

REPUBLIC OF KENYA

ECONOMIC SURVEY

1969

Ten Shillings - 1969

ECONOMIC SURVEY

1969

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NOTE—Figures may not add to totals because of rounding.

ECONOMIC SURVEY, 1969

CHAPTER 1—THE GENERAL ECONOMY

The World Economy

The world economy more than regained in 1968 the momentum it had lost during 1967. Production in nearly all the major industrial countries moved ahead at an above average rate, while world trade expanded by over 13 per cent compared with about 5 per cent in the previous year. The recovery in the economies of the major industrial countries from the setback of production in 1967 must, however, be seen against the background of international currency crises which continued intermittently throughout 1968, together with a continuation of balance of payments difficulties for the major reserve currencies, the dollar, sterling and the French franc. These events are discussed in more detail in Chapter 2.

1.2. The United States economy moved ahead rapidly throughout the year in spite of a ten per cent tax surcharge, introduced to check inflationary forces. The strength of the American economy provided impetus to growth to most of the rest of the world and refuted previous forecasts that the attempts by the American Government to contain its balance of payments deficit would lead to a check to the growth of the world economy and the growth of world trade. Similarly, the policy of the British Government to reduce internal consumption and divert resources into strengthening its balance of payments did not lead to any down-turn in the level of trade of that country and, under the lead of rapidly rising exports, the rate of economic growth in Britain approached 4 per cent, the best since 1964.

1.3. Industrial unrest in France led to substantial wage increases in the middle of the year which provided additional impetus to world trade in spite of speculation against the franc and deflation policies introduced by the Government. French imports rose by 12 per cent in the last quarter of the year. Attempts by Germany to encourage imports and discourage exports at the prevailing parity of the mark were further encouragement to trade and German imports were up 12 per cent over the year.

1.4. These developments in the industrial nations provided a better climate for Kenya's exports and, therefore, the growth of the Kenya economy. A detailed analysis of Kenya's external trade is undertaken in Chapter 3, but, in sum, total exports increased by 5 per cent, with exports to countries outside East Africa rising by 9 per cent. Both these percentages were below the over-all average increase in world trade in 1968 and below the average increase of exports from developing countries. Kenya was unable to take full advantage of the improved climate for world trade, first, because coffee production was

seriously hit by coffee berry disease and, second, because, with the notable exception of coffee prices, export prices generally were lower, following the devaluation of sterling and other currencies late in 1967. However, import prices moved only marginally and no change was recorded in Kenya's terms of trade.

1.5. Little progress was made in solving the long-term problem of a shortage of international liquidity, although a number of countries moved towards a ratification of the system of special deposit receipts agreed at the Annual Meeting of the International Monetary Fund in 1967. This scheme was, however, still some way from being activated during 1968.

1.6. In other respects, 1968 was a disappointing year for developing countries. The continued balance of payments problems of the three major donor countries, United States, France and Britain, caused the climate for development aid to deteriorate generally during the year. This was reflected in the difficulties experienced by the International Development Association in obtaining replenishment of the Association's Funds during 1968 (although substantial replenishment has since been obtained); and, secondly, by the second session of UNCTAD held early in 1968 which was particularly disappointing for developing countries who had been hoping for firm commitments from a number of donor countries at the Conference. There was some limited cause for hope in the decision to continue negotiations for a general non-discriminatory, non-reciprocal scheme of preferences for exports of manufactures from developing countries, but little positive progress was made in this direction in 1968. Kenya continued to do quite well in obtaining overseas loans and took further encouragement from the annual statement of the President of the World Bank when he indicated that an increased volume of World Bank loans would be directed towards Africa. Prospects for aid were also improved by the formation of a consultative group of donor countries and the World Bank, in order to co-ordinate aid programmes for the East African countries.

1.7. One further world trend that was adverse to Kenya was the steady rise throughout 1968 in borrowing rates on world money markets. This occasioned an increase in the World Bank lending rate from 6 per cent to 6 1/2 per cent, and had some impact on the viability of projects in Kenya where overseas borrowing was involved. The rise in world money rates was such that it was possible for the Kenya Government to issue Treasury Bills locally at 3 per cent less than was possible in Britain and borrow long term on the local market 2 per cent cheaper than in Britain.

1.8. The East African Community celebrated its first anniversary in December 1968. Despite a few administrative difficulties at the outset, there were signs that the formalized arrangements under the East African Treaty would provide additional benefits for all three partner states. Although there was no overall expansion in Kenya's trade with Tanzania and Uganda in

1968, it seemed that trading conditions generally improved with the reduction in quantitative restrictions, particularly on the part of Tanzania. There were indications during the year that Ethiopia, Zambia, Burundi and Somalia were interested in negotiating forms of association with the community which could lead to a significant expansion in the common trading area. During 1968 the countries of the East African Community signed an Association Agreement with the European Economic Community, providing for a reciprocal lowering of tariff's on a bilateral basis. This agreement will come into force when it has been ratified and the necessary legislation passed to amend the East African tariff.

The Growth of the Economy

1.9. The outturn of the Kenya economy in 1968 was significantly better than forecast. Gross domestic product at factor cost increased by 5.9 per cent at current prices, while the increase in terms of 1964 prices was estimated to have been 6.6 per cent. 1968 was, therefore, a year of above average growth.

1.10. Over the period 1964 to 1968, the overall annual average growth of the economy was estimated to have been 6.8 per cent at current prices, and 6.3 per cent in real output terms (constant prices)—the same average rate of growth as was projected in the Development Plan for the economy over the period 1964/70.

1.11. Total gross domestic product in 1968 is estimated provisionally at K£431 million compared with a revised final estimate for 1967 of K£407 million. Further improvements to the estimates of gross product have been included for the first time: the sectors concerned by these improvements are, mainly, non-monetary agriculture, wholesale and retail trade and other services. These amendments are in accordance with the general policy of incorporating improvements in statistics into the national accounts as and when they become available. All revised estimates have, however, been worked back to 1964 to maintain comparability.

1.12. Detailed estimates of gross domestic product in each industry are set out in Table 1.1 at both current and constant prices—a complete analysis of GDP at constant prices being published here for the first time. It is. therefore, possible to assess the real growth of each industry separately with the distortions inherent in current price calculations removed. These estimates should not, however, be confused with those of real income; for when the terms of trade are deteriorating, as has generally been the case over this period, production may be rising in real terms, while real incomes are no higher, or at least are not higher to the same relative extent.

1.13. Conditions for production growth were generally favourable in 1968 and this is reflected in the GDP accounts. Favourable weather conditions provided record harvests of food crops, particularly maize and wheat, as well as of tea. The principle obstacle to growth in the agricultural industry

Table 1.1

Gross Domestic Product, 1964-1968

K£million

Industry	G.D.P. at Current Prices					G.D.P. at Constant (1964) Prices				
	1964	1965	1966	1967	1968*	1964	1965	1966	1967	1968*
Gross Product at Factor Cost—										
A. Outside Monetary Economy:										
Agriculture	73.36	63.57	82.19	85.19	84.96	73.36	63.47	80.59	84.15	87.14
Forestry	1.99	2.14	2.42	2.84	3.11	1.99	2.03	2.10	2.17	2.23
Fishing	0.11	0.12	0.15	0.14	0.15	0.11	0.12	0.14	0.14	0.15
Building and Construction	5.81	6.35	7.30	7.95	8.65	5.81	6.08	6.43	6.29	6.56
Water	2.09	2.21	2.47	2.89	3.12	2.09	2.12	2.15	2.18	2.20
Ownership of Dwellings	5.53	6.10	7.00	8.17	8.98	5.53	5.83	6.16	6.46	6.82
Total Product Outside Monetary Economy	88.89	80.49	101.53	107.18	108.97	88.89	79.65	97.57	101.39	105.10
B. Monetary Economy:										
1. Enterprises and Non-Profit Institutions:										
Agriculture	51.97	46.75	56.34	54.52	57.39	51.97	49.27	58.90	57.44	61.91
Forestry	1.88	1.96	2.04	2.60	2.92	1.88	1.93	1.94	2.31	2.53
Fishing	0.85	1.00	1.21	1.18	1.26	0.85	0.86	1.11	1.06	1.14
Mining and Quarrying	1.46	1.35	1.61	2.04	2-19	1.46	1.41	1.38	1.37	1.44
Manufacturing and Repairing	33.74	37.45	41.90	45.19	49.05	33.74	35.56	37.76	39.21	42.11
Building and Construction	6.82	7.05	9.44	12.39	13.13	6.82	6.93	8.52	9.90	10.25
Electricity and Water	4.84	5.03	5.34	6.32	6.95	4.84	4.88	4.89	5.50	5.70
Transport. Storage and Communications	25.14	27.62	31.78	33.44	35.86	25.14	28.79	32.47	36.11	38.66
Wholesale and Retail Trade	32.98	35.00	39.24	40.15	44.24	32.98	34.54	38.37	38.42	42.63
Banking. Insurance and Real Estate	11.60	12.85	14.16	15.14	16.41	11.60	12.99	14.17	14.93	16.17
Ownership of Dwellings	13.34	13.47	13.92	14.33	15.13	13.34	13.41	13.43	13.48	13.88
Other Services	11.90	13.44	14.37	15.36	16.62	11.90	12.92	14.74	15.76	17.34
Total Enterprises	196.52	202.97	231.35	242.66	261.15	196.52	203.49	227.68	235.49	253.76
2. Private Households (Domestic Services)	2.94	3.28	3.54	3.73	3.56	2.94	3.15	3.39	3.65	3.73

*Provisional

GROSS DOMESTIC PRODUCT, 1964-1968

Table 1.1—*(Contd.)* 1964=100 *K£ million*

INDUSTRY	G.D.P. AT CURRENT PRICES					G.D.P. AT CONSTANT (1964) PRICES				
	1964	1965	1966	1967	1968*	1964	1965	1966	1967	1968*
3. General Government:										
Public Administration	16.85	17.20	17.98	18.52	19.46	16.85	16.97	17.87	17.38	18.34
Defence	2.19	2.74	3.46	4.02	3.89	2.19	2.74	3.34	3.63	3.92
Education	11.20	10.30	11.27	13.95	16.04	11.20	12.47	14.22	17.35	19.22
Health	4.69	4.61	5.73	6.32	6.91	4.69	5.75	7.03	7.40	7.77
Agricultural Services	4.41	4.74	5.03	4.59	5.07	4.41	4.69	5.15	4.51	4.81
Other Services	3.66	4.16	5.14	5.72	5.69	3.66	4.14	4.96	5.27	5.42
TOTAL GENERAL GOVERNMENT	43.00	43.75	48.61	53.12	57.05	43.00	46.76	52.72	55.53	59.48
TOTAL PRODUCT—MONETARY ECONOMY	242.46	250.00	283.50	299.51	321.76	242.46	253.40	283.79	294.67	316.97
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary)	331.35	330.49	385.03	406.69	430.73	331.35	333.05	381.36	396.06	422.07

*Provisional

during the year was a severe outbreak of coffee berry disease which reduced the coffee crop on a calendar year basis by 17.3 per cent. This, with other agricultural trends, is discussed further in Chapter 4. Another favourable factor in the year was the lifting of most quantitative restrictions on trade with Uganda and Tanzania, following the inauguration of the East African Treaty. Although this did not lead to any major expansion of exports with these countries, it did provide easier trading conditions. At the same time, the normal growth of internal demand allowed industries which had suffered checks as a result of lower exports to Tanzania and Uganda in the previous few years to move ahead at an improved rate.

1.14. Manufacturing industry had a very good year and real output increased faster than in any other year since 1964. The rate of growth of the building and construction industry was lower than in the previous two years, but activity in the industry was fully maintained at a high level. The Mining and Quarrying industry, which was affected in previous years by the decline in copper production, was influenced more strongly in 1968 by rising quarry production and as a result recorded an increase in overall production for the first time since 1964.

1.15. The service industries, which are amongst the most important of all in Kenya, continued to advance. The Transport, Storage and Communications group moved ahead by 7 per cent in 1968. Although this growth was slower than in the previous three years, it meant that over the five year period 1964 to 1968 this group of industries was growing faster than any other in the enterprise sector. In the last two or three years the main thrust of growth has come from a rapid expansion of road transport following the substantial road construction carried out by the Government. Wholesale and retail trade had a very good year, partly in response to the high level of agricultural production which is generally marketed through trade channels and partly in response to an overall increase in domestic consumption. Finally, largely following the continued growth of the tourist industry, the industrial group entitled "Other Services" advanced by 10 per cent to provide an average rate of growth over the last five years of 9.9 per cent.

1.16. The General Government Sector increased its services by an average of 7.1 per cent in real terms in 1968. Once again, the main thrust of growth came from an expansion of education services.

1.17. Over the period 1964 to 1968 there was relatively little change in the percentage contributions of different industries to gross domestic product. As might be expected, there has been a small shift away from the non-monetary sector to the monetary sector, but there has been little overall change in the contribution of the enterprise sectors as a whole and only a small shift of 1 percentage point in the contribution of the General Government sector. These figures however mask the increasing contribution of public sector enterprises which are set out in more detail in Table 9.1. It is also apparent that there has been a relatively greater contribution by the service industries than by the producing industries in the later years of the period.

GROSS DOMESTIC PRODUCT
(PERCENTAGE RATES OF GROWTH, 1964.1968)

TABLE 1.2

INDUSTRY	CURRENT					CONSTANT (1964) PRICES				
	1964.65	1965.66	1966.67	1967.68*	1964.68* CUMULA-TIVE	1964.65	1965.66	1966.67	1967.68*	1964.68* CUMULA-TIVE
GROSS PRODUCT AT FACTOR COST—										
A. OUTSIDE MONETARY ECONOMY:										
AGRICULTURE	-13.3	29.3	3.7	-0.3	3.7	-13.5	27.0	4.4	3.6	4.3
FORESTRY	7.5	13.1	-6.7	9.5	11.8	2.0	3.4	3.3	2.8	2.9
FISHING	9.1	25.0	8.9	7.1	8.1	91	16.7		7.1	10.6
BUILDING AND CONSTRUCTION	9.3	15.0	17.0	8.8	10.5	4.6	5.8	-2.2	4.3	3.1
WATER	5.7	11.8	16.7	8.0	10.5	1.4	1.4	1.4	0.9	1.3
OWNERSHIP OF DWELLINGS	10.3	14.8		9.9	12.9	5.4	5.7	4.9	5.6	5.4
TOTAL PRODUCT OUTSIDE MONETARY ECONOMY	4.9	26.1	5.6	1.7	5.2	2.3	22.5	3.9	3.7	4.2
B. MONETARY ECONOMY:										
1. ENTERPRISES AND NON.PROFIT INSTITUTIONS:										
AGRICULTURE	10.0	20.5	-3.2	5.3	2.5	.5.2	19.5	2.5	7.8	4.5
FORESTRY	4.3	4.1	27.5	12.3	11.6	2.7	0.5	19.1	9.5	7.7
FISHING	17.6	2.5	6.8	6.8	10.4	1.2	29.1	-4.5	7.5	7.6
MINING AND QUARRYING	— 7.5	19.3	26.7	7.4	10.8	-3.4	-2.1	-0.7	5.1	-0.3
MANUFACTURING AND REPAIRING	11.0	11.9	7.9	8.5	9.8	5.4	6.2	3.8	7.4	5.7
BUILDING AND CONSTRUCTION	3.4	33.9	31.3	6.0	17.8	1.6	23.1	16.2	3.5	10.8
ELECTRICITY AND WATER	3.9	6.2	18.4	10.0	9.5	0.8	0.2	12.5	3.6	4.2
TRANSPORT, STORAGE, COM-MUNICATIONS	9.9	15.1	5.2	7.2	9.2	14.5	12.8	11.2	7.1	11.3
WHOLESALE AND RETAIL TRADE.	6.1	12.1	2.3	10.2	7.6	4.7	11.1	0.1	11.0	6.6
BANKING, INSURANCE, REAL ESTATE	10.8	10.2	6.9	8.4	9.1	12.0	0.1 14.1	5.4	8.3	8.6
OWNERSHIP OF DWELLINGS	1.0	3.3	2.9	5.6	3.2	0.5		0.4	3.0	1.0
OTHER SERVICES	12.9	6.9	6.9	8.2	8.7	8.6		6.9	10.0	9.9
TOTAL ENTERPRISES	3.3	14.0	4.9	7.6	7.4	3.5	11.9	3.4	7.8	6.6
2. PRIVATE HOUSEHOLD (DOMESTIC SERVICES)	11.6	7.9	5.4	-4.6	4.9	7.1	7.6	7.7	2.2	6.1

*PROVISIONAL

GROSS DOMESTIC PRODUCT
(PERCENTAGE RATES OF GROWTH, 1964-1968)

Table 1.2—(Contd.)

INDUSTRY	CURRENT					CONSTANT				
	1964-65	1965-66	1966-67	1967-68*	1964-68* Cumula-tive	1964-65	1965-66	1966-67	1967-68*	1964-68* Cumula-tive
3. General Government:										
Public Administration	2.1	4.5	3.0	5.1	3.7	0.7	5.3	-2.7	5.5	2.1
Defence	25.1	26.3	16.2	-3.2	15.4	25.1	21.9	8.7	8.0	15.7
Education	-8.0	9.4	23.8	15.0	9.4	11.3	14.0	22.0	10.8	14.5
Health	-1.7	24.3	10.3	9.3	10.2	22.6	22.3	5.3	5.0	13.4
Agricultural Services	7.5	6.1	-8.7	10.5	3.5	6.3	9.8	-12.4	6.7	2.2
Other Services	13.7	23.6	11.3	-0.5	11.7	13.1	19.8	6.3	2.8	10.4
TOTAL GENERAL GOVERNMENT	1.7	11.1	9.3	7.4	7.3	8.7	12.7	5.3	7.1	8.4
TOTAL PRODUCT—MONETARY ECONOMY	3.1	13.4	5.6	7.4	7.4	4.5	12.0	3.8	7.6	6.9
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary)	0.3	16.5	5.6	5.9	6.8	0.5	14.5	3.9	6.6	6.3

*Provisional

Gross Domestic Product
Percentage of Total Gross Product at Constant (1964) Prices, 1964-68

Table 1.3

Industry	1964	1965	1966	1967	1968*
Gross Domestic Product at Factor Cost—					
A. Outside Monetary Economy:					
Agriculture	22.14	19.09	21.14	21.24	20.66
Forestry	0.60	0.61	0.55	0.55	0.53
Fishing	003	0.04	0.04	0.04	0.04
Building and Construction	1.75	1.88	1.69	1 .59	1.55
Water	0.63	0.64	0.56	0.55	0.52
Ownership of Dwellings	1.67	1.75	1.62	1 .63	1 .62
Total (Product Outside Monetary Economy)	26.83	23.96	25.59	25.60	24.90
B. Monetary Economy:					
1. Enterprises arid Non.-profit Institutions:					
Agriculture	15.68	14.82	15.44	14.50	14.67
Forestry	0.57	0.58	0.51	0.58	0.60
Fishing	0.26	0.26	0.29	0.27	0.27
Mining and Quarrying	0.44	0.42	0.36	0.35	0.34
Manufacturing and Repairing	10.18	10.70	9.90	9.90	9.98
Building and Construction	2.06	2.08	2.23	2.50	2.43
Electricity and Water	1.46	1.47	1.28	1.39	1.35
Transport, Storage and Communications	7.59	8.66	8.51	9.12	9.16
Wholesale and Retail Trade	9.95	10.39	10.06	9.70	10.10
Banking, Insurance and Real Estate . .	3.50	3.91	3.72	3.76	3.83
Ownership of Dwellings	4.03	4.03	3.52	3.40	3.29
Other Services	3.59	3.89	3.87	3.98	4.11
Total Enterprises	59.31	61.22	59.70	59.46	60.12
2. Private Households (Domestic Services). .	0.89	0.95	0.89	0.92	0.88
3. General Government:					
Public Administration	5.09	5.11	4.69	4.39	4.35
Defence	0.66	0.82	0.88	0.92	0.93
Education	3.38	3.75	3.73	4.38	4.55
Health	1.42	1.73	1.84	1.87	1.84
Agricultural Services	1.33	1 .41	1.35	1 .14	1.14
Other Services	1 .10	1 .25	1.30	1.33	1 .28
Total General Government	12.98	14.07	13.79	14.02	14.09
	73.17	76.04	74.41	74.40	75.10
Total Gross Product at Factor Cost (Monetary and Non-monetary)	100.00	100.00	100.00	100.00	100.00

*Provisional

1.18. The resources created by domestic production are supplemented by resources imported from overseas and depleted by the export of resources overseas, providing a total of resources available for domestic investment and consumption. Since imports increased faster than exports over the last five years, the total resources available to the domestic economy increased at a faster rate than gross domestic product, approximately 8 per cent. It is, however, clear from Table 1.4 that a relatively greater part of the increase has been directed to investment rather than consumption, although this trend is, in part, distorted by relatively greater price increases relating to investment than is the case with consumption. However, at current prices, gross investment increased by an average rate of 19 per cent per annum while total

consumption increased by an average of 6.2 per cent per annum. Unfortunately, a consumption estimate at constant prices is not yet available although it will be seen from the next section that capital formation increased at an average rate of 14.3 per cent in real terms.

Total Use of Resources, 1964-68
At Current Prices

Table 1.4 K£ million

	1964	1965	1966	1967	1968 (Est.)
G.D.P. at Factor Cost	331.4	330.5	385.0	406.7	430.7
of which					
Non.Monetary	88.9	80.5	101.5	107.2	109.0
Monetary	242.5	250.0	283.5	299.5	321.7
+ Indirect Taxes	25.0	27.0	30.8	34.7	35.8
—Subsidies	0.4	0.5	0.7	1.6	2.5
=G.D.P. at Market Prices	356.0	357.0	415.1	439.8	464.0
+ Imports of goods and services	105.0	115.0	131.3	135.8	141.8
—Exports of goods and services	118.6	118.4	131.4	127.4	135.6
= 4. Imports Surplus	— 13.6	-3.4	-0.1	+ 8.4	+ 6.2
Total Resources available for Domestic Investment and Consumption	342.4	353.6	415.0	448.2	470.2
Gross Fixed Capital Formation	45.1	46.5	61.2	87.3	91.0
Increase in Stocks	2.6	6.7	12.4	5.6	4.6
Gross Investment	47.7	53.2	73.6	92.9	95.6
Public Consumption	47.5	51 .6	57.7	63.7	68.8
Private Consumption	247.2	248.8	283.7	291.6	305.8
Total Consumption	294.7	300.4	341.4	355.3	374.6

1.19. Factor incomes derived from production are set out in Table 1.5. Remuneration of employees rose by 7 per cent in 1968 compared with an average annual increase since 1964 of 8 per cent. Operating surpluses, comprising profits, interest and depreciation, increased by 8 per cent in 1968 compared with an average over the 1964.1968 period of less than 7 per cent. Most of the higher operating surplus in 1968 was earned by the non-agricul tural industries, particularly manufacturing and the service industries. Rental

surplus recorded only a small increase overall. Factor incomes paid abroad are estimated to have fallen in 1968, although this estimate must be regarded as tentative until additional balance of payments information becomes available. Overall gross national product is estimated to have increased by 6 per cent in 1968.

1.20. Other chapters of this Survey demonstrate that, generally, prices were stable in 1968. Consumer price indices rose by about one percentage point while changes in the prices of imports and exports largely cancelled out causing only a fractional movement in the terms of trade. Average real incomes therefore improved in 1968, in per capita terms, probably by 3 to 3 1/2 per cent, rather more than the average annual increase since 1964 which was probably in the region of 2 to 2 1/2 per cent per annum. These statistics confirm once again that 1968 was a better than average year.

Capital Formation

1.21. It will be noted from Table 1.4 setting out the use of resources that expenditure on capital formation (at current prices) increased from K£45.1 million in 1964 to K£91.0 million in 1968. The share of total resources used for capital formation increased from 13.2 per cent in 1964 to 19.4 per cent in 1968.

1.22. Those estimates were, however, made at current prices and the prices of capital assets tended to rise faster than other prices in the economy over this period; thus current price estimates, to some extent at least, exaggerated the real increase in capital formation. For this reason this Survey includes, for the first time, capital formation estimates at constant (1964) prices which makes it possible to undertake a more complete appraisal of capital formation in the country than has been possible so far. This new series is set out in Table 1.6 and shows that total capital spending in real terms increased from K£45.1 million in 1964 to K£76.8 million in 1968. This represented an increase at an average rate of 14.3 per cent per annum, and comprised an average rate of increase of 15.2 per cent in the monetary sector and 5.6 per cent in the non-monetary sector (rural dwellings).

1.23. In real terms, capital formation in 1968 showed no increase over 1967, in spite of an increase of 6.6 per cent in gross domestic product (at 1964 prices). The increase of 4.2 per cent in capital formation at current prices between 1967 and 1968 was nearly all accounted for by price increases, and the growth in real terms was hardly significant at 0.7 per cent.

1.24. However, capital spending by the public sector continued to increase in 1968, being some 14 per cent higher than in 1967. Expenditure by the private sector on capital assets declined in 1968, being nearly 6 per cent lower than in the previous year. The importance of the public sector in development since independence is underlined by the fact that, since 1964, public sector capital formation increased at an average rate of 25.7 per cent per

GROSS NATIONAL PRODUCT 1964—68

TABLE 1.5

K£MILLION

	1964	1965	1966	1967	1968*
FACTOR INCOMES:—					
A. OUTSIDE THE MONETARY ECONOMY:	88.89	80.49	101.53	107.18	108.97
B. MONETARY ECONOMY:					
1. REMUNERATION OF EMPLOYEES					
ENTERPRISES	85.75	91.08	101.92	110.82	119.09
PRIVATE HOUSEHOLDS	2.94	3.28	3.54	3.73	3.56
GENERAL GOVERNMENT	43.00	43.75	48.61	53.12	57.05
TOTAL REMUNERATION OF EMPLOYEES	131.69	138.11	154.07	167.67	179.70
2. RENTAL SURPLUS (INCLUDING DEPRECIATION)	13.34	13.47	13.92	14.33	15.13
3. OTHER OPERATING SURPLUS (INCLUDING DEPRECIATION)	97.46	98.48	115.59	117.48	126.94
TOTAL MONETARY ECONOMY	242.46	250.00	283.50	299.51	321.76
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT	331.35	330.49	385.03	406.69	430.73
/IDTF..LNDIRECT TAXES	24.99	27.00	30.77	34.73	35.81
DEDUCT ;SU BSIDIES	0.35	0.53	0.70	1.55	2.47
GROSS DOMESTIC PRODUCT AT MARKET PRICES	355.99	356.96	415.10	439.87	464.07
ADD: FACTOR INCOMES RECEIVED FROM ABROAD	7.84	5.97	9.50	8.36	7.46
DEDUCT: FACTOR INCOMES PAID ABROAD ..	11.54	11.50	14.97	15.34	12.45
GROSS NATIONAL PRODUCT	352.29	351.43	409.63	432.89	459.08

*PROVISIONAL.

CAPITAL FORMATION BY TYPE OF ASSET, 1964-1968

Table 1.6 *K£ million*

	AT CURRENT PRICES					AT CONSTANT (1964) PRICES				
	1964	1965	1966	1967	1968*	1964	1965	1966	1967	1968*
DWELLINGS—										
PRIVATE:										
(i) Traditional	5.24	5.72	6.47	7.52	8.37	5.24	5.62	5.83	6.01	6.53
(ii) Modem	1.23	1.06	1.66	2.69	2.48	1.23	1.05	1.49	2.15	1.93
	6.47	6.78	8.13	10.21	10.85	6.47	6.67	7.32	8.16	8.47
PUBLIC	0.75	0.94	1.09	2.33	4.23	0.75	0.93	0.98	1.86	3.30
TOTAL	7.22	7.72	9.22	12.54	15.08	7.22	7.59	8.31	10.02	11.77
NON-RESIDENTIAL BUILDINGS—	3.24	2.70	2.57	4.40	4.46	3.24	2.66	2.31	3.51	3.48
PUBLIC	1.77	2.44	3.53	5.83	9.44	1.77	2.40	3.18	4.66	7.37
TOTAL	5.02	5.14	6.09	10.23	13.90	5.02	5.06	5.49	8.17	10.85
CONSTRUCTION AND WORKS—	3.55	3.95	4.79	5.70	5.35	3.55	3.89	4.32	4.56	4.17
PUBLIC	3.44	4.17	6.77	10.20	12.49	3.44	4.10	6.11	8.15	9.75
TOTAL	6.99	8.12	11.56	15.90	17.84	6.99	7.98	10.43	12.71	13.93
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—										
PRIVATE	1.59	1.19	1.40	1.57	1.91	1.59	1 . 9	1.31	1.40	1.61
PUBLIC				0.03	0.07				0.03	0.06
TOTAL	1.59	1.19	1.40	1.60	1.98	1.59	1.19	1.31	1.43	1.67
TRANSPORT EQUIPMENT:—										
PRIVATE	6.01	6.33	8.02	10.88	10.66	6.01	6.08	7.52	10.20	9.78
PUBLIC	3.68	2.55	4.56	6.63	4.66	3.68	2.45	4.28	6.22	4.27
TOTAL	9.69	8.88	12.58	17.51	15.32	9.69	8.53	11.80	16.43	14.05
MACHINERY AND OTHER EQUIPMENT—										
PRIVATE	13.58	13.44	15.60	24.70	22.39	13.58	12.91	14.63	23.17	20.54
PUBLIC	1.44	1.79	3.42	3.51	3.18	1.44	1.72	3.20	3.29	2.92
TOTAL	15.02	15.22	19.01	28.21	25.57	15.02	14.62	17.84	26.47	23.46

CAPITAL FORMATION BY TYPE OF ASSET, 1964.1968

Table 1.6—(Contd.) *K£million*

	AT CURRENT PRICES					AT CONSTANT (1964) PRICES				
	1964	1965	1966	1967	1968*	1964	1965	1966	1967	1968*
Breeding Stock and Dairy Cattle—Private	-0.38	0.26	1.35	1.30	1.31	-0.38	0.48	1.60	10.6	1.07
Total Private:										
(i) Traditional Dwellings	5.24	5.72	6.47	7.52	8.37	5.24	5.62	5.83	6.01	6.53
(ii) Other	28.82	28.93	35.37	51.24	48.56	28.82	28.25	33.18	46.07	42.59
Total Private	34.06	34.65	41.84	58.76	56.93	34.06	33.87	39.02	52.08	49.12
Total Public	11.08	11.89	19.37	28.53	34.07	11.08	11.59	17.75	24.22	27.67
Total Private and Public	45.14	46.54	61.21	87.30	91.00	45.14	45.46	56.78	76.30	76.80

*Provisional

annum, while capital formation by the private sector has increased by 10.3 per cent per annum. The shortfall by the public sector against planned targets must be seen against this performance. Even the performance of the private sector can be regarded as satisfactory in spite of the drop in 1968 from the high 1967 level.

1.25. Expenditure by the private sector on machinery and equipment dropped by K£3 million in 1968 although the total was still significantly higher than in any other year except 1967. Expenditures on building and construction were also lower and there was a small drop in spending on transport equipment. Capital formation estimates do not, however, reflect fully all of the building and construction work undertaken by the private sector in 1968, since substantial hotel and office block construction which was initiated in 1968 will be reflected much more fully in 1969 statistics than in the 1968 estimates. The latter can, therefore, be expected to show a significant increase over 1968 and the check to capital spending seems likely to be only temporary.

1.26. An analysis of public sector capital formation by the various institutions comprising the public sector is set out in Table 1.7 at current prices. Central Government contributed 48 per cent of the total in 1968, but, in addition, contributed indirectly to other capital spending through capital transfers and grants to Statutory Boards and Local Authorities. The East African Community was also a substantial capital spender although the total involved was rather lower in 1968 than in 1967. Capital spending by statutory boards and enterprises reached an all-time high in 1968, stemming mainly from the capital spending by the publicly owned Chemelil Sugar Corporation, during the construction and equipment of its new factory. University College, Nairobi was also a large capital spender.

CAPITAL FORMATION, PUBLIC SECTOR, 1964-1968
(at current prices)

Table 1.7 k£ ***million***

	Central Govt.	EAST AFRICAN COMMUNITY					Statutory Boards	Local Authorities	Total
		General Fund	E.A.R. & H.	E.A.P. & T.	E.A.A.	Total			
1964 ..	4.23	0.11	4.01	0.49	0.20	4.82	0.60	1.44	11.08
1965	6.98	0.15	1.61	0.52	0.03	2.31	1.23	1.37	11.89
1966	8.77	0.16	2.61	0.82	2.79	6.47	2.36	1.87	19.37
1967	12.76	0.20	5.74	1.51	1.36	8.81	3.29	3.67	28.53
1968* ..	16.41	0.19	4.82	2.34	0.40	7.75	5.48	4.45	34.07

*Provisional

1.27. Some 39 per cent of total public sector capital formation consisted of spending on buildings, largely office accommodation and staff housing. Another **35** per cent of the total consisted of construction work. The Central Government itself undertook the bulk of this construction work, details of which are set out (at current prices) in Table **1.8.** The most striking feature of this table is the rapid expansion of capital spending on roads that occurred

over the five years 1964.1968, the total having increased from K£0.4 million to K£6.3 million. Road construction represented 18.5 per cent of all public sector capital formation in 1968.

Capital Formation, Construction Expenditure
Central Government 1964—1968
(at current prices)

Table 1.8 K£'000

	Roads	Water Works	Soil Conservation	Other	Total
1964	428.9	1961	220.1	798.5	1,643.5
1965	1,280.2	142.7	226.8	924.3	2,574.0
1966	2,898.4	115.3	236.5	1,153.4	4,403.6
1967	4,622.7	126.5	243.0	1,221.9	6,214.1
1968	6,274.1	186.0	2911	1,334.1	8,085.2

1.28. Included in overall capital formation estimates are estimates of capital formation undertaken by self-help schemes. From a modest contribution of K£0.6 million in 1964 this rose to K£1.4 million in 1967 and K£2.0 million in 1968. The type of projects covered by this contribution to the development effort of the country can be seen from the functional analysis given in Table 1.9 below.

Table 1.9 K£ 000

	1967	1968
Residential Buildings	108	181
Schools	741	1,028
Community Halls and Social Centres	78	75
Health Centres and Dispensaries	169	240
Other Non-residential Buildings	94	154
Roads	22	40
Waterworks	54	52
Cattle dips	76	178
Other Construction Projects	8	21
	1,350	1,969

1.29. Capital spending by individual industries is set out in Table 1.10 for the years 1964 to 1968 at both current and constant prices. More investment was directed to the Transport, Storage and Communication industry than any other in every year since 1964. Approximately half the 1968 total in this industry reflected investments in Kenya by the transport and communications enterprises of the East African Community. The remaining half

CAPITAL FORMATION BY INDUSTRY, 1964.1968

Table 1.10

KimiUion

Industries	At Current Prices					At Constant (1964) Prices				
	1964	1965	1966	1967	1968*	1964	1965	1966	1967	1968*
A. Outside Monetary Economy—Traditional Dwellings	5.24	5.72	6.47	7.52	8.37	5.24	5.62	5.83	6.01	6.53
B. Monetary Economy—										
1. Enterprises and Non-Profit Institu tions:.										
Agri culture	7.92	7.70	10.22	10.91	11.61	7.92	7.73	9.83	9.69	10.02
Forestry	0.22	0.08	0.28	0.35	0.19	0.22	0.08	0.26	0.31	0.16
Mining and Quarrying	0.04	0.05	0.09	0.16	0.60	0.04	0.05	0.09	0.14	0.55
Manufacturing and Repairing	6.95	7.55	9.51	14.90	14.13	6.95	7.30	8.85	13.68	12.28
Building and Construction	1.37	2.09	1.66	4.33	4.81	1.37	2.02	1.54	3.99	4.29
Electricity and Water	1.32	2.17	2.46	6.17	3.38	1.32	2.12	2.25	5.22	2.84
Transport, Storage and Communi-cations	10.85	8.21	13.35	16.66	17.18	10.85	7.92	12.46	15.22	15.25
Wholesale and Retail Trade	2.53	1.88	2.35	3.02	2.84	2.53	1.83	2.18	2.67	2.35
Banking, Insurance and Real Estate	0.31	0.24	0.17	0.41	0.84	0.31	0.23	0.15	0.35	0.69
Ownership of Dwellings	2.05	2.09	2.84	5.10	6.77	2.05	2.05	2.56	4 09	5.29
Other Services	1.97	1.72	2.91	4.87	4.54	1.97	1.66	2.69	4.19	3.87
Total Enterprises	35.54	33.79	45.85	66.87	66.89	35.54	32.98	42.85	59.55	57.59
2. General Government:										
Public Administration	0.71	0.96	1.09	1 .82	2.22	0.71	0.93	1.19	1.56	1.88
Health	0.47	1 .25	0.94	1 .31	1.34	0.47	1.21	0.77	1.13	1.10
Education	0.59	0.62	0.91	1 .82	2.81	0.59	0.61	0.73	1.50	2.24
Agricultural Services	0.96	1 .21	1.22	1.55	1.31	0.96	1 .17	1.11	1 .32	1.08
Other Services	1.63	3.01	4.74	6.40	8.05	1.63	2.94	4.29	5.23	6.37
Total General Government	4.36	7.04	8.90	12.91	15.74	4.36	6.86	8.09	10.74	12.67
B. Total Monetary	39.90	40.83	54.75	79.78	82.63	39.90	39.84	50.94	70.29	70.26
C. Total—Monetary and Non. Monetary	45.14	46.54	61.21	87.30	91.00	45.14	45.46	56.78	76.30	76.80

*Provisional.

CAPITAL FORMATION

ANALYSIS BY INDUSTRY AND TYPE OF ASSET, 1964 AND 1968*

AT CONSTANT (1964) PRICES

Table 1.11 *K£million*

INDUSTRY	Dwellings		Non. Residential Buildings		Construction and Works		Land improvement and Plantation Development		Transport Equipment		Machinery and other Equipment		Breeding Stock and Dairy Cattle		TOTAL	
	1964	1968	1964	1968	1964	1968	1964	1968	1964	1968	1964	1968	1964	1968	1964	1968
A. OUTSIDE MONETARY ECONOMY:																
Traditional Dwellings	5.2	6.5	—	—	—	—	—	—	—	—	—	—	—	—	5.2	6.5
B. MONETARY ECONOMY																
1. *Enterprises and Non.Profit Institutions:*																
Agriculture	—	—	0.4	0.3	2.5	1.7	1.6	1.7	0.7	0.8	3.2	4.5	—0.4	1.1	7.9	10.0
Forestry			..	..	0.2	0.1			..	..	..	..	—	—	0.2	0.2
Fishing	—	—			—	—	—	—		—	—	—				—
Mining and Quarrying	—	—	0.3	—	—	—	—	—	—	0.1	..	0.5	—	—		0.3
Manufacturing and Repairing				..	—	..			..							
Building and Construction	—	—	0.3	2.7	0.2	1.3	—	—	0.6	0.9	5.8	7.4	—	—	6.9	12.3
Electricity and Water	—	—	..	0.2	0.1	0.5	—	—	..	0.4	0.9	5.2	—	—	1.4	4.3
Transport, Storage and Communications	—	—	1.1	..	0.8	1.5	—	—	0.1	..	0.3	1.3	—	—	1.3	2.8
Wholesale and Retail Trade	—	—	1.1	0.4	1.1	2.4	—	—	7.1	10.2	1.5	2.1	—	—	10.9	15.3
Banking, Insurance and Real Estate	—	—	0.2	1.2	0.5	0.2	—	—	0.5	0.5	0.5	0.4	—	—	2.5	2.4
Ownership of Dwellings	2.0	5.2	—	0.4	—	—	—	—	—	..	0.1	0.3	—	—	0.3	0.7
Other Services	—	—	0.6	—	..	—	—	—	—	—	0.1	0.1	—	—	2.1	5.3
				1.5		0.2			0.1	0.1	1.3	2.1	—	—	2.0	3.9
TOTAL ENTERPRISES	2.0	5.2	3.9	6.8	5.3	7.9	1.6	1.7	9.1	13.1	14.0	21.8	-0.4	1.1	35.5	57.6

".."Negligible *Provisional

ANALYSIS B INDUSTRY AND TYPE OP ASSET, 1964 AND 1968*—*(Contd.)*

Table 1.11 *(contd.)*

K£million

INDUSTRY	Dwellings		Non. Residential Buildings		Construction and Works		Land improvement and Plantation Development		Transport Equipment		Machinery and other Equipment		Breeding Stock and Dairy Cattle		TOTAL	
	1964	1968	1964	1968	1964	1968	1964	1964	1964	1968	1964	1968	1964	1968	1964	1968
2. *General Government:*																
Public Administration	—	—	0.4	0.8	—	0.1	—	—	0.3	0.5	0.1	0.4	—	—	0.7	1.8
Education	—	—	0.4	1.9	..	..	—	—	..	0.1	0.1	0.3	—	—	0.6	2.2
Health	—	—	..	0.7	..	..	—	—	..	0.1	0.3	0.3	—	—	0.5	1.1
Agricultural Services	—	—	0.1	0.4	0.3	0.3	—	—	0.1	0.1	0.2	0.3	—	—	1.0	1.1
Other Services ..	—	—	0.1	0.2	1.4	5.6	—	—	0.1	0.2	0.3	0.4	—	—	1.6	6.4
TOTAL GENERAL GOVERNMENT. .	—	—	1.1	4.0	1.7	6.1	—	—	0.6	0.9	1.1	1.7	—	—	4.4	12.7
TOTAL MONETARY	2.0	5.2	5.0	10.8	7.0	13.9	1.6	1.7	9.7	14.1	15.0	23.5	—0.4	1.1	39.9	70.3
C. TOTAL—Monetary and Non. Monetary	7.2	11.8	5.0	10.8	7.0	13.9	1.6	1.7	9.7	14.1	15.0	23.5	—0.4	1.1	45.1	76.8

".." negligible

*Provisional.

represented investment by the private sector, largely in road transport. Although investment in manufacturing was lower in 1968 than in 1967 it was still higher, as in 1967, than the total investment in agriculture. A small increase in agricultural investment was, however, estimated for 1968. Following the completion in 1967 of the Kindaruma Dam and the installation of new generating capacity, investment in the electricity industry showed a sharp fall in 1968 and represented the main part of the fall in private sector capital spending in the year.

1.30. Capital spending in the general government sector reflected the substantial expenditures on roads in recent years, these expenditures being analysed as "Other Services" in the table. A further increase was also recorded in expenditure on secondary education by the Central Government. Overall, the General Government sector increased its contribution to total capital formation from 14 per cent in 1967 to 16 per cent in 1968, with a consequent decline in the contribution from the enterprise sector.

1.31. Finally, to complete the picture of capital formation between 1964 and 1968, Table 1.11 provides a cross analysis of capital formation by industry and asset. For reasons of space it is only possible to include two years in this table, but statistics for 1966 and 1967 were included in the Economic Survey 1968.

Balance of Payments

1.32. Not all the details necessary to compile a full balance of payments for the country are available at the time this Survey is prepared. Sufficient information is, however, available in order to set out provisional estimates showing a broad structure of the accounts. The principal omissions are firm estimates of private capital flows and estimates of these must be regarded as tentative at this stage.

1.33. Final accounts for 1967 and amended accounts for 1966, together with the provisional estimates for 1968, are set out in Table 1.12. Estimates for 1966 differ somewhat from those published in last year's Survey, because the Corporations of the East African Community have been treated in a different way. Previously, the Kenya share of the overseas transactions of the East African Corporations had been taken as one-third of the total East African transactions. This has now been changed, so that the share of East African Corporations' transactions shown in the Kenya balance of payments is in accordance with the share of their transactions in the Kenya national accounts. Consistency is thus obtained between the balance of payments and the national accounts.

1.34. The balance of payments position was strong during 1968. The estimated basic balance (current and long-term capital accounts taken together) in 1967 was a small deficit of K£3.2 million compared with a surplus of K£8.1 million in 1966, while the provisional estimate for 1968 shows that the basic balance moved back into surplus—approximately K£5 million. These basic balances were reflected in changes in monetary and short-term

capital movements. Thus, in 1966 there was an increase in foreign exchange reserves equivalent to K£12.5 million and an increase in short-term assets of K£2 million. In 1967 there was a decrease in monetary reserves of K£5.8 million offset by an increase in other short-term capital assets of K£4.8 million, while in 1968 there was a further increase in the foreign exchange reserves of K£11.3 million, with an estimated change in other short-term capital of K£1.6 million. In all three years, there was a credit balancing item (errors and omissions).

1.35. On current account, the estimated deficit in 1968 was K£15.1 million overall, compared with a deficit of K£19.2 million in 1967 and K£6.6 million in 1966. The main part of the deficit consisted of a deficit of merchandise transactions (imports value c.i.f. exports f.o.b.) which in 1968, was K£37.6 million, very close to that of 1967. The only other significant deficit item in the current account was that for international investment income which reflected substantial payments abroad of interest on foreign loans lent to both the Government and private sectors, as well as payments of dividends and profits from direct investment. The deficit on international investment income account in 1968 was estimated to be slightly higher than 1967.

1.36. Almost all other items in the current account were, as usual, in credit balance, reflecting the foreign exchance earned from various services undertaken by Kenya of which the most important were freight services for Uganda trade, port services at Mombasa which increased after the closure of the Suez Canal and income derived from tourists.

1.37. Estimates of gross tourist receipts received in 1968 are shown in the balance of payments to be significantly higher than the receipts for 1967. However, these estimates are not directly comparable. In 1968 it was possible to make an improved estimate of tourists' expenditures on the basis of a survey of tourists undertaken in that year and a more complete estimate of the numbers of visitors coming to Kenya. Total foreign exchange earnings from tourists in 1968 were estimated to be K£16.4 million, including the expenditure of ships' crews visiting Mombasa.

1.38. For the Current Account as a whole, the visible deficit of K£37.6 million in 1968 was offset by a credit balance of K£22.5 million for invisibles (services) leading to the overall deficit on current account of K£15.1 million. The persistence of a current account deficit might be construed as an indication that Kenya was living beyond its means. In a literal sense, this might be true, but the current account deficits over the last three years taken together, were more than offset by capital inflows. The net inflow of long-term capital in the economy as a whole was estimated to be K£14.7 million in 1966, K£16.1 million in 1967 and K£19.9 million in 1968. This situation is normal for a developing country and an indication of the fact that it is developing. Provided the current account deficit is covered by a capital inflow there is no cause for concern.

