

REPUBLIC OF KENYA

ECONOMIC SURVEY 1970

Ten Shillings - 1970

ECONOMIC SURVEY

1970

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

ECONOMIC SURVEY, 1970

CHAPTER 1—THE GENERAL ECONOMY

The World Economy and the East African Setting

Forecasts made at the end of 1968 implied a growth in world trade during 1969 of around 8 per cent. In the event, 1969 saw a rate of growth which not only exceeded this, but also the fast growth of 1968. The trade of the main industrial countries rose by about 15 per cent compared to the 1968 level; and the combined gross domestic product of these countries grew by about 5 per cent. The less developed countries expanded their imports by under 6 per cent, with exports growing at around 9 per cent. Kenya was also able to benefit from these favourable conditions with a growth in exports of 9 per cent but the growth in imports was just over 1 per cent. The net effect of this was an improvement in Kenya's balance of trade of K£6 million. This is discussed in more detail in Chapter 3.

1.2. One reason why the growth in world trade was so much higher than expected was that the United States economy did not begin to respond to the deflationary policies of the U.S. Government till well into the latter part of the year. It showed a real growth in gross national product of nearly 3 per cent as compared to 1968 and the deficit on current account more than doubled. Partly as a result of this, most industrialized countries recorded faster rates of growth of product than had been expected, notably Germany at nearly 8 per cent and Japan at over 12 1/2 per cent. However, one effect of deflationary policies in the United States (and also in some other countries which were trying to restrain prices or consumption) was a rise in interest rates, making borrowing by developing countries more expensive.

1.3. Another difference between earlier forecasts and actual events in 1969 was that the expected worsening of the currency crisis involving the franc and the German mark was prevented by the change in parities of these two currencies. Sterling was also able to face the consequences of a devalued franc without undue difficulty, and the world entered 1970 with a better aligned system of exchange rates than it has had for some years, complemented by the system of "special drawing rights" introduced at the start of the current year by the International Monetary Fund.

1.4. An event of interest to the developing countries was the submission to the World Bank in September 1969 of "Partners in Development", better known as the Pearson Report. This report underlines the shortcomings of

international aid, and endorses the view that developed countries should provide aid and private investment at the level of 1 per cent of their gross national product. More specifically, the Report recommends that official development assistance should be raised to 0.7 per cent of donor G.N.P. by 1975 and in no case later than 1980. This compares with an average flow of only 0.39 per cent in 1968.

1.5. The East African Community has now been in existence for over two years. Early teething troubles have now been largely ironed out, but it is still early to judge the eventual impact of the East African Treaty. Kenya's exports to the other partners rose in 1969 by about 9 per cent, in line with the rise in her exports to the rest of the world; but her imports from them fell by around 4 per cent. The negotiations with other neighbouring countries with a view to their eventual entry into, or association with, the Community proceeded during 1969. It was not to be expected that these negotiations could be brought to a speedy conclusion, but a considerable amount of ground has been covered and it is to be hoped that 1970 will see further concrete progress. The Association Agreement of the East African Community with the European Economic Community was re-negotiated in 1969, following a failure by some European countries to ratify the 1968 Agreement before it expired.

The Growth of the Economy

1.6. As forecast in the 1968 *Economic Survey,* the growth of the economy in 1969 was expected to be lower than in 1968. In the event, it was 7.8 per cent at current prices and 5.6 per cent at constant (1964) prices. Over the five years 1964-69, the economy advanced at a cumulative annual rate of growth of 6.3 per cent in real terms and 7.6 per cent at current prices. The real rate of growth has been equal to the target set out in the Development Plan for the period 1964-70, now superseded by the new Development Plan for the years 1970-74. Actual events have therefore borne out the realism which underlay the target. However, as might be expected, performance fluctuated widely from year to year, from less than 1 per cent ,in 1964-65 to over 14 per cent in 1965-66. Details of product in each sector at current and constant prices are set out in Table 1.1. Percentage rates of growth in each sector are shown in Table 1.2.

1.7. Total gross domestic product (GDP) in 1969 is estimated provisionally at K£476 million at current prices. For 1968, the provisional GDP figure published in the last year's *Economic Survey* has been revised upward by about K£11 million following the availability of more complete data.

1.8. Although overall marketed agricultural production remained quite high, dry weather conditions in some areas affected food production. The effect of this was felt more in the non-monetary sector. In the monetary

sector, agricultural production moved forward following the recovery of coffee from the worst effects of coffee berry disease. Rising tea production also contributed substantially to the growth of marketed farm output. The manufacturing sector had another good year and, at 11 per cent, real growth in its output was the highest for several years. Building and construction activity remained at a high level although growth at constant prices was a little slower than in 1968. The transport, storage and communications sector also continued to grow but rather more slowly than during the previous year. To some extent, this was the result of stagnation in tourism which also slowed down growth in the services sector. Wholesale and retail trade expanded more slowly than in 1968 probably because of the relative stagnation of imports.

1.9. Product in the "general government" sector increased by 15.6 per cent at current prices, the highest growth in the various categories of this sector being related to the expansion of educational services.

1.10. The share of each sector at constant prices is set out in Table 1.3. For the six years shown it is difficult to discern a trend in the major categories although there has perhaps been a very slow relative improvement in the share of monetary product and, within this, a growth in "general government". However, among enterprises, there has been some growth in the shares of transport, storage and communications as well as "other services". Faster growth in these two sectors is a not uncommon accompaniment of economic development. Both sectors have also shared the impetus provided by the rapid growth of tourism over these years taken together.

1.11. Table 1.4 shows the total resources available in the economy and their allocation between investment and consumption at current prices. For 1969, there is no change in the percentage allocated to investment as a whole, compared with 1968. However within this, there is a growth of over 6 per cent in fixed capital formation but in relation to total resources available, the share of fixed capital formation was almost identical in both years. The major difference lay in the sharp fall in stocks during 1969 with the result that the relative share of consumption during the last year actually rose by nearly 8 per cent whereas total resources expanded by only 6.4 per cent. In other words, during 1969, consumption absorbed more than the incremental growth in resources available, measured at current prices. Over the six years shown, however, gross investment rose faster, at an annual rate of 11.8 per cent, compared with only 6.5 per cent for consumption. The real share of consumption was probably somewhat higher because of more rapid price increases for capital goods. Although these figures are at current prices, clearly consumption growth has kept ahead of population so that a significant real increase in average *per capita* consumption standards has taken place over the period shown.

Table 1.1 GROSS DOMESTIC PRODUCTS, 1964-1969 *K£million*

INDUSTRY	G.D.P. AT CURRENT PRICES						G.D.P. AT CONSTANT (1964) PRICES					
	1964	1965	1966	1967	1968	1969*	1964	4965	1966	1967	1968	1969*
GROSS PRODUCT AT FACTOR COST—												
A. Outside Monetary Economy:												
Agriculture	73.36	63.57	82.19	85.19	84 96	88.86	73.36	63.47	80.59	84.15	87.14	89.79
Forestry	1.99	2.14	2.42	2.84	3.11	2.69	1.99	2.03	2.10	2.17	2.23	2.28
Fishing	0.11	0.12	0.15	0.14	0.14	0.14	0.11	0.12	0.14	0.14	0.16	0.15
Building and Construction	5.81	6.35	7.30	7.95	8.65	8.97	5.81	6.08	6.43	6.29	6.56	6.79
Water	2.09	2.21	2.47	2.89	3.11	3.35	2.09	2.12	2.15	2.18	2.20	2.27
Ownership of Dwellings	5-53	6.10	7.00	8.17	8.98	9.58	5.53	5.83	6.16	6.46	6.82	7.09
TOTAL PRODUCT OUTSIDE MONETARY ECONOMY	88.89	80.49	101.53	107.18	108.95	113.59	88.89	79.65	97.57	101.39	105.11	108.37
B. Monetary Economy:												
1. Enterprises and Non-Profit Institutions:												
Agriculture	51.97	46.75	56.34	54.52	56.49	60.15	51.97	49.27	58.90	57.44	60.45	63.37
Forestry	1.88	1.96	2.04	2.60	2.95	3.01	1.88	1.93	1.94	2.31	2.53	2.77
Fishin	0.85	1.00	1.21	1.18	1.13	1.14	0.85	0.86	1.11	1.06	1.26	1.14
Mining and Quarrying	1.46	1.35	1.61	2.04	2.31	2.41	1.46	1.41	1.38	1.37	1.75	2.01
Manufacturing and Repairing	33.74	37.45	41.90	45.19	49.99	55.28	33.74	35.56	37.76	39.21	42.30	46.94
Building and Construction	6.82	7.05	9.44	12.39	14.79	17.36	6.82	6.93	8.52	9.90	11.82	13.88
Electricity and Water	4.84	5.03	5.34	6.32	6.44	6.95	4.84	4.88	4.89	5.50	5.40	5.68
Transport, Storage and Communications	25.14	27.62	31.78	33.44	38.05	40.10	25.14	28.79	32.47	36.11	38.46	40.54
Wholesale and Retail Trade	32.98	35.00	39.24	40.15	44.20	45.31	32.98	34.54	38.37	38.42	41.19	42.21
Banking. Insurance and Real Estate	11.60	12.85	14.16	15.14	17.32	19.05	11.60	12.99	14.17	14.93	16.67	17.92
Ownership of Dwellings	13.34	13.47	13.92	14.33	15.13	16.17	13.34	13.41	13.43	13.48	13.88	14.02
Other Services	11.90	13.44	14.37	15.36	17.80	19.44	11.90	12.92	14.74	15.76	18.57	20.46
TOTAL ENTERPRISES	196.52	202.97	231.35	242.66	266.60	286.37	196.52	203.49	227.68	235.49	254.28	270.94
2. Private Households (Domestic Services)	2.94	3.28	3.54	3.73	3.56	3.65	2.94	3.15	3.39	3.65	3.73	3.63

*Estimates.

GROSS DOMESTIC PRODUCTS, 1964-1969

Table 1.1*—(Contd.)* *K£million*

INDUSTRY	G.D.P. AT CURRENT PRICES						G.D.P. AT CONSTANT (1964) PRICES					
	1964	1965	1966	1967	1968	1969*	1964	1965	1966	1967	1968	1969*
3. General Government:												
Public Administration	16.85	17.20	17.98	18.52	20.26	20.91	16.85	16.97	17.87	17.38	19.21	19.95
Defence	2.19	2.74	3.46	4.02	4.08	3.85	2.19	2.74	3.34	3.63	3.72	3.53
Education	11.20	10.30	11.27	13.95	17.64	24.85	11.20	12.47	14.22	17.35	19.34	21.11
Health	4.69	4.61	5.73	6.32	7.85	8.67	4.69	5.75	7.03	7.40	7.77	8.10
Agricultural Services	4.41	4.74	5.03	4.59	5.79	6.42	4.41	4.69	5.15	4.51	5.54	6.17
Other Services	3 66	4.16	5.14	5.72	7.20	7.95	3.66	4.14	4.96	5.27	6.90	7.66
TOTAL GENERAL GOVERNMENT	43.00	43.75	48.61	53.12	62.82	72.65	43.00	46.76	52.57	55.54	62.47	66.52
TOTAL PRODUCT—MONETARY ECONOMY	242.46	250.00	283.50	299.51	332.98	362.67	242.46	253.40	283.64	294.68	320.48	341.09
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary)	331.35	330 49	385.03	406.69	441.93	476.26	331.35	333.05	381.21	396.07	425.59	449.46

*Estimates.

GROSS DOMESTIC PRODUCT
PERCENTAGE RATES OF GROWTH, 1964-1969

Table 1.2

INDUSTRY	CURRENT						CONSTANT (1964) PRICES					
	1964-65	1965-66	1966-67	1967-68	1968-69*	1964-69* Cumulative	1964-65	1965-66	1966-67	1967-68	1968-69*	1964-69* Cumulate e
GROSS PRODUCT AT FACTOR COST—												
A. Outside Monetary Economy:												
Agriculture	-13.3	29.3	3.7	-0.3	4.6	3.9	-13.5	27.0	4.4	3.6	3.0	4.1
Forestry	7.5	13.1	17.4	9.5	-13.5	6.2	2.0	3.4	3.3	2.8	2.2	2.8
Fishing	9.1	25.0	-6.7	—	—	4.9	9.1	16.7	—	14.3	-6.3	6.3
Building and Construction	9.3	15.0	8.9	8.8	3.7	9.0	4.6	5.8	-2.2	4.3	3.5	3.2
Water	5.7	11.8	17.0	7.6	7.7	9.9	1.4	1.4	1.4	0.9	3.2	1.7
Ownership of Dwellings	10.3	14.8	16.7	9.9	6.7	11.6	5.4	5.7	4.9	5.6	4.0	5.1
TOTAL PRODUCT OUTSIDE MONETARY ECONOMY	—9.4	26.1	5.6	1.7	4.3	5.1	-2.3	22.5	3.9	3.7	31	41
B. Monetary Economy:												
1. Enterprises and Non-Profit Institutions:												
Agriculture	-10.0	20.5	-3.2	3.6	6.5	3.0	-5.2	19.5	-2.5	5.2	4.8	4.1
Forestry	4.3	4.1	27.5	13.5	2.0	9.9	2.7	0.5	19.1	9.5	9.5	8.0
Fishing	17.6	-2.5	6.8	-4.2	0.9	6.0	1.2	29.1	-4.5	18.9	-9.5	6.0
Mining and Quarrying	—7.5	19.3	26.7	13.2	4.3	10.5	-3.4	-2.1	-0.7	27.7	14.9	6.7
Manufacturing and Repairing	11.0		7.9	10.6	10.6	10.4	5.4	6.2	3.8	7.9	11.0	6.8
Building and Construction	3.4		31.3	19.4	17.4	20.6	1.6	23.1	16.2	19.4	17.4	15.3
Electricity and Water	3.9	6.2	18.4	1.9	7.9	7.6	0.8	0.2	12.5	-1.8	5.2	3.2
Transport. Storage and Communications	9.9	15.1	5-2	13.8	5.4	9.9	14.5	12.8	11.2	6.5	5.4	10.0
Wholesale and Retail Trade	6.1	12.1	2-3	10.1	2.5	6.5	4.7	11.1	0.1	7.2	2.5	5.1
Banking, Insurance and Real Estate	10.8	10.2	6.9	14.4	10.0	10.4	12.0	9.1	5.4	11.7	7.5	9.0
Ownership of Dwellings	1.0	3.3	2.9	5.6	6.9	3.9	0.5	0.1	0.4	3.0	1.0	1.0
Other Services	12.9	6.9	6.9	15.9	9.2	10.3	8.6	14.1	6.9	17.8	10.2	11.5
TOTAL ENTERPRISES	3.3	14.0	4.9	9.9	7.4	7.9	3.5	11.9		8.0	6.6	6.7

*Estimates.

GROSS DOMESTIC PRODUCT
PERCENTAGE RATES OF GROWTH, 1964-1969

Table 1.2*—(Continued)*

INDUSTRY	CURRENT						CONSTANT (1964) PRICES					
	1964-65	1965-66	1966-67	1967-68	1968-69*	1964-69* Cumu-lative	1964-65	1965-66	1966-67	1967-68	1968-69*	1964-69* Cumu-lative
2. Private Households (Domestic Services)	11.6	7.9	5.4	-4.6	2.5	4.4	7.1	7.6	7.7	2.2	-2.7	4.2
3. General Government:												
Public Administration	2.1	4. 5	3.0	9.4	3.2	4.4	0.7	5.3	-2.7	10.5	3.8	3.4
Defence	25.1	26.3	16.2	1.5	-5.6	12.0	25.1	21.9	8.7	2.5	-5.1	10.0
Education	-8.0	9.4	23.8	26.5	40.9	17.3	11.3	14.0	22.0	11.5	9.2	13.5
Health	-1.7	24.3	10.3	24.2	10.4	13.1	22.6	22.3	5.3	4.2	4.2	11.6
Agricultural Services	7.5	6.1	-8.7	26.1	10.9	7.9	6.3	9.8	-12.4	22.8	11.3	7.0
Other Services	13.7	23.6	1.13	25.9	10.4	16.8	13.1	19.8	6.3	30.9	11.0	15.9
TOTAL GENERAL GOVERNMENT	1.7	11.1	9.3	18.3	15.6	11.1	8.7	12.7	5.3	12.5	6.5	9.2
TOTAL—PRODUCT MONETARY ECONOMY	3.1	13.4	5.6	11.2	8.9	8.5	4.5	12.0	3.8	8.8	6.4	7.1
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary) ..	0.3	16.5	5.6	8.7	7.8	7.6	0.5	14.5	3.9	7.5	5.6	6.3

*Estimates

GROSS DOMESTIC PRODUCT

PERCENTAGE OF TOTAL GROSS PRODUCT AT CONSTANT (1964) PRICES, 1964-69

Table 1.3

INDUSTRY	1964	1965	1966	1967	1968	1969*
GROSS DOMESTIC PRODUCT AT FACTOR COST—						
A. Outside Monetary Economy:						
Agriculture	22.14	19.09	21.24	21.48	20.48	19.98
Forestry	0.60	0.61	0.55	0.55	0.52	0.51
Fishing	0.03	0.04	0.04	0.04	0.04	0.03
Building and Construction	1.75	1.83	1.69	1.59	1.54	1.51
Water	0.63	0.64	0.56	0.55	0.2	0.51
Ownership of Dwellings	1.67	1.75	1.62	1.63	1.60	1.58
TOTAL (PRODUCT OUTSIDE MONETARY ECONOMY)	26.83	23.96	25.59	25.60	24.38	24.11
B. Monetary Economy:						
1. Enterprises and Non-Profit Institutions:						
Agriculture	15.68	14.82	15.54	14.50	14.26	14.10
Forestry	0.57	0.58	0 51	0.58	0.59	0.62
Fishing	0.26	0.26	0.29	0.27	0.30	0.25
Mining and Quarrying	0.44	0.42	0.36	0.35	0.41	0.45
Manufacturing and Repairing	10.18	10.70	9.90	9.90	9.94	10.44
Building and Construction. .	2.06	2.08	2.23	2.50	2.78	3.09
Electricity and Water	1.46	1.47	1.28	1.39	1.27	1.26
Transport, Storage and Communications	7.59	8.66	8.51	9.12	9.04	9.02
Wholesale and Retail Trade	9.95	10.39	10.06	9.70	9.68	9.39
Banking. Insurance and Real Estate	3.50	3.91	3.72	3.76	3.92	3.99
Ownership of Dwellings	4.03	4.04	3.52	3.40	3.26	3.12
Other Services	3.59	3.89	3.87	3.98	4.36	4.55
TOTAL ENTERPRISES	59.31	61.22	59.70	59.46	59.75	60.28
2. Private Households (Domestic Services)	0.89	0.95	0.89	0.92	0.88	0.81
3. General Government:						
Public Administration	5.09	5.11	4.69	4.39	4.51	4.44
Defence	0.66	0.82	0.88	0.92	0.87	0.79
Education	3.38	3.75	3.73	4.38	4.54	4.70
Health	1.42	1.73	1.84	1.87	1.83	1.80
Agricultural Services	1.33	1.41	1.35	1.14	1.30	1.37
Other Services	1.10	1.25	1.30	1.33	1.62	1.70
TOTAL GENERAL GOVERNMENT	12.98	14.07	13.79	14.02	14.67	14.80
TOTAL PRODUCT (MONETARY ECONOMY)	73.17	76.04	74.41	74.40	75.30	75.89
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary) and Non-monetary)	100.00	100.00	100.00	100.00	100.00	100.00

*Estimates

1.12. In last year's *Economic Survey* it was suggested, on the basis of the data available, that the share of resources devoted to fixed capital formation in 1968 was larger than for 1967. However, due to the revision of the provisional figures published in last year's *Survey* a slightly different picture emerges. At constant (1964) prices, the share of capital formation in GDP was higher in 1967. At current prices, fixed investment in relation to total resources available was only fractionally higher in 1968.

TOTAL USE OF RESOURCES, 1964-1969

AT CURRENT PRICES

Table 1.4 *K£million*

	1964	1965	1966	1967	1968	1969 (Est.)
G.D.P. at Factor Cost	331.4	330.5	385.0	406.7	441.9	476.3
Of Which:						
Non-Monetary	88.9	80.5	101.5	107.2	108.9	113.6
Monetary	242.5	250.0	283.5	299.5	333.0	362.7
Indirect Taxes	25.0	27.0	30.8	34.7	38.1	40.8
—Subdsidies	0.4	0.5	0.7	1.6	2.6	2.4
=G.D.P. at Market Prices	356.0	357.0	415.1	439.8	477.4	514.7
+ Imports of goods and services	105.0	115.0	136.0	139.7	149.7	151.3
— Exports of goods and services	119.7	118.5	135.5	128.5	134.6	142.0
= Import Surplus	—14.7	—3.5	+0.5	11.2	+ 15.1	+ 9.3
Total Resources available for Domestic Investment and Consumption..	341.3	353.5	415.6	451.0	492.5	524.0
Gross Fixed Capital Formation	45.1	46.5	61.2	87.3	90.0	95.5
Increase in Stocks	2.3	5.5	16.2	6.7	2.6	—3.0
Gross Investment	47.4	52.0	77.4	94.0	92.6	92.5
Public Consumption	49.9	52.9	57.7	64.4	74.3	80.6
Private Consumption	244.0	248.6	280.5	292.6	325.6	350.9
Total Consumption	293.9	301.5	338.2	357.0	399.9	431.5

1.13. Gross national product at market prices is shown in Table 1.5. This measure of "national income" differs from "gross domestic product at factor cost" in that it takes into account the effect of indirect taxes and subsidies on product and also of factor payments and receipts to and from abroad. In contrast to GDP, which grew by 7.8 per cent, GNP advanced by 8.1 per cent. Table 1.5. also shows the shares in gross domestic product of the various "factors" which make it up. Remuneration of employees in 1969 was just over one percentage point higher than in 1968. Because there was also a fractional increase in the relative share of operating surplus, that going to rental surplus and the non-monetary sector declined slightly.

GROSS NATIONAL PRODUCT, 1964-1969

Table 1.5 *K£million*

	1964	1965	1966	1967	1968	1969*
FACTOR INCOMES:—						
A. Outside Monetary Economy	88.89	80.49	101.53	107.18	108.95	113.59
B. Monetary Economy:						
1. Remuneration of Employees						
Enterprises	85.75	91.08	101.92	110. 82	126.47	137.69
Private Households	2.94	3.28	3.54	3.73	3 56	3.65
General Government	43.00	43.75	48.61	53.12	62. 82	72.65
TOTAL REMUNERATION OF EMPLOYEES	131.69	138.11	154.07	167.67	192.85	213 99
2. Rental Surplus (including depreciation)	13.34	13.47	13.92	14.33	15.13	16.17
3. Other Operating Surplus (including depreciation)	97.46	98.48	115.59	117.48	125.01	132.51
TOTAL MONETARY ECONOMY	242.46	250 00	283.50	299.51	332.98	362.67
TOTAL FACTOR INCOMES GROSS DOMESTIC PRODUCT	331-35	330.49	385.03	406.69	441.93	476.26
Add: INDIRECT TAXES	24 99	27.00	30-77	34.73	38-08	40 84
Deduct: SUBSIDIES	0 35	0.53	0.70	1.55	2.64	2.35
GROSS DOMESTIC PRODUCT AT MARKET PRICES	355 99	356.96	415.10	439.87	477.37	514.75
Add: FACTOR INCOMES RECEIVED FROM ABROAD	4.43	4 89	8-55	7.60	14.29	16.64
Deduct: FACTOR INCOMES PAID ABROAD	11.55	11.54	14.96	15.97	18 95	20.29
GROSS NATIONAL PRODUCT	348.87	350.31	408.69	431.50	472.71	511.10

*Estimates.

Capital Formation

1.14. Capital formation by type of asset is set out in Table 1.6. At current prices this was K£95.5 million in 1969, K£5 million more than in 1968. At constant (1964) prices, growth in absolute terms was of the same order and 5.4 per cent higher than for 1968. Except for transport equipment, there was a growth in all other types of assets, notably in "machinery and other equipment". Capital formation in construction and works also moved ahead quite rapidly.

1.15. In 1968, there had been a slight decline in capital spending by the private sector and what growth there was emanated from the public sector. During 1969 the position was reversed, in current price terms. At constant prices also, there was only a fractional growth in public investment. The principal cause of this was a decline in public capital formation for machinery and equipment, transport equipment and non-residential buildings. In the first two items particularly, the corporations of the East African Community loom large. However, during 1969 their investment in these items had slowed down (see Table 1.7), Capital spending by statutory boards and local authorities also declined. This is also illustrated in Table 1.7. For statutory corporations, the high level of capital spending in 1968 had been due primarily to completion of a large sugar factory. However, capital expenditure by the Central Government continued to grow and increased by over 23 per cent during 1969. The Central Government also undertakes additional indirect capital expenditure by making grants and loans to local authorities and statutory bodies.

1.16. During the six years shown in Table 1.6, the share of public capital expenditure in the total has risen from a quarter in 1964 to a third in 1969. In value terms, all but a small part of the growth in public capital formation derived from the Central Government's direct and indirect outlays on capital formation: total public capital formation at current prices between 1964 and 1969 grew by 10.3 per cent per annum—that of the Central Government only grew by over 22 per cent. Construction and works continued to account for the major part of public capital formation and the share of this item in the total grew from 38 per cent in 1968 to 41 per cent in 1969. Public capital formation in other types of assets either declined or showed little change over 1968. As Table 1.8. indicates, the bulk of the growth in construction expenditure was in the road building activities of the Government. Outlays on this increased by a quarter in 1969 and represented the same proportion in all public capital formation.

1.17. Capital formation by the private sector at constant prices increased by nearly K£4 million during the year. However, almost all of this was confined to machinery and other equipment. The outlay on buildings, taking dwellings and non-residential buildings together, was almost unchanged; construction and works activity actually declined and capital formation in trans-

Table 1.6 CAPITAL FORMATION BY TYPE OF ASSET, 1964-1969 *K£million*

	AT CURRENT PRICE.						AT CONSTANT (1964) PRICES					
	1964	1965	1966	1967	1968	1969*	1964	1965	1966	1967	1968	1969*
DWELLINGS—												
PRIVATE:												
(i) Traditional	5.24	5.72	6.47	7.52	8.37	8.72	5.24	5.62	5.83	6.01	6.69	6.97
(ii) Modern	1 .23	1.06	1.66	2.69	3.08	3.37	1.23	1.05	1.49	2.15	2.46	2.70
TOTAL	6.47	6.78	8.13	10.21	11.45	12.09	6.47	6.67	7.32	8.16	9.15	9.66
PUBLIC	0.75	0.94	1.09	2.33	3.62	3.60	0.75	0.93	0.98	1.86	2.89	2.88
TOTAL	7.22	7.72	9.22	12.54	15.07	15.69	7.22	7.59	8.31	10.02	12.04	12.54
NON-RESIDENTIAL BUILDINGS—												
PRIVATE	3.24	2.70	2.57	4.40	5.96	6.65	3.24	2.66	2.31	3.51	4.76	5.32
PUBLIC	1.77	2.44	3.53	5.83	7.55	7.45	1.77	2.40	3.18	4.66	6.04	5.96
TOTAL	5.02	5.14	6.09	10.23	13.51	14.10	5.02	5.06	5.49	8.17	10.80	11.27
CONSTRUCTION AND WORKS—												
PRIVATE	3.55	3.95	4.79	5.70	5.51	6.21	3.55	3.89	4.32	4.56	4.40	3.07
PUBLIC	3.44	4.17	6.77	10.20	12.25	13.00	3.44	4.10	61.1	8.15	9.80	12.28
TOTAL	6.99	8.12	11.56	15.90	17.76	19.20	6.99	7.98	10.43	12.71	14.20	15.35
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—												
PRIVATE	1.59	1.19	1.40	1.57	1.85	2.01	1.59	1.19	1.31	1.40	1 .61	1.65
PUBLIC				0.03	0.26	0.45				0.03	0.23	0.37
TOTAL	1.59	1.19	1.40	1.60	2.11	2.46	1 .59	1.19	1.31	1.43	1.84	2.02
TRANSPORT EQUIPMENT—												
PRIVATE	60.1	6.33	8.02	10.88	10.89	11.34	6.01	6.08	7.52	10.20	10.08	10.41
PUBLIC	3.68	2.55	4.56	6.63	4.48	3.66	3.68	2.45	4.28	6.22	4.15	3.36
TOTAL	9.69	8.88	12.58	17.51	15.37	15.01	9.69	8.53	11.80	16.43	14.23	13.77

*Estimates

Table 1.6—*(Contd.)*

CAPITAL FORMATION BY TYPE OF ASSET, 1964-1969

K£million

	AT CURRENT PRICES						AT CONSTANT (1964) PRICES					
	1964	1965	1966	1967	1968	1969*	1964	1965	1966	1967	1968	1969*
MACHINERY AND OTHER EQUIPMENT—												
PRIVATE	13.58	13.44	15.60	24.70	20.24	24.46	13.58	12. 91	14.63	23.17	18.74	22.44
PUBLIC	1.44	1.79	3.42	3.51	4.74	3.28	1.44	1.72	3.20	3.29	4.39	3.01
TOTAL	15.02	15.22	19.01	28.21	24.98	27.74	15.02	14.62	17.84	26.47	23.13	25.45
BREEDING STOCK AND DAIRY CATTLE—												
PRIVATE	-0.38	0.26	1.35	1.0	1.24	1.26	-0.38	0.48	1. 60	1.06	1. 62	1.64
TOTAL PRIVATE:												
(i) Traditional Dwellings	5.24	5.72	6.47	7.52	8.37	8.72	5.24	5.62	5.83	6.01	6.69	6.97
(ii) Other	28.82	28.93	35.37	51.24	48.77	55.31	28.82	28.25	33.18	46.07	43.68	47.22
TOTAL PRIVATE	34.06	34.65	41.84	58.76	57.14	64.02	34.06	33.87	39.02	52.08	50.37	54.19
TOTAL PUBLIC	11.08	11.89	19.37	28.53	32.90	31.44	11.08	11.59	17.75	24.22	27.49	27.85
TOTAL PRIVATE AND PUBLIC	45.14	46.54	61.21	87.30	90.04	95.46	45.14	45.46	56.78	76.30	77.86	82.03

*Estimates

CAPITAL FORMATION, PUBLIC SECTOR, 1964-1969
(at current prices)

Table 1.7 *K£million*

	Central Govt.	EAST AFRICAN COMMUNITY					Statutory Boards	Local Authorities	Total
		General Fund	E.A.R.	E.A.H.	E.A.P. & T.	E.A.A.	Total			
1964	4.23	0-1	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	6.38	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	14 96	0.21	3.95	1.23	1.79	0.24	7.42	5-21	5.31	32.90
1969*	18.48	0.23	1.30	1.23	2.00	1.30	6.06	2-21	4.69	31.44

*Estimates

port and equipment was only slightly higher. However, the figures understate the amount of work done in the building and construction sector as they indicate only the projects completed. It is known that a large amount of expenditure on buildings, particularly in Nairobi, was undertaken by the private sector during 1969; but this will only show in capital formation for 1970, when these buildings are completed.

CAPITAL FORMATION: CONSTRUCTION EXPENDITURE BY CENTRAL GOVERNMENT, 1964-1969

(at current prices)

Table 1.8 K£'000

	Roads	Water Works	Soil Conservation	Other	Total
1964	428.9	196.1	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	5,814.3	207.3	252.2	1,021.4	7,295.2
1969 (Estimates)	7,235.8	327.5	256.7	1,407.1	9,180.4

1.18. Capital formation by rural self-help groups is illustrated in Table 1.9. This did not rise as fast as in 1969 which showed a sharp jump in such expenditure. However, at K£2.7 million, it still constituted 5 per cent of total private capital formation. As in 1968, over 40 per cent of total capital formation in self-help schemes was in school buildings. A large part of the value of self-help capital formation consists of the voluntary labour of rural people. It is likely that in recording the numbers of people who participate the organizers of projects probably tend to over-state the labour contribution of local people. To this extent, the value of output in self-help schemes is probably somewhat exaggerated.

