, in 1924. The town became both an administrative and agricultural centre. It was the collecting centre for the European settlers thus helping to boost its importance<sup>45</sup>.

### **1.7 Scope and limitation of the study**

The study covers the emergence and development of the informal sector in Eldoret from 1908 to 2009. The study starts in 1908 when the first white settlers arrived in Eldoret and it endeavours to look into the development of the informal sector in Kenya and in particular Eldoret, in the postcolonial period. The study ends in 2009 two years after 2007/08-post election violence, which immensely affected Eldoret and the Western region as a whole. Eldoret had emerged as a potential business hub in the Western Kenya region and still remains a strong business hub even after the 2007/08-post election violence. There was an influx of Africans moving from the rural areas to urban centres right away from the colonial times. The period 1963 to 2009 provides sufficient time for analysis of the informal sector development with particular reference to policies formulated by the government and the players involved in the informal sector in Eldoret in the period under review. As pointed out earlier the period starts in 1908 when the first settlers arrived in Eldoret and ends in 2009 after the end of 2007/2008-post election violence, which immensely affected Eldoret and its environs. People had a lot of expectation from the NARC administration especially on the issue of unemployment crisis, which had reached alarming levels in Kenya.

Limitations of the study include; the targeted group refusing to be interviewed fearing that the researcher could be part of the county *askaris* (workers) out to arrest them. It took a lot of wisdom and patience to convince the informants to accept to be interviewed. I had to fit into their programme in order to get time to interview them. With some, I had to interview them as they continued with their work. Financial limitations were encountered on the part of the researcher and also the targeted group. Some of the informants demanded to be paid for the hours of the interview. They argued that the hours of the interview was a waste of time, which they could use to do something profitable. Noise was also a challenge because some of the people targeted for interview worked in very noisy areas and the noise interfered with conversations. However some of those working in noisy premises and areas accepted to go to less noisy areas to take the interview. The research was self-sponsored and getting money for research was a big challenge. However from the monthly salary earnings the researcher was able to raise some cash to carry on with the research.

### **1.8 Rationale of the study**

The informal sector has become increasingly important in the economy of Kenya as source of employment and incomes. The informal sector is the second largest source of employment after small-scale agriculture<sup>46</sup> A study on the development of the informal sector is of paramount importance given the paucity of employment opportunities in Kenya and Eldoret in particular. Very few people have attempted to do a research on the informal sector especially on Eldoret. Jacob Omolo (2012) did a research on Youth

Employment in Kenya though his study had more emphasis on analysis of labour market and policy interventions and not on the development of the Informal sector. The sector accounts for a sizeable portion of Eldoret's economy and thus needs to be studied. The informal sector also appears to be an important avenue for many unemployed Kenyans to seek employment opportunities through engaging in entrepreneurial activities. The ILO mission to Kenya, writing in 1972, described the informal sector as an important focus of economic development. This scenario remains the same. The informal sector is key to job creation in Eldoret in particular and in Kenya in general. This therefore, necessitates a study in the informal sector in Kenya and Eldoret in particular.

### **1.9 Research Methodology**

The main method used by the researcher was one on one interview. Random stratified sampling was employed to obtain a reasonable sample size for administering the questionnaires. The target population was 50 people an average of 3 persons from every ward. These people were selected on the basis of their knowledge on informal sector in Eldoret. Among these people include people working in the informal sector, people funding the informal sector and government/political leaders. The researcher sampled 50 people actively involved in the informal sector. The questionnaires had both open-ended and closed ended questions. The researcher identified informants in two ways. First, the researcher used the information from those in *juakali* associations and the Non-Governmental organizations (NGOs) such as KADET, *Juakali* Members (JUKAME) association in Eldoret among others. The interviewed persons helped in identifying other knowledgeable informants for interviewing. Secondly, the researcher visited the areas

where the informal sector people had businesses or were working to interview them with a view of comparing and contrasting data obtained from other sources. The researcher also used data collected from the Kenya National Archives File No. DC/UG/2/3/22 Shelf No. 1942, File No. DC/UG/2/3/38 Shelf No.1943, File No. DC/UG/2/3/37 Shelf No. 1943, the Annual Reports, Development Plans, and handing over reports. Data was also obtained from secondary sources. These included books, videotapes, journals, thesis and dissertations, seminars and conference papers as well as the Internet. The Moi University Library (KU), Jomo Kenyatta Memorial Library (UON), Margaret Thatcher Library (Moi University) and the National Library Eldoret are also some of the places where data was obtained. In addition, the secondary data obtained from various sources were subjected to historical criticism in order to verify their validity then corroborated by comparing it with other sources of information. Where the oral data conflicted from one informant to another, the archival and secondary sources were referred to and vice versa. The same questions (in the appendix) were asked to several informants especially when one informant gave contrary information with a view of getting a reliable data. However, the interview would once in a while take a free flow of talk that is have an open talk with the informants without sticking to the questions formulated in the questionnaire between the researcher and the interviewees.

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## CHAPTER TWO

### **2.0 The Emergence and Development of the Informal Sector in Eldoret 1908-1963**

#### **2.1 Overview**

Eldoret town is in Uasin Gishu County, Kenya. According to 2009 population census, the population of Eldoret is estimated at 289,380. It is currently one of the fastest growing town in Kenya and the 5<sup>th</sup> largest. In 1908, fifty eight families of Afrikaans speaking South African settlers “trekked” to the Uasin Gishu plateau from Nakuru after a journey from South Africa by sea and rail from Mombasa. More families followed them in 1911. Eldoret town was created (established) in the midst of the farms owned by Afrikaaners.

Eldoret which is the farming capital in Uasin Gishu County was referred to as an “un-occupied, foodless expanse of grassland, abounding in game”<sup>1</sup>. Of its earliest history, little is known about it except that it was the core of the Kalenjin and the Maasai communities. The name Uasin Gishu is derived from the name of one of the Maasai clans – the Uasin Gishu clan. It was occupied by the pastoral people, the Sirikwa described by both communities (Kalenjin and Maasai) as “the people who were before us”<sup>2</sup>. In many places, there are excavations with stone sites commonly called Sirikwa holes believed to have been roofed and occupied by the Sirikwa. The Maasai who took over the land for grazing, dislodged the community. The Maasai were eventually also



ousted by the Nandi towards the end of the 19<sup>th</sup> Century after a major battle which took place between them at Kipkaren – the Nandi word for “the place of spears”<sup>3</sup>.

Eldoret town began in 1910 as an isolated post office established for the convenience of farmers who had settled in the large area made accessible by the construction of the railway from Nakuruto Eldoret in 1924. Farm 64 was selected as the site of the new township (Eldoret) because it was a poor piece of ground, which no farmer wanted. It was called farm 64 because it was 64 miles from Nakuru where the railway branched off to Eldoret<sup>4</sup>. Originally the name of the centre was “Eldore” a Maasai word meaning “stony river” (river Sosiani)<sup>5</sup>. A “t” was added by the Nandi to make it sound like a Kalenjin word. The town was proclaimed Eldoret in the official Gazette Notice of November 14<sup>th</sup> 1912, with acreage of 2,770<sup>6</sup>.

## **2.2 Emergence and Development of the Informal Sector in Eldoret before Independence**

The change of name from “64” to Eldoret in 1912, gave the impetus to the development of the town. Two Asians, Noor Mohammed and Dhanji Madhai had started trading in Eldoret town centre. A police station, administrative offices and official houses were built. Local farmers Selby and Probinson created a large hanger type mud and wattle shack next door to the post office. The building was later sold to Wreford Smith and Mac Nab Mundell and sub-divided to serve as a hotel, bar and general store. The Smith Mundell building also housed the town’s first bank – the Standard Chartered Bank in 1928. Other businesses started in town. The Pioneer Hotel was built in 1920 and in the

same year, Barclays Bank opened its branch. John Hughes another newcomer arrived in Eldoret in a new car model T. Ford, on secondment to the agricultural department but later resigned to join forces with T. J. O'Shear, a trader in Fords, hides and skin. Hughes personally loaded the first consignment of wheat to leave Eldoret railway station in 1924. Today, Hughes Limited, Kenya's Ford Agent has branches in major towns in Kenya<sup>7</sup>.

The railway head was 64 miles away at Nakuru. Life was difficult; farming was a matter of trial and error and social activities centred on the homesteads or the Pioneer Hotel. During these early days, Eldoret had the atmosphere of a border town in the "Wild West"<sup>8</sup>. When the Governor Sir Robert Coryndon arrived in Eldoret on the first train in 1924, a new era began for the town of Eldoret and Western Kenya region. Goods could now be imported cheaply and farm produce transported out at competitive prices.

Difficulties were experienced in providing township services to keep the pace with the rapid commercial development. Responsibility for town services lay with the District Commissioner helped by a township committee, which had no legal authority and no means of collecting funds. In 1928 there was installation of a piped water supply from river Sosiani that cuts across Eldoret town. April 1929 however, saw the town elevated to the status of a Municipal Board<sup>9</sup>. The first rate was levied to help meet the cost of the first budget assisted by a government grant of £3,000. Although the revenue did not allow for drastic development, the counselors made many improvements. In 1933, the East African power and lighting company limited installed electricity plant which enabled the Municipal Board to light up the main streets of the Eldoret town<sup>10</sup>.

As the town grew, churches, schools, clubs and even cinema halls were established. New buildings sprang up overnight and more intensive development took place with government rehabilitation and development loans. The increase in wheat and livestock production by the farmers enabled the exploration of the Uganda market for milk, meat and poultry. The hydroelectric scheme at Selby falls in river Sosiani begun to meet the increased demand and the Municipal Board sought a loan for large-scale improvements to the water supply and installation of the main sewage. The town hall of Eldoret was built in 1956 and in January 1958, the town was elevated to Municipal Council status. The first mayor, J. Walton Beard, was elected in November 1959, and the Governor of Kenya presented the town with an award to its character and pace of development. This boosted the informal sector development in the town<sup>11</sup>.