1.39. Full details of private capital movements in 1967 now available, show that the year was complicated by the nationalization of a number of Kenya-owned assets in Tanzania (which occasioned a reduction in assets and therefore, a credit capital movement of K£4.8 million) and by anticipation of the devaluation of sterling (which caused a reduction in short-term liabilities to the sterling area at the end of the year). Overall, private capital movements at K£4.1 million were close to the provisional estimate. Although few details of private capital movements are yet available for 1968, it would seem that, on a net basis, they were higher than in 1967. Long-term capital movements, allowing for a further reduction of assets in Tanzania of K£1 1/2 million, are tentatively estimated at K£10.5 million. In recent years, much of the net private capital inflow was accounted for by the re-investment of undistributed profits (included also as a debit item in the current account). Reinvested profits in 1966 were K£2.8 million while the net increase in private liabilities was only K£2.1 million. In 1967 reinvested profits totalled K£4.4 million, compared with a net increase in liabilities of K£4.1 million. Although no estimate is yet available for undistributed profits in 1968, it seems probable that these were in the region of K£5 million out of a net increase in liabilities of K£9.0 million, indicating that, for the first time in recent years, new money was being brought into Kenya by the private sector over and above that provided by profits earned in the country. Although new foreign loans received by the private sector for development amounted to K£5.5 million in 1966 and K£4.5 million in 1967, in both these years these amounts were exceeded by debt repayments.

1.40. Government enterprises, which mainly comprised the Corporations of the East African Community, embarked on substantial investment programmes during 1966-68 and this was reflected by net capital receipts of approximately K£3.9 million in each of the first two years and K£2.2 million in 1968. Local Government overseas transactions were small and reflected merely repayment of debts incurred in earlier years.

1.41. The Central Government was also a substantial borrower as is described in detail in Chapter 9. The net change in government liabilities in 1968 was estimated to be K£7.0 million after capital payments of K£2.5 million. Gross Central Government loan receipts over the last three years have been 1966 K£ 11.1 million, 1967 K£6.4 million and 1968 K£10.7 million. Apart from providing valuable finance for development, these loans from overseas have provided important support to the Kenya balance of payments. Without these loans, the recent substantial increase in foreign exchange reserves would not have taken place.

1.42. In the event, the increases in the Kenya foreign exchange reserves over the last few years can be regarded as satisfactory, in spite of the losses incurred by the devaluation of sterling in 1967. Details of reserves are set out in Chapter 2.

Table 1.12 BALANCE OF PAYMENTS 1966—1968 *KÃ million*

	1966			1967			1968 (Provisional)		
	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits
A. CURRENT ACCOUNT									
1. Merchandise transactions Imports (c.i.f.) Exports (f.o.b.)	113.5	86.8	*Dr.* 26.1	116.5	79.0	*Dr.* 37.5	121.1	83.5	*Dr.* 37.6
2. Non.Monetary Gold Movements	0.1	0.1	0.1	0.1	0.3	0.2	0.1	0.3	0.2
3. Freight and Insurance	0.5	9.8	9.3	0.2	9.6	9.4	0.2	10.1	9.9
4. Other Transportation	7.1	12.2	5.1	7.7	16.0	8.4	8.4	17.2	8.8
5. Foreign Travel	5.6	14.4	8.8	7.0	14.7	7.7	7.6	16.4	8.8
6. International investment Income	18.7	6.3	*Dr.* 12.5	18.9	5.7	*Dr.* 13.1	19.2	5.5	*Dr.* 13.7
7. Government Transactions n.e.s.	4.5	8.2	3.7	4.4	8.0	3.6	8.8	12.0	3.2
8. Other Services	4.7	6.9	2.3	3.8	4.8	1.1	3.3	4.7	1.4
9. Private Transfers	5.1	5.2	0.1	5.6	4.9	*Dr.* 0.7	6.5	5.9	*Dr.* 0.6
10. Government Transfers	7.6	10.8	3.2	7.3	9.0	1.7	5.5	10.0	4.5
TOTAL CURRENT ACCOUNT	167.4	160.8	*Dr.* 6.6	171.4	152.0	*Dr.* 19.2	180.7	165.6	*Dr.* 15.1
Of which Visible Balance	113.5	86.8	26.7	116.5	79.0	*Dr.* 37.5	121.1	83.5	*Dr.* 37.6
Invisible Balance	53.9	74.0	20.0	54.8	73.0	17.3	59.6	82.1	22.5
B. LONG TERM CAPITAL MOVEMENTS									
11. Private Enterprises	1.1	2.1	1.0	*Cr.* 4.8	4.1	8.9	*Cr.* 1.5	9.0	10.5
12. Government Enterprises		3.2	3.8	1.6	5.5	3.9	*Cr.* 3.6	*Dr.* 1.4	2.2
13. Local Government	*Cr.* 0.5	*Dr.* 1.0	*Dr.* 1.0		*Dr.* 0.4	*Dr.* 0.4		*Dr.* 0.3	*Dr.* 0.3
14. Central Government	*Cr.* 0.6	10.3	10.8	*Cr.* 10.1	3.6	3.7	1.4	8.9	7.5
TOTAL LONG TERM CAPITAL MOVEMENTS	*Cr.* 0.1	14.6	14.7	*Cr.* 3.3	12.9	16.1	*Cr.* 3.7	16.2	19.9
TOTAL CURRENT AND LONG TERM CAPITAL ACCOUNT	167.4	175.4	8.1	168.1	164.9	*Dr.* 3.2	177.0	181.8	4.8
C. MONETARY AND SHORT TERM CAPITAL MOVEMENTS									
15. Central Monetary Institutions ..	6.5		*Dr.* 6.5	4.3		*Dr.* 4.3	7.2		*Dr.* 7.2
16. Accounts with l.M.F	0.6		*Dr.* 0.6						
17. Other Monetary Institutions	*Cr.* 3.9	*Dr.* 7.2	*Dr.* 3.4	*Cr.* 6.6	3.5	10.1	*Cr.* 1.1	*Dr.* 5.2	*Dr.* 4.1
18. Other Short Term Capital Movements	0.4	*Dr.* 1.6	*Dr.* 2.0	0.6	*Dr.* 4.2	*Dr.* 4.8	*Cr.* 1.1	0.5	1.6
TOTAL MONETARY AND SHORT TERM CAPITAL MOVEMENTS	3.7	*Dr.* 8.8	*Dr.* 12.5	*Cr.* 1.7	*Dr.* 0.7	1.0	5.0	4.7	*Dr.* 9.7
BALANCING ITKM			*Cr.* 4.5			*Cr.* 2.1			*Cr.* 4.9

1.43. It is clear that the balance of payments over the last three years has not been any constraint on economic development in Kenya. There was a steady and fairly substantial increase in monetary reserves over the period and although there was an increase in the current account deficit, this was covered by an increase in long-term capital received. Balance of payments trends in 1968 were favourable in spite of the devaluation of sterling in 1967. It will, however, be seen from Chapter 3 that price changes for both imports and exports overall were very small and the change in the terms of trade was insignificant. However, the favourable balance of payments has depended significantly on Kenya's success in obtaining capital from overseas.

CHAPTER 2—MONEY AND BANKING

2.1. After the major turmoil of the world's monetary markets leading to the devaluation of sterling and a number of other currencies towards the end of 1967, it was to be hoped—though perhaps not expected—that 1968 would be a year in which trade could be transacted without the disruption caused by monetary crises. It has already been noted in Chapter 1 that this was not to be so and that there was a series of exchange crises, with sterling, the dollar and the French franc all coming under pressure at various times. As a result of the international monetary crises, the Kenya monetary authorities had to order on two occasions (March and November) temporary suspension of foreign exchange transactions, but, on both occasions, there were no adverse effects on confidence in the Kenya currency.

2.2. Currency in circulation increased from just over K£24 million in December 1967 to almost K£26j million in December 1968. It was reported in last year's ***Economic Survey*** that the bulk of the increase in the Central Bank of Kenya's currency in circulation in 1967 resulted from the process of the replacement of East African Currency Board notes and coin; it was also noted that this process was becoming less important as most East African Currency Board notes had by then been withdrawn from circulation. In 1968 the replacement of East African Currency Board notes and coin accounted for less than half a million pounds of the total increase in contrast with K£6.8 million in 1967. Thus there was a real rise of about K£2 million in the Central Bank's currency in circulation reflecting increased economic activity in the country. The seasonal nature of the demand for currency in Kenya (especially notes) is becoming apparent with a decline in the second quarter of the year and a strong rise in the fourth quarter.

2.3. During the year, changes in the deposits of Government at the Central Bank tended to some extent to be offset by contrary movements in the deposits of the commercial banks. In the fourth quarter, Government deposits in the Central Bank were little changed but there was a substantial rise in the commercial banks' deposits, the counterpart of which was an increase in the Central Bank's foreign exchange holdings.

CENTRAL BANK OF KENYA

Assets and Liabilities

Table 2.1 *K£"000*

	Dec. 1967	March 1968	June 1968	Sept. 1968	Dec. 1968	March 1969
LIABILITIES						
Capital	667	667	667	667	667	667
Notes in circulation	23,135	23,257	22,247	23,006	24,969	26,579
Coin in circulation.....	952	1,010	1,107	1,202	1,479	1,387
Deposits:						
Government.....	2,726	8,797	7,940	2,546	2,399	7,882
Kenya Banks.....	5,135	3,420	5,290	9,517	11,556	13,021
External Banks+.....	247	125	156	133	160	168
Others	462	723	499	248	79	161
Other Liabilities.....	368	726	774	766	1,188	1,598
Total Assets/Liabilities	33,692	38,725	38,680	38,085	42,497	51,463
ASSETS						
Foreign Exchange:						
Balance with Banks*.....	9,779	8,898	11,026	11,480	16,504	22,326
Treasury Bills.....	6,240	10,048	8,576	10,957	9,396	10,501
Other Investments	9,275	9,990	9,870	7,879	7,971	10,757
Sub Total.....	25,294	28,836	29,472	30,316	33,871	43,584
Kenya Govt. Sec. received from E.A.C.B.	3,226	3,226	3,226	3,226	3,226	3,226
Other Kenya Government Securities.....	386	386	386	386	386	386
Securities of Public Entities		987				
Advances to Kenya Govt.					850	
Advances and Discounts		745				
Revaluation Account.....	3,578	3,578	3,574	3,574	3,574	3,574
Other Assets.....	1,208	873	2,022	583	590	693

+Includes net balances with Banks of Uganda and Tanzania.

*Excludes balances with and deposits from Banks of Uganda and Tanzania.

2.4. There was a remarkable increase in the foreign exchange reserves of the country during 1968; the December 1968 level (K£43.2 million) was only slightly lower than the previous all-time high of K£45.1 million (Sept. 1967), which was achieved just before the devaluation of sterling. As the above table shows, the bulk of this rise was in the foreign exchange holdings of the Central Bank and the distribution between the Central Bank and other holders of foreign exchange (mainly government and commercial banks) remained more or less the same during the year with the Central Bank holding about 80 per cent of the country's foreign exchange reserves. This is in accordance with the policy, mentioned in last year's Economic Survey, of centralizing the country's foreign exchange holdings in the hands of the Central Bank.

FOREIGN EXCHANGE RESERVES

Table 2.2 *K£ '000*

HELD BY	Dec. 1967	March 1968	June 1968	Sept. 1968	Dec. 1968	March 1999
Central Bank of Kenya*	25,294	28,935	29,472	**30,316**	33,871	43,584
Commercial Banks:—						
Net Balances with banks outside Kenya	—2,189	—1,352	247	2,924	1,871	2,234
Other	1,943	1,904	1,866	1,905	1,997	1,952
Government+	1,394	1,164	1,594	1,400	1,311	1,284
I.M.F. Gold Tranche ..	1,443	**1,443**	**1,443**	**1,443**	**1,443**	1,443
Estimated share of E.A.C.B. Assets	3,710	3,870	3,586	3,124	2,689	1,709
TOTAL	31,595	35,964	38,208	41,112	43,182	52,207

*Including net balances with Banks of Uganda and Tanzania.

+Including Overseas Securities and Balances of the Post Office Savings Bank.

2.5. At the end of December 1967, as a result of the pressures on the liquidity of commercial banks, their foreign exchange holdings showed a net borrowing from abroad of over K£2 million. During 1968, the banks' liquidity improved, enabling them to repay their overseas indebtedness, and by the end of the year their net balances with banks abroad amounted to K£1.9 million. As the East African Currency Board continued the distribution of its sterling assets, albeit on a small scale, the Kenya share of these assets fell during the year. In November an agreement was reached with the Republic of South Yemen, whereby in return for the payment of the sum of EA£2.6 million, the interest of the Republic in the affairs of the Currency Board was terminated. Thus the future of the Board is now entirely in the hands of the three East African countries. The Board's coins ceased to be legal tender after the 10th April 1969 in all three countries.

2.6. Deposits with the commercial banks increased from K£85.0 million in December 1967 to K£95.1 million in December 1968 but this increase occurred entirely in the second half of the year. This rise continues the upward trend experienced in 1967, when there was an increase of K£7| million, but there was a change in the composition of these deposits over the three years from December 1965 to December 1968. Demand deposits constituted over 72 per cent of total deposits in 1965 but this proportion has fallen to 59 per cent over the three years. During the same period Time and Savings deposits increased their share of total deposits from 9 per cent and 19 per cent respectively to 14 1/2 per cent and nearly 27 per cent, while Savings deposits increased by over K£12 million to K£25.4 million at end-1968. This large increase reflects an increase in the propensity to save in money form and is evidence of the considerable effort which the commercial banks have made over the years to mobilize the country's savings.

COMMERCIAL BANKS

Assets and Liabilities

Table 2.3 K£'000

	Dec. 1967	March 1968	June 1968	Sept. 1968	Dec. 1968	March 1969
LIABILITIES						
Deposits:						
(1) Demand	51,173	49,905	48,534	49,950	55,934	57,441
(2) Time	12,329	13,759	13,437	15,017	13,790	15,114
(3) Savings	21,532	21,258	23,256	24,504	25,405	26,100
Balances due to:						
(1) Central Bank	–	546	—	—	—	–
(2) Kenya Banks	1,862	686	790	2,430	3,197	2,269
(3) E.A. Banks	1,582	1,447	1,449	845	792	787
(4) Banks Abroad	5,629	4,493	1,914	1,914	1,228	2,536
Bills Payable and Other Loans	1,559	1,487	1,300	926	722	733
Other Liabilities*	23,380	17,686	27,274	27,516	30,386	27,618
ASSETS						
Cash	3,246	3,097	2,761	3,072	3,249	3,365
Balances due by:						
(a) Central Bank	4,968	3,422	5,216	9,409	11,359	12,952
(*b*) Kenya Banks	2,444	1,244	1,349	2,799	3,777	2,598
(c) E.A. Banks	1,778	1,095	1,085	1,014	2,089	2,034
(*d*) Banks Abroad	3,244	3,493	4,749	4,669	1,802	3,522
Bills Discounted, Loans and Advances	68,002	70,750	67,842	65,218	66,789	64,344
Investments	4,655	4,590	4,615	4,558	4,757	7,912
Other Assets*	30,709	23,576	32,561	32,363	37,631	35,871
Total Assets/ Liabilities	119,046	111,267	120,178	123,102	131,453	132,598

*The figure for contra items has been included.

2.7. The most noticeable feature of the combined balance sheets of the commercial banks in 1968 was the substantial increase in their liquidity. It was noted in a previous paragraph that these banks have moved from a debit position with banks outside Kenya in 1967 to one of credit. In addition, and more or less in line with the rise in deposits with them, the balances of the commercial banks with the Central Bank of Kenya have more than doubled from K£5 million at end-1967 to K£11 million at end-1968; again this rise occurred almost entirely in the second half of the year. These balances, together with cash held by banks, a figure which has remained more or less constant at approximately K£3 million *(see* Table 2.3), resulted in a rise in the cash ratio from 9.7 per cent at end-December 1967 to 15.4 per cent at end-December 1968.

2.8. Bills discounted, loans and advances, after reaching an all-time high of K£72.4 million in January 1968, decreased during the year to K£66.8 million in December 1968, a figure which is over K£1 million below the December 1967 figure. This movement was the result of restrictive action

COMMERCIAL BANKS—ADVANCES/DEPOSITS AND CASH RATIOS

Table 2.4 *K£"000*

	1967 Dec.	1968 March	1968 June	1968 Sept.	1968 Dec.	1969 March
TOTAL ADVANCES/ DEPOSITS—						
Deposits	85,034	84,922	85,227	89,471	95,129	98,655
Advances	68,002	70,750	67,842	65,218	66,788	64,344
Ratio%	80.0	83.3	79.6	72.9	70.2	65.2
PRIVATE ADVANCES/ DEPOSITS—						
Deposits	72,424	73,597	75,036	79,807	84,137	87,204
Advances	64,800	66,709	64,529	62,465	63,720	62,743
Ratio%	89.5	90.6	86.0	78.3	75.7	71.9
CASH—						
Notes and Coin and Balances with the Central Bank of Kenya	8,215	6,519	7,977	12,481	14,608	16,316
Ratio (Cash/total deposits)%	9.7	7.7	9.4	13.9	15.4	16.5

taken by banks whose liquidity came under pressure towards the end of 1967. In the last quarter of 1968, however, advances showed a small increase. The fall in advances in 1968 coupled with the increase in deposits is reflected in the significant decline during the year in the advances/deposits ratio from 80.0 per cent to a more normal level of 70.2 per cent.

2.9. The pattern of loans and advances to enterprises in 1968 was the same as in 1967 with the three chief classes of borrowers—trade, manufacturing and agriculture—accounting for about 70 per cent of all discounted bills, loans and advances. During the year there was a fall of nearly K£2 million in loans to the trade sector but this sector still accounted for more than one-third of total loans in 1968. This fall was partly offset by rises in loans to the other two main groups of borrowers, agriculture (+ K£1.1 million) and manufacturing (+ K£f£ million).

2.10. Significant events in the field of money and banking in 1968 included, first, the signing of an agreement between the Governments of the United Kingdom and Kenya, whereby the United Kingdom provided a guarantee in terms of U.S. dollars on a large proportion of Kenya's official sterling holdings, in turn, Kenya is obliged under the terms of the agreement to maintain an agreed proportion of her total foreign exchange reserves in sterling. The advantage of the agreement stems from the fact that it is more convenient for Kenya to hold its foreign exchange in sterling for its international payments, and the return on sterling investments is higher than that on investments in U.S. dollars—the alternative reserve currency.

Table 2.5

	1967 Dec.	1968 March	1968 June	1968 Sept.	1968 Dec.	1969 March
PUBLIC SECTOR—						
(a) Central Government	897	710	640	665	726	453
(b) Local Government	292	245	232	186	345	350
(c)		1	89		1	
Government Total	1,189	956	961	851	1,072	803
(d) Enterprise Statutory Boards and other Public Entities	2,013	3,086	2,353	1,902	1,996	798
PRIVATE ENTERPRISES—						
(a) Agriculture*	6,648	7,472	7,279	7,270	7,774	7,343
(*b*) Mining and Quarrying	80	135	160	122	155	152
(c) Manufacturing	12,223	13,106	12,789	12,480	12,721	13,178
*(d)*Building and Construction	1,490	1,498	1,570	1,744	1,786	1,669
*(e)*Transport Storage and Communication	1,145	1,170	1,575	1,188	1,429	1,441
(f) *Trade:*						
Exports	10,254	10,260	8,343	9,206	8,666	9,712
Imports	10,731	10,579	11,018	9,586	9,640	7,359
Domestic	9,560	9,229	8,871	8,574	9,840	9,931
*(g)*Real Estate	747	716	763	769	805	785
*(h)*Financial Institutions	3,640	4,991	4,935	4,501	3,352	3.517
(i) Other Businesses	5,760	5,176	4,659	4,537	4,798	5,092
TOTAL ENTERPRISES	62,278	64,332	61,962	59,977	60,967	60,179
PRIVATE HOUSEHOLDS— (including non-profit-making organizations)	2,522	2,376	2,566	2,488	2,753	2,564
TOTAL BILLS, LOANS AND ADVANCES	68,002	70,750	67,842	65,218	66,788	64,344

***Including Forestry, Fishing and Wildlife.**

2.11. A second significant event was the establishment of the National Bank of Kenya Limited, which is the first Government-owned commercial bank. At present, this Bank has an office in Nairobi only, but it is likely to establish two or three more branches in other major urban centres. It will offer people in the urban areas additional facilities, apart from those already available, to place their savings in the Bank as deposits. The Bank should have an opportunity to make loans and advances for development purposes in fields which the orthodox commercial banks tend to avoid. The Co-operative Bank of Kenya Ltd.. which began operations in January 1968, is also locally owned but is intended to confine its activities to the rural areas,

particularly to the co-operative movement. Both these banks have an important new role to play which need not necessarily imply the supplanting or duplication, functionally or geographically, of the efforts of other banks.

2.12. Two new pieces of legislation in the banking field—the Cheques Act and the Banking Act—were enacted during the year. The former eliminated some of the routine work of the banks while the latter, when it comes into force, will strengthen control over the banking system.

2.13. In 1968, National and Grindlays Bank Ltd. took over the Kenya branches of the Ottoman Bank in a move which is not expected to reduce banking competition unduly. During the year the banking system, by opening new branches, agencies and mobile services, continued its attempts to make banking services available to more people and to cover larger areas of the country.

2.14. The Nairobi Stock Exchange generally experienced a lower level of activity during 1968 compared with the previous year. The "East African Trade and Industry" Nairobi Stock Exchange Ordinary Share Index was generally below the level attained during 1967. The year opened on a cautious note on the part of investors partly as a result of the announcement of plans by the Government to introduce work permits and to restrict trade licences for non-citizens. The effect of these measures on the Index during the first two months of the year was a fall of 11 points to 162.0 by the end of February. The international monetary crisis in March appears to have had little impact on the Index. The Index stayed below 165 from March until September but a slight upward trend emerged in June after the usual pre-Budget uncertainties. Stock Market activity increased during the last half of the year and by the end of December the Index at 171.8 was 11 points above the low point at the end of May and only 1 point lower than the level at the end of 1967.

2.15. During the year the Kenya Government borrowed K£10 million by new stock issues. The January and November issues were so heavily subscribed that in both cases an additional tranche of K£1 million was issued. The year was an active one as far as new issues were concerned; some companies appeared at times to experience difficulty in raising new money, but there was no lack of interest in issues of Government Stock, or equities from well-known concerns.

2.16. At the end of the year the announcement by the Kenya Government of its intention to implement its trade licensing policy had a downward effect on the Stock Exchange Index and on the level of activity. After an initial fall of 9 points during the first week in January, the Index recovered a little, but declined during February, and by the end of March it stood at 158.0, the lowest level since February 1968.

CHAPTER 3—EXTERNAL TRADE

The total value of world trade increased by more than 11 per cent in 1968, compared with only 5 per cent in 1967. Once again, however, the developed industrial countries experienced relatively greater expansion and both exports and imports of this group of countries increased by more than 13 per cent. Consequently, the increase in the value of trade for the rest of the world—primary producers and developing countries—was well below the world average at about 8 per cent. However, exports from Africa (excluding South Africa) increased at a rate of 13 per cent, while imports increased by less than 4 per cent.

3.2. The total value of Kenya trade did not follow the same pattern, increasing by merely 5 per cent in 1968; and although this represented a new trade peak for the country, imports increased faster than exports. The increase in the overall value of trade should also be considered in the context of the fall that occurred in 1967 and the fact that the 1968 level was less than 1 per cent above that of 1966. On the face of it, the improved climate for world trade should have led to a higher increase in Kenya's trade, but it was generally a feature of Kenya's development between 1964 and 1968 that exports advanced more slowly than the growth of gross domestic product. The average rate of growth for monetary GDP at current prices was 7.4 per cent, while that for exports was 2.9 per cent. Imports rose at an average rate of 9.6 per cent over the same period.

3.3. In contrast to 1967, when it was noted (in the Economic Survey 1968) that a shift had taken place in the commodity pattern of imports—"a move towards an import structure closer to the ideal for a country in Kenya's present position"—imports in 1968 of consumer goods and textiles rose sharply, while imports of capital goods and transport equipment declined.

The Balance and Terms of Trade

3.4. At K£127.1 million, total imports reached a record level in 1968, being K£7.1 million, or 6 per cent, higher than in 1967. However, all of the increase in imports was concentrated in imports from overseas, for imports from Uganda and Tanzania were lower. Public sector imports from overseas also fell which meant that commercial imports from overseas advanced from K£88.3 million to K£97.8 million, an increase of 10.6 per cent. Taken together, exports and re-exports were K£3.4 million higher in 1968 than in 1967, but still K£1.9 million below the record level of 1966. Exports to countries outside East Africa were running at approximately the same level as in 1966, but exports to Uganda and Tanzania were K£2 1/2 million down compared with that year. It is becoming a matter of concern that export receipts from merchandise are advancing so slowly, with no increase recorded over 1966; growth has been held back by the reduction in coffee exports, down in value by K£6 million since 1966.

BALANCE OF TRADE, 1964-1968

Table 3.1 *K£million*

	1964	1965	1966	1967	1968
Imports—					
From outside East Africa*	76.5	89.0	112.3	106.5	114.8
of which					
Commercial	67.9	80.5	92.3	88.3	97.8
Government	8.6	8.5	20.0	18.2	17.0
From Uganda and Tanzania	11.5	11.8	11.2	13.5	12.3
Total	87.9	100.7	123.5	120.0	127.1
Exports—					
To Markets outside East Africa+	46.8	47.0	57.9	53.3	57.8
Re-exports	6.2	4.6	4.1	6.1	5.2
To Uganda and Tanzania	26.4	29.9	29.2	26.5	26.3
Total	79.4	81 .5	91.2	85.9	89.3
Balance of Trade—					
With Markets outside East Africa	-23.5	-37.4	-50.3	-47.2	-51 .8
With Uganda and Tanzania	+ 15.0	+ 18.1	+ 18.0	+ 13.0	+ 14.0
Total	-8.5	-19.3	-32.3	-34.3	-37.8

*Described in the Annual Trade Report as "Net Imports".
+Described in the Annual Trade Report as "Domestic Exports".

3.5. The balance of trade with countries outside East Africa deteriorated. On the other hand, the trading surplus with Uganda and Tanzania improved by K£1 million to K£14 million, so that the overall deficit on merchandise trade was K£37.8 million, K£3.5 million higher than in 1967. The visible trade deficit represented 17 per cent of the total trade turnover in 1968, a ratio which has been fairly constant over the last decade, except for the years 1963.65 when it was rather lower.

3.6. The trading deficit shown by the Trade Statistics is slightly mislead. ing, since a number of adjustments are made to the trade figures in order to compile the balance of payments as set out in Table 3.1. These adjustments relate to timing and coverage, of which the most significant factor is an adjustment to the import total to allow for East African Community purchases. A large proportion of Community imports is unloaded in Kenya in the first instance and is debited in the Kenya trade account, although these imports may be purchased for use in Tanzania and Uganda. Other adjustments are made to export figures with respect to sales of fuel and stores for bunkering of ships and aircraft. On a balance of payments basis, the merchandise trade deficit was K£37.6 million as opposed to K£37.8 million on a trade account basis.

3.7. New indices of import and export prices are set out below, together with a table showing the movements of the terms of trade. Since 1964, import prices overall have risen by 4 per cent, with prices of goods purchased from Tanzania and Uganda rising rather more than the prices of goods from overseas, which showed a substantial range of price changes between different import groups. The devaluation of sterling and other currencies should have caused some reduction in import prices, but this has not affected the overall index: it may have prevented a rise that would otherwise have occurred.

IMPORT PRICE INDEX

1964=100

***Table* 3.2**

Overseas Imports	1964	1965	1966	1967	1968 (Est.)
Food	100	81	75	76	68
Beverages and tobacco	100	104	111	117	120
Basic materials, inedible	100	112	107	104	100
Mineral fuels	100	101	103	102	103
Animal and vegetable oils and fats	100	134	118	102	97
Chemicals	100	106	107	93	96
Textiles	100	108	114	118	124
Metals	100	102	101	99	94
Semi-manufactures	100	103	103	107	104
Machinery and transport equipment	100	104	107	107	107
Consumer goods	100	104	107	105	106
All Overseas Imports	100	102	102	102	103
East African Imports					
Food, beverages and tobacco	100	107	105	109	104
Basic materials and fuels	100	125	114	104	118
Manufactures	100	105	104	97	106
All East African Imports	100	109	106	104	108
All Imports	100	103	103	103	104

'Excluding gold and currency.

3.8. Influenced strongly by an increase in coffee prices in 1968, the export price index showed a small net rise. The overseas export index recorded a two point rise while the index for exports to Uganda and Tanzania showed a one point fall.

EXPORT PRICE INDEX
1964=100

Table 3.3

Overseas Exports	1964	1965	1966	1967	1968 (Est.)
Food and live animals	100	103	99	95	98
Crude materials, excluding sisal	100	99	111	104	101
Sisal	100	63	57	47	41
All Agricultural Exports	100	97	96	92	94
Mineral fuels, lubricants and related materials	100	110	104	109	105
Chemicals	100	106	107	104	103
Manufactured goods	100	126	127	97	105
All Overseas Exports	100	99	99	93	95
East African Exports					
Food, beverages and tobacco	100	107	109	112	110
Basic materials and fuels	100	120	101	104	101
Manufactured goods	100	99	103	111	112
All East African Exports	100	102	105	110	109
Total Exports Excluding Gold	100	100	101	99	100

3.9. The net effect of these price movements was that the terms of trade remained unchanged in 1968, although since 1964 there has been an overall adverse movement of 4 per cent. The terms of overseas trade improved marginally in 1968, but this was offset by an adverse movement of the terms of East African trade.

TERMS OF TRADE
1964=100

Table 3.4

	1964	1965	1966	1967	1968
External Trade	100	97	97	91	92
Inter-territorial Trade	100	94	99	106	101
TOTAL TRADE	100	97	98	96	96

Imports

3.10. The fall in imports forecast for 1968 did not in fact occur and traders' stocks were built up during the year with the notable exception of the motor trade. As was noted above, the 1967 import pattern was not maintained in 1968 when there were lower deliveries of capital equipment and the share of capital items in total imports fell back from the 1967 levels.

TOTAL IMPORTS* BY BROAD ECONOMIC CATEGORY, 1964, 1967 AND 1968

Table 3.5

CATEGORY	IMPORTS *K£000*			PER CENT OF TOTAL		
	1964	1967	1968	1964	1967	1968
1. Food, Drink and Tobacco	12,090.9	10,602.5	10,301.5	13-7	8.8	8.1
2. Basic Materials	3,756.0	4,739.5	5,879.1	4.3	3.9	4.6
3. Fuels	9,692.1	12,676.1	13,773.9	11.1	10.5	10 9
4. Chemicals	7,116.8	8,778.6	11,861.4	8.1	7.3	9.3
5. Textiles	9,386.1	10,162.0	12,361.1	10.7	8.5	9.7
6. Semi-manufactures . .	5,480.7	7,779.0	9,144.5	6.2	6.5	7.2
7. Metals	7,570.0	11,870.8	12,057.6	8.6	9.9	9.5
8. Transport equipment	11,350.2	21,037.9	18,455.8	12-9	17-5	14.5
9. Other capital goods..	13,478.0	23,142.7	21,447.4	15.3	19.3	16-9
10. Consumer goods	4,408.5	4,690.6	6,609.1	5.0	3.9	5.2
11. Miscellaneous	3,620.1	4,571.1	5,214.6	4.1	3.8	4.1
TOTAL	87,948.9	120,049-4	127,106.0	100.0	100.0	100.0

*Overseas and East African imports taken together.

3.11. Imports in the food, drink and tobacco group recorded a further fall in 1968, largely as a result of increased consumption of local wheat and milk products, although imports of rice and sugar from overseas were higher in spite of rising local production. Consumer goods imports increased by 40 per cent in 1968 and it appeared that higher levels of domestic income were causing the demand for imported consumer goods to outrun the supply from new Kenya consumer goods industries. Imports of radios and radiograms increased by nearly 50 per cent while imports of clothing nearly doubled. On the other hand, the 22 per cent increase in the imports of textiles was not due solely to insufficient local productive capacity, for local production of textiles increased by more than 30 per cent in 1968 and by the end of the year manufacturers and dealers were carrying substantial unsold stocks. The answer seems to lie partly in the fact that dealers anticipated import controls to protect local industry and deliberately built up stocks, partly in the fact that imports were abnormally low in 1967 and partly in the lack of high quality textile production in Kenya and East Africa which is discussed in Chapter 5.

3.12. Imports of chemicals increased by 35 per cent under the lead of agricultural chemicals such as insecticides and fungicides (up 50 per cent), with some increase being recorded also in fertilizers and pharmaceutical products. To some extent this increase reflected the fight to contain coffee berry disease but stocks of chemical products were also built up during the year.

IMPORTS FROM OVERSEAS AND FROM EAST AFRICA BY BROAD ECONOMIC CATEGORY, 1964-1968

Table 3.6

K£'000

CATEGORY	1964		1965		1966		1967		1968	
	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa
1. Food, drink, tobacco	6,725.6	5,365.3	10,400.7	4,955.3	12,796.6	3,425.9	5,205.5	5,397.0	5,843.7	4,457.8
2. Basic materials	2,081.2	1,674.8	3,400.3	1,943.9	3,452.4	1,736.8	2,782.6	1,956.9	3,786.9	2,092.2
3. Fuels	9,271.7	420.4	10,280.7	420.0	11,819.3	447.0	11,955.2	720.9	13,193.8	580.1
4. Chemicals	6,779.2	337.6	8,344.8	616.1	8,817.3	865.5	8,075.1	703.5	11,245.8	615.6
5. Textiles	7,482.9	1,903.2	8,910.7	1,789.5	10,127.0	2,451.0	7,529.9	2,632.1	10,322.7	2,038.4
6. Semi-manufactures	5,127.9	352.8	5,974.7	468.6	7,197.2	589.9	7,102.9	676.1	8,385.0	759.5
7. Metals	6,747.3	822.7	8,588.8	1,001.9	9,298.6	1,054.2	11,045.6	825.2	11,171.0	886.6
8. Transport equipment	11,342.7	7.5	11,626.5	2.6	20,481.6	9.2	21,032.2	5.7	18,447.2	8.6
9. Other capital goods	13,472.1	5.9	13,267.7	8.5	18,201.3	66-6	23,024.0	118.7	21,104.3	343.1
10. Consumer goods	3,859.3	549.2	4,122.6	540.4	5,302.1	554.0	4,226.2	464.4	6,056.5	552.6
11. Miscellaneous	3,609.0	111	4,064.8	125	4,810.9	14.7	4,556.3	14.8	5,207.1	7.5
TOTAL	76,498.2	11,450.7	88,981.6	11,759.3	112,304.3	11,214.8	106,534.2	13,515.2	114,764.0	12,342.0

NOTE.—Overseas imports exclude Zanzibar, which is included in East African imports.

Table 3.7 SELECTED NET IMPORTS, 1964—68 *K£'000*

	Crude Petro leum	Motor Vehicles and Chassis	Agricultural Machinery and Tractors	Industrial Machinery (including electrical)	Iron and Steel	Fabrics of Cotton	Fabrics of Synthetic Fibres	Paper and Paper Products	Pharma-ceutical Products	Fertilizers
1964	7,274	4,940	1,468	9,138	3,818	2,399	2,212	3,198	1,415	1,330
1965	9,070	6,383	1,699	8.442	5,088	2,863	2,813	3,873	1,641	1,794
1966	9,094	7,902	2,030	12,662	5,004	3,101	2,647	4,529	1,628	2,044
1967	9,454	9,534	2.333	17,053	5.598	1,830	1.454	4,804	1,745	1,601
1968	9,656	8,072	2,295	14,690	6,147	2,752	3,183	4,798	2,194	1,875

IMPORTS OF TRANSPORT EQUIPMENT*, 1966-68

Table 3.8 *K£'000*

	PRIVATE			PUBLIC			TOTAL IMPORTS		
	1966	1967	1968	1966	1967	1968	1966	1967	1968
Railway Rolling Stock	7.5	11.6	6.5	1,940.1	5,300.0	3,608.7	1,947.6	5,311.6	3,615.2
Motor cars.....	4,035.3	4,617.0	3,648.8	109.2	126.0	103.2	4,144.5	4,743.0	3,752.0
Buses, lorries and Chassis for Assembly.....	22,821.8	3,765.8	3,478.0	936.0	1,024.0	841.4	3,757.8	4,789.8	3,419.4
Motor Vehicle Parts.....	1,404.4	1,733.9	2188.6	58.6	39.3	3122.5	1,463.0	1,773.2	2,311.1
Aircraft.....	201.0	489.9	392.6	5,981.9	146.0	948.6	6,182 9	635.9	1,341.2
Aircraft Parts	321.5	399.2	185.4	1,633.2	2,137.8	1,823.4	1,954.7	2,537.0	2,008.8
Aircraft Engines.....	311.9	365.3	52.8	896.2	2,310.1	1,468.9	1208.1	2,675.4	1,521.7
Other	1,031.1	1,241.7	929.9	-	-	169-6	1,031.1	1,241.7	1,099.5
TOTAL TRANSPORT	10,134.5	12,624.4	10, 882.6	11,555.2	11,083.2	9,086.3	21,689.7	23,707.6	19,968.9

*Includes aircraft engines which are not included in "Transport Equipment" in Tables 3.2 and 3.3.

3.13. Imports of basic materials, semi-manufactures and metals, which can generally be regarded as taw materials for local manufacturing and building, all moved up in 1968, basic materials being particularly notable with an increase of 24 per cent. Tyres and lubes are, however, included in this group and represented a significant part of the increase. Imports of fuels in 1968 increased in spite of a drop in the throughput of the oil refinery at Mombasa; the refinery had to be closed briefly for bi-annual maintenance, and motor spirit and kerosene were imported from overseas to meet requirements.

3.14. Although imports of transport equipment were lower in 1968 than in 1967, they were still running at a very high level compared with earlier years, and much of the reduction in 1968 was for Government imports of transport equipment, of which the reduction in railway rolling stock imports was the most significant. Imports of motor-cars were also down compared with both 1966 and 1967, but imports had been running at a high level in 1967 and motor dealers' stocks were run down by K£1.5 million during 1968, so that consumption was not significantly reduced in spite of higher rates of import duty being introduced in the 1968 budget. Large cars were charged a duty of 80 per cent as from June 1968, but a little of the increase was absorbed by lower landed prices, as a result of sterling devalution. Imports of buses, lorries and chassis for assembly were down slightly in 1968, but only in relation to the very high numbers imported in 1967. The sharp fall in imports of capital goods noted above was the result of a drop in imports of industrial machinery. Imports of electrical machinery recorded a rise of K£0.4 million. The 1968 fall in capital imports should once again be seen in the context of the record level of 1967.

3.15. Public sector imports fell by K£ 1.1 million in 1968, so that their share in total imports received from outside East Africa fell from 15.2 per cent in 1967 to 13.3 per cent in 1968. This fall was explained by lower arrivals of transport equipment, particularly railway rolling stock, purchases of which had been delayed. The value of aircraft imports for East African Airways increased in 1968, although there was no importation of a large jet aircraft as has affected the trades statistics in previous years. Imports of aircraft engines were rather lower than in 1967.

3.16. Table 3.9 shows the origin of imports from outside East Africa and although, as a whole, there was an increase in absolute terms in the imports from the United Kingdom and other countries that devalued their currencies at the end of 1967, there was also, generally, an increase in import purchases from countries that did not devalue their currencies, notably Japan, Italy, France and the Netherlands. There was a slight fall in imports from West Germany. The pattern of Kenya's suppliers remained essentially unchanged, although imports from Asia increased at a faster rate than imports from Western Europe, largely due to a substantial (K£2.1 million) increase in imports from Japan.

ORIGIN OF OVERSEAS (NET) IMPORTS, 1964-1968

Table 3.9 K£'000

REGION/COUNTRY	1964	1965	1966	1967	1968
STERLING AREA—					
United Kingdom	23,551	25,164	37,752	34,989	36,110
India	2,367	2,171	3,501	3,178	2,870
Hong Kong	876	733	1,750	1,291	1,910
Pakistan.	764	1,071	1,320	1,381	1,602
Australia	910	1,061	1,070	1,354	1,700
Zambia	156	134	156	2	128
Other	6,755	4,847	4,103	2,582	1,730
TOTAL	35,379	35,181	49,652	44,777	46,050
U.S.A	4,837	8,511	11,275	7,764	7,922
CANADA	228	551	536	745	773
E.E.C.—					
West Germany	6,989	6,147	8,056	10,560	9,112
Italy	1,851	2,108	3,612	3,879	4,841
France	2,028	2,486	3,555	3,850	4,103
Netherlands	2,143	2,397	3,252	2,825	3,440
Other	1,286	2,125	2,779	2,290	2,129
TOTAL	14,297	15,263	21,254	23,404	23,625
E.F.T.A. (excluding U.K.) TOTAL	3,007	3,147	3,602	3,751	3,982
U.S.S.R. and Eastern Europe	1,750	1,870	4,347	2,084	2,555
REST OF THE WORLD—					
Iran	2,052	4,149	7,900	8,575	8,944
Japan	7,122	9,058	2,695	5,827	7,969
China	696	954	1,944	876	1,592
Africa (non-sterling)	1,128	1,125	1,275	1,160	924
Other	2,343	5,290	3,358	3,493	5,808
TOTAL	13,341	20,576	17,172	19,931	25,237
Parcel Post and Special Transactions	3,659	3,883	4,466	4,077	4,620
GRAND TOTAL.	76,498	88,982	112,304	106,534	114,764

Exports

3.17. The forecast for exports in 1968 made at this time last year was that they would approximate to the level of 1966 or possibly exceed that level by a small margin. In the event, the buoyancy of world trade in the first three quarters of the year enabled exports to be kept well up to the 1966 level and a number of export prices proved to be rather more favourable than had been forecast. Towards the end of 1968, however, a weaker trend in Kenya's export prices occasioned lower export values for the fourth quarter. The final out-turn for the year 1968 was, therefore very close to the forecast, the value of

EXPORTS TO OVERSEAS AND EAST AFRICA BY BROAD ECONOMIC CATEGORY. 1964—1968

Table 3.10 *K£'000*

	1964		1965		1966		1967		1968	
	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.
1. Food, drink and tobacco	27155.4	9,127.0	25,806.5	8,014.9	33,685.5	7,354.5	30.842.6	7,456.8	34,911.2	5.770.6
2. Basic Materials	12,719.7	336.9	10.868.3	741.2	11,905.0	586.1	9,127.9	780.6	9,325.5	955.4
3. Fuels	2,154.8	2,674.3	4,656.4	5,232.1	5,874.2	4,716.6	7,336.9	4,377.9	6,320.3	4.683.3
4. Chemicals	1,840.8	3,029.5	1,758.2	3,260.4	2,935.1	3,800.7	2,416.2	3.649.8	2,823.3	3.855.6
5. Textiles	211.8	1,170.8	178.2	1,435.4	207.3	2,448.7	281.3	1,711.2	350.2	1,918.8
6. Semi-manufactures	1,407.2	2.532.9	1,815.1	2.925.5	1,777.9	3.376.9	1,885.1	3,011.1	2,257.4	3.790.3
7. Metals	761.8	2.622.1	1,203.5	2,632.0	664.1	2,005.8	273.8	1,615.9	500.4	1,459.8
8. Transport Equipment	18.5	80.3	0.4	140.4	0.5	94.3	0.2	60.8	0.9	60.4
9. Other Capital goods	106.2	115.5	56.6	185.3	85.6	335.2	116.9	432.3	166.6	778.9
10. Consumer goods	211.4	4,351.0	368.5	4,933.7	459.1	4,292.7	647.1	3,193.9	735.8	3.052.5
11. Miscellaneous	245.4	121.2	240.8	145.5	259.2	109.1	375.1	102.4	403.4	8.1
TOTAL	46,833.1	26,161.6	46,952.4	29,646.3	57,853.4	29,120.5	53,303.1	26,393.2	57,795.0	26,333.7

NOTE—Overseas Exports exclude Zanzibar, which is included in East African exports.

exports being K£89.3 million, compared with K£91.2 million in 1966 and K£85.9 million in 1967. In Table 3.10 exports are analysed according to broad trade groups, with those for Uganda and Tanzania shown separately from exports to countries outside East Africa. The value of exports to countries outside East Africa increased for all trade groups specified, except fuels which dropped by K£1.0 million. Exports in the food, beverages and tobacco group rose by K£4.1 million or 13.2 per cent as compared to the increase in total overseas exports of K£4.5 million. Exports of metal goods nearly doubled, while exports of chemicals and semi-manufactured goods increased by about K£0.4 million each. The fact that the main part of the increase in overseas exports was represented by the increase in the food, drink and tobacco group was notable, for it represented the first significant increase in exports of agricultural commodities since 1964. In other years since 1964 most of the thrust of export growth was derived from manufactured products.

3.18. Except for coffee, most of the principal agricultural commodities improved their export performance in 1968, despite a number of price falls. Coffee was affected by the severe occurrence of coffee berry disease which caused a sharp fall in production. The quantity shipped overseas was 26 per cent lower than in 1967 and although export prices were relatively favourable -10 per cent up compared with 1967—the value of shipments was 18 per cent down compared to the previous year. Almost exactly the opposite situation occurred with respect to tea exports. The bumper tea crop was reflected in a 49 per cent increase in shipments but a 9 per cent decline in average export prices meant that the value of exports was restricted to a rise of 36 per cent, still a very significant increase. Maize exports also reached a record level in 1968 when 277,525 metric tons were exported, providing export receipts of K£4.8 million, although, as noted elsewhere in this Survey, these exports were heavily subsidized in 1968 by the Central Government.

3.19. As a result of restrictions on the importation of chilled beef into Britain, the prices of Kenya's canned meat improved in the first part of the year, and although shipments were down by 14 per cent, the value of meat exports overseas increased by 6 per cent. The value of pyrethrum exports increased by 3 per cent in spite of a fall in prices of approximately 8 per cent. However, the sisal industry continued its painful decline with a further fall of 12 per cent in prices; the value of sisal exports in 1968 was less than one-third of that ruling a few years ago.

3.20. A number of the smaller agricultural exports recorded improvements, including wattle extract, beans and peas, cashew nuts, wool and butter and ghee. On the other hand, the value of cotton and canned pineapples exported overseas were both significantly lower.

3.21. Exports of manufactures were generally disappointing. Exports of petroleum products, as already noted, fell back by approximately K£1 million largely in consequence of the loss of markets to the new Dar es Salaam refinery. Cement exports showed some improvement although this was held back by the delayed improvement to port facilities.