CAPITAL FORMATION—SELF-HELP SCHEMES

Table 1.9 K£'000

	1967	1968	1969
Residential Buildings	180	283	297
Schools	846	1,095	1,150
Community Halls and Social Centres	263	293	308
Health Centres and Dispensaries	222	287	301
Other Non-Residential Buildings	127	182	191
Roads	33	47	50
Water Works	77	124	130
Cattle dips	95	199	209
Other Construction Projects	49	76	89
TOTAL	1,892	2,586	2,725

CAPITAL FORMATION BY INDUSTRY, 1964-1969

Table 1.10 *K£million*

INDUSTRIES	AT CURRENT PRICES						AT CONSTANT (1964) PRICES					
	1964	1965	1966	1967	1968	1969*	1964	1965	1966	1967	1968	1969*
A. OUTSIDE MONETARY ECONOMY—												
Traditional Dwellings	5.24	5.72	6.47	7.52	8.37	8.72	5.24	5.62	5.83	6.01	6.69	6.97
B. MONETARY ECONOMY—												
1. *Enterprises and Non-Profit Institutions:*												
Agriculture	7.92	7.70	10.22	10.91	11.10	11.75	7.92	7.73	9.83	9.69	10.29	10.67
Forestry	0.22	0. 08	0.28	0.35	0-26	0.17	0.22	0.08	0.26	0.31	0.21	0.14
Mining and Quarrying	0.04	0.05	0.09	0.16	0. 56	0.65	0.04	0.05	0.09	0.14	0.51	0.59
Manufacturing and Repairing	6.95	7.55	9.51	14.90	12.70	11.50	6.95	7.30	8.85	13.68	11.35	10.35
Building and Construction ..	1.37	2.09	1.66	4.33	4.92	6.46	1.37	2.02	1.54	3.99	4.47	5.76
Electricity and Water	1.32	2.17	2.46	6.17	3.87	5.34	1.32	2.12	2.25	5.22	3.26	4.55
Transport, Storage and Communications	10.85	8.21	13.35	16.66	16.96	16.16	10.85	7.92	12.46	15.22	15.26	14.43
Wholesale and Retail Trade	2.53	1.88	2.35	3.02	3.69	3.34	2.53	1.83	2.18	2.67	3.15	2.86
Banking. Insurance and Real Estate	0.31	0.24	0.17	0.41	0.85	0.64	0.31	0.23	0.15	0.35	0.73	0.58
Ownership of Dwellings	2.05	2.09	2.84	5.10	6.75	7.04	2.05	2.05	2.56	4.09	5.40	5.64
Other Services	1.97	1.72	2.91	4.87	4.59	6.13	1.97	1.66	2.69	4.19	3.85	5.12
TOTAL ENTERPRISES	35.54	33.79	45.85	66.87	66.25	69.18	35.54	32.98	42.85	59.55	58.50	60.68
2. *General Government:*												
Public Administration	0.71	0.96	1.09	1.82	1.97	1.74	0.71	0.93	1.19	1.56	1.67	1.49
Health	0.47	1.25	0.94	1.31	1.27	2.02	0.47	1.21	0.77	1.13	1.06	1.67
Education	0.59	0.62	0.91	1.82	2.67	2.43	0.59	0.61	0.73	1.50	2.19	2.00
Agricultural Services	0.96	1.21	1.22	1.55	1.29	1.43	0.96	1.17	1.11	1.32	1.09	1.19
Other Services	1.63	3.01	4.74	6.40	8.23	9.90	1.63	2.94	4.29	5.23	6.65	8.00
TOTAL GENERAL GOVERNMENT	4.36	7. 04	8.90	12.91	15.44	17.56	4.36	6.86	8.09	10.74	12.67	14.39
B. TOTAL MONETARY	39.90	40.83	54.75	79.78	81.69	86.74	39.90	39.84	50.94	70.29	71.17	75.07
C. TOTAL—MONETARY AND NON-MONETARY	45.14	46.54	61.21	87.30	90.06	95.46	45.14	45.46	56.78	76.30	77.86	82.04

*Estimates

CAPITAL FORMATION
ANALYSIS BY INDUSTRY AND TYPE OF ASSET, 1964 AND 1969*
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	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969
A. OUTSIDE MONETARY ECONOMY :																
Traditional Dwellings	5.2	7.0	—	—	—	—	—	–	—	—	—	—	—	–	5.2	7.0
B. MONETARY ECONOMY																
1. *Enterprises and Non-Profit Institutions:*																
Agriculture	–	—	0.4	0.5	2.5	1.9	1.6	2.0	0.7	1.0	3.2	3.6	-0.4	1.6	7.9	10.7
Forestry	–	–			0.2	0.1									0.2	0.1
Fishing	–	–	–	–												
Miningand Quarrying	—	–	—	–	—			–		0.1		0.5				0.6
Manufacturing and Repairing	–	–	0.3	1.0	0.2	0.4			0.6	1.0	5.8	8.0		–	6.9	10.4
Building and Construction	–	–	0.3	0.8	0.1	0.3				0.3	0.9	4.3			1.4	5.8
Electricity and Water	—	—		..-	0.8	2.3	–		0.1	0.1	0.3	2.2			1.3	4.6
Transport Storage and Communications	–	–	1.1	0.7	1.1	2.0			7.1	9.6	1.5	2.1			10.9	14.4
Wholesale and Retail Trade	—	—	1.1	0.8	0.5	0.6			0.5	0.5	0.5	1.0			2.5	2.9
Banking, Insurance and Real Estate	–		0.2	0.1								0.5		–	0.3	0.6
Ownership of Dwellings	2.0	5.6	–	–	–						0. 1					
Other Services	—	—	0.6	3.2		0.3		–	0 .1	0.1	0. 1 1.3	0.1 1.6	–	—	2.1 2.0	5.6 5.1
TOTAL ENTERPRISES	2.0	5.6	3.9	7.1	5.3	7.8	1.6	2.0	9.1	12.8	14.0	23.8	-0.4	1. 6	35.5	60.7

*Estimates

CAPITAL FORMATION
ANALYSIS BY INDUSTRY AND TYPE OF ASSET, 1964 AND 1969*
AT CONSTANT (1964) PRICES

Table 1.11 (*Continued*) *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	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969	1964	1969
2. *General Government:*																
Public Administration	–		0.4	0.7		0.1			0.3	0.4	0.1	0.3	–		0.7	1.5
Education			0.4	1.5						0.1	0.1	0.4			0.6	2.0
Health		–		1.2			—			0.1	0.3	0.3			0.5	1.7
Agricultural Services			0.1	0.5	0.3	0.3			0.1	0.1	0.2	0.2			1.0	1.2
Other Services ..			0.1	0.2	1.4	7.1			0.1	0.2	0.3	0.4			1.6	8.0
TOTAL GENERAL GOVERNMENT	—	—	1.1	4.2	1.7	7.6	—	–	0.6	1.0	1.1	1.7	–	–	4.4	14.4
TOTAL MONETARY	2.0	5.6	5.0	11.3	7.0	15.4	1.6	2.0	9.7	13.8	15.0	25.5	-0.4	1.6	39.9	75.1
C. TOTAL Monetary and Non-Monetary	7.2	12.5	5.0	11.3	7.0	15.4	1.6	2.0	9.7	13.8	15.0	25.5	-0.4	1.6	45.1	82.0

*Estimates

Table 1.12

BALANCE OF PAYMENTS, 1967-1969

K£million

	1967			1968			1969 (Estimates)		
	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.)	116.5	79.0	*Dr.* 37.5	120.8	83.9	*Dr.* 36.9	120.8	89.1	*Dr.* 31.7
2. Non-Monetary Gold Movements	0.1	0.3	0.2	0.1	0.3	0.2	0.1	0.2	0.1
3. Freight and Insurance	0.2	9.6	9.4	0.2	9.1	8.9	0.1	9.6	9.5
4. Other Transportation	7.7	14.5	6.8	8.5	15.1	6.6	8.7	17.7	9.0
5. Foreign Travel ..	7.0	14.7	7.7	7.7	17.3	9.6	7.6	16.7	9.1
6. International Investment Income	19.5	5.7	*Dr.* 13.8	22.6	8.4	*Dr.* 14.2	23.7	10.5	*Dr.* 13.2
7. Government Transactions n.e.s.	4.4	8.0	3.6	9.9	11.2	1.3	10.2	11.5	1.3
8. Other Services	3.8	4.8	M	2.6	4.1	1.5	3.8	4.0	0.2
9. Private Transfers	5.6	4.9	*Dr.* 0.7	5.9	5.9		5.7	6.7	1.0
10. Government Transfers	6.7	8.4	1.7	4.4	13.3	8.9	4.0	11.0	7.0
TOTAL CURRENT ACCOUNT	171.5	150.0	21.5	182.7	168.6	*Dr.* 14.1	184.7	177.0	*Dr.* 7.7
Of which Visible Balance	116.5	79.0	*Dr.* 37.5	120.8	83.9	*Dr.* 36.9	120.8	89.1	*Dr.* 31.7
Invisible Balance	55. 0	71.0	16 0	61.9	84.2	22.3	63.9	87.9	24.0
B. LONG TERM CAPITAL MOVEMENTS									
11. Private Enterprises	*Cr.* 4.8	4.1	8.9	1.0	10.0	9.0	Cr. 1.0	15.0	16.0
12. Government Enterprises	1.6	5.5	3.9	*Cr.* 0.6	*Dr.* 0.7	*Dr.* 0.1	*Cr.* 0.1	2.2	2.3
13. Local Government		*Dr.* 0.4	*Dr.* 0.4		*Dr.* 0.3	*Dr.* 0.3			
14. Central Government	*Cr.* 0.1	3.6	3.7	*Cr.* 0.1	7.4	7.5	1.5	7.8	6.3
TOTAL LONG TERM CAPITAL MOVEMENTS	*Cr.* 3.3	12.9	16.1	0.3	16.4	16.1	0.4	25.0	24.6
TOTAL CURRENT AND LONG TERM CAPITAL ACCOUNT	168.2	162.9	*Dr.* 5.4	183.0	185.0	2.0	185.1	202.0	16.9
C. MONETARY AND SHORT TERM CAPITAL MOVEMENTS									
15. Central Monetary Institutions ..	4.3		*Dr.* 4.3	7.2		*Dr.* 7.2	22.5		*Dr.* 22.5
16. Accounts with I.M.									
17. Other Monetary Institutions	*Cr.* 6.6	3.5	10.1	*Cr.* 1.1	*Dr.* 5.2	*Dr.* 4.1	1.0	0.3	*Dr.* 0.7
18. Other Short Term Capital Movements	0.6	*Dr.* 4.2	*Dr* 4.8	*Cr.* 1.0	0.1	1.1			
TOTAL MONETARY AND SHORT TERM CAPITAL MOVEMENTS	*Cr.* 1.7	*Dr.* 0.7	1.0	5.1	*Dr.* 5.1	*Dr.* 10 2	23.5	0.3	*Dr.* 23.2
BALANCING ITEM			*Cr.* 4.4			*Cr.* 8.2			*Cr.* 6.3

1.19. Table 1.10 shows capital formation by industry. Although machinery and other equipment showed a substantial increase, this did not necessarily result in growing capital formation in the manufacturing sector—in fact, at constant prices, capital formation in this sector declined by K£ 1 million. A large part of capital formation in machinery and other equipment went into the building and construction sector which appears to be moving towards increasing mechanization. This emerges more clearly from Table 1.11. Data for 1968 are not shown in this table for reasons of space but expenditure on this item in 1969 by this sector was over a third larger. The other sector in which capital formation rose significantly during 1969 was electricity and water. In transport, storage and communications, it declined. As mentioned above, this was mainly because of the slowing down in the expenditure of the East African Community's transport corporations. However, this sector still remained the largest in terms of the total value of its capital formation. As might be expected, the major part (nearly half) of "general government" capital formation was in construction and works.

Balance of Payments

1.20. The balance of payments is set out in Table 1.12. The figures for 1969 show a very strong position in the basic balance, of a surplus of nearly K£17 million. However, these estimates are based on incomplete information and are subject to amendment. The table also contains final accounts for 1967 and revised estimates for 1968. Revision of 1967 estimates has led to a deficit larger than that shown in last year's *Economic Survey* of K£5.4 million compared with K£3.2 million. However, for 1968, the amended estimates indicate a surplus a good deal smaller than that estimated in last year's *Survey,* of K£2.0 million only rather than K£4.8 million.

1.21. The figures for monetary and short-term movements show a fall in foreign exchange reserves in 1967 of K£5.8 million offset by an increase in other short-term assets of K£4.8 million. In 1968, foreign exchange reserves rose by K£11.3 million with a fall in short-term assets of K£1.1 million. During 1969, foreign exchange reserves leapt up by a gigantic K£23.2 million with no change in short-term assets. These changes reflect movements in the basic balances of the current account and long-term capital movements.

1.22. The deficit on the current account fell sharply in 1969, from K£21.5 million in 1967, to K£14.1 million in 1968 and K£7.7 million only in 1969. The major reason for this was the reduction in the deficit on merchandise transactions due to an increase of 9 per cent in exports against only 1.3 per cent in imports. Among invisibles, there was a gain compared with 1968 of K£2.4 million in "other transportation" which consists of harbour and airport services. Freight and insurance, mainly from the transit trade of Uganda also

showed increased foreign exchange earnings of K£0.9 million. Net tourist income however, fell by K£0.5 million. The deficit on international investment income was reduced by K£1 million because of enlarged receipts into Kenya, although payments abroad of interest and profits, by both private investers and the Government rose. The net effect of all movements in the current account was a reduction of K£5.2 million in the deficit on the visible balance and a gain of K£1.7 million on the invisible balance over 1968. Details of the factors underlying the changes in merchandise transactions and tourist income are set out in Chapters 3 and 8 respectively; those of foreign exchange reserves are discussed more fully in the next chapter.

CHAPTER 2—MONEY AND BANKING

Following the turmoil in the world's money markets during 1968, the early months of 1969 were relatively calm. In March, following industrial wage demands, pressure on the French franc mounted, while funds began to pour into West Germany. These volatile monetary conditions continued until the franc was devalued in August and the mark revalued two months later. These overdue changes and the continuing massive improvement in the British balance of payments are likely to keep monetary conditions stable throughout the current year unless there are very strong reactions in money markets to a worsening of the United States balance of payments. Upheavals in European foreign exchange markets did not affect confidence in the Kenya shilling.

2.2 Another feature of international finance in 1969 was the spreading of high interest rates from the United States and the United Kingdom to the other main industrial countries. Interest rates steadied at the end of 1969. but after a fall in early 1970 there were further sharp rises in interest rates (and falls in Government bond prices) in both London and New York in May.

2.3 During the year, Kenya currency in circulation expanded by K£5.3 million, or more than twice the increase of the previous year. The level of Government deposits fluctuated but that of commercial banks rose steadily and by the end of December 1969 was more than double the level at the end of 1968. This reflected the rising liquidity of the banks which is discussed later in this chapter. An interesting feature of Table 2.1 is that "special drawing rights" are shown for the first time as foreign exchange assets, in March 1970. This followed the activation of the scheme earlier this year.

CENTRAL BANK OF KENYA

Assets and Liabilities

Table 2.1 K£'OOO

	Dec. 1968	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970
LIABILITIES						
Capital	667	667	667	667	667	667
Notes in Circulation	24,969	26,579	26,515	27,429	30,016	30,825
Coin in Circulation	1,479	1,387	1,552	1,603	1,779	1,756
Deposits:						
Government	2,399	7,882	9,813	11,989	6,756	9,218
Kenya Banks	11,556	13,021	13,031	17,581	23,669	24,450
External Banks*	160	168	271	185	229	178
Others	79	161	265	152	585	2,147
Other Liabilities	1,188	1,598	2,095	1,548	2,373	5,275
Total Assets/Liabilities	42,497	51,463	54,209	61,154	66,074	74,516
ASSETS						
Foreign Exchange:						
Balance with Banks**	16,504	22,326	25,342	31,716	36,770	37,171
Treasury Bills	9,396	10,592	6,862	7,041	6,894	7,771
Other Investments	7,971	10,757	13,868	14,966	14,671	19,998
Special Drawing Rights						1,920
Sub Total	33,871	43,585	46,072	53,723	58,335	66,860
Kenya Government Sec. received from E.A.C.B.	3,226	3,226	3,209	3,197	3,197	3,197
Other Kenya Government Securities	386	386	352	350	350	350
Securities of Public Entities						
Advances to Kenya Govt.	850					
Advances and discounts					296	200
Revaluation Account ..	3,574	3,574	3,574	3,574	3,495	3,495
Other Assets*#	590	693	1,003	310	400	414

*Excluding deposits from Banks of Tanzania and Uganda,
**Including net balances with Banks of Tanzania and Uganda.
*#Including balances with Banks of Tanzania and Uganda.

2.4 A remarkable rise in the country's foreign exchange reserves during 1968 was noted in last year's *Economic Survey.* This growth was even stronger during 1969, as shown in Table 2.2. The Central Bank, with an increase of some 73 per cent in its holdings of foreign exchange, more than accounted for the total increase of K£22.0 million. At the end of the year, the proportion of total foreign exchange reserves held by the Central Bank had risen ten percentage points over the year to 90 per cent. Decreases occurred in holdings of commercial banks and the estimated share of Kenya in the assets of the East African Currency Board. The largest additions to

the reserves occurred in the first and third quarters with increases of K£9.0 million and K£7.7 million respectively. In the first quarter, an improvement in the visible balance of trade and drawings on Government loans and aid funds were the main sources of foreign exchange increases; in the third quarter, transfers of assigned capital by foreign banks operating in the country in accordance with the requirements of the Banking Act added K£4.7 million to the reserves.

FOREIGN EXCHANGE RESERVES

Table 2.2 K£'000

	Dec. 1968	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970
Central Bank of Kenya*	33,871	43,585	46,072	53,723	58,335	66,860
Commercial Banks:—						
Net balances with banks outside Kenya	2,172	2,534	3,082	2,347	2,586	3,524
Other	1,997	1,952	1,913	2,014	406	488
Government#	1,417	1,392	1,379	2,039	1,721	1,404
I.M.F. Gold Tranche	1,443	1,443	1,443	1,443	1,443	1,775
Estimated Kenya Share of E.A.C.B. Assets	2,689	1,709	1,541	1,539	617	651
TOTAL	43,590	52,615	55,430	63,105	65,108	74,702

*Including net balances with Banks of Tanzania and Uganda,
#Including overseas securities and balances of the Post Office Savings Bank.

2.5 Deposits with the commercial banks increased substantially during 1969 to K£112.9 million, compared with K£95.4 million at the end of the previous year. Unlike the previous year, when the bulk of the increase was mainly in the second half, growth took place steadily through the year. Although the largest absolute increase was in demand deposits, these continued to decline as a proportion of the total and at the end of the year constituted 57 per cent of total deposits, compared with 59 per cent a year earlier. The relative share of savings deposits also declined to 26 per cent, from 27 per cent while the share of time deposits rose from 15 to 18 per cent.

2.6. It was noted in last year's *Economic Survey* that the most outstanding feature of balance sheets of the commercial banks was the substantial increase in their liquidity. This trend became even more pronounced in 1969. Although, as shown in Table 2.4, bills, loans and advances increased by over K£3 million, deposits rose much faster, by K£18 million. As a result, the advances/deposits ratio, which was 70 per cent at the end of 1968, fell to 62 per cent at the end of 1969. Although creditworthiness cannot be ignored in lending policies, the rising liquidity of the banks suggests that this principle of lending is being interpreted perhaps too rigidly. However, the figures for March 1970 suggest some improvement in this respect, although changes took place only in specific and narrow segments of the economy. The

COMMERCIAL BANKS

Assets and Liabilities

Table 3.18 K£'000

	Dec. 1968	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970
LIABILITIES—						
Deposits:						
(1) Demand	56,234	57,741	61,920	60,747	64,421	70,288
(2) Time	13,790	15,114	16,329	18,858	19,657	22,757
(3) Savings	25,405	26,100	27,058	27,783	28,855	30,051
Balances due to:						
(1) Central Bank	-	-	-		300	200
(2) Kenya Banks	3,197	2,269	2,112	2,021	1,105	753
(3) E.A. Banks	492	487	500	717	659	482
(4) Banks abroad	1,228	2,536	2,677	2,603	1,651	1,168
Total Reports	95,429	98,955	105,307	107,388	112,933	123,090
Bills Payable and Other Loans	722	733	620	487	658	593
Other Liabilities*	30,386	27,618	31,762	36,301	43,874	44,913
ASSETS—						
Cash	3,249	3,364	3,582	3,525	3,709	4,339
Balances due by:						
(1) Central Bank	11,359	12,952	13,152	17,553	24,172	24,909
(2) Kenya Banks	3,777	2,598	2,619	2,443	1,435	936
(3) E.A. Banks	2,089	2,034	2,695	1,766	2,086	1,635
(4) Banks Abroad ..	1,802	3,522	3,565	3,902	2,810	3,540
Treasury Bills	-	2,979	4,895	4,987	2,993	1,000
Bills discounted, Loans and Advances	66,788	64,344	67,722	68,987	70,025	80,417
Investments	4,757	4,933	5,394	9,383	7,333	7,830
Other Assets*	37,633	35,872	39,354	36,971	46,617	46,599
TOTAL ASSETS/LIABILITIES	131,454	132,598	142,978	149,517	161,180	171,205

*The figure for contra items has been included.

bulk of the growth between December 1969 and March 1970 was in lending to the public sector, in particular the East African Community (the Railways and Airways were the actual recipients). A sizeable expansion of credit for the trade sector was also apparent. It is likely that this followed the expected quickening of activity in this sector. However, lending to private households also rose by nearly K£1 million.

2.7. Details of bills discounted, loans and advances are set out in Table 2.5. During 1969, advances to the trade sector fell by K£2.0 million, largely due to the fall of advances to finance imports which were relatively stagnant (see Chapter 3). Although the trade sector continued to be the most important borrower from the banks, its share in total advances fell from 44 per cent to 37 per cent. Advances to the manufacturing sector rose by K£2.41 million and its share to 22 per cent of total advances. Advances to agriculture continued to account for some 11 per cent of the total.

COMMERCIAL BANKS—ADVANCES/DEPOSITS AND CASH RATIOS

K£'000

Table 3.12

	Dec. 1968	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970
TOTAL ADVANCES/ DEPOSITS—						
Deposits	95,129	98,655	104,907	106,988	112,933	123,096
Advances	66,788	64,344	67,722	68,987	70,025	80,417
Ratio %	70.2	65.2	64.6	64.5	62.0	65.9
PRIVATE ADVANCES/ DEPOSITS—						
Deposits	84,137	87,204	87,609	91,972	96,352	102,735
Advances	63,720	62,743	64,992	66,030	68,304	71,837
Ratio %	75.7	71.9	74.2	71.8	70.9	69 9
CASH—						
Notes and Coin* and balance with the Central Bank of Kenya	14,334	16,044	16,501	20,745	27,475	28,760
Ratio (cash/total deposits) %	15.1	16.3	15.7	19.4	24.3	23.

*Excluding Foreign Notes and Coin.

2.8 The setting up of a Government-owned National Bank of Kenya Ltd. to undertake commercial banking was reported in last year's *Economic Survey.* The activities of the only branch of this Bank have grown rapidly and another branch will soon be opened in Mombasa. The National Bank has shown a greater willingness to lend to small African businessmen than the other commercial banks. Its operations are expected to continue to develop and its paid-up capital was recently doubled. The activities of the Co-operative Bank, which was set up early in 1968 specifically to cater for the needs of the co-operatives in the rural areas, also continued to grow. However, very few cooperatives have taken advantage of the lending facilities offered by the Bank, possibly due to insufficient contact between the Bank and its potential clients. It is therefore intended to establish new "branches", not in the normal way but by establishing credit sections in the larger co-operatives.

2.9. Activity on the Nairobi Stock Exchange expanded markedly during 1969. The share index rose 18 points and stood at 184 points at the end of the year. A large part of the rise in the index was in the later part of the year. However, the share index for the Nairobi Stock Exchange is not as good a barometer of business activity as similar indices in the more developed western industrial countries because the shares of only a few of the firms operating here are quoted and a limited range of economic activities have a heavy weight in it.

Commercial Banks—Bills, Loans and Advances

Table 2.5 K£'000

	Dec. 1968	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970
PUBLIC SECTOR—						
(a) Central Government	726	453	606	777	25	783
(*b)* Local Government	345	350	359	221	228	497
(c) E.A. Community	1		11	464	353	3,148
Government Total	1,072	803	976	1,462	606	4,428
(*d*) Enterprise Statutory Boards and other Public Entities	1,996	798	1,754	1,495	1,115	4,152
PRIVATE ENTERPRISES—						
(a) Agriculture*	7,774	7,343	8,377	8,632	8,619	9,562
(b) Mining and Quarrying ..	155	152	120	127	109	127
(c) Manufacturing	12,721	13,178	13,524	14,791	15,128	14,720
(d) Building and Construction	1,786	1,669	1,950	2,238	2,177	2,540
(*e)* Transport, Storage and Communications	1,429	1,441	1,207	2,382	2,910	2,556
(f) *Trade:*						
Export	8,666	9,712	7,666	8,020	8,010	9,700
Import	9,640	7,359	8,841	7,917	7,863	8,889
Domestic	9,840	9,931	9,852	9,609	10,234	10,633
(*g*) Real Estate	805	785	1,218	1,279	1,242	1,636
(h) Financial Institutions	3,352	3,517	4,014	3,366	3,437	2,836
(0 Other Businesses	4,799	5,092	5,399	4,634	4,729	3,767
TOTAL ENTERPRISES	60,967	60,179	62,168	62,995	64,458	66,966
PRIVATE HOUSEHOLDS— (including non-profit-making organisations)	2,753	2,564	2,824	3,035	3,846	4,871
TOTAL BILLS, LOANS AND ADVANCES	66,788	64,344	67,722	68,987	70,025	80,417

*Including Forestry, Fishing and Wildlife.

2.10. As this *Survey* goes to press in May 1970 it is announced that Uganda has imposed exchange controls against Kenya and Tanzania. In future all payments to residents of those countries will require Bank of Uganda authorization, nor may Uganda banknotes be exported. While these are seen as precautionary measures to stem any outflow of "funk money", they are nevertheless likely to hinder the flow of intra-East African trade and payments to some extent.

CHAPTER 3—EXTERNAL TRADE

World trade recorded an overall increase of 13.6 per cent during 1969—exports having increased by 14.1 per cent and imports by 13.1 per cent. The rate of increase was higher than in 1968. The trade of the industrial countries increased by 15.3 per cent, but among developing countries, trade increased by only 7.5 per cent. The trade of African countries (excluding South Africa) increased even more slowly, although exports from these countries rose faster than imports.

3.2. In absolute terms, Kenya's external trade was the highest ever. Overall, trade expanded by 4.5 per cent, exports rising by 9 per cent and imports by 1.3 per cent. The growth of exports was at more or less the same rate as that of other developing countries, but slightly below the average for African countries. At the same time, Kenya's imports increased by only 1.3 per cent, compared to an increase in imports of 4.7 per cent for Africa (excluding South Africa) and 5.8 per cent for all less developed areas taken together. This relative stagnation of imports helped to improve the visible balance of trade. The decline took place primarily in imports of consumer goods. This drop was due perhaps to a rising level of import substitution but partly also because of dealers running down stocks accumulated during 1968. The increase of 9 per cent in exports, compared to an increase of 7.8 per cent in gross domestic product at current prices, reversed the trend since 1964 of exports rising more slowly than national income.

The Balance and Terms of Trade

3.3 Total exports were K£97.3 million and imports K£128.8 million. Commercial imports from overseas reached the £100 million mark for the first time while government imports, at K£16.3 million, recorded a decline. After reaching a peak in 1967, imports from Uganda and Tanzania declined in 1968 and fell again in 1969, by K£0.5 million. Exports to countries outside East Africa increased by K£5.5 million over 1968 while exports to Uganda and Tanzania recorded an increase of K£2.5 million. Thus the volume of trade with Tanzania and Uganda showed an increase over 1968 but the level of this trade in 1969 was still below that attained in 1965.

3.4. The increase in exports reduced the overall deficit on merchandise trade in 1969 by K£6.3 million. Of this sum, K£3.3 million was due to a reduction in the trade deficit with countries outside East Africa and the other K£3 million derived from the trade surplus with Uganda and Tanzania. However, the deficit still remained quite large—K£1.5 million. This was 14 per cent of total trade in 1969—fairly close to the average over the last decade, although individual years during this period have shown fluctuations.

BALANCE OF TRADE, 1965-1969

Table 1.4 *K£million*

	1965	1966	1967	1968	1969
IMPORTS—					
From outside East Africa*	89.0	112.3	106.5	114.8	117.0
of which					
Commercial	80.5	92.3	88.3	97.8	100.7
Government	8.5	20.0	18.2	17.0	16.3
From Uganda and Tanzania	11.8	11.2	13.5	12.3	11.8
TOTAL	100.7	123.5	120.0	127.1	128.8
EXPORTS—					
To Markets outside E. Africa#	47.0	57.9	53.3	57.8	63.3
Re-exports	4.6	4.1	6.1	5.2	5.2
To Uganda and Tanzania	29.9	29.2	26.5	26.3	28.8
TOTAL	81.5	91.2	85.9	89.3	97.3
BALANCE OF TRADE—					
With Markets outside E. Africa	-37.4	-50.3	-47.2	— 51.8	-48.5
With Uganda and Tanzania	+ 18.1	+ 18.0	— 13.0	+ 14.0	+ 17.0
TOTAL	-19.3	-32.3	-34.3	-37.8	— 31.5

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

#Described in the Annual Trade Report as "Domestic Exports".

3.5. The trade deficit shown in Table 3.1 does not correspond to the deficit in merchandise transactions in balance of payments calculations because the latter calculations incorporate two necessary adjustments. First they take into account only imports by the East African Community which are actually used in Kenya rather than the total landed value of all imports in Kenya by the Community. Second, balance of payments figures are also adjusted for sales of fuel and stores for bunkering of ships and aircraft. The deficit on merchandise transactions on a balance of payments basis is set out in Table 1.12 of Chapter 1 of this *Survey*. For 1969, it was estimated to be K£31.7 million, compared to a trade deficit of K£31.5 million as calculated from the unadjusted published trade statistics.

3.6. Indices of imports and exports as well as a table illustrating movements in the terms of trade are shown in Tables 3.2, 3.3 and 3.4 respectively. Because the index of overseas import prices rose slightly, there was a small deterioration in the terms of trade. In 1969 the index of prices of imports from Uganda and Tanzania remained at the same level as in 1968.