The colonial government had tried to regulate (formalize) aspects of the informal sector. Archaeological and anthropological evidence strongly suggests that people of all societies regularly adjust their activities within economic systems in attempt to evade regulations. For instance, if informal economic activity is that which goes unregulated in an otherwise regulated system then informal economies are as old as their counterparts, if not older<sup>12</sup>. Viewed this way, the theory of articulation of modes of production comes in handy. The colonial government facilitated the import of capital into the country. But only in mining and to some extent in 'settler' and 'plantation' agriculture did this happen on a large scale. The colonial impact on African entrepreneurship and on the markets in which they

operated again turned to a large extent on whether there were large scale appropriations of land for the use of Europeans, be they individual settlers or corporations<sup>13</sup>.

In Kenya, African farmers responded quickly to the policy made to drive Africans out of the productive market by reserving land for Europeans while either prohibiting Africans from leasing it back or limiting the time African 'squatters' could work for themselves rather than for their European land lords<sup>14</sup>. The colonial state in Kenya protected the property of agricultural investors who were mainly Europeans occupying the White Highlands. Eldoret, situated in the centre of the White Highlands was at the centre of this colonial policy<sup>15</sup>. African entrepreneurs, like the European ones, needed to be able to hire labour. However this remained a pipe dream, as the colonial record was one of gradual, mostly reluctant, innovation. By the end of Second World War, as Frederick Cooper (1996) has shown, British authorities had accepted that wage labour had become a regular occupation for Africans, rather than a seasonal sideline from farming<sup>16</sup>.

African production for market proved resilient despite the harsh colonial policy. In Kenya it was only in 1952, during the MAUMAU revolt, that the colonial government lifted restrictions on African production of high value cash crops. For Thus, to the extent that African production for the market in the late 19<sup>th</sup> century was greater in what became 'peasant' agricultural export economies<sup>17</sup>. It was clear the colonial government in Kenya did not articulate the need to create sufficient employment opportunities to absorb the country's growing labour force. For instance, in Eldoret, many of the Africans who had been thrown out of their farms remained as 'squatters'. Many came to Eldoret to seek employment though with serious restrictions from the colonial government. For instance

the Kipande System was passed into law in 1915 restricting the movements of Africans. Kenya's employment problem therefore dates back to the colonial period. The governments have tried to regulate (formalize) aspects of their economies for as long as surplus wealth has existed; yet no such regulation has ever been wholly enforceable<sup>18</sup>. In the early 1960s the informal sector activities in Eldoret were concentrated in the central business district. Ngugi Gitonga one of the informants in the informal sector who came to Eldoret in the late 1950s had this to say:

“I came to Eldoret in 1957 and ventured into informal sector business of bicycle repair near Sosiani hotel. The informal business in Eldoret was concentrated in the central business district around the municipal markets, bus stands and along streets especially Ngala, Arap Moi, Kenyatta and Nandi roads. By that time, these roads were non-existent. As the town continued to expand the informal activities expanded to other areas. There was very little support coming from the colonial government. However, I soldiered on together with other resilient players like Kimurgor, Muchai, Choba, Gituro and a few others succeeded. I look back and thank God for the risk I took to join the informal sector. Many of these friends of mine whom we started together are also very successful<sup>19</sup>.

In Eldoret town, the informal sector absorbed the majority of the over 60% potential workers who fail to get formal employment. Due to ease of entry and low capital investment (as low as Ksh 100), anyone who failed get formal employment or feels dissatisfied with formal employment can easily join the informal sector especially retail trade as self employed entrepreneurs. Most of these entrepreneurs start from scratch investing their meagre savings or borrowed funds from their relatives. However those involved in the production processes, specialized services and sale of second hand clothes need relatively high capital investment<sup>20</sup>.

Informal sector activities in Eldoret are concentrated in the central business district around the county markets, bus stands and along Ngala, Kenyatta and Nandi roads. There exists a diversified mix of informal sector activities which are to be found in the density residential areas of Langas, Kipkaren, Kamukunji, Huruma, Munyaka, King'ong'o, and Kimumu. In the residential areas, vendors operate along the streets especially at junctions. At such junctions temporary kiosks, open air vending, and temporary shelters for farm produce are a common site. Other hawkers move with their trade wares within the residential areas in search of customers. Surprisingly, informal activities especially foodstuffs retailing are slowly filtering into the medium and low-density residential areas. The explanation for this is that low-income workers on account that they are being sublet unused car garages and servant's quarters for residential purposes are slowly invading these areas. This is testament to the fact that informal trade has become an important source of extra income even for medium class households.

### **2.3 Summary**

This Chapter covers on the emergence of the informal sector in Eldoret from 1908 when the first white settlers arrived. It has tried to explain the emergence of Eldoret town and early players who led to the growth of the town. The chapter has also explored the colonial policies in the informal sector in Eldoret though scanty. The early players in the informal sector in the early stages of Eldoret growth have also been explored.

Informal sector was not official recognized by the colonial government. The urban informal sector, which is prevalent in all developing countries, is also not unique to

Eldoret town. In Eldoret and in Kenya, as a whole, it is characterized by being un-enumerated and occupying the business places within town. The colonial government did very little to support the informal sector and even after independence the change is minimal. However the sector remained an important source of employment especially to those who failed to get formal jobs, which were very scarce during the colonial period and even after independence in Kenya. The Informal sector was characterized by being un-enumerated and occupying the busiest places within town. The colonial government never recognized the informal sector and very little had been done to assist the operators and government regulations resulted in containment rather than eradication. In Eldoret, the informal sector was and still is an important source of employment especially for those who fail to get formal jobs, which are and still are very scarce to date.

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## CHAPTER THREE

### 3.0 Government Policies on the Informal Sector in Kenya 1963-2009

#### 3.1 Overview

Kenyatta administration inherited the colonial government structures of government and policies. The key employment creation policies implemented during the period 1963 – 1978 included short-term interventions. The notable ones was the Kenyanization policy. The Kenyanization policy (1963-1972) aimed at increasing employment opportunities for Kenyans through replacement of non-citizens<sup>1</sup>. To achieve this, several strategies were employed which included exclusion of foreigners in rural trade, use of work permits to limit employment of expatriates, redistribution of large agricultural farms and increased investment in human capital formation<sup>2</sup>.

Another policy used by the Kenyatta administration was the tripartite agreements entered into between government, employers and workers in 1964 and 1970 aimed at increasing employment levels by at least 10 percent. This was conditioned on workers and their trade observing a wage freeze besides refraining from any industrial action during the period of agreement. These short-term measures of employment creation were augmented by wage policies, which initially targeted payment of high wages (1964-1972) before a reversal to a wage restraint in 1973<sup>3</sup>. Therefore, for a very long time, the Kenyatta government continued to articulate the need to create sufficient employment opportunities to absorb the country's growing labour force but in vain. Just like in many

other developing countries, unemployment and under employment remained as Kenya's most difficult and persistent problems during Jomo Kenyatta's tenure<sup>4</sup>.

### **3.2 Development of Informal Sector in Eldoret 1963-1978**

The long years of colonial rule and exploitation in Kenya led to poverty among many Africans. Even after independence the young nation of Kenya had to heavily rely on the colonial master Britain for economic assistance. The poor population had to articulate other modes of production for their very own survival hence the theory of articulation of modes of production used in this study. African entrepreneurial groups at this time were weakly developed due to poor government policies<sup>5</sup>.

Up to 1960s, there was a serious lack of proper training for artisans and other entrepreneurial courses in Eldoret, which were very vital to the informal sector development according to most of the respondents. Towards the end of 1960s, community development workers began to organize low-level artisan and homecraft skills. The home craft centre and pioneer estate in Eldoret started in 1969 to train people on artisanal skills<sup>6</sup>. The informal models of training continued hand in hand with the new mode of training. This was according to one of the respondents, Ngugi Gitonga. At independence local communities wanted more and more children to acquire intermediate education, which was offered between Class IV and VIII. First the parents wanted their children to acquire more academic kind of education aimed at securing white-collar jobs<sup>7</sup>. This coincided with the aspirations of most African children in Kenya who saw academic education as the only sure way of avoiding manual labour in agricultural sector. Second,

the number of children enrolled for upper primary education after 1960 was overwhelming given the available facility. It was therefore impossible to offer vocational efficiency<sup>8</sup>.

Barely two years after independence, there was a primary school leaver crisis. These school leavers had no marketable skills given that they were neither offered training in trade nor agricultural skills in upper primary. It was this realization that led to several stakeholders to introduce a number of measures aimed at solving the crisis. One of the measures adopted by the government was the mooted of the National Youth Service (NYS) programme. The recruits would undergo a three-month physical fitness and general education programme, after which they would qualify to join the NYS career training that incorporated vocational instructions in carpentry, masonry, motor vehicle and electrical welding, plumbing and tailoring<sup>9</sup>. Eldoret has such a centre, National Youth Service (NYS), near Langas where a number of people in the informal sector in Eldoret trained. Several Harambee institutes of science and technology were also started in the country from the 1970s. Most of them were started as self-help projects by communities and were funded through harambee. These institutes were funded with the aim of training school leavers in crafts in the hope that they would meet the growing demand for skilled manpower in the rural areas<sup>10</sup>.