OVERSEAS EXPORTS, 1967 AND 1968: CHANGES IN VALUE, QUANTITY AND PRICE

Table 3.11

Item	VALUE *KĀ'000*			PERCENTAGE INCREASE IN		
	1967	1968	Increase	Value	Quantity	Price
Coffee, unroasted	15,675.6	12,808.0	-2,867.6	—18.3	-25.9	10.4
Tea	7,395.8	10,041.1	2,645.3	35.8	48.8	-8.7
Petroleum Products	7,169.6	6,110.8	-1,058.8	-14.8	-11.7	-3.4
Maize	1,405.7	4,774.3	3,368.6	239.6	247.6	-2.3
Meat and Products	2,857.1	3,025.9	168.8	5.9	-I4.3	23.6
Pyrethrum Extract	2,423.0	2,504.1	81 .1	3.3	12.0	-7.7
Sisal	2,064.3	1,832.0	—232.3	—11.3	1.1	—12.2
Hides and Skins, undressed	1,742.0	1,671 4	— 70.6	— 4.1	I .9	-5.9
Wattle Extract	861.1	1,134.1	273.0	31.7	29.9	1.9
Soda ash	1,021.8	1,132.2	110.4	10.8	14.4	-3.1
Cement	1.005.6	1,174.3	168.7	16.8	8.1	8.1
Beans, Peas, etc.	326.6	833.8	507.2	155.3	214.5	-19.0
Cashew nuts, raw	541.2	627.4	86.2	15.9	10.8	5.0
Wool	488.8	575.6	86.8	17.8	26.8	-7.2
Animal Teed	463.5	506.2	42.7	9.2	12.0	-2.5
Cotton, raw	628.9	398.1	-230.8	-36.7	-45.7	16.8
Pineapples, tinned	545.0	439.5	-105.5	-19.4	— 14.4	-5.6
Butter and Cihee	253.7	319.5	65.8	25.9	39.0	-9.4
Wood carvings	317.4	280.9	-36.5	—11.5	—	-
Metal scrap	392.0	299.3	-92.7	-23.6	-45.2	39.4
Wattle bark	63.5	104.4	40.9	64.4	53.0	7.4
All other items	5,660.9	7,202.1	1,541.2	27.2		
TOTAL	53,303.1	57,795.0	4,491 .9	8.4	-	-

QUANTITIES OF PRINCIPAL OVERSEAS EXPORTS, 1964-1968

Table 3.12

	Unit	1964	1965	1966	1967	1968
Coffee	Metric Tons	42,303	38,399	54,460	50,748	37,596
Tea	Metric Tons	16,566	15,917	22,608	18,481	27,500
Petroleum Products	Million litres	444	662	782	1,028	907
Pyrethrum Products	Metric Tons	1,223	1,140	1,682	1,895	2,168
Meat Products ..	"	6,340	6,874	8,694	8,281	7,095
Sisal	"	57,888	58,246	55,751	41,443	41,896
Hides and Skins..		5,610	7,412	7,602	6,859	6,989
Soda Ash	"	65,021	74,676	106,746	98,330	112,489
Cement		174,117	119,406	169,527	221,189	239,027
Maize (raw)	"	895	172	2	79,848	277,525
Canned pineapples		10,554	9,073	6,107	6,169	5,279
Butter and ghee	"	2,359	844	1,033	746	1,037
Beaas and peas		12,822	9,389	12,443	5,632	17,712
Cotton (raw)	"	2,715	3,315	4,188	3,111	1,688
Wool (sheep's and lamb's)		1,304	1,369	1,438	1,418	1,798
Animal feeds	"	15,363	10,938	18,776	25.361	28,410
Cashew nuts	"	4,733	6,743	5,641	7.770	8,607

3.22. Although in many instances export prices and quantities moved in opposite directions in 1968, little significance can be read into this as very few of Kenya's export commodities were price leaders, since, except possibly in the case of pyrethrum, Kenya did not supply more than a small proportion of the total market. To some extent, coffee prices may have improved as a result of a shortage of the special Kenya grades, but tea prices were affected by the general world fall occasioned by the devaluation of sterling. Meat exports were held back by the shortage of meat supplies which was not related to the special price situation in Britain, while pyrethrum exports were affected by continued market encroachment by the new synthetic insecticides. Coffee exports were lower than for any year since 1963, and although the record tea crop meant that tea and coffee together represented 40 per cent of total overseas exports in 1968, this was a rather lower level of specialization in the two export crops than in most recent years.

3.23. The impact of sterling devaluation in late 1967 had rather less immediate impact on export earnings in 1968 than might have been expected, but a number of commodity prices were influenced by special situations and although, overall, export prices were approximately one point higher in 1968 than in 1967, if coffee is isolated, all other exports on balance showed a decline in price of approximately 2 points. It would not be true to say. therefore, that export prices were not affected by devaluation. In the cases of tea, canned pineapples, pyrethrum extract, wool, butter and probably pulses, prices were clearly affected.

EXPORT PRICES, 1964 1968

Table 3.13 *KSh/Unit*

Item	Unit of Quantity	1964	1965	1966	1967	1968
Coffee, unroasted	Kg.	7.28	7.34	6.90	6.17	6.81
Tea	Kg.	7.31	7.65	7.71	8.00	7.30
Petroleum products	1,000 litres	96.79	136.38	149.58	139.54	134.75
Maize	100 kg.	37.11	39.57	—	35.21	34.41
Meat and products	Kg.	6.83	7.18	6.89	6.90	8.53
Pyrethrum Extract	Kg.	153.11	143.41	149.25	148.17	136.77
Sisal	100 kg.	208.27	132.26	119.82	99.62	87.46
Hides and Skins,undressed	Kg.	4.61	4.74	6.77	5.08	4.78
Wattle Extract	Kg.	96	1.06	1.1l	1.07	1.9
Soda Ash	100 kg.	21.75	21.56	20.87	20.78	20.13
Cement	100 kg.	9.06	9.45	9.94	9.09	9.83
Beans, Peas etc	Kg.	.81	1.01	93	1.16	0.94
Cashew Nuts, Raw	Kg.	I.06	1.42	1.52	1.39	1.46
Wool	Kg.	7.88	8.15	7.84	6.90	6.40
Animal feed	100 kg.	36.22	40.95	42.13	36.55	35.64
Cotton, Raw	Kg.	4.77	4.51	4.15	4.04	4.72
Pineapples, Tinned	Kg.	1.67	1.71	1.75	1.77	1.67
Butter and Ghee	Kg.	6.39	6.94	7.59	6.80	6.16
Wattle Bark	100 kg.	60.53	60.53	55.91	54.79	58.86

3.24. However, in the same way that the national origin of imports did not seem to be influenced by the devaluation of sterling in 1967, the direction of exports overseas did not seem to have been influenced noticeably either. Exports to the sterling area as a whole showed very little change compared with 1967, but exports to the United Kingdom increased by over 7 per cent. Exports to E.E.C. countries as a group increased by 19 per cent, with increased sales to West Germany and France being particularly noticeable, but sales to countries in the European Free Trade Area, excluding the United Kingdom, declined sharply as did sales to Canada. An increase of approximately 10 per cent was, however, recorded in sales to U.S.A. although they continued to be rather lower than a few years ago. Exports to Africa, apart from Uganda and Tanzania showed a sharp increase, the first since 1964, and this is discussed in more detail below.

DIRECTION OF FOREION EXPORTS*, 1964-1968

Table 3.14 *K£'000*

REGION/¨OUNTRY	1964	1965	1966	1967	1968
STERLING AREA—					
United Kingdom	11,272	11,079	13,511	14,781	15,879
Zambia	192	457	1,735	2,623	2,913
India	1,570	1,545	1,596	1,507	1,659
Australia	978	726	615	641	649
Hong Kong	300	286	40	337	317
Pakistan	234	238	330	393	251
Other	4,992	4,715	4,385	4,070	2,861
TOTAL_	19,538	19,046	22,212	24,352	24,529
U.S.A	4,870	2,750	5,384	3,828	4,202
CANADA	1,894	1,848	2,080	2,136	1,311
E.E.C.—					
West Germany	7,282	7,398	8,150	4,943	5,861
Netherlands	2,091	2,066	3,439	2,457	2,882
Italy	1,147	1,233	1,658	1,454	1,293
France	1,000	728	764	559	1,293
Other	618	503	513	458	468
TOTAL_	12,138	11,928	14,524	9,871	11,797
E.F.T.A. (excluding U.K.) TOTAL ..	2,286	2,294	2,442	2,689	2,033
U.S.S.R. and EASTERN EUROPE —TOTAL	1,540	1,005	1,549	884	1,374
REST OF THE wORLD—					
Iran	117	131	143	223	613
Japan	1,648	1,730	1,794	1,247	1,697
China	394	633	931	1,092	437
Africa (non-sterling)	4,024	3,899	3,893	2,970	4,989
Other	2,380	3,109	3,436	4,302	4,781
TOTAL_	8,563	9,502	10,197	9,834	12,517
SHIPS AND AIRCRAFT'S STORES	2,247	3,167	3,594	5,714	5,172
GRAND TOTAL	53,076	51,540	61,982	59,308	62,935

*Excluding gold and currency.

Trade with Africa

3.25. Over the last few years Kenya has placed particular emphasis on developing trade ties with countries in Africa. There are strong arguments for this trade to be more closely integrated than hitherto, for historically Africa has imported manufactured products from the industrial countries and exported raw materials to them in return. If African countries are now to develop their own industries, they must obtain outlets wider than those afforded by their own particular borders, and the development of markets in the Continent of Africa offers the best prospects. However, in spite of considerable export promotion activity in Kenya, success in developing two-way trade with other African countries has been limited. Exports from Kenya to other African countries were K£2 million higher in 1968 than in the previous year but they were still below the levels achieved in 1965 and in 1966, although, if Uganda and Tanzania are excluded from this analysis, Kenyan exports to other African countries have risen by 40 per cent since 1966. On the import side, the total purchases from African countries were still approximately at the 1964/65 levels and imports from African countries other than Uganda and Tanzania have fallen. The total value of exports to African countries represented no more than 39.6 per cent of total Kenya exports in 1968 compared with 40.3 per cent in 1964, while imports from African countries represented no more than 10.7 per cent of the total in 1968 compared with 15.1 per cent in 1964. These percentages are still significantly higher than the equivalent ones for most other African countries and the failure of trade with African countries to expand further can be explained by the efforts of virtually all Kenya's African trading partners to develop their economies in similar ways, so that, even when individual export markets have been built up, they have soon been lost to the products of new import saving industries.

3.26. From the Kenya point of view, however, the Zambian market has developed very satisfactorily over the last three years and the total value of exports to that country has increased from K£0.2 million in 1964 to K£2.9 million in 1968. Nevertheless, with Zambia continuing to cut its ties with its southern neighbours, it would seem that the market has been only partly exploited. Even so, Zambian trade underlines the difficulties in this type of development, for although Kenya has been able to increase its exports with Zambia reasonably satisfactory, it has not found products that it can buy from Zambia. On the other hand, Zambian industry is only now being built up and, if transport and communications between Kenya and that country are improved as planned. Zambia will no doubt hope to develop markets in Kenya as Uganda and Tanzania have done.

3.27. It was largely the problem of building up two-way trade which caused strains and a necessary rethinking of trading relationships within East Africa. The East African Treaty formalized new trading arrangements and introduced transfer taxes on a limited number of Kenya's exports to Tanzania and Uganda. These transfer taxes were, however, restricted to a level

Trade with Countries in Africa 1964—1968

Table 3.15 K£000

	Exports					Net Imports				
	1964	1965	1965	1976	1968	1964	1965	1966	1967	1968
Mainland—										
Uganda	12,581	15,339	15,619	14,796	13,265	7,244	7,135	7,317	10,165	8,650
Tanzania	13,771	14,589	13,608	11,663	13,069	4,207	4,624	3,898	3,350	3,692
Zambia	191	457	1,735	2,623	2,913	156	134	156	131	128
Ethiopia	209	180	224	279	473	26	92	36	18	7
Burundi	228	340	198	384	315	—	—	—	—	—
Somalia	966	658	324	7	636	9	9	10	—	57
Sudan	1,393	1,446	947	435	752	9	49	7	5	8
Rwanda	152	265	557	467	679	4	5	26	40	66
Congo (Kinshasa)	207	174	646	451	584	725	314	624	528	574
Rhodesia	405	376	—	—	—	268	287	9	—	—
Malawi	98	139	210	126	162	303	371	203	335	161
Mozambique	336	57	128	127	180	330	638	501	339	124
Egypt	80	92	88	130	539	29	12	19	23	64
Algeria and Libya	44	39	22	14	69	—	5	52	28	29
Ghana and Nigeria	47	37	51	76	186	4	23	4	16	25
Indian Ocean Islands—										
Mauritius	692	679	601	821	455	9	6	3	3	1
Reunion	243	412	461	405	433	—	—	—	—	—
Other+	343	399	449	513	642	1	2	8	170	5
Total	31,986	35,678	35,867	33,317	35,350	13,324	13,707	12,855	15,151	13,591
Percentage of all Export/Imports	40.3	43.8	39.4	38.8	39.6	15.1	13.6	10.4	12.6	10.7

*Including Re-exports (except for East African Trade),
+Madagascar and Seychelles.

equivalent to 50 per cent of the common external tariff which, although unfortunate from the Kenya point of view, was still preferable to the full duty. If trade among the developing countries of Africa is to expand at a satisfactory pace over the next few years, it will be necessary first to improve communications and second to plan a phased programme towards more closely integrated trading in which wider common market arrangements can be considered, although not necessarily in the same form as the East African Treaty.

3.28. Kenya's exports to countries that have indicated an interest in being associated with the East African Common Market expanded satisfactorily in 1968. As already noted, exports to Zambia rose by 11 per cent and in addition, exports to Ethiopia, Somalia and Burundi, taken together, more than doubled, although much of this increase was represented by exports to Somalia returning to the level normal before the Emergency in the North-Eastern Province.

East African Community

3.29. The Treaty establishing the East African Community came into operation on 1st December 1967. 1968 was, therefore, the first calendar year under the new arrangements but, although a comparison between the 1968 and 1967 figures offers some guide to the effects of the Treaty on Kenya trade and particularly to the effects of the replacement of quantitative restrictions by the system of transfer taxes, it is premature to draw any firm conclusions from a single year's statistics.

3.30. It is too early to measure the full impact of the Treaty for a number of reasons. First, Tanzania imposed transfer taxes on only approximately one-third of the Kenya goods to which their trade balance with Kenya entitled them and the proportion of Kenya goods affected could therefore rise in future above the 1968 level if Tanzanian industries were able to meet the fairly stringent requirements of the Treaty. Second, Uganda did not move to a system of Open General Licensing for goods of the Partner States during 1968. Kenya and Tanzania adopted this system in May following a decision of the Common Market Council but Uganda only undertook to do so later, in two stages by 1st April and 1st May 1969. Exports to Uganda required specific licences throughout 1968 and these were not always granted at all, or honoured without administrative delays.

3.31. Overall, East African trade declined in 1968, with Kenya's total exports falling by half a per cent, and imports falling by about 9 per cent or K£1.2 million. Exports of the goods classified as manufactured in Table 3.17 rose by 9 per cent, while imports of this group fell by about 5 per cent. The overall trade gap widened in Kenya's favour by about K£1 million to K£13.7 million while that in "manufactured goods" widened by about K£1.3 million to K£9.7 million.

IMPORTS FROM TANZANIA

Table 3.16a K£'000

Item	1964*	1965*	1966*	1967*	1968
FOOD—					
Meat and meat preparations	88	127	113	114	66
Cereals and Cereal preparations	280	340	89	131	87
Fruit and Vegetables	420	453	353	353	248
Sugar, not refined	5	147	1	2	—
Coffee and tea	61	41	33	51	112
Margarine and shortenings	7	32	20	15	33
Other	216	2,261	231	190	464
TOTAL	1,077	1,401	842	856	1,014
BEVERAGES AND TOBACCO—					
Beer	17	1	1	8	11
Cigarettes	112	71	34	4	2
Unmanufactured tobacco ..	279	409	352	269	19
Other	4	9	10	4	3
TOTAL	412	490	397	285	35
BASIC MATERIALS AND FUELS—					
Oil seeds, oil nuts and oil kernel, etc.	174	121	187	173	106
Vegetable oils	305	480	343	320	558
Electricity	14	—	—	—	—
Petroleum products ++	—	2	5	166	79
Other	219	145	251	264	360
TOTAL	712	748	786	923	1,103
MANUFACTURED GOODS—					
Soap, cleansing and polishing preparations	6	6	4	18	64
Textile fabrics, articles etc :—					
Cotton piece goods	187	59	60	43	31
Other	373	422	406	206	206
Iron and steel	80	103	26	1	1
Aluminium+	401	509	341	199	258
Metal manufactures	71	114	155	112	140
Wireless sets, domestic	—	—	55	107	205
Clothing	99	108	38	49	52
Footwear	342	258	247	106	65
Other	344	346	439	375	518
TOTAL	1,902	1,923	1,773	1,216	1,540
MISCELLANEOUS—TOTAL ..	7	7	10	8	—
GRAND TOTAL ..	4,110	4,569	3,806	3,288	3,692

* Excluding Zanzibar.

o Excluding domestic aluminium-ware which is included in metal manufactures.

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ddd d o Excluding by-products.

Table 3.16 b *K£'000*

Item	1964	1965	1966	1967	1968
FOOD:—					
Meat and meat preparations	72	4	–	23	4
Cereals and Cereal preparations	163	208	276	177	134
Fruit and Vegetables	76	106	155	286	157
Sugar, not refined	1,961	835	220	1,242	1,324
Coffee and Tea	71	38	22	61	58
Margarine and shortenings	313	491	557	888	692
Other	212	331	337	403	336
TOTAL	2,868	2,013	1,567	3,080	2,705
BEVERAGES AND TOBACCO:—					
Beer	6	27	153	128	33
Cigarettes	517	117	34	51	2
Unmanufactured Tobacco	476	809	407	958	640
Other	2	33	21	20	30
TOTAL	1,001	1,046	615	1,157	705
BASIC MATERIALS AND FUELS:—					
Oil seeds, oil nuts and oil kernels, etc	7	27	50	71	148
Vegetable oils	753	983	678	824	679
Electricity	406	418	440	553	498
Petroleum products:—+	–	–	2	2	3
Other	131	140	143	267	241
TOTAL	1,297	1,568	1,314	1,717	1,569
MANUFACTURED GOODS:—					
Soap, cleansing and polishing preparations	229	306	346	267	172
Textile fabrics, articles etc.:—					
Cotton piece goods	1,289	1,261	1,905	2,314	1,759
Other	54	46	80	68	43
Iron and Steel	185	186	382	400	389
Aluminium*	–		–	–	1
Metal manufactures	85	91	150	99	98
Wireless sets, domestic	–	–	–	–	10
Clothing	17	31	68	101	64
Footwear	15	42	64	72	199
Other	204	539	819	884	929
TOTAL	2,078	2,502	3,815	4,205	3,664
Miscellaneous Total	4	5	5	6	7
GRANDTOTAL	7,244	7,135	7,317	10,165	8,650

* Excluding domestic aluminium-ware which is included in metal manufactures,

o Excluding by-products.

EXPORTS TO TANZANIA 1964—1968

K£'000

Table 3.17a

ITEM	1964 +	1965 +	1966 +	1967 +	1968
MANUFACTURED GOODS:—					
Chemicals and products :—					
Soap, cleansing and polishing preparations	971	592	623	332	659
Other	716	938	1,306	942	1,099
Bicycle tyres and tubes	100	92	77	59	80
Paper, paper board and manufactures	418	526	801	858	987
Textile fabrics, articles etc.—					
Piece goods of cotton	96	1	1	23	—
Synthetic fabrics	4	112	330	103	198
Sisal bags and sacks	118	95	122	111	111
Other	150	183	504	506	621
Cement	764	880	803	526	935
Iron and steel	165	25	47	31	9
Aluminium*	24	41	3	4	6
Metal manufactures	780	751	776	705	683
Clothing	1,134	1,020	178	139	559
Footwear	793	694	607	301	463
Other	831	1,010	1,280	1,046	1,513
TOTAL	7,064	6,960	7,459	5,686	7,923
MISCELLANEOUS TOTAL	88	104	53	44	6
FOOD:—.					
Meat and meat preparations	209	152	162	135	138
Dairy Products	346	309	443	566	498
Cereals and Cereal preparations	1,096	1,048	387	970	965
Fruits and vegetables	276	310	371	411	390
Coffee and Tea	332	353	318	383	275
Other	465	531	837	340	603
TOTAL	2,724	2,702	2,518	2,805	2,869
BEVERAGES AND TOBACCO:—					
Beer	805	690	438	281	216
Cigarettes	823	363	163	194	—
Other	112	147	249	422	98
TOTAL	1,740	1,200	850	897	305
BASIC MATERIALS AND FUELS:					
Petroleum Products +	1,468	2,752	2,062	1,517	1,411
Other	214	369	339	434	555
TOTAL	1,682	3,121	2,401	1,951	1,966
GRAND TOTAL	13,299	14,087	13,282	11,382	13,069

* Excluding domestic aluminium-ware which is included in metal manufactures.
\+ Excluding by-products.
+ Excluding Zanzibar.

EXPORTS TO UGANDA 1964-1968

Table 3.17*b* K£000

Item	1964	1965	1966	1967	1968
MANUFACTURED GOODS—					
Chemicals and products:					
Soap, cleansing and polishing preparations ..	549	677	713	1,038	971
Other	790	1,044	1,144	1,322	1,126
Bicycle tyres and tubes	181	185	191	123	152
Paper, paper board and manufactures	447	569	617	497	516
Textile fabrics, articles etc.—					
Piece goods of cotton ..	89	61	218	108	122
Synthetic fabrics	76	128	601	249	120
Sisal bags and sacks	378	478	137	58	468
Other	259	377	534	552	279
Cement	119	68	81	162	64
Iron and steel	699	781	175	49	50
Aluminium*	111	38	6	3	16
Metal manufactures	837	989	974	487	689
Clothing	868	1,347	1,477	1,251	416
Footwear	605	600	404	281	223
Other	797	1,160	1,548	1,733	1,781
TOTAL	6,805	8,502	8,820	7,913	6,993
MISCELLANEOUS TOTAL	34	42	56	58	2
FOOD—					
Meat and meat preparations	139	209	194	161	188
Dairy Products	848	1,361	1,175	1,174	188
Cereals and cereal preparations	1,549	1,089	1,011	1,026	982
Fruit and vegetables	201	209	279	352	332
Coffee and tea	119	99	175	111	95
Other	392	494	570	521	611
TOTAL	3,248	3,461	3,404	3,345	2,396
BEVERAGES AND TOBACCO—					
Beer	156	64	57	82	120
Cigarettes	802	452	364	182	11
Other	310	93	111	90	70
TOTAL	1,268	609	532	354	201
BASIC MATERIALS AND FUELS—					
Petroleum products+	1,045	2,153	2,369	2,553	2,999
Other	181	572	437	572	674
TOTAL	1,226	2,725	2,807	3,125	3,673
GRAND TOTAL ..	12,581	15,339	15,619	14,796	13,265

*Excluding domestic aluminium-ware which is included in metal manufactures,
+ Excluding by-products.

3.32. There was, however, a distinct difference in the movements of trade with Tanzania and Uganda. Exports to Tanzania rose by about 12 per cent, which was almost entirely due to a rise in exports of manufactured goods of 36 per cent. Exports of most manufactured products increased except metal manufactures. On the other hand, beverage and tobacco exports fell to about K£300,000 or to a little over one-third of their 1967 level. Imports from Tanzania rose by 10 per cent, largely due to increased Kenya purchases of Tanzania manufactures. Imports of beverages and raw tobacco fell sharply, but imports of vegetable oils and fuels increased. Overall, trade with Tanzania recovered to levels comparable with those of 1966, with Kenya exports of manufactures rather higher and imports rather lower than in that year.

3.33. Trade with Uganda declined markedly in 1968, both imports and exports falling. Food exports fell almost entirely because of a fall in exports of dairy products by about K£1 million which reflected the growth of supply in that country. Exports of "Manufactured goods" fell by a further K£1 million, with lower Uganda purchases of clothing, textiles, footwear and cement. Metal manufactures, sisal bags and sacks, and petroleum products, however, recorded increases. Imports fell by K£1.5 million despite an increase in the import of sugar.

3.34. Collections of transfer tax in 1968 were K£635,309, of which Tanzania received K£527,249 and Uganda K£108,060. Kenya exporters carried most of this burden, but in the case of Tanzania, where a tax of K£0.5 million might be thought significant, Kenya exports increased rapidly, particularly exports of manufactured goods, including exports of goods affected directly by the tax. In the case of Uganda, where the tax is a very small fraction of the total value of trade, exports fell heavily, as did imports which were of course unaffected by tax. On balance, it seems that the change from quantitative restrictions to transfer taxes helped Kenya trade with Tanzania. As regards Uganda, where quantitative restrictions were formerly less severe, and where specific licensing had not then been abandoned, the relative advantages were less clear, but it seems likely that the trade decline was related far more to trade licensing than to transfer taxes.

3.35. The definition of manufactured goods in the Treaty is much broader than that used in Tables 3.16 and 3.17. With total Kenya exports to East Africa running at K£26 million in 1968, Table 3.17 allocates K£15 million to the heading "manufactured goods". On the Treaty definition, no less than K£23 million of exports to Uganda and Tanzania would be considered manufactured goods. Working with this wider definition, Kenya exports of manufactures to Tanzania rose by 20 per cent, while those to Uganda fell by about 5 per cent and Kenya imports of manufactures from Tanzania rose by 25 per cent while those from Uganda fell by 13 per cent.

3.36. Continuing to use the Treaty definition of manufactured goods, Uganda exports of manufactures to the other two Partner States were in 1967 equivalent to 77 per cent of her imports from them. Under Article 20

VALUE OF KENYA EXPORTS SUBJECT TO TRANSFER TAX IN 1968

(a) Exports to Tanzania

Table 3.18 *K£*

Taxed Item	1967	1968
Ghee (clarified butter)	16,625	15,433
Wheat meal and wheat flour	4	21
Ghee, vegetable	7,970	21,275
Margarine	175,780	31,067
Fat, vegetable, cooking	–	4,339
Sugar unrefined and mill white including jaggery	7,658	9,176
Sugar confectionery	27,787	2,113
Biscuits	55,528	35,115
Ice Cream	514	4,885
Beer and ale including stout	280,921	215,626
Cigarettes, and pipe tobacco	207,068	4,084
Paints, enamels, lacquers, varnishes and distempers including paste	19,982	3,536
Perfumery, cosmetics and toilet preparations	66,325	75,605
Soap, Soap powder, detergents	300,186	550,432
Matches	15,479	31,968
Plastic foam, in sheet form	10,225	24,572
Articles of plastic materials	9,644	37,824
Bicycle tyres	42,914	51,821
Suitcases and handbags of vulcanized fibre	18,287	28,182
Writing blocks, letter pads, registers etc.	105,089	95,524
Non-multiwall, block bottom, unprinted paper bags	668,633	757,808
Cotton yarn	36,822	23,796
Woven fabrics of cotton in the piece excluding towelling	23,449	400
Woven fabrics of rayon in the piece	102,815	11,956
Clothing and accessories of textile fabrics, knitted or crocheted	51,669	99,233
Clothing of textile fabrics not knitted or crocheted	31,477	357,388
Stockings and hose	5,433	15,477
Tents, tarpaulins, waterproof covers etc.	24,402	46,529
Footwear, all kinds, excluding gaiters, spats, leggings etc. ..	300,612	462,804
Bottles and jars, common, empty	57,607	40,145
Glass tumblers	1,102	3,081
Nails, ferrous, including roofing nails	14,702	23,939
Buckets, of iron or steel, excluding enamelled or sanitary buckets	372	5,819
Metal louvre windows	163,954	156,405
Aluminium hollow-ware domestic	21,545	11,670
Metal furniture and part thereof	69,124	123,178
Chalks, writing and drawing	1,657	2,014
	2,943,361	3,384,240

of the Treaty, once this ratio exceeds 80 per cent for a partner state, it may impose no new transfer taxes, but in 1968 the ratio for Uganda fell to 71 per cent.

3.37. Kenyan products subject to transfer taxes in 1968 are set out in Tables 3.18 and 3.19, together with the value of exports of these items in 1967 and 1968. However, not all items subject to transfer tax are identified separately in the basic trade statistics produced by the Customs and Excise Department and for this reason the value of exports subject to transfer tax

VALUE OF KENYA EXPORTS SUBJECT TO TRANSFER TAX IN 1968

(b) Exports to Uganda

Table 3.19

	1967	1968
Spirits excluding vodka	7,669	238
Paints, lacquers, etc	211,299	47,773
Multi-ply paper bags and other paper products	412,628	416,893
Blankets	64,349	70,062
Domestic aluminium hollow-ware	5,314	3,599
Suitcases of bulkness fibre	24,066	757
Clothing of textile, fabric, woven, knitted or crocheted	1,218,104	404,475
Brooms and brushes excluding paint brushes	33,604	18,891
Footwear, excluding gumboots	280,899	223,227
Cement for building purposes	161,601	64,304
Woven fabrics of rayon in the piece	28,358	16,635
Stockings, socks and sockettes	27,276	9,110
Dry cell batteries	–	115,398
Drinking straws	69,237	5,805
Ground spices, curry powder, ginger powder and yellow grain flour	42,551	28,996
Fruit and vegetable juices..	17,610	15,630
Metal doors and windows	60,639	27,450
Sisal ropes and twines	23,924	30,565
Tomato Sauce	7,148	5,495
	2,696,276	1,505,303

cannot be identified as accurately as would be desirable; in a number of cases the value of the export group containing the taxed item has to be specified rather than the value of the item itself.

3.38. Even so, on the basis of these figures there is little evidence to support the view that Kenya exports to Tanzania and Uganda have been seriously reduced by transfer taxes. It is difficult to draw any general conclusion from the 1967-1968 comparison. Some individual items may have been adversely affected but it would be imprudent to deduce this from the figures above. To quote one example, exports of metal doors and windows to Uganda halved in 1968, but the export of these goods was impeded by the existence in Uganda of specific licensing and it is not clear what the effect of transfer tax alone would have been. Overall, it does not seem that Kenya exports have been hit by transfer taxes and as suggested above, quantitative restrictions were a more important influence in 1968.

3.39. The striking difference in the trend of trade with Tanzania compared with that of trade with Uganda emphasizes again the need for trade to be expanded with the least impediment on either side. Attempts to obtain an even balance against each country separately by imposing restrictions on imports invariably rebound and cause a contraction of exports as well. This was particularly noticeable in East Africa in the years immediately preceding the East African Treaty and it is hoped that the Partner States will adhere to the Treaty and so allow trade to expand smoothly.

3.40. There is little direct evidence of transfer taxes diverting trade from East Africa with the exception of the export of potable spirits to Uganda where the imposition of a transfer tax caused a fall in Kenya exports while exports to Uganda from abroad rose. The tax has since been reduced and the matter is under review.

3.41. A major feature of the last year was the growth of state trading corporations which were in some cases given distribution monopolies. These allowed discrimination against a Partner State's products, and methods of preventing such discrimination are under review.

CHAPTER 4—AGRICULTURE AND FORESTRY

Marketed Production

Nineteen sixty-eight was an excellent year for the weather and there were bumper harvests of most crops. The major exception was coffee which suffered severely from coffee berry disease. While climatic conditions were favourable for crop production, the world prices of Kenya's major export crops were less satisfactory. One factor which contributed to this was that the full impact of the devaluation of sterling late in 1967 was felt in 1968 and farmers' incomes from crops, particularly those exported to Britain, declined. Among the crops which were affected by Government price fixing arrangements, the price of beef rose, while that of wheat declined and maize remained unchanged. For dairy products, which are consumed primarily within East Africa, prices were slightly below the level prevailing in 1967.

4.2. The value of marketed production at current prices is shown in Table 4.1. Overall, farmers' gross receipts increased by nearly 5.4 per cent to reach a record level of K£70.6 million. Cereals, sugar cane, and, to a small extent, beef production were responsible for this growth. The increase in the value of output of these commodities compared with 1967 was as follows:—

	%
Cereals	35.9
Sugar cane	36.7
Beef	4.4

The value of coffee production, however, declined by K£1.3 million and was the lowest for several years.

4.3. Relative shares of commodity groups in total marketed production are shown in Table 4.2. Although the series covers a period of only five years, it does reveal interesting trends. The decline in the value of sisal and coffee production was responsible for a fall of 13 percentage points in the relative share of permanent crops in total marketed output. Although tea production

GROSS MARKETED PRODUCTION BY COMMODITY, 1964-68

Table 4.1

	1964	1965	1966	1967	1968+
CEREALS—					
Wheat	3,528	4,316	3,481	4,575	6,779
Maize	2,469	1,848	2,697	4,218	5,361
Barley	407	427	278	242	266
Rice	291	311	367	387	454
	98	107	171	218	223
TOTAL	6,793	7,009	6,994	9,640	13,083
TEMPORARY INDUSTRIAL CROPS					
Castor and other oil seeds..	312	281	388	443	370
Pyrethrum	907	1,553	2,532	2,699	2,629
Sugar Cane	1,490	1,544	991	1,598	2,185
Cotton	594	641	681	603	700
Tobacco	80	27	30	10	18
TOTAL	3,383	4,046	4,622	5,353	5,902
OTHER TEMPORARY CROPS—					
Pulses	274	322	644	466	490
Potatoes	203	134	257	288	290
Other Temporary Crops ..	166	141	231	275	313
TOTAL	643	597	1,132	1,029	1,093
PERMANENT CROPS—					
Coffee	14,493	13,107	18,619	13,995	12,676
Sisal	6,691	3,917	3,090	2,391	2,193
Tea	7,790	7,331	9,906	8,927	9,290
Coconuts and Products	354	433	479	480	490
Wattle	630	570	771	860	702
Cashew nuts	186	423	425	422	325
Fruit* and Other Permanent Crops	626	697	675	806	810
TOTAL	30,770	26,478	33,965	27,881	26,486
TOTAL CROPS	41,589	38,130	46,713	43,903	46,564
LIVESTOCK AND PRODUCTS—					
Cattle and Calves for Slaughter	9,431	9,371	10,921	11,325	11,821
Sheep, Goats and Lambs for Slaughter	418	445	438	404	445
Pigs for Slaughter	496	554	600	577	565
Poultry and Eggs	338	230	275	312	324
Wool	346	428	477	520	550
Hides and Skins	472	470	592	630	653
Dairy Products	4,400	4,730	5,660	6,380	6,360
TOTAL	15,901	16,228	18,963	20,148	20,718
UNRECORDED MARKETED PRODUCTION	2,888	2,865	3,155	3,257	3,342
GROSS FARM REVENUE	60,378	57,229	68,826	67,010	70,634

* Provisional

+Fruit from other than permanent plants is included in "other temporary crops."

will expand and coffee output should recover, it is likely that the overall share of permanent crops in total production will decline further. Coffee yields might improve but the total area is being limited to its present level, and may even decline slightly. Sisal production appears to be on a downward secular trend and any expansion in tea is unlikely to be sufficient to cause overall improvement in the relative position of permanent crops in the agricultural economy.

4.4. Compensatory growth is taking place in temporary crops, particularly cereals. The production of wheat and maize is now well above domestic requirements and is likely to remain there. The output of sugar cane will grow rapidly to supply sugar manufacturing capacity already available, although the output of other temporary industrial crops is expected to remain relatively unchanged. Livestock output appears to have increased its share of the total a little over this period and this is likely to grow more quickly in future when the range development programme gets into its stride.

SHARES OF COMMODITY GROUPS IN GROSS MARKETED PRODUCTION, 1964-1968

Table 4.2 *Percentages*

	Cereals	All other temporary crops*	Permanent crops	Livestock and Products	Total
1964	11.2	11.5	51.0	26.3	100.0
1965	12.2	13.1	46.3	28.4	100.0
1966	10.2	12. 9	49.3	27.6	100.0
1967	14.4	14.4	41.6	30.1	100.0
1968	18.5	14. 6	37.5	29.3	100.0

*Including "Unrecorded marketed production" which consists almost entirely of temporary food crops.

4.5. In previous years, considerable emphasis has been laid in this chapter of the *Economic Survey* on separate analysis of "large" and "small" farms. However, it is felt that the distinction between these two categories is becoming increasingly meaningless as more and more large-scale units (particularly ranches) are emerging from development in the "trust" lands as well as from low density settlement schemes. Many holdings in settlement schemes are larger than some farms in the former "scheduled" areas which formed the basis of the distinction between "large" and "small" farms. However, an attempt has been made to show the value of gross marketed production for these two categories, using the same definitions as in previous years. This is shown in Table 4.3. As the Government's efforts to develop small-holder agriculture have gained impetus, the share of "small" farms in output has risen and is now more than half the total. Part of this increase is the result of the transfer of land to small-holders under the settlement schemes. However, although marketed production from settlement schemes *(see* Table

4.11.) accounted for 6.6 per cent of total "small" farm sales in 1968 and has been growing rapidly, development in the former "trust lands" alone would have ensured a rising share in total output for "small" farmers.

GROSS MARKETED PRODUCTION FROM LARGE AND SMALL FARMS, 1964-1968

Table 4.3

	LARGE FARMS		SMALL FARMS		TOTAL		SHARE OF SMALL FARMS
	K£'000	Annual change Per cent	*K£'000*	Annual change Per cent	*K£"000*	Annual change Per cent	Per cent
1964 ..	35.8	-4.0	24.6	16.6	60.4	3.4	40.7
1965	33.3	-7.0	23.8	-3.3	57.2	-5.3	41.6
1966 ..	36.0	8.1	32.7	37.4	68.8	20.3	47.5
1967 ..	33. 0	-8.3	34.0	4.0	67. 0	-2.6	50.7
1968 ..	34.7	5.2	36.0	5.9	70.6	5.4	51.0

Agricultural Development Services

4.6. Total Government expenditure on agriculture (recurrent and development) during 1968/69 was K£12.6 million compared with K£11.7 million in 1967/68, a growth of nearly 8 per cent. Also, it should be kept in mind that the proportion of agricultural expenditure going to land settlement, including transfer of ownership of land, is now very much less than it was a few years ago (*see* Table 9.6 in Chapter 9) so that expenditure devoted to new development has increased considerably over the last few years. As far as development expenditure during 1968/69 was concerned, the major areas of growth were agricultural education, tea development and livestock activities, but the majority of total expenditure goes towards maintaining the normal extension services.

4.7 However, the growth in expenditure also includes subsidies paid to agriculture. Firm figures of subsidies paid during 1968/69 are not yet available, but are expected to be about K£2.53 million compared with the 1967/68 level of K£2.39 million. Subsidies had risen sharply to this level from K£0.53 million in 1966/67. The bulk of the subsidies is now going towards meeting losses incurred from exporting maize purchased by the Maize and Produce Board at a price which exceeds export parity. The balance consists of the fertilizer subsidy.

4.8. For several years now, the Government has subsidized the price of phosphatic fertilizer. During 1967/68, this affected over 17,000 tons of P, 0, and cost K£350,000. This amount will increase in future following a recent increase in the rate of subsidy. An important new measure is the introduction from this year of a subsidy on nitrogenous fertilizer as well at a rate of K£10 per ton. This means that most of the fertilizer now used by farmers will be

subsidized to some degree. The Government is anxious to eliminate direct subsidies to cover export losses on such crops as maize but accepts the need to subsidize critical inputs such as fertilizer in order to hasten the moderniza. tion of agriculture and to increase productivity.

4.9. The effectiveness of the agricultural extension services depends on the output of the various training schemes and institutions which supply the extension services with trained staff. Enrolments at the major institutions of agricultural training were as follows during 1968: —

	Enrolments
Egerton College	462
Animal Health and Industry Training Institute	186
Embu Institute of Agriculture	152
Narosurra Farm Mechanization Scheme.....	80
Naivasha Dairy Training School	28

4.10. Government capital expenditure (directly through the Ministry of Agriculture and excluding University College, Nairobi) on agricultural education was K£282,000 in 1968/69, compared with K£85,485 in 1967/68. Of this expenditure, the largest single item went to the large-scale farmers training programme. Such training has been offered for some time now at a school at Thomson's Falls. However, this was considered insufficient and a second centre for similar training is being developed at Eldoret. At Egerton College, which is the major institution for training diploma holders in agriculture, expenditure to improve available facilities recorded further increases. A major new addition to the syllabus taught at the College was the introduction of a course to train agricultural teachers for the programme which is now being adopted to include agricultural teaching in secondary schools. Seven of the thirty schools in which agricultural teaching is to be introduced had already started it during 1968. The Institute of Agriculture at Embu, with facilities for 150 students, is equipped to turn out about 70 "certificate holders" a year. These certificate-holders form the bulk of the crop extension personnel of the Ministry of Agriculture. It is clear that much larger numbers of certificate-holders are required and the Embu Institute is being extended to accommodate 250 students. Plans are also being considered for a second institute of this nature.

4.11. Plans for the construction of two new Farmers Training Centres, at Busia and Taita, were drawn up and work on these centres is to be started in the next financial year. While new centres have to be built because the function which FTC's serve can be most effectively fulfilled only if these are easily accessible to farmers, there is scope for more intensive utilization of existing centres. The number of student-days at the centres during 1968 was about 161,000 or 70 per cent of "capacity".

4.12. In the field of animal husbandry, the Animal Health and Industry Training Institute, "AHITI", was preparing to increase enrolment in 1969 to 250. A programme to train managers for rural dairies in a one-year course continued at the Dairy Training School at Naivasha and its 1968 enrolment of 28 is expected to rise to 40 in 1969. A Range Training School has been completed at Narok and is now in operation. Plans are being made for a second such school at Wajir. Higher level (diploma) training in dairy technology and range management is offered at Egerton College.

4.13. At university level, preparations to establish a Faculty of Agriculture at University College, Nairobi, continued. It is intended that the first intake of students into the faculty should be in 1970. At present, Kenya students who wish to take up agriculture have to go to Makerere or Dar-es-Salaam—13 obtained degrees in agriculture from these colleges in 1968. However, a Faculty of Veterinary Science exists at University College, Nairobi and six Kenya students graduated from it during the year.

4.14. Research has a crucial part to play in the development of agriculture. During the last few years, increasing emphasis has been placed on "production-oriented" research. Perhaps the most important result achieved in this respect has been the development of hybrid and synthetic maize seeds. Seed selection particularly has also made a significant contribution to increasing yields of wheat. Work which will lead to further improvements in yield for both maize and wheat was continued during the year. In the past, little or no research in sugar-cane production was undertaken in Kenya. However, this is being rectified and a sum of £27,000 was included in the estimates for 1968/69 to build a new sugar research station at Kibos. In pyrethrum, a great deal of work has been done to improve pyrethrins content of flowers but most of this has been undertaken by the statutory body responsible for the industry. The Pyrethrum Board also conducts research into the uses and processing aspects of the crop and secured a considerable improvement in 1968 in the recovery rate for "pale" extract. Cotton research, formerly the responsibility of the Cotton Lint and Seed Marketing Board, has been taken over by the Government. In coffee, the most important task remains control and limitation of coffee berry disease. Means to control the disease are now available, but the cost remains high. While the bulk of the resources of the Coffee Research Foundation continue to be devoted to finding more immediate means of control of C.B.D., long-term work to develop C.B.D.-resistant varieties of coffee is also proceeding.

4.15. In livestock, the shift towards "production-oriented" research has perhaps been even more marked. A National Animal Husbandry Research Station is being developed, mainly to investigate various aspects of dairying. The rapid development of dairying during the last few years as an important small-holder enterprise has created new problems which require study. A major beef research project which includes feed experiments was initiated

during 1968/69 with assistance from the United Nations Development Programme. Problems relevant to range development in drier areas will be studied at a Range Research Station now being built.

4.16. Artificial insemination services are available to the many thousands of small-holders who own grade cattle but cannot afford to keep bulls and must rely on AI. During 1968, approximately 200,000 inseminations (compared with 180,000 in 1967) were carried out, resulting in 70,000 pregnancies. Of the pregnancies achieved. 60,000 were in grade cattle and 10,000 in zebu cattle. Insemination of zebu cattle is intended to up-grade the quality of the progeny. The service is now heavily subsidized and the average cost to farmers of obtaining a pregnancy (about 3 inseminations) is KSh. 10. The true full cost is about KSh. 40 per pregnancy. Although the service is now available in all areas which have grade cattle, some small-holders continue to use scrub bulls to get their cows in calf. To use grade animals for the production of low quality calves is a waste of resources and steps to control the use of scrub bulls are essential.

4.17. Reference was made in last year's Economic Survey to the inauguration of a Government tractor hire service. The service was able to operate at its full strength of 50 tractor units during 1967/68 and the work undertaken included 5,670 hectares of ploughing, 16,190 hectares of harrowing and 15,260 of plantings. Operating costs declined slightly compared with those in the previous year but efficiency in terms of "productive hours per month" for each tractor remained below expectations. A substantial part of the work completed by the tractor units was on the Masai wheat scheme, but with the reduction in 1969/70 of plantings in this scheme, the economic efficiency of the tractor hire service is likely to be adversely affected by the need to plough smaller patches on scattered small-holdings. No expansion of the scheme is envisaged at present.

4.18. One of the objectives of the scheme has been to demonstrate to private contractors the nature and feasibility of operating tractor hire units. Several hundred small-holder tractor owners are already providing such services. The Government has set up a training scheme for people who wish to establish such businesses and is also providing credit and advice to suitable persons.

4.19. Progress on the further development of irrigation schemes continued and the National Irrigation Board ended its second year of operations (1967/68) with nearly 4,000 hectares under irrigation, farmed by 2,296 families. The number of plot-holders, area cropped, the value of output and other particulars of the irrigation schemes are shown in Table 4.4.

4.20. At Mwea, which remains the largest and the most important of the schemes, work was completed during 1967/68 on the 800 hectare extension started in 1964. However, further expansion at the scheme is continuing and a new programme to irrigate an additional 1,200 hectares has already been

PROGRESS OF IRRIGATION AND PRODUCTION AT THE MAJOR IRRIGATION SCHEMES, 1963/64-1967/68

Table 4.4

	1963/64	1964/65	1965/66	1966/67	1967/68
MWEA—					
Hectares Cropped*	2,208	2,242	2,593	2,830	3,130
Number of plot-holders	1,340	1,340	1,484	1,588	1,891
Paddy yield (metric tons)	12,037	11,372	14,454	13,854	17,369
Gross value of crop (K£)	265,373	250,723	318,662	336,766	421,221
Payments to plot-holders (K£)	166,361	155,574	189,136	208,310	268,656
TANA RIVER—					
Hectares Cropped*	477	477	499	494	500
Number of plot-holders	292	257	276	278	266
Seed cotton yield (metric tons)	555	562	822	594	463
Gross value of crop (K£)	30,595	34,663	45,312	31,476	24,172
Payments to plot-holders (K£)	18,630	17,142	26,813	14,859	11,628
PERKERRA—					
Hectares irrigated	166	158	231	269	272
Number of plot-holders	135	134	163	203	139
Onion yield (metric tons)	1,118	784	2,499	2,608	2,410
Gross value of crop (K£)	29,771	17,639	70,837	83,834	39,850
ALL SCHEMES—					
Hectares Cropped	2,820	2,853	3,323	3,527	3,902
Number of plot-holders	1,966	1,929	2,163	2,368	2,296
Gross value of produce (K£)	325,739	303,025	366,434	451,626	485,243

*For Mwea and Tana River, the area irrigated is equal to the area cropped.

started. At the end of 1967/68 there were on the scheme 1891 plot-holders, including 170 settlers who had just moved in to take up newly developed land. The area cropped during 1967/68 was 3,130 hectares, an increase of 11 per cent over the previous year. The gross output of paddy was just under 17,400 metric tons or 25 per cent above the 1966/67 figure. A modern rice mill located near the scheme started operations during 1968. Growers have made a substantial financial contribution towards the cost of the mill which is expected to lead to a reduction in the cost of processing paddy.