IMPORT PRICE INDEX

1964 = 100

Table 3.12

Overseas Imports—	1965	1966	1967	1968	1969 (est)
Food	81	75	76	73	77
Beverages and tobacco	104	111	117	122	127
Basic materials, inedible	112	107	104	100	108
Mineral fuels	101	103	102	102	102
Animal and vegetable oils and fats	134	118	102	91	91
Chemicals	106	107	93	95	90
Textiles	108	114	118	121	126
Metals	102	101	99	96	100
Semi-manufactures	103	103	107	102	104
Machinery and transport equipment	104	107	107	108	109
Consumer goods	104	107	105	106	112
All Overseas Imports	102	102	102	103	105
East African Imports—					
Food, beverages and tobacco	107	105	109	104	104
Basic materials and fuels	125	114	104	124	129
Manufactures	105	104	97	107	105
All East African Imports	109	106	104	109	109
Total Imports	103	103	103	104	106

EXPORT PRICE INDEX

1964 = 100

Table 3.3

Overseas Exports—	1965	1966	1967	1968	1969
Food and live animals	103	99	95	99	98
Crude materials, excluding sisal..	99	111	104	98	102
Sisal	63	57	47	42	47
All Agricultural Exports	97	96	92	94	94
Mineral fuels, lubricants and related materials	110	104	109	109	114
Chemicals ..	106	107	104	103	118
Manufactured goods	126	127	97	104	102
All Overseas Exports	99	99	93	94	95
East African Exports—					
Food, beverages and tobacco	107	109	112	113	120
Basic materials and fuels	102	101	104	99	99
Manufactured goods	99	103	111	115	112
All East African Exports	102	105	110	111	111
Total Exports Excluding Gold..	100	101	99	100	101

TERMS OF TRADE

1964 = 100

Table 3.12

	1965	1966	1967	1968	1969 (est)
External Trade	97	97	91	91	90
Inter-territorial Trade	94	99	106	102	102
TOTAL TRADE	97	98	96	96	95

3.7. Export prices registered an overall price increase of 1 point mainly because of an improvement in the prices of sisal, maize and wattle extract.

3.8. It is likely that the index of export prices slightly understates the true position. This is because the f.o.b. price of tea does not fully reflect the price received by farmers. As shown in Chapter 4, this price in fact improved slightly over that prevailing in 1968. This apparent anomaly is due to the fact that much of the tea exported is ultimately sold in London and the recorded shipment price contains an element of estimation.

Imports

3.9. The increase in imports forecast for 1969 in last year's *Economic Survey* was lower than expected, being only 1.3 per cent compared with the growth of 5.9 per cent in 1968. There is some evidence that dealers' stocks were run down during the year, so that the level of imports is likely to rise during the current year. The commodity mix of imports between capital items, goods for intermediate use and consumption articles changed once again. Because imports of consumer goods fell, the share of capital goods rose from 31.4 per cent in 1968 to 34.1 per cent in 1969. However, this was still below the peak of 36.8 per cent in 1967. Intermediate goods also became more significant. An analysis of imports by category is shown in Table 3.5. A breakdown of these to distinguish imports from East Africa and from overseas is set out in Table 3.6. Imports of the more important individual items are illustrated in Table 3.7.

3.10. Imports of food, drink and tobacco from outside East Africa declined by K£1.7 million in 1969. The proportion of this group in total imports from outside East Africa fell from 5.1 per cent in 1964 to 3.5 per cent in 1969. Compared with 1968, the value of nearly all items in this group was lower. In particular, imports of sugar and rice were lower by K£0.3 million each. These are just two instances of import substitution which is very largely responsible for the decline in this group of imports. Imports of textiles from outside East Africa dropped by K£1.5 million. As noted in the *Economic Survey* for 1969, textile manufacturers and dealers were carrying

TOTAL IMPORTS* BY BROAD ECONOMIC CATEGORY, 1964, 1968 AND 1969

Table 3.17

CATEGORY	IMPORTS K£000			PER CENT OF TOTAL		
	1964	1968	1969	1964	1965	1969
1. Food, Drink and Tobacco	12,090 9	10,301.5	7,845.4	13.7	8 1	6.1
2. Basic Materials	3,756.0	5,879.1	6,676.4	4.3	4.6	5.2
3. Fuels	9,692.1	13,773.9	13,429.7	111	10.9	10.4
4. Chemicals	7,116.8	11,861.4	12,725.9	8 1	9.3	9.9
5. Textiles	9,386.1	12,361.1	11,361.4	10.7	9.7	8.8
6. Semi-manufactures	5,480.7	9,144.5	10,206.6	6.2	7.2	7.9
7. Metals	7,570.0	12,057.6	13,004.8	8.6	9.5	10-1
8. Transport equipment	11,350.2	18,455.8	21,671.4	12.9	14.5	16 8
9. Other capital goods	13,478.0	21,447.4	22,240.8	15.3	16 9	17-3
10. Consumer goods	4,408.5	6,609.1	6,260.1	5.0	5.2	4.9
11. Miscellaneous	3,620.1	5,214.6	3,3484	4.1	4.1	2.6
TOTAL	87,948.9	127,106.0	128,770.9	100.0	100 0	100.0

*Overseas and East African imports taken together.

substantial unsold stocks at the end of 1968 and the fall in imports in 1969 reflected a run down of the stocks held. This drop in imports of food, drink and tobacco and textiles has in part contributed to the overall modest increase of only 1.9 per cent in imports from outside East Africa in 1969.

3.11. Imports from outside East Africa of basic materials, semi-manufactures and metals were higher by K£3.2 million or 14 per cent. Within these groups, metals increased at a much slower rate despite the growth in the output of the private building and construction industry of more than 20 per cent. Imports of iron and steel used in building and construction went up by more that a quarter, from K£2.8 million in 1968 to K£3.6 million in 1969, but those of metal products such as railway track materials fell. Imports of chemicals also rose, mainly because of an increase in imports of fertilizers and pharmaceutical products. Those of fuels, on the other hand, declined slightly, with a decrease in imports of refined fuels outweighing an increase in imports of crude petroleum.

3.12. The largest growth since 1964 in any single import group has been in transport equipment, of nearly 100 per cent. About a third of this took place in 1969 and the total reached K£21.7 million. Much of the rise in 1969 was due to the addition of another large jet airliner to the East African Airways fleet, but imports of motor vehicles also went up by K£1.8 million. It is likely that part of the rise in imports of motor vehicles was used for stock building during 1969, after the run down of the stocks in 1968, noted in the *Economic Survey* for 1969. About a third of the growth in vehicle imports was in those of buses, lorries and chassis for assembly. The private sector also showed an increase in imports of aircraft. Details of transport equipment imported are shown in Table 3.8.

IMPORTS FROM OVERSEAS* AND FROM EAST AFRICA BY BROAD ECONOMIC CATEGORY, 1965-1969

Table 3.6 K£'000

CATEGORY	1965		1966		1967		1968		1969	
	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa	Overseas	East Africa
1. Food, drink and tobacco	10,400.7	4,955.3	12,796.6	3,425.9	5,205.5	5,397.0	5,843.7	4,457.8	4,114.9	3,730.5
2. Basic materials	3,400.3	1,943.9	3,452.4	1,736.8	2,782.6	1,956.9	3,786.9	2,092.2	5,233.5	1,442.9
3. Fuels	10,280.7	420.0	11,819.3	447.0	11,955.2	720.9	13,193.8	580.1	12,999.9	429.8
4. Chemicals	8,344.8	616.1	8,817.3	865.5	8,075.1	703.5	11,245.8	615.6	11,935.2	790.7
5. Textiles	8,910.7	1,789.5	10,127.0	2,451.0	7,529.9	2,632.1	10,322.7	2,038.4	8,834.7	2,526.7
6. Semi-manufactures	5,974.7	468.6	7,197.2	589.9	7,102.9	676.1	8,385.0	759.5	9,594.7	611.9
7. Metals	8,588.8	1,001.9	9,298.6	1,054.2	11,045.6	825.2	11,171.0	886.6	11,695.0	1,309.8
8. Transport equipment	11,626.5	2.6	20,481.6	9.2	21,032.2	5.7	18,447.2	8.6	21,666.4	5.0
9. Other capital goods	13,267.7	8.5	18,201.3	66.6	23,024.0	118.7	21,104.3	343.1	21,810.4	430.4
10. Consumer goods	4,122.6	540.4	5,302.1	554.0	4,226.2	464.4	6,056.5	552.6	5,729.3	530.8
11. Miscellaneous	4,064.8	12.5	4,810.9	14.7	4,556.3	14.8	5,207.1	7.5	3,336.5	11.9
TOTAL	88,981.6	11,759.3	112,304.3	11,214.8	106,534.2	13,515.2	14,764.0	12,342.0	116,950.5	11,820.4

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

SELECTED NET IMPORTS, 1965—1969

Table 3.7

K£'000

	Crude Petroleum	Motor Vehicles and Chassis	Agricultural Machinery and Tractors	Industrial Machinery (including electrical)	Iron and Steel	Fibres of Cotton	Fabrics of Synthetic Fibres	Paper and Paper Products	Pharmaceutical Products	Fertilizer
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
1969	10,168	9,894	1,911	15,427	6,473	1,923	2,354	5,697	2,459	2,272

IMPORTS OF TRANSPORT EQUIPMENT*, 1967-1969

Table 3.8

K£'000

	PRIVATE			PUBLIC			TOTAL IMPORTS		
	1967	1968	1969	1967	1968	1969	1967	1968	1969
Railway Rolling Stock	11.6	6.5	60	5,300.0	3,608.7	948.4	5,311.6	3,615.2	954.4
Motor cars	4,617.0	3,648.8	4,845.5	126.0	103.2	68.8	4,743.0	3,752.0	4,914.3
Buses, lorries and Chassis for Assembly	3,765.8	3,478.0	3,867.0	1,024.0	841.4	1,112.5	4,789.8	4,319.4	4,979.5
Motor Vehicle Parts	1,733.9	2,188.6	2,416.6	39.3	122.5	67.1	1,773.2	2,311.1	2,483.7
Aircraft	489.9	392.6	675.7	146.0	948.6	4,476.8	635.9	1,341.2	5,152.5
Aircraft Parts	399.2	185.4	216.1	2,137.8	1,823.4	2,025.2	2,537.0	2,008.8	2,241.3
Aircraft Engines	365.3	52.8	198.8	2,310.1	1,468.9	1,731.7	2,675.4	1,521.7	1,930.5
Other	1,241.7	929 9	882.8	–	169.6	57.9	1,241.7	1,099.5	940.7
TOTAL TRANSPORT	12,624.4	10,882.6	13,108.5	11,083.2	9,086.3	10,488.4	23,707.6	19,968.9	23,596.9

*Includes aircraft engines which are not included in "Transport Equipment" in Tables 3.5 and 3.6

ORIGIN OF OVERSEAS (NET) IMPORTS, 1965-1969

Table 3.9

	TOTAL IMPORTS K£'000					PERCENTAGE PROPC RTIONS				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
STERLING AREA—										
United Kingdom	25,164	37,752	34,989	36,110	36,453	28.3	33.6	32.8	31.5	31.2
India	2,171	3,501	3,178	2,870	2,957	2.4	31	3.0	2.5	2.5
Hong Kong	733	1,750	1,291	1,910	1,519	0.8	1.5	1.2	1.1	1.3
Pakistan	1,071	1,320	1,381	1,602	1,019	1.2	1.2	1.3	1.5	0.9
	1,061	1,070	1,354	1,700	2,137	1.2	1.0	1.3		1.8
Zambia	134	156	2	128	104	0.2	0.1			0 1
Other	4,847	4,103	2,582	1,730	2,362	5.4	3.7	2.4	1.5	2.0
TOTAL	35,181	49,652	44,777	46,050	46,551	39.5	44.2	42.0	40.1	39.8
U.S.A	8,511	11,275	7,764	7,922	8,736	9.6	10.0	7.3	6.9	7.5
CANADA	551	536	745	773	806	0.6	0.5	0.7	0.7	0.7
E.E.C.										
West Germany	6,147	8,056	10,560	9,112	9,574	6.9	7.2	9.9	7.9	8.2
Italy	2,108	3,612	3,879	4,841	4,896	2.3	3.2	3.6	4.2	4.2
France	2,486	3,555	3,850	4,103	3,881	2.8	3.1	3.6	3.6	3.3
Netherlands	2,397	3,252	2,825	3,440	4,290	2.7	2.9	2.7	3.0	3.7
Other	2,125	2,779	2,290	2,129	1,642	2.4	2.5	2.2	1.9	1.4
TOTAL	15,263	21,254	23,404	23,625	24,283	17.1	18.9	22.0	20.6	20.8
E.F.T.A. (excluding U.K.) TOTAL	3,147	3,602	3,751	3,982	4,636	3.6	3.2	3.5	3.5	4.0
U.S.S.R. and Eastern Europe	1,870	4,347	2,084	2,555	2,607	2.1	3.9	2.0	2.2	2.2
REST OF THE WORLD—										
Iran	4,149	7,900	8,575	8,944	8,138	4.7	7.1	8.0	7.8	6.9
Japan	9,058	2,695	5,827	7,969	9,344	10.2	2.4	5.5	6.9	8.0
China	954	1,944	876	1,592	1,151	1.0	1.7	0.8	1.4	1.0
Africa (non-sterling)	1,125	1,275	1,160	924	964	1.3	1.1	1.1	0.8	0.8
	5,290	3,358	3,493	5,808	6,310	5.9	3.0	3.3	5.1	5.4
TOTAL	20,576	17,172	19,931	25,237	25,907	23.1	15.3	18.7	22.0	22.1
Parcel Post and Special Transactions ..	3,883	4,466	4,077	4,620	3,425	4.4	4.0	3.8	4.0	2.9
GRAND TOTAL	88,982	112,304	106,534	114,764	116,951	100 0	100.0	100.0	100.0	100.0

3.13. Transport equipment forms a substantial part of total imports by the public sector and in 1969 accounted for about two-thirds of these.

3.14. Details of the origin of imports from outside East Africa are shown in Table 3.9. The pattern of Kenya's suppliers, classified into three broad categories of trading areas, i.e. the Sterling Area, the European Economic Community, and the Rest of the World, remained more or less as in 1968. There were, however, some notable changes in the position of individual countries. While Britain remained the largest source of Kenya's imports (31 per cent of the total), Japan overtook Iran and moved into third place, very close behind West Germany. Japan's share in Kenya's imports is expected to rise further.

End-Use Analysis of Imports

3.15. Table 3.10. sets out an end-use analysis of imports shown for the first time in the *Survey.* Totals of imports differ from figures shown in other tables because imports for this analysis have been adjusted to reveal an aggregate of net imports retained and consumed within Kenya's customs borders. The table has been cross-classified into categories by industries of origin and consumption. The former have been split into three very broad categories. These are—imports originating in primary producing industries (mainly food products and crude petroleum), imports originating in manufacturing industries, and, finally, imports not classified by originating industry as a residual category. As might be expected, imports originating in manufacturing industries are the largest single category, ranging from 78 per cent in 1965 to nearly 86 per cent of total imports in 1969, followed by imports originating in primary producing industries which accounted for between 10 per cent and 15 per cent of the remainder in various years, leaving a small residual category of imports not classified by industry of origin.

3.16. End-use of imports has been classified into consumption by the enterprises and household sector and the government sector. The "government sector" includes only Kenya Government and the General Fund Services of the East African Community. The enterprises and household sector, on the other hand, includes imports by the corporations of the East African Community, in addition to those of the private sector, both commercial and household. The enterprises and the household sector accounted for between 93 per cent and 97 per cent of total imports over the period shown and the government sector for the rest. Within the enterprises and households category, consumption of imports has been further disaggregated into intermediate goods, capital formation and final household consumption.

END USE ANALYSIS OF IMPORTS

Table 3.10

INDUSTRY OF ORIGIN	Year	ENTERPRISE AND HOUSEHOLD IMPORTS K£'000 Intermediate Goods	Capital Goods	Final Household Consumption Goods	Total Enterprise and Household Imports	Government Imports K£'000	TOTAL RETAINED IMPORTS K£'000	Percentage Proportion by origin
Imports originating in primary producing industries.	1964	9,485	41	1,097	10,623	12	10,635	13.4
	1965	14,620	49	1,364	16,033	39	16,072	17.3
	1966	14,094	68	1,222	15,384	590	15,974	14.5
	1967	12,381	122	1,447	13,950	20	13,970	12.7
	1968	12,132	125	1,578	13,835	106	13,941	12.1
	1969	11,100	100	1,200	12,400	100	12,500	10.7
Imports originating in manufacturing industries (Including electricity).	1964	34,237	11,438	17,089	62,764	2,227	64,991	81.9
	1965	39,899	11.322	17,748	68,969	3,803	72,772	78.1
	1966	45,439	17,081	21,173	83,693	5,782	89,475	80.9
	1967	47,060	22,817	17,286	87,163	4,397	91,560	83.0
	1968	52,166	19,262	20,038	91,466	4,751	96,217	83.4
	1969	54,800	21,000	20,300	96,100	4,300	100.400	85.6
Imports not classified according to industry of origin.	1964	173	—	3,456	3,629	101	3,730	4.7
	1965	274		3,649	3,923	386	4,309	4.6
	1966	427		4,246	4,673	459	5,132	4.6
	1967	433		3,559	3,992	715	4,707	4.3
	1968	217		4,199	4,416	821	5,237	4.5
	1969	300	—	4,300	3,700	700	4,400	3.7
Total use of imports	1964	43,895	11,479	21,642	77,016	2,340	79,356	100.0
	1965	54,793	11,371	22,761	88,925	4,228	93,153	100.0
	1966	59,960	17,149	26,641	103,750	6,831	110,581	100.0
	1967	59,874	22,939	22,292	105,105	5,132	110,237	100.0
	1968	64,515	19,387	25,815	109,717	5,678	115,395	100.0
	1969	66,200	21,100	24,900	112,200	5,100	117,300	100.0
Percentage proportions by usage	1964	55.3	14.5	27.3	97.1	2.9	100.0	
	1965	58.8	12.2	24.5	95.5	4.5	100.0	
	1966	54.2	15.5	24.1	93.8	6.2	100.0	
	1967	54.3	20.8	20.2	95.3	4.7	100.0	
	1968	55.9	16.8	22.4	95.1	4.9	100.0	
	1969	56.5	18.0	21.2	95.7	4.3	100.0	

3.17. While no dramatic shifts into or out of the categories shown in the matrix are apparent, it does reveal important trends in the economy. Intermediate consumption was relatively stable over the years shown and accounted for between 54 and 59 per cent of total imports retained within Kenya's customs borders. Consumption of imports by households showed a declining trend over the period, due to import substitution. The share of capital goods, on the other hand, rose over the six years included in the analysis. The slow growth of imports originating in manufacturing industries is, of course, the consequence of the falling level of manufactured goods imported for household consumption—the gradual upward movement has been caused by rising imports of capital goods. The falling share of imports originating in primary producing industries reinforces the picture of growing import substitution.

Exports

3.18. The growth of exports in 1969 exceeded expectations as forecast in last year's *Economic Survey*. This growth derived mainly from the substantial increase in the quantities of coffee and tea exported. Except for petroleum products and cement, the export value of almost all other major commodities was below that for 1968. In Table 3.11 exports are analysed for broad trade groups, with exports to Uganda and Tanzania shown separately from those to countries outside East Africa. Exports to countries outside East Africa increased by K£5.5 million, and to Uganda and Tanzania by K£2.5 million. Changes in the value, quantity and prices of exports of the major commodities are shown in Tables 3.12, 3.13 and 3.14.

3.19. Exports in the food, beverages and tobacco group, to countries outside East Africa, expanded by K£3.3 million. The quantity of coffee exported rose by 35 per cent and added K£4 million to its export value. Shipments of tea also rose by 20 per cent. Exports of maize, however, fell to almost half the level of 1968, due to a decline in quantities marketed and a growth in domestic demand from commercial sources (*see* paragraph 5.5), following rather poor growing conditions in many parts of the country. Because of this, the value of maize exported was K£2 million less compared with 1968. Exports of another major food item, meat and meat products, also declined due to a fall in throughput in the principal processing factory and diversion of larger quantities onto the home market.

3.20. Exports of sisal declined because of the build-up of unsold stocks which have now been cleared. Despite better prices, wattle exports also fell. The quantity of pyrethrum shipments, however, was maintained at the 1968 level. Although pyrethrum production had fallen, exports were kept up by the release of stocks. Shipments of soda ash in recent years have been erratic and registered a large fall of 24 per cent during 1969.

EXPORTS TO OVERSEAS* AND EAST AFRICA BY BROAD ECONOMIC CATEGORY, 1965—1969

Table 3.11 K£'000

CATEGORY	1965		1966		1967		1968		1969	
	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.	Overseas	E.A.
1. Food, drink and tobacco	25,806.5	8,014.9	33,685.5	7.354.5	30,842.6	7,456.8	34,911.2	5,770.6	38,209.2	7,647.8
2. Basic Materials	10 868.3	741.2	11,905.0	586.1	9,127.9	780.6	9,325.5	955.4	9,548.3	937.5
3. Fuels	4,656.4	5,232.1	5,874.2	4,716.6	7,336.9	4,377.9	6,320.3	4,683.3	7,817.6	5,124.8
4. Chemicals	1,758.2	3,260.4	2,935	3,800.7	2,416.2	3,649.8	2,823.3	3,855.6	2,728.2	4,233.6
5. Textiles	178.2	1,435.4	207.3	2,448.7	281.3	1,711.2	350.2	1.918.8	381.9	1,505.9
6. Semi Manufactures	1,815.1	2,925.5	1,777.9	3,376.9	1.885.1	3,011.1	2,257.4	3,790.3	2,938.3	3,716.2
7. Metals	1,203.5	2,632.0	664.1	2,005.8	273.8	1,615.9	500.4	1,459.8	354.8	1,595.8
8. Transport Equipment	0.4	140.4	0.5	94.3	0.2	60.8	0.9	60.4	0.8	126.4
9. Other Capital goods	56.6	185.3	85.6	335.2	116.9	432.3	166.6	778.9	177.6	944.2
10. Consumer goods	368.5	4,933.7	459.1	4,292.7	647.1	3 193.9	735.8	3,052.5	859.0	2,962.5
11. Miscellaneous	240.8	145.5	259.2	109.1	375.1	102.4	403.4	8.1	316.0	2.3
TOTAL	46,952.4	29,646.3	57,853.4	29,120.5	53,303.1	26,393.2	57,795.0	26,333.7	63,331.7	28,797.0

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

OVERSEAS EXPORTS, 1968 AND 1969: CHANGES IN VALUE, QUANTITY AND PRICE

Table 3.12

Item	VALUE K£'000			PERCENTAGE CHANGE IN		
	1968	1969	Change	Value	Quantity	Price
Coffee, unroasted	12,808.0	16,836.8	4,028.8	31.5	35.6	-2.9
Tea	10,041.1	11,271.1	1,230.0	12.2	19.4	-5.9
Petroleum Products	6,110.8	7,623.2	1,512.4	24.7	2.4	21.8
Maize	4,774.3	2,772.5	-2,001.8	—41.9	-49.2	14.4
Meat and Products	3,025.9	2,595.0	-430.9	-14.2	— 16.3	2.5
Pyrethrum Extract	2,504.1	2,225.0	-279.1	—11.1	•3	— 11.4
Sisal	1,832.0	1,717.1	-114.9	—6.3	-14.7	9.8
Hides and Skins, undressed	1,671.4	1,870.8	199.4	11.9	-6.3	19.5
Wattle Extract	1,134.1	1,144.4	10.3	0.9	-20.7	26.6
Soda Ash	1,132.2	903.5	-228.7	-20.2	-23.6	4.5
Cement	1,174.3	1,434.5	260.2	22.2	29.3	-5.6
Beans, Peas, etc.	833.8	528.7	-305.1	-36.7	-38.7	3.6
Cashew nuts, raw	627.4	679.8	52.4	8.4	6.2	1.9
Wool	575.6	550.8	-24.8	-4.3	1.3	-5.5
Animal Feed	506.2	520.9	14.7	2.9	5.1	-2.1
Cotton, raw	398.1	760.9	362.8	91.1	54.6	15.9
Pineapples, tinned	419.5	723.0	283.5	64.5	50.8	9.0
Butter and Ghee	319.5	274.3	-45.2	-14.1	-20.5	8.1
Wood carvings	280.9	294.4	13.5	4.8		
Metal scrap	299.3	406.2	106.9	35.7	17.0	16.0
Wattle bark	104.4	40.3	-64.1	-61.4	-64.0	7.1
All other items	7,202.1	8,158.5	956.4	13.3		..
TOTAL	57,795.0	63,331.7	5,536.7	9.6	–	–

QUANTITIES OF PRINCIPAL OVERSEAS EXPORTS, 1965-1969

Table 3.13

	Unit	1965	1966	1967	1968	1969
Coffee	Metric Tons	38,399	54,460	50,748	37,596	50,969
Tea	Metric Tons	15,917	22,608	18,481	27,500	32,835
Petroleum Products	Million litres	662	782	1,028	907	929
Pyrethrum Products	Metric Tons	1,140	1,682	1,895	2,168	2,397
Meat Products	99	6,874	8,694	8,281	7,095	5,938
Sisal	99	58,246	55,751	41,443	41,896	35,755
Hides and Skins..		7,412	7,602	6,859	6,989	6,548
Soda Ash	99	74,676	106,746	98,330	112,489	85,938
Cement	99	199,406	169,527	221,189	239,027	309,026
Maize (raw)	99	172	2	79,848	277,525	140,893
Canned pineapples	99	9,073	6,107	6,169	5,279	7,959
Butter and ghee	99	844	1,033	746	1,037	824
Beans and peas	99	9,389	12,443	5,632	17,712	10,849
Cotton (raw)	99	3,315	4,188	3,111	1,688	2,780
Wool (sheep's and lamb's)	99	1,369	1,438	1,418	1,798	1,821
Animal feeds	99	10,938	18,776	25,361	28,410	29,870
Cashew nuts	99	6,743	5,641	7,770	8,607	9,141

3.21. It was noted in last year's *Economic Survey* that a number of the smaller agricultural exports had improved their export performance in 1968. These included crops like beans and peas, cashew nuts, and livestock products

such as butter, ghee and wool. In 1969, of this group, only cashew nuts improved their performance and exports of the others declined. However, two other commodities, cotton and canned pineapples, showed major growth. Cotton exports rose by 91 per cent in value and those of pineapples 65 per cent. It should be noted, however, that the improvement in exports of tinned pineapple and cotton was more of a partial recovery back to the higher levels of exports prevailing a few years ago, rather than dramatic evidence of new growth. It is expected, however, that pineapple exports particularly will continue to grow.

3.22. Exports of manufactures recovered after a bad year in 1968. Those of petroleum products increased by K£1.5 million, mainly due to a change in the export mix of petroleum products in the direction of the more expensive refined products. Cement exports maintained the upward trend of the last few years and were up 22 per cent on 1969.

3.23. The prices received for Kenya's major exports are set out in Table 3.14. The fall during 1969 in the price of tea should perhaps be treated with some caution for reasons stated in paragraph 3.8. Among the major exports, the most significant decline was in the price for pyrethrum extract, of 11 per cent over 1969. On the positive side, sisal prices showed an improvement of 10 per cent. Wattle extract sold nearly 27 per cent more per unit and maize prices were also higher, although still well below the actual cost of export maize at quay side (*see* para. 4.6).

EXPORT PRICES, 1965-1969

Table 3.14

KSh./Unit

Item	Unit of Quantity	1965	1966	1967	1968	1969
Coffee, unroasted	Kg.	7.34	6.90	6.17	6.81	6.61
Tea	Kg.	7.65	7.71	8.00	7.30	6.87
Petroleum products	1,000 litres	136.38	149.58	139.54	134.75	164.12
Maize	100 kg.	39.57	-	35.21	34.41	39.36
Meat and products	Kg.	7.18	6.89	6.90	8.53	8.74
Pyrethrum Extract	Kg.	143.41	149.25	148.17	136.77	121.14
Sisal	100 kg.	132.26	119.82	99.62	87.46	96.05
Hides and Skins, un dressed	Kg.	4.74	6.77	5.08	4.78	5.71
Wattle Extract	Kg.	1.06	1.11	1.07	1.09	1.38
Soda Ash..	100 kg.	21.56	20.87	20.78	20.13	21.03
Cement ..	100 kg.	9.45	9.94	9.09	9.83	9.28
Beans, Peas, etc...	Kg.	1.01	0.93	1.16	0.94	0.97
Cashew Nuts, Raw	Kg.	1.42	1.52	1.39	1 46	1.49
Wool	Kg.	8.15	7.84	6.90	6.40	6.05
Animal feed ..	100 kg.	40.95	42.13	36.55	35.64	34.88
Cotton, Raw	Kg.	4.51	4.15	4.04	4.72	5.47
Pineapples, Tinned	Kg.	1 .71	1.75	1.77	1.67	1-82
Butter and Ghee.	Kg.	6.94	7.59	6.80	6.16	6.66
Wattle Bark	100 kg.	60.53	55.91	54.79	58.86	63.06

3.24. The direction of overseas exports is shown in Table 3.16. Sterling area countries continued to provide the major outlet for Kenya's exports and took 38 per cent of the total in 1969. Britain remained the largest single importer of Kenya goods. The European Economic Community provided markets for 19 per cent of exports. Sales to West Germany increased sharply but this was due to a growth in exports of coffee—West Germany is traditionally the largest importer of Kenya coffee. Although this might have helped to boost Kenya's exports, the revaluation of the mark late last year probably had little direct effect on exports to West Germany. Exports to France fell sharply because of a decline in maize sales to that country. The devaluation of the franc in August, 1969 might also have been a contributory factor although little firm evidence of this is available. In contrast to Kenya's imports from Japan, exports to that country declined. Japan contributed 8 per cent of Kenya's imports in 1969 but received only 1.9 per cent of its exports.

Trade with Africa

3.25. Trade with Africa is shown in Table 3.16. At K£52.9 million, in 1969 the volume of Kenya's trade with African countries passed the K£50 million mark for the first time. Uganda and Tanzania are, of course, Kenya's major trading partners on the continent and trade with them is dealt with in greater detail separately in this chapter. Exports to all African countries were K£4.5 million or 13 per cent higher in 1969 than in 1968 and, at K£39.8 million, the highest ever recorded. However, their growth to other countries which have applied to join the East African Community was faster—37 per cent. The largest growth, for this group, was in exports to Zambia but even if these are excluded, sales to the other countries show a satisfactory growth of 22 per cent. For the region as a whole, the gap between imports and exports widened further in Kenya's favour, to K£26.7 million, compared with K£21.8 million in 1968.

3.26. Exports to Zambia have been growing rapidly since 1964 and moved forward even faster during 1969. The total value of exports to that country increased from K£.02 million in 1964 to K£4.3 million in 1969, a third of this growth having taken place in 1969. In fact, Zambia ranked as the sixth most important country of destination for exports from Kenya. Included in the total exports of K£4.3 million were re-exports of petroleum products worth K£1 million. Another K£1.4 million was accounted for by exports of foodstuffs, of which K£1 million was maize. The balance consisted of a wide range of manufactured products. Some significant movements also occurred in exports to other countries. Exports to Somalia continued to grow, following their resumption in 1967. From none at all in 1968, exports to Algeria and Libya were K£0.2 million in 1969. However, exports to the Sudan fell sharply. Sales to Egypt were also well below those for 1968 but better than in the two previous years.