In Eldoret, this period saw the likes of Ngugiwa Gitonga, Chemweno, Kibogy, Kimurgor, Muchai and Chumba venture into informal sector and ended up becoming very successful businessman owning multimillion real estates in Eldoret town. Ngugi Gitonga, one of the informants had this to say:

“I started my business of bicycle repair with 30/=. My first business was at Sosiani. This business grew steadily and I was able to buy a plot where I built the Sosiani Hotel. Today, I own several plots and houses in Pioneer estate and in Eldoret courtesy of this first business of bicycle repair which I started in 1969. The bicycle repair is still on despite the fact that I own a lot in the town. This is like mother of all what I have today<sup>11</sup>.

One interesting feature of the linkage between the informal sector and slum village in Eldoret was the element of self-employment. Although majority of the people were not in wage employment in the 1960s and 1970s, they were self-employed in various capacities such as brewers of illicit beers, prostitution and landlords of slum shanties. This study showed that all the communities in Kenya were involved in the informal sector in Eldoret, most came from the Kikuyu, the Kalenjin, the Luo and the Luhya. This underscores the importance of ethnicity, friendship and other social relations in the operations of the informal sector in Kenya<sup>12</sup>. However, the Kenyatta administration had a different approach for Uasin Gishu. For instance, in the 1970s many Kikuyu were moved from Central Kenya and settled in farms around Eldoret. Kamau Mwangi an informant had this to say:

“I came in Burnt Forest in 1971 and settled there. We were moved from Kiambu. These farms, which were initially occupied by the Europeans, were bought by societies from Central Kenya. They included: Yamumbi farm in Eldoret South, Kiambaa farm, Kamukunji and Burnt Forest farm. After 1992-post election violence, I moved to Eldoret Town, where I ventured into informal sector business of selling old clothes (mitumba)”<sup>13</sup>.

Thus this meant that there was an influx of people not only from Central Kenya but also from Kisii, Kisumu, Kakamega, Busia, Bungoma, Transnzoia, Turkana, just to mention a few. Most of these people ended up in Eldoret in search of employment and those who

never got gainful employment in the formal sector ended up joining the informal sector.

M. K. Toreito an informant had this to say:

“I started my business in the informal sector in 1969. I had a small kiosk along Nandi road near the stage. I later changed and put up hardware. I have been able to educate my children and do other investment with the money from this same business”<sup>14</sup>.

M. K. Toreito is a good example of the resilient nature of the people in the informal sector in Eldoret. To date M. K. Toreito’s hardware is still there running into millions of shillings. The owner of Wareng Hardware also started the business in the 1970s in Eldoret and the business has grown to be a multi-million investment. This is an indication the locals of Eldoret were actively involved in the informal sector. The Luo were engaged in motor vehicle repair garages. One of the informants Fred Odhiambo, intimated that the Luo had been marginalized by the Kenyatta government due to their political stand of opposing the status quo. There was a high number of unemployed Luos in Eldoret, some of them were well educated but getting jobs in the formal sector was not forthcoming. They ended up in the *juakali* sector.

In the urban centres, Europeans dominated the best positions in public and private sector of the economy. The situation of inequality both in the public and private sector greatly molded the structure of post-independence economy in Kenya<sup>15</sup>. Ironically, the aspiration of the liberation movement in Kenya was to fight poverty on the basis of the universal subjectivity without the constraint of race, tribe or any other source of cultural association<sup>16</sup>. Independence came with a serious exodus of people from the rural to the urban centres and the thinking among the people was that, going to work in the industries

in the town would provide benefits that eventually would trickle down to the rural poor<sup>17</sup>. However, from this study, majority of those who went to urban centres ended up in self-employment in the informal sector.

The main principles and strategies of Kenya's post-independence development were contained in the Sessional Paper No. 10 of 1965 (African Socialism) co-authored by Joseph Thomas Mboya and Mwai Kibaki. Through the Sessional Paper, the government stressed the maximization of production as the only permanent solution to problems facing the country. Consequently, a policy was recommended through which growth was to be encouraged in those areas and those groups and individuals who were better placed to advance the national wealth<sup>18</sup>.

Although the Sessional Paper No. 10 of 1965 recommended a neutral position between the capitalist and communist ideologies, the Kenyatta administration inherited the capitalist policies from the colonial master Britain. This therefore created a class of the ruling elite mainly from Central Kenya, who wielded influence over the economy in collaboration with foreign investors and multi-national corporations<sup>19</sup>. The Kenyatta administration thus continued and even increased the massive social inequality among the African population. This underscores the theory of dependency. The period between 1967 and 1968 saw 18,000 Asians leave the country. They were drawn from all major towns in Kenya including Eldoret. In 1969 when the trade-licensing act took effect, many Asian traders had their licenses revoked as part of Kenyatta's policy of promoting African enterprises, particularly in small towns like Eldoret and in the villages. The

influx of people from Central Kenya to Uasin Gishu through government-coordinated settlements in farms around Eldoret gave the impetus for the growth of informal sector. A town that was not vibrant was now beaming up with people coming to seek for gainful employment<sup>20</sup>.

The Kenyatta regime viewed the increasing urban migrant population as a nuisance and health hazard to town residents. The president is remembered for his slogan of “Rudi mashambani” (go back to the farms). However, this slogan fell on deaf ears, as more and more people were moving into towns to seek employment and get better services. This led to the growth of the informal sector as many people who never got employed in the formal sector ended up in the informal sector for self-employment<sup>21</sup>.

The migration of job seekers to the urban centres like Eldoret has led to the growth of peripheral settlement just outside the borders of the wealth urban estates. These settlements include Langas, Munyaka, Mwitirithia, Kipkaren, Huruma, Kambi Nguruwe, Kamukunji, Kiplombe, Hawaii among others. These settlements provide goods like vegetables, *juakali* jikos, and other assorted items made from *juakali* artisans. These settlements also provided people who give services like house helps, cleaning and laundry services and tending of flowers in the homes of the wealth estates of Elgon View, Kapsoya, West Indies, Memosa just to mention a few. This was according to the majority of the interviewees.

### **3.3 Government Policies on the Informal Sector 1978-2002**

The period after 1978, the economy of Kenya encountered several challenges, which hampered the Moi's regimes' ability to use patronage. Some of these problems emanated from the economic crisis of the 1970s, the increase of crude oil in 1979 and the world recession that ensued<sup>22</sup>. On the other hand, Moi took over an economy that was heavily controlled by foreign investors and the Kikuyu ruling elite. In his first speech after taking over the reigns of power in August 1978, Moi carefully stated that he will follow the footsteps of the founding father of the Nation, Jomo Kenyatta. This therefore, meant that the status quo remained as far as government policies were concerned hence the Nyayo Philosophy<sup>23</sup>. Therefore, from the onset of Moi Administration, Kenya was suffering from serious economic problems, which were of both internal and external nature<sup>24</sup>.

A comparative study done by Martin Godfrey (1996) on Kenyatta and Moi regimes has outlined the policies enunciated by Moi's regime on taking over power after the death of Jomo Kenyatta. Despite the economic problems facing the country, the informal sector continued to thrive. In Eldoret for instance several artisanal activities were there in town. Several artisans were involved in activities such as motor vehicle repair, carpentry, shoe and watch repair, tailoring, masonry, woodcarving and metal fabrication.

The Moi administration maintained a status quo policy from that of Jomo Kenyatta. However, in 1980-1989, the government deepened on the use of active labour market policies as a means of employment creation. The active labour market policies sought to address the rapid growth of labour force, mis-match in skills, inadequate labour market



information and the increasing unemployment. In 1986, Moi ordered the construction of *juakali* sheds near the municipal market in Eldoret and the construction was done in 1987<sup>25</sup>.

In 1985, the government had introduced a major restructuring of education and training with much greater emphasis on vocational, scientific and technological development. This was followed almost immediately (in August 1985) by the commissioning of a “presidential working party on education and manpower training for the next decade and beyond” which was very concerned about the skill base of the expanding population<sup>26</sup>. By 1986, the core thinking about the macro-economic changes necessary in Kenya and the crucial role of the informal sector in these policies had already been discussed by Cabinet, in anticipation of the publication of the Sessional Paper No. 1 of 1986 “Economic Management for Renewed Growth”<sup>27</sup>. As important as any other, another proposal came in 1986 on the establishment of a task force to review all policies to promote the informal sector. Its aim would be to recommend ways to create a “healthy regulatory climate for informal sector activities in Kenya. In addition, the Sessional Paper No. 1 of 1986 discussed the variety of ways that a culture of enterprise could be encouraged and training institutions to be re-oriented to promote entrepreneurs and risk takers” (Kenya 1986:33)<sup>28</sup>, (Ryan 1987: 12-13)<sup>29</sup>.

In the Development Plan 1989-1993, the term “*juakali*” was finally accepted into a major planning document by the government on the “Development of small-scale and Juakali Enterprises”. In other words, this development plan might have appeared less innovative

in respect of the informal sector; indeed, it reproduced in almost identical language as had been used earlier by the ILO mission, the characteristics of the *juakali* sector. Now, since the 1986 Sessional Paper, there was a real sense in which the informal sector was being re-discovered by the Kenya Government<sup>30</sup>.

Programmes to sponsor informal sector growth through direct government interventions had been very costly and only a small number of enterprises had been assisted. The results had not been up to the expectations of the players and few government programmes continued to exist without regular infusion of relatively large sums of money<sup>31</sup>. Evidence of this position on small-scale enterprises was not of course derived from the *juakali* sector where the great majority of firms had never received any government assistance at all; it seems rather to have been confirmed by the poor showing of the Kenya Industrial Estates (KIE) which was alleged to have undermined entrepreneurial capacity by feather bedding and over-subsidizing. In Eldoret for instance, the KIE branch had very little impact on the informal sector. Many of the informants had no idea of its existence<sup>32</sup>.