4.21. At the Perkerra scheme, on the other hand, the year was an unfortunate one. Onion prices fell sharply and exceptionally wet weather during the year added to the problem, contributing to the growth of disease and thus spoiling the quality of the crop. This situation was partly responsible for the decline in discipline and morale on the scheme and absenteeism was high. However, despite this adverse situation, the area actually planted to onions was higher but yield per hectare fell.

4.22. There was little change in the area cropped at the Galole scheme on the Tana River where cotton is the principal crop. However, the average yield was well below that of the previous year and, in fact, the lowest since 1962.

4.23. Progress on the development of new irrigation schemes on the Kano Plains (Ahero) and Yala Swamp continued at a rapid rate, particularly at Ahero. By the end of the year, 24 months since work was inaugurated, 125 settlers were making preparations to plant their first crop of rice. However, it should be emphasized that this is a pilot scheme and evaluation of a variety of critical factors will continue for some time. At Yala Swamp, progress was hampered by bad weather and it also became clear that the objectives and time schedule of the project would have to be readjusted due to uncertainties and difficulties of the terrain.

4.24. In 1965, the Government established an Agricultural Development Corporation to undertake agricultural projects on its behalf. The Corporation's present activities can be broken down into three categories—the production of strategic inputs for agriculture, purchase and transfer of large farms and investment in other commercial enterprises. As far as agricultural inputs are concerned, the A.D.C. has played an important role in preserving and building up pedigree herds of various types of livestock. Dairy animals and pigs from these herds are sold to the Artificial Insemination Service as well as to commercial livestock farmers. In poultry, the Corporation is participating with private capital in a project to produce exotic day-old chicks. This project was started last year. The Corporation is also involved, again with private capital, in the production of hybrid maize seed.

4.25. The A.D.C. has been charged with responsibility for purchasing approximately 64,750 hectares of land valued at £3.2 million under the so-called "Stamp land transfer programme". The objective of the scheme is to sell or lease these farms to Africans. Until the middle of this year, the Corporation had purchased about 48.600 hectares. Under another scheme, farms are purchased from their previous British owners on "compassionate" grounds for sale or lease to Kenya citizens, in some cases after re-habilitation of run down holdings. By the beginning of this year all except eight of the 25 farms purchased in this manner had been sold or leased.

4.26. The investment activities of the A.D.C. include holdings of equity on behalf of the Government in sugar, fruit processing, poultry, seed production and dairying firms as well as other enterprises. The A.D.C. also manages, on behalf of a co-operative, a wheat /sheep scheme in Masailand.

4.27. The provision of credit is one of the Government's most important services to farmers. Credit is made available mainly through the Agricultural Finance Corporation but other statutory organizations, of which the Kenya Tea Development Authority is the most important, also lend money for the

development of particular crops. The lending operations of the Ministry of Lands and Settlement are undertaken independently of the Agricultural Finance Corporation and are confined to farmers on settlement schemes.

4.28. During the 15 months to the beginning of April 1969, the Agricultural Finance Corporation issued about K£600,000 in loans, mainly to large scale farmers and mainly for land purchase. Among small-holders, its principal activity was the issue of loans from finance made available by the International Development Association and about 800 loans were issued under this scheme. This project has been slow in starting and issues continue to be held back by difficulties in securing the grade cattle in which a lot of small-holders wish to invest. Under the original programme, it was intended to issue loans to 8,000 farmers over a period of four years. In order to abide by the conditions laid down by the I.D.A. farmers receiving the loans must be closely supervised. Because the number of loans issued so far is so small, the cost of supervision is high. The Corporation has also been making preparations to issue loans under another I.D.A .-financed programme—range development. A separate branch of the Corporation has been established to deal with range credit.

4.29. The lending activities described above include only medium and long term credit. Short term funds under the "M.F.R." system are also made available by the Corporation, acting as an agent of the Ministry of Agriculture, to finance wheat and maize production. During 1967, the advances issued under this system amounted to £3.8 million. In 1968, because of the greater area planted, issues were higher. As far as large scale farmers are concerned, recoveries of M.F.R. advances have not so far presented undue difficulties but serious problems have been experienced in recovery from small farmers. However, the Corporation is now taking determined action against defaulters.

4.30. Other important services which affect agricultural development include land settlement, roads and land registration. The road development programme is discussed in greater detail in Chapter 7. Apart from the benefits to agriculture of general road development, specific projects, directly related to agricultural activity—tea and sugar roads—are proceeding under the road development programme. Land registration, which helps to create suitable conditions for the injection into peasant agriculture of credit, and other means of modernization and land settlement are discussed later in this chapter.

Crop Production

4.31. *Maize*.—Deliveries of maize to the Maize and Produce Board during the calendar year 1968 were nearly 351,000 metric tons, compared with 249,000 metric tons in 1967. This level of production was approximately 250.000 tons above domestic requirements and, accordingly, a quarter of a million tons, valued at K£4.8 million, were exported during the year. Total deliveries had reached two and half times the level of five years ago and are

likely to go on rising. In fact, maize is now a major export crop and there is considerable scope for further expansion of output for export. This is a consequence of technological advances resulting in high-yielding hybrid seeds which are being continually improved. Planning for the installation of a bulk handling system which may reduce handling costs by about KSh. 5 or 6 a bag is now well under way. Once this system, and ancilliary improvements such as suitable rail wagons are established, rapid and cheaper movement of large quantities of maize from the producing areas to Mombasa for export will be possible.

4.32. However, regular exports of maize cannot be based on subsidies, as at present. The Government agreed to give the Maize and Produce Board KSh. 14 on each bag of maize exported between August 1968 and July 1969 and this is expected to cost K£2 million this year. Although quite satisfactory export prices have been obtained in recent months (due to a world shortage largely created by drought in South Africa), the export parity price is still well below the sum of the price paid to the farmer and the handling costs of the Maize and Produce Board. For the 1969 planted crop, therefore, the Government has reduced the producer price from Sh. 28 to Sh. 25 per bag. The installation of a bulk handling system will greatly narrow the difference between the f.o.b. price and the cost to the Maize and Produce Board of purchasing and transporting the maize but, in order to eliminate completely the export subsidy, some further adjustment to the producer price may be necessary.

4.33. *Wheat.*—Wheat production is also well in excess of requirements in Kenya and Uganda's and Tanzania's normal purchases of Kenya wheat. Output during the calendar year 1968 was a record 225,355 metric tons, 39 per cent higher than in 1967 and 60,000 metric tons above East African requirements. Production and acreage in 1968 had already exceeded the target set for 1970 in the Development Plan. Some of the surplus has been exported but the bulk is still in store. While there has been no spectacular technological breakthrough as with hybrid maize, seed selection has contributed to a substantial increase in average yield per hectare, of 20 per cent during the last three years, although yields in 1968/69 were not as good as in 1967/68. Losses on wheat exports are even greater than those on maize so that production will have to be cut to levels which can be absorbed by local consumption. For this reason, the producer price for the 1969 planted crop has been reduced to Sh. 40 per bag from Sh. 47 in 1968 but if production still continues to exceed East African requirements (and indications are that plantings in 1969 are again heavy), further downward adjustments to the producer price will become unavoidable. Disposal of the surplus over East African requirements now in existence is expected to cost the Government K£1.5 million if all of it has to be exported. The loss per bag on a recent shipment was nearly K£2. The Wheat Board is trying to encourage the export of flour on which the loss is rather smaller.

4.34. The expansion of production in Masailand, promoted by the Wheat Development Authority, contributed to rising output. Hitherto, wheat had been planted by "share croppers" only, by arrangement with the Masai. But in 1967 the area under the crop leapt up to 8,900 hectares. There was a slight drop, to 6,890 hectares, in 1968. However, it was becoming clear that expansion had been too rapid and retrenchment was necessary—lack of adequate infrastructure led to serious transport difficulties and deterioration of the crop. The soils in some of the plantings were also found to be unsuitable. In 1969, therefore, the area planted has been reduced to 5,300 hectares and only half of this has been sown by the Wheat Development Authority.

4.35. *Pyrethrum.*—Pyrethrum production rose slightly, from 11,283 metric tons in 1967 to 11,863 metric tons in 1968. As in the previous year, over 80 per cent of the crop was produced by small-holder members of pyrethrum co-operative societies. For a few years now, the Pyrethrum Board has been licensing growers in order to limit production to quantities which can be sold in world markets. For 1967/68, it licensed 10,235 metric tons, but deliveries exceeded this amount by about 1,000 tons. Individual growers, i.e., large-scale farmers, did not in fact reach their licensed tonnage and small-holder co.operatives exceeded their quota by nearly 1,600 tons. Because of this excess in production, the Pyrethrum Board's stocks built up and it reduced the licensed tonnage by 10 per cent. In order to promote export sales, the Board reduced the prices of all its products. This also led to a fall in the producer price which was reduced from KSh. 4/68 to KSh. 3/78 per kg. of flowers of 1.5 per cent pyrethrins content towards the end of its 1967/68 sales year.

4.36. During the last two years, development of synthetic substitutes for pyrethrum has caused serious anxiety about the future of the industry. While there is no doubt at all that there is no future for growers producing flowers of low pyrethrins content, a great deal can be done to strengthen Kenya pyrethrum's competitive position by improving pyrethrins content and by the introduction of economies and higher levels of efficiency in processing, drying, marketing costs, etc. Measures to implement such steps are being taken. Proven high content clones are now being rapidly propagated at the Board's own nurseries. The small scattered nurseries where the operations had been previously undertaken have been closed down and propagation transferred to high efficiency large-scale irrigated nurseries. These nurseries are expected to supply the necessary quantities of improved planting material. Research is proceeding in hybrid seed selection and the introduction of new clones with specialised characteristics. Individual growers are also establishing improved planting material with assistance from the Board's laboratory which undertakes analysis of pyrethrins content for growers. These measures will have to be reinforced with suitable pricing policies. Earlier this year, a system of bonuses for high content flowers and penalties for farmers producing low content flowers was introduced. However, it was withdrawn because growers felt that they had not been given sufficient time to re-adjust to the new price

structure. As supplies of higher content material are built up to enable all growers to replace low content flowers, the bonus and penalties system should be brought into force. If the industry is to be maintained at its present level, pyrethrins content will have to rise well above the average of 1.34 per cent in 1967/68.

4.37. Sugar.—Sugar production during the year rose 66 per cent to 81,572 metric tons. The growth in factory sugar production was based, of course, on rising deliveries of cane from farmers. The output of cane, including that used for jaggery production (this was particularly high in 1964) is shown below:—

	'000 *metric tons*
1964	600.9
1965	517.7
1966	514.6
1967	706.3
1968	917.5

4.38. This growth was largely a result of rising output in the Muhoroni Factory, opened in 1966, and the inauguration of production at Chemelil during 1968. However, production has been held back by difficulties in keeping the factories supplied with cane. Owing to the nature of the soil in the sugar-cane growing areas, in-field transport is extremely difficult during wet weather. The problem is to find a solution which over-comes technical hurdles and is also economical. At the settlement schemes which supply cane to the factories, a new approach is being attempted and field rails have been laid for this purpose. However, this is a rather cumbersone system and something more flexible is desirable. Considerable resources are being devoted towards establishing a suitable method of in-field transport and it is expected that a solution will soon be found. But until then over-age cane will continue to deteriorate in the fields. Once the cane is moved out of the fields on to roads leading to the factories, there is no serious problem.

4.39. Cotton.—Seed cotton output rose from 12,715 metric tons in 1967 to 13,965 metric tons in 1968. However, this was still slightly below the level of output attained in 1966. as this following series shows:

	'000 *metric tons*
1964	11.0
1965	12.4
1966	14.4
1967	12.7
1968	14.0

4.40. During the last few years, it has become clear that expectations of cotton production have been too optimistic and resources have been expended from which there has been virtually no return in terms of rising output and better yields. Because of the very low yield, the economic benefits

to farmers are not very attractive and they prefer to grow other crops if possible. Low output in scattered locations means low throughput in ginneries and higher unit processing costs (as well as handling and marketing costs). The reserves accumulated by the Cotton Lint and Seed Marketing Board, mainly during the period of high prices in the early 1950's, have been com- pletely exhausted and the Government has had to take over some of the Board's functions, including extension. Although the price received for Kenya cotton exports in 1968 rose slightly, the price paid by the Board to growers is still higher than its receipts from exports. Economies by retrenchment in the Board's size and operations are desirable. The future of cotton produc- tion in Kenya should probably be seen more in relation to raw material requirements in existing and planned textile mills than exports of lint. The problems of the industry are difficult and complex but. quite clearly, unless decisive action is taken, the unsatisfactory drift of the last few years will continue.

4.41. Horticulture.—Although the intake of pineapples at the canneries improved somewhat during 1968 (rising to 12,725 metric tons, from 10.816 in 1967), it remained low and the production and export of canned pineaples were well below the level prevailing until two years ago. This arose partly out of low export prices because of intense international competition. Within the country, problems of organization of production on small-holdings and its disposal between sales to canneries and the fresh fruit market also created difficulties. (The latter problem is related to relative export prices). However, developments which foreshadow a major expansion of the production and export of pineapples took place following the active involve- ment of a major international firm in canning and growing the fruit. While this firm will continue to accept from small-holders deliveries substantially above what they have been able to provide during the last two years, it will also undertake pineapple production on a large scale and had planted 350 hectares to the crop during 1968. Further expansion is continuing rapidly. Vegetables are also going to be produced. Very high yields are expected to be obtained from these plantings under the conditions of intensive irrigated production which have been adopted.

4.42. Passion fruit production in 1968 had not recovered from the severe disease infestation of the previous two or three years. However, growers had increasingly adopted spraying and "orchard hygiene" to combat disease and improve production. These measures have been assisted by the provision of credit from the Agricultural Finance Corporation as well as commercial banks. A decision has also been made to disperse the production of this crop geographically, as a precaution against disease damage in one location, and it is intended to establish the crop in the Taita Hills. Other locations may also be considered. Dispersion would require, of course, juice expression plants to be located at the source of production. A central processing factory can be supplied with juice from the purely expression establishments.

4.43. A potentially important horticultural product, macadamia nuts, made considerable headway during 1968 and a large number of trees were planted. At present, world production of macadamia nuts is very small and prices very high. The plantings in Kenya are based on a different approach which enables more rapid expansion of the area planted and therefore of production. While no significant output of nuts has yet been produced (some production should come forward this year), it is hoped that Kenya will establish itself as a leading supplier of macadamia nuts over the next few years, as plantings mature. The crop is being introduced on coffee-growing holdings only in Eastern and Central Provinces.

4.44. Coffee.—Coffee production suffered a severe setback from the ravages of coffee berry disease and output in the calendar year 1968 was 17 per cent below that in 1967. Almost the whole of the decline was in smallholder production, as shown in Table 4.5. However, estate production was also 10,000 tons below the level of 1966. As a result of this sharp drop in output, exports were below Kenya's quota allocation in 1967/68 by nearly 10.000 metric tons. While output fell, prices recovered from the relatively low level of 1967, rising by 10 per cent to K£322 per metric ton. However, this was still below the level realized during the three years 1964-1966. In addition to severely affecting yield, C.B.D. also has deleterious consequences for quality and the 1968 crop reflected this.

COFFEE PRODUCTION, 1964—68

Table 4.5 '000 *metric tons*

	Estates	Small-holders	Total
1964 ..	24.8	16.6	41.4
1965 ..	2.1	16.2	39.3
1966 ..	28.4	28.5	56.9
1967 ..	19.2	28.8	48.0
1968 ..	18.8	20.8	39.6

4.45. Deliveries to mills suggest that output during the 1968/69 international coffee year will exceed 50,000 metric tons (against 39,225 during the 1967/68 season) and enable Kenya's export quota to be met in full. However, this increase is a result almost entirely of much higher yields obtained by estates which have nearly doubled output during the first half of the current year by doubling yield per hectare. No growth of this order is apparent in deliveries from smallholders although production from this sector is also expected to exceed that of 1968. The quality of the crop has also been better, as shown in Table 4.6. Despite this, prices in the Nairobi auctions are running below those of the previous year, due to a general slackening of world prices for all coffees.

CLASSIFICATION OF COFFEE BY QUALITY, FIRST HALF OF 1967/68 AND 1968/69 SEASONS*

Table 4.6 *Percentages*

	ESTATES		SMALLHOLDERS	
	1967/68	1968/69	1967/68	1968/69
Standard 1		0.09		2.63
Standard 2	0.45	0.80	5.32	16.70
Standard 3	12.18	16.97	23.86	26.54
Standard 4	31.50	37.65	31.95	30.73
Standard 5	33.27	33.71	24.66	17.01
Standard 6	14.19	8.76	9.36	4.87
Standards 7-10	8.42	2.02	4.85	1.52
	100.00	100.00	100.00	100.00
Average Standard	4.78	4.39	4.26	3.64

*Excluding categories such as "Miscellaneous" which are not specifically attributed to estates or smallholders.
Penal grades.

4.46. The better results in the current year from the estates are partly due to better control of C.B.D. This has been achieved by a sharp increase in inputs per hectare so that, despite higher yields, the net return will not show the profits which a similar level of inputs in pre-C.B.D. years would have shown. However, although the degree of C.B.D. infestation has fallen off, smallholders have not been able to take the necessary counter-measures to improve production. Techniques to control the disease are now available and in use but few of them can afford the cost of treatments—about K£60 per hectare. Low returns from coffee have also led to a decline in interest so that farm management standards for this crop have deteriorated. Without the enlarged processing facilities and improved training provided for members of smallholder coffee societies during the last two years, the quality of the smallholder crop would have been worse.

4.47. While Kenya's export quota in 1968/69 is likely to be fully supplied from rising production, the coffee industry will not have come out of its difficulties. The Government is aware of this and steps to improve and strengthen the industry are under consideration.

4.48. *Sisal.*—Production continued to decline and had fallen to 49,784 metric tons, 4 per cent below output in 1967. The steady drop in output, illustrated below, has been apparent for five years now and has followed a continued downward trend in world prices:

	'000 *metric tons*
1964	67.4
1965	64.8
1966	57.3
1967	51.7
1968	48.6

4.49. Total area planted on estates now is about 85,000 hectares. Of this figure, "productive" area, i.e., what it actually maintained and harvested, is even lower, the difference being, for all practical purposes, abandoned sisal. Almost no new development is being undertaken and some estates are not even carrying out normal rotational planting. During the last three years, about 20 of the 50 estates have closed down. However, most of these were the relatively small and inefficient estates. Those that remain are trying to diversify into other crops. Beef cattle are the principal alternative but other crops are also being tried—kenaf, beans, cereals and pineapples, depending on location and climatic conditions.

4.50. The overall f.o.b. price in 1968 was K£43.7 per metric ton compared with K£46.3 in 1967. Attempts have been made to establish an international quota and minimum price system under the auspices of F.A.O. However, in order to uphold prices, quotas have recently been cut further and the minimum agreed price is just under £71 per metric ton, c.i.f. London. Worked back to the producer in Kenya, this is hardly K£45 per ton. Given this level of prices (and there is little reason to assume any significant improvement in future), a continuing further shrinkage in the size of the sisal industry can be foreseen despite the fact that the threat from synthetics to the main end-use of hard fibres—agricultural twines—is not as immediate as it had appeared a year or two ago. But, already, there is no smallholder production at all. Small-holders do not find it worthwhile to cut sisal except at high prices and the four factories formerly brushing and baling their production (at Machakos, Kisumu, Homa Bay and Embu) have closed down. An encouraging development is the rising level of domestic use of fibre in cordage factories. Consumption now is running at 10 to 11 thousand tons but this is only about 20 per cent of output.

4.51. *Tea.*—Tea production reached a record level during 1968, 30,382 metric tons, compared with 22,811 tons in 1967. Excellent weather conditions and an expanding area of mature plantings were responsible for this rise. Marketings from smallholders had almost doubled during the year. Area under the crop also rose, reaching 21,300 hectares on estates and 10,770 hectares on smallholdings. The third phase of smallholder tea development under the Kenya Tea Development Authority is now being carried out and finance for it has been secured. The objective is to reach a target of 17,100 hectares by 1973. The progress of smallholder tea planting during the last few years is illustrated in Table 4.7 below.

THE DEVELOPMENT OF SMALLHOLDER TEA

Table 4.7

	Total Hectares at end of year	Number of Growers at end of year
1963/64	4,314	19,775
1964/65	5,133	22,343
1965/66	6.479	26,693
1966/67	8,424	32,599
1967/68	10,772	37,953

4.52. While tea production rose sharply, prices declined. Since nearly 90 per cent of the tea produced in the country is exported, largely to Britain, growers' receipts were affected by the devaluation of sterling towards the end of 1967 and the price farmers received from sales in the London auctions fell from Sh. 7/83 per kg. in 1967 to Sh. 6/39 in 1968. The Kenya Tea Development Authority was compelled, therefore, to reduce pay-out for green leaf delivered by smallholders. During the last two years it has paid growers an initial price of 88 cts. per kg. of green leaf and, as a second payment, an amount which has varied according to movements in export prices. In 1966/67, the second payment was 33-44 cents per kg. according to location. After the devaluation of sterling, this was reduced, later in 1967/68, to 2-18 cents per kg. For 1969/70, it is likely to be even lower.

4.53. During 1968, Kenya participated in a meeting of tea producing and consuming countries. At that meeting, it was agreed to set up more permanent procedures to review world tea demand and supply. Subsequently, another meeting has been organized by F.A.O., to discuss these questions. While it is true that the world tea situation does need to be watched, Kenya is unable to agree to quota arrangements which do not take into account the ability of African countries to expand their relatively low cost production (in comparison with the older established South Asian producers). Also, other arrangements such as increased domestic consumption in the major producing countries should be more fully explored before quota arrangements are considered.

4.54. Wattle.—The output of green and stick wattle bark rose from 54.900 metric tons in 1967 to 58.800 metric tons in 1968. This increase in production was the result of improved prices and more stable international market conditions *(see* paragraph 5.17 in Chapter 5). On estates, the area under wattle has been declining for several years—from a peak of about 34,000 hectares in 1960, it had fallen to 18,000 hectares in 1968. Land formerly under wattle has been transferred to cereals and dairy production or sold for smallholder settlement. However, despite the drop in area, production has remained fairly high due to rapid cutting of trees to make room for other crops. Smallholders grow the crop as much for obtaining fuel and wood for building as for bark. It is not unlikely that their sales of bark reflect demand for fuel and building materials more than the price of bark as such. During the last few years, it has not been possible to devise a clear wattle production policy due to uncertainties in the international market. Sales agreements between wattle producers and growers of substitute vegetable tanning extracts have tended to be relatively short lived and easily upset. Differences between wattle producers in Africa and Brazil have also created instability in the market for extract. Such market instability must be seen in the context of the fact that the crop takes ten years to mature. Given this as well as the fact that multiple products can be derived from the wattle tree, world demand for tanning extract as such will probably exercise only a relatively weak influence on small-holder production in Kenya. On the other

hand, demand for fuel and timber probably does ensure the continued maintenance of small-holder plantings. On large farms in the Eldoret area, where estate wattle is concentrated, attempts are being made to restore some of the wattle not replanted during the last few years.

Livestock Production

4.55. ***Dairying.***—The excellent rainfall during 1968 contributed to an increase in dairy production. Recorded sales of milk (including also the milk equivalent of butterfat) rose from 216.8 million litres in 1966/67 to 225.4 million litres in 1967/68, or by 4 per cent. Nearly 90 per cent of these sales passed through the Kenya Co-operative Creameries Ltd. However, actual marketed production is probably 30 to 35 per cent higher than recorded sales, the balance going mainly into transactions with neighbours in the small-holder dairy production areas. Also, it is known that considerable quantities of milk are being produced from grade cattle in some areas which have no established dairies through which supplies can be collected for dispatch to the processing factories. Of the deliveries to the K.C.C., 124.8 million litres were delivered as liquid milk and 75.4 million litres as butterfat. Sales of liquid milk during 1968 were relatively unchanged but there are indications that these were moving up during the earlier part of this year.

4.56. Small-holder dairy production is increasingly more important and sales from the Rural Dairy Development Schemes during 1967/68 were 43.5 million litres. This was only slightly higher than the figure for the previous year but there had been a rapid growth of production from this source in the preceeding years as shown below: —

	million litres
1963/64	12.7
1964/65	17.0
1965/66	17.5
1966/67	42.4
1967/68	42.5

4.57. The number of rural dairy centres serving small-holders rose during the year by 36 to reach a total of 276. While the bulk of the milk from rural dairies originates from grade cattle, about 14 per cent is obtained from zebu cows, primarily at the Mariakani Milk Scheme. This scheme is the largest single source of marketed small-holder dairy production. However, some other areas of organized marketing from mainly zebu cattle also exist. In the South Nyanza Ghee Scheme, 83,000 kg. of ghee were produced. Work was continued on dairy development in new areas, including Mara and Kajiado, and on new centres for the more established dairy production districts. Equipment for these centres has been supplied for several years by U.N.I.C.E.F. but its aid for the scheme will cease at the end of the current year and future development will have to be based on domestic or new external resources.

4.58. Until recently, sales of wholemilk to Uganda provided an important outlet for Kenya production. However, following the development of domestic dairy production within Uganda, imports from Kenya have been reduced from the peak of 14.4 million litres reached in 1967 and are likely to dwindle to a trickle by the end of this year. The smaller export of liquid milk to Tanzania is also expected to diminish further. In order, therefore, to maintain and expand dairy production, domestic consumption will have to be increased and exports of dairy products other than liquid milk and butter developed. Increasing quantities of milk are being used in the production of manufactured items such as dried, condensed and evaporated milk, and these have nearly doubled over the last five years, reaching 38 million litres in 1967/68. A new processing plant under construction at Kiganjo will provide new capacity for the manufacture of spray-dried whole and skim milk. However, Kenya's production of these commodities will have to be more competitive if exports are to be successfully increased. Domestic consumption of liquid milk will grow slowly so long as the price of liquid milk remains at its present level. With more milk being diverted into relatively low-priced uses, the average price received by farmers is likely to drop.

4.59. The supply of grade cattle continues to be a constraint on the further expansion of dairying by increasing grade cattle numbers in existing areas of production, particularly settlement schemes, and their introduction into new areas which at present have only low-yielding zebu cattle. The "large" farm areas have in the past been the principal source of dairy stock. Sales of dairy cattle from this source were about 14,200 in 1967/68, the same as in the previous year. Although there appears to have been an increase in total numbers of dairy cattle on large farms, from 245,000 to 282,000 head, a part of this growth probably consists of scrub cattle which have been introduced into these areas.

4.60. *Beef.*—Deliveries of cattle and calves for slaughter to the Kenya Meat Commission are shown below: —

	'000 *head*
1964	157.6
1965	184.6
1966	187.7
1967	216.1
1968	186.9

The decline of 14 per cent in deliveries during 1968 was the result of increasing competition for the purchase of cattle from traders who sell animals for slaughter to the small rural butchers. It is estimated that, of the total slaughterings in the country, only 25 per cent are by the Kenya Meat Commission which is responsible for supplying the main urban areas.

4.61. The drop in deliveries to the K.M.C. consisted largely of low weight animals so that the actual output of meat did not decline to the same extent as deliveries of cattle. However, total production of meat was smaller and the pattern of disposal different, a larger proportion being consumed domestically, as shown in Table 4.8.

KENYA MEAT COMMISSION: PRODUCTION AND DISPOSAL OF BEEF, 1964-1968

Table **4.8**

	Total Production *(metric tons)*	Local Sales *(metric tons)*	EXPORTS		
			Chilled or Frozen *(metric tons)*	Canned *(metric tons)*	Percentage of Production Exported
1964	25,324	12,324	2,712	10,288	51.3
1965	25,118	12,819	2,032	10,267	49.0
1966	26,760	12,208	2,848	11,704	54.4
1967	30,463	13,706	3,451	13,306	55.0
1968	29,961	16,091	3,376	10,494	46.4

4.62. In order to improve the competitive position of the K.M.C. *vis-a-vis* private traders, and also to strengthen incentives to beef producers, early this year the Government increased the guaranteed price paid to producers. Although changes in the prices of the various grades were not uniform, the overall increase was about 10 per cent. The grading system used by the K.M.C. was altered in order to simplify and make it more consistent with long-term plans to stimulate output of the type of beef which it is felt should be produced in Kenya. Changes were also made in the management of the K.M.C. in order to improve its efficiency. (***See*** Chapter 5, paragraph 5.4.) The Commission has been authorized to vary prices seasonally; this should give it greater flexibility in operations.

4.63. Preparations were completed to make large investments in a major project for the development of the range areas. Under the project, a package of investments will be provided to improve range facilities (water, dips, fencing, etc.), purchase cattle, establish stock routes, etc. The investments will be made largely on newly organized group ranches in Masailand and established commercial ranches in Laikipia. Assistance has been obtained from international sources to finance the project. Mention has already been made of special lending arrangements established at the Agricultural Finance Corporation to handle credit for the project.

4.64. Of the estimated 7 to 7.5 million cattle in Kenya, only a small proportion are bred specifically as beef animals under conditions of modern ranching. These are found on the so-called "commercial" ranches in the "large farm" areas. Under the range development project, modern ranching

practices will be introduced in the pastoral areas and production improved and intensified in the "commercial" ranches on which the beef cattle population appears to have stabilized, as the following series shows:—

	'000 head
1964	451.1
1965	467.2
1966	469.8
1967	484.5
1968	486.4

4.65. *Sheep, lambs and goats.*—Sales of all three categories to the Kenya Meat Commission either dropped or remained unchanged during 1968, as shown in Table 4.9.

DELIVERIES OF SHEEP, LAMBS AND GOATS TO THE KENYA MEAT COMMISSION, 1964-1968

Table 4.9 — '000 *head*

	Sheep	Lambs	Goats
1964 ..	60.4	6.2	48.2
1965 ..	50.4	71	56.6
1966 ..	41 .8	7.8	13.3
1967 ..	39.2	7.6	20.4
1968 ..	28.6	7.6	9.9

The decline in the Kenya Meat Commission's purchases of small stock does not necessarily mean that total national slaughterings of such animals declined. Its share of such slaughterings is even smaller than for beef—now only about 2 per cent—but it has certainly fallen sharply over the last few years. The prices the Commission has been able to offer for small stock have remained relatively static, in contrast to its beef prices.

4.66. *Pigs.*—Deliveries of pigs fell from 45,156 in 1966/67 to 43,175 in 1967/68. The numbers of baconers slaughtered increased a little but porkers and larders declined. Of total deliveries, 38,284 or 89 per cent went to the Uplands Bacon Factory. The average price paid by the factory rose from KSh. 3/54 to KSh. 3/89 per kg. Over 39 per cent of the factory's total sales went to export markets, mainly to Uganda, Tanzania and Zambia. Profits from sales to most other export markets are low (or even negative) at the present level of producer prices and processing costs. Within Kenya, pig meat is an expensive luxury compared with other meats and its consumption is unlikely to rise unless there is a substantial fall in price. With cheap feed maize now available, it is to be hoped that some progress in this direction will be possible.

4.67. A rising proportion of pigs slaughtered is now coming from small-holdings, mainly in Nyeri. Of total deliveries to Uplands, nearly 29 per cent were from smallholders, compared with only 5 per cent five years earlier. Also, the quality of small-holder production appears to be rising, the proportion of porkers in deliveries having fallen from 91 per cent to 48 per cent, although it is likely that some porkers are finding unrecorded market outlets.

4.68. ***Wool.***—Exports of wool rose from 1,418 metric tons in 1967 to 1,798 metric tons in 1968. However, the f.o.b. price declined from KSh. 6/90 to KSh. 6/40 per kg. and was the lowest for several years. The growth in exports suggests that the clip per animal rose but it is likely that the quality of wool produced weakened during the year. Merino prices improved a little but crossbreds fell further, having declined from KSh. 4/55 per kg. in 1966, to KSh. 1/89 in 1967 and KSh. 1/32 in 1968. The collapse of prices for this grade is due to increasing substitution by synthetic fibres.

Land Settlement

4.69. The "million-acre" settlement programme, initiated in 1961, had been almost completed by the middle of 1968. Of the total planned area for settlement of 543,600 hectares, 512,100 hectares had been settled by mid-1968. This area was made up of 127 individual settlement schemes on which 33,131 families were accommodated. The progress of the scheme during the last few years is illustrated in Table 4.10.

THE PROGRESS OF LAND SETTLEMENT

***Table* 4.10**

	Hectares Purchased	Total Number of Planned Schemes	Total Number of settled Schemes	Total Number of families Settled
Upto 30th June, 1963..	173.813	32	29	5,200
1963/64 ..	298,163	85	68	15,682
1964/65 ..	387,663	102	86	23,917
1965/66 ..	463,509	135	109	28,260
1966/67 ..	478,642	135	109	29,931
967/68 ..	513,849	135	127	33,131

4.70. The value of sales from production on settlement schemes is shown in Table 4.11. As the new farmers have settled down, sales have increased rapidly and had multiplied tenfold over the five years shown in the table. The gross value of output from the schemes is higher as the figures shown exclude retentions of food crops for home consumption as well as the small element of sales which bypass the marketing co-operatives. The prominence of pyrethrum in the total is striking and, during 1967/68, it accounted for 46 per cent of sales through co-operatives. Dairy products (milk and butter-fat) accounted for another 31 per cent. In view of the relatively weak future of pyrethrum, the heavy dependence of settlement schemes on this crop holds some dangers. As the cane planted on sugar schemes matures and the problems of transporting this cane to the factories are overcome, this crop will assume increasing importance. Sales of maize are also likely to grow.

SALES FROM SETTLEMENT SCHEMES THROUGH CO-OPERATIVES, 1963/64—1967/68

Table 4.11 K£

	1963/64	1964/65	1965/66	1966/67	1967/68
Milk	117,871	284,857	424,362	519,011	653,453
Butterfat	57,492	65,925	95,178	105,765	97,819
Pyrethrum	22,624	109,921	425,344	796,884	1,104,665
Beef	25,181	58,368	53,329	37,778	63,391
Wheat	3,213	32,220	31,196	68,111	45,936
Maize	1,280	6,198	33,703	96,330	167,734
Coffee	3,240	10,570	23,958	25,331	27,440
Sugar-cane	**		**	85,292	186,486
Wool	1,597	9,685	32,543	32,749	35,738
Others*	16,161	35,121	44,291	15,700	43,067
TOTAL	248,659	612,865	1,163,904	1,782,951	2,425,729

**Denotes that sales of cane were negligible in these years.

* "Others" include a number of such minor products as hides, manure, oats, potatoes, peas and beans, sisal, sunflower, vegetables, fruit, pigs, lambs and goats, and poultry.

4.71. While gross output during the last few years has been rising rapidly, the performance of individual settlers has not always reached targets originally envisaged. There is a high degree of variability in performance, some farmers (17 per cent in 1966/67) attaining their targets, quite a large number still operating below these and others continuing to incur deficits. The inability of a large number of settlers to meet the original targets, which were perhaps too optimistic in many cases, is underlined by the high level of arrears in loan repayments. At the end of 1968, 44 per cent of the amount billed for payment was in arrears and only 7 per cent of all settlers were fully up-to-date in their payments. The amount outstanding at the end of the year was K£1.7 million.

4.72. After some initial delays, plans for the "Harambee" settlement schemes are now being implemented. However, this programme is a relatively minor one in expenditure as well as the numbers to be settled—a few hundred only.

4.73. In terms of numbers of settlers, the squatter settlement programme is now of major importance. Since this programme was initiated two years ago, over 45,000 squatters (including 12,000 in the urban areas) have been registered. By mid-1968, 13,000 had been settled or accommodated (including former urban squatters) on 147,000 acres of land, i.e., on average holdings of 11 acres each. The objective of this programme is not to provide settlers with relatively high levels of income, as in the million-acre settlement scheme, but to enable them to earn a livelihood and, at the same time, to provide a relatively low cost solution to the squatter problem. The cost of settling squatters is recovered from them over a period of several years. A major reason for the low cost of this type of settlement is that, so far, no land has

excisions, mismanaged farms and donated land. Obviously, continuation of the programme on a significant scale will depend on the availability of state land which does not have to be purchased.

Land Registration in the Small Farm Areas

AREA OF LAND REGISTERED IN EACH DISTRICT, 1956/57—1967/68

Table 4.12 '000 Hectares

PROVINCE	Total during 1956/57 to 1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	Total to 31-12-68
CENTRAL—							
Nyeri	80	0	0	0	0	0	80
Fort Hall	142	21	23	16	10	**	126
Kiambu	96	0	0	0	0	0	96
Kirinyaga	76	0	0	0	0	0	76
TOTAL	394	21	23	16	10	**	378
EASTERN—			**			**	
Meru	49	9	0	17	28		103
Embu	51	0	**	0	0	0	51
Machakos	*	*		34		**	34
TOTAL	100	9	**	51	28	**	188
RIFT—							
Nandi	9	1	6	6	4	18	54
Elgeyo-Marakwet	7	1	11	•	2	4	28
Baringo	36	1	5	11	4	2	63
Kajiado	**	4	2	2	**	13	31
Kericho	*	*	*	2	5	10	17
TOTAL	52	7	24	21	15	47	194
WESTERN—							
Kakamega	**	10	17	25	37	28	132
Bungoma	**	8	13	18	18	14	72
Busia	*	*	*	*	10	7	18
TOTAL	0	18	30	43	65	49	222
NYANZA—			**			4	
Kisumu	*	0.3	*	1	0 3		5
Siaya	*	**		1	3	**	5
Kisii	**	**		6	11	14	42
S. Nyanza	*	*	3	8	6	12	39
			**				
TOTAL	**	0.3	3	16	20.3	30	91
COAST—	*						
Taita		**	**	1	0.7	0.6	4
ALL PROVINCES	546	56	80	150	141	127	1,078

0Denotes that registration work in the District has been completed.
*Denotes that registration work in the District had not begun at the end of the year.
**Denotes that work was in progress during the year, but no new land was actually brought on to the register.

In Fort Hall District the registration of 87,000 hectares was cancelled in 1960. This area is included in the "total during 1956/57 to 1962/63" but not included in the "total to 31-12-68".

4.74. Land registration was completed or continued in 20 districts during 1967/68. While the number of districts in which land adjudication work is being undertaken did not change and the area actually registered decreased by 14 per cent, another 127,000 hectares were brought on to the register. The actual area registered in each district is shown in Table 4.12. Progress in the pastoral districts of the Rift Valley was particularly marked. The programme of registration is now following the recommendations of the "Lawrence Mission" which undertook an investigation into adjudication in 1966 at the request of the Government. A substantial increase in the staff of the Land Adjudication Department has been made and it is expected that much larger annual acreages will be registered in future. In the pastoral districts, this will be necessary so that the range development programme continues without delays in areas where such development is to be based on land held under title.

4.75. The actual number of holdings on the register in each district is shown in Table 4.13. Like the previous table, this includes only holdings registered under the land adjudication programme in smallholder areas and excludes holdings in, for example, settlement schemes.

TOTAL NUMBER OF AGRICULTURAL HOLDINGS ON THE REGISTER IN EACH DISTRICT

Table 4.13 Numbers

DISTRICT	Up to 31-12-65	Up to 31-12-66	Up to 31-12-67	Up to 31-12-68
Nyeri	43,593	43,593	43,593	43,593
Murang'a	62,126	74,987	74,987	73,987
Kiambu	37,408	37,408	37,408	37,408
Embu/Kirinyaga*	43,302	43,302	43,302	43,302
Meru	25,242	32,059	38,080	34,396
Machakos	–	2,460	2,460	3,113
Nandi	2,419	3,161	3,161	8,519
Elgeyo-Marakwet	3,166	3,628	3,852	6,052
Baringo	2,096	2,397	2,766	5,060
Kajiado	651	651	651	1,418
Kericho	–	1,344	1,652	3,966
Kakamega	33,276	41,565	53,735	86,392
Bungoma	5,803	8,325	10,943	14,715
Busia	–	2,481	6,440	7,802
Kisumu	164	631	621	3,791
Siaya	725	3,392	3,392	3,392
Kisii	1,074	6,737	10,294	33,958
South Nyanza	2,909	2,909	6,888	13,158
Taita	777	1,912	3,255	4,793
TOTAL	264,731	312,942	347,480	428,815

*When the land was first registered, Kirinyaga was part of Embu District. Since the introduction o the new district, land-owners from both districts continue to use the land registry in Embu, and no count has yet been made of the number of registered holdings in each district separately.

Forestry

4.76. The progress of Government afforestation schemes is shown in Table 4.14. The emphasis continues to be on early-maturing softwoods and the area planted to cypress and pine rose by 4,500 hectares during the year. This was slightly lower than the growth achieved in 1967, due to the transfer of 8,100 hectares of land, some of it planted to forest, from the Turbo afforestation scheme for the settlement of squatters. However, this excision represented only a small part of the Turbo plantings. Started three years ago, this scheme is intended to be the main source of timber for the proposed pulp and paper factory at Broderick Falls.

FOREST PLANTATION AREA*, 1964—1968

Table 4.14 **'000 Hectares**

	Up to 1964	1965	1966	1967	1968**
Indigenous Softwoods	4.9	4.9	4.5	4.5	4.9
Indigenous Hardwoods	3.6	3.6	3.6	4.0	4.0
Exotic Softwoods—					
Cypress	31.2	33.2	35.2	37.2	39.7
Pines	36.4	38.0	39.7	42.5	44.5
TOTAL	67.6	71.2	74.9	79.7	84.2
Exotic Hardwoods—					
Timber	72.8	72.8	72.8	72.8	72.8
Fuel	6.5	6.5	6.5	6 5	6.5
TOTAL AFFORESTATION	85.4	89.0	92.3	97.5	102.4

*Total area of Forest Department plantations, not of felling.
**Provisional

4.77. The volume of the major forest products sold is shown in Table 4.15.

SALES OF FOREST PRODUCTS, 1964—-1968

Table 4.15

	1964	1965	1966	1967	1968*
Timber ('000 true cu. m.)—					
Soft-wood	126	196	156	206	183
Hard-wood	16	17	14	15	15
TOTAL	142	213	170	221	198
Fuel ('000 stacked cu. m.)—					
Fuel-wood	94	117	107	91	97
Charcoal	71	73	147	64	82
TOTAL	165	190	254	155	179
Power and Telegraph Poles (Number)	9,426	10,871	7,000	252	4,923

*Provisional

CHAPTER 5ð INDUSTRIAL PRODUCTION

Manufacturing

Manufacturing production in 1968 experienced its fastest rate of growth since 1964. Most of the increase in output was directed towards internal consumption, but exports also moved ahead, notably to Tanzania following the abolition of quantitative restrictions under the East African Treaty. On the other hand, in some industrial groups, particularly textiles, stocks had accumulated to a high level by the end of the year. The imposition of transfer taxes on a number of Kenya exports to Tanzania and Uganda does not seem to have caused any overall setback, although in the case of Uganda it is difficult to be certain because of the simultaneous application of specific licensing (see Chapter 3).

5.2. The Quantity Index of Manufacturing Production (Table 5.1) showed an overall increase of 7.2 per cent in 1968. Although the textile group grew most rapidly, its weight and therefore its effect on movements in the overall index was quite small. The groups with the largest weights were food, transport, and beverages and tobacco, followed by paper and printing, chemicals, non-metallic minerals and metal products. These groups all recorded a substantial increase with the exceptions of food and paper and printing.

Quantity Index of Manufacturing Production, 1964-1968

Table 5.1

	1964	1965	1966	1967	1968*	Percentage change, 1967 to 1968
Food	100.0	99.5	102.8	110.2	113.0	2.5
Beverages and Tobacco	100.0	97.1	101.4	99.8	108.7	8.9
Textiles	100.0	111.1	135.4	149.4	205.1	37.3
Footwear and Clothing	100.0	118.9	132.6	125.2	146.5	17.0
Wood	100.0	110.0	135.6	125.7	142.6	13.4
Furniture and Fixtures	100.0	105.0	110.0	122.5	125.0	2.0
Paper and Printing	100.0	125.6	140.6	149.4	138.3	—7.6
Leather	100.0	96.7	110.0	100.0	116.7	16.7
Rubber	100.0	104.0	132.0	134.0	172.0	28.4
Chemicals	100.0	100.6	112.4	109.2	118.4	8.4
Petroleum Products	100.0	118.8	119.3	128.5	126.3	—1.8
Non-metallic Minerals	100.0	109.8	112.2	117.7	134.8	14.5
Metal Products	100.0	101.6	94.6	98.6	111.8	13.4
Non-electrical Machinery	100.0	122.9	167.1	180.0	170.0	—5.6
Electrical Machinery	100.0	103.7	107.9	102.3	117.4	14.8
Transport Equipment	100.0	103.2	108.5	119.8	128.6	7.3
Miscellaneous	100.0	108.9	123.3	82.2	86.7	5.5
All Industries	100 .0	105.4	111.9	116.2	124.8	7.2

*Provisional

5.3. Food Processing: Actual levels of output of selected items in this group are shown in the table below.

PRODUCTION OF SELECTED FOOD PRODUCTS, 1964-1968

Table 5.2

	Beef and Mutton Production* *('000 metric tons)*	Whole-milk Sales+ *('000 litres)*	Milk used for Factory Cheese Production *('000 litres)*	Factory Butter Production *('000 metric tons)*	Factory Ghee Production *('000 metric tons)*	Wheat Flour *('000 metric tons)*	Biscuits *('000 metric tons)*	Sugar *('000 metric tons)*	Cannery Intake of Pineapples *('000 metric tons)*
1964	26.9	75,086	6,869	4,628	1.2	76.6	-	35.3	25.4
1965	27.0	77,986	5,832	3,650	0.9	78.6	-	29.1	19.9
1966	27.9	89,246	5,892	3,784	1.5	78.3		36.4	24.2
1967	31.4	96,493	5,296	3,940	0.5	73.5	1.6	60.4	10.8
1968	29.4	96,161	5,028	4,188	0.8	71.6++	1.7++	81.4	13.7

*KenyaMeat Commission only.
+Kenya Dairy Board Licencees only (almost entirely factory packed).
++Estimate.