DIRECTION OF OVERSEAS EXPORTS*, 1965-1969

Table 3.15

REGION/COUNTRY	TOTAL EXPORTS K£'000					PERCENTAGE PROPORTIONS				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
STERLING AREA—										
United Kingdom	11,079	13,511	14,781	15,879	15,491	21.5	21.8	24.9	25.2	22.6
Zambia	457	1,735	2,623	2,913	4,294	0.9	2.8	4.4	4.6	6.3
India	1,545	1,596	1,507	1,659	1,762	3.0	2.6	2.5	2.7	2.6
Australia	726	615	641	649	595	1.4	1.0	1.1	1.0	0.8
Hong Kong	286	40	337	317	299	0.6	0 1	0 6	0.5	0.4
Pakistan	238	330	393	251	340	0.5	0 5	0.7	0 4	0.5
Other ..	4,715	4,385	4,070	2,861	3,552	9 1	7 0	6.9	4.6	5.2
TOTAL	19,046	22,212	24,352	24,529	26,333	37.0	35.8	41.1	39.0	38.4
U.S.A.	2,750	5,384	3,828	4,202	5,229	5.3	8.7	6.5	6.7	7.6
CANADA	1,848	2,080	2,136	1,311	1,440	3.6	3.4	3.6	21	2.1
E.E.C.—										
West Germany	7,398	8,150	4,943	5,861	7,867	14 4	13.2	8.3	9.3	11.5
Netherlands	2,066	3,439	2,457	2,882	2,457	4.0	5.5	4.1	4.6	3.6
Italy	1,233	1,658	1,454	1,293	1,431	2.4	2.7	2.5	2.0	2.1
France	728	764	559	1,293	700	1.4	1.2	0.9	2.0	1.0
Other	503	513	458	468	604	1.0	0.8	0.8	0.8	0.9
TOTAL	11,928	14,524	9,871	11,797	13,059	23.2	23.4	16 6	18.7	19.1
E.F.T.A. (excluding U.K.) TOTAL	2,294	2,442	2,689	2,033	2,750	4.5	3 9	4.5	3.2	4.0
U.S.S.R. and Eastern Europe—TOTAL	1,005	1,549	884	1,374	1,280	1.9	2.5	1.5	2.2	1.9
REST OF THE WORLD—										
Iran	131	143	223	613	199	0.3	0.2	0.4	1.0	0.3
Japan	1,730	1,794	1,247	1,697	1,305	3.3	2.9	2.1	2.7	1.9
China	633	931	1,092	437	478	1.2	1.5	1.8	0.7	0.7
Africa (non-sterling)	3,899	3,893	2,970	4,989	4,739	7.6	6.3	5.0	7.9	6 9
Other ..	3,109	3,436	4,302	4,781	4,860	6.0	5.6	7.3	7.6	7.1
TOTAL	9,502	10,197	9,834	12,517	11,581	18.4	16.5	16.6	19.9	16.9
SHIP AND AIRCRAFT STORES	3,167	3,594	5,714	5,172	6,838	6.1	5.8	9.6	8.2	10.0
GRAND TOTAL	51,540	61,982	59,308	62,935	68,510	100.0	100.0	100.0	100.0	100.0

*Excluding gold and currency but including re-exports.

TRADE WITH AFRICAN COUNTRIES, 1965-1969

Table 3.16

K£'000

	EXPORTS*					NET IMPORTS				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
MAINLAND—										
Uganda	15,339	15,619	14,796	13,265	15,949	7,135	7,317	10,165	8,650	7,803
Tanzania	14,589	13,608	11,663	13,069	12,848	4,624	3,898	3,350	3,692	4,018
Zambia	457	1,735	2,623	2,913	4,294	134	156	131	128	104
Ethiopia	180	224	279	473	501	92	36	18	7	15
Burundi	340	198	384	315	329	—	—	—	—	—
Somalia	658	324	7	636	881	9	10	—	57	18
Sudan	1,446	947	435	752	204	49	7	5	8	26
Rwanda	265	557	467	679	858	5	26	40	66	93
Congo (Kinshasa)	174	646	451	584	579	314	624	528	574	527
Rhodesia	376	—	—	—	—	287	9	—	—	—
Malawi	139	210	126	162	181	371	203	335	161	29
Mozambique	57	128	127	180	138	638	501	339	124	169
Egypt	92	88	130	539	334	12	19	23	64	35
Algeria and Libya	39	22	14	69	195	5	52	28	29	2
Ghana and Nigeria	37	51	76	186	206	23	4	16	25	29
INDIAN OCEAN ISLANDS—										
Mauritius	679	601	821	455	494	6	3	3	1	1
Reunion	412	461	405	433	613	—	—	—	—	—
Other+	399	449	513	642	1,200	2	8	170	5	230
TOTAL	35,678	35,867	33,317	35,350	39,804	13,707	12,855	15,151	13,591	13,099
Percentage of all Exports/ Imports.	43.8	39.4	38.8	39.6	40.9	13.6	10.4	12.6	10.7	10.2

*Including Re-exports (except for East African Trade).

+Madagascar and Seychelles.

3.27. The development of imports from other African countries, however, has been well behind the growth in Kenya's exports to them. At K£13.1 million in 1969, imports from other African countries were not only lower than during 1968, but dropped even below the level in 1964. This drop was primarily caused by a reduction in imports from Uganda. In fact, imports from African countries outside East Africa were slightly higher than in 1968. The problem of mutual trade development is highlighted by the case of Zambia. Kenya has found it difficult to increase imports from that country due to lack of suitable products, at a time when its exports to that country have increased so remarkably.

East African Community Trade

3.28. The provisions of the Treaty for East African Co-operation have now been in force for a period of rather more than two years. It was remarked in the 1969 *Economic Survey* that it was premature to draw any firm conclusions from a single year's statistics, and this comment must be repeated with renewed emphasis. Partly because of inadequate data, it is still not possible to draw firm conclusions about the impact of transfer taxes on Kenya's exports to Uganda and Tanzania. It is extremely difficult to explain satisfactorily these sharp movements in trade.

3.29. Overall, Kenya's trade with the rest of East Africa rose in 1969, more than recovering the ground lost in 1968. However, while exports rose by 9 per cent or about K£2.6 million, imports fell by 4 per cent or about K£0.5 million. As a result, the overall trade gap again widened in Kenya's favour, by a little over K£3 million to about K£17 million. However, exports of the goods classified as "other manufactured" in Tables 3.19 and 3.20 rose by only 1 per cent, or about K£ 170,000, while imports of those goods rose by nearly 20 per cent, or K£1 million. The trade gap in "other manufactured" goods therefore narrowed to K£8.9 million. In short, the widening of the overall trade gap is entirely due to the commodities listed under food, beverages and tobacco, and basic materials and fuels, offset by a narrowing of the gap in "other manufactured" goods. This is in sharp contrast to 1968, when the overall trade gap in Kenya's favour widened by about K£1 million which was more than accounted for by the increase of K£1.3 million under "other manufactured" goods.

3.30. Once again, the overall trade figures conceal sharp differences in the movement of trade with Tanzania and Uganda taken separately. Exports to Tanzania fell by almost 2 per cent, due mainly to falls in exports of cereals and basic materials and fuels; exports of "other manufactured" goods were maintained at about the 1968 level. Imports from Tanzania rose by about 9 per cent, due partly to increases in food imports, notably cereals, fruit, vegetables and margarine, and partly to "other manufactured" goods, notably textiles and wireless sets. These figures, once again, contrast sharply with those for 1968, when exports to Tanzania rose by about 12 per cent,

this being almost entirely due to an increase in manufactured goods exports of about 36 per cent. On the import side, however, the changes between 1968 and 1969 were broadly similar to those between 1967 and 1968, with a rapid rise of 9-10 per cent largely attributable to increased Kenya purchases of Tanzanian manufactures in each case. It seems likely that the very large increase in exports of manufactures in 1968 was primarily a once for all gain coincident with the ending in Tanzania of quantitative restrictions against Kenya goods.

3.31. Trade with Uganda showed a marked increase in 1969, but this was entirely due to an increase in exports of K£2.7 million or over 20 per cent; imports from Uganda fell by 10 per cent or about K£850 thousand. The export increases were due to a massive recovery in the export of dairy products, accompanied by large increases in the export of cereals and petroleum products. Exports of "other manufactured" goods grew by only 2 per cent. On the import side, a growth of K£800,000 or 22 per cent of "other manufactured" goods was more than offset by large falls in all other sectors and particularly in unrefined sugar, margarine, beer, tobacco and vegetable oil. The movements in trade with Uganda over 1968 and 1969 show rather more continuity with those of 1967 and 1968 than was the case with Tanzania. The marked fall in imports of food, beverages and tobacco, as well as basic materials and fuels that was already apparent in 1968 accelerated during 1969, whereas the import of "other manufactured" goods which also declined in 1968, recovered in 1969 to somewhat above the 1967 level. On the export side, the decline in manufactured goods which started in 1967 was halted, albeit at a level K£1.7 million below the record year of 1966. Most other export items continued the trends of recent years, with the notable exception of dairy products, referred to above, which rose by K£1.3 million to a level of K£0.3 million above the 1967 level.

3.32. The definition of "manufactured goods" in the Treaty for East African Co-operation is much broader than that implicit in the category "other manufactured goods" in Tables 3.17 to 3.20. This latter is based on conventional trade categories. With total Kenya exports to East Africa running at K£28.8 million in 1969, Tables 3.19 and 3.20 allocate K£15.1 million to the heading "other manufactured goods". On the Treaty definition, no less than K£24.5 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 3.4 per cent, and those to Uganda by 7.2 per cent; Kenya imports of manufactures from Tanzania fell by 8.8 per cent while those from Uganda fell by 4.4 per cent.

3.33. Under article 20 of the Treaty, a partner State may impose no new transfer taxes once her exports of manufactures (under the Treaty definition) to the other two partners exceed 80 per cent of her imports of manufactures from them. The value of this ratio for Uganda was 77 per cent in 1967, falling to 71 per cent in 1968; in 1969 it fell still further, to around 60 per cent.

IMPORTS FROM TANZANIA, 1965-1969

Table 3.17

Item	1965*	1966*	1967*	1968	1969
FOOD—					
Meat and meat preparations	127	113	114	66	66
Cereals and Cereal preparations	340	89	131	87	160
Fruit and Vegetables	453	353	353	248	356
Sugar, not refined	147	1	2	4	-
Coffee and tea	41	33	51	112	39
Margarine and shortenings	32	20	15	33	179
Other	2,261	231	190	464	719
TOTAL	1,401	842	856	1,014	1,519
BEVERAGES AND TOBACCO—					
Beer	1	1	8	11	
Cigarettes	71	34	4	2	-
Unmanufactured tobacco	409	352	269	19	163
Other	9	10	4	3	5
TOTAL	490	397	285	35	168
BASIC MATERIALS AND FUELS—					
Oil seeds, oil nuts and oil kernel, etc.	121	187	173	106	38
Vegetable oils	480	343	320	558	185
Electricity					
Petroleum products*#	2	5	106	79	1
Other	145	251	264	360	380
TOTAL	748	786	923	1,103	604
OTHER MANUFACTURED GOODS—					
Soap, cleansing and polishing preparations	6	4	18	64	59
Textile fabrics, articles etc:—					
Cotton piece goods	59	60	43	31	51
Other	422	406	206	206	243
Iron and steel	103	26	1	1	1
Aluminium**	509	341	199	258	225
Metal manufactures	114	155	112	140	144
Wireless sets, domestic	-	55	107	205	276
Clothing	108	38	49	52	16
Footwear	258	247	106	65	57
Other ..	346	439	375	518	654
TOTAL	1,923	1,773	1,216	1,540	1,726
MISCELLANEOUS—TOTAL	7	10	8		1
GRAND TOTAL ..	4,569	3,806	3,288	3,692	4,018

*Excluding Zanzibar.

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

*#Excluding by-products.

IMPORTS FROM UGANDA, 1965-1969

Table 3.18 **K£'000**

Item	1965	1966	1967	1968	1969
FOOD—					
Meat and meat preparations	4	–	23	4	3
Cereals and Cereal preparations	208	276	177	134	94
Fruit and Vegetables	106	155	286	157	159
Sugar, not refined	835	220	1,242	1,324	787
Coffee and Tea	38	22	61	58	24
Margarine and shortenings	491	557	888	692	418
Other	331	337	403	336	395
TOTAL	2,013	1,567	3,080	2,705	1,880
BEVERAGES AND TOBACCO—					
Beer	27	153	128	33	15
Cigarettes	117	34	51	2	1
Unmanufactured Tobacco	800	407	958	640	139
Other	33	21	20	30	9
TOTAL	1,046	615	1,157	705	164
BASIC MATERIALS AND FUELS—					
Oil seeds, oil nuts and oil kernels, etc.	27	50	71	148	169
Vegetable oils	983	678	824	670	489
Electricity	418	440	553	498	424
Petroleum products+	–	2	2	3	4
Other	140	143	267	241	183
TOTAL	1,568	1,314	1,717	1,569	1,269
OTHER MANUFACTURED GOODS—					
Soap, cleansing and polishing preparations	306	346	267	172	194
Textile fabrics, articles etc.:—					
Cotton piece goods	1,261	1,905	2,314	1,759	2,144
Other	46	80	68	43	87
Iron and Steel	186	382	400	389	594
Aluminium*	–	–	–	1	–
Metal manufactures	91	150	99	98	77
Wireless sets, domestic	–	–	–	10	34
Clothing	31	68	101	64	35
Footwear	42	64	72	199	191
Other	539	819	884	929	1,124
TOTAL	2,502	3,815	4,205	3,664	4,480
MISCELLANEOUS TOTAL	5	5	6	7	11
GRAND TOTAL ..	7,135	7,317	10,165	8,650	7,804

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

EXPORTS TO TANZANIA 1965-1969

Table 3.19

K£'000

Item	1965*#	1966*#	1967*#	1968	1969
FOOD—					
Meat and meat preparations	152	162	135	138	143
Dairy products	309	443	566	498	705
Cereals and Cereal preparations	1,048	387	970	965	464
Fruits and Vegetables	310	371	411	390	365
Coffee and Tea	353	318	383	275	386
Other	531	837	340	603	735
TOTAL	2,702	2,518	2,805	2,869	2,798
BEVERAGES AND TOBACCO—					
Beer	690	438	281	216	111
Cigarettes	363	163	194	-	-
Other	147	249	422	89	103
TOTAL	1,200	850	897	305	214
BASIC MATERIALS AND FUELS—					
Petroleum products**	2,752	2,062	1,517	1,411	1,398
Other	369	339	434	555	470
TOTAL	3,121	2,401	1,951	1,966	1,868
OTHER MANUFACTURED GOODS—					
Chemicals and products:—					
Soap, cleansing and polishing preparations	592	623	332	659	962
Other	938	1,306	942	1,099	1,137
Bicycle tyres and tubes	92	77	59	80	105
Paper, paper board and manufactures	526	801	858	987	940
Textile fabrics, articles etc. :—					
Piece goods of cotton	1	1	23		2
Synthetic fabrics	112	330	103	198	130
Sisal bags and sacks	95	122	111	111	33
Other	183	504	506	621	635
Cement	880	803	526	935	707
Iron and steel	25	47	31	9	39
Aluminium*..	41	3	4	6	16
Metal manufactures	751	776	705	683	705
Clothing	1,020	178	139	559	389
Footwear	694	607	301	463	405
Other	1,010	1,280	1,046	1,513	1,760
TOTAL	6,960	7,459	5,686	7,923	7,965
GRAND TOTAL	14,087	13,282	11,382	13,069	12,847

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

EXPORTS TO UGANDA 1965-1969

Table 3.20 K£'000

Item	1965	1966	1967	1968	1969
FOOD—					
Meat and meat preparations	209	194	161	188	223
Dairy products	1,361	1,175	1,174	188	1,482
Cereals and Cereals preparations	1,089	1,011	1,026	982	1,693
Fruit and vegetables	209	279	352	332	259
Coffee and tea	99	175	111	95	66
Other	494	570	521	611	700
TOTAL	3,461	3,404	3,345	2,396	4,423
BEVERAGES AND TOBACCO—					
Beer	64	57	82	120	144
Cigarettes	452	364	182	11	3
Other	93	111	90	70	66
TOTAL	609	532	354	201	213
BASIC MATERIALS AND FUELS—					
Petroleum products**	2,153	2,369	2,553	2,999	3,492
Other	572	437	572	674	702
TOTAL	2,725	2,807	3,125	3,673	4,194
OTHER MANUFACTURED GOODS—					
Chemicals and products:—					
Soap, cleansing and polishing preparations	677	713	1,038	971	901
Other	1,044	1,144	1,322	1,126	1,225
Bicycle tyres and tubes	185	191	123	152	125
Paper, paper board and manufactures	569	617	497	516	492
Textile fabrics, articles etc.:—					
Piece goods of cotton ..	61	218	108	122	29
Synthetic fabrics	128	601	249	120	86
Sisal bags and sacks	478	137	58	468	384
Other	377	534	552	279	235
Cement	68	81	162	64	220
Iron and steel	781	175	49	50	108
Aluminium*	38	6	3	16	21
Metal manufactures	989	974	487	689	713
Clothing	1,347	1,477	1,251	416	386
Footwear	600	404	281	223	314
Other	1,160	1,548	1,733	1,781	1,871
TOTAL	8,502	8,820	7,913	6,993	7,119
MISCELLANEOUS TOTAL	42	56	58	2	—
GRAND TOTAL ..	15,339	15,619	14,796	13,265	15,949

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

KENYA EXPORTS TO TANZANIA SUBJECT TO TRANSFER TAX BETWEEN 1967-1969

K£

Table 3.21

Taxed Item	1967*	1968	1969*
ITEMS SUBJECT TO TRANSFER TAX FROM 1967—			
Ghee	16,625	15,213	2,685
Wheat meal and wheat flour	1	6	7
Ghee, vegetable	7,970	19,954	65,658
Margarine	7,961	22,525	55,347
Fat, vegetable, cooking	252,404	4,050	158,327
Sugar unrefined and mill white including jaggery ..	39,032	8,777	60,565
Biscuits	55,528	39,551	18,039
Ice cream	514	4,720	4,858
Cigarettes and pipe tobacco	27,120	8,549	6,164
Paints, enamels, lacquers, varnishes and distempers..	19,982	2,609	15,035
Perfumery, cosmetics and toilet preparations	66,325	73,979	41,218
Soap, soap powder and detergents	350,498	620,574	972,854
Matches	23,373	48,278	4,356
Plastic foam, in sheet form	1,845	4,518	3,845
Articles of plastic materials	3,930	19,671	43,125
Bicycle tyres	1,260	409	6,536
Suitcases and handbags of vulcanized fibre	4,053	4,500	872
Writing blocks, letter pads, registers, etc.	153,910	36,017	186,159
Non-multiwall, block bottom, unprinted paper bags	215,406	91,915	224,527
Woven fabrics of cotton in the piece excluding towelling	356,977	28,930	245,738
Woven fabrics of rayon in the piece	11,280	14,737	41,969
Clothing and accessories of textile fabrics, knitted or crocheted	91,261	98,881	94,923
Clothing of textile fabrics not knitted or crocheted..	71,727	354,574	256,465
Stockings and hose	3,966	11,370	9,672
Footwear, all kinds, excluding gaiters, spats and leggings	294,508	451,389	404,905
Bottles and jars, common, empty	50,694	35,311	31,395
Glass tumblers	1,102	3,068	35,676
Buckets of iron or steel, excluding enamelled or sanitary buckets	372	5,612	2,884
Metal louvre windows	173,258	18,328	50,585
Aluminium hollow-ware domestic	21,545	10,800	11,672
Metal furniture and parts thereof	105,194	147,358	176,262
Chalks, writing and drawing	1,657	2,014	1,110
Nails, ferrous, including roofing nails	11,321	18,361	13,692
Other, n.e.s	—	2,720	—
TOTAL	2,442,599	2,229,268	3,247,125
ITEMS SUBJECT TO TRANSFER TAX FROM 1968			
Cotton yarn	36,822	—	7,285
Tents, tarpaulins, waterproof covers, etc	14,641	27,738	31,843
TOTAL	51,463	27,738	39,128
GRAND TOTAL	2,494,062	2,257,006	3,286,253

*Values assigned pro rata from 1968 actuals.

KENYA EXPORTS TO UGANDA SUBJECT TO TRANSFER TAX BETWEEN 1967-1969

Table 3.22 K£

Taxed Item	1967*	1968	1969*
ITEMS SUBJECT TO TRANSFER TAX FROM 1967			
Paints, lacquers, etc.	217,162	53,411	86,106
Multi-ply paper bags and other paper products	475,487	117,823	496,551
Blankets	32,484	18,913	8,684
Domestic aluminium hollow-ware	1,487	1,009	1,350
Suitcases of bulkness fibre	24,066	696	5,335
Clothing of textile fabric, woven, knitted or crocheted	107,383	105,173	1,812
Brooms and brushes excluding paint brushes	39,245	10,620	17,749
Footwear, excluding gumboots	292,210	190,839	262,066
Cement for building purposes	121,201	48,409	164,862
Ground spice, curry powder, ginger powder and yellow grain flour	2,619	318	6,527
Fruit and vegetable juices	3,602	1,611	4,706
Other, n.e.s.		2,641	
TOTAL	1,316,946	551,463	1,055,748
ITEMS SUBJECT TO TRANSFER TAX FROM 1968			
Shirts	396,916	105,014	149,578
Woven vests and singlets	373,664	22,221	105,788
Other garments	6,388	11,200	8,861
Stockings, socks and sockettes	1,637	565	86
Dry cell batteries		113,385	137,515
Ground spice, curry powder, ginger powder and yellow grain flour	18,539	1,382	6,779
Tomato sauce	3	593	5,125
Sisal ropes and twines		573	44
Fruit juice and vegetable but unfermented and not containing spirit	4,545	26	1,727
	2,648		
TOTAL	804,340	254,959	415,503
GRAND TOTAL	2,121,286	806,422	1,471,251

*Values assigned pro rata from 1968 actuals.

3.34. Net collections of transfer tax in 1969 were K£622,372, a little below the 1968 level. Uganda received K£ 138.640, an increase of about K£30,000, and Tanzania K£483,732, a decrease of about K£43,500. It seemed, on the figures available in 1969, that transfer tax had made relatively little impact on exports of Kenya manufactures to Tanzania, and though there was a heavy fall in the relevant exports to Uganda, it was not clear to what extent this was due to Uganda's continuation into 1968 of the system of specific licensing. Tables 3.21 and 3.22 present figures for the relevant commodities for 1967, 1968 and 1969.

3.35 The figures in these tables must be treated with extreme caution as actual data are available only for the year 1968. The figures for 1967 and 1969 have been estimated from the Trade Report on a *pro rata* basis from the 1968 data. It is to be hoped that in future the information given in the trade report will be sufficiently disaggregated to allow these tables to be compiled direct. In the meantime, it is difficult to draw conclusions; from the figures in Tables 3.21 and 3.22 it would appear that the impact of transfer tax in 1968 was far more severe than had been supposed, with a fall in exports of the affected commodities of 10 per cent in the case of Tanzania and over 60 per cent in the case of Uganda. The 1969 figures, however, show an equally rapid recovery, with total exports of affected items running at K£4.8 million compared to around K£3.1 million in 1968 and K£4.6 million in 1967, before the imposition of transfer taxes.

3.36. During 1969, the Community and its institutions seem to have settled down to smoother working, with, in particular, the procedures for investigating complaints arising from the operations of the Common Market functioning better. An initial agreement has been reached on rules of conduct for State Trading Corporations which should prevent the misuse of these increasingly important organizations in matters of trade between the partner states. Working parties have been established in various areas of common interest, and, as stated in Chapter 1, the negotiations with Zambia, Ethiopia, Somalia and Burundi have continued through the year.

CHAPTER 4—AGRICULTURE, FORESTRY AND FISHING

Marketed Agricultural Production

Despite unfavourable weather in some parts of the country, 1969 saw an increase of 7 per cent in the value of marketed production. The largest contribution to this growth came from the two major export crops, coffee and tea, whose outputs were 35 per cent and 20 per cent higher than in 1968. For coffee, this boost in production signified the recovery of the industry from coffee berry disease which had crippled coffee production in 1967 and 1968. The increase in tea output was largely a result of more tea from past plantings reaching the production stage. Nevertheless, the poor rainfall reported in some areas during the year had serious effects on the production of food crops, particularly cereals. The quantity and value of marketed production of maize declined substantially. As a result, sales (from stocks held by the Maize and Produce Board) for internal consumption reached such high levels during the last quarter of 1969 and part of the first quarter of 1970 that measures had to be taken to ensure that existing supplies would last at least until the next harvest later this year. These included a cut in the quantity of white maize used for livestock feed and the introduction of a new brand of enriched maizemeal containing 20 per cent wheat. White maize for livestock feed was replaced with imported yellow maize. More recently, it has become apparent that existing supplies of maize for human consumption are likely to be just suffi-

Table 4.1 GROSS MARKETED PRODUCTION BY COMMODITY, 1965-69 K£'000

	1965	1966	1967	1968	1969*
CEREALS—					
Wheat	4,316	3,481	4,575	6,635	6,089
Maize	1,848	2,697	4,218	5,405	4,172
Barley	427	278	242	248	339
Rice	311	367	387	429	519
Other Cereals	107	171	218	218	230
TOTAL	7,009	6,994	9,640	12,940	11,349
TEMPORARY INDUSTRIAL CROPS					
Castor and other oil seeds	281	388	443	569	500
Pyrethrum	1,553	2,532	2,699	2,622	1,261
Sugar cane	1,544	991	1,598	2,179	2,990
Cotton	641	681	603	700	805
Tobacco	27	30	10	95	60
TOTAL	4,046	4,622	5,353	6,165	5,616
OTHER TEMPORARY CROPS—					
Pulses	322	644	466	490	428
Potatoes	134	257	288	503	214
Other temporary crops	141	231	275	244	359
TOTAL	597	1,132	1,029	1,237	1,001
PERMANENT CROPS—					
Coffee	13,107	18,619	12,995	12,266	16,569
Sisal	3,917	3,090	2,391	2,193	2,250
Tea	7,331	9,906	8,927	9,336	11,159
Coconuts and Products	433	479	480	490	484
Wattle	570	771	860	433	464
Cashew nuts	423	425	422	422	423
Fruit and Other Permanent Crops	697	675	806	810	912
TOTAL	26,478	33,965	26,881	25,950	32,261
TOTAL CROPS	38,130	46,713	42,903	46,292	50,226
LIVESTOCK AND PRODUCTS—					
Cattle and Calves for Slaughter	9,431	19,921	11,325	11,669	12,218
Sheep, Goats and Lambs for Slaughter	445	438	404	440	453
Pigs for Slaughter	554	600	577	889	1,126
Poultry and Eggs	230	275	312	358	320
Wool	428	477	520	533	560
Hides and Skins	470	592	630	657	675
Dairy Products	4,970	5,670	5,940	6,040	6,100
TOTAL	16,468	18,973	19,708	20,586	21,452
UNRECORDED MARKETED PRODUCTION	2,865	3,155	3,257	3,342	3,475
GROSS FARM REVENUE	57,463	68,841	66,868	70,220	75,153

* Provisional.

cient to last until the next harvest. As a result, production of the unpopular enriched maizemeal was stopped and ordinary maizemeal will become available to consumers again. The fact that the 1970 long rains have been satisfactory and likely to result in good harvests was also an important factor in this decision. However, while it is unlikely that any imports of white maize will be necessary this year, the threat of a shortage which materialized late last year does underline the need to ensure that a strategic reserve is held in the storage capacity that has been built for it.

4.2. The value of marketed production at current prices is shown in Table 4.1. At K£75.2 million, farmers' gross cash income was nearly K£3 million or 7 per cent up on 1968. Because the overall price level for agricultural commodities did not change very much, growth at constant prices was therefore also about 7 per cent. Changes in the prices of major crops are shown in Table 4.2. The price to farmers of coffee declined by 3.5 per cent but that for tea rose nearly by 5.8 per cent. The price in extract equivalent for pyrethrum was nearly 10 per cent below that of 1968 but prices of most other crops remained more or less unchanged. Those for livestock products were higher than during 1968.

AVERAGE GROSS CROP PRICES TO FARMERS, 1965-69*

Table 4.2 — *Sh. per 100 Kg.*

	1965	1966	1967	1968	1969
Coffee	667	654	583	640	617
Tea	741	780	783	585	619
Sisal	122	108	93	87	90
Pyrethrum (extract equivalent)	37,968	41,578	39,684	34,440	31,038
Seed Cotton ..	104	95	95	98	97
Maize	36	40	35	31	30
Rice Paddy ..	44	44	46	46	46
Wheat ..	52	54	57	56	55
Beef ..				—	—

*These prices are for calendar year deliveries and reflect actual payouts, although average prices for two crop seasons which overlap during a calendar year might have differed.

4.3. Table 4.3 shows the relative shares of the various commodity groups in total marketed production. The substantial fall in 1969 in the shares of cereals and other temporary crops was caused not merely by a drop in the absolute level of production of these commodities but also by the recovery of coffee and the continued rise in tea production. However, the fall in maize production particularly can be regarded as a short run effect of adverse weather conditions and the importance of this crop as a major growth factor in agriculture (also assumed in the Development Plan) is expected to be restored in the current year. The decline in the share of "other temporary crops", from 15 per cent in 1968 to just over 12 per cent in 1969, was caused by a sharp fall in pyrethrum output. Rising production of sugar-cane and

cotton was insufficient to make up for this drop. The growth in the significance of permanent crops was, of course, attributable to coffee and tea. Changes in the production of sisal, cashew nuts and coconuts were insignificant and wattle production actually declined. The weather conditions which affected cereals production also had consequences for livestock output, particularly that from dairying. While the absolute value of livestock output grew during 1969, the relative stagnation of dairy production caused a slight drop in the significance of livestock products in marketed output.

SHARES OF COMMODITY GROUPS IN GROSS MARKETED PRODUCTION, 1964-1969

Table 4.3 *Percentages*

	Cereals	All other temporary crops*	Permanent Crops	Livestock and Products	Total
1964	11.2	11.5	51.0	26.3	100.0
1965	1.22	13.1	46.3	28.4	100.0
1966	10.2	12.9	49.3	27.6	100.0
1967	14.4	15.9	40.2	29-5	100.0
1968	18.4	15.3	37.0	29.3	100.0
1969	15.1	13.5	42.9	28.5	100.0

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

4.4. A breakdown of gross marketed production between large and small scale farmers is set out in Table 4.4. It was pointed out in last year's *Economic Survey* that in many respects the traditional distinction between "large" and "small" farmers has become increasingly blurred and it is no longer easy to attribute to each of these its contribution to total marketed output. However, an attempt is made to allocate production between these sectors in Table 4.4 on the assumption that "large" farms are defined as whatever is left (i.e. not transferred for land settlement) of the former "scheduled" areas and the estates in the Coastal Strip; all other agricultural activity is included under "small" farms. On this basis the share of small farmers in marketed production showed little change in 1969. The fact that coffee production recovered faster on estates and that almost the entire fall in the output of maize and pyrethrum was on small holdings contributed to the static share of small holders. In fact, this has been more or less unchanged for the last three years, after having risen rapidly during the early sixties. During these years it was rising rapidly primarily under the impetus of rapid increases in coffee production from small-holdings. The stagnation in the share of small-holders in marketed output appears to have coincided with the intensification of coffee berry disease and the end of large transfers of land from large to small farms. However, under the current Development Plan, the share of small-holder output is likely to move ahead again. The bulk of the growth in maize and tea production, on which so much emphasis is laid in the Plan,

is expected to derive from small-holders; a large part of new range production should also be outside the old "scheduled areas". These considerations should help to increase the small-holders' share of total output in future years but it would seem that this is unlikely to grow as fast as in the earlier years of the sixties.

GROSS MARKETED PRODUCTION FROM LARGE AND SMALL FARMS, 1964-69

Table 4.4

	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	-5.2	41.6
1966 ..	36.0	8.1	32.7	37.4	68.8	20.3	47.5
1967 ..	32.9	-8.6	34.1	4.3	66.9	-2.8	51.0
1968 ..	34.4	4.9	35.8	5.9	70.2	4.9	51.0
1969 ..	37.5	9.0	36.9	3.1	74.4	6.0	49.6

Agricultural Development Services

4.5. The agricultural sector is expected to play a major role in the attainment of growth targets laid down in the 1970-74 Development Plan. This will require increasing emphasis to be laid on the improvement and expansion of basic agricultural services. However, expenditure has not grown to enable achievement of this objective. In fact, as shown in Table 10.6, expenditure on agriculture and veterinary services has declined. However, a smaller proportion of outlays is going into land settlement (by transfer from large to small farmers)—for the current financial year such expenditure is expected to be about 14 per cent of all agricultural expenditure, compared with nearly 19 per cent in the last financial year. More emphasis is now being placed on broadly based agriculture policy and programmes rather than on land transfer schemes. Within total agricultural expenditure, the share going into the development of beef production has risen considerably.