In 1989, the government came up with a strategy paper on the informal sector in Kenya. The strategy paper addressed the question of the bottlenecks to dynamic entrepreneurship through what it termed its non-financial promotion programmes. A central feature of this part of the strategy was the development of an enterprise culture and a whole set of recommendations were made that would seek to ensure that “Students at all educational

training levels in Kenya should receive instruction in content relating to self-employment and entrepreneurship”<sup>33</sup>.

Another element pointed out in this government strategy paper was trying to overcome the many obstacles to credit experienced by the small and micro-enterprise sectors. The government tried to compel banks to reduce interest rates on loans given to small-scale enterprises. Within three years the government made key proposals for creating an enabling environment on entrepreneurship and on credit given by banks. This translated into Kenya’s first Sessional Paper on small enterprise and juakali development in Kenya<sup>34</sup>. It was after the intervention by the government that many people in the informal sector in Eldoret were able to access small loans from the bank to start or improve their businesses. Fred Odhiambo an informant and the owner of Musiro General Metal works had this to say:

“I started my business in 1985 with very little capital. It was very hard to borrow loans in the banks because the interest rates were very high. But at least from 1993 some banks like K-Rep and Equity started giving small loans to juakali artisans and small enterprises. I took a loan with K-Rep, which boosted my business. That was the turning point of my business. As you can see I am able to employ 15 people and the business has expanded. I’m looking forward to expand to other towns”<sup>35</sup>.

Although the Moi administration initially followed the Nyayo Philosophy of “status quo”, it later changed strategy and started supporting the informal sector. There certainly had been some action taken by the Moi administration. For example, he introduced entrepreneurship education and small business centres in some technical training institutions. In Eldoret these courses were offered at Rift Valley Training Institute and Eldoret Polytechnic. But probably the greatest positive impact on the informal sector had

flowed from the macro-economic reforms of the Kenyan economy, such as the import liberalization, relaxation of price controls, or the deregulation of interest rates<sup>36</sup>. Even these have been far from wholly positive, of course. The liberalization of certain imports, for instance second hand garments had direct knock-on effects on informal sector workers (tailors and dress makers). In Eldoret for example, the *mitumba* market at West market near 64 Stadium thrived around this period, a situation that has remained the same to date.

Moi's government continued with the policy of allocation of national resources on the basis of political loyalty rather than need. Moreover, the advent of neo-liberal policies of the 1980s ushered in a global capitalist economy that adversely affected the less developed countries. These policies were characterized by unrestricted trade investment flows and the international activity of the multinational forms. One of the impact of these policies on Kenya was the weakening of state power. Consequently, the Moi regime intensified political patronage as a way of enhancing more social control over the country<sup>37</sup>.

During this period, there was a high influx of people migrating from the rural areas coming to Eldoret to seek employment. Many of these people ended up into hawking and other informal activities after failing to get formal employment. Therefore, the 1980s saw the concept of the informal sector spread rapidly not only in Eldoret, but also in other towns in Kenya. The role of the state and donor prescribed policies in the growth of the informal sector between 1978-2002 is examined with a view of establishing their impact

on the social economic and political life of African communities in Eldoret. According to 1979-1983 Uasin Gishu Development Plan, the number of small and medium licensed businesses in Eldoret was estimated at 500. Informal sector operators included vendors, tailors, tea kiosks, bottle and tin sellers, and handcraft operators, blacksmiths among others<sup>38</sup>.The scenario changed in the 1990s due to the collapse of major industries occasioned by the stringent conditions imposed on the Moi administration by the International Monetary Fund (IMF) and World Bank through the Structural Adjustment Programmes (SAPs). The informal sector in Eldoret had been operating under extremely debilitating restrictions, a common scenario in all major towns in Kenya due to the draconian by-laws used by the Municipal and Town Councils across the country. However, the introduction of SAPs by the World Bank and International Monetary Fund changed the informal sector since many of those who were retrenched from the government joined the informal sector. For instance, in Eldoret, the Rift Valley Textiles (RIVATEX) and RAYMOND Textiles were closed leading to massive loss of jobs. Most of those affected people joined the informal sector. The government on the other had to embrace the informal sector as a way of assisting those that had been forced to take early retirement (golden hand shakes).Commercial Banks also were not left out in taking advantage of the SAPs policies. They extended credit facilities to the informal sector players to expand their businesses. This brought transformation in the informal sector in Kenya.

The ethnic clashes of the 1990s in parts of the Rift Valley gave the impetus to the informal sector development in Eldoret. Most of the people running away from clash

prone areas of Molo, Burnt Forest, Turbo just to mention a few, sought refuge in Eldoret where they ventured into entrepreneurial activities. James Maina (45 years) a victim of the 1992 post election violence had this to say:-

“I came to Eldoret after the 1992 post election violence. My home was burnt down and my five sheep taken away. I had to run away from Burnt Forest with my family. I ventured into *mitumba* business in West market Eldoret. I started the business with only Kshs.1,900/= the business has grown to a capital of over Kshs.200,000/=. I have employed two people and my wife also helps me in the business. We later decided to sell the farm at Burnt Forest and bought a plot at Mwanzo where we have built our home. The hope of my family now depends on this business of selling second hand clothes”<sup>39</sup>.

Eldoret is among the fastest growing towns in Kenya<sup>40</sup> and the problem of unemployment is increasing by the day hence the informal sector’s rapid growth. The 1990s saw the rapid growth of small and micro enterprises in most of the estates in Eldoret. The estates of Langas, Kipkaren, Huruma, Kamukunji, Mwanzo, Munyaka, Kapsoya, Mailinne, Kimumu among others were flooded with SMEs ranging from juakali workshops to kiosks, charcoal sellers, vegetable vendors just to mention a few. The 1990s also saw the retrenchment of people from the government due to the structural adjustment programmes imposed by the World Bank and the International Monetary Fund<sup>41</sup>.

In Eldoret most industries collapsed. These included the Rift Valley Textiles (RIVATEX) the Kenya Cooperative Creameries (KCC), the Raymond Factory and the Kenya Farmers Association (KFA). Most of the people retrenched from the government and collapsed industries joined the informal sector. The IMF and World Bank conditions compounded the problem of unemployment. Philip Mayanga a former employee of Rift Valley Textile Industries had this to say: -

“I was retrenched from RIVATEX in 1997. I was the only breadwinner in the family. We were not paid anything, so with the little amount I had saved in the bank, I decided to venture into informal business of selling charcoal. The government banned charcoal business and that’s when I decided to do the business of scrap metals. I had no idea about this business but through a friend of mine who was in this business, I was able to understand how it operates. This is now my occupation. I buy and sell scrap metals. I have been able to educate my children and do other investments. Even if I were to get another job, I will decline to take it because I am comfortable with this one”<sup>42</sup>.

In 1992, the government produced the sessional paper No. 2 on small enterprise and *juakali* in Kenya. In the sessional paper for instance, it was emphasized that the government’s role should be catalytic and facilitative rather than interventionist, as they would pose fewer management challenges<sup>43</sup>. Economic liberalization was introduced after the collapse of communism, which marked the end of the cold war in the 1990s. This was ushered in through the SAPs and therefore introduced new players in the market. Traders from all parts of the world now got access to the Kenyan market. The goods brought ranged from a wide variety of reconditioned motor vehicles, toys and electronic watches, second hand clothes among many other items. All manner of imported goods were sold to ordinary consumers by street vendors. The open economy brought in more goods and prices of items went down. This scenario boosted the informal sector since goods were readily available and affordable to the common people. The SAPs created a good environment for transnational capital to have an advantaged positioning in Kenya. This is because the SAPs insisted on instituting a level playing field. By so doing, it effectively excluded policies that would favour local capital against trans-national firms<sup>44</sup>.

The opening up of the economy affected the clothing industry in Kenya as direct commercial importation of second hand clothes commonly known as *mitumba* was allowed into the market. This scenario led to the closure of textile industries. For instance in Eldoret RIVATEX and Raymond textiles closed down leading to massive layoffs of workers from the formal employments. Other textile industries that closed down in other towns included the Kisumu Cotton Mills (KICOMI), Nanyuki Textiles and the Kenya Textile Mills in Thika. The firms encountered a myriad of problems due to liberalization of the economy. First, they faced serious difficulties of importing raw materials and technology particularly from the Western countries due to the low purchasing power of African countries in general. Secondly, locally produced textiles and garments were not only in the export market but also in the domestic market due to high production cost<sup>45</sup>.

The leather industry was not spared either. Leather manufacturing industries such as the Bulleys in Thika, the Bata shoe company in Limuru and the Tiger shoes industry in Nairobi also experienced a down turn due to the severe competition posed by the influx of imported second hand shoes and competition from informal shoemakers. These firms were forced to lay off some workers who eventually joined the informal sector<sup>46</sup>.

In Eldoret, it is not therefore surprising that many people flocked to the local market once the second hand clothing began appearing in the markets in large volumes from the mid 1990s. The second hand cloth market was opened in Eldoret near the Municipal market and then it was later moved to West near the 64 stadium in 1998. Until the Mid 1991, the



used cloth business was vulnerable to sudden losses due to surprise police crackdowns since the government had not legalized it. Due to pressure on unemployment, Moi legalized the trade of second hand clothes trade. For instance, in 1991, men's second hand trousers sold for Kshs.40/=, while women dresses went for between Kshs.40/= to Kshs.50/=. At this time, the prices of new clothes ranged between Kshs.120/= and Kshs.150/= <sup>47</sup>.

The importance of the used clothes and shoe business in Eldoret since 1980s cannot be overemphasized. First, the used clothes provided job opportunities for thousands of residents of Eldoret who previously had no source of income. Secondly, the cloth business provided a means of livelihood to those retrenched from RIVATIEX, Raymond and other government offices. Many workers were retrenched from both formal and private sector found employment in the informal sector through the sale of used clothes<sup>48</sup>.