5.4. Production in the food processing industries rose by only 2.5 per cent overall, but there were considerable variations in the experience of individual sub-groups. A fall was recorded in the output of meat products at central abattoirs. This fall was caused not so much by any slackening in the demand for meat products, for even though difficulties were experienced in export markets in the early part of the year, these were overcome as world prices improved. Rather, the fall resulted from a reluctance on the part of producers to sell livestock to the central abattoirs when higher prices could be obtained from livestock dealers in the rural areas and from exporting livestock on the hoof. However, the management of the Kenya Meat Commission was substantially reorganized during 1968 in order to improve its operating efficiency, while prices paid to producers for cattle were increased early in 1969 in order to enable the commission to compete more adequately with other buyers for livestock over the longer term. Internal beef prices are still probably below export parity and consumption has been rising rapidly. The new price structure is, however, more in line with world prices and should enable all sections of the industry to move ahead. Production of pig meat rose slightly during 1968, but still remained at a low level.

5.5. Little increase was recorded in the output of dairy products. Whole. milk sales were little changed but there was some increase in the production of butter and ghee. Production began in 1968 of "ultra high temperature" (U.H.T.) milk, a specially treated milk which will remain fresh for several weeks. This innovation, one of the first of its kind in Africa, should have the effect of stimulating demand by consumers who do not possess a refrigerator, even though the retail price is relatively high.

5.6. After two bad years, the output of the fruit and vegetable canning industry recorded an improvement, although production was still below the 1963.66 levels. The improvement was mainly due to the availability of more pineapples for processing. Throughput of other fruit and vegetables also increased and the range of canned products continues to grow. However, export prices for canned pineapples were lower and competition was severe, particularly from countries which had devalued their currencies in 1967.

5.7. The abundance of maize produced on the farms which was noted in Chapter 4 caused production (and sales) of maize meal by the larger grain millers to decline. The reason for this is complicated but is almost certainly related to the price structure of maize which included a substantial cess element designed to cover part of the export losses until 1st January 1969, when Government assumed full responsibility for such losses. This meant that there was a wide gap between the buying and selling prices of maize and maize consumers were able to purchase their maize requirements—and often "posho" (maizemeal) requirements—more cheaply in the producing areas. The 33.7 per cent fall in factory-produced maize.meal was the main

factor holding back the food index as a whole. No expansion was recorded in the baking industry and wheat flour consumption showed a fall of 4 per cent.

5.8. Production of sugar rose sharply in 1968 from 60,418 metric tons to 81,416 metric tons, as a result of the new factory at Chemelil starting production and the other factories expanding theirs. Output of sugar in 1969 will be even higher, and is estimated at 115,000 metric tons. However, although Kenya is moving towards self-sufficiency in sugar, the industry is experiencing growing pains. Basically, the problems are heavy debt burdens on the two new factories and severe difficulties concerning the organization of in-field transport and factory production. Although the first phase of a sugar-roads programme was half complete by the end of 1968, this will not solve the problem of transport completely as the special difficulties created by harvesting a large number of smallholders' plots still need to be overcome. The nature of the soil in sugar-growing areas makes the problem of in-field transport especially acute for Kenya. As a result it may be some time before a satisfactory answer is found and the factories are working efficiently at full capacity.

5.9. The sugar confectionery industry, though small, is growing rapidly as the opportunities for import substitution are realized. As a sign of this, a local firm has obtained the franchise for producing the entire range of a well-known British company.

5.10. ***Beverages and Tobacco.***—There was a fall in the production of cigarettes in 1967 in spite of increases in local consumption. The difference was accounted for by lower exports of this commodity to Tanzania and Uganda as production in those countries increased to meet their own consumption requirements. In 1968 Kenya production and consumption were more or less in balance and as a result, for beer at least, production was able to move ahead on the basis of the normal increase in consumption. An increased rate of excise on cigarettes and tobacco did not cause any noticeable check to consumption growth.

PRODUCTION OF BEVERAGES AND TOBACCO, 1964-1968

***Table* 5.3**

	Spirits litres	Beer '000 litres	Mineral waters '000 litres	Cigarettes and cigars Metric tons
1964	78,604	48,455		1,930
1965	115,745	49,460	17,302	1,670
1966	139,120	50,087	19,602	1,816
1967	137,997	48,587	21,075	1,788
1968	159,002	55,402*	22,186*	1,757

*Provisional

5.11. *Textiles.*—Production capacity in the textile industry has been expanded considerably over the last year or two and this was reflected in an increase of 37 per cent in 1968 in physical output from this sector. Although this sector also includes such industries as cordage, knitting mills and cotton ginneries, almost the whole of this increase was attributable to the growth in the production of cloth. However, rapid expansion of cloth manufacturing capacity has also taken place in Uganda and Tanzania and a serious problem of overproduction of certain kinds of cloth now exists within East Africa as a whole. Unfortunately nearly all producers are concentrating on the manufacture of lower quality cloths—there is as yet little production of better quality cloths which require a higher level of technology and skills. The output of cloth in Kenya in 1966 was 17.2 million square metres compared with consumption of about 75 million square metres, a good part of the difference consisting of high-quality cloth. Imports of such cloth in 1968 rose sharply and, by the end of the year, there were substantial stockpiles lying in bonded warehouses, adding to unsold stocks of locally manufactured cloth. The reluctance of traders to increase their stocks as a result of uncertainty over trade licensing is likely to make the position more difficult for local producers during 1969. But the fact that there is no slackening in the level of consumption demand should lead to the stocks position reverting to normal and production moving ahead by the end of the year.

5.12. *Footwear, Clothing and Made-up Textiles.*—Production of shoes increased sharply, by 23 per cent, from just over four million pairs to nearly five million pairs in 1968. There were signs that the effects of the loss of markets in Tanzania and Uganda and increased competition in the home market were being overcome. The decline in exports to Uganda and Tanzania which followed the development of domestic manufacturing capacity in these countries had caused stagnation in shoe production here in Kenya. The extent of the drop in sales to Uganda and Tanzania is apparent from the following figures: —

	K£ '000
1964	1,398
1965	1,294
1966	1,011
1967	582
1968	677

5.13. Output of clothing and made-up textiles also grew during 1968 in spite of increased competition. There is, however, still room for expansion in this field through import substitution such as has already occurred to a large extent in the manufacture of shirts and children's clothes.

5.14. *Paper and Printing.*—Production in this group fell for the first time for several years: the industry seems to have received some setback from a higher level of imports. Negotiations on the proposed paper mill at Broderick Falls are now reaching a final stage.

5.15. *Leather and Leather Products.*—The leather industry had a very good year with a production increase of nearly 17 per cent reflecting rising exports and also the higher level of demand from the domestic footwear industry. A kid-leather plant has been established and it is expected that exports of undressed goat and kid skins, worth K£350,000 in 1968, will be replaced by exports of dressed leather and finished goods.

5.16. *Rubber Products.*—This small industry, concerned largely with retreading motor tyres, and producing bicycle tyres and soles and heels for shoes, recorded a marked increase in production in 1968. There was no factory producing motor tyres in Kenya in 1968, although negotiations with a number of potential investors in the field were undertaken.

5.17. *Chemicals.*—The chemical industry in Kenya is based largely on the production of paint, soap, wattle extract and pyrethrum extract. Production of the two extracts, which account for the bulk of this section's output, moved ahead in 1968. In the case of wattle, a market-sharing agreement ended a period of price cutting among producing countries and provided more settled conditions for the industry. Exports in 1968 increased by 30 per cent, reflecting the recent recovery of the industry. The world demand for wattle bark extract has remained relatively unchanged for some years, but the fall in demand from developed countries due to the use of synthetic substitutes has been matched by higher demand from developing countries in line with the rising demand for shoes. In 1967, 80 per cent of Kenya's wattle extract exports went to developing countries with India alone taking 43 per cent of the total. Since the wattle tree takes approximately eight to ten years to grow to maturity, the wattle extract industry is heavily dependent on settled conditions if production is to be planned in an orderly manner and sufficient material be available to keep the factories working at or near capacity. Kenya extract producers are trying to encourage increased planting of wattle in order to maintain or even increase production in future years.

5.18. Pyrethrum extract production increased by 14 per cent and this was obtained from a throughput of flowers only five per cent higher than in the previous year. This can be taken as an indication of the Government's policy to strengthen the competitive position of pyrethrum in world markets in order to combat the increasingly serious threat from synthetics by improving the pyrethrin content of Kenya-grown flowers. However, in spite of recent reductions in the export prices of Kenya pyrethrum extract, export sales of extract fell in 1968 and stocks accumulated.

5.19. ***Petroleum Products.***—Throughput in the oil refinery at Mombasa fell slightly, from 22.93 million litres to 22.55 million litres. Domestic demand for petroleum products produced at the refinery remained steady, falls in some items being compensated by gains in others. Exports overseas declined for the first time since the refinery started production and this factor was responsible for the small fall in throughput. Exports to Uganda continued to grow while those to Tanzania remained stable. Changes in exports during the last few years are illustrated in Table 5.4 below.

EXPORTS OF PETROLEUM PRODUCTS, 1964-1968

Table 5.4 *K£million*

	1964	1965	1966	1967	1968
To Tanzania	1.5	2.8	2 1	1.5	1.6
To Uganda	1.0	2.2	2.4	2.6	3.1
To Other countries	2.1	4.5	5.7	7.2	6.3
TOTAL EXPORTS	4.6	9.5	10.2	11-3	11.0

5.20. Demand in Africa is expected to grow and the refinery at Mombasa is well placed to meet it. Although some markets in the south have been lost to the new refinery at Dar es Salaam, other markets can be exploited and exports in 1969 should renew their upward trend. The refinery at Mombasa is a flexible plant, designed to accept different grades of crude oil with comparatively small additional expenditure. It has a wide range of outputs including motor spirit, jet fuel and residual fuel oils. There are also plans for a new plant to produce lubricating oils.

5.21. ***Non-Metallic Mineral Products.—*** The most important industries in this group are cement and glass, the former being dominant. Production of cement rose slightly in 1968, largely due to the increase of cement output following the opening of new capacity at the Bamburi factory near Mombasa. This additional capacity was created to expand exports. Stocks of cement have, however, increased and the new plant is working below capacity because port bulk-handling facilities, scheduled to coincide with the factory extensions, were not completed. The utilization of cement in recent years is shown in Table 5.5.

CEMENT PRODUCTION AND UTILIZATION, 1964-1968

Table 5.5 '000 ***Metric tons***

	Production	**Consumption**	**Net Exports to Uganda & Tanzania**	**Overseas Exports**
1964	422.0	84.0	163.9	174.1
1965	483.8	98.2	186.2	199.4
1966	470.3	145.8	154.9	169.6
1967	493.6	185.1	87.3	221.2
1968	543.5	180.7	123.8	239.0

5.22. The production of glass has also increased, by 25 per cent, partly in response to the growth in beer production during the year.

5.23. ***Metal Products.***—This group, which is composed mainly of metal container and frame manufactures, showed an increase in 1968 after a period of stagnation. The increase was particularly marked in the production of tin cans, matching the growth of output in canned fruit and vegetables. Local production of building materials such as window and door frames, galvanized steel sheets and nails also rose in response to the expansion of the building sector. However, there is still room for more import substitution. The industry is a substantial exporter, mostly to Tanzania and Uganda, which in 1967 took K£1.2 million of metal manufactures and in 1968 K£1.4 million.

5.24. ***Other Manufactures.***—In other industries, the most notable development was the opening in Nakuru of a factory to manufacture dry-cell batteries. Local production of car batteries increased by approximately one-third.

5.25. Experience in the preparation of industrial projects in 1968 underlined the difficulties of starting up output on some new types of products. Although there can be no doubt that substantial opportunities for import substitution do still exist and can be fruitfully exploited, development of certain industries had to be postponed. Site construction work for a fertilizer plant at Mombasa had commenced in 1967, but a reappraisal of the market showed that there was no prospect of the project being viable at present. It was therefore decided that the project should be deferred. Another project, a steel reversing mill, also mentioned in last year's ***Economic Survey,*** has been under investigation; this has also lapsed, following further feasibility studies.

5.26. There is scope for producing high-quality textiles, as mentioned above; two projects for such production in Kenya are now under consideration and one or both may be built. Together, these two plants would involve capital expenditure of nearly K£6 million and production of 25 million square metres per annum of cotton and polyester blends. However, it is likely that similar plants will be set up in Uganda and Tanzania and this could lead to serious over-production of high-quality as well as low-quality cloth. Textiles show the need for co-ordination and harmonization of industrial development policies to encourage viable and growing industries within East Africa.

5.27. It is essential to set up factories which will become viable economic units. A fairly high degree of protection in the earlier years is usually inevitable if industry in a developing country is to become established in the face of frequently strong competition from the developed countries. In addition, a relatively small market such as Kenya's may only be able to support a single plant for a particular product, thus creating a monopoly

situation. This can lead to unnecessarily high prices unless the level of protection from foreign competition is varied to encourage low-cost local production. The Government also influences production and pricing policies in monopoly industries through its control of duty rebates on their imports of machinery and raw materials.

5.28. Most capital investment in manufacturing in Kenya is financed from the reinvestment of profits from existing industries. However, injections of fresh capital from overseas have led to new industries being established in recent years. Capital is also provided by two public investment institutions. The first of these, the Development Finance Company of Kenya Ltd. (D.F.C.K.) participates with private capital in large enterprises through shareholding and loans. These take up roughly equal parts of the paid-up capital of £2 million, on which the D.F.C.K. made a profit of about four per cent in 1968. The largest D.F.C.K. investment is held in the textile industry which accounted in 1968 for £726,700 while the sugar industry accounted for £330.000.

5.29. The Industrial and Commercial Development Corporation (I.C.D.C.) was incorporated to provide finance for small-scale African ventures. One of its major undertakings has been the setting up of an industrial estate, the first phase of which was completed in 1968 and comprises 25 factory buildings. However, the response from African entrepreneurs to the provision of these facilities has so far been disappointing—only some of the 25 buildings have been taken up. Early hopes that African entrepreneurs would come forward in response to the opportunities made available have not been borne out due to both lack of capital and experience. The entrepreneurs started manufacture of, among other things, hospital equipment and steel furniture, sheet metal products, electric motor winding and handbags.

Electricity

5.30. With the opening of the Kindaruma Dam, 1968 saw the completion of the first stage of the Tana River hydro-electric development scheme. New capacity of 40 MW. became available, bringing installed generating capacity in Kenya up to 153 MW., and in Kenya and Uganda combined to 319 MW., the combined maximum demand being 219 MW. Although equipment is not usually run at full capacity, its growth ahead of demand allows for peak loading, transmission losses and servicing of generators. Further developments on the Tana River in the next ten years will raise its total capacity to 260 MW. through extensions to Kindaruma as well as new projects at Kamburu Bridge and the Gtaru Canal.

5.31. Table 5.6 shows the quantity of electricity generated, imported and sold by the industry.

GENERATION, IMPORTS AND CONSUMPTION OF ELECTRICITY, 1964-1968

Table 5.6 *'000 kwh*

	1964	1965	1966	1967	1968
Domestically generated.....	323,170	327,503	346,431	339,365	401,710
Imported.....	183,286	190,484	203,042	241,982	224,248
TOTAL AVAILABLE	506,456	517,987	549,473	581,347	625,958
Power station use and transmission & distribution losses.....	80,780	83,969	84,911	95,785	95,831
NET SALES.....	425,676	434,018	464,562	485,562	530,127

5.32. Imports of electricity from Uganda were lower as a result of the new capacity installed in Kenya, but this reduction will be temporary as demand is expected to move ahead of supply once again. A new supply agreement was negotiated with Uganda in 1968, and it is likely that Kenya will purchase from Uganda a greater amount than the maximum covered by the former agreement—that is, 30 MW.—over the next few years. On the other hand, it is expected that Kenya will sell electricity to Uganda by 1974 as its additional capacity installed in the interim becomes operational.

5.33. An analysis of sales of electricity by type of user is given in the table below.

SALES OF ELECTRICITY BY TYPE OF USER, 1964-1968

Table 5.7 *'000 kwh*

	1964	1965	1966	1967	1968
Domestic	89,679	87,395	93,126	94,996	98,777
Off-peak water heating and pumping	70,735	73,814	74,648	77,965	82,235
Large power supplies	95,410	81,296	92,821	103,148	129,550
Commercial	88,394	84,399	92,898	100,586	118,907
Lighting (small consumers)	5,369	5,633	6,082	6,206	6,800
Street lighting	8,301	8,438	8,797	8,135	8,389
Special contracts	65,558	90,628	93,467	91,833	82,999
Staff quarters	2,230	2,415	2,723	2,693	2,470
TOTAL SALES	425,676	434,018	464,562	485,562	530,127

In 1968 there was an overall increase of 9.2 per cent, the highest increase in the period 1964 to 1968 and double that of 1967 over 1966. The main contributing groups were "large power supplies" and "commercial", which together recorded an increase of 22 per cent. The unusually large increase in

"large power supplies" was partly due to the corresponding fall in units sold under special contracts which are not usually renewed when the contract runs out. Nevertheless, even taking this into account, the growth in industrial and commercial sales was three times that of domestic sales, which only grew by 4 per cent.

5.34. Since the last *Economic Survey* was published, further extensions to the electricity supply system have been made. Around Nairobi and Mt. Kenya, power is now available in the Kagumo, Kaguyu and Kigari areas in Embu District. Construction work on the electrification of Kangundo, Tala area, began at the end of 1968 and will be completed shortly. At the coast, the Watamu area and Ukunda Village were connected during the latter part of 1968. Further extensions are foreseen during 1969, as well as the implementation of amenity schemes at Kitui, Mazeras and Mariakani during 1969/70

5.35. Capital expenditure in the industry amounted to under K£1 million in 1968, compared with nearly K£4 million in 1967, the fall being caused by the completion of work at Kindaruma. In 1969, total capital expenditure is expected to be £3.4 million and in 1970 K£3.5 million, mainly for new steam turbine generators at the Coast and a 132 kV transmission line joining Nairobi and Mombasa.

Mining and Quarrying

5.36. Movements in the physical output of the mining and quarrying industry are shown in the quantity index of production for the sector in Table 5.8.

QUANTITY INDEX OF MINING AND QUARRYING PRODUCTION, 1964-1968

***Table* 5.8**

	1964	1965	1966	1967	1968
Metal Mining	100.0	94.1	49.6	54.3	52-8
Non-metallic mining	100.0	98.0	123.0	112.6	129.4
Quarrying	100.0	103.0	132.7	168.8	129.0
	100.0	96.9	94.5	94.0	100.0

5.37. Table 5.9 contains the value of production of all minerals except quarry products.

factor holding back the food index as a whole. No expansion was recorded in the baking industry and wheat flour consumption showed a fall of 4 per cent.

5.8. Production of sugar rose sharply in 1968 from 60,418 metric tons to 81,416 metric tons, as a result of the new factory at Chemelil starting production and the other factories expanding theirs. Output of sugar in 1969 will be even higher, and is estimated at 115,000 metric tons. However, although Kenya is moving towards self-sufficiency in sugar, the industry is experiencing growing pains. Basically, the problems are heavy debt burdens on the two new factories and severe difficulties concerning the organization of in-field transport and factory production. Although the first phase of a sugar-roads programme was half complete by the end of 1968, this will not solve the problem of transport completely as the special difficulties created by harvesting a large number of smallholders' plots still need to be overcome. The nature of the soil in sugar-growing areas makes the problem of in-field transport especially acute for Kenya. As a result it may be some time before a satisfactory answer is found and the factories are working efficiently at full capacity.

5.9. The sugar confectionery industry, though small, is growing rapidly as the opportunities for import substitution are realized. As a sign of this, a local firm has obtained the franchise for producing the entire range of a well-known British company.

5.10. *Beverages and Tobacco.*—There was a fall in the production of cigarettes in 1967 in spite of increases in local consumption. The difference was accounted for by lower exports of this commodity to Tanzania and Uganda as production in those countries increased to meet their own consumption requirements. In 1968 Kenya production and consumption were more or less in balance and as a result, for beer at least, production was able to move ahead on the basis of the normal increase in consumption. An increased rate of excise on cigarettes and tobacco did not cause any noticeable check to consumption growth.

PRODUCTION OF BEVERAGES AND TOBACCO, 1964-1968

Table 5.3

	Spirits litres	Beer '000 litres	Mineral waters '000 litres	Cigarettes and cigars Metric tons
1964	78,604	48,455		1,930
1965	115,745	49,460	17,302	1,670
1966	139,120	50,087	19,602	1,816
1967	137,997	48,587	21,075	1,788
1968	159,002	55,402*	22,186*	1,757

*Provisional

5.40. Drilling operations have been proceeding for the past two years in the Ribe area, 15 miles from Mombasa, to ascertain whether there is a sufficient tonnage of lead and zinc to make extraction viable. The target for viability is one million tons of ore of 6 per cent concentration, and to date the existence of three quarters of a million tons of such ore has been verified. The location is most favourable, since ore concentrates could be exported easily through Mombasa.

5.41. Also on the coast, at Mrima Hill, a special licence has been issued to prospect for rare-earth minerals. The economic possibilities of extracting niobium, a rare metal used for making high temperature steel alloys, are being examined. If the results are positive and production begins, there will also be ancillary production of iron and manganese, although it would not be economic to mine these on their own.

5.42. Oil prospecting continued in 1968, with expenditure of K£1.2 million during the year. To date, no oil has been struck, although six major holes have been drilled, ranging from 6,000 to 14,000 feet. There is still much prospecting to be done in Kenya and it should be noted that in Nigeria intensive drilling continued for 19 years before oil was finally discovered.

5.43. The mineral survey of Nyanza and Western provinces undertaken with United Nations assistance has not led to the discovery of any significant mineral deposits. Some scattered deposits of gold have been found and these can be worked by the small local mining firms. New legislation to be introduced soon will lead to increased output from small mines which, at present, produce gold illegally. Output from such mines is expected to increase from K£50,000 to K£ 100,000 within the next two or three years. This will partly offset the exhaustion of the Migori Nyanza vein.

5.44. Quarry production expanded by an estimated 27 per cent to keep up with the rising level of activity in the building industry. Nevertheless, quarries remain under-capitalized, and there is a need for both more investment and organization to meet the growing demand for quarry products. Plans are being discussed to establish a large capitalized quarry to be run as a joint venture by Nairobi City Council, the National Construction Corporation and a private firm. However, it is important that any project of this nature should not eliminate smaller businesses in this industry, which offers considerable scope for the development of African enterprise.

Building and Construction

5.45. The output of the building and construction industry increased by 5.3 per cent in 1968. Over the period 1964-1968, output has risen at an average annual rate of 7.8 per cent at constant prices. The industry consists of a heterogenous mixture of activities, of which the construction of new buildings represents only a part. In 1968, the value of private building work completed in the main towns, set out in Table 5.10, moved up to a new peak,

some 16 per cent higher than the level achieved in 1967 (at current prices). The statistics, however, relate to building work completed in main towns and take no account of the higher level of building activity which took place in rural areas. Thus, although the value of building work completed in Nairobi and Mombasa represented by far the largest part of all building in the municipalities, several major projects were also completed outside the main towns, including the large Chemelil sugar factory and substantial expansions at the Bamburi (Mombasa) cement factory. Building work undertaken on behalf of the public sector is also excluded from the figures in Table 5.10.

THE VALUE OF ALL PRIVATE BUILDING WORK COMPLETED IN MAIN TOWNS

Table 5.10 *K£million*

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Total
1961	2.24	0.50	0.05	0.07	0.01	0.02		2.89
1962 ..	1.66	0.47	0.02	0.07	0.01	0.06	—	2.29
1963	1.09	0.42	0.04	0.07	—	0.01	—	1.63
1964	2.95	0.32	0.02	0.05	0.01	—	0.04	3.39
1965	1.43	0.16	0.02	0.04	0.01	0.01	0.15	1.82
1966 ..	1.70	0.52	0.02	0.03	0.01	—	0.02	2.30
1967	3.13	0.59	0.06	0.02	0.03	0.03	0.16	4.02
1968* ..	3.26	1.33	0.02	0.04	—		0.03	4.68

*Provisional Estimate.

5.46. The above table covers the value of all building work completed in the main towns, including extensions to existing buildings. The following table sets out a series covering reported completion of new private buildings only in the main towns, and it will be seen that the value of such building moved up by approximately 15 per cent in 1968.

REPORTED COMPLETION OF NEW PRIVATE BUILDINGS IN MAIN TOWNS, 1964-1968

Table 5.11 K£million

	NUMBER			ESTIMATED COST		
	Residential	Non-Residential	Total	Residential	Non-Residential	Total
1964	98	98	196	0.48	2.25	2.73
1965	44	77	121	0.26	1.10	1.36
1966	121	69	190	0.62	1.15	1.77
1967	245	107	352	1.44	1.61	3.05
1968* ..	275	110	385	1.65	1.85	3.50

•Provisional.

5.47. The value of building work undertaken for the public sector in 1968 was K£10.4 million. Notable projects completed included the self-help hospital at Gatundu, an automatic telephone exchange at Kisumu, a water complex at Thika to supply the industrial area of the town, and major extensions to office buildings. Over and above these, 1968 was significant for the initiation of a number of low-cost housing schemes in the urban areas, particularly Nairobi and Mombasa (***see*** Chapter 10).

5.48. While the value of building work undertaken has been rising steadily over the last four years, building costs have also been rising at the same time. The evidence available suggests, however, that the pressure on building costs lessened in 1968, and in the early months of 1969 a number of building material prices, notably stone, declined. The trend in the cost of certain basic inputs in the industry is shown in Table 5.12.

COSTS OF BUILDING MATERIALS AND LABOUR, 1966-1969

(1966=100)

***Table* 5.12**

	Unit	1966	1967	1968	1969*
Ballast	100 c.f.	100.0	186.7	222.2	222.2
Stone	100 l.f.	100.0	158.8	158.8	135.3
Sand	100 c.f.	100.0	156.5	156.5	156.5
Cement	ton	100.0	102.1	103.3	103.3
Skilled Labour	Per day	100.0	128.0	144.0	144.0
Semi-skilled labour	Per hour	100.0	107.4	107.4	116.7
Unskilled labour	Per hour	100.0	124.1	120.0	132.5

***Provisional**

These prices are derived from Ministry of Works contracts and so apply only to the public sector, but the lower prices for quarry products may reflect the increasing use of building techniques excluding stone, and using materials such as reinforced concrete, which are increasingly seen in the main urban centres.

5.49. Another index in the building industry for the private sector shown in Table 5.13 has been derived from the average cost per square foot of a homogeneous type of residential building. The index obtained is approximate and must be treated only as an indication of the trend in building costs. However, it does suggest that the upward pressure on costs has decreased, although these are still rising slowly.

BUILDING COSTS INDEX, 1963-1968
(1964 = 100)

Table 5.13

1963	91.0
1964	100.0
1965	93.2
1966	123.4
1967	140.1
1968	154.5

5.50. The construction side of the industry had an active year. The most important project completed was the Kindaruma Dam, with the transmission line to Nairobi, at a total cost of approximately K£7 million, of which K£ 1 1/2 million was spent in 1968. The raising of the dam at Sasamua for the Nairobi City water supply was also completed during the year. The construction of roads is dealt with in Chapter 10. Total expenditure on new roads was K£5.3 million.

5.51. Approvals of building plans by the City Council are shown in Table 5.14. Although there was some slackening in the rate at which new building plans were approved by the Nairobi City Council in 1968, the level of approvals in the year was still substantially higher than in any other year except 1967. It is, therefore, clear that building activity, in Nairobi at least, will be maintained at a very high level in the coming year. Plan approvals in the first quarter of 1969 were exceptionally high. Building completions in 1969 can also be expected to reach a high level as a number of major contracts, including two new large hotels, reach fruition.

5.52. The industry is still largely controlled by non-citizen firms, but a National Construction Corporation, owned by the Government, started operating in January 1968. One of its major functions is to train and assist African contractors to enter the industry, and it makes loan funds available to them in order to overcome one of their main handicaps, a shortage of working capital. During the year, the National Construction Corporation, with financial assistance from the I.C.D.C., granted loans to African contractors amounting to K£146,000. However, as it quickly became clear, the existence of working capital was a necessary, but not a sufficient condition for a successful contract. Supervision was also needed and, as there was a shortage of suitable supervisors, the National Construction Corporation decided to act as the main contractor for large contracts and sub-let part of them to African contractors financed by it but retaining supervisory functions. This move economized on the supervisory staff of the National Construction Corporation as well as giving African contractors experience of working on large contracts. Apart from financial and supervisory assistance, the National Construction Corporation also provided courses for African contractors in which emphasis was laid on the practical aspects of contracting.

Private and Public Building Plans Approved by the Nairobi City Council, 1964.1868

Table 5.14

	Number of Plans						Estimated Cost (K£'000)						
	Private			Public			Private			Public			All Buildings
	Residential	Non. Residential	Total	Residential	Non. Residential	Total	Residential	Non. Residential	Total	Residential	Non. Residential	Total	
1964 ..	321	367	688	11	32	43	542	1,397	1,939	37	518	555	2,494
1965 ..	266	420	686	10	32	42	504	1,599	2,103	367	1,203	1,570	3,673
1966 ..	610	486	1,096	13	32	45	1,714	2,450	4,164	80	1,242	1,322	5,486
1967 ..	774	520	1,294	66	72	138	2,408	6,366	8,774	1,612	505	2,117	10,891
1968 ..	887	590	1,477	11	80	91	4,430	3,551	7,981	985	519	1,504	9,485
1966 ..													
1st Qr. ..	99	109	208	5	8	13	235	324	559	6	126	132	691
2nd Qr. ..	142	101	243	3	14	17	493	637	1,130	40	771	811	1,941
3rd Qr. ..	181	104	285	1	6	7	515	730	1,245	—	11	11	1,256
4th Qr. ..	188	172	360	4	4	8	471	759	1,230	34	334	368	1,598
1967—													
1st Qr. ..	226	125	351	43	7	50	655	657	1,312	142	38	180	1,492
2nd Qr. ..	194	117	311	6	32	38	577	1,987	2,563	1,169	177	1,346	3,909
3rd Qr. ..	186	142	328	10	26	36	600	1,724	2,324	66	243	309	2,633
4th Qr. ..	168	136	304	7	7	14	576	1,999	2,575	235	46	281	2,856
1968—													
1st Qr. ..	246	146	392	5	18	23	1,050	744	1,794	80	68	148	1,942
2nd Qr. ..	168	155	323	3	12	15	674	703	1,377	900	60	960	2,337
3rd Qr. ..	205	151	356	3	28	31	1,356	1,104	2,460	5	110	115	2,575
4th Qr. ..	268	138	406	—	22	22	1,350	1,000	2,350	—	281	281	2,631
1969—													
1st Qr. ..	204	129	333	4	17	21	838	3,545	4,383	13	823	836	5,219

CHAPTER 6—TOURISM

Owing to an improvement in tourist statistics in 1968, as a result of the extension of coverage of visitors to Kenya, a direct comparison of the more complete statistics with those available for previous years is not possible. But other indicators showed a continued upward movement—statistics of hotel occupancy by foreign visitors remained buoyant and preliminary estimates of total tourist expenditure, which is the best summary measure of the importance of tourism in the economy, suggest that it rose slightly to K£16.4 million. This represented more foreign exchange than was earned by coffee, the most important export crop.

6.2. Hitherto, the principal way of measuring the growth of tourism has been to look at changes in the series for "visitors departing overseas". Although this series is an interesting and important one, because such visitors on average probably spend more time and money in Kenya than other visitors, it does not give a complete coverage of tourist visits and needs to be supplemented by data on movements within East Africa. Collection of this data was begun in 1967, but 1968 is the first full year for which figures are available. Estimates have also been made for earlier years, and although the rates of growth for the combined series are less striking than those for "visitors departing overseas" alone, they almost certainly give a better indication of what has been happening in the tourist field. Tables 6.1 and 6.2 show details of the new series for 1967 and 1968 with estimated totals from 1964. The most striking fact is that the number of visitors in 1968 increases from 144,500 on a "departing overseas" basis to 257,000 for all departures, the difference being the number of visitors who left Kenya through Uganda and Tanzania. Approximately one third of these additional visitors were nationals of Uganda and Tanzania, the rest being either residents of Uganda and Tanzania (predominantly British and Indian nationals) or tourists passing through Kenya on international tours taking in the other East African countries.

ALL VISITORS LEAVING KENYA BY COUNTRY OF DEPARTURE, 1963-1968

Table 6.1 '000s

	1964	1965	1966	1967	1968
Visitors Departing Overseas .	56.4	73.4	103.6	127.6	144.5
Visitors Departing through Uganda or Tanzania	113.5*	119.2*	125.1 *	131.4*	112.5
TOTAL VISITORS.....	169.9	192.6	228.7	259.0	257.0
Annual Change %	+4.7	+13.4	+ 18.7	+ 13.2	-0.8

*Estimated: for further details see Kenya Statistical Digest, June 1968.

6.3. Table 6.1 also shows that the total numbers of visitors to Kenya in 1968 fell slightly from the 1967 estimated total of 259,000. While departures overseas rose by 13 per cent, departures through Uganda and Tanzania fell. Because the series for all visitors leaving Kenya is so new, the only valid comparisons which can be made are between departures in the second halves of 1967 and 1968. The most striking feature is the 14 per cent fall in British visitors, which has occurred despite increases

All Visitors Leaving Kenya by Nationality, 1967 and 1968

Table 6.2 '000s

Country of Nationality	Visitors on Holiday			All Visitors		
	Second Half 1967	Second Half 1968	Total 1968	Second Half 1967	Second Half 1968	Total 1968
Europe—						
United Kingdom	19.3	22.0	47.1	47.4	40.6	86.6
West Germany	4.3	4.8	11.4	6.8	6.8	15.3
Italy	1.6	2.1	4.4	3.6	4.2	7.8
France	1.2	2.0	3.5	2.6	3.2	5.8
Switzerland	1.4	2.4	4.9	2.1	3.2	6.2
Other	3.2	5.2	11.0	7.1	9.1	18.7
Total	31.0	38.5	82.0	69.6	67.1	14.4
North America						
United States	11.7	14.5	25.2	19.8	20.4	36.1
Canada	0.7	1.2	2.3	1.8	2.2	4.1
Total	12.4	15.7	27.5	21.6	22.6	40.2
Asia—						
India	2.2	2.9	6.2	6.3	6.4	13.6
Israel	0.3	0.6	0.9	1.4	1.6	2.8
Japan	0.2	0.3	0.5	0.9	1.0	1.9
Pakistan	0.3	0.2	0.5	0.7	0.6	1.2
Other	0.3	0.3	0.7	1.1	1.0	2.4
Total	3.3	4.3	8.8	10.4	10.6	21.9
Africa—						
South Africa	0.1		0.1	1.3	0.4	2.0
Zambia	0.1	0.1	0.3	1.0	0.9	1.8
Tanzania	6.6	11.6	22.4	16.0	16.7	32.4
Uganda	1.4	2.8	5.0	4.3	5.1	9.4
Other	0.6	0.8	1.4	3.1	3.4	6.0
Total	8.8	15.3	29.2	25.7	26.5	51.6
Australia and New Zealand	0.4	0.6	1.1	1.2	1.3	2.3
All Other Countries	0.2	0.1	0.2	0.5	0.4	0.6
All Visitors.	56.2	74.6	149.0	129.2	128.7	257.0

in the number of visitors from other European countries, and in sharp contrast to the rise in British visitors departing overseas in 1967. The increases in the numbers of visitors from most other countries were more moderate than in 1967. In most cases "visitors on holiday" increased more rapidly than "all visitors", but some of the growth is the result of improved coverage of this category (with an equivalent reduction in "other visitors"). There does not seem to be any simple explanation for this apparent deceleration in the growth of tourist visits, although restrictive economic policies in the United Kingdom, France and the United States caused a reduction in the growth of tourism in the world as a whole.

6.4. Counting visitors when they cross the frontier gives one measure of the amount of tourist activity in a country, but a better indicator is the total number of days spent by tourists. Table 6.3 shows the number of visitor days spent in Kenya for three categories of visitor. (Because they refer to all visitors leaving Kenya and not just visitors departing overseas, these figures are *not* comparable with those in last year's Survey). The total for 1968 is 5 per cent lower than in 1967 but figures for 1967 and earlier years are estimates based on incomplete data, and may be biased. The same reservations must be applied to comparisons between the second half of 1967 and the same period in 1968, which show a drop in the average length of stay for all types of visitor. Only when we have data for full years on the 1968 basis will it be possible to make comparisons with confidence.

VISITORS AND PERSONS IN TRANSIT DEPARTING: LENGTH OF STAY

Table 6.3.(a) BY TYPE OF VISITOR

	AVERAGE STAY BY TYPE OF VISITOR (DAYS)		
	Transit	**Business**	**Holiday**
Second Half 1967	2.3	15.6	16.3
First Half 1968	2.1	13.5	12.4
Second Half 1968	2.1	11.5	10.6

Table 6.3.(b) ALL VISITORS

	Total Visitor Days	**Average Stay (days)**
1963*	1,427,000	8.8
1964*	1,446,000	8.5
1965*	1,707,000	8.9
1966*	2,375,000	10.4
1967*	2,572,000	9.9
1968	2,440,000	9.5
Second Half 1967	1,248,100	9.7
First Half 1968	1,289,460	10.0
Second Half 1968	1,149,540	8.9

*Estimated: for further details see Kenya Statistical Digest, June 1968.

6.5. The number of visitors arriving by non-scheduled charter flights has continued to rise. Table 6.4 shows the rapid rate of growth of arrivals from London, Zurich and Frankfurt, the airports from which almost all this "package tour" traffic originates. Direct flights to Mombasa are now taking place and plans for developing the airport there at Port Reitz are mentioned in Chapter 7.

ARRIVALS BY NON-SCHEDULED FLIGHTS FROM LONDON, FRANKFURT AND ZURICH, 1966-68

Table* 6.4.** ***Numbers

Arrivals	1966	1967	1968
At Nairobi	4,820	7,040	13,765
At Mombasa	n.a.	166	2,931

6.6. Statistics of hotel occupancy are another indicator of the intensity of tourist activity, and the 1968 figures suggest that the fall in activity indicated by the visitor-day statistics may be overstated. The number of hotel beds occupied increased by 14.6 per cent in 1968. East African residents accounted for just over half of total occupancy and occupancy by foreign visitors and by residents of East Africa rose at almost identical rates. It seems unlikely that this growth can be explained solely in terms of visitors spending proportionally more nights in hotels (rather than in private homes), than in 1967. There is however probably a trend in that direction, as progressively fewer additional tourist visitors are likely to have "contacts" in Kenya with whom to stay.

6.7. Table 6.5 shows in detail how the increase in occupancy was spread among various categories of hotel. The overall bed occupancy rate in 1968 remained at the 1967 level of 52 per cent, despite a 14 per cent increase in the number of beds available. This gives some indication of the present strength of demand for accommodation. The uneven expansion of capacity between the various categories of hotel may be seen in Table 6.6. As in 1967, the largest increase was for Coast hotels and occupancy rates are now above 1965 levels despite an increase of 75 per cent in beds available. The Coast's share of all beds occupied rose from 27 per cent in 1965 to 34 per cent in 1968. The demand for hotel accommodation is growing most rapidly at the Coast, and new capacity provided in the next few years will undoubtedly be well utilized. In most other areas the number of beds available has also increased and occupancy rates have not fallen except in the Central Rift and Western Kenya.

HOTEL BEDS AVAILABLE AND OCCUPIED, 1965-1968

Table 6 5

'000 *Bed-Nights*

Year/Quarter	NAIROBI				COASTAL				OTHER										TOTAL		PER CENT OCCUPANCY
	International		Other		Beach		Other		Southern Game Area		Northern Game Area		Mt. Kenya Area		Central Rift		West Kenya		Beds occupied	Beds available	
	Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied		Beds Occupied				
	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents	Foreign Residents	E.A. Residents			
1965.....	194.1	52.5	61.1	234.9	53.1	112.9	28.4	77.4	27.9	23.5	3.2	3.0	19.5	25.0	3.1	27.3	3.5	51.9	1,002.5	2,130.9	47.0
1966.....	223.2	50.7	83.7	251.1	122.8	115.1	41.1	83.1	48.7	21.8	3.4	2.1	27.7	25.3	7.1	25.8	3.8	52.0	1,188.5	2,159.5	54.5
1967.....	241.5	46.8	95.6	264.6	159.8	107.7	42.4	94.7	57.7	21.3	2.2	1.1	29.9	30.8	7.8	36.5	4.4	53.0	1,297.5	2,494.2	52.9
1968.....	243.1	45.3	124.3	299.4	204.9	140.0	36.1	127.4	72.6	26.4	5.0	1.7	28.0	35.8	7.1	35.5	5.3	48.6	1,486.3	2,850.0	52.2
1967—																					
1st Quarter ..	67.6	11.8	28.6	60.5	56.1	25.1	11.9	21 5	21.3	5.1	1.0	0.5	12.3	8 4	3.2	6.3	1.8	136	356.5	587.5	60.7
2nd Quarter ..	51.5	11.5	19.0	57.4	24.2	14.5	8.7	19.7	6.2	3.2	0.1	0.1	4.3	6.2	2.1	8.9	0.3	13.2	251.2	589.2	42.5
3rd Quarter ..	63.7	11.7	24.1	66.9	39.5	36.1	12.6	25.6	14.9	6.4	0.6	0.2	7.1	7.6	3.1	9.9	1.1	13.4	342.7	641.3	53.4
4th Quarter ..	58.7	11.7	23.9	79.8	40.1	32.0	9.3	27.9	15.3	6 6	0 5	0.3	6.0	8.6	1.2	11.4	1.2	12.7	347.1	676.3	52.0
1968—																					
1st Quarter	68.2	9.9	31.6	81.5	76.3	24.9	10 7	30.2	26.5	6.0	1.2	0.6	8.0	10.4	2.4	8.7	1.5	13.4	412.0	686.4	60.0
2nd Quarter ..	47.9	11.7	21.0	72.8	27.6	26.7	6.7	30.3	8.0	4.8	0.7	0.2	3.2	8.4	0.8	8.2	0.9	12.0	291.8	683.4	42.7
3rd Quarter ..	65.1	11.7	38.0	70.8	51.5	46.2	9.4	36.1	20.5	8.8	1.6	0.5	9.1	9.2	2.2	9.8	1.8	11.6	403.9	728.7	55.4
4th Quarter ..	61.9	12.0	33.7	74.3	49.5	42.2	9.4	30.7	17.6	6.8	1.5	0.5	7.6	7.7	1.7	8 9	1.2	11.7	378.6	751.5	50.4

HOTEL ROOMS AND BEDS AVAILABLE AND OCCUPIED, 1965-1968

Table **6.6**

	NAIROBI		COASTAL		OTHER					ALL HOTELS
	Inter-National	Other	Beach	Other	Southern Game Area	Northern Game Area	Mt. Kenya Area	Central Rift	West Kenya	
1965—										
Rooms available ('000)	243	399	168	145	71	11	78	66	89	1,269
Occupancy rate (per cent)	79	59	56	57	43	36	42	36	50	58
Beds available ('000)	389	595	341	251	148	25	137	102	144	2,131
Occupancy rate (per cent)	63	50	49	42	35	25	33	30	39	47
1966—										
Rooms available ('000)	242	369	214	129	80	8	84	66	87	1,278
Occupancy rate (per cent)	87	71	67	70	51	44	44	40	50	67
Beds available ('000)	388	551	407	224	173	18	154	103	142	2,160
Occupancy rate (per cent)	71	61	58	55	41	31	34	32	39	55
1967—										
Rooms available ('000)	242	383	303	169	91	8	86	72	88	1,443
Occupancy rate (per cent)	89	72	53	60	51	25	50	49	52	64
Beds available ('000)	389	592	561	301	198	19	167	121	147	2,494
Occupancy rate (per cent)	74	61	48	46	40	17	36	37	59	52
1968—										
Rooms available ('000)	242	445	356	193	99	12	94	78	90	1,611
Occupancy rate (per cent)	88	72	56	60	56	34	46	43	47	64
Beds available ('000)	400	701	681	353	225	27	174	136	150	2,850
Occupancy rate (per cent)	72	60	51	46	44	25	36	31	36	52

6.8. In Nairobi, occupancy rates fell back slightly from the exceptionally high 1967 levels, but the number of beds occupied increased sharply, largely as a result of high occupancy of the new capacity in Nairobi "other" hotels. The very high occupancy rates in the Nairobi "international" category indicate the severe pressure on this type of accommodation, but this situation should be eased in the year ahead. A new international hotel was opened in the current year and major extensions to another hotel in this category were also completed. A larger international hotel now under construction will be opened early in 1970. Together, these additions to "international" class accommoda-tion will provide approximately 1,050 new beds. The two new hotels are part of famous international chains with established reputations and links with all aspects of the tourist business. This should help to bring more visitors to Kenya.

6.9. Accommodation is also being expanded in the game parks. Two new lodges at Voi and Ngulia, providing 200 extra beds in Tsavo National Park, are now open. A "Tree-tops" style lodge sited near Mount Kenya is among the projects at present under construction. It is hoped that an average construction rate of 200 beds a year in the game parks can be maintained for the next few years.

6.10. As well as planning for increased capacity, a comprehensive policy for accommodation should also aim at achieving a fuller utilization of the capacity which already exists. The occupancy rates of hotels outside Nairobi show a very marked seasonal pattern which the introduction of off-season rates would help to even out. This, together with improved communications in game-viewing areas, would enable them to be used throughout the year; the relatively low occupancy rates of up-country hotels could be improved by more systematic development and publicity of the attractions of these areas, and a central booking system would help to ensure that whatever accommodation is available is taken up. It is hoped that plans for progress in these fields will soon be realized.

6.11. Estimates of tourist expenditure in Kenya are rather more difficult to make than, say, estimates of earnings from coffee exports, because there is no means of recording such expenditures directly. The present estimates are based on the number of days spent in Kenya by visitors, and on average daily expenditure figures, which are obtained from a sample survey of tourists. Tourist expenditures in 1968 are estimated at K£16.4 million, compared with a revised estimate for 1967 of approximately K£16 million. The rising average expenditure of tourists which this indicates (because total tourist visits actually fell slightly in 1968) is encouraging as a means by which increasing affluence in the developed countries is being channelled to Kenya. The table below shows how a sample of tourists divided up their expenditure in 1967.