4.6. In recent years, a substantial amount of Government expenditure in agriculture has gone into agricultural subsidies intended to support long-term growth in the sector and also to maintain farmers incomes in the short run. Over a quarter of the total expenditure on agriculture during 1969/70 is expected to be for this purpose. The largest single subsidy payment is a sum K£1.5 million to meet losses resulting from exporting maize which cost the Maize and Produce Board much more than the export parity price. However, maize production for export is expected to be a major source of growth for

agriculture during the Plan period. Subsidies for exports are intended to help farmers maintain production until bulk handling, more widespread use of hybrid seeds and improved agricultural practices makes unsubsidized exports possible. Another K£0.8 million is expected to be spent to meet losses on wheat, the production of which exceeds domestic requirements. However, for wheat, there is no prospect of being competitive in world markets without subsidies and the Government intends to restore the equilibrium between supply and East African demand (almost all of Uganda's requirements and a large part of Tanzania's are met by supplies from Kenya).

4.7. Of vital importance to the quality and coverage of the agricultural extension services—which comprise the largest single item in the Ministry of Agriculture's annual budget—is the output of the various training schemes and institutions which supply them with trained staff. Enrolments in 1969 at the major institutions of agricultural training were stepped up in all except the Narosura Farm Mechanization Scheme.

ENROLMENTS AT AGRICULTURAL TRAINING INSTITUTIONS, 1968 AND 1969

Table 4.5

	1968	1969
Egerton College	462	585
Animal Health and Industry Training Institute	186	250
Embu Institute of Agriculture	152	160
Narosura Farm Mechanization Training Scheme	80	65
Naivasha Dairy Training School ..	28	60

4.8. Direct Government capital expenditure on agricultural education is expected to reach K£396,000 in 1969/70, compared with K£282,000 in 1968/69. The major beneficiary of this expenditure has been Egerton College where the original single diploma course in general agriculture has been supplemented over the last few years with seven more, in agricultural engineering, range management, dairy technology, farm management, home economics, animal production, and agricultural education. New courses are being planned in water resource development and horticulture. The Institute of Agriculture at Embu, which supplies the bulk of the Ministry's crop extension workers, will be expanded to accommodate 250 students under a project financed by the World Bank, which is also assisting in the development of six new Farmers' Training Centres, a new Agricultural Institute (with functions similar to those of that at Embu) near Kakamega and the setting up of the Faculty of Agriculture at University College, Nairobi. The first teachers for this Faculty have been recruited and 30 students will begin a three year degree course in July 1970.

4.9. There are signs of a development which could adversely affect the ability of the agricultural economy to derive maximum benefit from the agricultural education programme. The output of personnel from the various training institutions is now rising rapidly and threatens to exceed the capacity of the Government to absorb this output. The problem is primarily one of adequate funds to expand the relevant staff cadres by absorbing newly-trained personnel. This is not merely a matter of providing jobs—it is an essential requirement for realizing the production targets of the Development Plan which are predicated to some extent on a substantial growth of the extension services. There is still a considerable gap in most categories between the minimum requirements of extension personnel specified in the report of the Agricultural Education Commission and the prevailing position. The economic rationale behind an expansion of extension services, of course, is that there is a well-established positive relationship between the intensity of extension and production.

4.10. Crucial to the performance of the extension workers is the work done in the Government research stations and the manner in which the results of this work are transmitted to them. The expenditure of the Research Division of the Ministry of Agriculture in 1969/70 was K£204,000 of which K£54,000 was development expenditure. The most notable recent achievements in the research field may be summarized as follows: —

(1) The construction of a new sugar-cane research station at Kibos, near Kisumu.

(2) The achievement of means to control and even eliminate coffee berry disease, although it is questionable whether even a majority of farmers are aware of the vital importance of timing the sprays of the relevant fungicide correctly.

(3) The initiation of a cereal-chemistry programme intended to improve the quality—rather than just the output—of wheat and maize.

(4) The beginning of research—principally breeding experiments intended to raise milk yields—at the National Animal Husbandry Research Station at Naivasha.

(5) The start of construction of a 30,000 hectare range research station at Kiboko, on the fringes of Tsavo National Park, which will tackle problems of cattle and sheep ranching in drier areas, and be fully operational by the end of 1970.

4.11. Plans for the future in the research field include a soil survey in the high potential areas; a Government seed inspection service; an oilseed project to be carried out at the National Agricultural Research Station at Kitale; a sheep research station in the Thomson's Falls area and a potato research station at Limuru which should be operational late this year and will cost K£28,000 to build.

4.12. An inquiry is in progress in the Ministry of Agriculture to evaluate its current extension programme and the links between research and extension workers. Preliminary findings suggest a need to improve the flow and presentation of information from the research stations. This might be achieved by strengthening existing channels to express the technical and economic implications of research discoveries regularly in simple language.

4.13. Not all agricultural research in the country is the Ministry of Agriculture's direct responsibility. For example, coffee research is undertaken under the auspices of a foundation which was set up a few years ago specifically for this purpose. Tea research is the responsibility of an institute of an East African nature located in Kenya but not directly within the agricultural research arrangements of the East African Community which are an important element in the total agricultural research effort. The Community research institutions carry out "fundamental" work, intended more for use by national research bodies rather than directly by farmers. The major recent areas of research by Community institutions have been in soil sciences to estimate water requirements of different crops, the production of transpiration maps, plant physiology and genetics work on sugar-cane, maize, sorghum and various grasses as well as investigations in animal husbandry. Recently, a working party completed a detailed investigation into all Community research which is likely to result in some of this work being taken over by national organizations and rationalization measures being introduced.

4.14. A great expansion in the activities of the Range Management Division of the Ministry of Agriculture is in progress. Confined by financial constraints during the last year principally to pre-investment studies, it is now proposing to spend K£ 1,350.000 on ranch projects in the next financial year, of which K£480,000 will go in Kajiado District and K£280,000 in Taita District.

4.15. Artificial insemination services continued to be made available to the many thousands of small-holders who own grade cattle but cannot afford to keep bulls. During 1969, approximately 390,000 inseminations (compared with about 200,000 in 1968) were carried out, resulting in 150,000 pregnancies. However, the number of successful inseminations in terms of pregnancies achieved is still low and this raises the cost of the exercise. The service, as a result, continues to be heavily subsidized—farmers pay Sh. 10 per pregnancy achieved whereas the full cost is three or four times this amount. If inseminations fail to yield a pregnancy, farmers can have their cattle treated with infertility drugs and a further insemination for the cost of the drugs alone.

4.16. The Land Development Division of the Ministry operates a tractor hire service with a fleet of 50 tractors, most of which are deployed in the Narok region, in the districts round the base of Mount Kenya (Nyeri, Embu, Meru) and in Coast Province. In 1969, the service completed 5,170 hectares of ploughing and 14,580 hectares of harrowing. More and more, the service is

passing on its work on large-scale projects (such as the Masai wheat scheme) to private contractors and moving into small-holder regions. Not surprisingly, this is achieved only at some cost to output per man hour.

4.17. Progress on the further development of irrigation schemes continued and the National Irrigation Board ended its third year of operations (1968/69) with nearly 4,400 hectares under irrigation, farmed by 2,738 families. The number of plot-holders, area cropped, the value of output and other particulars of the irrigation schemes are shown in Table 4.6.

PROGRESS OF IRRIGATION AND PRODUCTION AT THE MAJOR IRRIGATION SCHEMES, 1963/64—1968/69

Table 4.6

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
Mwea—						
Hectares Cropped*	2,208	2,242	2,593	2,830	3,130	3,443
Number of plot-holders	1,340	1,340	1,484	1,588	1,891	1,894
Paddy yield (metric tons)	12,037	11,372	14,454	13,854	17,369	17,463
Gross value of crop (K£)	265,373	250,723	318,662	336,766	421,221	423,588
Payments to plot-holders (K£)	166,361	155,723	189,136	208,310	268,656	260,915
Tana River—						
Hectares Cropped*	477	477	499	494	500	484
Number of plot-holders	292	267	276	278	266	247
Seed cotton yield (metric tons)	555	562	822	594	463	816
Gross value of crop (K£)	30,595	34,663	45,312	31,476	24,172	42,589
Payments to plot-holders (K£)	18,630	17,142	26,813	14,859	11,628	19,927
Perkerra—						
Hectares irrigated	166	158	231	269	272	588
Number of plot-holders	135	134	163	203	139	466
Onion yield (metric tons)	1,118	784	2,499	2,608	2,410	2,396
Gross value of crop (K£)	29,771	17,639	70,837	83,834	39,860	90,350
Payment to plot-holders (K£)	—	—	—	—	—	46,804
ahero#—						
Hectares cropped	—	—	—	—	—	212
Number of plot-holders			—	—		311
Paddy yield (metric tons)	—	—	—	—	—	1,043
Gross value of crop (K£)	—	—			—	25,473
Payments to plot-holders (K£)		—			—	16,110
All Schemes—						
Hectares cropped	2,870	2,853	3,323	3,527	3,902	4.394
Number of plot-holders	1,966	1,929	2,163	2,368	2,296	2,738
Gross value of produce (K£)	325,739	303,025	366,434	451,676	485,243	582,000

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

4.18. At Mwea—the biggest of the irrigation schemes—progress in 1969 on an expansion scheme of 1,200 hectares was rapid, and 340 hectares were added to the cropped area, a growth of nearly 13 per cent, which absorbed 196 new settlers. However, the gross output of paddy, both by volume and value, remained static during 1968/69. The mean yield per hectare dropped by 8.6 per cent due to excessive rain in the seed setting period. However the efficiency of labour on the scheme increased substantially as measured by man-hours per acre of rice, which fell from 81.08 in 1967/68 to 75.82 in 1968/69. This was due to the increasing mechanization of cultivation and partly also perhaps due to a sharp reduction in the proportion of work done by prison labour, which in the past has been as high as 40 per cent but has been reduced to less than a quarter.

4.19. The position at the Perkerra Scheme, after a bad year in 1967/68, brightened in 1968/69; indeed it had its best year to date. This was due entirely to the fact that onion prices more than doubled, increasing from 12 cents a pound for Grade II onions to 29 cents a pound. However, efforts to reduce dependence on onions through crop diversification were pursued throughout the year—a limited area of capsicum was planted out on a few farmers' holdings and a trial planting of pawpaws for the production of papaine was also made.

4.20. The Galole Scheme on the Tana River had an equally encouraging year. The technical advice of a team of experts at the scheme, allied to an intensive extension effort, produced a record cotton crop in 1968/69, in contrast with the miserable crop of the previous year. The seed cotton yield showed an increase of 82 per cent on the previous year. Effective pest control resulted in 98 per cent of the crop being in the higher AR grade, in contrast to the crop in other parts of the country *(see* paragraph 4.41). Because of the good crop, the area sown for the 1969/70 season rose, and another record crop is expected.

4.21. Of the new projects, construction of the pilot Ahero Scheme near Kisumu is now completed. The 357 farmers who have been settled there achieved a paddy yield of 67 bags per hectare. This is a creditable performance for the first year of effort. A research station to investigate various aspects of production in the scheme went into operation during the year. The Yala Swamp Irrigation Project is now complete except for offices and power supply. Some initial difficulties are anticipated in the running of this scheme due to poor communications (the scheme is 68 miles from Kisumu, half the distance being on poor roads) and in dealing with the problems of non-resident farmers.

4.22. The Agricultural Development Corporation continued with its triple roles of production of strategic inputs for agriculture, purchase and transfer of large farms and investment in other commercial enterprises related to agriculture. During 1969, the Corporation purchased 22 new farms with an area of about 12,000 hectares and transferred to African ownership or operation 15,297 hectares comprising 31 farms. Another five of the "compassionate case" group of farms held by the Corporation were disposed of. Two more similar farms are still awaiting disposal through sale or lease. The Corporation is not able to dispose of farms as fast as it would like because would-be buyers or lessees find it difficult to find finance for loose assets on these farms.

4.23. During 1969 the Corporation acquired a 26 per cent equity interest in a new company known as Kenya Livestock and Estates Ltd. This company will handle all the Corporation's livestock marketing operations. One of these, the heifer production scheme initiated in 1967, to be financed primarily through a loan from a commercial bank, resumed operations during the year after the Government had offered a guarantee for the loan. The project is intended to promote growth in the dairy herd by the sale, particularly to small-holders, of in-calf heifers.

4.24. The provision of credit is one of the Government's important services to farmers. Most credit is issued 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.

4.25. During 1969, the Agricultural Finance Corporation issued about K£550,000 in medium- and long-term loans, Almost half of this figure (K£288,000) went to small-holders within the credit project financed by the International Development Association under which it is planned to lend K£2.12 million over the six years 1967-1972. This programme has been rather slow in building up and less than a quarter of the total has so far been lent out. Although the cost of supervision remains high, repayments have been satisfactory—on 30th November 1969, 88 per cent of all repayments due had been made. The Corporation also loaned about K£250.000 for range development, financed, again, to a large degree by the I.D.A. In addition, the Corporation makes available short-term credit each year under the "guaranteed minimum return" system to finance wheat and maize production. During 1969, the advances issued under this system amounted to K£3.2 million—a considerable decline from the previous year. This was due to the need to cut down the area planted to wheat which is in excess supply. Other notable credit programmes currently in progress include a West German—supervised and financed scheme for small-holders in Kericho and Kisii Districts under which it is planned to disburse K£112,000 over the years 1969-73. Two projects aimed at the development of specific crops are the loans for pineapple-growers (K£80,000 over 1966-70) and tea-growers in all tea areas (K£2.18 million over 1967-75).

4.26. Other important agricultural development services include bringing un- or under-utilized land into production through the "squatter settlements", land registration (both these are discussed later in this chapter) and road development (*see* paragraph 8.14). An important planned innovation is the bulk storage and movement of maize. Studies show that a substantial reduction in costs can be achieved if maize is handled in bulk. There is a strong likelihood that, coupled with large shipments, bulk handling economies might be sufficient to largely eliminate subsidization of maize exports. Finance for the necessary installations at Mombasa harbour has already been secured and two bulk reception centres up-country prepared. Some large growers are also investing in bulk-handling equipment for their own crops, However, the Railways have been somewhat slow to push forward the necessary concomitant development for rail transport.

Crop Production

4.27. *Maize.*—There was a drop of 20 per cent in deliveries to the Maize and Produce Board, from 353,000 metric tons in 1968 to 282,000 in 1969. It was mentioned earlier in this chapter that this was largely a result of the weather. Although the producer price of maize for the 1968 planted crop (delivered in 1969) was lower than the previous year, this probably had little effect on plantings. On the other hand, because there was not enough maize in the country, the black-market price was more attractive than the official price and this probably caused some diversion of supplies which would otherwise have come to the Maize and Produce Board. The restrictions on domestic consumption and reduced exports which resulted from the drop in deliveries have already been discussed. Exports dropped from 277,525 metric tons in 1968 to 148,193 in 1969. Export prices were better, although still below the cost to the Board of each bag exported, but because the subsidy element on exports was fixed at a specific amount per bag, the improved world price enabled the Maize and Produce Board to make a "profit". This surplus is to be used for the subsidization of imported yellow maize for livestock feed.

4.28. *Wheat.*—Unlike maize, wheat deliveries during 1969 (mainly from 1968 plantings) were largely unchanged, compared with 1968, and 221,204 metric tons were delivered to the Wheat Board. Production in recent years has been well in excess of demand and the producer price for 1969 plantings was reduced in order to establish a better equilibrium between supply and demand. However, this only led to production being held at the same level as during the previous year. In the 1970/74 Development Plan, output in 1974 is projected to be not far above the level attained in 1969. Therefore, unless growing unsold stocks are to go on accumulating, production will have to be cut back. The overall average yield for the 1968 and 1969 planted crops was almost the same—1,286 kilos per hectare. However, in several areas, production is well below 400 kilos and it is doubtful whether farmers should continue to grow wheat in such areas. At the end of 1969, unsold stocks were nearly 128,000 metric tons. Wheat is available in world markets at prices very much below the full f.o.b. cost of Kenya wheat and export sales are therefore made at a loss. However, surpluses are being exported in the form of flour rather than wholewheat because the net loss from exporting flour is lower. Despite this, the subsidy is still nearly Sh. 16 per 200 lb. bag. Actual exports in 1969 were nearly 1,300 metric tons. One gain from the export of flour has been that brans and pollards, both of which are by-products of wheat milling, are now plentiful. While attempts to reduce production are to continue, it is expected that at any given time stocks of wheat in the country will continue to be fairly high. This will require a storage policy, and possibilities include the development of more storage facilities directly by the Board, more storage on farms and larger stocks to be held by millers. In order to cut down costs of movement, the Board is aware that bulk storage and handling must be considered together.

4.29. *Rice.*—The production of rice, confined almost entirely to irrigation schemes, has already been discussed in paragraph 4.18.

4.30. *Pyrethrum.*—The output of pyrethrum in pyrethrins equivalent declined by 46 per cent during 1969. In terms of flowers delivered the decline was smaller—34 per cent—and this suggests a drop in quality as well. This fall in production is attributable mainly to unfavourable weather which affected flower yield. However, to some extent growers' reaction to a reduction in quotas by the Pyrethrum Board because of a fear of over-production might also have played a part due to some growers "over-reacting" to cuts in quotas. An additional consideration which probably affected some growers' attitude to pyrethrum cultivation might have resulted from the Board's attempts to improve quality by penalizing low quality. However, better quality is essential to safeguard and strengthen Kenya's position in world markets.

4.31. For 1969/70, in its efforts to increase production, the Board has raised total quotas issued to 11,176 metric tons. Farmers who maintain good quality in all flowers up to their quotas may benefit by having their quotas extended for a further two years, without fear of cuts. This will introduce a more firm basis for planning production by the more efficient farmers. However, the difficulties of operating the present quota system have been underlined by the uncertainties which affected production last year. Clearly, several factors were involved but there might also exist a case for reviewing the rationale underlying the present system of quota allocation.

4.32. *Sugar-cane.*—The increase in sugar production during 1969 of 41 per cent was reflected in a corresponding growth in sugar-cane output, estimated production of which during the last few years is shown below: —

	*'000 Metric Tons**
1965	515
1966	515
1967 ...	706
1968	918
1969	1,300

* Including a small quantity used for jaggery.

The problem of transporting cane to the factories, noted in last year's *Economic Survey,* has not yet been completely solved although considerable Progress has been made. The first phase of a K£2.8 million sugar roads development programme was nearly completed by the end of the year and a more efficient transport system was operating. Some over-mature cane was still standing in the fields, but it is expected that this particular problem will be well under control in the near future. Development of small-holder sugar-cane production continued. By the middle of last year, about a third of

the total area of cane was on small holdings; the rest was divided between factory estates and other large-scale growers. However, in cane harvested, the share of small-holders was probably only about 25 per cent. Further potential for expansion of small-holder cane to supply existing factories still exists.

4.33. *Cotton.*—There was a marked improvement in cotton production during 1969 and output rose 13 per cent over 1968, to reach a record level. A series showing production of seed cotton in the last five years is set out below: —

	'000 Metric Tons
1965	12.4
1966	14.4
1967	12.7
1968	14.7
1969	16.6

The growth of production was due in considerable part to an intensive campaign. The increases in output were mainly in Eastern and Central Provinces which accounted for nearly three-fourths of total production. No cotton was grown at all in these two provinces until a few years ago but they have now overtaken the old-established cotton growing zones in Western Kenya and at the Coast. Unfortunately, the rise in output was not accompanied by an improvement in the quality of the crop (except for production at the Galole Irrigation Scheme). The proportion of the lower grade BR cotton in total output was higher than during 1968. As a result, there was a slight drop in the average price received by farmers.

4.34. *Horticulture.*—The two most important crops in this group, in terms of exports, are pineapples and passion fruit. Deliveries of pineapples to the canneries during 1969 were 22,080 metric tons, compared with 14,885 metric tons in 1968. This growth in production was the result primarily of growing deliveries from the estates of the largest canning firm which produced just under a half of the total. Production of pineapples by outgrowers has not been as successful as hoped and the predominance of output by the cannery is likely to increase even further.

4.35. Total production of pineapples is considerably above the level of quantities canned. This is due to the substantial domestic market for fresh fruit which draws almost all its requirements from small-holder production. Exports of fresh pineapples are also growing and about 410 metric tons valued at just under K£34,000 were exported last year. However, this is a minute amount when measured against the export value of canned pineapples —K£748,535.

4.36. Production of passion fruit continued to rise and 824 metric tons were delivered to the processing factory at Sotik. Exports of passion fruit juice doubled. Cultivation of the crop continues to be centred primarily in Kisii District, but there has been some expansion in Thika. The disease

problem in Kisii which was quite serious last year is now under control—although disease has not been eradicated, farmers are following advice from extension officers on treatments. Apart from the export of pineapples and passion fruit, a small but potentially important trade in sales abroad of other fresh fruit continues to flourish. Its principal export is mangoes but other horticultural products including vegetables are also exported. In addition, horticultural producers have access to a substantial domestic market for fresh fruit, although its size is difficult to assess. An interesting indicator of the development of horticulture to supply domestic requirements is the fact that certain deciduous fruits such as apples, pears and peaches, which were hardly produced for sale in the country a few years ago are now beginning to be marketed in significant quantities and show a promising level of quality, compared with the imported product grown in more favourable climatic conditions.

4.37. *Coffee.*—Production of coffee made a powerful recovery during 1969 and deliveries totalled 53,690 metric tons compared with 39,601 during 1968. Although small-holder production exceeded output from estates (shown in Table 4.7) it did not show the same degree of recovery from coffee berry disease. This is underlined in the comparative figures of yield per hectare for the last three years set out in Table 4.8. Thus while yield per hectare rose 70 per cent on estates it hardly changed on small holdings and was 31 per cent below the level attained in 1966/67, before the worst consequences of coffee berry disease became apparent. The difference in the rate of recovery in estates and small holdings is attributable to the fact that few small-holders have been able to apply the necessary chemical treatments which are expensive.

COFFEE PRODUCTION, 1965-69

Table 4.7 '000 *metric tons*

	Estates	Small holders	Total
1965	23.1	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
1969	22.4	31.2	53.6

COFFEE YIELDS, 1966/67—1968/69

Table 4.8 *Kg. per Hectare*

	Estates	Small holdings
1966/67 ..	150	122
1967/68 ..	81	78
1968/69 ..	138	84

4.38. In addition to the recovery of production, quality also improved during 1969. However, this did not lead to better prices (*see* Table 4.2.). In fact, during the current year, at Sh. 6/17 per kilogramme, the price was 4 per cent below that for 1968. However, there was a dramatic upsurge in prices from August of last year and these are now running at a level nearly 50 per cent higher than prices at this time last year. But for this improvement in the later part of the year, the overall average would have been the lowest for several years. The rise in prices resulted from the severe damage inflicted by frost in the major coffee producing areas of Brazil last July. This caused dealers to start building up stocks, thus increasing prices. Subsequently, this factor has perhaps been reinforced by the fact that there are fears of further damage to Brazilian production from an attack by disease.

4.39. Although production recovered during the year, it was insufficient to cover Kenya's quota for 1968/69 under the International Coffee Agreement. In fact, exports to quota markets have been below Kenya's quota for the last three years. As a result, under the penalty clause in the International Coffee Agreement, there has been a cut of about 5,000 tons in the quota which stands at 47,555 metric tons for 1969/70. Production over this period is expected to be several thousand tons in excess of the quota so that a substantial carry over into the 1970/71 season is likely. However, coffee berry disease tends to spread during wet weather and this year's rains have been heavy.

4.40. The prospects of a significant improvement in the world supply and demand situation for coffee naturally raise the question of future production policy. However, it is necessary to approach this carefully and methodically. Just as the demand of consuming countries a few months ago for a large increase in quotas in order to bring prices down was a somewhat exaggerated reaction to the situation, so some producing countries appear to assume that a more or less permanent climate favourable to producers has now developed and output can be increased. In fact the situation is by no means clear and there is some evidence to suggest that first estimates of the damage to Brazilian production were exaggerated.

4.41. *Sisal.*—There was little change in the production of sisal. Total output for 1969 stood at more or less the same level as in the previous year. This is illustrated below: —

	'000 Metric Tons
1965	64.8
1966	57.3
1967	51.7
1968	49.8
1969	50.0

4.42 In last year's *Economic Survey* it was noted that at prevailing prices, most estates were barely able to cover costs. Because there was little improvement in world prices during 1969, this situation persisted. In fact the position in the current year has worsened following a drop of over 10 per cent in price. Under the pressure of falling prices, the number of sisal estates has continued to fall. There were 50 in 1963, a year of high sisal prices, and this number had declined to 28 in 1969. The rate of decline has slowed down but stabilization of numbers will depend, of course, on the future course of world prices. The fact that despite fewer producers output has hardly changed during the last few years is attributable to the heavy plantings in the years of high prices, in 1963 and 1964. These are now mature and should help to maintain production for the next two or three years at least.

4.43. The drop in world prices a few months ago arose directly out of what might be only a temporary collapse of informal export quota arrangements that had been made among producing countries. This developed because some countries began to sell below the agreed price. In order to avoid a build-up of unsold stocks, Kenya was compelled to follow suit. It is hoped that all producing countries will appreciate how much they lose from the breakdown in the *ad hoc* quota arrangements. Kenya sales have been proceeding briskly and almost all accumulated stocks have been cleared, but only at reduced prices.

4.44. *Tea.*—The steady growth of the tea industry continued into 1969 and total production exceeded 36,000 metric tons, 20 per cent more than output in 1968. That this was achieved despite unfavourable weather conditions can be attributed largely to substantial areas of previous plantings reaching maturity. Small-holdings contributed 13 per cent of the total.

4.45. This was lower than the area of plantings on small-holdings which is 38 per cent. Owing to the rapid growth of small-holder tea development in recent years, much of the area under the crop has not yet reached maturity. Another 2,637 hectares were introduced on small-holdings during 1968/69 and over 42,000 farmers now grow tea. The progress of small-holder tea development, organized by the Kenya Tea Development Authority, is illustrated in Table 4.9.

THE DEVELOPMENT OF SMALL-HOLDER TEA TO 1968/69

Table 4.9

	Total Hectares at end of year	Number of Growers at end of year
Up to 1964/65	5,133	22,343
1965/66 ..	6,479	26,693
1966/67	8,424	32,599
1967/68	10,772	37,953
1968/69	13,409	42,596

4.46. Tea prices during 1969 improved a little. To some extent, this might have been due to the operation during 1970 of the *ad hoc* export restriction agreement among the producing countries. A meeting to discuss the future of these *ad hoc* arrangements is to be held in September of this year. For producing countries in Africa the crucial issue is the extent to which they can expand tea production further; compared with the output of the old established Asian producing countries, tea production in most African countries is quite small but its future development is an important element in agricultural growth in these countries. In the meantime, efforts are being made to increase domestic consumption and the Kenya Tea Board has been promoting a "drink more tea" campaign.

4.47. *Wattle.*—At 33,845 metric tons, the production of wattle bark was 3,471 metric tons or 10 per cent short of the 1968 figure. Previous *Economic Surveys* have noted the steady decline in this crop which started a few years ago following a prolonged period of low prices. A large part of the area formerly under wattle on estates in Uasin Gishu has been transferred to mixed crop production. Although prices have improved during the last two or three years, uncertainty about the situation ten years hence (the cycle for this crop) has prevented a growth in area planted to the crop. For small-holders, the wattle tree is a source not just of bark but also of fuel and building materials. Although demand for these remains high, the use of land for wattle has to face competitive alternatives such as other crops and grazing. It would appear that the attractions of other alternatives are stronger. If production continues to decline, throughput in the extract factories might fall below an economic level.

Livestock Production

4.48. *Dairying.*—The relatively dry weather conditions of 1969 prevented a growth in the output of milk and total marketed production was not very different from the previous year's estimated recorded sales in wholemilk equivalent of 225 million litres. However, deliveries to the Kenya Co-operative Creameries Ltd., which handles over 90 per cent of all recorded marketed production, rose slightly. This suggests that retentions by farmers as well as their direct sales were probably reduced. Of all recorded sales, over 102 million litres were in the form of liquid milk, a rise of 4 per cent over 1968. But the quantity going into other uses such as butter, ghee and cheese dropped slightly and a little butter had to be imported. A large part of the growth in liquid milk sales was attributable to the recovery of deliveries to Uganda.

4.49. The rural dairy development scheme for small-holders continued to grow and the number of centres established rose by 49 to reach a total of 325. These included three milk coolers, in Lumbwa, Molo and Nandi. While most centres are located in areas of grade dairy cattle, attention has also been paid to the encouragement of marketed production from Zebu cattle. Indeed, the largest single dairy development scheme, at Mariakani, derives its milk

entirely from Zebu cattle. The number of centres under the South Nyanza Ghee Scheme was increased to 54 and it produced over 90,000 kg. of ghee. The amount of milk passing through all centres is shown below: —

	Million litres
1964/65	17.0
1965/66	17.5
1966/67	42.4
1967/68	42.5
1968/69	64.8

4.50. An important development in the industry is the recent decision to abolish the milk quota system with effect from 1st July, 1970. Under this system quota-holders have been able to receive a higher price than that paid for "non-quota" milk. This has had the effect of restricting production. Also, because the only criterion for the distribution of whatever quotas have been available was ability to pay, efficiency in production was not encouraged. Abolition should benefit the industry in the long run. However, other steps to promote production will also have to be taken. The most important of these will be improvement of facilities for the collection and preservation of milk until it reaches a creamery from areas which are not adequately served with these at present. The abolition of quotas will be followed within a few months by the introduction of full metrication into the units of sales by the K.C.C., which is aware that both steps are likely to create some short-run uncertainty in the supply and demand situation. The expansion of processing facilities in recent years to produce a wider range of dairy products as well as to enlarge capacity will strengthen the ability of K.C.C. to deal with uncertainties in so far as these might result in a sharp increase in output.

4.51. *Beef.*—In terms of numbers, deliveries of slaughter cattle and calves to the Kenya Meat Commission remained the same as in 1968 and well below the level realized in 1967, as the following series shows: —

	'000 Head
1965	184.6
1966	187.7
1967	216.1
1968	184.2
1969	184.7

4.52. It was noted in last year's *Economic Survey* that although beef cattle sales in the country have been rising, deliveries to the K.M.C. have not kept pace with this growth because of purchases made by cattle traders who then sell direct to rural butchers. It would seem that the attempt to strengthen the K.M.C.'s competitive position *vis-a-vis* these traders by substantially increasing the prices it pays for cattle did not help to attract more supplies.

4.53. While numbers of cattle slaughtered by the Commission were the same as in 1968, the actual production of meat declined by 11 per cent. This was due to a fall in the average weight of animals delivered and was in marked contrast to the position in 1968. The fall in average weight was partly due to drought conditions which created a shortage of grazing, thus compelling farmers to sell cattle which were not fully ready for slaughter. Actual production of meat and its disposal is shown in Table 4.10. Despite the fall in production, the Commission was able to overcome most of the financial difficulties it had faced in the previous two years.

PRODUCTION AND DISPOSAL OF BEEF BY THE KENYA MEAT COMMISSION, 1964-69

Table 4.10

	Total Production *(metric tons)*	Local Sales *(metric tons)*	EXPORTS		Percentage of Production Exported
			Chilled or Frozen *(metric tons)*	Canned *(metric tons)*	
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
1969	26,567	14,409	1,531	10,627	45.7

4.54. The long-run prospects for a large increase in supplies of slaughter stock are closely bound to the success of the range development programme, to which large resources are being devoted. The output of the new ranches being developed will be channelled to the K.M.C. which will also receive greater supplies flowing down new stock routes being built out of the arid North-Eastern Province.