The second hand cloth business stimulated a variety of auxiliary activities. Among these activities included food vendors who provided the food requirements to the traders. Numerous young vendors circulated between stands, selling water, cold drinks, fruits, readymade foods and snacks. Tailors played an important role in the used clothes business. Quite often, they produced new items from discarded clothing. They repaired the torn clothes and made adjustments to make them fit the requirements of new owners. Contrary to the fears that had gripped most of the tailors after the introduction of used clothes industry, tailors continued to get customers mainly among the used clothes

dealers. Some of the customers needed the adjustment of some of the large sized clothes<sup>49</sup>.

*Mkokoteni* handcart has played an important role in the growth of the informal sector in Eldoret. The owners of *mkokoteni* would secure them at night and release them for rent in the morning to people who would provide transport for those who wanted their goods transported from one corner of the town to another cheaply. Michael Kiniaru a *mkokoteni* operator had this to say: -.

“I hire *mkokoteni* daily for Kshs.200/=. On average I make Kshs.1,500/= and sometimes in a good day I can make up to Kshs.3,000/=. I have employed two people who help me push the handcart especially when I get a big luggage. I usually pay them Kshs.200/= per day each. Through this business I have been able to provide for my family and pay school fees for my children. I am in future, planning to own handcart”<sup>50</sup>.

In the early 2000, Eldoret experienced another mode of transport, which was initially a preserve of Western Kenya known as *bodaboda* transport courtesy of the informal sector. These are bicycle riders who provide transport for shorter distances and cheaply. The *bodaboda* transport also played a major role in the informal sector development as they help to transport goods from one side of the town to the other. Some players bought several bicycles for hire, which they lent to the young unemployed for a fee, and these young men earn livelihood. Those who are well placed economically have bought motorbikes for *bodaboda* business and others bought *tuktuk* (a common name for a three wheeled motorcycles). Many young men and women are employed as riders of the motorbikes and *tuktuks* where they earn a living thus promoting the informal sector development in Eldoret and other major towns in Kenya.

Most of the *juakali* sites and garages operate in plots belonging to the government or very influential politicians. During the Moi era, 1978 to 2002 many unscrupulous politicians used their influence to grab public plots from the Municipal Council some of which were occupied by the *juakali* entrepreneurs<sup>51</sup>. Most of the *juakali* operators were therefore evicted from some of these plots to create way for modern buildings. For instance, the plots now occupied by Barangatuny Plaza, Tamarind Plaza, Nandi Arcade, Johannesburg Plaza among others were initially sites where informal businesses operated.

The evictions of informal sector traders also happened in other major towns to create room for new modern buildings. This contributed enormously to the rising of political tensions in the country in the 1990s. It is worth noting that, some of the evictions and demolitions of the informal sector business premises were done to pave way for private developers who wanted to develop their plots, since Eldoret town was expanding rapidly a scenario, which still holds even now.

### **3.4 Government Policies on the Informal Sector 2003-2007**

The National Rainbow Coalition (NARC) government of Mwai Kibaki came into power with a pledge to create over 500,000 jobs annually. This pledge came with much relieve to the informal sector because many of those who were in the informal sector hoped one day to get formal employment with the government. People were looking forward to get the promised jobs. However, this could only be achieved with a framework of enhanced partnership between the public and the private sectors and development partners. The

private sector was expected to seize the available opportunity to invest in productive enterprises, develop competitive industrial sector and create jobs.

Even with this attractive promise of jobs by the Kibaki government, the bulk of job opportunities continued to come from the informal sector. The informal sector was given an impetus by the Kibaki administration with the introduction of National Youth Fund kit under the Ministry of Sports and Youth Affairs<sup>52</sup>. The government to start small and micro enterprises by funding several youth groups. The National Youth Fund was increased from 1 billion in 2006/2007 budget to 2 billion in 2007/2008 budget, bringing a lot of excitement to the youth in Eldoret and Kenya in general<sup>53</sup>.

During the first term of Kibaki administration, the informal sector gained confidence in the way the government managed resources. The Kibaki government introduced new policies in governing financial institutions. For instance the Central Bank reduced the interest rates from 12% to 4%<sup>54</sup>. This opened a window of opportunities as the banks became friendlier to the general public and especially the SMEs. A number of people in the informal sector went for loans to start businesses or to expand the already existing ones. The introduction of the National Youth Fund and later the Women Fund, gave the Kibaki administration a political mileage. However, much needed to be done. For instance, the government should have put in place legislations in support of the informal sector and in particular repeal some of the draconian by-laws used by the local authorities, now the county governments to intimidate the informal sector players. This was not to be. However, the informal sector expanded greatly during the first term of the

Kibaki administration. The *juakaliin* Eldoret is a clear testimony because it makes virtually all items found in the industrial market. The informal sector acts as a linkage between the formal and informal sectors. James Kibichu an informant had this to say:

*“As a hawker, I get my wares from the mainstream Asian shops. These big shops use us as satellite outlets as a means of selling their products. This has helped to reduce the acrimony between us (hawkers) and the owners of wholesales”.*

The Kibaki government helped the informal sector by lowering the interest rates of the Central bank. This consequently, helped the banks to reduce their interest rates thus enabling many people to borrow loans to do business. According to me, access to external finance is very important to all enterprises. Traditionally, the formal sector was seen to serve the government while the informal one serves the private sector. One of the financial sector finance was a creation policy of distortion on financial repression<sup>55</sup>.

The first term of Kibaki government therefore saw the government emphasize on the use of short, medium and long-term measures as a means of employment generation. The short and medium measures included public works programs such as *kazi kwa vijana* (jobs for youths), foreign employment and infrastructure and rural development. Others have been promotion of youth and women employment through Youth Enterprise Development Fund (YEDF) Kenya Youth Empowerment Programme (KYEP), Youth Employment Scheme Abroad (YESA) and Women Enterprise Fund<sup>56</sup>.

Instead of getting financial support from the financial sector, initial capital tends to source from own savings, friends and relatives. Most informants noted that the principle reason for the emergence of informal financial market was the unwillingness of the

formal financial sector to lend to some (relatively risky), categories of borrowers like Artisans, hawkers, *bodaboda* riders and drivers, kiosk owners just to mention a few. Increased risk often stemmed from the difficulty to obtain accurate and reliable information about the borrowers. Small clients were also effectively shut out from the formal market due to the high level of collateral requirement and high minimum deposit requirement. However, there was some evidence that small enterprise seldomly turned to informal financial source<sup>57</sup>.

The low interest rates introduced by the Kibaki government therefore revolutionized the informal sector not only in Eldoret but also in the entire country. Initially, the high interest rates charged by the banks were a deterrent to borrowers from the informal sector<sup>58</sup>. The government and the Bankers Association needed to intervene for the SMEs in order to further develop the informal sector, which they did and the informal sector expanded tremendously. This they did because SMEs are the backbone of Kenya economy<sup>59</sup>. The Kibaki government came up with notable intervention on the informal sector by publishing Sessional Paper No. 2 of 2005 on Development of micro and small enterprises for wealth and employment creation for poverty reduction, which put emphasis on the micro and small enterprise (MSE) sector<sup>60</sup>.

According to the comprehensive report of the World Bank in 2006, on Kenyan informal sector housing, social services provision and slums, there is a tremendous increase in the activities and involvement of the population in the informal sector. This has been largely due to the privatization of the public sector as well as rise in the unemployment rate

especially among the youth<sup>61</sup>. Antony Njoroge has a success story about the informal sector in Eldoret. He had this to say:

“I came to Eldoret in 2003 after finishing my high school. I got a job at Kapsoya as a houseboy. My job was preparing meals and other household chores. I worked there for one year and with the money I had saved, I started a business of selling second hand clothes. The business has grown and I have employed four people. Through this business I was able to have a family. I’m married with three children. I have bought and built a plot at Mwitirithia where I live and I have rented some rooms to some tenants. I am not wishing to be employed because I am happy with my mitumba business”<sup>62</sup>.

This pattern is common in Kenya. There is increased rural-urban migration especially of school leavers who still believe that towns offer a kind of income and it’s much better than in the rural areas. However, sometimes they don’t find a job in the formal sector and they end up joining the informal sector, where they sell second-hand clothes (mitumba), peas, shoes and other activities. The informal sector work may also include helping selling in family kiosk, selling of newspapers, curios, shoe shining on the street corner among others. There was therefore, an increased activity in the informal sector in Eldoret during the first term of the Kibaki administration because many people were able to access loans from banks to start small enterprises.

### **3.5 Relationship between Formal and Informal Sectors (1963-2009)**

The economic transformation in Kenya 1963-2009 resulted in the unequal distribution of wealth; hence the social stratification as demonstrated in Kenya. There is inter-sectoral dynamism in the Kenyan economy. There has been accumulation of wealth in a small part of the modern sector, which is supported by politicians on one; while on the other

hand, there is a development of an impoverished and economically deprived modern sub-sector. The urban areas attract the rural migration as they are seen to offer jobs. However, there is slow growth of high wage employment while the migration of job seekers continues to rise, leading to emergence of low-income periphery. This low-income periphery is established just outside the wealthy urban zone where it provides goods and services to the wealthy population and also low-income population. This explains why dependency theory comes in handy for this study.

### **3.6 Informal Sector Characteristics**

The two sectors – informal and formal can be categorically differentiated according to Meier and Ranch as follows Ease of entry

- Reliance on indigenous resources
- Family ownership of enterprises
- Small-scale operation
- Labour intensive and adapted technology
- Skills acquisition outside the formal school sector
- Unregulated and competitive markets.