TOURIST EXPENDITURES, 1967

Table 6.7 *Percentage Distribution*

	Accomodations, Meals, Drink	Tours and Local Travel	Souvenirs and Gifts	Other Items	All Items
Business Visitors	60	12	17	11	100
Holiday Visitors	38	21	21	20	100
Tourist Visitors	48	8	23	21	100
ALL VISITORS	46	17	23	14	100

'The domestic economy benefits as employment and income are created directly in the hotel, transport and other service industries; other industries benefit directly or indirectly, in particular agriculture and fishing and manufacturing and commerce as a result of tourists' consumption of food and purchases of handicrafts and other products. Not all the income generated remains in Kenya, as a certain amount leaves the country as payment for imported goods and as profits remitted abroad by non-citizen enterprises, but net foreign exchange earnings are probably 80 per cent of the total tourist expenditures. This means that tourism is the largest export industry in Kenya after agriculture, and with its potential for rapid growth deserves a high priority in the allocation of development funds.

6.12. The importance of tourist expenditure both for the balance of payments and in the domestic economy is fully recognized by the Government. Efforts are being made in a number of directions to assist the development of the tourist industry and the Government and its agencies are directly involved in investment in new facilities for tourists. In particular, plans are being considered for improving such infrastructure as airport facilities, roads, transport services and water supplies for game viewing areas, and for three areas on the Coast which may serve as focal points for the expansion of tourist facilities there.

6.13. The Government's investment agency in the tourist field is the Kenya Tourist Development Corporation, established in 1965, which participates with private enterprise in the financing of a variety of projects. Investment in accommodation, the lack of which is one of the major obstacles to the expansion of tourism in Kenya, has been KTDC's main activity so far and it now has interests in most of the new hotels and lodges being built in the country. The provision of finance for the expansion and improvement of tourist accommodation will undoubtedly continue to be a major function, but expansion into other fields is also taking place. The Corporation already has an interest in a private air charter firm; it hopes soon to survey other auxiliary

tourist activities, and is discussing the possibility of setting up a central booking system for hotels and lodges and of developing other tourist attractions.

6.14. Tourist offices were opened by the Government in London, New York and Frankfurt in 1967, and the interest shown by the public suggests that these are of considerable value in attracting visitors to Kenya. The planning of other promotional activities and of facilities for tourists will be greatly assisted when the results become available of surveys at present being conducted in Kenya to give further insight into the preferences, backgrounds and motivations of tourists.

6.15. Table 6.8 (derived from a survey in 1967) shows that there is tremendous scope for encouraging visitors to Kenya, nearly all of whom pass through Nairobi, to see more of the country. Efforts in this direction will be assisted by improvements to the road system, which will make it easier to organize tourist circuits taking in the Coast and the game parks.

AREAS OF KENYA VISITED BY TOURISTS, 1967

Table 6.8

	Percentage of all Visitors Visiting Area	Average Length of Stay in Area (Nights)
Nairobi	92	4.8
Coast	23	8.8
Tsavo/Amboseli	20	2.2
Mara/Nakuru	10	2.7
Northern Kenya, (Mt. Kenya, Samburu, Lake Rudolf)	14	2.5
West of Nairobi	5	6.4

6.16. The Kenya National Parks administration has also been taking direct steps to attract more visitors to the game parks and other areas of interest in Kenya. Four new areas were gazetted in 1968—Mount Elgon National Park and Shimba Hills National Reserve, and two Marine National Parks (with Marine National Reserves surrounding them) off the coast at Malindi. The marine areas cover 90 nautical square miles, and are possibly the first of their kind in the world. The new game parks have an area of almost 90,000 acres, and extensions to the Mountain National Parks added another 80,000 acres. Marsabit National Reserve remained closed to tourists in 1968 for security reasons, but it is hoped that it will soon be possible to reopen it. The number of visitors to National Parks grew rather slowly in 1967/68 (*see* Table 6.9), but figures for the first half of 1968/69 suggest that there will be a sharp rise for the year as a whole.

THE NUMBER OF VISITORS TO NATIONAL PARKS, 1964/65-1967/68

Table 6.9 *Numbers*

	1964/65	1965/66	1966/67	1967/68
Nairobi National Park	104,695	111,920	116,531	119,424
Tsavo National Park (East)	16,346	23,754	25,146	19,773
Tsavo National Park (West)	23,597	28,030	36,624	32,357
Lake Nakuru National Park	—	—	—	13,769
Mountain National Parks	5,609	5,735	8,835	11,644
Meru National Park	....	—	50	801
Gedi (Historic Site)	9,185	11,354	12,424	14,130
Fort Jesus (Historic Site)	27,609	44,246	45,834	41,794
TOTAL	187,041	225,039	245,444	253,692

CHAPTER 7—TRANSPORT AND COMMUNICATIONS

The composition of the transport, storage and communications sector in terms of output (value of receipts) in each subgroup is shown in Table 7.1. The public sector accounted for about two thirds of the activities of the industry as a result of the dominant position of the Railways and Harbours Corporations, the Posts and Telecommunications Administration and East African Airways, even though only the transport and communications operations of the enterprises concerned are included in the table. The outputs of workshops and construction units operated as subsidiary activities by these public corporations are included in the appropriate sectors—manufacturing and repairs, and building and construction.

7.2. The provisional estimates in Table 7.1 suggest that in 1968 road transport overtook the railways as the most important means of transport in Kenya in terms of receipts. The railways retained the major share of freight haulage, but road transport further increased its already predominant share of the passenger transport market. Air transport, though still small relative to these two sectors, has advanced rapidly over the last few years, in line with the growth of East African Airways and the increasing use of light aircraft by private operators. Rapid expansion has also taken place in the subgroup "services incidental to transport", which includes travel agency services whose earnings were boosted by the growth of tourism.

Railways and Harbours

7.3. The importance of rail transport in the transport and communications industry is indicated in Table 7.1—it accounted for 25 per cent of total output in 1968. Table 7.2 shows the pattern of sales in the last six years (harbour operations are excluded). Receipts from passenger services have been virtually static due to competition from road passenger transport services

TRANSPORT AND COMMUNICATIONS—VALUE OF RECEIPTS, 1964-1968

Table 7.1 *K£'000*

	Railway Transport	Road Transport		Water Transport	Air Transport	Services Incidental to Transport*	Total Transport and Storage	Communi-cations	Total Transport, Storage and Communications
		Passenger	Freight						
1964									
Public	14,182.7	-	20.9	8,713.9	5,414.0	152.8	28,484.3	4,876.2	33,360.5
Private		5,391.2	6,568.3	698.3	1,032.6	1,829.0	15,519.4	884.7	16,404.1
Total	14,182.7	5,391.2	6,589.2	9,412.1	6,446.6	1,981.8	44,003.7	5,760.9	49,764.6
1965									
Public	15,066.0		19.3	10,302.7	5,786.5	158.8	31,333.3	5,165.5	36,498.8
Private		4,870.6	7,284.9	710.9	1,066.3	2,393.6	16,326.3	808.8	17,135.1
Total	15,066.0	4,870.6	7,304.2	11,013.6	6,852.8	2,552.4	47,659.6	5,974.3	53.633.9
1966									
Public	16,977.0			11,896.6	6,921.2	135.2	35,930.0	5,322.9	41,252.9
Private		6,473.9	6,900.5	864.3	1,338.3	3,134.8	18,711.8	1,213.1	19,924.9
Total	16,977.0	6,473.9	6,900.5	12,760.9	6,667.3	3,269.5	54,641.8	6,536.0	61,177.8
1967									
Public	16,966.0		174.9	11,207.3	8,289.5	153.9	36,791.6	5,445.1	42,236.7
Private		7,326.7	8,433.5	889.1	1,335.6	3,239.8	21,224.7	1,368.5	22,593.2
Total	16,966.0	7,326.7	8,608.4	12,096.4	9,625.1	3,393.7	58,016.3	6,813.6	64,829.9
1968+									
Public	17,570.0		577.6	12,023.2	9,725.5	156.1	40,052.4	5,815.8	45,868.2
Private		8,146.2	9,030.5	971.4	1,374.5	3,330.5	22,823.1	1,402.9	24,226.0
Total	17,570.0	8,146.2	9,608.1	12,994.6	11,100.0	3,,486.6	62,875.5	7,218.7	70,094.2

*Including storage.
+Provisional.

and their share in total receipts has fallen as freight haulage business has grown. A comparison of Tables 7.1 and 7.2 does, however, show that even the freight haulage business of the railways is advancing relatively slowly—by 26 per cent between 1964 and 1968 and by 4 per cent between 1967 and 1968—compared with 45 and 12 per cent for road haulage over the same period. These uneven rates of growth between road and rail transport are not surprising, of course. As a modern economy develops, the more flexible road transport sector grows rapidly, but a more liberal road transport licensing policy has also been an important contributory factor.

RAILWAY RECEIPTS, 1964-1968

Table 7.2 ***K£'000***

	Passenger Traffic	Freight Haulage	Total
1964.....	1,174.4	13,008.4	14,182.7
1965.....	1,075.8	13,990.3	15,066.1
1966.....	1,123.5	15,853.5	16,977.0
1967.....	1,098.0	15,868.0	16,966 0
1968 (est.)	1,136 8	16,433.2	17,570.0

7.4. While the size and extent of railway operations in Kenya are expanding slowly, they remain vital to the profitability of the East African railway system as a whole. Railway receipts in Kenya account for the bulk of total receipts in East Africa—movements to and from Kenya were responsible for more than half of the 3,625 million metric ton-kilometres of freight moved by rail in East Africa in 1967. This is illustrated in Table 7.3.

FREIGHT MOVEMENTS BY RAIL IN EAST AFRICA, 1967

Table 7.3 ***Per cent of total***

From / To	Kenya	Uganda	Tanzania
Kenya	31.8	15.5	1.8
Uganda	19.7	1.8	0.4
Tanzania	4.1	0.8	24.1

7.5. The rapid expansion of the competing road transport industry over the last few years, consequent on the marked improvement in the country's trunk road system, has posed serious problems for the railways. As a result of this, the tariff structure of the railways has been under detailed review. Ideally, if the railways are to remain financially sound, the structure of tariffs throughout East Africa should be such that the rate for each individual commodity reflects as nearly as possible the cost to the railways of carrying that commodity. However, the existing structure reflects the past practice of fixing rates for bulk export commodities below the real cost involved and fixing tariffs for high value import commodities at a rate above the real cost, leading to the loss of such traffic to road transporters. This has been particu-

larly serious in petroleum products. In an attempt to avoid the loss of further traffic in petroleum products, the railway authorities recently reduced the tariffs on them. Road transporters have followed suit but it is hoped that, at the new rates, road transporters will not find it profitable to increase their activities in this field. However, railway revenue is likely to suffer to some extent as a result of the reductions and if the financial viability of the railways is to be maintained, as it must be, it will be necessary for a number of tariffs to be increased. This and other problems of transport were included in the recently completed East African transport study. The Government is examining the recommendations of this report.

7.6. The upturn of overseas trade in 1968 in East Africa as a whole is reflected in the growing tonnage of freight handled at Mombasa harbour. This rose by 12.4 per cent after showing a very small increase in 1967. Since 1964, there has been an average annual growth of 11.8 per cent in the amount of freight handled at the port.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1964-1968

Table 7.4

	LANDED		LOADED		TOTAL	
	'000 metric tons	Per cent increase	'000 metric tons	Per cent increase	'000 metric tons	Per cent increase
1964	2,454	22.7	1,671	26.3	4,125	24.1
1965	2,677	9.1	1,737	4.0	4,414	7.0
1966	3,185	19.0	1,907	9.8	5,092	15. 4
1967	3,023	—5.1	2,142	12 .3	5,165	1.4
1968 (est.)	3,533	16. 9	2,273	6.1	5,806	12.4

7.7. About K£3.5 million was spent on the improvement of Kenya's railways in 1968, compared with expenditures of K£3.0 million in 1967 and K£1.1 million in 1966. Further investment of K£3.6 million is planned for 1969, largely in track improvements. Investment in locomotives and other rolling stock will be stepped up in the following years as part of a capital expenditure programme for Kenya totalling nearly K£25 million between 1969 and the end of 1974.

7.8. In the same period (1969-74) more than K£13 million is expected to be spent on improvements to Mombasa harbour—an average of over K£2 million a year, compared with the K£1.25 million which was spent on the harbour in 1968. The proposed new facilities will include extra deep-water quays, the expansion of conventional and cold storage facilities, provision for the handling of bulk goods and container traffic and easier access to the quays for road vehicles.

7.9. The implementation of extensive capital expenditure for better railways and harbours in Kenya is becoming increasingly urgent in order to provide the additional facilities required for moving expanding production from Kenya and Uganda (and to some extent from Tanzania). Because of delays in this respect, some development projects in the country have already suffered a setback—in cement production, for example—due to delays in the provision of bulk-handling facilities (*see* para. 5.21). Within the next year or so, bulk-handling facilities for grain and soda ash exports will also be required.

7.10. It was proposed under the East African Treaty that the administration of the railways and harbours should be separated. This separation became effective from 1st June this year; the harbours are now administered from Dar es Salaam, with the head office of the Railways Corporation remaining in Nairobi.

Shipping

7.11. Kenya has had a direct interest in shipping business since 1966, when the Eastern Africa National Shipping Line was established. Sixty per cent of the shareholding is divided equally between the Governments of Kenya, Uganda. Tanzania and Zambia, and the rest is privately held. Two ships have been purchased, and are operated, together with a number of vessels on charter, between East Africa and European ports, in conjunction with the 13 other members of the East African Conference Lines. It is expected that two more ships will be bought in the near future and further expansion is planned for the line.

7.12. On 1st February 1969, the East African Conference Lines, which carry most of the freight arriving in and leaving East Africa, raised their freight charges by 5 per cent. The Conference had previously indicated that a 10 per cent increase would be imposed (with correspondingly heavier effects on export and import prices and the cost of living). However, it halved the increase as an interim measure, after representations from the East African governments concerned, pending investigation of changes in costs since May 1964, when the rates were last altered. It is hoped that this move foreshadows closer future working relations between the Conference and the East African governments in the fixing of freight rates. The decision by the Conference Lines not to implement the increase originally proposed was made at a time when a competing non-Conference line was able to win some important freight contracts.

Road Transport

7.13. As already noted, the receipts of the road transport sector increased by 12 per cent in 1968, and accounted for slightly more of total transport receipts than did the railways. Passenger and freight activities expanded at very similar rates and, taking the two together, receipts increased by nearly 50 per cent between 1964 and 1968.

7.14. The number of licences issued for passenger service and freight transport vehicles for hire are shown in Table 7.5. The large increases in the number of passenger service vehicles licensed in recent years have led to the rapid growth of the private passenger transport sector already noted above. These vehicles include mini-buses, used mainly for tourist transport, and taxis and hire cars. The number of freight transport vehicles licensed has not changed markedly during the last few years but, because larger vehicles have been brought into the country, the freight capacity available has increased much faster. The rapid growth of freight transport receipts suggests that utilization of available capacity has also improved.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1964-1968

Table 7.5 ***Numbers***

	Passenger Service Vehicles	Freight Transport Vehicles	Total
1964	2,878	2,501	5,379
1965	3,152	2,700	5,852
1966*	3,358	2,662	6,020
1967*	3,720	2,625	6,345
1968*	4,200	2,684	6,884

***Estimated.**

The Transport Licensing Board took steps in 1967 to speed up Kenyanization in the road transport sector by giving preferential treatment to citizens in the issue of licences As a result, a growing proportion of citizens, particularly Africans, have become established in the transport sector.

7.15. Registrations of new vehicles rose rapidly from 1964 to 1967, as shown in Table 7.6. But in 1968 they fell back for all kinds of vehicles except motor-cycles, with utilities and buses showing the sharpest falls. Increases in the rates of import duty on most types of motor vehicles in the 1967 and 1968 budgets possibly contributed to the fall. In particular. Table 7.7 suggests that increased duties on higher-powered cars were effective in reducing imports of such vehicles, to the benefit of the balance of payments, but such conclusions can only be regarded as tentative on the basis of one year's figures.

7.16. An indication of the growth of total road traffic is given by the consumption of petrol and light diesel fuel by road vehicles-. The increase of 20 per cent in the use of light diesel fuel in 1968 is particularly striking, and suggests a sharp upturn in road freight transport activity during the year, although the railways were also a major user of this type of fuel.

NEW MOTOR VEHICLE REGISTRATIONS, 1964-1968

Table 7.6 *Numbers*

	1964	1965	1966	1967	1968
Motor cars	4,058	5,031	5,579	6,014	5,630
Utilities	2,974	3,402	3,636	4,212	3,465
Lorries	658	685	1,231	1,621	1,483
Buses	281	252	239	339	271
Motor-cycles	650	729	871	978	1,016
Others	980	850	1,301	1,186	1,186
TOTAL	9,601	11,049	12,857	14,350	13,051
Percentage Annual Increase	1.6	15.1	16. 4	11.4	- 9 1

CUBIC CAPACITY OF NEW MOTOR CARS REGISTERED, 1967 AND 1968

Table 7.7

	CUBIC CAPACITY (C.C.)				
	0.1000	1001-1300	1300-2000	Over 2000	Total
1967	693	1,448	3,398	475	6,014
1968	632	1,919	2,671	408	5,630

CONSUMPTION OF PETROL AND LIGHT DIESEL FUEL, 1964-1968

Table 7.8 '000 *litres*

	Petrol	Light Diesel Fuel
1964	161,756	114,059
1965	161,656	118,760
1966	169,998	134,730
1967	183,590	148,386
1968	196,769	176,103

In April 1969, duty on light diesel fuel was lowered. This meant that, in spite of an increase in railway diesel fuel freight charges, most farmers and road hauliers were able to obtain their fuel supplies more cheaply. Consumption taxes on petrol were raised at the same time to recover the revenue lost. However, because of a reduction in the rail and road tanker transport rates for petrol at the same time, the price paid by most consumers remained unchanged.

7.17. Kenatco- a transport company taken over by the Government on 1st November 1966, continued to expand its activities, and has now become a major road transport undertaking in the country. The company's main activities are freight transport throughout East Africa (for which a K£200.000 expansion programme was recently announced), and transport for tourists, including the hiring out of vehicles to tour operators. The total number of trucks, tankers, taxis and other passenger service vehicles owned by the company now is about 230; 140 of these, mainly lorries and mini-buses, were bought in the last year, at a total cost of about K£250,000. The need to service this enlarged fleet led to the expansion of the company's repair and maintenance facilities in Nairobi; depots were also set up in Nakuru and Mombasa. The growth of the firm in the last year meant that increasing numbers of local people were employed and trained to play a part in the country's tourist and transportation industries.

7.18 The Government is giving high priority to the development of roads. In the financial year 1967/1968 a sum of K£5.3 million was spent on roads, an increase of one third on the previous year. A third of this expenditure was devoted to major projects—the continuation of work on the Great North Road and the Nairobi-Addis Ababa road, and the completion of the Nairobi-Mombasa tarmac road. The new surface of the Nairobi-Mombasa road was, however, damaged by heavy goods traffic in 1968, but the axle-loading of such vehicles was controlled more stringently as from April 1969. Other expenditures were K£0.9 million on other trunk roads and K£1.2 million on roads for the transport of tea and sugar from the growing areas. In mid-1968 there were 27.623 miles of roads in Kenya, 1.738 miles of which were bitumen surfaced.

7.19. A further K£8.7 million has been provided for roads in the financial year 1968/1969. and it is envisaged that such expenditure will continue to rise into the 1970s. The main projects at present under construction are: —

	Expenditure in 1968/1969
Athi-Namanga / Leberu-Tororo } Great North Road	K£1.4 million
Nairobi-Addis Ababa Road	K£0.9 million
Tourist roads.....	K£0.3 million
Sugar roads	K£1.3 million
Tea roads.....	K£0.7 million
Trunk roads (new construction and improvements)	K£2.5 million

Civil Aviation

7.20. The continued growth of commercial air traffic at Nairobi Airport is shown in Table 7.9. Activity at Mombasa Airport (Port Reitz) is also expanding rapidly and in 1968. 150.000 passengers and 650 metric tons of freight were handled there.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1965-1968

Table 7.9

	1965	1966	1967	1968+
PASSENGERS ('000)—				
Landed	166.8	195.0	220.6	248.1
Embarked	175.5	204.2	233.7	266.8
Transit	106.4	108.3	141.1	154.7
TOTAL*	555.0	615.7	735.4	824.3
FREIGHT (tonnes,excluding mail)—				
Landed	2,519.3	2,856.2	3,131.7	4,428.1
Loaded	5,232.7	5,532.1	5,665.9	6,412.1
TOTAL	7,752.0	8,388.3	8,797.6	10,840.2

*Transit passengers are counted twice.
+Provisional.

7.21. East African Airways continued to expand their operations. Passenger-kilometres flown by the airline on scheduled services rose by 20 per cent, freight metric ton-kilometres by 22 per cent, and total aircraft-kilometres (including non-scheduled flights) by 18 per cent. Capital expenditure on equipment in the year was K£2.3 million (this includes payments for equipment already in service) and at the end of 1968 the corporation's fleet included four Super VC10s, three Comets, four Friendships and 10 other aircraft.

7.22. The private sector accounted for about 12 per cent of air transport sales in 1968 (***see*** Table 7.1.), and consisted almost entirely of charter hire activities for tourists and businessmen. Wilson Airport near Nairobi is the centre from which most of this traffic operates, and is also used by the majority of small privately owned planes in Kenya. As a result, it is one of the busiest airports in Africa in terms of air movements, details of which are set out in Table 7.10. The number of passenger movements is very small compared with the number of air movements because a large proportion of the flights from Wilson Airport are of a purely local nature, for recreation or training.

AIR TRAFFIC AT WILSON AIRPORT, 1964-1968

Table 7.10 Numbers

	AIR MOVEMENTS		PASSENGERS	
	Arrivals	Departures	Arrivals	Departures
1964	48,223	48,240	5,108	5,118
1965	52,411	52,381	5,642	6,118
1966	54,464	54,522	6,729	7,042
1967	74,639	74,667	7,343	7,198
1968	80,191	80,165	6,803*	6,421*

*Estimated.

7.23. The further development of facilities for air transport in the Nairobi area has been the subject of two recent reports by consultants The most immediate need for Nairobi Airport is the extension of the passenger-handling facilities. The present building already has to handle over 3.000 passengers a day at peak periods, which is far above its design capacity. Suggested modifications as a first step to easing the situation would cost about K£230,000. However, an entirely new building will be necessary in the near future as a result of the rapid growth in passenger traffic which is expected to occur. A proposal for the expansion of other airport facilities has also been drawn up envisaging the expenditure of about K£8 million by the mid-1970s and including the possible construction a second runway in due course. At Mombasa, the inability of the existing runway to accept large jet aircraft is the main problem to be resolved, but other improvements will also have to be made if the potential of the coast as a tourist attraction is to be fully realized. Plans for improvements to Kisumu Airport, including bituminization of the runway and modernization of the buildings, are at present under discussion. A sum of about K£250.000 was spent on airport development in 1968; approximately K£ 150,000 was expenditure on Nairobi and Mombasa airports, and the remainder was used to improve other airports and airstrips, particularly those in remoter areas of the country.

Posts and Telecommunications

7.24. The East African Posts and Telecommunications Administration undertakes all communications operations in the country, apart from external communications, which are handled by a private company. Table 7.11 shows how postal and telecommunications service have been extended in Kenya in the last few years.

POSTAL AND TELECOMMUNICATIONS SERVICES, 1964-1968

Table 7.11 ***Numbers***

	Post Offices	Post Office Private Boxes	Telephone Subscribers' Lines	Public Call Offices
1964	249	34,788	26,134	206
1965	268	36,098	27,153	218
1966	304	37,348	27,946	219
1967	332	40,048	29,401	231
1968	346	41,763	30,812	246

7.25. Telephone services continued to expand in 1968. In addition to the increase in subscribers' lines, a number of improvements to exchanges were carried out. These included the installation at Karen of Kenya's first cross-bar exchange, a new automatic exchange at Kisumu, extensions to capacity at

Mombasa and Nakuru, and modifications to Nairobi exchanges, as well as other smaller projects. A total of 165 exchanges were in operation in Kenya in 1968; 48 of these were automatic exchanges, to which nearly 85 per cent of subscribers' lines were connected. The introduction of Subscriber Trunk Dialling in the Nairobi area later this year, and subsequently in other areas, will enable subscribers to dial all automatic exchanges in East Africa directly; trunk circuits to major centres are being increased to accommodate the extra traffic which this new facility is expected to create.

7.25. Communications with countries outside East Africa will be improved in the course of next year, when the communication satellite earth station under construction at Mount Margaret is completed, giving clearer communication with the United Kingdom, and thence with other parts of the world. Radio is also used for communication with the remoter parts of Kenya. The Radiocall service now has seven offices, and will be moving on to a new international operating standard by the end of this year.

CHAPTER 8—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Employment

Problems of coverage and other difficulties in the collection of employment statistics have been discussed in previous issues of the ***Survey.*** The improvements made in coverage, towards building up a comprehensive picture of employment in all sectors throughout the country, are shown in Table 8.1, for 1967. Unfortunately, comparable information for 1968 is not yet available and most of the discussion in this chapter is confined to what may be called, for want of a better word, the "modern" sector, defined to include employment in the towns, on large-scale farms and in modern forestry and saw milling enterprises.

8.2. This sector accounts for about 64 per cent of all wage employment. The rest consists of employees in small-holder farming, both in and outside settlement schemes, and rural non-agricultural activities. On this basis, total employment in 1967 was as follows: —

TOTAL WAGE EMPLOYMENT IN THE ECONOMY, 1967

Table 8.1

	Thousands
1. The "Modern" Sector	600.6
2. Smallholdings Outside Settlement Schemes	347.3
3. Settlement Schemes	18.3
4. Rural Non-Agricultural Activities	60.6
Total	1.026.8

Although the above figures refer only to wage employment, the distinction in the rural areas between such employment and self-employment is not clear-cut. A person who owns and normally works on his own farm may undertake casual labour occasionally for another, either in or outside agriculture. A significant number of the estimated 1,030,000 self-employed in the country engage in spells of employment in the rural as well as urban areas. To some extent, family workers, of whom there are over 2,100,000, probably also undertake short periods of labour away from the family enterprise. (As a matter of interest, the sum of employees, self-employed and family workers shows that nearly 4,200,000 persons are engaged in economic activity, including some counted twice as employees and, when they shift roles, as self-employed or family workers.) The problem of unemployment should be seen in the context of such difficulties of definition. There are, of course, many who have no means of livelihood, who own no land and have no wage employment—but not all persons usually described as being "unemployed" belong to this category. Efforts to obtain greater statistical knowledge of this problem are continuing but all figures in the rest of this chapter relate to wage employment in the "modern" sector.

8.3. The growth of employment in this sector over the last few years is shown in Table 8.2. Numbers rose from 600,600 to 608,700, or by 1.3 per cent between 1967 and 1968. A very modest annual rate of growth has been a feature of the modern sector for several years. However, there is evidence to suggest that employment has grown more rapidly in the rural sector, covered by items 2, 3 and 4 in Table 8.1. In smallholder agriculture, this has been the consequence of the development effort discussed in Chapter 4. With rising farm incomes, non-agricultural activities have grown perhaps even more rapidly to supply services to farmers.

EMPLOYMENT BY MAJOR SECTOR, 1965-1968

Table 8.2

	1965 ('000)	1966 ('000)	1967 ('000)	1968* ('000)	Percentage Change. 1967-1968
Private Agriculture and Forestry	202.4	188.1	172.7	173.0	+0.2
Private Industry and Commerce	199.8	207.9	215.9	213.8	-1.0
Public Sector	188.2	200.4	212.1	221.9	+4.6
Total	590.4	596.4	600.6	608.7	+ 1.3

*All figures in this chapter for 1968 are provisional

8.4. However (for the "modern" sector only), it is apparent from Table 8.2 that employment in the private sector had declined over the period shown. The areas of the economy affected emerge more clearly from Table 8.3. Between 1967 and 1968, of the major sectors, only manufacturing and repairs showed a small increase. Numbers of employees in agriculture and forestry,

building and construction, transport and communications and electricity and water hardly changed. In commerce and services, however, employment actually declined and. in fact, has been falling over the last three years. Within commerce, most of the decline has been in wholesale trade and, in the services group, in recreation activities.

EMPLOYMENT IN THE PRIVATE SECTOR BY INDUSTRY, 1965-1968

Table 8.3

	1965 ('000)	1966 ('000)	1967 ('000)	1968 ('000)	Percentage Change, 1967-68
Agriculture and Forestry	202.4	188.1	172.7	173.0	+0.2
Mining and Quarrying	2.3	2.3	2.4	2.9	+20.8
Manufacturing and Repairs	52.1	52.4	56.8	58.2	+2.5
Building and Construction	8.7	10.3	17.4	18.1	+4.0
Electricity and Water	2.5	2.7	2.8	2.7	-3.6
Commerce	46.5	46.1	43.5	40.1	-7.7
Transport and Communications	12.0	14.8	18.1	18.0	-0.6
Other Services	75.8	79.3	75.2	73.6	-2.1
Total	402.0	396.0	388.6	386.8	-0.5

8.5. Over the years shown above, the sharpest fall in employment has taken place in agriculture and forestry. However, not all of this has been "real" because a large acreage *(see* Table 4.10 in Chapter 4) has been transferred to smallholder settlement schemes, employment on which is shown in Table 8.1. It is difficult, however, to give a clear explanation of the falling level of employment in commerce and services. While the drop in 1968 and, to some extent, also in 1967 was probably related to the emigration from Kenya of significant numbers of Asian and European non-citizens, this factor was not operating in 1966. The Europeans and Asians who leave the country are almost entirely from the urban areas, so that the "departure" of the purchasing power they represent probably does have temporary consequences for sales and employment in sectors such as commerce and services in the towns.

8.6. A breakdown of public sector employment is set out in Table 8.4. In 1968, the public sector accounted for over 36 per cent of all employment and the number of employees in the sector rose by 4.6 per cent between 1967 and 1968. But for this increase, total employment in 1968 in the "modern" sector would have declined. The major increase took place in Kenya Government and Local Authority employment. In fact, employment by the Central Government has been rising steadily for several years. The small drop in employment by the East African Community General Fund Services probably reflected the beginning of the movement of the Community's Headquarters out of Kenya to Arusha in Tanzania. Similar moves of other East African Community Organizations (the Headquarters of Harbours, Posts and Telecommunications and Airways) to Uganda and Tanzania in the current year will result

in some decline in employment by these organizations within Kenya. However, this will be only of a minor nature, as the bulk of the employees in these organizations are not in their headquarters, but engaged in the actual operation of services whose location will not change.

EMPLOYMENT IN THE PUBLIC SECTOR, 1965-4968

Table 8.4

	1965 ('000)	1966 ('000)	1967 ('000)	1968 ('000)	Per cent in Total, 1968
Kenya Government	85.1	93.5	94.9	99.1	44.7
Statutory Boards	N.a.	N.a.	13.4	14.1	6 4
Local Government	59.4	60.2	59.8	63.1	28.4
E.A. Community General Fund Services	3.3	31	3.0	2.9	1.3
E.A. Railways and Harbours	24.3	26.4	25.4	25.3	11.4
E.A. Posts and Telecommunications	4.8	4.7	4.9	4.8	2.2
E.A. Airways Corporation	21	2.5	2.8	3 0	1.4
Others*	9.2	100	7.8	9.6	4.3
Total	188.2	200.4	212.1	221.0	100.0

*Almost entirely E.A. Cargo Handling Services.

8.7. The industrial significance of the public sector is shown in Table 8.5. "Other Services" also include General Government services, of course. Other important sectors in terms of public sector activity are the basic services, notably transport in which the public sector is traditionally a major employer. The bulk of public sector employment in manufacturing and repairs is in the "manufacturing" part of the East African Community's self-contained transport and communications organizations.

PUBLIC AND PRIVATE SECTOR EMPLOYMENT BY INDUSTRY, 1968

Table 8.5

	Total Employment '000's	PERCENTAGE DISTRIBUTION		
		Public	Private	Total
Agriculture and Forestry	190.2	9 0	91 0	100.0
Mining and Quarrying	2.9		100 0	100.0
Manufacturing and Repairs	70.7	17.7	82.3	100.0
Building and Construction	31.9	43.3	56.7	100.0
Electricity and Water	5.7	52.6	47.4	100.0
Commerce	42.3	5.2	94.8	100.0
Transport, Storage and Communications	53.5	66.4	33 6	100.0
Other Services	211.3	65.2	34.8	100.0
Total	608.7	36.5	63.5	1000

8.8. The race and sex composition of employees is shown in Table 8.6. As might be expected, the numbers of Asians and Europeans in the total have declined following emigration (which accelerated in 1968) of non-citizens from these communities. This trend is expected to continue. It is interesting to note that the whole of the growth in employment over the years shown has been among males so that the percentage of females employed in the total has fallen slightly. However, these figures refer only to the "modern" sector—there can be little doubt that, in the rural areas, the number of women in employment has risen.

REPORTED EMPLOYMENT BY RACE AND SEX, 1965-1968

Table 8.6

	1965 ('000)	1966 ('000)	1967 ('000)	1968 ('000)	PER CENT IN TOTAL 1965	PER CENT IN TOTAL 1968
Africans	536.1	539.1	547.2	557.2	90.8	91.5
Asians	38.4	41.2	37.8	36.6	6.5	6.0
Europeans	15.9	16.1	15.6	15.0	2.7	2.5
TOTAL	590 4	596.4	600.6	608.7	100. 0	100.0
Of which-						
Males	507.7	506.3	520.6	526.5	86.0	86.5
Females	82.7	90.1	80.0	82.2	14.0	13.5

8.9. Figures are also available now of the composition of employees by citizenship. The overwhelming proportion of employees are, of course, citizens of African origin, as shown in Table 8.7. Among Asian employees, citizens number a quarter and among Europeans about 7 per cent. Although the overall numbers of Asian and European employees have fallen, citizens in employment among these communities have increased, probably largely through more of them taking Kenya citizenship. A substantial number of African non-citizens are employees of East African Community organizations —nationals of Uganda and Tanzania stationed in Kenya.

EMPLOYEES BY CITIZENSHIP, 1967 AND 1968

Table 8.7 '000's

	CITIZENS		NON-CITIZENS		TOTAL	
	1967	1968	1967	1968	1967	1968
Africans	542.0	553.0	5.7	4.2	547.2	557.2
Asians	8.0	9.0	29.8	27.6	37.8	36.6
Europeans	0.8	1.0	14.8	14.0	15 6	15.0
TOTAL	550.8	563.3	50.3	45.4	600.6	608.7
Per cent in Total	91.7	92.5	8.3	7.5	100.0	100.0

8.10. The distribution of citizen and non-citizen European and Asian employees by industry is shown in Table 8.8. In two sectors, mining and quarrying and electricity and water, none of the Asian or European employees are citizens. While the proportion of European citizens in other industries also is low, about a third of the Asian employees in commerce, transport and communications and manufacturing and repairs are citizens. But in the services group, which has nearly 40 per cent of all European and Asian employees and which includes all the "professions", very few from either community are citizens.

ASIAN AND EUROPEAN EMPLOYEES BY NATIONALITY AND INDUSTRY, 1968

Table 8.8 *Percentages*

	ASIANS			EUROPEANS		
	Citizens	Non-Citizens	Total	Citizens	Non-Citizens	Total
Agriculture and Forestry	0-.3	1.6	1.9	1.3	6.7	8.0
Mining and Quarrying	—	0.3	0 3	—	0.7	0.7
Manufacturing and Repairs	5.9	12.1	18.0	1.4	11.3	12.7
Building and Construction	0.5	4.4	4.9	—	3.3	3.3
Electricity and Water	—	0.5	0.5	—	1.4	1.4
Commerce	101	18.3	28.4	1.4	17.3	18.7
Transport and Communications	3.5	5.2	8.7	0.7	8.7	9.3
Other Services	4.4	33.0	37.3	2.0	44.0	46.0
Total	24.6	75.4	100 0	6.7	93.3	100.0

Earnings

8.11. The wage bill for employment in the "modern" sector is shown in Table 8.9. Overall, it rose by 4.9 per cent compared with an increase in employment of 1.3 per cent. For the private sector, in which employment has actually declined, the wage bill went up by 3.4 per cent.

EARNINGS BY MAJOR SECTOR, 1965-1968

Table 8.9 ***K£million***

	1965	1966	1967	1968
Agriculture and Forestry	131	12.9	11.7	12.3
Private Industry and Commerce	49.7	56.3	65.6	67.6
Public Sector	51.4	58.0	62.9	67.1
Total	114.2	127.2	140.2	147.0

8.12. The figures of earnings as shown above are not comparable with the share of wages in gross national product, shown in Table 1.5 in Chapter 1. The latter figure is K£32.7 million higher. The bulk of this difference—K£13 million—consists of emoluments paid to employees not included in the "modern" sector, i.e., the earnings of employees covered under items 2, 3 and 4 in Table 8.1. The figures in Table 1.5 also include, for the private sector and Kenya Government, items such as pensions, gratuities, passages, uniforms and employers' contributions to the National Social Security Fund and private provident funds and personal emoluments for the armed forces. These items are excluded from the Kenya Government's share of the public sector wage bill shown in Table 8.9, and amounted to K£11.8 million in 1968. The remaining differences between the two figures of remuneration of employees are attributable to statutory bodies, the East African Community and an unallocable amount which is probably caused by variations in the method of calculation. Cash earnings as estimated in this chapter are derived from data for the month of enumeration which are then grossed up to obtain annual data. For national accounts purposes, however, to a considerable extent, particularly in the public sector, statistics of emoluments are obtained from employers for the full year. It seems that the latter figures tend to be higher. The estimated share of the difference between earnings as shown in Table 8.10 and in Table 1.5, for the various categories of employers, is set out below: —

	K£million
Kenya Government	11.8
Kenya Government Statutory Bodies	3.5
East African Community	1.8
The Private Sector	13.0
Unallocable	2.6
Total ...	32.7

8.13. Earnings of employees (as shown in Table 8.9) in the "modern" sector on an industry basis are set out in Tables 8.10 and 8.11. Although, in the private sector, commerce continued to be the largest group, accounting for

Earnings in the Private Sector, 1965-1968

Table 8.10 K£million

	1965	1966	1967	1968
Agriculture and Forestry	13.1	12.9	11.7	12.3
Mining and Quarrying	0.4	0.5	0.7	0.7
Manufacturing and Repairs	12.6	15.1	16.8	18.9
Building and Construction	1.7	2.7	4.2	4.6
Electricity and Water	1.1	1.2	1.2	1.4
Commerce	19.1	20.1	21.3	20.9
Transport and Communications	4.0	5.0	7.1	6.3
Other Services	11.0	11.7	14.3	14.9
Total	62.8	69.2	77.3	80.0

Earnings in the Public Sector, 1965-1968

Table 8.11 K£million

	1965	1966	1967	1968
Kenya Government	22.8	26.2	27.1	29.4
Kenya Government Statutory Bodies	N.a	N.a	3.4	3.9
Local Government	11.6	12.0	14 2	14.5
E.A. Railways and Harbours	7.7	8.9	7.6	8.2
E.A.C. General Fund Services	1.9	2.0	2.0	1.6
E.A. Posts and Telecommunications	2.2	2.5	2.7	2.9
E.A. Airways Corporation	2.0	2.7	3.0	3.2
Others*	3.2	3.7	3 0	3.5
Total	51.4	58.0	62.9	67.1

*Almost entirely E.A. Cargo Handling Services.

a quarter of the total, its share dropped compared with 1967. A large part of the growth in the total wage bill was in manufacturing and repairs which had also shown an increase in employment. In the public sector, the substantial drop in the wage bill of the East African Community can be attributed to the transfer of much of its headquarters staff to Arusha.

8.14. Average earnings, illustrated in Tables 8.12 and 8.13, also rose by 4 per cent in the private sector, but overall average earnings for all employees rose by only 3.5 per cent. It would appear that increases in average wages in the "modern" sector have slowed down, compared with the rapidly rising wage levels of the previous few years. In contrast to the private sector, the public sector continued to show employment rising faster than average wages.

Average Earnings per Employee, 1965-1968

Table 8.12 K£

	1965	1966	1967	1968
The Private Sector—				
Agriculture	64.7	68.6	67.7	71.1
Mining and Quarrying	173.9	217.4	291.7	241.4
Manufacturing and Repairs	241.8	288.2	295.8	324.7
Building and Construction	195 4	262.2	241.4	254.1
Electricity and Water	440.0	444.4	428.6	518.5
Commerce	410.8	436.0	489.7	521.2
Transport, Storage and Communications	333.3	337.8	392.3	350.0
Other Services	145.1	147.5	190.2	202.4
Public Sector	273.1	289.4	296.6	302.4
Total	193.4	213.3	233.4	241.5

Table 8.13 *Percentages*

	EMPLOYMENT				AVERAGE EARNINGS			
	1965-66	1966-67	1967-68	1965-68	1965-66	1966-67	1967-68	1965-68
THe PRIVATE SECTOR—								
Agriculture and Forestry	-7.1	—8.2	0.2	-14.3	6 0	-1.3	5.0	9.9
Mining and Quarrying	—	4.3	20.8	26.1	25.0	34.2	-17.2	38.8
Manufacturing and Repairs	0.6	8.4	2.5	11.7	19.2	2.6	9.8	34.3
Building and Construction	18.4	68.9	4.0	108.0	34.2	-7 9	5.3	30.0
Electricity and Water	8.0	3.7	-3.6	8.0	1.0	-3.6	21 .0	17.8
Commerce	-0.9	-5.6	-7.8	— 13.8	6.1	12.3	6.4	26.9
Transport and Communications	23.3	22.3	-0.6	50.0	1.4	16.1	— 10.8	5.0
Other Services	4.6	-5.2	-2.1	-2.9	1.7	28.9	6.4	39.5
PUBLIC SERVICES	6.5	5.8	4.6	17.9	6.0	2.5	2.0	10.7
TOTAL	1.0	0.7	1.3	3.1	10.3	9.4	3.5	24.9

Consumer Prices

8.15. Consumer prices have remained generally stable over the last 12 months. The cost of living for both middle and lower income groups rose slightly during 1968, but this trend was reversed in January and February 1969 when the Wage Earner's (Lower Income) Index fell by 3.4 points from the December 1968 level. This fall was due almost entirely to a lower price for the staple foodstuff, maizemeal. The price of maizemeal is determined by the Government and the reduction of the producer price for maize in 1969 and the Government decision that most of the cost of export losses should be charged against the general exchequer enabled the consumer to derive substantial benefit. Movements in the indices are shown in the tables below: —

PERCENTAGE CHANGES IN CONSUMER PRICE INDICES, DECEMBER 1964 TO MAY 1968

Table 8.14

	Dec. 64 to Dec. 65	Dec. 65 to Dec. 66	Dec. 66 to Dec. 67	Dec. 67 to Dec. 68	Dec. 68 to May 69	Dec. 64 to May 69
Lower Income Index (Nairobi Wage Earner's Index)	+6.6	+2.5	+ 1.9	+0.8	-0.9	+ 11.0
Nairobi Middle Income Index	+ 1.4	+4.2	+2.7	+0.7	+0.4	+9.7

8.16. The Wage Earner's Index measures changes in the cost of goods and services purchased by workers in Nairobi earning less than KSh. 350 per month (K£210 per annum), while the Nairobi Middle Income Index measures these changes for those in income groups earning up to K£750 per annum.

The food sub-index has a weight of over 67 per cent in the Wage Earner's Index, and the effect of price changes in the main food items was shown again in April 1969, when the Wage Earner's Index rose by 3.9 points after an increase in the consumer and producer prices of beef. Subsequent falls in meat prices, following consumer resistance, have caused the Index to drop back again.

WAGE EARNERS INDeA OF CONSUMER PRICES—NAIROBI
(Base: July 1964=100)

Table 8.15

	Food	Beverages and Tobacco	Clothing and Footwear	Fuel and Light	Household Operation	Personal Care and Health	Recreation and Entertainment	Transport	Miscellaneous	All Groups
BASE WEIGHT	67.1	7.9	7.9	5.2	5.3	1.9	1.1	2.6	1.0	100.0
1964—December	100	100	100	99	105	100	100	100	100	100.6
1965—December	114	106	103	100	115	35	100	100	100	107.2
1966—December.	116	107	103	101	128	37	100	100	100	109-7
1967—December	119	110	102	103	131	40	117	100	100	111.8
1968—		110								
March	118	110	103	104	130	40	117	100	100	111.6
June	118	113	104	103	132	40	117	100	100	111.4
September	118	113	103	105	131	39	117	100	100	111.7
December	119		106	107	133	39	117	100	100	112.7
1969—										
January	116	113	106	108	133	39	117	100	100	111.0
February	113	113	107	109	133	40	117	100	100	109.3
March	113	113	107	109	134	40	117	100	100	109.3
April	119	114	106	111	134	40	117	100	100	113.2
May	117	114	106	111	134	40	117	100	100	111.7

MIDDLe INCOME INDEX OF CONSUMER PRICES—NAIROBI
(Base: July 1964=100)

Table 8.16

	Food	Beverages and Tobacco	Clothing and Footwear	Furniture and Utensils	Fuel, Light and Water	Household Operation	Personal Care and Health	Recreationa dn Entertainment	Transport and Travel	Miscellaneous	All Groups
BASE WEIGHT	40.9	10.6	12.0	6.2	4.4	4.3	3.7	2.4	9.8	5.7	100.0
1964 December	100	100	100	100	100	100	100	100	100	100	101.0
1965 December	108	105	102	100	100	101	48	100	104	99	102.4
1966 December	112	104	107	109	102	108	50	111	112	99	106.7
1967 December	116	109	113	103	108	106	53	111	113	99	109.6
1968—											
March	116	109	115	104	109	106	54	111	113	99	109.8
June	115	111	115	107	111	106	54	111	113	100	110.0
September	115	111	115	108	112	108	54	111	113	100	110.1
December	115	111	115	108	113	107	53	111	113	100	110.4
1969											
January	114	111	115	109	114	107	53	111	113	100	109.8
February	114	111	115	109	115	108	54	III	113	100	110.0
March	114	111	115	109	115	108	54	III	113	100	109.9
April	117	111	115	109	115	108	54	111	113	100	111.4
May	116	111	115	109	115	107	54	111	113	100	110.8

8.17. Consumers in the income ranges covered by the two urban consumer price indices—and also rural consumers—spend only a small proportion of their incomes on imported goods since most basic consumer requirements are now produced internally. The majority of Kenya consumers were, therefore, hardly affected by changes in the price of imports from countries which devalued in late 1967, while even the higher income consumers derived little benefit since very few prices of imported consumer goods actually fell during 1968.