4.55. *Sheep and Goals*—While deliveries of cattle to the K.M.C. in 1969 were static, those of sheep and goats showed a sharp increase, as shown in Table 4.11. This factor made for a significant increase in the supply of meat for the urban areas of the country.

DELIVERIES OF SHEEP, LAMBS AND GOATS TO THE KENYA MEAT COMMISSION, 1965-69

Table 4.11 *'000s.*

	Sheep	Lambs	Goats
1965	50.4	7.1	56.6
1966 ..	41.8	7.8	13.3
1967	39.2	7.6	20.4
1968 ..	28.6	7.6	9.9
1969 ..	51.8	7.9	38.5

4.56. *Pigs.*—Deliveries of pigs rose from 43,175 in 1967/68 to 51,694 in 1968/69. Most of the deliveries went to the Uplands Bacon Factory. However, because the East African market for pig products is relatively small, increases in production create marketing problems and surpluses above East African requirements have to be exported at a loss. Despite this, the factory had a satisfactory year from the financial point of view. Small-holder producers continue to be increasingly important and in 1968/69 produced over 30 per cent of the Uplands intake, compared with 28.7 per cent in 1967/68. Re-equipment and management changes at Uplands to improve plant and marketing efficiency are under consideration.

4.57. *Wool.*—The growth in wool production noted in last year's *Economic Survey* continued into 1969 and production rose to 2,429 metric tons, compared with 1,798 metric tons in 1968. Exports were valued at K£550,806 but the f.o.b. price declined further *(see* Table 3.14). owing to the generally weak world prices for wool.

Land Settlement

4.58. The land settlement programme has slowed down following the near-completion of the "Million Acre" scheme. Of the total planned area under this project of 543,600 hectares, 489,297 hectares comprising 133 settlement schemes scattered throughout the former "scheduled areas" and carrying 34,547 families had been actually settled by the end of June, 1969. The growth of the scheme is illustrated in Table 4.12.

THE PROGRESS OF LAND SETTLEMENT TO 1968/69*

Table 4.12

	Hectares Purchased	Total Number of Planned Schemes	Total Number of Settled Schemes	Total Number of Families Settled
Up to 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
1967/68	480,688	135	127	33,131
1968/69	489,297	139	133	34,547

*Cumulative in each year.

4.59. In addition to the "Million Acre" settlement programme other types of settlement have also been proceeding. The most important of these is "squatter" settlement. The considerable progress made in settling squatters in 1968 was noted in last year's *Survey.* In 1969, however, hardly any new farmers were settled under this scheme. But it is expected that their numbers will mount rapidly again in 1970. The *Harambee* settlement project at Ol'Arabel, to cover some 6,700 hectares has been nearly completed.

4.60. The value of recorded marketed production in settlement areas declined sharply from the K£2.4 million reached during 1967/68 to only K£1.9 million in 1968/69. Table 4.13 gives the value of sales of the major commodities marketed through the co-operative societies in the schemes. The largest drop was recorded in pyrethrum, sales of which fell from K£1.1 million in 1967/68 to K£464,987 in 1968/69. Settlement schemes' dependence on pyrethrum and the dangers of this were noted in last year's *Survey.* Production of coffee, wheat and butterfat also fell, but these are less important crops on settlement schemes. Milk sales, however, went up by more than 10 per cent, as did sales of beef, sugar-cane, maize and wool.

SALES FROM SETTLEMENT SCHEMES THROUGH CO-OPERATIVES, 1963/64—1968/69

Table 4.13 K£

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
Milk	117,871	284,857	424,362	519,011	653,453	737,706
Butterfat	57,492	65,925	95,178	105,765	97,819	75,065
Pyrethrum	22,624	109,921	425,344	796,884	1,104,665	464,987
Beef	25,181	58,368	53,329	37,778	63,391	103,157
Wheat and Barley	3,213	32,220	31,196	68,111	45,936	10,154
Maize	1,280	6,198	33,703	96,330	167,734	174,108
Coffee	3,240	10,570	23,958	25,331	27,440	14,402
Sugarcane	*	*	*	85,292	186,486	260,220
Wool	1,597	9,685	32,543	32,749	35,738	49,274
Others** ..	16,161	35,121	44,291	15,700	43,067	35,423
TOTAL	248,659	612,865	1,163,904	1,782,951	2,425,729	1,924,496

*Sales of cane negligible in these years.
**Others" include a number of such minor products as hides, manure, oats, potatoes, peas and beans, sisal, sunflower, vegetables, fruits, pigs, lambs, goats and poultry.

4.61. The performance of large numbers of settlers is considerably below the targets originally set for them. It is now appreciated that some of these targets were perhaps too ambitious. One consequence of this is heavy arrears on loan repayments. Less than 5 per cent of all settlers are paid up in full on their commitments. At the end of February 1970, 45 per cent of the total amount billed for repayments was in arrears. In value terms, this has risen K£1.1 million over the figure for 1968 and now stands at K£2.8 million.

Land Registration

4.62. Table 4.14 shows the progress made in land registration on small holdings since this work was initiated in the country about fifteen years ago. The actual area registered during 1968/69 amounted to 134,300 hectares. Most of the new registrations were concentrated in Western Province, particularly Busia District with only small areas elsewhere being brought onto the register. Nevertheless, actual adjudication was in progress in a number of other areas in the Rift Valley, Eastern and Nyanza Provinces. The major reason for the relatively slow progress of adjudication in 1969 was disagreement and uncertainty among the people in some areas.

AREA OF LAND REGISTERED IN EACH DISTRICT, 1956/57—1968/69

Table 4.14 '000 Hectares

PROVINCE	Total 1956/67 1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	Total to 31-12-69
CENTRAL—								
Nyeri	80	*	*	*	*	*	*	80
Fort Hall	(142)	21	23	16	10	**	*	126
Kiambu	96	*	*	*	*	*	*	96
Kirinyaga	76	*		*	*	*	0.3	76.3
TOTAL	394	21	23	16	10	**	0.3	378.3
EASTERN—								
Meru	49	9	**	17	28		**	103
Embu	51	*	*	*	*	*	*	51
Machakos		**		34	**		* *	34
TOTAL	100	9	**	51	28	**	**	188
RIFT—								
Nandi	9	1	6	6	4	18	+	44
Elgeyo-Marakwet	7	1	11	**	2	4	+	25
Baringo	36	1	5	11	4	2	+	59
Kajiado	+	4	2	2		13	+	21
Kericho	**	* *	* *	2	5	10	+	17
TOTAL	52	7	24	21	15	47		166
WESTERN—								
Kakamega	+	10	17	25	37	28	0.8	117.8
Bungoma	+	8	13	18	18	14	22.9	93.9
Busia	+	**	**	**	10	7	102.8	119.8
TOTAL	*	18	30	43	65	49	126.5	331.5
NYANZA—								
Kisumu	**	0.3	+	1	0.3	4	+	5.6
Siaya	**	+	+	1	3		4.6	8.6
Kisii	**	+	3	6	11	14	+	36
South Nyanza	**	**	+	8	6	12	+	26
TOTAL	**	0.3	3	16	20.3	30	4.6	74.2
COAST—								
Taita	**	+	+	1	0.7	0.6	2.9	5.2
ALL PROVINCES	546	56.3	80	148	139	126.6	134.3	1,143.2

*Denotes 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 in the "total to 31-12-68".

4.63. The actual number of holdings on the land register in each district is shown in Table 4.15. By the end of 1969, a total of 493,684 holdings had been registered. This represented an increase of about 65,000 holdings or 15 per cent over the 1968 figure. These figures do not include registrations of land in the settlement schemes.

Forestry

4.64. Afforestation programmes continued during 1969 with a total of 7,300 hectares being planted. Of this figure, 1,214 hectares of softwood were extensions to the Turbo afforestation scheme, intended to supply the Broderick Falls pulp and paper mill when this goes into operation. Just under half the

TOTAL NUMBER OF AGRICULTURAL HOLDINGS ON THE REGISTER IN EACH DISTRICT

Table 4.15 *Numbers*

DISTRICT	Up to 31-12-65	Up to 31-12-66	Up to 31-12-67	Up to 31-12-68	Up to 31-12-69
Nyeri	43,593	43,593	43,593	43,593	43,593
Murang'a	62,126	74,987	74,987	73,987	75,522
Kiambu	37,408	37,408	37,408	37,408	37,408
Embu/Kirinyaga*	43,302	43,302	43,302	43,302	44,081
Meru	25,242	32,059	38,080	34,396	34,396
Machakos	–	2,460	2,460	3,113	3,113
Nandi	2,419	3,161	3,161	8,519	8,519
Elgeyo-Marakwet	3,166	3,628	3,852	6,052	6,052
Baringo	2,096	2,397	2,766	6,050	5,060
Kajiado	651	651	651	1,518	1,418
Kericho	-	1,344	1,652	3,966	3,966
Kakamega	33,276	31,565	53,735	86,392	89,362
Bungoma	5,803	8,325	10,943	14,715	19,632
Busia	-	2,481	6,440	7,802	16,340
Kisumu	164	631	621	3,791	3,791
Siaya	725	3,392	3,392	3,392	39,286
Kisii	1,074	6,737	10,294	33,958	33,958
South Nyanza	2,908	2,909	6,888	13,158	13,158
Taita	777	1,912	3,255	4,793	15,049
TOTAL	264,731	312,942	347,480	428,815	493,684

*When the land was first registered, Kirinyaga was part of Embu District. Since the introduction of 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.

target area of 18,200 hectares for this scheme has already been acquired for planting. Final agreement on finance for the construction of the Broderick Falls mill has been nearly reached and construction work is expected to start this year. Its completion will give a major impetus to forestry activity.

4.65. Table 4.16 shows the progress of Government afforestation schemes over the last five years. The total area under planted forests had reached 112,000 hectares at the end of 1964. But this is still a relatively small fraction of the total area of national forest reserves which are estimated to be about 1.7 million hectares.

4.66. The volume of the major forest products sold is set out in Table 4.17. There was a considerable increase during 1969 in the volume of timber and fuel sales as well as in the number of telegraph poles sold. The thriving export of charcoal reported during the year can only be received with mixed feelings. Charcoal burning is a source of income to considerable numbers of people and an important source of cheap fuel to many more. It can also create other benefits such as the clearing of land for grazing, but without careful control the long run cost of unrestricted and indiscriminate burning of woodland would be high. For this reason, regulations have been introduced recently to license exporters of charcoal.

FOREST PLANTATION AREA, 1965—1969

Table 4.16 '000 Hectares

	Up to 1965	1966	1967	1968	1969
Indigenous Softwoods	4.6	4.6	4.6	4.6	4.6
Indigenous Hardwoods	3.7	3.8	3.9	4 1	4.3
Exotic Softwoods—					
Cypress	33.1	35.1	37.3	40.0	43.0
Pines	38.2	39.6	42.5	46.6	50.4
TOTAL	71.3	74.7	79.8	86.6	102.3
Exotic Hardwoods-					
Timber	2.8	2.8	2.8	2.5	2.5
Fuel	6.7	6.5	66.0	7.0	7.2
TOTAL AFFORESTATION	89.1	92.4	97.7	104.8	112.10

SALES OF FOREST PRODUCTS, 1964—1969

Table 4.17

	1964	1965	1966	1967	1968	1969*
Timber ('000 true cu. m.)—						
Softwood	126	196	156	206	191	253
Hardwood	16	17	14	15	17	25
TOTAL	142	213	170	221	208	278
Fuel ('000 stacked cu. m.)—						
Fuel-wood	94	117	107	91	82	95
Charcoal	71	73	147	64	106	109
TOTAL	165	190	254	155	188	204
Power and Telegraph Poles (Number)	9,426	10,871	7,000	252	8,342	10,747

*Provisional.

Fishing

4.67. Fish production in 1969 was 32,020 metric tons as compared to the 60,000 tons projected in the 1964-70 Development Plan. At the beginning of the plan period, in 1964, production was 20,000 metric tons (15,000 of fresh-water fish, 5,000 of marine fish). Since then, there has been a 60 per cent increase in fish production but this is far below the 300 per cent growth envisaged in the Plan. Part of the failure to achieve these targets can perhaps be attributed to the fact that certain key projects, on whose completion the targets depended, were not implemented. For example, the growth of the marine sector hinged upon the construction of harbour facilities at Malindi, acquisition of experimental fishing and fish transport vessels, and storage and

marketing facilities. Although preliminary surveys have been undertaken, none of these projects was realized during the plan period. Similarly, a considerable portion of the increase in freshwater fish production depended on the Lake Rudolf fishery. It was projected to increase its production from 850 tons in 1964 to 15,000 tons in 1969 depending on such developments as a detailed survey of the lake and construction of an all-weather road to Kitale. While the former was accomplished, the latter still awaits implementation. Possibilities now exist that these projects will be carried out during the 1970-74 Plan period.

4.68. In 1969, an estimated 20,000 fishermen were either fully or partly occupied in the industry. The number in 1964 was estimated at 11,000. The total benefit accruing to fishermen from the industry had risen from an estimated K£1 million in 1964 to K£1.4 million in 1969. The gross estimated retail values of sales were K£2.8 and K£3.5 million respectively. The quantity and value of fish landed by area and type of fish is shown in Table 4.18.

QUANTITY AND VALUE OF FISH LANDED, 1967-69

Table 4.18

	1967		1968		1969	
	Quantity	Value to Fishermen	Quantity	Value to Fishermen	Quantity	Value to Fishermen
	Metric Tons	K£'000	*Metric Tons*	K£'000	*Metric Tons*	K£'000
FRESHWATER FISH—						
Lake Victoria	15,748	868	16,357	708	17,442	802
Lake Rudolf	1,727	13	2,044	12	3,753	29
Lake Baringo	518	16	554	11	503	9
Lake Naivasha, comm.	995	41	673	25	809	33
Lake Naivasha, sport fishing	–	-	212	15	120	8
Other lakes	919	42	870	32	1,000	40
Rivers	1,524	84	1,524	84	1,524	84
Fish Ponds	102	12	121	14	121	14
TOTAL	21,493	1,076	22,355	901	25,272	1,019
MARINE FISH—						
Lamu	1,740	69	1,172	43	1,270	42
Malindi	1,297	69	1,204	63	1,200	67
Kilifi			104	6	117	8
Mtwapa	258	19	91	7	121	9
Mombasa	353	45	489	52	446	55
Shimoni	242	18	339	25	111	20
Vanga	178	9	189	8	202	10
Other S. Coast Villages	650	37	1,017	59	1,008	67
Sport fishing	125	10	99	3	125	10
All other areas	1,007	40	1,011	40	1,630	65
TOTAL	5,850	316	5,716	305	6,396	348

Table 4.18 (*Continued*)

	1967		1968		1969	
	Quantity	Value to Fisher-men	Quantity	Value to Fisher-men	Quantity	Value to Fisher-men
	Metric Tons	*K£'ooo*	*Metric Tons*	*K£'ooo*	*Metric Tons*	K£'000
CRUSTACEANS—						
Lamu	55	7	79	9	61	10
Malindi	1		10	2	15	3
Kilifi	6	1	6	1	8	2
Mtwapa	11	3	1		1	
Mombasa	5	1			39	9
Shimoni	12	2	21	4	12	3
Vanga			14	2	4	1
Other S. Coast Villages	32	5	31	5	27	4
All other areas						
TOTAL	122	19	162	22	167	32
OTHER MARINE PRODUCTS						
Lamu					5	
Malindi						2
Kilifi					15	
Mtwapa						
Mombasa						8
Shimoni					165	
Vanga						
Other S. Coast Villages						
All other areas	124	9	175			
TOTAL	124	9	175	8	185	10
All fishing	27,589	1,420	28,407	1,237	32,020	1,409
Estimated value of retail sales		3,691		3,155		3,510

CHAPTER 5—INDUSTRIAL PRODUCTION

Manufacturing

Nineteen sixty-nine appears to have been the best year for manufacturing since 1964. The Quantity Index of Manufacturing indicates that physical production increased by 11 per cent in 1969 while sales rose by 10.7 per cent in value. Food processing, the largest industry group in terms of output, showed a rise of 20.3 per cent despite the partial failure of the long rains

last year. This was due largely to the rapid growth of sugar production and grain milling. Beverages and tobacco maintained a steady upward movement and metal products expanded rapidly. However, some industries lagged considerably behind others in performance. Although this was not surprising, one of these was textiles which is now among the largest industry groups and for which a high growth rate is projected in the 1970-74 Development Plan; another was chemicals. The Quantity Index of Production, shown in Table 5.1, has been rearranged since the last *Survey* to show the same grouping of industries as in Chapter 10 of the 1970-74 Development Plan. The performance of individual industries is discussed in greater detail below.

5.2 *Food Processing.*—Output of meat from the Kenya Meat Commission (K.M.C.) fell in 1969 by over 9 per cent due to a drop in the average weight of animals delivered. Consumption of meat products in the country has probably continued to rise, but this has been made possible by a growth in the throughput of other slaughterers. However, the improvement in 1968 in K.M.C. operations, after a period of losses, was even more apparent in 1969. But if further expansion of capacity is to be financed through surpluses, these will have to be considerably larger. Exports in the form of frozen and chilled and canned meat amounted to K£2.2 million in 1969 compared with K£2.5 million in the previous year, reflecting a diversion of potential exports to domestic markets. Production of pig products at the Uplands factory showed an encouraging growth and turnover increased by over 8 per cent. Processing problems in the factory were studied in 1969 by a firm of engineering consultants and their recommendations are being examined.

5.3 Factory processing of wholemilk and milk products showed a very modest increase in 1969 due to the drop in deliveries following dry weather conditions. However, a large increase is expected in 1970 when the "quota" and "contract" system which tends to restrict production is replaced by a single national price for milk (but not butterfat) based on revenue from sales by Kenya Co-operative Creameries. Exports of dairy products to Uganda have resumed their former level after the sudden drop in 1968. The opening of a new K£500,000 creamery at Kiganjo, able to handle a throughput of about 90,000 litres a day, was a major addition to available dairy processing capacity.

5.4 The production of canned fruit and vegetables fell slightly in 1969. Deliveries of pineapples to the factories increased from 13,700 metric tons in 1968 to 22,106 metric tons in 1969 and overseas exports of tinned pineapples from K£439,491 to K£722.965. The planned expansion of the main factory and attached estate should provide 70.000 tons of pineapples for canning by 1974. Vegetable processing continued to be disappointing in 1969 and accounted for the overall drop in the index.

5.5 Grain processed by millers recorded an increase of 32.2 per cent in a year of below average rainfall and reduced maize crops. This inverse relationship has been noted before and may be due to the fact that in a year

QUANTITY INDEX OF MANUFACTURING PRODUCTION, 1965-1969

(1964 = 100)

Table 5.12

	1965	1966	1967	1968	1969*	Percentage change,
Meat Processing	104.5	107.0	114.8	113.3	110.0	-2.9
Dairy Products	91.3	104.7	102.0	102.0	103.7	1.7
Canning of Fruit and Vegetables	90.7	89.3	64.7	92.0	90.0	-2.2
Grain Milling	102.5	99.0	96.6	86.3	114.1	32.2
Bakery Products	132.7	123.6	126.4	120.9	146.4	21.1
Sugar	82.1	102.9	170.8	230.0	321.7	39.9
Confectionery	110.0	120.0	120.0	130.0	140.0	7.7
Miscellaneous Food	140.0	120.0	160.0	180.0	190.0	5.6
TOTAL FOOD PROCESSING	99.5	102.8	110.2	115.9	139.4	20.3
Beverages and Tobacco	97.1	101.4	99.8	114.9	122.4	6.5
Cotton Ginning	111.8	129.4	117.6	129.4	152.9	18.2
Knitting Mills	102.4	106.0	126.2	146.4	178.6	22.0
Cordage, Rope and Twine ..	102.6	105.8	122.6	120.0	102.1	-14.9
Spinning and Weaving	150.8	274.6	300.0	284.7	255.9	-10.1
TOTAL TEXTILES	111.1	135.4	153.1	154.6	148.9	-3.7
Footwear	129.4	150.0	134.1	161.8	166.5	2.9
Clothing and Made-up Textiles	101.0	103.0	88.0	100.0	121.0	21.0
TOTAL FOOTWEAR AND CLOTHING	118.9	132.6	117.0	138.9	149.6	7.7
Wood Products	110.0	135.6	125.7	142.6	156.5	9.7
Furniture and Fixtures	105.0	90.0	122.5	125.0	135.0	8.0
Paper and Printing	125.6	140.6	149.4	141.9	190.0	33.9
Leather and Fur	96.7	110.0	100.0	116.7	136.7	17.1
Rubber	104.0	132.0	134.0	172.0	186.0	8.1
Chemicals	100.6	112.4	109.2	121.9	108.1	-11.3
Petroleum Products .	118.8	119.3	128.5	126.3	140.6	11.3
Non-Metallic Minerals	109.8	112.2	117.7	134.8	150.8	11.9
Metal Products	101.6	94.6	98.6	111.8	125.6	12.3
Non-electrical Machinery	122.9	167.1	180.0	170.0	190.0	11.8
Electrical Machinery	103.7	107.9	102.3	117.4	127.0	8.2
Transport Equipment	103.2	108.5	118.8	123.0	132.2	7.5
Miscellaneous Manufacturing	108.9	123.3	82.2	86.7	94.4	8.9
TOTAL	105.4	111.9	115.9	124.0	137.6	11.0

*Provisional

of maize shortage due to poor rainfall farmers have less of their own maize to eat and have to purchase milled maize from other sources. The index for baking products also showed a substantial increase.

PRODUCTION OF SELECTED FOOD PRODUCTS, 1965-1969

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 *(metric tons)*	Factory Ghee Production *(metric tons)*	Wheat Flour ('000 *metric tons)*	Biscuits *(metric tons)*	Sugar ('000 *metric tons)*	Cannery Intake of Pineapples ('000 *metric tons)*
1965	27.0	77,986	5,832	3,650	926	78.6		29.1	19.9
1966	27.9	89,246	5,892	3,784	1,496	78.3	—	36.4	24.2
1967	31.4	96,578	5,292	3,948	520	73.5	1,596	60.4	10.8
1968	30.4	96,888	4,714	3,990	641	75.0	1,546	81.4	13.7
1969	27.5	102,212	4,592	3,426	813	89.2	1,012	115.1	22.1

*KenyaMeat Commission only.
+KenyaDairy Board and Licencees only (almost entirely factory packed).

5.6. Sugar production by the four factories once again recorded a very fast rate of growth, with the newest factory completing its first year of full production. Output rose from 81,439 metric tons in 1968 to 115,052 metric tons in 1969. The year was also satisfactory because it now seems that the major problems facing the industry are being solved. The inadequacy of the cane transporting system had led to a backlog of about 300,000 tons of overmature cane which has a lower level of sucrose content. Substantial investment in more transport facilities enabled the backlog to be reduced to about 200,000 tons by the end of the year. The recovery rate has been encouraging in spite of the overmaturity of the cane. It is also hoped that most of the management and technical problems involved in operating the new factories have now been solved and that full capacity will be reached in the near future. The expected production in 1970 is 125,000 metric tons, rising to 165,000 metric tons by 1974, making Kenya self-sufficient in sugar by that date. Capital expenditure during the year amounted to about K£300.000, much of it going into transport equipment. There was also a substantial investment in sugar roads. Table 5.2 shows the physical production of certain food products.

5.7 *Beverages and Tobacco.*—Production increased by 6.5 per cent in 11969, keeping up with the target set in the Plan. Table 5.3 shows that the output of beer rose from 60 million litres to 65 million litres. Investment of over K£1 million was undertaken during the year to expand brewing capacity and a further increase in output is expected in 1970. At the beginning of this year the only two manufacturers of bottled beer merged. Exports of beer to Uganda and Tanzania fell from K£335,920 in 1968 to K£255.386 in 1969. Production of cigarettes and cigars rose by 3 per cent and reached the level of output in 1966.

PRODUCTION OF BEVERAGES AND TOBACCO, 1965-1969

Table 5.3

	Spirits *litres*	Beer '000 *litres*	Mineral waters '000 *litres*	Cigarettes and cigars *Metric tons*
1965	115,745	49,460	17,302	1,670
1966	139,120	50,088	19,602	1,816
1967	137,997	48,839	21,075	1,788
1968	164,760	60,001	22,748	1,764
1969*	169,965	64,757	27,876	1,814

*Provisional

5.8. *Textiles.*—Output in 1968 had been almost static; in 1969 production actually fell by 4 per cent, reflecting the serious position of the industry. A major improvement in the performance of this industry will be required if the Plan target is to be realized. The one area of growth in 1969 was the knitting industry which registered an increase of 22 per cent in the volume

of output and 23 per cent in sales. The other components of the industry have been affected by a degree of competition among the three East African countries which can only be described as fierce.

5.9. The cordage, rope and twine industry had an extremely difficult year. Sales fell by about 26 per cent in value and 15 per cent in quantity terms. The major employer in the industry had to lay off 550 men and there is a possibility of more redundancies in 1970. Competition from synthetic materials is growing and a new sisal bag factory was opened in Tanzania to supply needs formerly met from Kenya. The Uganda Coffee Marketing Board, a major buyer of cordage products, cancelled an order for 2.5 million bags in favour of bags from outside East Africa. Domestic demand also fell a little but is expected to recover and steps to improve the prospects of domestic sales further are under consideration. Despite the industry's difficulties substantial new investments took place to increase efficiency and diversify production with more jute sacks being made.

5.10. Spinning and weaving production showed a drop of 10 per cent during 1969. The industry is facing very strong competition in the home market and has suffered a severe cut in its exports to Uganda and Tanzania. Exports of grey woven cotton fabrics fell from K£108,586 in 1968 to K£19,353 in 1969 although exports of other products have suffered to a lesser extent. The basic problem at present is the overproduction of low quality cotton cloth in East Africa. The largest producers in Uganda and Tanzania seem to be better placed to meet the resulting competition and adjust prices to suit market conditions, partly because the transfer tax system works in their favour. Diversification into higher quality textiles may be a solution and some firms have plans to this effect. However, the relatively new firms find it difficult to mobilize capital for this purpose. Producers in Uganda and Tanzania also have plans for similar diversification. In spite of these problems, plans were announced during 1969 for a K£3.5 million textile mill for Eldoret to produce high quality cotton and cotton-polyester poplins. However, there has been a delay in licensing procedures which are operated on an East African basis. Otherwise, building would have started earlier this year. A similar mill, mentioned in the Plan, may be built at Nakuru. If both are in operation by 1974 the growth target of 20.1 per cent may be achieved but undue delays in building the factories will make it difficult to attain.

5.11. There is still room for a certain amount of import substitution. Local production in 1969 was just under 20 million square metres against consumption of 66 million square metres. Almost 30 million square metres worth K£4.3 million were imported from overseas in 1969, but this figure includes a wide variety of textiles which need very long runs to be economically viable. The need to rationalize production is now accepted among the three countries who have agreed to approach the United Nations Industrial Development Organization for assistance in the establishment of a working

party on the textile industry. The working party will be charged with the responsibility of studying and recommending ways of removing the present difficulties in production and marketing.

5.12. *Footwear, Clothing and Made-up Textiles.*—Output reached the target of 7.7 per cent projected for 1970-74 mainly because of the rapid growth in clothing and made-up textiles. Shoe production, however, rose a little, from just under 5 million pairs to just over this figure. Exports of these to Tanzania and Uganda, shown below, recorded another rise, after the drop during the years 1964-67: —

	K£'000
1964	1,398
1965	1,294
1966	1,011
1967	582
1968	677
1969	753

A slight fall in exports of rubber and plastic shoes has been more than compensated by a 70 per cent rise in sales of textile footwear and a slight increase in leather shoes. Apart from khangas and similar fabrics, imports of clothing from overseas fell by K£250,000. Imports from other East African countries also fell but exports to them dropped as well, from K£975.871 to K£775,518.

5.13. *Wood Products.*—During the year a new sawmill was established near Nyeri with a K£40.000 loan from I.C.D.C. Two plywood factories have recently been established at Elgeyo and Elburgon and it is intended to licence a third factory which would draw its suppies from South Mount Elgon. Furniture production increased substantially and exports to Tanzania and Uganda also rose a little, from K£557.705 to K£588,712. A new factory was opened to manufacture divan beds, head boards and interior sprung mattresses. The plant is designed to make 1,000 beds a week and involved capital expenditure of K£350,000.

5.14. *Paper and Printing.*—The quantity index for this industry, based on the imports of paper and paperboard, showed a very large increase in 1969 and sales also grew by nearly 9 per cent. The protracted negotiations for the Broderick Falls pulp and paper mill are now virtually completed and soil tests are taking place at the site. The factory will cost K£13 million and finance will be provided by the International Finance Corporation, the Government and a private firm. Construction, which will start this year, should take three years. The factory will make Kenya self-sufficient in certain types of paper.

5.15. *Rubber.*—The rubber industry which consists of motor tyre re-treading and manufacture of bicycle tyres and soles and heels for shoes continued to grow, though more slowly than in 1968. Negotiations with a large international tyre firm were completed in 1969 and construction began early

this year on K£5.5 million plant to make Kenya self-sufficient in tyres. Production should start at the beginning of 1971 and will begin at 150,000 tyres a year, rising to 200,000 tyres after three years. The factory has been planned so that production can be expanded beyond this point should export possibilities arise.

5.16. *Chemicals.*—The output of this industry fell by over 11 per cent overall, because pyrethrum extract and wattle bark extract production dropped. Exports of wattle extract fell from 20,841 metric tons in 1968 to 16,529 metric tons in 1969 and the production of pyrethrins declined from 144 metric tons to 94 metric tons. The reasons for this fall in the production of the agricultural raw materials on which these industries are based have already been discussed in the previous chapter.

5.17. Paint production rose by nearly 23 per cent and soap production by 21 per cent. The output of matches is shown in Table 5.4 along with that of other manufactured commodities. Capital expenditure in the chemicals industry in 1969 amounted to more than K£400,000. The opening at the end of the year of a K£180,000 sulphonation plant to produce materials for the manufacture of detergents will save about K£200.000 each year in foreign exchange.

PRODUCTION OF MANUFACTURED PRODUCTS, 1965-1969

Table 5.4

	Fabrics	Soap	Paints	Distempers	Matches	Oil Refinery Throughput	Cement
	'000 Sq. Metres	*Metric Tons*	*'000 Litres*	*Metric Tons*	*'000 Gross Boxes*	*Million Litres*	*'000 Metric Tons*
1965					497	2,120	483.8
1966		—	—		734	2,130	470.3
1967	6,277	18,855	1,349	601	410	2,293	493.6
1968	17,684	20,403	2,416	1,263	660	2,255	543.5
1969	19,853	24,003	2,976	1,143	779	2,510	642.4

+ This does not coincide with the index in Table 5.1 for spinning and weaving which showed a fall in 1969 because of a difference in coverage.

5.18. *Petroleum Products.*—The Plan combines chemicals with the oil refinery for projection purposes and forecasts an overall growth rate of 8 per cent. If the two industries are combined in the Quantity Index also, the result is a 0.6 per cent increase in 1969. As explained above, this poor performance is entirely due to pyrethrum and wattle extract. Table 5.4 shows that throughput at the refinery increased by 11 per cent and exports (which exceed domestic consumption) rose. Table 5.5 shows the pattern of exports over the last five years.