### **3.7 Formal sector characteristics:**

- Difficult entry
- Frequent reliance on overseas resources
- Corporate ownership of enterprises



- Operation on large-scale
- Capital intensive and mostly technology is imported
- Skill acquired formally, mostly expatriate
- Protected markets – through quotas and trade licenses

Contrary to the above categorization, the formal and the informal sectors relate and their activities interact. Some of the workers from the formal sector move to the informal sector after acquiring skill and experience to start their own enterprises as well as employing more people in the informal sector.

The formal sector is closely linked to the government in that there is access to credit facilities more than in the informal sector. The government still harasses the informal sector workers by denying those operating licenses as well as physical eviction of hawkers from the streets of Eldoret. The government has also imposed tariffs and quotas, all aimed at protecting the formal sector from competition of the informal sector. On the other hand, the formal sector is associated with legality while the informal sector is perceived as illegal. Since the informal sector is illegal, it is associated with risk and uncertainty. The people involved in it carry their business in low prices and sometimes involve risky undertakings.

### **3.8 Summary**

This chapter has analyzed the development of the informal sector in Eldoret 1963-2007. President Kenyatta maintained the status quo policy of the colonial administration. Although his government introduced a very good paper-Sessional paper No.10 of 1965,

this was just on paper and the good policies in that paper was swept under the carpet. However, due to the resilient nature of the informal sector, the actors who were unemployed Kenyans moved to the town to seek employment thus ending up in the informal sector. This is the time when Eldoret saw influx of people from all parts of the country seeking for employment. The resettlement process of the government of Kenyatta, moving people from Central Kenya to farms surrounding Eldoret also contributed greatly to the growth of the informal sector as many of those resettled there later moved to Eldoret and started enterprises to earn a living. This underscores the theory of articulation of modes of production as these unemployed Kenyans had to come up with a way of gaining income for their very own survival. Several actors engaged themselves in the informal sector business in Eldoret in the early years after independence or even before. Some ended up becoming very successful businessmen and women in the town. Notable examples are Ngugi Gitonga, Chemweno, Kibogy, Muchai, Kimurgor, Muchai and Chumba among others.

Kenyatta administration was not therefore very keen in addressing the informal sector issues because it was busy replacing the whites in the formal jobs on offer. It was also more concerned with agricultural development in order to attain food security, hence the slogan "*rudi mashambani*"(go back to the farms). However, people ignored the clarion call of going back to the farms and instead came up with entrepreneurial skills in the informal sector in order to eke life. The unemployed Kenyans in Eldoret articulated other modes of production in the informal sector and this helps to explain the resilience of the people in this sector.

Throughout the first decade of Moi's rule, Kenya's exports suffered considerable price fluctuations with serious consequences on economic growth. As a result of these economic problems, the government issued a number of sessional papers aimed at coping with the grave economic conditions. The introduction of the Structural Adjustment Programmes by the World Bank and the International Monetary Fund led to mass job layoffs. The people retrenched from the civil service and from the textile industries, which had collapsed due to the introduction of second hand, clothes joined the informal sector in order to eke a living. Liberalization of the economy in the 1990s also contributed to the growth of the informal sector. Free market brought about stiff competition from the used clothes to our local textile industries, which eventually led to their collapse. Notable textile industries that collapsed in Eldoret include Rift Valley Textiles (RIVATEX) and Raymond Textiles, now Retired United Pilots Association (RUPA). Other textiles industries, which collapsed around this time, included Kisumu Cotton Mills in Kisumu, Kenya Textiles in Nanyuki and the textile mills in Thika.

The informal sector entered a new development in the field of transport, with new mode of transport in Eldoret emerging. The *bodaboda* operators using bicycles and motorbikes started operating in town towards the end of the Moi regime. There was also the introduction of *tuktuk* (a common name for three wheeled motorcycle), which was a new phenomenon in Eldoret town transport. The transport sector provided numerous jobs for the informal employment in Eldoret towards the end of the Moi's regime.

The dream of the NARC government to create over 500,000 jobs remained a pipe dream. Instead of creating 500,000 jobs, Unemployment continued to deter the productivity and market outreach of most SMEs as well as deterring domestic income. However, the informal sector was given an economic impetus by the Kibaki Administration with the Introduction of the National Youth Fund. This fund assisted many young people in starting SME business in Eldoret. The Kibaki administration was also credited for lowering of the interest rates in the Central Bank, which consequently made Commercial banks to lower their lending rates. This therefore improved the informal sector because many in the industry went for loans to start SMEs not only in Eldoret but in other major towns in Kenya. The chapter has also endeavored to look into the relationship between the formal and the informal sectors of the economy in Kenya.

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## CHAPTER FOUR

### 4.0 Challenges Facing the Informal Sector in Eldoret 1990-2009

#### 4.1 Overview

The collapse of the Soviet Union gave rise for the push of multi-partism in Kenya and Africa in general. However, there are nations that underwent changes of regime during the wave of democratization in the 1980s – 1990s, as a reaction to both the end of Soviet Union and SAP. In these nations Kenya included, democratization did not occur from within, but was a result of international pressure. However these countries have the trapping of democracy, usually in the form of elections, but cannot be said to fully fulfill basic democratic qualifications in the sense of majority rule or people participation. Yet the Western neo-liberalists were eager to acknowledge the form of democracy in developing nations, which blinds people to the negative consequences of neo-liberal capitalism. Indeed, Kenya falls into this category; embracing a form of electoral democracy, but maintaining a de facto authoritarian regime functioning in favour of certain tribal and elite interests<sup>4</sup>. The violence came as a blessing in disguise for the informal sector. Many people who were forced to move away from their farms joined the informal sector in Eldoret town and other towns across the country. They articulated other modes of production in the informal sector to earn a living and for their very own survival. This boosted the growth of the informal sector and innovation of entrepreneurial skills among the people especially after the government introduced the Structural Adjustment Programmes<sup>1</sup>.

#### **4.2 Challenges Facing the Informal Sector in Eldoret 1990-2009**

Kenya had enjoyed its position of a leading figure of African for many decades. The leadership of one monolithic party KANU under Kenyatta and later Moi united the country albeit through coercion rather than cohesion. The political stability in Kenya was necessary in the 1980s and early 1990s, when Kenya was forced to adopt the Structural Adjustment Programme (SAP) in return for receiving development aid from the IMF and the World bank<sup>2</sup>.

The central government concentration of political power through the Kenya machinery nurtured corruption and dictatorship of Kenyatta and Moi, the first and the second presidents of the nation respectively. However, the push for multi-partism in the early 1990s created tension across the country. Moi's regime faced serious economic crisis due to the push for pluralism<sup>3</sup>. After the 1992 first multi-party elections, which Moi won, tension erupted in parts of the Rift Valley, of Molo, Burnt Forest, and Turbo among others. Many of the people who were perceived to be non Kalenjin especially Kikuyus and Luo were flushed out of their farms and they sought refuge in towns where they ventured into informal businesses. The violence was concentrated in the informal sectors of both rural and urban areas where people did not hesitate to show their anger against those who were perceived to be opposing KANU. This affected the economy as some farms were left unattended because the owners ran away from their farms<sup>4</sup>.

The violence also created an influx of people into towns creating a higher level of unemployment. Kenya's economic and political reality was the growing gap between the



rich and the poor. Post election violence of 1992 augmented this problem. The liberal policies on Kenya enforced by the World Bank and by the IMF created a welcoming environment for Foreign Direct Investment (FDI) and it encouraged privatization of state owned enterprises. For example, Kenya's Export Processing Zones (EPZ) were established in 1990 with the objective to promote export oriented industrial investment, job generation, technology transfer, development of backward linkages and diversification of products and markets. The post election violence of 1992 and 1993 disrupted all this<sup>5</sup>.

The elections in 2007 were not the first instance when Kenyan citizens experienced fraudulent and illegal elections of their leaders. The election in 1992, 1997 and 2002 as mentioned earlier were equally unfair and "characterized by serious and routine acts of repression, electoral fraud and other crimes, perpetrated by state security agencies and politicians of the ruling party and opposition counterparts and outlawed informal gangs and militia"<sup>6</sup>. What triggered the violence after the election in 2007 was the combination of growing inequality due to policy failures in connection with corruption and ethnic chauvinism. The victory of NARC in 2002 gave people the "hope that the new government can deliver the country from economic malaise, extreme corruption and ethnic conflict; that it will install rights enhancing governance which ultimately can create the conditions for alleviating poverty"<sup>7</sup>.

The election violence led to the destruction of property, displacement of thousands of people who became internally displaced persons (IDPs). A significant number of people

lost their lives. There was a serious downturn of the economy. The informal sector was hard hit; many of the sheds belonging to the informal sector people were destroyed. Those who ran away from their farms ended up in Eldoret where they ventured into the informal sector. The government's failure in the wake of the Mungiki crisis increased the fear and hatred against the Kikuyu. The 2007 election was a chance for the people to make their voice heard and thus "expectations of a fair contest had been high on all sides."<sup>8</sup>

The informal sector plays an important role in the socio-economic and political development of the country. However, despite the central role played by the sector, it has faced many challenges and constraints especially after the end of cold war in 1989 after the collapse of the Soviet Union. These include; unfavorable policy environment and inhibitive legal and regulatory framework; limited access to financial services and markets; inadequate business knowhow and linkages with large enterprises; impact of HIV/AIDS pandemic and safety standards; inadequate skills and technology; gender inequality and unfavorable taxation system. A number of informants in Eldoret and its environs in the informal sector had a general feeling that there was unfavorable policy environment from the government on SMEs, through the draconian by-laws by the Municipal Council. They had a feeling that Council was interested in collecting levies from the informal business people and yet they didn't set-aside places or sheds where these people could do their business to earn a living. The government has acknowledged the potential of the informal sector in employment creation. Institutional framework for effective co-ordination of various SMEs policies and programmes were not put in place leading to the current scenario witnessed in the recent past<sup>9</sup>.