CHAPTER 9—PUBLIC FINANCE IN THE ECONOMY

It was observed in the Economic Survey 1968 that the public sector had played an increasingly more positive role in economic development since Independence. Its total contribution to gross domestic product increased from K£79.2 million to K£I07.4 million between 1964 and 1968, an average increase of 7.9 per cent compared with an overall increase of 6.8 per cent in total product. An industrial analysis of the operations of the public sector is detailed in Table 9 1. Over one half of the overall total for 1968 consisted of what is described as "General Government" and the remainder of various enterprise activities. General government consists of the administrative, regulatory and social welfare activities undertaken by Central and Local Government and, in total, these increased by K£14 million between 1964 and 1968, an average annual growth rate of approximately 7.3 per cent at current prices. The marked expansion of education and health services, discussed in Chapter 10, was the main cause of this increase, but other government services also expanded and this chapter is concerned with analysis of all general government expenditures and of their financing.

9.2. The enterprise activities of the public sector consist largely of the principal transport corporations, East African Railways, East African Harbours and East African Airways and, in addition, enterprises that have been established—largely since Independence—to provide greater development thrust to particular industrial sectors of the economy and to increase government and Kenyan participation in those industries. The impact of these public enterprises on the industries in which they participated is discussed in the industrial sector chapters of this survey and mention of them is made here only in order to present, as in Table 9.1., a picture of the impact of the public sector on the national accounts as a whole.

9.3. Central Government expenditure and revenue over the last ten years is set out in Table 9.2. The details included in this table and also in the tables that follow are obtained from an analysis of Government Appropriation Accounts and Estimates. However, there are differences

Contribution of the Public Sector to Gross Domestic Product
1964-1968

Table 9.1 K£million

	1964					1965	1966	1967	1968 (Provisional)				
	Central Govt.	E.A. *Community	Statutory Boards	Local Authorities	Total	Total	Total	Total	Central Govt.	E.A. *Community	Statutory Boards +	Local Authorities	Total
General Govt. Sector													
General Administration	5.1	1.7	—	1.7	8.6	8.7	8.8	8.8	5.5	1.8	—	1.8	9 1
Justice and Police	8.2	0.1	—	—	8.3	8.5	9.1	9.8	10.3	-			10.3
Defence	2.2	—	—	—	2.2	2.7	3.5	4.0	3.9		—		3.9
Education	3.6	—	0.6	7.1	11.2	10.3	11.3	14.0	4.9	—	2.7	8.5	16.0
Health Services	3.2	—	—	1.5	4.7	4.6	5.7	6.3	4.8	0 .1		2.0	6.9
Agricultural and Veterinary Services	3.9	0.3	0.1	0.2	4.4	4.7	5.0	4.6	4.5	0.3	0.1	0.2	5.1
Other General Services	2.0	0.9	—	0.7	3.7	4.2	5.1	5.7	3.9	0.8	—	1.0	5.7
Total General Government	28.1	31	0.6	11.2	43.0	43.8	48.6	53.1	37.8	3.0	2.8	13.5	57.1
Enterprise Sector													
Agriculture	—	—	—0.1	—	—0.1	—0.2	—0 1	—0.3	0 1	—	0.3	—	0.2
Forestry	1.0	—	–	—	1.0	1.1	1.1	1.4	1.6	—	—	—	1.6
Manufacturing	0.5	4.0	—0.7	0.1	5.3	5.8	6.1	6.2	1.1	4.9	0.8	0.1	6.8
Construction	1.8	1.6	—	0.3	3.6	3.3	4.2	5.1	3.4	1.0		1.0	5.4
Electricity and Water	0.4	—	0.4	0.8	1.6	1.7	1.7	2 1	0.5		0.4	1.2	2.2
Transport and Communications	0.3	17.5	—	—	17.8	20.0	22.5	22.8	0.4	23.1	0.3	—	23.8
Wholesale and Retail Trade	—	—	0.4		0.4	0.6	1.1	1.1		—	2.0		2.0
Banking and Insurance	—	—	2.8	—	2.8	3.4	3.6	4.1	–	—	4.5	—	4.5
Ownership of Dwellings	2.3	1.4	—	0.1	3.8	3.8	3.8	3.8	2.3	1.4	—	0.1	3.8
Total Enterprises	6.3	24.5	4.2	1.3	36.2	37.5	44.0	46.3	9.2	30.4	8.3	2.4	50.3
Total Public Sector	34.4	27.6	4.8	12.5	79.2	83.3	92.6	99.4	47.0	33.4	11.1	15.9	107.4

*IncludingE.A.A., E.A.P. and T., E.A.R. & H.
+ lncluding Government Banks, and Public Enterprises.

between the totals of revenue and expenditure of Central Government as shown in the tables in this chapter and those appearing in the Government Appropriation Accounts and Estimates. The principal reasons for these are—

(a) the figures included in this chapter eliminate double counting arising from the division of Central Government estimates between Recurrent and Development Accounts and the resultant transfers of various expenditure items from one account to another.

(*b*) Central Government revenue and expenditure as shown in this chapter is gross of collection costs of income tax, customs and excise taxes, and Appropriations in Aid (in the main, fees collected by departments and appropriated with parliamentary approval to the use of specific services) rather than net of these amounts as is the case in the Appropriation Accounts and Estimates.

(c)all regional expenditure incurred in 1963/64 and 1964/65 before the Constitution was amended has been included in the Central Government expenditure so as to maintain comparability over time;

(d) all expenditure by the Kenya Government undertaken through the Overseas Service Aid Scheme for British expatriate civil servants, and also the expenditure under consolidated fund services, has been included with the Central Government figures to give a complete picture of the budget.

9.4. The out-turn of revenue and expenditure for 1968/69 must at this stage be regarded as a forecast, since it is impossible to estimate with certainty the expenditures undertaken by Ministries on individual projects until the Appropriation Accounts are available early next year. It is, therefore, necessary to forecast what the levels of expenditure are likely to be on the basis of the total sums approved by Parliament and the expected drawings on the Exchequer against these amounts up to the end of June 1969. On the basis of past experience it is clear that expenditure is likely to fall short of the amount voted in the estimates owing to delays incurred in getting development projects under way. It is also difficult to forecast the final out-turns of revenue with precision at this time of the year. However, allowing for these factors and taking the development and recurrent budgets together, the final out-turn of the Central Government budget is likely to be one of deficit, compared with a final surplus in the year 1967/68 of K£1.38 million. No great significance should be attached to the deficits since, as will be noted, they are small in relation to the total size of the budget and they are in any case covered by short-term borrowings and cancelled out from one year to another.

CENTRAL GOVERNMENT

OUT-TURN OF REVENUE AND EXPENDITURE, 1959/60-1968/69

Table 9.2 *K£million*

	REVENUE			EXPENDITURE			Surplus/ Deficit
	Re-current	Develop-ment	Total	Re-current	Develop-ment	Total	
1959-60	38.51	7.57	46.08	38.25	8.11	46.36	—0.28
1960-61	41.36	9.8	50.54	43.27	7.68	50.94	—0.40
1961-62	44.41	9.26	53.67	45.22	7.16	52.37	+ 1.29
1962-63	46.82	11.40	58.21	48.34	9.40	57.73	+0.48
1963-64	55.57	13.26	68.83	54.04	14.08	68.13	+0.70
1964-65	57.20	15.83	73.02	56.92	13.62	70.54	+2.49
1965-66	62..36	11.11	73.47	63.26	14.25	77.52	—4.06
1966-67	71.05	14.49	85.54	68.53	16.35	84.88	+0.66
1967-68	79.45	15.92	95.37	74.41	19.58	93.99	+ 1.38
1968-69 (Est)	77.83	18.83	96.66	77.47	23.68	101.15	—4.49

9.5. Over the ten-year period, 1959-60 to 1968-69, total Central Government expenditure increased at an average annual rate of 9.1 per cent—current expenditure grew at an average rate of 8.1 per cent and development expenditure at 12.7 per cent. Since 1963/64, the overall annual increase in Central Government expenditure has been 8.2 per cent with the recurrent budget growing at 7.5 per cent and development expenditure at 11 per cent. Recurrent revenue which, as will be seen below, largely consisted of taxation revenue, increased at an average rate of 8.1 per cent per year over the ten years 1959/60 to 1968/69 and at 7.1 per cent per year over the five years from 1963/64 to 1968/69. It is clear, therefore, that recurrent revenue has kept pace fully with the growth of recurrent expenditure. The rates of growth of expenditure since 1963/64 were, however, influenced by the fact that the expenditure incurred by the Kenya Government on behalf of the British Government under the Overseas Service Aid Scheme for expatriate civil servants fell from K£5.0 million in 1963/64 to K£0.7 million in 1968/69 as a result of a change in the system whereby the British Government made the payments directly. Since these expenditures were met entirely by the British Government (and are therefore included in the revenue totals above) the expenditure incurred by the Kenya Government net of Overseas Service Aid Scheme payments rose at a relatively faster rate than shown by these percentages.

9.6. The detailed expenditures of individual Ministries set out in the Appropriation Accounts and Estimates have been re-analysed in Table 9.3 according to the various tasks or functions undertaken by the Central Government irrespective of which Ministry was actually responsible for the expenditures. Summarised, the four main groups of Central Government services increased since the year 1963/64 as follows:—

	Percentages
General services	70
Financial obligations	7
Economic and Community Services	50
Social Services	93
Total expenditure	48

Expenditures on General Services which included mainly administration, law and order and defence rose faster than expenditure overall, largely as a result of increased defence expenditure. However, for the first time since Independence the increase in these expenditures was checked in 1968/69 as a result of the ending of the Emergency in North Eastern Province in the early part of the year. The increase in the cost of General Services in 1968/69 was caused by increases in the cost of administration and foreign affairs.

9.7. Although there was a very sharp increase in the total cost of Financial Obligations in 1963/64 compared with earlier years, there has, since that time, been very little additional increase, which, on the face of it, might be regarded as surprising. However, within the main group the cost of servicing public debt has risen steadily each year but has been offset by falls in the government's obligations for compensation payments to former expatriate civil servants. These latter payments have now been concluded, with the finalization of the five-year compensation scheme, and in future the total cost of financial obligations will rise in line with changes in the other items. On a net basis (i.e. after taking into account receipts from the British Government) the total cost has, in any event, risen since 1963/64. Transfers to Local Authorities have risen more rapidly than any other item since 1963/64 and a further increase of K£1.7 million was recorded in 1968/69. Over the period since 1963/64, there was a six-fold increase in this item, reflecting the increasing need for Central Government assistance to the Local Authorities to meet their liabilities arising from the enlarged provision of social services, mainly education and health. The increases in the cost of these services have, on a number of occasions, been caused by Central Government action, rather than actions taken directly by Local Authorities and the Central Government has had little option but to increase its grants. The position of Local Authorities as a whole is discussed in more detail below; they have experienced considerable difficulty in increasing revenues from the sources allocated to them at the same rate as their commitments have expanded.

9.8. The cost of public debt recorded a further increase in 1968/69 after registering a fall in the previous year, the first for many years. Since 1963/64; public debt expenditures have increased by 74 per cent compared with an increase of 48 per cent in Government expenditures as a whole. However, it will be seen from Table 9.4 that the increase in internal debt has been very much more rapid than the increase in external debt, and when account is

CENTRAL GOVERNMENT

RECURRENT AND DEVELOPMENT EXPENDITURE ON MAIN SERVICES 1963/64-1968/69

Table 9.3 *K£million*

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69 Estimate
GENERAL SERVICES—						
Administration and Foreign Affairs	3.32	4.98	4.73	4.76	4.97	5.59
Law and Order	8.17	8.16	8.83	9.81	11.17	11.15
Defence	1.16	3.04	4.03	5.29	6.13	5.84
Revenue Collection and Financial Control	1.46	1.66	1.76	2.39	1-66	2.28
TOTAL	14.61	17.83	19.35	22.48	23.93	24.86
FINANCIAL OBLIgATIONS—						
Public Debt	5.20	6.36	7.71	8-33	8.09	9.03
International Monetary Organization Subscriptions	1.05		0.71	0.37	0.27	0.58
Pensions and Gratuities	4.41	3.86	3.77	3.93	3.60	3.76
Compensation Payments	5.59	3.60	3.25	2.98	2.30	
Passages and leave expenses	0.95	0.66	0.62	0.51	0.57	0.36
Transfers to local authorities	0.92	2.47	4.14	2.89	3.98	5.71
TOTAL	18.14	16-96	20.19	19.0	18.81	19.44
ECONOMIC AND COMMUNITY SERVICES—						
Agriculture and Veterinary	13.46	12.74	11.09	10.49	11.70	12.58
Forestry	0.92	1.11	1.19	1.76	1.62	1.59
Game and National Parks	0.35	0.47	0.59	0.93	1.46	1.27
Transport and Roads	3.82	3.41	5.65	6.39	7.30	9.63
Other (including water supplies)	2.09	2.82	3.27	4.78	7.31	5.86
TOTAL	20.63	20.55	21.79	24.36	29.39	30.93
SOCIAL SERVICES—						
Education	7.39	6.81	6.89	7.92	9.84	11.73
Health	3.05	3.16	3.72	4.07	5.13	5.88
Other (Labour, Community Development, Housing, etc.)	1.11	2.35	2.82	4.17	3.57	4.67
TOTAL	11.55	12.33	13.44	16.17	18.54	22.28
UNALLOCABLE	3.19	2.86	2.75	3.11	3.31	3.64
TOTAL EXPENDITURE	68.13	70.54	77.52	84.88	93.99	101.15

taken of the interest and loan repayment receipts received by the Government from persons and institutions to whom loans have been re-lent, the net cost of debt servicing increased relatively slowly over the period under review and there was in fact a decline in the two years up to June 1968.

CENTRAL GOVERNMENT
PUBLIC DEBT, 1958.1968

TABLE 9.4 K£MILLION

YEAR AS AT 30TH JUNE	TOTAL DEBT*			TOTAL SINKING FUND AT MARKET VALUE	GROSS ANNUAL DEBT SERVICING CHARGES**	INTEREST AND LOAN REPAY-MENTS RECEIPTS	NET COST OF SERVICING CHARGES
	EXTERNAL	INTERNAL	TOTAL				
1958 ..	40.64	13.86	54.51	3.75	2.45(1.99)	0.69	1.76
1959 ..	39.81	17.61	57.42	4.39	2.60(2.09)	1.24	1.36
1960 ..	44.26	18.64	62.90	4.72	2.83(2.34)	1.13	1.70
1961 ..	51.32	17.85	69.17	5.33	3.40(2.73)	1.51	1.89
1962 ..	57.24	18.20	75.44	5.28	4.14(3.29)	1.75	2.39
1963 ..	64.95	18.04	82.99	6.67	4.66(3.66)	1.83	2.83
1964 ..	68.12	17.99	86.11	7.88	5.21 (4.05)	2.04	3.17
1965 ..	76.91	18.53	95.44	9.05	6.36(4.41)	2.82	3.54
1966 ..	86.10	19.34	105.44	9.99	7.71 (4.73)	2.89	4.81
1967 ..	91.11	27.49	118.60	11.22	8.33(5.25)	3.60	4.73
1968 ..	85.49	36.17	121.66	11.01	7.91 (5.40)	3.87	4.04

*EXCLUDING SHORT-TERM BORROWING.
**INTEREST PAYMENTS SHOWN IN BRACKETS.

9.9. A notable feature of public debt statistics in recent years has been the relatively faster increase in the size of the internal debt. In the years immediately after 1960, local money market conditions were such that it was not possible for Government to raise money in this way. Since 1964, however, there has been a marked improvement and a total of K£18 million net has been raised from this source. The National Social Security Fund contributed over K£11 million to this increase and it is now an important means available to the Government for directing personal savings for use in development, while at the same time, fulfilling the purposes of the Fund by providing social security benefits. An analysis of the holders of funded public debt held on the local register is set out in Table 9.5.

9.10. The total external debt fell in the year ending 1968 as a result of debt repayments. Net drawing on new loans continued to be substantial; the new loans received by the Central Government over the last five years can be seen from Table 9.13. External loans made a significant contribution to the financing of Kenya development over these years, and the rate of development spending would have been significantly lower without them. Not only were they important in providing the finance to enable specific projects to go ahead, but they were also of considerable importance in providing foreign

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 31st DECEMBER

Table 9.5 K£'000

HOLDERS OF STOCK	1964	1965	1966	1967	1968
National Social Security Fund			1,157	4,223	11,307
Kenya Government (1)	7,392	7,690	9,269	7,413	6,785
Other General Government (2)	1,526	1,414	1,987	2,031	2,241
E.A. Corporations	1,765	1,665	2,915	2,965	2,994
Banks and Insurance Companies	5,117	4,333	6,680	7,122	8,179
Other Private Companies and Institutions	261	158	1,389	1,412	1,087
Other East African Governments	281	268	637	626	623
Sterling Area Holders	38	92	1,606	1,688	1,690
Non-Sterling Area Holders..	—	—	12	14	19
All Other	711	970	1,393	1,551	2,739
TOTAL	17,090	17,590	27,045	29,046	37,664

(1) Central Bank and Kenya Government Funds, mainly sinking funds and pension funds.

(2) E.A. Community (G.F.S.), Statutory Boards and Local Authorities.

exchange with which the country was able to purchase essential import needs for development. The fact that foreign exchange has not been a constraint on development over these years was in large measure due to the availability of loan finance.

9.11. The slower growth of expenditure on economic and community services than the growth of expenditure overall is largely explained in terms of total expenditures on agricultural and veterinary services. These latter expenditures were influenced considerably by changes in expenditures on land settlement which fell from a total of K£7.6 million in 1963/64 to K£1.4 million in 1968/69. If the settlement expenditures are excluded, expenditures on agricultural and veterinary services grew from K£5.8 million in 1963/64 to K£11.2 million in 1968/69 as is demonstrated in Table 9.6.

9.12. The other principal item in this main group was expenditure on transport and roads. Most of this represented development expenditure on the trunk road system, although in the last year increasing emphasis was given to the development of secondary roads. Further reference to this development can be found in Chapter 7, but of the total expenditure on roads in 1967/68 of K£6.6 million, K£5.2 million represented capital formation expenditure, compared with K£1.1 million in 1963/64.

CENTRAL GOVERNMENT

EXPENDITURE ON AGRICULTURE AND SETTLEMENT, 1962/63-1968/69

Table 9.6 *K£million*

	MINISTRY OF SETTLEMENT Development				Other Agricultural and Veterinary Expenditure	Total
	Re-current	Land Purchase	Other Develop-ment	Total		
1962/63.....	0.31	2.35	1.25	3.91	6.62	10.53
1963/64.....	0.37	4.26	2.98	7.61	5.85	13.46
1964/65.....	0.10	3.73	2.52	6.35	6.39	12.74
1965/66.....	0.41	1.19	1.32	2.92	8.17	11.09
1966/67.....	0.28	0.39	1.57	2.24	8.25	10.49
1967/68.....	0.34	0.09	1.09	1.52	10.18	11.70
	0.29	0.16	0.96	1.41	11.17	12.58

9.13. The main thrust of the increase in Central Government expenditures in recent years has come from a 93 per cent increase since 1963/64 in expenditures on social services. In the year up to June 1969 there was an increase of 20 per cent. The main part of the increase in these expenditures was caused by higher expenditures on education, including in the last year, K£2 million development expenditure on secondary education financed by loans from the International Development Association. Higher development expenditure on education create additional recurrent expenditure and this increased by K£1 million in 1968/69. However, primary education is chiefly the responsibility of Local Authorities rather than the Central Government.

9.14. Grants and loans of approximately K£1.6 million to the National Housing Corporation represented the main part of the remainder of the increase in Social Service expenditures in 1968/69. Finance for housing development was becoming a significant feature of the Central Government budget, but the funds were generally channelled to the National Housing Corporation which was responsible for on-lending to Local Authorities and private borrowers.

9.15. Table 9.7 consists of an economic analysis of Central Government expenditure for the years 1963/64 to 1967/68. It is not possible to include 1968/69 in this analysis since insufficient details are available until after the end of the financial year. The most striking feature of the analysis is that, whereas total recurrent expenditure increased at an average annual rate of 5.3 per cent over this period, gross capital formation by Government increased at an annual rate of 46.2 per cent. The annual totals of capital formation, together with the annual percentage rate of growth in each year separately, are set out below. Although concern has been expressed at the short-fall of development expenditure each year against the development

estimates the fact that Government has been able to accelerate its own direct contribution to capital formation at such a rate can be regarded as a major contribution to development and underlines the significance of the expansive development budget in the overall economic development of the country.

	Capital Formation	Annual Increase
	£m.	%
1963/64	3.15	
1964/65	4.43	40.6
1965/66	6.43	45.1
1966/67	10.01	55.7
1967/68	14.38	43.7

9.16. On the recurrent side, wages, salaries and allowances accounted for 31.5 per cent of total expenditure in 1967/68, compared with 33 per cent in 1966/67, in spite of an increase in the total wage bill of 5.7 per cent. However, the proportion of wages and salaries in the recurrent budget went up from 37.8 per cent in 1963/64 to 42.7 per cent in 1967/68. Transfers to households and unincorporated enterprises tended to fall over the period, while, as noted above, there was relatively little increase in the interest on public debt. Subsidies, however, showed a sharp increase in 1967/68 as a result of the heavy losses incurred on the export of maize purchased by the Maize and Produce Board at prices well above export parity.

9.17. The cross functional/economic analysis of Central Government expenditure is set out in Table 9.8. This table can only be set out for one year for reasons of space, but provides a more detailed analysis of the expenditures of Government, including additional information on the cost of particular functions.

9.18. The recurrent expenditures of the Central Government are financed by taxation, by charges for goods and services, and from miscellaneous revenue from domestic sources. There were also in some years recurrent grants from external sources, but these have declined significantly in recent years, so that, whereas in 1963/64 only approximately 86 per cent of the recurrent budget was financed from domestic sources, in 1968/69 virtually all was financed domestically. An analysis of the gross receipts on recurrent account is set out in Table 9.9. Taxation receipts accounted for 66 per cent of total recurrent revenue in 1963/64 and as much as 79 per cent by 1968/69, although in the last year taxation revenue grew by only 3.8 per cent compared with an average annual growth rate of 10.9 per cent between 1963/64 and 1967/68. Taxation receipts over the period 1963/64 to 1968/69 are set out in detail in Table 9.10. The slower rate of growth in taxation receipts was caused by a lower trend for all the three main taxation sources—import duties, excise duties and income tax.

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ECONOMIC ANALYSIS OF EXPENDITURE, 1963/64-1967/68

Table 9.7 *K£million*

	1963/64	1964/65	1965/66	1966/67	1967/68
RECURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—					
Wages and Salaries:					
Personal Emoluments	18.29	20.04	20.53	22.99	24.43
House Allowances	0.71	0.72	0.81	0.83	0.89
Passages and Leave Expenses	0.95	0.66	0.62	0.51	0.54
Contribution to Pensions Fund	0.57	0.45	0.45	0.45	0.41
Pay and allowances to Armed Forces:					
Military	0.71	1.96	2.38	3.14	3.23
Pensions and Gratuities	0.07	0.07	0.07	0.09	0.10
Total	21.30	23.92	24.87	28.01	29.60
Other Goods and Services:					
Rent of Fixed Assets:—					
(a) Residential	0.16	0.17	0.19	0.25	0.26
(*b*) Non-residential	0.17	0.20	0.21	0.29	0.30
Maintenance and repairs	0.86	1.73	2.13	1.83	2.42
Travelling expenses	1.18	1.73	1.98	2.35	2.31
Collection costs of income tax, customs and excise duties	0.74	0.75	0.90	1.00	0.44
Miscellaneous other goods and services	4.91	6.26	7.23	8.02	8.68
Total	8.02	10.84	12.64	13.74	14.41
SUBSIDIES—					
To agriculture	0.33	0.27	0.75	0.53	2.39
To other sectors	0.08	0.01	0.03	0.09	0.08
Total	0.41	0.28	0.78	0.62	2.47
INTEREST—					
External Debt	2.94	3.26	3.46	3.74	3.54
Internal Debt	1.11	1.14	1.27	1.51	1.86
Total	4.05	4.41	4.73	5.25	5.40
OTHER TRANSFERS—					
To Household and Unincorporated Enterprises					
(a) Persons (including pensions)	5.13	4.24	4.13	4.36	4.00
(*b*) Private non-profit institutions (Educational)	4.46	4.09	4.56	3.62	4.73
(c) Other private non-profit institutions	0.13	0.32	0.22	0.25	0.34
To rest of the world	5.94	3.49	3.97	3.40	2.64
To Other General Government Agencies					
(a) Local Government	1.03	2.42	3.45	2.99	3.92
(*b*) E.A. Community	0.13	0.13	0.21	0.12	0.12
(c) Land Settlement	2.81	2.29	0.93	0.69	0.51
(*d*) Miscellaneous including Road Authority	2.89	0.47	0.22	1.73	1.18
Total	22.53	17.45	17.69	17.16	17.44
TOTAL RECURRENT EXPENDITURE	56.32	56.90	60.73	64.79	69.33

ECONOMIC ANALYSIS OF EXPENDITURE, 1963/64-1967/68

Table 9.7-(Contd.) *K£million*

	1963/64	1964/65	1965/66	1966/67	1967/68
CAPITAL EXPENDITURE					
GROSS CAPITAL FORMATION—					
Residential buildings.	0.29	0.25	0.46	0.49	1.13
Non-residential buildings.	0.80	0.99	1.25	1.62	3.31
Construction and works.	1.06	2.12	3.11	5.42	6.77
Plant, machinery and equipment	0.48	0.52	0.88	1.42	1.46
Transport Equipment	0.49	0.50	0.69	0.86	0.92
Land	0.02	0.05	0.04	0.21	0.79
TOTAL	3.15	4.43	6.43	10.01	14.38
LOANS TO OTHER SECTORS—					
To Household and Unincorporated Enterprises.	0.32	0.21			
To Corporations	1.27	1.05	2.87	3.75	3.31
To Other General Government Agencies	4.79	4.82	2.81	2.86	4.25
Total	6.38	6.08	5.68	6.61	7.56
LOAN REPAYMENTS—					
External Debt.	1.75	1.79	2.86	2.84	1.85
Internal Debt.	0.01	0.84	1.31	0.09	0.09
Sinking Fund.	0.51	0.51	0.51	0.55	0.78
Total	2.27	3.13	4.68	3.47	2.72
TOTAL CAPITAL EXPENDITURE	11.80	13.64	16.78	20.10	24.66
TOTAL EXPENDITURE	68.13	70.54	77.52	84.88	93.99

9.19. Income tax receipts in 1968/69 were influenced by higher collections of corporation tax estimated at K£9.7 million compared with K£8.6 million in the previous year—but rather lower collections of other income tax, at an estimated K£9.8 million against K£10.8 million in 1967/68. They were also affected by a steady increase in receipts of "Pay As You Earn" which provided K£3.9 million in 1966/67, K£4.8 million in 1967/68 and an estimated K£5.7 million in 1968/69. The total in 1968/69 was also affected by the fact that whereas in 1967/68 20 per cent of corporation tax derived from specified manufacturing companies was paid into the general fund pool of the East African Community, the percentage was increased in 1968/69 to 40 per cent, equal to an estimated K£2.25 million revenue.

9.20. Collections of import duty, classified by the principal end-uses of imports, are set out in Table 9.11. The statistics in this table are compiled on a calendar-year basis and cannot therefore be compared directly with the figures in Table 9.10 based on a financial year. Thus, although import duty collections did not slow down significantly in the calendar year 1968, the Exchequer revenue estimates for 1968/69 were influenced by a marked

CENTRAL GOVERNMENT
CROSS ECONOMIC AND FUNCTIONAL ANALYSIS OF 1967/68 ACCOUNTS

Table 9.8

k£'000

ECONOMIC CLASSIFICATION / FUNCTIONAL CLASSIFICATION	RECURRENT EXPENDITURE								CAPITAL EXPENDITURE			
	CONSUMPTION EXPENDITURE											
	(a) Wages and Salaries	(*b*) Other	Subsidies	Transfers to Local Government	Transfers to Households	Transfers to Rest of the World	Other Transfers	Total Recurrent Expenditure	Gross Capital Formation	Loans and Investment in Government Enterprises	Loan Repayments to Other Sectors	Total Recurrent and Capital Expenditure
GENERAL SERVICES—												
Administration—Central	1,114	404	–	–	1	3	–	1,522	390	–	–	1,912
Administration—Provincial	1,942	325	–	–	–	–	–	2,267	81	–	–	2,348
Conduct of Foreign Affairs	320	293	–	1	–	80	–	694	15	–	–	710
Law and Order	7,164	2,741	–	–	13	–	–	9,918	1,257	–	–	11,175
Defence	3,330	2,530	–	–	28	–	–	5,888	247	–	–	6,135
Revenue Collection and Financial Control	507	746	48	–	40	8	–	1,348	7	301		1,656
COMMUNITY SERVICES—												
Roads	799	524	19	40	–	–	–	1,381	5,183	–	–	6,565
Water Works	459	861	6	–	33	–	–	1,358	216	536	–	2,110
Other	40	16	–	–	–	–	–	56	5			61
SOCIAL SERVICES—												
Education	2,694	357			5,372	20	–	8,442	1,401	–	–	9,844
Health	2,590	1,272		1	186	2	–	4,051	1,080	–	–	5,131
Labour	196	38	–		39	–	–	273	1	–	–	275
Housing	45	37	1	–	10	–	–	92	125	685	–	902
Other, including Community Development	914	729	–	228	200	–		2,071	320			2,391
ECONOMIC SERVICES—												
Agriculture	2,182	685	2,392	1,316	5	10	–	6,592	1,278	1,278	2,378	10,249
Veterinary	826	418	–	1	1	–	–	1,246	209	–	–	1,455
Forestry	379	192	4	1	–	1	–	577	1,039	7	–	1,623
Game and Fisheries	272	133	–	15	–	–	–	420	187	10	–	617
National Parks and Tourism	2	–	–	221	–	–	–	225	–	613	–	838
Lands, Mines, Surveys and Geology	923	215		–	–	–	–	1,139	148	–	–	1,287
Commerce and Industry	378	554	–	23	4	–	–	960	14	2,839	35	3,848
Transport, excluding Roads	235	280	–	17	–			532	207			738

CENTRAL GOVERNMENT
CROSS ECONOMIC AND FUNCTIONAL ANALYSIS OF 1967/68 ACCOUNTS

Table 9.8—*(Contd.)*

K£'000

ECONOMIC CLASSIFICATION	RECURRENT EXPENDITURE								CAPITAL EXPENDITURE			
	CONSUMPTION EXPENDITURE											
FUNCTIONAL CLASSIFICATION	(a) Wages and Salaries	(b) Other	Subsidies	Transfers to Local Government	Transfers to Households	Transfers to Rest of the World	Other Transfers	Total Recurrent Expenditure	Gross Capital Formation	Loans and Investment in Government Enterprises	Loan Repayments to Other Sectors	Total Recurrent and Capital Expenditure
RECURRENT FINANCIAL OBLIGATIONS—												
Interest		–	–	–	–	–	–	5,401	–	–	–	5,401
Sinking Fund	–	–	–	–	–	–	–	–	–	–	777	777
Redemption	–	–		–	–	–	–	–	–	–	1,913	1,913
Compensation Payment to Designated Officers	–	–	–	–	54	2,248	–	2.302	–	–	–	2,302
Pensions and Gratuities	512	–	–	–	3,090	–	–	3,602	–	–	–	3,602
Subscription to International and Monetary Organizations	–	–	–	–	—	269	–	269	–	–	–	269
Passages and Leave Expenses	567	—	–	–	—	–	–	567	–	–	–	567
Transfers to Local Authorities, n.e.s	–	–	–	3,859	—	–	–	3,859	–	122	–	3,981
UNALLOCABLE EXPENDITURE—					—							
Buildings—Residential	138	296	–	–				433	70	–	–	503
Buildings—Non-Residential	376	107	–	–	—	–		483	209	–	–	691
M.O.W.—Unallocable	536	459	–	3		–		998	593	–	–	1,591
Government Printer	165	181	–		—		–	346	93	–	–	439
Other Unallocable	–	15	–			–	–		–	65	–	80
TOTAL	29,605	14.,406	2,469	5,725	9.076	2.643	–	69.328	14,377	7,556	2,725	93,986

GROSS RECEIPTS ON RECURRENT ACCOUNT, 1963/64-1968/69

Table 9.9 K£million

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69 Estimate
DOMESTIC SOURCES—						
Taxation	36.77	39.74	44.32	53.42	59.27	61.53
Interest and repayment of loans	2.03	2.67	2.72	3.59	5.85	3.40
Charges for goods and services	4.54	5.14	5.16	6.19	7.18	8.52
Reimbursement from other administrations	1.08	0.95	0.62	1.20	1.40	1.63
Miscellaneous	2.08	1.04	4.80	1.58	2.78	2.16
Total	46.50	49.54	57.63	65.98	76.48	77.24
EXTERNAL SOURCES—						
Grants under Overseas Service Aid Scheme	4.53	3.55	2.38	2.71	1.58	0.47
Other U.K. Grants	0.57	1.31	0.05	0.04	0.03	
U.K. Loans	3.87	2.72	2.22	2.22	1.27	
Other Foreign Loans and Grants	0.10	0.08	0.13	0.10	0.09	0.12
Total	9.07	7.66	4.78	5.07	2.97	0.59
TOTAL RECEIPTS	55.57	57.20	62.36	71.05	79.45	77.83

slowing down in the rate of import landings, particularly of commodities charged at a high rate of duty, in the first few months of 1969. Imports of textiles in 1968 were at a very high level—some 33 per cent higher than in 1967—but dropped very sharply in the first few months of 1969. On the other hand, imports of transport equipment, which normally provide a third of the total import duty revenue, declined in 1968 compared with 1967.

9.21. Excise duty receipts also showed a modest increase. Receipts by individual exciseable items are set out in Table 9.12, which shows that over 85 per cent of the total excise revenue accrued from three commodities, namely beer, sugar and cigarettes. As was the case with import duty, the calendar-year receipts did not reflect a marked reduction in collections in the first few months of 1969, particularly from cigarettes and beer.

9.22. Over the last few years there has been a tendency for the share of direct taxes in total tax revenue to increase at the expense of indirect taxes. This trend seems to have continued in 1968/69 when it was estimated that 42 per cent of total tax revenue would be derived from direct taxes compared with 36 per cent in 1963/64. The main reasons for this are probably the lowering of income tax allowances in recent years and the fact that rising

CENTRAL GOVERNMENT

GROSS REVENUE FROM TAXATION FOR RECURRENT EXPENDITURE, 1963/64-1968/69

Table 9.10 *K£ million*

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69 Forecast
DIRECT TAXATION—						
Income Tax	13.23	13.46	15.89	18.79	22.68	23.50
Graduated Personal Tax.....	0.15	—	—	—	0.41	1.40
Estate Duties.....	—	—	0.26	0.30	0.37	0.28
Export Duties.....	—	0.45	0.65	0.99	0.41	0.40
Total	13.38	13.91	16.80	20.08	23.87	25.58
INDIRECT TAXATION—						
Import Duties	13.69	15.89	17.20	20.08	19.76	20.00
Excise Duties	6.02	6.24	6.30	8.47	10.35	11.00
Stamp Duties	0.78	0.72	0.70	0.80	0.79	0.80
Petrol and Diesel Tax	1.07	1.15	1.18	1.56	1.68	1.45
Licences and Fees under the Traffic Act	0.80	0.84	0.97	1.31	1.40	1.40
Taxes and Licences, n.e.s	0.80	0.75	0.95	0.79	1.08	0.96
Land Premia and Taxes	0.03	0.03	0.04	0.14	0.12	0.12
Royalties	0.15	0.18	0.19	0.18	0.22	0.22
TOTAL.....	23.39	25.83	27.53	33.33	35.40	35.95
TOTAL (TAXES AND LICENCES).....	36.77	39.74	44.32	53.42	59.27	61.53
Percentage contributions of:—						
Direct Taxes	36	35	38	38	40	42
Indirect Taxes	64	65	62	62	60	58

employment and wages have caused many more people to pay income tax for the first time through "Pay As You Earn". Although import duty revenue grew less rapidly than income tax and may have been affected by the growth of local import-substituting industries, excise revenue grew faster than both.

9.23. Development revenue will reach an all-time peak in 1968/69 if the expected total of K£ 18.83 million is received by the Exchequer. Of this total K£10.4 million should be obtained from overseas sources, nearly all in the form of loans, while K£8.3 million represents loans raised on the local market. In 1965/66 the local contribution amounted to a mere 12 per cent against an expected 45 per cent in 1968/69.

9.24. The sources of Central Government loan finance are detailed in Table 9.13. It will be observed that the principal lender in 1968/69 was the International Development Association, one of the World Bank affiliates, and the total of these loans will be greater than the loans from the United Kingdom Government, which until this year has been the principal lender to Kenya. The I.D.A. loans are particularly attractive since they are offered

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1963-1968*

Table 9.11 K£'000

END USE CATEGORY	1963	1964	1965	1966	1967	1968 (Esti-mates)
Food, drink and tobacco	2,369	2,446	3,223	4,066	2,206	2,668
Basic materials	52	55	103	175	216	474
Fuels	3,787	4,052	4,309	4,965	5,627	5,921
Chemicals	460	442	524	588	468	622
Textiles	3,324	3,329	3,635	4,798	3,537	4,398
Semi-manufactures	796	641	806	1,052	995	1,407
Metals	396	378	521	538	565	731
Transport Equipment	1,501	1,478	1,885	2,564	3,162	2,953
Machinery	540	567	594	683	748	983
Miscellaneous manufactured articles	1,414	1,401	1,341	1,728	1,364	1,979
Miscellaneous commodities and transactions	440	183	168	288	420	539
TOTAL	15,177	14,961	17,108	21,444	19,307	22,675

*This table and table 12 are sot out on a customs year basis and cannot be compared with figures in the Exchequer revenue table.

on soft terms, being 50-year loans below the prevailing rates of interest in international markets. I.D.A. loans are being used for the secondary school building programme and roads, while the United Kingdom loans have financed land transfers, land consolidation and general development.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1963-1968

Table 9.12 K'000

COMMODITY	1963	1964	1965	1966	1967	1968
Beer	2,154	2,155	2,479	3,044	3,343	4,261
Sugar	1,452	1,407	938	779	1,891	2,494
Cigarettes	2,389	2,432	2,594	3,037	3,065	3,354
Cigars	–	1	1	1	1	1
Matches	22	25	48	92	96	138
Tobacco	44	44	25	36	33	24
Spirits	98	102	159	101	176	217
Wines	–	–	–	–	–	–
Mineral Waters	–	49	141	228	357	363
Biscuits	–	–	–	16	32	34
Soap	–	–	–	201	437	433
Fabrics, woven	–	–	–	–	118	380
Paints and distem-pers					42	106
TOTAL	6,159	6,215	6,384	7,624	9,590	11,804

MUNICIPAL COUNCILS

ECONOMIC ANALYSIS OF EXPENDITURE, 1964-1968

Table 9.20 K£'000

	1964	1965	1966	1967	1968 Estimates
EXPENDITURE ON—					
Wages, Salaries and Allowances	3,192	3,717	3,961	4,212	4,814
Other Goods and Services	1,931	2,159	3,081	2,746	3,021
Loan Charges	1				
Transfers to other authorities and persons	512	270	330	324	356
Capital	1,346	957	1,619	2,654	2,919
Net inter-departmental transfers*	—22	—57	—248	—188	—386
GRAND TOTAL	8,567	8,645	10,398	11,516	12,669

*Somedepartmental accounts contain receipts from other accounts within the same municipality. Because of lack of detail it is sometimes impossible to adjust the donor account: net inter-departmental transfers is therefore a balancing item.

9.33. An economic analysis of municipal expenditures in Table 9.20 shows that 23 per cent of total expenditures in 1968 went on capital projects while approximately 38 per cent was spent on wages, salaries and allowances and another 38 per cent on other goods and services.

MUNICIPAL COUNCILS

ECONOMIC ANALYSIS OF REVENUES, 1964 1968

Table 9.21 *K£'000*

	1964	1965	1966	1967	1968 Estimates
DIRECT TAXES—					
Graduated Personal Tax	2,003	2,355	2,589	2,688	2,849
Rates	2,231	2,128	2,067	2,196	2,328
Total	4,234	4,483	4,656	4,884	5,177
Indirect Taxes (Licences and Cesses)	61	64	84	67	71
Income from Property (Building and Land rents)	1,057	1,034	1,115	1,139	1,207
Interest on Investment	174	305	315	350	371
Sale of Goods and Services	2,652	2,830	3,456	3,234	3,428
Government Grants	323	389	192	211	224
Loans Raised	810	433	626	1,356	1,437
Miscellaneous (including court fines, sale of capital assets and non-Government grants)	156	245	90	132	140
GRAND TOTAL	9,467	9,783	10,534	11,373	12,055

9.26. East African Community: Expenditures by the East African Community general fund services in Kenya have increased by 41 per cent since 1963/64 compared with an increase in Central Government expenditure of 48 per cent. However, the relative share of the total expenditure of these services spent in Kenya compared with the share spent in Tanzania and Uganda has declined from 61 per cent in 1966/67 to 56 per cent in 1967/68. This was largely the outcome of the movement of the Community headquarters from Nairobi to Arusha in accordance with the East African Treaty. For the same reason the share of total Community spending incurred in Kenya can be expected to fall in 1968/69 and 1969/70. However, in spite of the fall in the Kenya share of the total expenditure, the amount spent by the Community in Kenya in absolute terms continued to rise—by 11 per cent in 1966/67 and 12 per cent in 1967/68.

9.27. Some 36 per cent of Community expenditures in Kenya were concerned with revenue collection and financial control, reflecting the fact that the Community was responsible for the collection of all customs and excise duties and income tax. The other principal function of the Community was economic research, which represented a further 32 per cent of total expenditure.

EAST AFRICAN COMMUNITY
(GENERAL FUND SERVICES)
EXPENDITURE IN KENYA BY MAIN SERVICES, 1963/64-1967/68

Table 9.14 ***K£million***

	1963/64	1964/65	1965/66	1966/67	1967/68
GENERAL SERVICES—					
Central Administration.	0.31	0.33	0.38	0.47	0.32
Law and Order	0.09	0.11	0.12	0.11	0.09
Revenue Collection and Financial Control	1.41	1.75	1.75	1.81	2.06
Total (General Services)	1.82	2.19	2.25	2.38	2.47
SOCIAL SERVICES—					
Education	0.17	0.19	0.23	0.26	0.38
Health	0.02	0.03	0.02	0.02	0.02
Total (Social Services)	0.19	0.21	0.24	0.28	0.40
ECONOMIC SERVICES—					
Agriculture and Veterinary	0.39	0.41	0.41	0.52	0.58
Commerce and Industry	0.09	0.08	0.08	0.09	0.07
Transport (excluding roads)	0.55	0.67	0.66	0.77	0.83
Meteorology	0.33	0.33	0.33	0.33	0.38
Total (Economic Services)	1.35	1.49	1.48	1.71	1.86
FINANCIAL OBLIGATIONS—					
Public Debt	0.08	0.07	0.08	0.14	0.30
Pensions and gratuities	0.23	0.21	0.23	0.25	0.30
Compensation Payments	0.37	0.33	0.32	0.34	0.05
Total (Financial Obligations)	0.68	0.61	0.63	0.73	0.65
UNALLOCABLE EXPENDITURE	0.05	0.02	0.03	0.03	0.39
GRANDTOTAL	4.08	4.52	4.63	5.13	5.77

EAST AFRICAN COMMUNITY

(GENERAL FUND SERVICES)

ECONOMIC ANALYSIS OF EXPENDITURE IN KENYA, 1963/64-1967/68

Table 9.15 K£'000

	1963/64	1964/65	1965/66	1966/67	1967/68
RECURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES					
1. *Wages and Salaries:*					
(a) Personal Emoluments	2,354	2,658	2,531	2,797	2,860
(*b*) House Allowance	263	289	297	330	349
(c) Passage and Leave Expenses	69	74	52	45	41
(d) Contribution to Pension Fund		30	76		–
Total (Wages and Salaries)	2,688	3,051	2,956	3,173	3,250
2. *Other Goods and Services:*					
(*a*) Maintenance and repair	275	132	156	340	339
(*b*) Transport and Travelling	70	94	108	117	144
(c) Equipment, Postal and Incidental Expenses	84	149	158	127	125
(d) Miscellaneous	136	247	254	194	364
Total (Other Goods and Services)	565	623	677	778	973
TOTAL CONSUMPTION EXPENDITURE	3,253	3,674	3,634	3,950	4,223
3. *Interest on Internal Debt*	25	37	42	43	28
4. *Transfers to:*					
(a) Individuals	–	–	74	79	79
(b) Private non-profit making Educational Institutions	149	167	207	237	349
(c) The Rest of the World	512	458	484	555	554
(*d*) Kenya Governme	14	8	–	–	334
Total Transfers	674	633	766	871	1,316
TOTAL RECURRENT EXPENDITURE	3,952	4,314	4,441	4,863	5,567
CAPITAL EXPENDITURE					
5. *Gross Capital Formation:*					
Residential Buildings	5	37	57	40	29
Non-Residential Buildings	4	23	11	10	15
Construction and Works	1	–	12	4	1
Plant, Machinery and Equipment, Vehicles	2	12	8	11	36
Total (gross capital formation)	81	147	158	213	186
6. *Loan Repayment to Other Sectors*	48	28	35	51	12
TOTAL CAPITAL EXPENDITURE	128	176	193	263	198
TOTAL EXPENDITURE	4,080	4,520	4,634	5,127	5,766

9.28. Of the total expenditure of K£5.8 million, 56 per cent was spent on wages and salaries compared with a mere 31 per cent for the same item in the Central Government. The main reason for the difference lay in the significant share of Central Government expenditure directed to capital formation —but even when the proportions of wages and salaries are compared to total recurrent expenditure only, they are shown to be 71 per cent in the case of the Community and 43 per cent in the case of the Central Government.

9.29. The services of the East African Community are financed on the one hand by subventions from receipts of income tax from specified manufacturing companies and by a share of receipts of customs revenue, and on the other, by grants received from overseas. Revenues earned in or received directly for Kenya are set out in Table 9.16 and it will be seen that the East African Community's services in Kenya are operated generally at a deficit, which will be covered by receipts for services undertaken for Tanzania and Uganda.

EAST AFRICAN COMMUNITY
(GENERAL FUND SERVICES)

OUT-TURN OF EXPENDITURE AND REVENUE ALLOCATED TO KENYA, 1963/64-1967/68

Table 9.16 K£'000

	1963/64	1964/65	1965/66	1966/67	1967/68*
EXPENDITURE	4,080	4,520	4,634	5,127	5,766
REVENUE	3,037	3,192	3,617	3,968	4,390
DEFICIT	1,043	1,328	1,017	1,159	1,376

*Provisional.