EXPORTS OF PETROLEUM PRODUCTS, 1965-1969

Table 5.5 K£'000

	1965	1966	1967	1968	1969
To Tanzania	2,752	2,062	1,517	1,411	1,398
To Uganda	2,153	2,369	2,553	2,999	3,492
To Other Countries	4,544	5,678	7,170	6,111	7,623
TOTAL EXPORTS	9,449	10,109	11,240	10,521	12,513

Overseas exports of jet fuel have increased from K£1,349,638 to K£3,728,045, with 95 per cent going to aircraft at Nairobi Airport. New equipment was installed to increase the refinery's capacity by 10 per cent and allow an additional 250,000 tons of oil a year to be processed. This investment of K£800,000 will also improve the flexibility of the plant. A grease plant with a capacity of 2,000 tons a year will come into operation in 1970 and a lubricating oil plant with a capacity of 60.000 tons in 1972.

5.19. *Non-Metallic Mineral Products.*—The 11.9 per cent increase in the output of this industry is a result of the rapid expansion of cement production. The table below shows production, consumption and exports of cement.

CEMENT PRODUCTION AND UTILIZATION, 1965-1969

Table 5.6 '000 *metric tons*

	Production	Consumption and Stocks	Net Exports to Uganda and Tanzania	Overseas Exports
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
1969	642.4	222.6	110.8	309.0

The substantial rise in production during 1969 was the result of K£1 million extensions to the cement factory at the Coast. Local consumption continues to grow in line with demand from the building industry and overseas exports have once again shown a most encouraging trend. The following table (page 88) shows the main overseas markets in 1968 and 1969. Bulk handling facilities are being constructed at Mombasa to facilitate exporting and it is expected that sales overseas will continue to rise rapidly in the growing market in the Persian Gulf and Indian Ocean area.

5.20. *Metal Products.*—This industry produces tins, cans, steel sheets, window frames, metal containers, nails, etc. and expanded by 12.3 per cent in 1969. New investment is taking place at Mombasa and Kikuyu in two

MAJOR MARKETS FOR CEMENT, 1968-1969

Table 5.7 '000 metric tons

	1968	1969
Reunion	81.2	120.1
Mauritius	44.0	63.2
Zambia	31.8	–
Somalia..	21.7	11.6
Rwanda	8.4	9.7
Madagascar	8.3	6.2
Seychelles	5.1	6.3
South Yemen		6.2
Other Countries	38.5	85.7
TOTAL	239.0	309.0

steel re-rolling mills which will make reinforcement rods, bars, angles and flats from imported billets. Investment in these projects will amount to over K£600,000. A loan of K£300,000 was negotiated with the East African Development Bank by an established manufacturer of cans for an expansion programme. Total exports of metal containers fell from K£684,678 in 1968 to K£500,174 in 1969.

5.21. *Machinery and Transport Equipment.*—Electrical and non-electrical machinery production and repair (also included in this industry) grew faster than forecast in the Plan. Manufacture and repair of transport equipment also expanded slightly faster than the 7 per cent projection in the Plan, mainly due to the rapid increase in the stock of motor vehicles and the growth in maintenance activities of the East African Airways Corporation. Railway rolling stock maintenance, which has a large weight in the index, remained unchanged as there were no new additions to the rolling stock of the East African Railways Corporation. Although transport equipment is the largest item in this sector in terms of value added and employment, it revealed no new projects in 1969. Several proposals for the local assembly of cars have been made but. for viability, this is likely to require exports to other markets in the region of products which are competitive in quality and price with imports. Assembly of lorries and buses, however, has been expanding fairly rapidly in recent years; the bulk of fully assembled lorries is such that it is economic to assemble them locally without undue protection.

5.22. Although most of the investment in the manufacturing sector is financed internally from depreciation funds and reserves accumulated out of profits, there are also public sources of capital available to manufacturers. The Development Finance Company of Kenya Ltd. (D.F.C.K.) had a successful year in 1969 and now has money invested or loaned to 27 projects. Out of its total outlays, the Company has invested over a third (K£937,000) in the sugar and textiles industries. Table 5.8 shows some details of investment activity during 1968 and 1969.

INVESTMENTS OF THE DEVELOPMENT FINANCE COMPANY OF KENYA LIMITED 1968 AND 1969

Table 5.8

	1968	1969
New Investments (K£)	394,413	397,546
Equity (K£)	919,700	1,088,100
Loans (K£)	1,540,300	1,664,556
Total Investments and Commitments (K£)	2,460,000	2,752,656
Number of Projects	23	27
Net Profit before tax (K£) ..	-71,411	105,435

5.23. The Industrial and Commercial Development Corporation (I.C.D.C.) is another source of finance for large industrial projects as well as for small scale manufacturing firms. Investments have so far been made, in the form of equity and loans, in textiles, plastic, soap and canning of fruit. For small scale entrepreneurs a revolving fund of K£550,000 has been established, of which K£ 120,000 will be made available to businessmen in the rural areas. As well as giving financial and technical assistance, the I.C.D.C. is undertaking the development of Industrial Estates to provide factory buildings for letting to African entrepreneurs ait reasonable rates. Machinery and equipment are provided on a 100 per cent loan basis, repayable over 8 to 10 years at an interest rate of 8 per cent. The first phase of the Nairobi Estate has been in operation for some time and the second phase is well under way. Plans for the estates at Mombasa and Nakuru are well advanced and the latter should be in operation in the middle of 1973.

5.24. In addition to the Industrial Estate programme emphasis is being placed on industrial development in rural areas through Rural Industrial Development Centres. The programme is due to start in the financial year 1970/71 but work has been initiated to draw up the details of the programme. In the first instance the centres will be located in those districts where the Special Rural Development Programme also operates. In 1970/71 schemes will start at Nyeri, Kakamega and Machakos, to be followed by Murang'a, Embu and Kisii in 1971/72. The functions of these rural centres will be to provide loans, training, equipment for hiring out, to study production possibilities and even engage in production if no local entrepreneurs come forward to take advantage of the opportunities offered. Training will be of a practical nature suited to the industries being promoted in the area. In other rural areas not covered by this programme loans are available from the I.C.D.C. as well as advice from district development and trade officers. Relatively little information relating to rural industries is available but in 1969 there may have been as many as 40,000 people employed in these industries, generating a gross product of about K£3 million.

Building and Construction

5.25. The output of the building and construction sector increased by 18 per cent in 1969 compared with 10 per cent in 1968. Since 1964 the average growth rate has been 13 per cent and during the Development Plan it is expected to be 9 per cent, underlining the importance that this sector is expected to have in the general development of the economy. The growth figures refer to the economic sector "building and construction" as a whole, but this section will deal mostly with private buildings. Public housing is discussed in further detail in Chapter 12, road construction by the East African Community's transport organizations in Chapter 11 and other construction work elsewhere, e.g. irrigation schemes in Chapter 4 and electricity transmission lines in Chapter 6.

5.26. Table 5.9 shows the value of all private building work, whether new or extensions to existing buildings, in the seven main towns of Kenya.

THE VALUE OF ALL PRIVATE BUILDING WORK COMPLETED IN MAIN TOWNS

Table 5.9 *K£million*

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Total
1965	1.43	0.16	0.02	0.04	001	0.01	0.15	1.82
1966	1.70	0.52	0.02	0.03	001	—	0.02	2.30
1967	3.13	0.59	0.06	0.02	0.03	0.03	0.16	4.02
1968	3.55	1.33	0.02	0.04	—	—	0.03	4.97
1969	5.08	0.88	0.03	0.07	0.02	0.01		6.09

Provisional.

Once again the level of completions moved to a new peak, 22.5 per cent higher than in 1968. The coverage from these towns is very high for house building in the monetary sector of the entire economy, accounting for perhaps 80 per cent of total residential buildings. Most non-residential building also takes place in these main towns, but there are some firms which are, of necessity, located in rural areas beside their main input e.g. sugar factories. Any factory building by them will not be covered by Table 5.9. During 1969 a creamery at Kiganjo costing K£500,000 and at least one new sawmill were built outside the main towns.

5.27 Table 5.10 shows the value and number of private buildings (excluding extensions) completed in Kenya's seven main towns. The total increased by 20 per cent, but non-residential building grew more quickly, by about 26 per cent. Among the larger projects covered by these figures were a large international hotel, a casino, and showrooms and offices for several of the main car dealers. A second large hotel is not included in these figures as it was not completed until the beginning of 1970.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS IN MAIN TOWNS 1965-1969

Table 5.10

	NUMBER			ESTIMATED COST *K£ million*		
	Residential	Non Residential	Total	Residential	Non Residential	Total
1965	44	77	121	0.26	1.40	1.36
1966	121	69	190	0.62	1.15	1.77
1967	245	107	352	1.44	1.61	3.05
1968	390	155	545	1.77	2.51	4.28
1969+	278	131	409	1.98	3.17	5.45

+Provisional

5.28. The value of building and construction carried out by the public sector was K£11.8 million in 1969. As Table 5.11 shows, about K£6.5 million (55 per cent) was accounted for by the Ministry of Works which has large programmes of road construction and house building. The local authorities accounted for about K£1.9 million (16 per cent); most of the own-account work of East African Railways Corporation and East African Harbours Corporation is maintenance of existing construction and buildings though there is some new capital formation.

PUBLIC SECTOR OWN ACCOUNT BUILDING AND CONSTRUCTION, 1965-1969

Table 5.ll K£'000

	1965	1966	1967	1968	1969*
Ministry of Works	6,295 .1	4,265.8	5,330.0	6,088.4	6,547.1
Local Authorities	70. 1	1,046.0	2,374.5	2,400.1	1,947.7
E.A. Railways Corporation ..	1,425.6	1,366.4	1,665.5	1,509.2	1,712.9
E.A. Harbours Corporation ..	18. 0	1,239.4	831.7	632.2	717.9
Forest Department	259.9	268.4	445.1	444.7	452.5
E.A. Posts and Telecommunications	240.2	355.8	352.0	305.9	463.6
TOTAL	9,111.9	8,541.8	10,998.8	11,380.5	11,841.7

*Provisional

5.29. Building costs increased very rapidly in 1967 and 1968; supply constraints in quarry products, skilled labour and other inputs appeared as the building boom began. However, the high prices of ballast, stone and sand have stimulated the production necessary to meet the growing level of building activity. Table 5.12 indicates that the price of ballast and sand has remained the same since 1967 and stone prices have even fallen. Skilled labour continues to be in short supply but there are signs that the supply of local craftsmen is expanding to meet the demand. The price of cement has remained stable.

COST OF BUILDING MATERIALS AND LABOUR, 1966-1969
(1966 = 100)

Table 5.12

	Unit	1966	1967	1968	1968	1969*
Ballast	100 c.f.	100.0	186.7	186.7	186.7	186.7
Stone	100 c.f.	100.0	158.8	158.8	135.3	135.3
Sand	100 c.f.	100.0	156.5	156.5	156.5	156.5
Cement	ton	100.0	102.1	103.3	103.3	103.3
Skilled Labour	per day	100.0	128.0	144.0	144.0	144.0
Semi-skilled labour	per hour	100.0	107.4	107.4	111.1	111.1
Unskilled labour	per hour	100.0	124.1	120.5	132.5	132.5

***Provisional.**

5.30. These prices are derived from Ministry of Works contracts and so apply only to the public sector but they may be regarded as largely representative of the whole industry. Evidence from the private sector shows that ballast prices increased by only 1 per cent and stone by 5-10 per cent.

5.31. It is very difficult to measure the change in the price of finished buildings because buildings differ widely, between low cost residential housing and large office blocks. However an attempt to measure changes in building costs has been made and a rough index derived from the average cost per square foot of residential buildings between 2,000 and 3,000 square feet in main towns is shown below (1964=100): —

1965	93.2
1966	123.4
1967	140.1
1968	154.5
1969	152.9

It can be seen that last year the index fell for the first time since the building boom started. This may reflect the stabilization of material input prices and perhaps also a tendency towards smaller houses of a lower quality as the proportion of owner occupied houses rises. Table 5.14 shows a fall in the average cost of private residential Plans approved for the first time since 1965. This cannot be explained by the fall in the Building Cost Index but must be caused by the fall in average size of house and by the growing competition from new contractors coming forward to take advantage of the building boom.

5.32. Private and public plans approved by the Nairobi City Council are shown in Table 5.14. The total value increased by 42 per cent over 1968 and the number by 4 per cent. Public plan approvals increased by 72 per cent from K£1.5 million to K£2.6 million, a large rise occurring in non-residential buildings. The largest public plans approved are shown in Table 5.13. Among the private plans approved in 1969 were several large office blocks and shops, two medium sized hotels and several factory buildings.

PUBLIC BUILDING PLANS APPROVED BY NAIROBI CITY COUNCIL, 1969

Table 5.13

	Cost (K£)
Residential—	
Harambee Housing Estate	350,000
Registrars' Flats for Kenyatta National Hospital	245,235
Non-Residential—	
National Teaching Hospital and School of Medicine	177,545
Extensions to the Forces Memorial Hospital	159,745
E.A. Railways H.Q. Extensions	125,000
Ministry of Agriculture Laboratory	90,000

5.33. The Government continued its efforts to expand the industry by introducing more African contractors. The National Construction Corporation, established in 1968, has as its main aim the training and encouragement of such contractors by making available capital, security bonds and supervisory services. The Corporation has a revolving fund which stood at K£100,000 at the end of last year, though this has since been increased to K£150,000. At the end of 1969 loans from the fund amounted to K£75,000.

5.34. The most important project under way is the building of 150 schools under its grant-in-aid scheme. This project is worth K£350,000. Many of the schools have already been built and the rest will be finished well within the financial year 1969/70. The Corporation is also involved in extensions to the Kenya Institute of Administration which will cost K£35,000. In addition to these two projects it has many other schemes throughout the country. In most of the contracts the Corporation is the main contractor but sublets parts of the job to African builders. During 1969 it supported about 100 contractors with finance and supervisory services.

5.35. The Corporation also runs training courses in different parts of the country. Seminars dealing mainly with the practical aspects of contracting are being run in Nairobi, Mombasa. Kisumu, Nakuru, Nyeri and Kisii. Supervisory courses are being sponsored by the Corporation and run by the Management Training and Advisory Centre. The courses are for ten weeks and attendance averages about 15 contractors. Approximately 150 contractors have benefitted from these courses. In addition the Corporation has built up its own supervisory staff by establishing centres in Kisumu, Nakuru and Nyeri and will soon be starting another in Mombasa. These supervisors visit all the projects in their area and give advice on day-to-day problems. To strengthen the technical side a mechanical and an electrical engineer have been recruited. As an incentive to contractors, the Corporation makes an award for outstanding progress made by an African builder, and during the current year it will tackle the problem of shortage of mechanical equipment by establishing a pool of construction machinery which it will hire out to local contractors on reasonable.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY THE NAIROBI CITY COUNCIL, 1965-1969

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	
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
1969	985	544	1,529	9	95	104	4,019	6,881	10,900	655	1,943	2,598	13,498
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	2,564	1,169	177	1,346	3,910
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		
2nd Qr.	168	155	323	3	12	15	674	703	1,377	900	60	148	1,942
3rd Qr.	205	151	356	3	28	31	1,356	1,104	2,460	5	110	960	2,337
4th Qr.	268	138	406		22	22	1,350	1,000	2,350		281	115	2,575
1969:—												281	2,631
1st Qr.	204	129	333	4	17	21	838	3,545	4,383	13	823	836	5,219
2nd Qr.	224	145	369	2	24	26	733	722	1,455	351	145	496	1,951
3rd Qr.	286	124	410	1	34	35	1,140	1,302	2,442	3	370	373	2,815
4th Qr.	271	146	417	2	20	22	1,308	1,312	2,620	288	605	893	3,513
1970—													
1st Qr.	304	145	449	4	20	24	1,516	1,792	3,308	593	84	677	3,985

Mining and Quarrying

5.36. The Quantity Index of Mining and Quarrying shows a 14.5 per cent increase in 1969 as shown in Table 5.15.

QUANTITY INDEX OF MINING AND QUARRYING PRODUCTION, 1965-1969
(1964 = 100)

Table 5.15

	1965	1966	1967	1968	1969*
Metal Mining	94.1	49.6	54.3	52.9	31.6
Non-metallic Mining	98.0	123.0	112.6	129.4	127.1
Quarrying (Excluding quarrying for roads)	103.0	132.7	157.7	157.0	206.9
	99.3	106.1	117.3	120.3	137.7

*Provisional

5.37. A more detailed breakdown of mineral production is given in Table 5.17 with their respective values shown in table 5.18. Quarry products are not however included in these tables with the exception of limstone products, but quarried stone, ballast and other stone building materials are represented in the Quantity Index.

5.38. Overall mineral production remained static, the fall in gold production being matched by increases in other minerals. Soda showed a slight fall from its peak in 1968, but was still higher than 1967. As over 90 per cent is exported production depends almost entirely on demand from overseas, shown by the following table. The 24 per cent fall in quantity is explained by the drop in exports to Japan and Turkey with no corresponding increase in other markets. Domestic users of soda include the glass manufacturers, but they account for only small quantities.

QUANTITY AND VALUE OF SODA EXPORTS BY DESTINATION, 1968 and 1969

Table 5.16

Country	1968		1969	
	Quantity metric tons	Value K£	Quantity metric tons	Value K£
Japan	45,599	356,484	26,393	207,255
Thailand	12,285	145,702	15,777	185,825
Turkey	11,581	130,121	3,473	40,604
Singapore	10,149	122,734	8,843	105,773
Other	32,881	377,197	31,456	364,056
TOTAL	112,495	1,132,238	85,942	903,513

THE QUANTITY OF MINERAL OUTPUT, 1965-1969

Table 5.17

	Unit	1965	1966	1967	1968	1969
Asbestos	Metric ton	123	66	51	—	—
Aquamarine	gm.	—	—	—	13,000	7,796
Barytes	ton	36	98	212	356	435
Beryl		—	—	17	11	3
Carbon Dioxide		762	817	817	819	762
Copper		1,969	793	11	38	77
Corundum		—	—	25	43	119
Corundum (Ruby)	gm.	—	—	—	9,090	2,391
Diatomite	ton	2,218	1,772	1,886	2,055	2,303
Felspar		—	164	402	535	1,560
Fluorite		—	—	—	192	1,861
Gaylussite		—	—	—	—	15
Gold	Troy oz	12,013	11,898	33,366	31,989	17,903
Guano	ton	—	323	346	41	360
Gypsum		—	—	246	501	480
Kaolin		1,714	893	1,456	1,332	1,472
Limestone Products		14,408	16,734	19,041	18,567	24,091
Magnesite		67	678	422	68	503
Salt		26,149	25,154	27,339	28,790	42,287
Sapphire	Carat gm.	4,212	3,525	1,652	5,611	2,839
Silver	Troy oz	26,785	19,003	3,038	2,771	1,668
Soda Ash	ton	83,194	112,399	104,754	117,230	105,913
Soda Crushed Raw		2,345	2,463	3,224	2,283	2,568
Vermiculite		__ 22	__ 76	251	279	776
Wollastonite				12	1,381	691

*Unit is carat for 1965 and 1966, but gram for 1967-1969.

About 98 per cent of Kenya's salt is also produced from Lake Magadi where the reserves of both soda and salt are virtually unlimited. Any increase in local demand for salt can be met from this source and from the production of salt by evaporation at the Coast. There is some trade in salt, with Kenya exporting 6,395 metric tons and importing 4,431 metric tons in 1969. Gold is also produced and exported, mainly from the mine at Migori. This closed down in the middle of 1969 and in 1970 production from small prospectors elsewhere in the country is not expected to exceed K£50,000. Copper is also produced at the same mine by a leaching process and production in 1969 was worth about K£40,000. This level of production is expected to be maintained for at least three years. Most of this deposit has already been exploited.

5.39. Limestone products are mainly agricultural lime and whiting. Carbon dioxide is obtained from boreholes at Uplands and here again the supply is virtually unlimited and can be adjusted to meet the demand from the soft drinks producers. The output of koalin has expanded rapidly as local demand from soap, insecticide and ceramics manufacturers has grown. Fluorite is another mineral that has shown rapid growth. It is an input in the manufacture of cement and there are also possibilities for exports for steel smelting and acid making.

THE VALUE OF MINERAL OUTPUT, 1965-1969

Table 5.18 K£

	1965	1966	1967	1968	1969
Asbestos	3,329	1,790	1,671		
Aquamarine	–	–	–	5,188	2,000
Barytes	140	2,261	2,550	9,086	11,408
Beryl	–	–	2,163	2,360	430
Carbon Dioxide	60,530	68,114	70,115	76,204	71,635
Copper	868,281	426,270	5,500	14,654	40,444
Corundum	–	–	960	447	4,608
Diatomite	49,228	33,826	27,840	30,345	32,241
Felspar	–	5,152	1,940	8,350	24,938
Fluorite	–	–	–	2,977	23,837
Gaylussite	–	–	–	50	9,333
Gold	150,126	149,490	420,118	448,009	273,821
Guano	–	5,951	6,138	400	6,342
Gypsum	–	–	1,022	1,742	2,006
Kaolin	5,341	16,126	22,512	24,114	36,225
Limestone Products	109,905	126,992	128,420	125,561	180,672
Magnesite	332	5,332	3,690	603	4,622
Salt	210,487	208,586	241,048	281,558	398,034
Sapphire	630	8,030	2,706	1,659	5,286
Silver	12,121	8,602	1,821	2,146	1,070
Soda Ash	895,806	1,183,677	1,093,521	1,203,552	1,118,046
Soda Crushed Raw	22,732	21,920	28,715	21,834	24,953
Vermiculite	250	226	741	820	2,702
Wollastonite	–	–	36	21,567	6,000
All other Minerals	1,168	859	308	1,207	3,152
TOTAL	2,390,406	2,273,204	2,063,535	2,284,433	2,283,805

5.40. On the exploration side several projects were pursued during 1969. Preliminary drilling has been completed in the Ribe area, 15 miles north of Mombasa. Nearly 1,000,000 metric tons of ore containing 9 per cent lead and 125 grams per ton of silver and 0.6 per cent zinc have been indicated making exploitation viable and the project is out to tender. Mombasa provides an easy export outlet. Further down the Coast, at Mrima Hill, there is active prospecting for europium deposits of sufficient concentration to make exploitation viable, with the possibility of niobium as a by-product. Areas in North Eastern and Western Kenya have been licensed for uranium prospecting. Prospecting for oil continues in the north and east of Kenya, so far with no success. Drilling will re-start within a few months, and a second company has been licensed.

5.41. Quarry production resumed its rapid growth after the falling off from the 1967 peak. There is some evidence however that output of quarry products is being restricted by quarry operators to maintain the high prices prevailing. This has serious implications for the building programme set out in the Development Plan. Steps are urgently required to increase the supply of building materials and bring prices down. Plans for establishing a large quarry in Nairobi to be run as a joint venture by Nairobi City Council, the

National Construction Corporation and a private firm do not appear to have advanced since last year, but there is a clear need for the public sector to assume responsibility for these crucial inputs. The growing participation of Africans in the sector may in time result in the competition necessary to keep prices down, but a severe lack of working capital makes it difficult for new entrepreneurs to establish themselves and compete with existing non-citizen suppliers.

CHAPTER 6—ELECTRICITY AND WATER

Electricity

The Government has recently announced its intention to take control of the East African Power and Lighting Company by making an offer for all of the ordinary and preference shares on the London register. The Board of E.A.P. & L. and the London Committee consider the prices offered for the stocks to be reasonable and have recommended that the shareholders accept. These stocks, together with those held by the Government on the Nairobi register, will amount to 51.4 per cent of the total stock. The offer will cost the Government about K£3.14 million in foreign exchange, but will save a substantial amount of foreign exchange each year in dividends paid abroad which will now accrue to the Government. Through this purchase, control of the Kenya Power Company and the Tana River Development Company will also effectively pass to the Government and there may be some scope for rationalizing the industry. The Government has confirmed that E.A.P. & L. will continue to operate on a commercial basis but there may be further scope for extending the programme of amenity schemes mentioned below, so long as the losses sustained on them do not impair the company's ability to raise money internationally.

6.2. Sales of electricity increased by 8.6 per cent during 1969, maintaining the rapid rate of growth which occurred in 1968. Table 6.1 shows the relation-

GENERATION, IMPORTS AND CONSUMPTION OF ELECTRICITY, 1965-1969

***Table* 6.1** 000k Wh *

	1965	1966	1967	1968	1969
Domestically Generated	327,503	346,431	339,365	401,710	459,342
Imported	190,484	203,042	241,982	224,248	218,147
TOTAL AVAILABLE	517,987	549,473	581,347	625,958	677,489
Internal usage and transmission and distribution losses	83,969	84,911	95,785	95,831	101,629
TOTAL SALES ..	434,018	464,562	485,562	530,127	575,860

***Kilowatt hours.**

ship between domestic generation, imports and sales. The rise in domestically generated electricity has been even higher (14.3 per cent) with the result that purchases from Uganda have fallen again, and internal use by the power companies has increased. The Kindaruma scheme had its first full year of operation and supplied 113 gWh (1 gigawatt = 1 million kilowatts) as opposed to 46 gWh in 1968. Initial technical difficulties were experienced with the turbine/generators but imports from Uganda were available to prevent a shortfall in supplies. The distribution of sales between different users is shown in Table 6.2.

SALES OF ELECTRICITY BY TYPE OF USER, 1965-1969

Table 6.2 '000 kWh

	1965	1966	1967	1968	1969
Domestic	87,395	93,126	94,996	98,777	99,609
Off peak water heating and pumping	73,814	74,648	77,965	82,235	87,126
Industrial	81,296	92,821	103,148	129,550	145,956
Commercial	84,399	92,898	100,586	118,907	151,094
Lighting and power (small consumers)	5,633	6,082	6,206	6,800	7,666
Street Lighting	8,438	8,797	8,135	8,389	8,586
Special contracts	90,628	93,467	91,833	82,999	73,714
Staff quarters	2,415	2,723	2,693	2,470	2,109
TOTAL SALES	434,018	464,562	485,562	530,127	575,860

6.3. Once again, industrial (large power supplies) and commercial users have grown very rapidly, though an adjustment in the application of certain tariffs makes comparison slightly misleading. The industrial tariff now covers those users who are involved in industrial activity whereas the category "large power supplies" used in last year's survey also covered large consumers outside the industrial sector. These have been transferred to the commercial category which partly explains the 27.1 per cent rise. Special contracts show a further decline as users on this tariff are transferred to the industrial tariff as their contracts expire.

6.4. Installed generator capacity remained at 153 MW. as there were no net additions during the year. Work has however, started on the Nairobi/ Mombasa 132 kV, interconnector and the Kipevu Power Station Extensions which will include a 12 MW. gas turbine and a 30 MW. steam set to be commissioned in late 1970 and in 1971 respectively. It is expected that the interconnector will be "energized" towards the end of 1970. The total capital cost is estimated at K£5.6 million. Late in 1970 work is also expected to start on the K£11.9 million Kamburu Dam Project, the second phase of hydro-electric development on the Tana River, to provide an additional 50 MW. plant and a transmission line to Nairobi. Linked with this development is a 12 MW. industrial gas turbine for Nairobi to be commissioned at the

beginning of 1973 at a cost of K£0.8 million. The first stage of the Kamburu project is due for commissioning a year later and the second stage after a further two years. World Bank finance has been sought for this project and a Bank team has been in Kenya studying the viability of the project and possible alternatives.

6.5 At Lake Hannington preliminary tests have shown that there may be exploitable steam deposits and an application was made to the United Nations Development Programme for finance to cover the "offshore" cost of a detailed investigation and exploration programme. A final decision by U.N.D.P. has been postponed as further preliminary tests are carried out. If these are favourable full-scale exploitation should begin in 1971.

6.6 Capital expenditure in 1969 was K£2.6 million compared with K£1.4 million in 1968. It is expected that this will increase to K£4.5 million in 1970 and K£4.9 million in 1971. A new headquarters building for the power company will be completed in 1970 at an estimated total cost of K£1 million.

6.7. New extensions of electric power were made in 1969 to the Tala-Kangundo area, Kianyaga, Mwihila and other smaller areas. These extensions are to areas which justify the introduction of electricity on commercial grounds. However, it is recognized that social considerations must also be taken into account. The introduction of electricity into an area is a significant step in the development of that area and may be a stimulus to new investment. Accordingly, sub-economic amenity schemes are undertaken but within the limitation that losses on them should not exceed 1 per cent of total sales revenue. Under this arrangement, Kitui was connected in 1969 and Mazeras and Mariakani will be connected in 1970.

WATER SUPPLIES

6.8. Commencing with this *Economic Survey,* a new section will be given to reviewing progress in implementing the Government's water programme which is expected to result in K£16 million being spent on water supplies and related services over the next five years.

6.9. The Water Development Division of the Ministry of Agriculture is responsible for implementing the Government's water policies. It works with other Ministries—Health, Co-operatives and Social Services (Community Development Department), Local Government, Lands and Settlement (Town Planing Department), and Economic Planning and Development—as well as local authorities which do not have sufficient staff for planning and carrying out water projects. The Division also designs and constructs new supplies and additions to existing supplies for public as well as Government institutional water systems, undertakes water operations for the Range Development Programme, and operates and maintains the 156 local authority and institutional water schemes for which it has been designated as water undertaker. Table 6.3 summarises expenditures on water supplies and related services over the last six years.

CENTRAL GOVERNMENT AND OTHER PUBLIC AUTHORITY DEVELOPMENT EXPENDITURES ON WATER SUPPLIES AND RELATED SERVICES, 1964/65—1969/70

Table 6.3 K£'000

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
Water Development Division	237	174	174	318	447	804
Mombasa Pipeline Board	3	9	111	220	90	51
Ministry of Health*	52	—	26	33	40	92
Ministry of Co-operatives and Social Services	2	6	6	10	12	12
Local Authorities	101	309	606	571	353	309
TOTAL	395	498	923	1,152	942	1,268

*WHO/UNICEF demonstration programme administered in conjunction with the Water Development Division. The amount shown is the WHO/UNICEF contribution to the cost of schemes.

+ Self-help schemes administered by the Community Development Department. The amount shown is that part of the project cost rot met by beneficiaries.

6.10. *Water Development Division.*—Each year the Central Government sets aside funds, for spending by the Water Development Division, specially earmarked as "development expenditures" for water supplies and related services. An indication of the increased emphasis on rural water schemes is evident in the nearly ten-fold increase in this expenditure item between 1964/65 and the estimate for 1969/70. This is illustrated below.

DEVELOPMENT EXPENDITURES FOR WATER SUPPLIES AND RELATED SERVICES BY THE WATER DEVELOPMENT DIVISION, 1964/65-1969/70*

Table 6.4 K£'000

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
Urban Water Supplies	142	124	115	162	211	173
Rural Water Supplies	56	31	30	58	139	526
Buildings	10	2	—	25	6	35
Water Resources Surveys	28	12	7	36	44	14
Lake Victoria Hydro-meteorological Survey	—	—	13	30	39	42
Dam and Borehole Subsidies	2	5	8	6	7	10
Other	—		—	—	1	5
TOTAL	237	174	174	318	447	804

Excluding Yala Swamp which is a reclamation project.

6.11. The large expenditures on rural water supplies in 1969/70 represent the first stage of a two year programme costing K£1.2 million. A loan of K£1.0 million from the Swedish Government will, to a large extent, finance this programme. The following table shows the size of the programme in each Province.