An enabling and legal regulatory environment is imperative for the informal sector to play an effective role as an engine for economic growth, poverty eradication and employment. Despite the significant achievements in reforming the legal and regulatory framework, a number of existing laws and regulations still remain cumbersome, out of touch with the current realities and hostile to the growth of the informal sector. The informal sector consistently encountered harassment from the Municipal Council workers. Despite resolutions from the judicial system, sometimes these resolutions were ignored with impunity. *The local authorities' bulldozers demolished Juakali structures even when court orders had been issued stopping the demolition*<sup>10</sup>.

Access to market and marketing information was a severe constraint to the informal sector in Eldoret and indeed in other towns in Kenya. Overall, aggregate demand was low; markets were saturated because most of the traders tended to trade on the same products especially hawkers. Competition in some products especially in the *juakali* was unfair, with imported goods finding their way into the local market without payment of statutory duties. Many SMEs were also ill prepared to compete in the liberalized markets. Very few traders in the informal sector were capable of venturing into export markets and fewer were able to tap to the new market frontiers through electronic commerce. As a result, most of the SMEs were confined to very limited local markets where intense competition derived prices down, resulting to very low profit margins<sup>11</sup>.

While the government had made efforts to liberalize financial and products markets over the past decades, significant barriers to entry into certain markets still existed. There were also high unit transaction costs for small volume products due to their underlying low economics of scale specifically public sector purchase practices. Majority of the people in the informal sector did not know where and how to access the existence and relevant marketing information. As a result, the majority relied on information feedbacks from customers. Competition in the SMEs remained weak due to poor product quality packaging, advertising and distribution<sup>12</sup>.

Lack of access to credit was a major constraint inhibiting the growth of the informal sector. The issues and problems limiting the informal sector acquisition of financial services could be grouped into two broad categories. Lack of tangible security coupled with an inappropriate legal and regulatory framework that did not recognize innovative strategies for lending to SMEs; and the limited access to financial loans due to poor and insufficient capacity to deliver financial services to SMEs. However, thanks to financial institutions like the Equity Bank, Family Bank, K-Rep Bank and the Kenya Industrial Estate for funding the SMEs, through loans given under very relaxed conditions and terms. The informal sector in Eldoret was and is characterized by restricted levels of technology especially the *juakali* enterprise. In addition, they suffered lack of information of existing technologies and their potential for increased trade. Specifically SMEs suffered a weak environment that hampered coordination and transfer of appropriate technology. Consequently, the informal sector continued to experience low

productivity for quality and limited range of production resulting in low competitiveness of the SMEs products<sup>13</sup>.

Technological advance in any sector depends on the level of effort made towards finding new products and processes that target the needs of the market. This is achievable either through research and development or adoption of technology available elsewhere. Similarly lack of capacity to identify, seek and use of appropriate technology constraints the informal sector especially the *juakali* enterprise. Most of the operators in the informal sector in Eldoret were primary leavers, only a few who had ever had technical training. The institutions expected to provide technical services to SMEs were weak and lacked specialized capacity to meet the needs of the sector. For instance in Eldoret, we have the Rift Valley Technical Institute (RVTI) which trains people in artisanal skills and technology, but does not have the capacity to meet the high number of people operating the SMEs and majority can't afford to pay for the training<sup>14</sup>.

There was no information networks between the informal sector operators and the technology experts and therefore the vast amount of availability and accessibility of relevant technology to the informal sector was further compounded by the general low investment in research and development. Lack of basic skills in business management and entrepreneurship was a major drawback in the growth and development of the informal sector. The integration of entrepreneurial training into the country's education system, exposure of potential SMEs entrepreneurs to modern business management skills

and the creation of an environment that permitted SMEs business to emerge and flourish had a challenge<sup>15</sup>.

Linkages between SMEs and large enterprises were either weak or non-existence. Where they existed, they were made to exploit and hurt the SMEs. A notable example was the relationship between the SMEs engaged in baking bread, queens' cakes and other products on a small scale and the giant Paul's Bakery Industry. The SMEs were getting cutthroat competition from the Paul's bakery and some had to stop baking and instead sold the Paul's Bakery products. The same relationship applied between the Farm Machinery Industry in Pioneer Eldoret and SMEs *juakali* artisans. Promotion of equal opportunities and elimination of all forms of discrimination based on sex is a fundamental step that provides necessary and important conditions for effective development. This study has shown that women are more vulnerable to chronic poverty because of gender inequalities in the distribution of income. Access to productive inputs such as credit and control of property and earned income was mostly limited to men. Multiple roles of women, inadequate access to education and training as well as gender biases against women in the labour market were very common. However, these issues have been addressed by the enactment of the new constitution of Kenya (2010). Also the fund of 1 billion given by the Kibaki government in 2007 budget to the women in Kenya helped to change the scenario for the better<sup>16</sup>.

The major challenges faced by the SMEs in relation to information were their acquisition capacity in Internet and how they effectively utilized the acquired information and

discrimination of the same. In this regard, dissemination of information on legal and regulatory issues to public and SMEs were poor and no major efforts had been made to sensitize key players on their roles in formulation and implementation policies. Without access to timely, simplified, reliable and relevant information on market opportunities, production technology and government regulations, SMEs were unable to survive and grow in the fast-changing increasingly globalised and highly competitive market environment. Value Added Tax (VAT), which is applicable to most products and services, is costly for businesses to administer because it increases transaction cost and inhibits cash flows for all categories of enterprises. SMEs were now forced to acquire Electronic Tax Registers (ETR), which they could not afford because their profit margins were very small. There was lack of vigilance by custom administration against dumping of subsidized imported goods. This posed unfair competition to SMEs products. Costs and delays in clearing imports and exports through customs continued to deter the productivity and market outreach of most SMEs as well as deterring domestic investment<sup>17</sup>.

The HIV/AIDS pandemic has a great impact on all the sectors of the economy, informal sector notwithstanding. The scourge has led to high mortality rates of the entrepreneurs, increased labour costs as a result of high absenteeism and inability of the affected enterprises to meet their business obligations. Although various HIV/AIDS programmes have been put in place including advocacy and awareness creation in the mass media, Voluntary Counseling and Testing Centres (VCT) and subsidized treatment were put in place. This is more so in the estates such as Langas, Kipkaren, Huruma, Mailinne, West

and Kamukunji where incomes, general lack of medical insurance and inadequate access to both print and electronic media was a common phenomenon<sup>18</sup>.

### 4.3 Summary

This chapter has also explored the effects of post election violence in Kenya and the challenges facing the informal sector. The economic growth that had started to pick after Kibaki took over the reins of power was short lived because the post election violence, which occurred in December 2007, destroyed the efforts made in the informal sector and even in other sectors of the economy. Kenya almost became a failed state.

The election in 2007 was not the first instance when Kenyan citizens experienced fraudulent and illegal actions of their politicians. The elections in 1992; 1997, and 2002 were equally unfair and “characterized by serious and routine acts of repression, electoral fraud and other crimes, perpetrated by state-security agencies and politicians of the then ruling party and opposition counterparts and outlawed informal gangs and militias<sup>19</sup>” What triggered the violence after the election in 2007 was the combination of growing inequality due to policy failures in connection with corruption and ethnic chauvinism. The victory of NARC in 2002 gave people the “hope that the new government can deliver the country from economic malaise, extreme corruption, and ethnic conflict: that it will install rights-enhancing governance which, ultimately, can create the conditions for alleviating poverty”. The government’s failure in the wake of the recent *Mungiki* crisis increased the fear and hatred against the Kikuyu. The 2007 election was a chance for the people to make their voice heard and thus “expectations of a fair contest had been on all



sides”. The failure of processing a fair and transparent election easily triggered the violence. The fact that the political elites were not targeted in the violence is the result of the isolation of political elites from those dependent on the informal sector, which has been analyzed in this paper through the employment of social capital concepts<sup>20</sup>.

Growing inequality and ethnic chauvinism with political corruption will continue to fuel popular unrest, erupting in violence if fair and transparent elections fail. However, violence does not change the political structure dominated by the elites, especially the Kikuyu elites, because of the isolation between the groups. To conclude, the violence that occurred following the 2007 election may have been prevented if a fair election were carried out, as mentioned in the argument section. However, the corruption and political elitism that increases public anger, inequality and political impotence, will continue unless the Kenyan political elites acknowledge the marginalized population as an active economic and political factor, and work on decreasing the disparity between the elite, the poor and between the different ethnic groups. These challenges facing the informal sector include; unfavorable policy environment and inhibitive legal and regulatory framework; limited access to financial services and markets; inadequate business knowhow and linkages with large enterprises; impact of HIV/AIDS pandemic and safety standards; inadequate skills and technology; gender inequality and technology; gender inequality and unfavorable taxation systems. However with proper policies as envisaged in vision 2030, these challenges can be overcome<sup>21</sup>.

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## CHAPTER FIVE

## 5.0 Conclusion

The informal sector, which is prevalent in all developing major towns in Kenya, is not unique to Eldoret and in Kenya as a whole. It is characterized by being unregulated and mostly common in major towns in Kenya. In Eldoret, the informal sector is an important source of employment especially for those who fail to get formal jobs, which are in themselves very scarce. The study sought to examine what led to the emergence and development of the Informal Sector in Eldoret during the colonial period; to examine the policies formulated by the government of Kenya since independence with regard to Informal Sector and the relationship between the Formal and the Informal Sectors; to examine the challenges facing the Informal Sector in Eldoret since the introduction of multipartism in Kenya.