9.30. Local Authorities: The overall expenditure of Local Authorities moved up from K£17.6 million in 1964 to K£26.3 million in 1968, an increase of 50 per cent compared with an increase of 43 per cent in the expenditure by Central Government between 1964/65 and 1968/69. Expenditure by local authorities was equivalent in 1968 to more than 25 per cent of the total

LOCAL AUTHORITIES

TOTAL EXPENDITURE 1964-1968

Table 9.17 **K£million**

	MUNICIPALITIES			COUNTY COUNCILS	Total
	Nairobi City Council	Other Municipal Councils	Total		
1964	5.9	2.7	8.6	9.0	17.6
1965	5.8	2.8	8.6	9.6	18.2
1966	6.9	3.5	10.4	11.0	21.4
1967	7.7	3.8	11.5	12.3	23.8
1968 (Estimates)	8.5	4.2	12.7	13.7	26.4

MUNICIPAL COUNCILS
EXPENDITURE ON MAIN SERVICES 1966-1968

Table 9.18

K£'000

	SERVICES																	
	Administration			Community			Social			Trading			Unallocable Expenditure			Grand Total		
	1966	1967	1968	1966	1967	1968	1966	1967	1968	1966	1967	1968	1966	1967	1968	1966	1967	1968
Nairobi	449	378	416	2,121	1,908	2,099	2,041	3,142	3,456	2,110	2,124	2,336	157	193	212	6,878	7,745	8,519
Mombasa	251	241	265	558	538	592	561	620	682	325	350	385	41	52	57	1,736	1801	1,981
Nakuru	61	133	146	135	129	142	138	189	208	327	293	322	27	16	18	688	760	836
Kisumu	40	47	52	117	125	138	134	149	163	205	243	267	1	1	I	497	565	621
Eldoret	31	36	40	54	49	54	69	77	85	84	100	110	—	1	1	238	263	290
Kitale	16	16	18	42	40	44	25	36	40	69	86	95	6	6	7	158	184	204
Thika	40	43	47	46	47	52	43	43	47	65	65	72	3	—	—	203	198	218
All Municipalities	888	894	984	3,074	2,836	3,121	3,011	4,256	4,681	13,185	3,261	3,587	235	269	296	10.398	11,516	12,669

expenditure of the Central Government and they were, therefore, an important factor in the economy. An analysis of total expenditures by different types of authorities is set out below in Table 9.17.

Nairobi City Council has been identified separately since it is by far the largest single spending authority, incurring over twice the expenditure of all other municipalities put together. Expenditures incurred by each Municipal Council separately is set in Table 9.18.

9.31. Most expenditure of municipalities as a whole was directed towards social and community services, details of which can be seen in Table 9.19 over the period 1964-1968.

MUNICIPAL COUNCILS
RECURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1964-1968

Table 9.19 K£'000

	1964	1965	1966	1967	1968+
ADMINISTRATION	885	690	888	894	984
COMMUNITY SERVICES—					
Roads.	1,116	989	1,477	1,234	1,358
Sanitary Services	1,075	1,208	1,173	1,287	1,416
Other	357	437	423	315	347
Total (Community Services)	2,548	2,634	3,074	2,836	3,121
SOCIAL SERVICES—					
Health	687	758	866	1,139	1,253
Education	1,181	1,325	1,452	1,825	2,007
Housing	395	226	217	688	757
Community Development	—	—	1	151	166
Other	329	404	474	453	498
Total (Social Services).	2,592	2,713	3,011	4,256	4,681
TRADING SERVICES—					
Water Undertakings	884	833	849	923	1,015
Markets	143	138	700	709	780
Breweries and Beershops	124	151	268	292	321
Housing Estates (including staff housing)	959	992	1,106	1,024	1,126
Shops, Catering and Leasing	75	74	80	86	95
Hostels	72	50	42	32	35
Other	161	177	139	195	215
Total (Trading Services)	2,418	2,415	3,185	3,261	3,587
UNALLOCABLE EXPENDITURE	124	193	241	269	296
GRAND TOTAL	8,567	8,645	10,398	11,516	12,669

+Provisional

9.32. Primary education was the most costly service provided, followed in order by sanitary services, roads and health. The building of houses (as opposed to letting, which is included in trading services) is becoming increasingly important.

MUNICIPAL COUNCILS

ECONOMIC ANALYSIS OF EXPENDITURE, 1964-1968

Table 9.20 K£'000

	1964	1965	1966	1967	1968 Estimates
EXPENDITURE ON—					
Wages, Salaries and Allowances	3,192	3,717	3,961	4,212	4,814
Other Goods and Services	1,931	2,159	3,081	2,746	3,021
Loan Charges	1608	1,599	1,655	1,768	1,945
Transfers to other authorities and persons	512	270	330	324	356
Capital	1,346	957	1,619	2,654	2,919
Net inter-departmental transfers*	—22	—57	—248	—188	—386
GRAND TOTAL	8,567	8,645	10,398	11,516	12,669

*Somedepartmental accounts contain receipts from other accounts within the same municipality. Because of lack of detail it is sometimes impossible to adjust the donor account: net inter-departmental transfers is therefore a balancing item.

9.33. An economic analysis of municipal expenditures in Table 9.20 shows that 23 per cent of total expenditures in 1968 went on capital projects while approximately 38 per cent was spent on wages, salaries and allowances and another 38 per cent on other goods and services.

MUNICIPAL COUNCILS

ECONOMIC ANALYSIS OF REVENUES, 1964 1968

Table 9.21 *K£*'000

	1964	1965	1966	1967	1968 Estimates
DIRECT TAXES—					
Graduated Personal Tax	2,003	2,355	2,589	2,688	2,849
Rates	2,231	2,128	2,067	2,196	2,328
Total	4,234	4,483	4,656	4,884	5,177
Indirect Taxes (Licences and Cesses)	61	64	84	67	71
Income from Property (Building and Land rents)	1,057	1,034	1,115	1,139	1,207
Interest on Investment	174	305	315	350	371
Sale of Goods and Services	2,652	2,830	3,456	3,234	3,428
Government Grants	323	389	192	211	224
Loans Raised	810	433	626	1,356	1,437
Miscellaneous (including court fines, sale of capital assets and non-Government grants)	156	245	90	132	140
GRAND TOTAL	9,467	9,783	10,534	11,373	12,055

9.34. Municipal services were financed approximately half by taxation in the form of Graduated Personal Tax and property rates and half by receipts from the sale of services, including rents received for municipal property. Since a large proportion of the population in wage employment lives in the towns, the municipalities were able to earn a significant part of the total Graduated Personal Tax receipts in the country and in consequence they were very much better off than the County Councils. The higher efficiency of administration in the municipalities also meant that they were able to collect Graduated Personal Tax more effectively. For these reasons and also for reasons of equity, the Central Government redistributed 50 per cent of Graduated Personal Tax collections in Nairobi and Mombasa from those authorities to County Councils with effect from 1967.

COUNTY COUNCILS

ESTIMATED EXPENDITURE ON MAIN SERVICES, 1964-1968

Table 9.22 K£'000

	1964+	1965+	1966+	1967	1968
ADMINISTRATION	949	954	993	1,147	1,274
COMMUNITY SERVICES—					
Roads	967	957	1,189	1,110	1,233
Other	74	20	4	7	8
Sub-Total	1,041	977	1,193	1,117	1,241
SOCIAL SERVICES—					
Public Health	860	989	1,050	1,171	1,301
Education	4,957	5,699	6,547	7,486	8,318
Other	276	286	179	212	235
Sub-Total	6,093	6,974	7,776	8,869	9,854
ECONOMIC SERVICES	271	273	266	357	397
TRADING SERVICES—					
Water undertakings	93	115	155	189	210
Markets and slaughterhouses	96	92	109	111	123
Breweries and beershops	48	37	40	19	21
Other	91	46	112	59	66
Sub-Total	328	290	416	378	420
UNALLOCABLE EXPENDITURE	288	124	313	423	470
GRAND TOTAL	8,970	9,592	10.957	12,291	13,656

+Includes urban area and rural area councils.

9.35. Whereas municipal authorities have been reasonably efficient, County Councils have suffered considerable difficulties in recent years as a result of a lack of the administrative experience and difficulties in raising sufficient money to finance the basic services that County Councils are required to provide. Over 50 per cent of the total expenditure incurred by all local authorities is spent by County Councils and of this total over 60 per cent is spent on education, compared with a proportion of 15-20 per cent by municipalities over the period 1964-68.

9.36. County Council revenues are set out in Table 9.23. The principal sources of revenue for County Councils in 1968 were Government grants and receipts from the sale of goods and services. Graduated Personal Tax and rates taken together are expected to contribute no more than 27 per cent of the total. Tax revenues between 1964 and 1968 increased by less than 50 per cent while expenditures on education increased by 68 per cent and expenditures on public health by 51 per cent. The County Councils accordingly had to lean increasingly on grants from the Central Government which more than doubled over this period.

COUNTY COUNCILS

ECONOMIC ANALYSIS OF ESTIMATED REVENUES, 1964-1968

Table 9.23 K£'000

	1964+	1965+	1966+	1967 (Est.)	1968 (Est.)
DIRECT TAXES—					
Graduated Personal Tax	2,147	2,552	2,749	2,994	3,254
Rates	161	129	235	164	178
SUB-TOTAL	2,308	2,681	2,984	3,158	3,432
Indirect Taxes (Licences and cesses	552	417	501	837	692
Income from prope	103	204	166	245	266
Sale of Goods and Service	2,619	2,750	3,662	3,789	4,118
Government Grant	1,912	2,485	3,267	3,624	3,939
Miscellaneous (including interest and sale of capital assets)	470	641	181	417	453
TOTAL	7,964	9,178	10,761	12,070	12,900

+includes urban area and rural area councils.

CHAPTER 10—EDUCATION AND OTHER SOCIAL SERVICES

Education

Educational development has underlined more strongly the need for a shift in education policy from the necessary crash expansion programme immediately after Independence to a greater emphasis on the quality and content of teaching and the need to use existing resources more effectively

within the context of the high share of public expenditure already devoted to education. This does not imply any reduction in the very high priority which the Government gives to education—in fact primary and secondary school enrolments in 1968 were at record levels, respectively 7 and 14 per cent higher than in 1967. However, it has become increasingly clear that greater attention has to be paid to training and up-grading teachers, improving the standards and availability of books and equipment, and reshaping courses and institutions to meet changing educational needs. In addition, since many teachers were in 1968 near the bottom of their salary scales, existing incremental structures ensured that, even without all round pay increases, the salary bill, and therefore the total cost of education, would rise over the next few years. This, coupled with the serious financial difficulties of many county councils and the high proportion of their expenditure going to education, highlighted the need for closer control and more selective development if the optimum economic and social benefit is to be derived from the education system.

10.2. ***Primary Education.***—The total number of primary schools increased from 5,959 to 6,135 in 1968, an increase of 176 as opposed to an increase of 240 in 1967. As already recorded, there was also an increase of 7 per cent in the overall number of pupils enrolled but the increased enrolments tended to be concentrated, as in 1967, in the junior standards.

ENROLMENT IN PRIMARY SCHOOLS BY STANDARDS, 1967 AND 1968

Table 10.1

	1967 Numbers	1968 Numbers	Percentage Change 1966-67	Percentage Change 1967-68
Standard 1	228,769	250,757	+ 18	+ 10
Standard 2	183,634	207,755	+ 11	+ 13
Standard 3	165,640	178,537	+ 8	+ 8
Standard 4	146,912	158,899	+ 13	+ 8
Standard 5	123,832	132,701	+ 2	+ 7
Standard 6	136,848	134,247	+ 3	- 2
Standard 7	147,544	146,784	+ 1	- 1
TOTAL	1,133,179	1,209,680	+ 9	+ 7

10.3. As Table 10.1 shows, changes in enrolment varied from an increase of 10 and 13 per cent in standards 1 and 2 to falls of 2 and 1 per cent in standards 6 and 7. In 1967, enrolments in standards 6 and 7 had increased. In fact, the new enrolments position in these classes in 1968 was probably rather worse than these figures suggest for there is evidence that the proportion of "repeaters" in standards 6 and 7 has been growing. It would appear, therefore, that the "drop out rate" of children in the upper primary standards rose last year. One reason for this may be that parents who have children in both

primary and secondary schools are concentrating their expenditure on getting children through secondary school—the Certificate of Primary Education, awarded at the end of standard 7, is of limited use in the search for paid employment in competition with secondary school leavers, and increasing numbers of parents may be withdrawing their children from school once they have received a few years' education.

10.4. There was a further slight increase in the number of children per class in 1968 which, predictably, affected the lower standards in particular. There was, however, still room for an increase in enrolment towards the Government target of 40 children per class.

AVERAGE ENROLMENT PER CLASS IN PRIMARY SCHOOLS, 1967 AND 1968

Table 10.2 *Average Numbers*

	1967	1968
Standard 1	34	35
Standard 2	32	31
Standard 3	29	29
Standard 4	28	29
Standard 5	28	29
Standard 6	33	32
Standard 7	36	36
ALL CLASSES	30	31

10.5. Enrolment of children in primary schools remains uneven over different parts of the country. Table 10.3, showing the number of children in primary schools in each province as a percentage of the estimated total population of children between the ages of 6 and 12, gives some indication

PRIMARY SCHOOL ENROLMENTS AND SCHOOL AGE POPULATION BY PROVINCE, 1968

Table 10.3

	Total Enrolments '000's	Estimated African Population Aged 6-12 '000's	Enrolments as a percentage of 6-12 Population	Average Enrolment per class
Coast	71 .6	126.0	57	29
North Eastern	2.4	49.0	5	31
Eastern	242.1	373.0	65	32
Central	296.9	291.0	102	35
Nairobi E.P.D	55.1	41 .0	134	39
Rift Valley	174.6	403.0	43	27
Nyanza	221.1	393.0	56	30
Western	145.9	256.0	57	30
TOTAL	1,209.7	1,932.0	63	31

of these variations. It is true that many primary school children do not fall in the age group 6-12 years—a few being under 6 and a larger number (probably about 20 per cent) over 12. To the extent that a good many children in primary schools are over 12, Table 10.3 overstates the proportion of school age children actually in school and leads to the apparent anomaly of enrolments in Nairobi and Central Province exceeding the population in the age group 6-12.

10.6. The table does, however, underline the large variations between provinces. These are due to several factors, including relative incomes, population density and parental attitudes; the fact that enrolment per class is below the national average in provinces with a lower proportion of children in school indicates that (except for the special problems of the North-East) low school attendance is not simply due to a shortage of school places. Nevertheless, the much higher proportion of children attending school in richer areas will tend to perpetuate and add to inter-regional inequalities, although the Government's 1967 decision to redistribute part of the Nairobi and Mombasa graduated personal tax revenues went a little way towards reversing this trend.

10.7. ***Secondary Education.***—Growth in secondary education has continued, with an increase from 542 to 601 in the number of secondary schools in the country, and an increase from 88,779 to 101,361 in the numbers of children enrolled. While some reduction in the phenomenal annual growth rates in enrolment recorded in recent years was expected, there has been a growing awareness of the importance of maintaining educational standards and a few of the weaker **Harambee** (self-help) schools have closed, although others have opened in more promising areas. The bulk of new schools opened have been single stream—there were 385 such schools operating in 1968, against 284 in 1967.

ENROLMENT IN SECONDARY SCHOOLS BY CLASSES, 1964-1968

Table 10.4

	NUMBERS					Percentage Increase, 1964-68	Percentage Increase, 1967-68
	1964	1965	1966	1967	1968		
Form I	12,712	19,015	24,108	31,805	35,624	180	12
Form II	9,122	12,566	18,503	26,592	28,467	212	7
Form III	7,035	7,760	11,210	16,880	19,547	178	16
Form IV	5,625	6,784	7,068	10,756	14,565	159	35
Form V	864	1,130	1,356	1,622	1,769	105	9
Form VI	563	721	948	1,124	1,389	147	24
TOTAL	35,921	47,976	63,193	88,779	101,361	182	14
Number of schools	244	367	465	542	601	146	11

10.8. The sharp rise in the number of Form 1 Classes opened has increased opportunities for places in secondary schools. Although the output from Standard 7 in primary schools of students qualified to go into secondary schools is well in excess of Form I places available, nearly a quarter of those who actually sit for the Certificate of Primary Education are actually able to go forward to secondary school, as shown in Table 10.5. This is, in fact, a relatively high proportion compared with the position in many developing countries.

STANDARD 7 ENROLMENT IN 1967 AND FORM I ENROLMENT IN 1968

Table 10.5

	Standard 7 Enrolment, 1967	Form I Enrolment, 1968	Form I Enrolment, as Percentage of Standard 7
Coast	7,698	3,054	40*
North-Eastern	100	36	36
Eastern	26,604	4,433	17
Central	38,443	7,967	21
Nairobi E.P.D	6,168	6,262	Over 100**
Rift Valley	20,684	4,554	22
Nyanza	27,187	4,995	18
Western	20,660	4,323	21
TOTAL	147,544	35,624	24

*This figure is relatively high because many students come to Form I in Mombasa.

**Exceeds 100 per cent because many students from outside Nairobi enter Form 1 in the City.

10.9. The concentration on the creation of single-stream schools carried forward the change initiated in 1967 when it was found that although, in theory, multi-stream schools had considerable advantages over smaller schools in such fields as curriculum choice and better facilities and equipment, in many rural areas multi-stream schools required so large a catchment area that most pupils had to board. Thus it has been felt that for some proposed multi-stream schools the recurrent cost burden would out-weigh the advantages of size.

10.10. Average enrolment per class in 1968 remained at 33, the same as in 1967. However, as shown in Table 10.6, there was some improvement, particularly in the higher forms. But, as with primary schools, there is room for a further increase.

10.11. The percentage of non-citizen pupils in secondary schools remains much higher in Forms V and VI than in the lower forms. This ensures that the percentage of non-citizens in the higher forms will decline as those in the present lower forms continue their education. For children from needy homes,

AVERAGE ENROLMENT PER CLASS IN SECONDARY SCHOOLS, 1967 AND 1968

Table 10.6 *Number*

	1967	1968
Form I	34	36
Form II	35	34
Form III	33	33
Form IV	30	32
Form V	20	21
Form VI	17	18
ALL CLASSES	33	33

the Government intends to extend the level of the present bursaries and fee remission schemes in secondary schools so that a higher number than the present 5-7 per cent of pupils benefit. It is estimated that about K£177,000 (against K£ 160,000 in financial 1967/68) will be disbursed under these schemes to students in Forms I-IV during the financial year 1968/69 (in addition to remissions of about K£300,000 in primary schools).

CITIZENSHIP OF PUPILS IN SECONDARY SCHOOLS, 1968

Table 10.7

	Kenya Citizens	**Non-Citizens**	**All Pupils**	**Percentage of Kenya Citizens, 1967**	**Percentage of Kenya Citizens, 1968**
Form 1 ..	33,441	2,183	35,624	90	94
Form II ..	26,114	2,353	28,467	90	92
Form III ..	17,553	1,994	19,547	85	90
Form IV ..	12,606	1,959	14,565	79	87
Form V ..	1,465	304	1,769	72	83
Form VI ..	1,059	330	1,389	69	76
TOTAL	92,238	9,123	101,361	87	89

10.12. It is Government policy to continue to improve the quality of secondary education by taking existing schools into financial aid as fast as available resources allow. In 1968 the Government took over 31 Form I streams in "Harambee" schools built by self-help groups, but these takeovers compete for resources with alternative schemes to improve education, and the Government will not be able to take over as many schools as the self-help groups expect.

10.13. As part of the policy of improving the quality of education, negotiations are in progress with the International Development Association for a loan intended primarily to finance the provision of new workshops, laboratories and equipment in secondary schools and to develop secondary technical

education. Owing to the explosion in secondary education during the last few years and the slow growth of employment opportunities, there are signs that the output of secondary schools is outstripping the expansion of jobs requiring a conventional secondary education. For this reason, greater emphasis is being given to scientific and technical subjects.

10.14. The performance of candidates in school examinations is shown in Table 10.8. The numbers of candidates for all three secondary school examinations has increased rapidly over the last three years. Those taking the Kenya Junior Secondary examinations have more than trebled and School Certificate candidates doubled. The entrants for the Higher School Certificate have increased somewhat less rapidly but even these have grown 58 per cent over this period.

PERFORMANCE OF CANDIDATES IN SCHOOL EXAMINATIONS, 1966-1968

Table 10.8

	1966	1967	1968
KENYA JUNIOR SECONDARY EXAMINATION—			
Number of Candidates	9,314	18,868	30,212
Percentage of passes	28.5	34.5	20
CAMBRIDGE SCHOOL CERTIFICATE—			
Number of Candidates	8,036	12,108	17,249
Percentage of full passes	61.7	55.8	49.1
Percentage of full passes and General Certificate of Education	82.5	75.6	81.5
CAMBRIDGE HIGHER SCHOOL CERTIFICATE—			
Number of Candidates	756	941	1,196
Percentage of full passes	46.0	43.0	
Percentage with one principal subject only	35.1	37.5	59.7

10.15. ***Technical Education and Special Schools***.—In 1968, a total of 1,382 pupils, all boys, were enrolled in secondary trade courses and 654 pupils in other trade and technical courses, training for occupations ranging from plumbing and tailoring to building and metal working. At the Kenya Polytechnic, on 31st March 1968, there were 1,899 students taking a wide variety of subjects and types of course in the areas of technical and vocational training; there had been 1,811 such students the previous year. A new course in hotel management has begun. A Technical Teacher Training course was launched at the Polytechnic in 1968, and this is to be extended to include the training of "industrial arts" teachers at the Kenya Science Teachers College during the current year. At the Mombasa Technical Institute, nearly 500 students were enrolled in a variety of courses.

10.16. In 1968, there were 1,373 pupils enrolled in 26 special schools in Kenya. Six schools for the blind had 545 pupils in all, two schools for the mentally retarded had 40 pupils, while five schools for the physically handicapped had 344 pupils. Of the 129 teachers in these special schools, 106 were Kenya citizens.

10.17. *Teachers.*—The proportion of Kenya citizens among secondary school teachers improved from 43 per cent in 1967 to 49 per cent in 1968. This was due to a large increase in the output of Teachers' Colleges—there were, for example, 885 people training to be secondary teachers in 1968, against 645 in 1967. Among graduates, greater interest in the teaching profession relative to other careers was also apparent—there were 184 professionally qualified graduate Kenya citizens teaching in secondary schools in 1968 (100 in 1967), and 96 not professionally qualified graduate Kenyans (39 in 1967) In the academic year 1968/69, 25 Kenyans were studying for a new postgraduate Diploma in Education at University College, Nairobi, while there were 117 Kenya undergraduates reading for degrees in education at Makerere and Dar es Salaam University Colleges. The growth in enrolment at the Kenya Science Teachers' College from 93 in 1967 to 218 in 1968 should make an important contribution to the teaching of science subjects as successful students take up active teaching in secondary schools.

10.18. As Table 10.9 shows, primary school teachers were overwhelmingly Kenya citizens. The proportion of primary school teachers who are professionally qualified has risen from 70 per cent in 1967 to 72 per cent in 1968. The total number of primary school teachers rose by almost the same percentage as the number of primary school pupils—6 per cent, thus maintaining a similar student/teacher ratio to 1967. During the year, 5,740 students were training to be primary school teachers.

SCHOOL TEACHERS BY QUALIFICATIONS AND CITIZENSHIP, 1968

Table **10.9**

	Kenya Citizens	Non-Citizens	Total
PRIMARY SCHOOLS—			
Professionally Qualified	26,445	1,040	27,485
Not Professionally Qualified	10,211	227	10,438
TOTAL	36,656	1,267	37,923
SECONDARY SCHOOLS —			
Professionally Qualified	1,070	1,672	2,742
Not Professionally Qualified	985	917	1,902
TOTAL	2,055	2,589	4,644

10.19. The Teachers' Service Commission continues to register teachers, and had registered a total of 9,712 by 31st December 1968. The T.S.C. deals with teachers' appointments, postings, transfers, discipline, dismissals and pensions, although powers to approve the transfer and posting of teachers with each local authority are exercised by County or Municipal Education Officers acting on behalf of the T.S.C. During 1968, an average of 2,100 teachers working in Teacher Training Colleges, Secondary, Technical and Special Schools were employed directly by the T.S.C.

10.20. The T.S.C. is not responsible for the payment of salaries to teachers employed in primary schools, the great majority of which are run by local authorities. During 1968, some local authorities experienced acute financial difficulties, leading to the closing down of some primary schools, although in other cases, the Ministry of Local Government made advances to allow teachers' salaries to be paid and schools to remain open. Interruptions of this type can clearly play havoc with a child's education, and have also led to understandable unrest in the teaching profession.

10.21. University Education.—The total number of Kenya undergraduates enrolled in the University of East Africa, shown in Table 10.10, rose from 1,125 to 1,356. As the table shows, the proportion of Kenya students among all those following first degree course fell slightly, from 31 per cent in 1967/68 to 29 per cent in 1968/69. Significant shifts in the balance between Kenya and other students following various courses of the university are also apparent from the table. An increase in the percentage of Kenya students reading for a B.A. was accompanied by decreases in the percentages reading for other degrees. This combination is a little disturbing when seen in the context of the growing needs of the economy for graduates with professional

UNIVERSITY OF EAST AFRICA-KENYA STUDENTS BY FACULTY, 1967/8-1968/9

Table 10.10

	1967/68			1968/69		
	Kenya Students	Other Students	Percentage Kenya Students	Kenya Students	Other Students	Percentage Kenya Students
FIRST DEGREE COURSES—						
B.A	365	1,069	25	422	1,003	30
B.Sc.	176	399	31	188	581	24
B. Com.	86	149	37	108	203	35
B. Ed.	69	92	43	117	492	19
Total Common Faculties	696	1,709	29	835	2,279	27
Engineering	117	166	41	133	204	39
Medicine	136	254	35	171	326	34
Veterinary Science	39	103	27	42	142	23
Other Professional Faculties	137	283	33	175	371	32
Total Professional Faculties	429	806	35	521	1,043	33
Total	1,125	2,515	31	1,356	3,322	29

and technical skills. It is hoped that a greater output of trained science teachers, particularly from the Kenya Science Teachers College, and better laboratories and equipment will increase the attraction of science subjects in schools, and thus the numbers applying for science places at university. At the same time, there is little danger of a surplus of arts graduates in the near future.

10.22. The total student population at University College, Nairobi, set out in Table 10.11, rose from 1,520 in 1967/68 to 1,779 in 1968/69. In these totals, the proportion of Kenya students remained unchanged, at a little more than half. During the year, a full Department of Sociology was established within the Faculty of Arts, while plans to start a Faculty of Agriculture are now at an advanced stage. A post-graduate course in economics, which will emphasize the training of economists for the Government, is planned for the academic year 1969/70.

UNIVERSITY COLLEGE, NAIROBI-KENYA STUDENTS BY FACULTY, 1964/65-1968/69

***Table* 10.11**

	1964/65	1965/66	1966/67	1967/68	1968/69
Undergraduates-					
Arts	70	132	187	276	319
Science	43	65	97	138	142
Commerce	22	41	51	86	108
Architecture	12	16	17	32	27
Engineering	71	94	105	117	133
Veterinary Science	17	27	32	39	42
Medicine	–	–	–	19	52
Buildingand Land Economics	–	–	–	–	36
TOTAL	235	375	489	707	859
Postgraduate Students	27	35	44	44	25
Diploma Courses-					
Domestic Science	28	28	27	27	38
Art/Design	17	21	23	22	12
Architecture	7	4	1	1	—
Land Development and Survey	27	16	17	16	–
Advanced Nursing	–	–	-	–	10
TOTAL	79	69	68	66	60
Other Courses	8	–	—	–	3
All Kenya Students	349	479	601	822	947
Students from Other Countries	302	447	550	698	832
TOTAL	651	926	1,151	1,520	1,779

10.23. The "output" of Kenyans qualifying from the University of East Africa in 1968 was 266. of whom 227 received degrees and 39 diplomas in the various fields: —

Degrees—	
B.A. General	91
B.Com	14
B.Sc. (Eng.)	26
B.Sc. (Gen.)	32
B.Sc. (Agriculture)	13
B.Sc. (Vet.)	6
B.Medicine	16
B.Ed	14
LL.B	15
Total	227
Diplomas—	
Fine Art	3
Librarianship	2
Social Work	10
Education	24
Total	39
Grand Total	266

10.24. There is also a large number of Kenya students in institutions of higher education abroad, studying in a variety of fields. The territorial distribution of these in 1968 was believed to be as follows: —

	Numbers*
Bulgaria	118
Canada	74
Czechoslovakia	69
India	324
U.K	1,325
U.S.A	690
U.S.S.R	444
Yugoslavia	64
Other Countries.	496
Total	*3,604

*including schoolchildren in India and the United Kingdom.

Health and Family Planning

10.26. Total Central Government expenditure on health, including development expenditure, continued to rise, although at a slower rate than in some earlier years. Considerable health expenditure is also undertaken by local authorities (who employ and pay about as many health inspectors and many more health assistants, for example, than the Central Government).

CENTRAL GOVERNMENT EXPENDITURE ON HEALTH SERVICES, 1964/65-1968/69

Table 10.12

	Total K£*million*	PER CAPITA	
		KSh.	Percentage Increase
1964/65	311	6/83	—
1965/66	3.72	7/95	16
1966/67	4 07	8/44	6
1967/68	5.68	10/94	30
1968/69 (Estimated)	6.24	12/24	12

10.26. The most crucial problem for Kenya's health services is still the lack of properly trained staff at all levels. The proportion of citizen doctors remains very low, although there were in 1968 52 Kenya undergraduate medical students at University College, Nairobi and 119 at Makerere

MEDICAL PERSONNEL IN GOVERNMENT SERVICE OCTOBER, 1967 AND 1968

Table 10.13

NUMBER IN SERVICE

	1967	1968
Doctors(includinginterns).....	229	243
RegisteredNurses(K.R.N.).....	319	331
EnrolledNurses*.....	1,256	1,182
MedicalAssistants*.....	300	451
Radiographers.....	41	45
Physiotherapists.....	25	25
DarkroomAssistants.....	18	23
OrthopaedicApplianceMakers.....	13	11
Pharmacists.....	4	9
PharmaceuticalAssistants.....	79	88
OccupationalTherapists.....	4	4
LaboratoryTechnicians.....	28	32
LaboratoryAssistants.....	168	169
EntomologicalLaboratoryTechnicians.....	10	10
Health Inspectors.....	61	66
HealthAssistants.....	95	68
TOTAL.....	2,650	2,757

*Figures for these categories should be treated with caution due to changes in the system of classification.

University College as well as those studying abroad. There is also a continuing serious shortage of medical assistants and nurses, particularly in rural areas, but progress is being made in the training of such staff. A new course for training holders of school certificates as medical assistants has begun at Nakuru, and the annual output from this course is expected to reach 80. Also, about 26 medical assistants completed an upgrading course for enrolled nurses in 1968, and a further 36 were expected to complete the course in 1969. During 1968, 14 health inspectors and about 20 health assistants completed their training while some 87 "registered" and 141 "enrolled" nurses qualified in Government hospitals out of a total of some 630 nurses qualifying in the whole country. The number of medical personnel in Government service is shown in Table 10.13. The total number in the country exceeds the figures shown, of course, because substantial numbers work outside the Government.

10.27. The number of doctors and dentists registered or licensed to practise in Kenya, shown in Table 10.14, continued to rise in 1968. These figures are, however, unreliable since doctors do not necessarily remove their names from the list when they leave the country or give up their practice, and the figures therefore contain a large number of "dead" names. It is estimated that in October 1968 there were some 630 doctors actually practising in Kenya, of whom perhaps 130 were Kenya citizens. These figures did not include the small number of doctors engaged fully in medical teaching and research. There was thus about one practising doctor per 16,200 people, compared to the W.H.O. recommendation of one per 10,000.

REGISTERED AND LICENSED MEDICAL PRACTITIONERS AND DENTISTS, 1964-68

Table 10.14

	1964	1965	1966	1967	1968
Medical Practitioners—					
Registered	635	699	820	870	930
Licensed	75	n.a.	90	100	146
TOTAL	710	(699)	910	970	1,076
Dentists	26	39	49	42	55
TOTAL	736	(738)	959	1,012	1,131

10.28. Staff shortages were highlighted by the rapid growth of self-help health centres. One hundred and eighteen of these were under construction in July 1968. It is hoped that the community efforts put into many of these undertakings can be redirected into projects which do not require very scarce staff and funds to be of practical value. There is ample scope for other self-

help projects in the general field of health, for example, the improvement of existing health centres, staff housing at these and small-scale water and sanitation schemes. A building without trained staff does not constitute a health centre.

10.29. Both the Soviet-built hospital at Kisumu and the Gatundu self. help hospital had been taken over by the Government and were in operation, although the Kisumu hospital, with 268 beds, experenced difficulties as a result of staff shortages. A new hospital in Homa Bay is nearing completion and a new mission hospital at Kinango in Coast Province, containing 75 beds, is expected to be taken over by the Government in mid.1969. Among other projects, extensions were being made to two Nairobi hospitals during 1968. However, the total number of hospital beds available, shown below, did not change markedly from the 1967 level, the significant addition to capacity created by the new Kisumu and Gatundu hospitals having come into use during 1967: —

	Number of beds
1964	11,611
1965	12,183
1966	12,438
1967	13,608
1968	13,615

Efforts to improve facilities at existing hospitals, some of which suffer from severe over-crowding and lack of equipment, continued.

10.30. Kenya is one of the few countries in Africa to establish a national family planning programme with the object of providing a free service for parents who wish to plan their families. The programme is part of a three-pronged maternal and child care aproach, intended to combat malnutrition and improve maternity/child medical services as well as providing family planning services. Clinics are visited regularly by a doctor who performs insertions, trains staff, and handles any special problems. Other functions are performed by paramedical personnel, including a number of women volunteers in clinics in and around Nairobi.

10.31. During 1968, steady progress continued to be made and 116 clinics dispensing information and birth control devices were operating throughout the country, made up as follows: —

	Clinics
Government	48
Nairobi City Council	21
Churches and Missions	11
Family Planning Association of Kenya	36
Total.....	116

Government clinics have multiplied rapidly—there had been only five in existence a year earlier. Some of this growth is the result of the takeover of clinics formerly operated by the Family Planning Association.

10.32. The family planning programme has grown largely through word of mouth with little or no effort to promote it. Starting from very few acceptors (of contraceptive devices) in the early part of 1968, the number had risen to about 1,500 monthly at the end of the year—with about 90 per cent of acceptors coming back for visits. It is expected that the number of acceptors will continue to rise.

10.33. The programme is able to attract substantial foreign assistance and the Government's own direct expenditures on it amount to less than K£20,000, all recurrent. Hardly any special buildings are required (most of the clinics are located in existing hospitals) and most of the equipment needed is donated by international organizations and other Governments. Technical assistance personnel from abroad are also available.

Housing

10.34. In addition to private residential building in Kenya, details of which can be found in Chapter 5, public authorities undertook a number of housing projects throughout the country in 1968 and completed 1,468 dwellings in 25 different projects. Another 2,524 housing units in 30 projects scattered over a wide area were under construction. The provincial distribution of housing units completed and under construction is shown in Table 10.15. About half the dwellings completed were in Nairobi where the housing shortage is particularly acute.

PUBLIC HOUSING PROJECTS BY PROVINCE

Table 10.15 *Housing Units*

	Completed in 1968	Under Construction in 1968
Central	180	60
Coast	113	162
Eastern	0	157
Nairobi E.P.D	705	1,761
NorthEastern	0	0
Nyanza	100	146
Rift Valley	307	238
Western	63	0
TOTAL	1,468	2,524

10.35. The larger part of public authority housing is now financed by the National Housing Corporation which either lends to local authorities or directly undertakes housing development. In the financial year 1967/68, the Corporation, which is financed by the Government, borrowed £1.6 million from the Treasury to finance housing development and its final expenditure for 1968/69 is expected to exceed this figure. About a quarter of the total number of housing units completed or under construction during 1968 were directly initiated by the Corporation. It undertakes a wide range of projects including rental, tenant purchase, mortgage, aided self-help and site-and-service schemes.

10.36. There has been a significant strengthening of the emphasis in public expenditure on housing for lower income families. Although, in the past, the National Housing Corporation has been officially limited to financing houses costing not more than £1,500 each, it did in fact finance more expensive housing. In 1968, the former ceiling of £1,500 was reduced to £1,200 to reflect the obvious priorities in housing demand from the various income groups. The bulk of housing demand in the country, judged on the basis of ability to pay, is for dwellings which cost no more than a few hundred pounds each and are of relatively simple construction. Such housing is covered in the "aided self-help" and "site-and-service" schemes which make full use of the labour and other contributions of prospective occupiers. In the past, there was a tendency to set standards of housing which made for high costs because of orthodox views about the materials which should be used in construction. In order to meet the heavy demand for housing, it is essential to explore fully all possible ways of reducing construction costs, whether by using different materials or other techniques.

10.37. While more low cost housing is now being built, the preferences of higher income groups are not being ignored. The Housing Finance Company of Kenya, also a public body, concentrates on lending for higher cost housing as Table 10.16 shows.

HOUSING FINANCE COMPANY OF KENYA—MORTGAGES APPROVED 1966-1968

Table 1016

	Number of Dwellings		Amount *K£*		Average **Mortgage** ***K£***
	Estate Dwellings	Individual Dwellings	Estate	Individual	
1966.....	-	20	-	78,250	3,913
1967.....	-	76	-	318,340	4,189
1968.....	367	146	1,005,320	473,450	2,883

The National Social Security Fund

10.38. During 1968, the National Social Security Fund expanded its operations in spite of administrative difficulties involved in registering very large numbers of employees. All the larger firms in the country are now registered and the Fund's system of monthly contributions is working reasonably smoothly where there is a regular labour force. Difficulties have been experienced with firms—or, more particularly, farms—which do not carry administrative employees able to handle the considerable paper work involved in compiling the monthly returns for the Fund. These problems are likely to grow worse as the smaller employers are registered with the Fund and make regular monthly returns. Alternative solutions to this problem are being examined.

10.39. Employers' and employees' contributions to the Fund are earmarked for the payment to workers of old age benefit, survivors' benefit for contributors' families, invalidity benefit where workers are permanently incapacitated, and emigration benefit when contributors leave the country. The Government has also approved the payment of sickness benefit to cover free in-patient treatment at Government hospitals for all contributors, and this will come into force with the necessary amendment to the Act setting up the Fund.

10.40. By the end of 1968, all full-time male workers employed by employers with five or more employees were covered by the Fund and contributing to it. Contributions to the Fund in 1968 totalled K£5.57 million, while a sum of K£0.15 million was paid out in benefits. The balance of K£5.42 million, which is mainly invested in Kenya Government Stock, represents an investible surplus of well over 1 per cent of gross domestic product. The Fund is therefore making a substantial contribution of financial resources for further national growth on which higher social security benefits ultimately depend. Contributions received and benefits paid since the Fund was established are shown in Table 10.17.

NATIONAL SOCIAL SECURITY FUND CONTRIBUTIONS AND BENEFITS, 1966-1968

Table 10.17 K£ *Million*

	Contributions Received	Benefits Paid
1966	117	—
1967	4.56	0.02
1968	5.57	0.15
TOTAL	11.30	0.17

CHAPTER 11—THE OUTLOOK FOR 1969

11.1. The probable rate of growth of the world economy during 1969 is by no means clear, although forecasts made at the end of 1968 implied a growth in world trade of around 8 per cent. These forecasts were based typically on the assumption that production would grow in the United States and Britain by about *2 1/2* per cent, in Europe by about 5 per cent and in Japan by about 10 per cent. Since that time, the rate of growth of production in the United States has not slackened appreciably from its high 1968 level and any decline is not likely to be seen until the latter half of the year. The British economy has probably slowed down somewhat to around the predicted level following further measures to cut domestic consumption.

11.2. However, continued currency uncertainties and the consequential measures taken by countries to protect their own positions may cause some further intensification of deflationary policies generally and it seems reasonable to assume that these policies will affect the rate of growth of world trade during the course of the year, even if there is no major international currency crisis which must remain a serious risk to the progress of trade. As far as Kenya is concerned, already there has been some further reduction in export prices following a slackening of demand from overseas buyers and external trends are likely to be an important determining factor for economic prosperity in the country during the year.

11.3. So far in 1968, the pattern of rainfall in Kenya has not been normal and there is a risk that food production in some areas will be jeopardized by dry conditions. However, although it seems possible at the moment that harvests from food crops planted in the April/May rains may be lower than average, the deliveries of cash crops in the calendar year 1969 are likely to be higher in a number of cases. The coffee crops on a calendar-year basis may reach 50,000 tons, some 25 per cent higher than in 1968; while tea production may be up to 20 per cent higher if the production areas are not affected too badly by dry conditions in the second half of the year. Rice production from irrigation schemes should also increase while deliveries of sugarcane to factories might be 40 per cent higher. On the other hand, in the expectation of poor harvests from 1969 plantings, it is possible that some of the maize at present in farm stores will be held back for future household consumption rather than delivered to the Maize and Produce Board and as a result, deliveries during the calendar year 1969 may be lower, in spite of a very good crop from 1968 plantings. Wheat deliveries are likely to be a little lower than in 1968, since the average yield on that year's plantings was rather lower: the crop will, however, still be substantially above Kenya's domestic requirements. Sisal production seems likely to fall further in response to lower export prices and may be down by as much as 10 per cent, while pyrethrum production may also be lower as a result of lower pay-out for flowers. Deliveries of cotton in the first quarter suggest that the cotton crop will be lower than in any other year since 1963.

11.4. The prices received by farmers are likely to be lower generally than in 1968. The coffee market has been weak and the average price this year may be no more than K£290 per ton compared with K£320 in 1968. Tea prices are also likely to be slightly lower. The maize price for 1969 deliveries will be unchanged, except in so far as a little of the 1969 planted crop is delivered at the end of the year, but the pay-out price for wheat will reflect the lower price fixed by Government for the 1968 season. Pyrethrum prices will be lower but prices for slaughter cattle higher. Overall farmers' receipts from marketed output may be about 3 per cent higher than in 1968, although output may be about 6 per cent higher.

11.5. Although it seems that some branches of agriculture may possibly have a rather difficult year, expectations of further advances in non-agricultural industries are generally quite high. Increased production and sales are expected across a broad front of manufacturing and, overall, a production increase of approximately 7 per cent is forecast; most of the expansion will be based on increased domestic consumption and import saving rather than any increased penetration of export markets. Building activity will continue at a very high level and present indications are that output will be 10 per cent higher than in 1968. The service industries should also do well with the hotel industry being particularly active as a result of the opening of new hotels and increasing numbers of foreign tourists staying in hotels: hotel occupancy by foreign tourists in the first quarter of 1969 was 25 per cent higher than in the first quarter of 1968. The outlook for other service industries, such as transport, is also good, while retail sales are forecast to rise by approximately 7.5 per cent over 1968.

11.6. Prospects for exports can only be described as fair. It has already been noted that the prices of a number of important agricultural exports have fallen in 1969 and although higher export quantities of coffee and tea may earn an additional K£3 million export income, maize exports may be down by K£1 million and a number of other minor agricultural exports may be down by smaller amounts. Overall it seems unlikely at the moment that agricultural exports will be more than K£1 million higher than in 1968. Manufacturing exports may record some increase, but taken together, it does not seem that the total value of exports will be more than 1 to 2 per cent higher than the 1968 level.

11.7. No trade statistics are yet available for the first quarter of 1969, but on the basis of customs revenue trends it would seem that imports were probably rather lower than in the same quarter of 1969, although the revenue was probably influenced particularly by lower imports of textiles following the very heavy importations in 1968. The total value of imports in 1969 is likely to be influenced particularly by the rate of deliveries of capital equipment which is always difficult to forecast, but motor vehicle imports should swing upwards once again, since motor dealers are optimistic about their sales prospects during the year. Overall, although imports in the

first half of the year may be no higher than in the same period last year, some further increase might be expected in the second half of the year. Imports in the first half of the year were likely to have been affected by the uncertainties surrounding the renewal of traders' licences which caused some hesitancy in stock accumulation but it does not seem that these uncertainties will be such an important influence on imports in the second half of the year. During the year as a whole, the value of imports may be 5 or 6 per cent higher than the level achieved during 1968. On the basis of the export forecast above, this implies some widening in the deficit of visible trade.

11.8. The rate of capital formation may be approximately the same as in the last two years. The level of building activity will remain high, but most of this will be represented by commercial and public building in Nairobi. At the moment it seems unlikely that there will be many major industrial projects under construction during 1969, although substantial expenditures will be incurred in the construction of the power line from Nairobi to Mombasa. Government capital spending will, however, increase further, possibly by as much as K£5 million but there may be a fall in capital spending by the East African Community. Excluding the building of new hotels and office blocks, capital formation by the private sector is likely to be less than in recent years: the upward impetus of capital spending by the private sector seems to have tailed off.

11.9. As always, tourism is likely to be influenced by world political and economic trends, but other things being equal, it seems that the Kenya tourist industry is likely to have yet another record year. Visitors arriving in the first quarter of the year were in total little different from the numbers arriving in the first quarter of 1968, but this overall picture masked the fact that there have been falls in the number of visitors of British and Asian nationality, who on average spend relatively little, while visitors from other European countries have shown significant increases. These trends are reflected in the fact that, as noted above, foreign tourists in Kenya hotels took up 25 per cent more rooms in the first quarter of 1969 than in the first quarter of 1968. With the opening of new hotels which already have recorded substantial bookings, further advances can be expected during the year. Overall, it seems likely that total tourist expenditures in Kenya may be at least 10 or 15 per cent higher than in 1968.

11.10. Employment trends are always difficult to forecast, but it seems unlikely that there will be any great increase in urban employment, but that the large coffee, tea and sugar crops will provide increased employment opportunities in the rural areas. Job opportunities in the building and construction industry are expected to increase by about 10 per cent and a small increase seems likely in manufacturing and services.

11.11. If the trends outlined in this chapter are realized, the prospects for the Kenya economy in 1969 overall can be considered as quite good—nearly as good as the out-turn for 1968 described in this survey. The most likely rate of growth for the economy as a whole seems to be approximately 6 per cent at current prices and approximately 6.5 per cent at constant prices, taking into account the falls anticipated in the prices of export commodities. If a higher rate of development spending by the public sector can be achieved and commodity prices do not fall further than anticipated, it is even possible that this forecast could be bettered.

11.12. A limited deterioration on the overseas visible trade balance should be offset to a large extent by increased earnings of foreign exchange by the tourist industry and the balance of payments should remain in surplus with some further accumulation of foreign exchange reserves. Already in the first quarter of 1969 there was an increase of K£10 million in the reserves of the Central Monetary Authorities and the Commercial Banks, but such a rate of increase cannot be expected to continue throughout the year and if the forecast increase in imports in the second half of the year materializes, the rate of accumulation of foreign exchange reserves should slow down. Although world interest rates have continued to spiral, existing loan commitments should ensure that the net capital inflow into the country more than offsets any current account deficit.