### 5.1 Summary

Kenyatta regime 1963-1978 retained the structures of the colonial administration. Thus the economy remained in the hands of Europeans, Asians and a few Kikuyu ruling elites. The Kenyatta administration was more concerned with agricultural development and was very much opposed to rural urban migration, hence his clarion call of “*rudi mashambani*” (go back to the farms). There was little emphasis on the informal sector by the Kenyatta administration because the urgent need at the time was replacing the Europeans in various jobs available. African entrepreneurial groups at this time were weakly developed due to poor government policies.

The Moi regime 1978-2002 continued to pursue the economic policies started by his predecessor Mzee Jomo Kenyatta hence the Nyayo Philosophy–Nyayo meaning following the footsteps. Consequently, Kenya had maintained the status quo from the British economic policy of capitalism which was very exploitative, thus forcing people to come up with other modes of production to challenge the status quo, hence the theory of articulation of modes of production adapted in this study. People had to come up with new entrepreneurial skills to eke a living hence the development of the Informal Sector.

The international political scene began to turn a hostile hand to the Moi regime after the decline of the Eastern Block following the collapse of the Soviet Union in 1989. The Structural Adjustment Programmes (SAP) that was introduced by the donor community from the 1980s created a large group of the unemployed people in Kenya. Consequently, the Moi government had no choice but to support the informal sector. The Structural Adjustment Programmes (SAP) also led to the liberalization of the Kenyan economy, which led to an influx of second-hand clothes, electronics, reconditioned motor vehicle and other manufactured goods from the international market. Eldoret emerged as an urban centre, geared to serve the fast growing population, which was caused by an influx of people migrating from the rural areas to Eldoret.

The Moi regime sought to forestall the political tension especially after the 1982 coup, by rewarding political supporters of the ruling KANU with public property. Those in the informal sector encountered a lot of problems since the operators of the informal business were regarded as illegal by the government; their operations were subjected to

demolitions, arrests and confiscation of their goods. The informal sector suffered from lack of economic resources due to lukewarm support from the government.

The Kibaki administration came into power in 2002 with great pledges of creating 500,000 jobs per year. The hopes of creating these jobs were blown away as quickly as they came. The wrangles within the NARC government soon after its formation killed the dreams of job creation. However, the introduction of the National Youth Fund helped many young people in starting businesses in the informal sector in Eldoret.

## **5.2 Research Findings**

The study findings indicated that the motivation behind the development of the informal sector in Eldoret and Kenya at large, was due to the reluctance on the side of the government in having clear-cut policies on the informal sector. The dynamism and creativity of the people in the informal sector provides the basis for self-reliance and alleviation of poverty among the urban poor in Eldoret. Informal sector is the only sure hope left for expanding the economy as well as creating job opportunities in Eldoret and Kenya at large. Small and micro enterprises are the backbone of Kenya's economy and Eldoret in particular.

## **5.3 Recommendations of the Study**

There is need for the government to come up with clear-cut policies on the informal sector through legislations and other government initiatives aimed at improving and/or assisting the informal sector. People especially those seeking for employment

opportunities should embrace the informal sector instead tarmacking for years looking for formal employment. The county government of Eldoret should come up with legislations within the county assembly aimed at supporting the informal sector in the county. Other counties should do the same. There is need for structured funding of the small and micro enterprises in Eldoret and its environs. This will create more job opportunities.

The government should look into the possibility of lowering the interest rates further in order to make it easier for the people in the informal sector to borrow loans with ease. In addition, the government should provide proper infrastructure such as water, electricity, roads and sewage system. Policies need to be formulated in regard to land provision for those in the informal sector. Land should be set-aside in Eldoret for their purpose. Such working sites should be properly designed and planned. Moreover, both the national and county governments should properly gazette the sites and to avoid land grabbing by well-connected individuals and also to prevent squabbles over ownership between different groups of the informal sector. The government needs to intervene for the informal sector. SMEs are the only hope for expanding the economy as well as creating job opportunities. It does not matter how many projects the government launches such as Lapsset, standard gauge railway or laptops for primary school pupils. Failing to address the needs of the informal sector will mean low use of the infrastructure. Unless the government is looking at a major takeover of the economy by a few local and international firms, there is an urgent need to solve SMEs financial woes, especially on interest rates. SMEs are the backbones of Kenya's economy, Eldoret included.

#### **5.4 Recommendations for further Research**

There is need for further research to be done on the governments to policies on the informal sector and government initiatives put in place to improve and/or assist the informal sector. A further research on unemployment in Eldoret and other major towns in Kenya need to be done to assist the government in coming up with policies to solve the ever-increasing problem of unemployment. A research should also be done to investigate why most of the people especially those seeking for employment opportunities embrace the informal sector as opposed to formal employment.

A further research should be done to examine the measures the county government of Eldoret is putting in place to address the issue of the informal sector. Indeed even other counties need to be studied. Further studies need to be done to investigate the funding of the small and micro enterprises in Eldoret and indeed in other counties. This will assist the national government and the county governments to create more job opportunities.



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### List of some of the Respondents

The following is the list of respondents who allowed me to put their names in this study. The rest did not wish to be mentioned and I respected their opinion.

1. Ngugiwa Gitonga (72 years), Interview on 13/07/2007; a serious businessman in the informal sector in Eldoret.
2. Mwangi Kamau (75 years), Interview on 13/07/2007; a serious businessman in the informal sector in Eldoret.
3. M. K. Toreito (62 years), Interview on 13/07/2007; a serious businessman in the informal sector in Eldoret.
4. James Maina (45 years), Interview on 13/07/2007; a serious businessman on the informal sector in West market Eldoret.
5. Philip Muyonga (42 years), Interview on 14/07/2007; a serious businessman on scrap metals in Eldoret, Kenya.
6. Michael Kiniaru (38 years), Interview on 14/07/2007; a serious businessman in handcart transport in Eldoret, Kenya
7. Antony Njoroge (33 years), Interview on 14/07/2007; a serious businessman in *mitumba* business in Eldoret.
8. Fred Odhiambo (55 years), Interview on 14/07/2007; a serious businessman in the informal sector in Eldoret.
9. David Kamau (45 years) Interview on 15/07/2007; Civil Servant UasinGishu Sub County.
10. Jacob Mutie (47 years) Interview on 15/07/2007; Civil servant UasinGishu Sub County.
11. Nicolus Misiko (46 years) Interview on 16/07/2007; Kenya Industrial Estate (KIE) Eldoret Branch.
12. Raphael Okida (31 years) Interview on 16/07/2007; Hawker in Eldoret Town.
13. Philip Meli (49 years) Interview on 17/07/2007; Businessman Eldoret Town.
14. Odhiambo Kennedy (42 years) Interview on 17/07/2007; TVs and Radio Repairer, Eldoret Town.
15. Fred Odhiambo (39 years) Interview on 18/07/2007; MUSIRO GENERAL METAL WORKS, Eldoret Town.

**APPENDIX I: QUESTIONNAIRES**

**A. JUAKALI/INFORMAL SECTOR QUESTIONNAIRE**

1. Are you happy with the current job/work you are currently undertaking?  
.....  
.....
2. Did you actually choose the current job you are currently undertaking and why did you choose it?  
.....  
.....
3. When did you end up taking the job you are currently undertaking?  
.....  
.....
4. How did you end up taking the job?  
.....  
.....
5. Which type of job/work in the formal sector would you have preferred to undertake given the opportunity to choose and funding to undertake it?  
.....  
.....
6. If given an opportunity to get employment in the formal sector would you leave the current job/work you are undertaking?

.....  
.....

7. Which job would you prefer to do if given an opportunity for employment?

.....  
.....

8. Were you funded to start this job and if yes who funded you?

.....  
.....

9. Why did you start this job you are doing in Eldoret Municipality and not anywhere else?

.....  
.....

10. Have you been trained to do this job you are currently doing?

.....  
.....

11. What do you think the government should do to support Juakali informed sector in Eldoret Municipality?

.....  
.....

12. Has the government done enough in support of juakali/informal sector in Eldoret? Why do you think so?

.....  
.....

13. Any other comment?

.....  
.....

**APPENDIX II: QUESTIONNAIRE FOR INSTITUTIONS**

**B. QUESTIONNAIRE FOR INSTITUTIONS/PEOPLE FUNDING**

**JUAKALI/INFORMAL SECTOR**

1. Name of the organization/institution  
.....  
.....
2. When did you start funding informal sector?  
.....  
.....
3. What moved you/your organization to start funding informal sector?  
.....  
.....
4. Do you give loans or grants to people in the informal sector?  
.....  
.....
5. When you loan people do they pay back in time scheduled?  
.....  
.....
6. What are your prospects for the informal sector in Eldoret Municipality?  
.....
7. What do you think the government can do to improve this sector?



.....  
.....

8. According to you, what has led to the rapid growth of the informal sector in the recent past?

.....  
.....

9. Any other comment?

.....  
.....

**APPENDIX III: QUESTIONNAIRE FOR GOVERNMENT**

**C. QUESTIONNAIRE FOR GOVERNMENT/POLITICAL LEADERS**

1. How do you rate informal sector in your area of jurisdiction?  
.....  
.....
2. Are many people in the Juakali/informal sector in your area?  
.....  
.....
3. Are there institutions funding informal sector in your area?  
.....  
.....
4. If yes, what is the criteria of funding?  
.....  
.....
5. What is the current government position on the informal sector/juakali in Eldoret Municipality?  
.....  
.....
6. When did this sector start in your area as far as you are concerned?  
.....  
.....
7. How is informal sector in Eldoret Municipality compared with other major towns in Kenya?  
.....  
.....
8. Any other comment?  
.....  
.....