RURAL DEVELOPMENT PROGRAMME FOR FIRST Two YEARS OF PLAN PERIOD (EXCLUDING THE RANGE WATER PROGRAMME)

Table 6.5—

PROVINCE	SMALL PROJECTS (less than K£10,000)			LARGER PROJECTS (K£10,000 and over)			ALL PROJECTS		
	No.	Cost (K£)	Families Served	No.	Cost (K£)	Families Served	No.	Cost (K£)	Families Served
Coast	10	31,000	3,710	3	147,000	7,600	13	178,000	11,310
Central	2	11,000	1,650	5	238,000	9,050	7	249,000	10,700
Eastern	3	28,000	3,350	5	212,800*	14,600	13	240,000	17,950
Rift Valley	19	77,000	4,750	3	66,700	9,100	22	143,700	13,850
Nyanza	3	20,000	1,200	4	185,000	11,100	7	205,000	12,300
Western				3	81,000	4,200	3	81,000	4,200
North Eastern..	20	80,000	4,200				20	80,000	4.200
TOTAL	62	247,000	18,860	23	930,500	55,650	85	1,177,500	74,510

*Including a K£100,000 Tuuru Project in Meru District, assisted by a K£90,000 external grant.

A number of the larger projects include several schemes; the total number of schemes is 135.

The activities in this field of bodies other than the Water Development Division are reviewed briefly in the rest of this section.

6.12. *Mombasa Pipeline Board.*—The Mombasa Pipeline Board is a statutory body established under a 1957 Act of the same name "for the development, supply, and distribution of water within the Mombasa District and elsewhere". For the most part it fulfills its obligations by providing water, in bulk, to Gazetted Water Undertakers. In pursuit of its objects the Board has been responsible for considerable expenditure on trunk and service pipelines and storage reservoirs.

MOMBASA PIPELINE BOARD, SUMMARY OF ACTIVITIES, 1964/65-1969/70

Table 6.6

	Unit	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
Sales of Water	million gallons	2,051	2,095	2,270	2,271	2,385	2,490
Revenue from Sales of Water..	K£'000	408	429	465	466	533	556
Capital Expenditure During Year	K£'000	3	9	111	220	90	51
Outstanding Loan Liability at end of year	K£'000	5,272	5,264	5,245	5,334	5,285	5,194

6.13. *Ministry of Health.*—The Ministry of Health has become an important factor in rural community water supply since, beginning in 1960, substantial assistance from the United Nations Children's Fund and the World Health Organization has been channeled through this Ministry on a rural supply demonstration programme. Five stages have been completed since 1960, the sixth substantially completed, and a seventh proposed. However, this demonstration programme is to be phased out over the next four years.

WHO/UNICEF ASSISTED RURAL WATER SUPPLY PROGRAMME IN KENYA
STAGES, ALLOCATIONS AND COSTS, 1960/61-1969/70

Table 6.7

Stage and Period	Number of Schemes	Number of Districts involved	Total Cost K£	Value of UNICEF contribution		Estimate of Number of persons benefited	Average cost per scheme K£	Average cost per capita KSh.
				K£	Total			
1 1960-61	13	3	25,100	17,300	69	30,000	1,931	16.71
2 1962-63	34	10	65,700	45,300	69	34,500	1,931	38.06
3 1964-65	39	15	75,300	52,000	69	33,500	1,931	44.91
4 1966-67	63	12	63,900	26,000	41	66,000	1,014	19.35
5 1967-68	34	13	50,000	33,300	67	49,000	1,470	20.42
6 1968-69	42	20	71,400	40,300	57	80,000	1,700	17.85
7 (Proposed) 1969-70	106	34	238.100	**92,100**	39	129,300	2,078	34.06

6.14 *Community Development Department.*—This Department of the Ministry of Co-operatives and Social Services promotes and assists self-help schemes in rural communities. The programme has been in operation since Independence and includes (among many items) improvement of community water supplies. The calendar year 1967 is the first year for which detailed statistics are available for self-help water supply schemes. A feature of these projects is the very high proportion of the total cost, usually close to 90 per cent, met by the beneficiaries themselves.

VALUE OF COMMUNITY SELF-HELP WATER SUPPLY AND IMPROVEMENT SCHEMES
1967-1969

Table 6.8 K£'000

	1967	1968	1969
Value of Water Supply Schemes Completed	77	124	123
Value of Contribution of Beneficiaries:–			
Labour	23	22	23
Materials	16	46	46
Cash	28	39	40
Total value of Beneficiaries' Contribution	67	107	109
Per cent of Total Cost	86.8	86.0	88.7

6.15. *Expenditures by Local Authorities.*—The total of capital expenditures on water by municipalities and county councils is dominated by the expenditures of the Nairobi City Council. The apparent reduction in the level of expenditures on water supplies in the last two years is due almost entirely to a small outlay by Nairobi. During 1969 and 1970 preliminary investigations and design work have been under way on the enlargement of the Nairobi undertaking with the construction of the Chania-Kimakia-Thika scheme. This project, to cost K£4.9 million, will have the first stage, the storage, completed in 1973. Kisumu Municipality plans to spend some K£25,000 on extensions to the water purification plant by April 1970. This is part of the K£60,000 project to expand and improve the Kisumu water supply system.

CAPITAL EXPENDITURES ON WATER SUPPLY UNDERTAKINGS BY LOCAL AUTHORITIES, 1964/65-1969/70

Table 6.9 K£'000

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
Municipalities	82	297	588	545	315	269
County Councils	19	13	18	26	37	40
TOTAL	101	309	606	571	353	309

6.16. *Groundwater.*—In Kenya groundwater is by far the most important water resource. There are extensive groundwater resources which are under developed except in the Nairobi area where conservation measures have been implemented. The mean water table is about 80 m (260 ft.) below surface, which is considerably deeper than the normal depth in other parts of Africa. The lack of perennial streams has resulted in the development of water by boreholes. From 1927 to 30th June, 1969 some 3,700 boreholes have been drilled.

6.17. By means of a Borehole Subsidy Scheme the Government encourages the development of underground water for agricultural purposes. A farmer with over 3.2 hectares (8 acres) of land who has a borehole sited by a Government geologist may, if the borehole proves unsuccessful, recover up to 75 per cent (with a maximum of K£900) of the cost of the borehole.

BOREHOLES DRILLED AND SUBSIDY PAID, 1965/66-1968/69

Table 6.10

		1965/66	1966/67	1967/68	1968/69
Boreholes Drilled	No.	46	48	54	81
Successful Boreholes	No.	38	42	48	44
Percentage Successful to Number Drilled	%	82.6	87.5	88.9	54.3
Subsidy Paid	K£	2,599	3,470	2,793	4,009

The relatively low percentage of successful boreholes to the number drilled in 1968/69 was due to increased activity in the North-East of the country where underground water is less plentiful than elsewhere in Kenya.

CHAPTER 7—TOURISM

7.1. The performance of the tourist sector in 1969 did not present a clear-cut picture of growth. Measured by one standard—number of visitors—the expansion of tourism in 1969 was more rapid than in 1968 though below Development Plan targets. However, in terms of the number of visitor days spent in Kenya, which is perhaps the more important criterion, there was a

slight fall in tourist activity and consequently a decrease in estimated tourist expenditure. This may reflect a narrowing in the coverage of statistics, as explained in paragraph 7.8. However, development of tourist facilities reached an encouraging level. More than 1,600 new hotel and lodge beds were provided and the number of beds occupied continued to rise rapidly. Provisional estimates suggest that tourism earned Kenya a gross amount of K£16.7 million in foreign exchange in 1969, and was thus a slightly less important foreign currency earner than coffee, the most valuable export crop.

RECORDED VISITORS LEAVING KENYA, 1965-1969

Table 7.1 *Thousands*

	1965	1966	1967	1968	1969
Visitors leaving East Africa	73.4	103.6	127.6	144.5	153.7
Visitors leaving for Uganda and Tanzania	119.2*	125.1*	131.4*	112.3	122.3
TOTAL VISITORS	192.6	228.7	259.0	257.1	276.0

*Estimated.

7.2. Total numbers of departing visitors to Kenya in recent years are shown in Table 7.1. The comprehensive series covering visitors departing to Uganda or Tanzania and visitors departing overseas was started in mid-1967, and this is therefore the first time that it has been possible to make comparisons on a full year basis. Previously travellers were only counted when they left Kenya for destinations other than Uganda and Tanzania, and, as Table 7.1 shows, a substantial proportion of all departures from Kenya went unrecorded. The estimates for departures through Uganda and Tanzania in 1966 and previous years are based on the 1967 figures, using a 5 per cent per annum growth assumption, and must therefore be treated with some caution. After apparent stagnation between 1967 and 1968, total departures rose by nearly 7.5 per cent in 1969.

7.3. Total arrivals of visitors and persons in transit are shown in Table 7.2, together with a breakdown by nationality of departing visitors. It should be noted that, strictly speaking, the statistics record *visits* not *visitors.* The rate of increase of arrivals was 12 per cent between 1968 and 1969, well above the world average increase of 8 per cent, and considerably faster than the growth of departures. This difference partly arises out of "overlapping" and seasonal effects—with a growing number of visitors to Kenya, it is likely that arrivals will exceed departures in any given period. The arrivals series is also swollen slightly by the inclusion in it of visitors who subsequently decide to become permanent immigrants, and who consequently are never recorded as departing visitors. It is also possible that some departures are not being recorded, because not all frontier crossings are provided with immigration controls and because immigration officials may be more concerned to check travellers entering Kenya than those leaving. Comment in the following paragraphs is confined mainly to the departure figures, which, although possibly

Table 7.2 RECORDED VISITORS BY PURPOSE OF VISIT AND NATIONALITY, 1968 AND 1969 *Thousands*

COUNTRY OF NATIONALITY	HOLIDAY VISITORS		BUSINESS VISITORS		PERSONS IN TRANSIT		ALL VISITORS INCLUDING OTHERS*	
	1968	1969	1968	1969	1968	1969	1968	1969
(a) Total Arrivals	150.8	186.3	35.1	28.2	74.4	72.4	262.0	293.3
(*b*) Total Departures	149.0	171.6	33.8	29.3	69.7	63 8	257.1	276.0
Of which:								
United Kingdom	47.1	53.1	12.5	10.3	25.7	21.5	86.6	88.1
West Germany	11.4	11.8	1.5	1.2	2.2	2.6	15.3	16.1
Italy	4.1	5.0	1.1	0.8	2.4	2.2	7.8	8.5
France	3.5	4.4	0.7	0.5	1.6	1.7	5.8	6.8
Switzerland	4.9	6.0	0.5	0.4	0.7	0.9	6.2	7.5
Other European	11.0	12.8	2.7	2.5	4.8	4.8	18.7	20.8
TOTAL EUROPEAN	82.0	93.1	19.0	15.7	37.4	33.7	140.4	147.8
United States	25.2	31.1	3.9	2.9	6.6	7.0	36.1	42.2
Canada	2.3	2.9	0.5	0.5	1.2	1.3	4.1	4.8
TOTAL N. AMERICAN	27.5	34.0	4.4	3.4	7.8	8.3	40.2	47.0
India	6.2	6.8	1.2	0.9	5.9	5.0	13.6	13.2
Japan	0.5	0.8	0.8	0.9	0.6	1.0	1.9	2.7
Other Asian	1.2	1.4	0.3	0.4	1.9	1.6	3.6	3.6
TOTAL ASIAN	7.9	9.0	2.3	2.2	8.4	7.6	19.1	19.5
Uganda	5.0	6.7	1.7	2.1	2.4	2.2	9.4	11.3
Tanzania	22.4	24.0	3.9	3.8	5.1	4.7	32.4	35.3
Zambia	0.3	0.2	0.3	0.3	1.2	0.8	1.8	1.3
Other African	1.5	1.6	1.3	1.2	5.0	3.6	8.0	6.9
TOTAL AFRICAN	29.2	32.5	7.2	7.4	13.7	11.3	51.6	54.8
Australia and New Zealand	1.1	1.4	0.4	0.3	0.8	0.8	2.3	2.6
Israel	0.9	1.0	0.4	0.4	1.5	1.8	2.8	3.4
All other Countries	0.3	0.4	0.1	0.1	0.3	0.2	0.6	0.9

*"Other visitors" are those not covered by the holiday, business and in-transit categories.

understating the true expansion of tourism, have the advantage of recording completed visits, and may be related to the total length of stay and hotel occupancy statistics given below.

7.4. The most notable feature of the purpose of visit breakdown in Table 7.2. is the decline in business and in-transit visitors between 1968 and 1969. In-transit visitors are persons with in-transit passes entitling them to remain in Kenya for up to seven days while waiting for the next onward connexion to their place of destination, and in terms of expenditure per visitor are less important to the tourist industry than other types of visitors. The decline in business visitors was more than compensated by the rapid rise in holiday visitors—15 per cent and 24 per cent for departures and arrivals respectively. It should be noted that the classification of visitors into purpose of visit categories is to some extent influenced by the opinion of immigration officers on the *principal* purpose of a traveller's visit. The distinction between holiday and business visits may be very fine at times, and changes in the interpretation of this distinction may be reflected in the statistics.

7.5. North American, Swiss, French, Israeli. Japanese and Ugandan visitors increased particularly rapidly in percentage terms, although the absolute numbers involved were generally small, as Table 7.2 shows. Visitors of all other nationalities except Indians, Zambians and "other Africans" also increased in number. The sharpest percentage increases for visitors on holiday were recorded for visitors from Australia and New Zealand, France, Italy, Switzerland, North America, Japan and Uganda, but nearly half of all holiday visitors are either British or American, a substantial number of them resident in Africa (see below). There is clearly tremendous scope for increasing the number of visitors by broadening the nationality base of Kenya's tourism.

7.6. One of the most interesting of the provisional results of a survey of tourists begun in late 1968 and still continuing is shown in Table 7.3. Nationality figures do not give any indication of whether a visitor is resident in East Africa or not. This is important, as it is probable that foreign nationals resident in Uganda and Tanzania spend less time and money during a visit to Kenya than persons of the same nationality resident outside East Africa. The table shows the distribution of five nationality groups of residence for a random sample of visitors leaving Kenya by air from Nairobi during the first year of the survey. It can be used to adjust the nationality figures in Table 7.2. to give figures of British tourists *from Britain* etc., which are valuable for planning and publicity purposes. It is noticeable that a relatively high percentage of British visitors were resident in East Africa, and that a substantial proportion of all visitors were resident elsewhere in Africa. These results should however be interpreted with some care, as they are not necessarily representative of visitors other than those leaving Kenya by air from Nairobi.

RESPONDENTS IN 1968-69 TOURIST SURVEY BY NATIONALITY AND COUNTRY OF RESIDENCE

Table 7.3 *Numbers*

COUNTRY OF RESIDENCE / COUNTRY OF NATIONALITY	Uganda/ Tanzania	Other African	Same as Country of Nationality	Others	Total
Uganda/Tanzania	(89)*	4	89*	5	98
United Kingdom	72	78	288	44	482
Other European	25	64	253	26	386
United States	21	41	298	34	394
All others	16	29	172	15	190
TOTAL	114	257	1,017	124	1,532

*Bracketed figure omitted from totals to avoid double counting.

7.7. This qualification also applies to the further preliminary results of the survey shown in Table 7.4. More detailed analysis of the survey, which was initiated with the aim of providing new information on the economic and social characteristics of tourists and their motivations, will be published in report form in due course. Selected summary results are presented here.

7.8. Although the number of visitors to Kenya increased between 1968 and 1969, the total number of visitor-days stayed in the country fell slightly. Table 7.5. shows that this was wholly attributable to a sharp reduction in the total stay of visitors staying more than 28 days in Kenya, possibly partly as a result of tighter immigration controls under which some persons who would previously have been recorded as visitors are now classified as permanent immigrants. The average length of stay fell to 8.5 days in 1969. Transit visitors stayed slightly longer in Kenya in 1969 than in 1968, but all other types of visitors and nearly all nationalities of visitors stayed for shorter periods on average. (Strictly speaking, these figures show the average length of *visits* and will under-estimate individual *visitors'* total stay in Kenya, because some visitors' East African itineraries include more than one period in Kenya). The reduction in long-stay visits is probably of no great significance for the tourist industry, as such visitors are more likely to stay in private homes and to use private transport than other tourists staying for shorter periods and using hotels and hired transport. It is clear from Table 7.6 that the latter increased very rapidly in 1969—hotel and lodge beds occupied by foreign residents rose by 20 per cent.

7.9. Nineteen-sixty-nine was also the first year in which beds occupied by foreign residents accounted for more than half of all beds occupied. When beds occupied by residents of Uganda and Tanzania are added, total bed-nights spent in Kenya by tourists were nearly one million, compared with a total of nearly two and a half million tourist days spent in the country *(see* Table 7.5). The difference is accounted for by nights spent in private homes, camping and other forms of accommodation not covered in the hotel occupancy

Table 7.4(a)

Purpose of Visit	Holiday	Business	Transit Stop	Total
TOTAL RESPONDENTS	806	348	378	1,532
	Percentage Distributions			
BY AGE GROUP— *(years)*				
Under 20	3.0	0.2	0.8	4.0
20-29	12.5	3.4	6.7	22.7
30-39	11.4	7.5	7.9	26.8
40-49	9.1	6.8	4.8	20.7
50-59	8.2	3.5	2.6	14.2
60-69	5.9	1.2	1.3	8.4
70 and over	2.0		0.3	2.3
Not stated	0.5	0.1	0.2	0.8
TOTAL	52.6	22.7	24.7	100.0
BY ANNUAL HOUSEHOLD INCOME— *(K£ per annum)*				
Less than 1,000	6.3	2.3	4.6	13.3
1,000-2,000	6.5	3.5	4.4	14.4
2,001-3,000	7.2	3.2	4.0	14.4
3,001-4,000	4.0	3.0	2.0	9.0
4,001-6,000	6.2	3.1	2.2	11.5
Over 6,000	10.1	3.5	2.2	15.7
Not stated	12.3	4.0	5.2	21.6
TOTAL	52.6	22.7	24.7	100.0
BY SIZE OF CITY OF RESIDENCE— *(No. of inhabitants)*				
Over 1,000,000	19.8	6.7	6.7	33.3
100,000-1,000,000	15.5	8.4	6.9	30.7
10,000-99,999	8.6	4.3	6.5	19.4
Under 10,000	7.0	2.8	3.8	13.6
Not stated	1.7	0.5	0.8	3.0
TOTAL	52.6	22.7	24.7	100.0
BY NUMBER OF PREVIOUS VISITS TO KENYA—				
None	36.1	7.4	9.4	52.9
One	6.3	2.9	4.2	13.3
Two	2.5	1.6	2.1	6.3
Three	1.4	1.8	1.4	4.7
More than three	6.3	9.0	7.6	22.8
TOTAL	52.6	22.7	24.7	100.0

RESPONDENTS ON HOLIDAY ONLY*

Table 7.4(b)

Percentages of respondents whose decision to come to Kenya was mainly influenced by:	
Friends	35.3
Travel writers, films, television	12.1
Travel agents	7.3
Posters, advertisements	3.6
Other factors	21.0
Not stated	11.6
TOTAL	100.0
TOTAL RESPONDENTS .	806

Percentages# of respondents who stated they enjoyed:	
Looking at or photographing game	66.5
Good eating and drinking	63.6
Travelling around the country	59.1
Shopping	53.3
Learning about local people	42.6
Learning about E. African history	33.0
Swimming and sun-bathing..	31.8
Visiting friends and relatives	30.3
TOTAL RESPONDENTS ..	806

*Other respondents were not asked to answer the relevant questions.

#Respondents could specify more than one activity, so total responses exceed total respondents.

TOTAL AND AVERAGE LENGTH OF STAY, 1968 AND 1969

Table 7.5

	THOUSANDS OF DAYS STAYED		AVERAGE LENGTH OF VISIT (DAYS)	
	1968	1969	1968	1969
LENGTH OF STAY—				
0-14 days	953	1,019	4.4	4.4
15-28 days	511	572	19.5	19.1
Over 28 days	976	761	67.5	54.0
TYPE OF VISITOR—				
Holiday	1,860	1,895	12.1	11.0
Business	389	236	11.5	8.1
Transit	145	142	2.1	2.2
Others	46	79	10.5	7.1
NATIONALITY OF VISITOR—				
British	882	822	10.2	9.4
Other European	592	565	11.0	9.5
American/Canadian	381	386	9.5	8.2
Asian	196	185	8.9	8.1
Ugandan/Tanzanian	304	315	7.3	6.8
Other African	65	53	6.7	6.6
All Others	20	25	6 6	7.2
TOTAL	2,440	2,352	9.5	8.5

HOTEL BED OCCUPANCY, 1965-1969

Table 7.6 *Thousands*

	1965	1966	1967	1968	1969
Kenya residents				417.6	419.3
Residents of Uganda or Tanzania	375.4	394.6	423.3	97.9	103.3
Foreign residents	394.0	561.6	640.9	726.4	875.6
Permanent residents*	233.0	232.3	233.3	244.2	234.3
TOTAL Beds OCCUPIED					
TOTAL AVAILABLE	2,130.9	2,159.5	2,494.2	2,850.0	3,251.6
Bed Occupancy Rate (per cent)	47.0	54.5	52.0	52.2	50.2

*persons staying one month or more in one hotel.

statistics. Slightly fewer beds were occupied by Kenya residents, including permanent residents, in 1969 than in 1968; the overall growth of 10 per cent in total beds occupied was therefore entirely due to the increasing numbers of tourists staying in hotels and game lodges.

7.10. New hotels and lodges opened in 1969 included two international hotels in Nairobi with nearly 1.000 beds, two game lodges at Voi and Ngulia with 100 beds each, a 60 bed lodge in the Aberdares and a 200 bed hotel at the Coast. A number of smaller hotels and lodges were opened at the Coast and in the game viewing areas, and many existing establishments expanded their accommodation. This new construction increased the number of bed-nights available by 14 per cent. The percentage increase in the number of beds was considerably larger than this, but the new accommodation was available for less than the whole year in most cases: its full effect on capacity will be felt in 1970.

7.11. The construction of the two new international hotels in Nairobi in 1969 and the completion of extensions to another have considerably eased the pressure on this class of accommodation, and although beds occupied rose by 15 per cent, the bed occupancy rate fell sharply to 63 per cent. In other Nairobi hotels the growth of capacity exceeded the growth of demand by a small margin and occupancy rates fell slightly. In beach hotels this position was reversed, with a 9 per cent increase in capacity being exceeded by a 17 per cent increase in demand, almost entirely from foreign residents. In the southern game and Mount Kenya areas, available accommodation was rapidly expanded and demand also rose, although not quickly enough in the former area to prevent a decline in the occupancy rate. Capacity elsewhere in Kenya remained virtually static; the occupancy rates for the lodges in the northern game area improved, but remained low, and in the Central Rift and West Kenya areas occupancy rates continued to fall. The details of these changes are shown in Table 7.7 and 7.8.

HOTEL BEDS AVAILABLE AND OCCUPIED, 1965-1969

Table 7.7 '000 *Bed-Nights*

Year/Quarter	NAIROBI				COASTAL				OTHER										Total Beds Occupied	Total Beds Available
	International		Other		Beach		Other		Southern Game Area		Northern Game Area		Mt. Kenya Area		Central Rift		West Kenya			
	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
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
1967	241.5	46.8	95.6	264.6	159.8	107.7	42.4	44.7	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
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
1969	287.2	45.2	132.8	305.8	257.4	146.0	49.1	116.4	87.6	30.9	6.5	2.2	39.3	37.4	9.5	31.4	6.3	41.8	1,632.9	3,251.6
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	13.6	356.5	587.5
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
3rd Quarter .	63.7	11.7	24.1	60.9	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
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
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
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
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
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
1969—																				
1st Quarter	75.1	12.4	42.1	79.2	100.0	32.2	15.1	27.3	29.2	6 3	2.8	0.5	13.6	9.3	3.8	8.4	2.2	11.6	470.8	764.7
2nd Quarter ..	53.5	9.4	28.2	79.7	33.4	25.6	7.4	27.8	10.2	6.4	0.5	0.5	5.1	9.2	0.8	9.1	1.1	10.0	317.8	775.5
3rd Quarter ..	78.4	10.8	32.5	75.0	56.3	46.5	13.3	30.5	24.6	9.5	2.1	0.5	10.9	10.9	2.9	7.3	1.7	10.8	424.5	848.4
4th Quarter ..	80.2	12.6	29.9	72.2	67.8	41.7	13.3	30.8	23.6	8.7	1.1	0.7	9.7	8.0	2.0	6.7	1.3	9.4	419.8	863.0

HOTEL ROOMS AND BEDS AVAILABLE AND OCCUPIED, 1965-1969

Table 7.8 *K£million*

	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*	*39*	*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*
1969—										
Rooms available (000)	318	475	388	191	138	12	113	81	88	1,804
Occupancy rate (per cent) ..	*76*	67	*59*	*61*	*49*	*43*	*45*	*34*	*45*	*61*
Beds available (000)	524	774	761	354	306	27	204	142	146	3,252
Occupancy rate (per cent) ..	*63*	*57*	*53*	*47*	*39*	*32*	*38*	*29*	*33*	*50*

7.12. The new Development Plan envisages, on the basis of past trends, an increase of 15 per cent per annum in beds occupied in the years 1970 to 1974. It was calculated that if average occupancy rates could be increased to 62 per cent by 1974, then this additional demand could be met by the provision of 5,000 new beds during the period, the majority at the coast and in game lodges. However, the demand for beds in 1969 fell below the expected trend; the number of hotel beds occupied by foreign residents increased by 21 per cent as predicted in the Plan but the demand for accommodation by East African residents fell. As a result, the overall bed occupancy rate in Kenya fell from 52 per cent in 1968 to 50 per cent in 1969. As a short term movement this need not be a cause for undue concern, but it is clear that unless occupancy rates can be improved either fewer visitors will be visiting Kenya than were predicted, or more accommodation will have to be provided to cope with demand at peak periods. Increasing occupancy rates is economically much more efficient than building new accommodation, and can be achieved by a number of means, including general publicity to increase overall demand, specific measures to increase demand outside peak periods, more efficient booking systems and renovation of older premises. As mentioned below, action on these lines is being taken. Perhaps the most important single improvement would be the smoothing out of the highly seasonal pattern of hotel occupancy; it is encouraging to see that off-peak tariff reductions are becoming more general, but the whole question of the optimum pricing policy for accommodation is one which merits closer attention. Aspects particularly worth investigating would be the price and income elasticities of demand for various types of accommodation, and whether or not policies which yield maximum short-term gains are optimal for tourist development in the longer term.

7.13. New accommodation under construction includes lodges in the Taita Hills, the Aberdare Forest and Meru National Park, which will provide nearly a quarter of the target of 1.600 new lodge beds by the end of 1974. Sites for 16 other lodges have been chosen, and some plans have been drawn up, including those for a bird-observation lodge at Lake Nakuru. At the Coast, there will be a need for over 3,000 new beds by 1974; it is planned that the majority of these should be concentrated in three coast development centres, at Kongo/Diani. Kilifi/Mtondia and Watamu. This lodge and hotel development programme is ambitious, but the interest shown by private investors from Kenya and abroad is encouraging, although the number of project plans finalised is as yet small in relation to the expected need for new hotels, especially at the Coast. It is therefore essential that all those concerned with the development of hotels and lodges should co-operate fully to avoid needless delays which will deprive the country of tourist revenue.

7.14. Although providing accommodation for additional tourists is important, it is also essential that other facilities should be improved. Chief among these are transport facilities. Plans for the expansion of Nairobi and

Mombasa airports are discussed in Chapter 8. The major tourist road project is the Kijabe-Mara road through Narok, improving access to the Mara game reserve and the Northern Tanzania park circuit; improvements to roads in Tsavo, Meru and the Aberdares and at the Coast development centres will be carried out soon, and, later, new tourist routes in the northern game area will be developed. Tourists will also benefit from the general improvements to the country's road system detailed in paragraph 8.14. The three coast development centres will provide recreational and entertainment facilities for tourists on beach holidays; and it is planned to develop the Lake Naivasha area as a recreational centre primarily for local residents.

VISITORS TO NATIONAL PARKS, 1965-1969

Table 7.9 *Numbers*

	1965/66	1966/67	1967/68	1968/69
Nairobi National Park	111,920	116,531	119,424	103,677
Tsavo National Park (East)	23,754	25,146	19,773	22,320
Tsavo National Park (West)	28,030	36,624	32,357	38,460
Lake Nakuru National Park			13,769	39,678
Mountain National Parks	5,735	8,835	11,644	22,721
Meru National Park		50	801	1,285
Marine National Parks				16,229
TOTAL	169,439	187,186	197,768	244,370

7.15. The substantial increase in the number of visitors to Kenya's National Parks is shown in Table 7.9. Although visitors to Nairobi National Park fell, all other Parks had more visitors, the increase in visitors to Lake Nakuru being particularly striking. The immediate success of the Marine Parks at Watamu, opened in 1968, is also apparent. No new parks were created during 1969, but Mount Kenya National Park was extended and it is expected that an area on the north-eastern corner of Lake Rudolf will be gazetted in the near future. The Trustees have an ambitious development programme for the National Parks, including projects for improved tourist facilities, education, wild life management, research and purchases of additional land, buildings and vehicles. The total cost will be K£0.72 million in 1969-74, but progress is being held up by difficulties in obtaining funds to supplement the existing Government grant. Similar problems are being faced by the Game Department, which is responsible for wildlife outside the National Parks. The inability to implement planned expenditures is regrettable. as the National Parks and game reserves are probably Kenya's main tourist attractions (*See* Table 7.4*b*). The appeal of the game-viewing areas would be increased if descriptive pamphlets were readily available and on-the-spot information services on where the most popular animals may be seen could be improved.

7.16. To date, the development of the tourist industry has been largely a question of providing facilities, especially accommodation, to meet existing demand. But it would be unwise to assume that this demand will continue to grow automatically, and Kenya's tourist publicity will have to be stepped up rapidly if the country is to hold its own in the race to tap the world mass tourism market. This was one of the major conclusions of an international seminar on Kenya's tourist development held in Nairobi in December to mark the end of the International Year of African Tourism. It was agreed that the sums allocated for official tourist promotion in the Development Plan were inadequate and a new programme for promotion is now being drawn up. This will supplement the already considerable efforts of the private sector and the airlines. A new government tourist office will be established in Paris in addition to the three already existing in London, Frankfurt and New York, to disseminate tourist information on the spot, and publicity campaigns will be mounted in the travel trade press and in national newspapers and magazines. As well as aiming to increase the overall demand for visits to Kenya, other major objectives of the campaigns will be to extend Kenya's tourist season, and to publicise the country's lesser known attractions which include bird-watching, to be encouraged by the construction of a lodge at Lake Nakuru. fresh-water and deep-sea fishing, water sports, and mountaineering, mountain walking and pony trekking, as well as spectacular scenery off the main existing tourist circuits and the chance of seeing traditional African ways of life. Kenya also recently became the base for sea and air trips to the Seychelles and other Indian Ocean islands, and the site of East Africa's first casino. The promotion and development of these additional attractions will undoubtedly enhance Kenya's tourist potential.

7.17. The Kenya Tourist Development Corporation will eventually be the agency chiefly responsible for this promotional campaign. The Corporation's main function is however to assist the private sector in establishing hotel and lodge accommodation, and it has a stake in many of the hotels and lodges at present under construction or recently completed. Total investment to date has been some K£1.2 million, of which K£0.2 was made in 1969. New K.T.D.C. investments in hotels and game lodges may total K£1.7 million in 1970-74. A further K£0.5 million has been allocated for a programme of loans for hotel modernization, to be concentrated particularly in the Central Rift and West Kenya areas. Other planned developments are the construction of a traditional village near Nairobi, and the introduction of a central booking system for accommodation.

7.18. Expenditure by visitors to Kenya in 1969 is estimated to have been K£16.7 million, compared with a revised estimate of K£17.3 million for 1968. These figures are based on average visitor-day expenditures derived from the survey mentioned in paragraph 7.6 and the statistics of total **visitor**-days spent in Kenya in each year, adjusted to take account of a different pattern of expenditure by visitors resident in East Africa. The fall between the two

years is wholly accounted for by the decrease in the expenditure of long-staying visitors, whose total stay in Kenya fell sharply in 1969 (*see* paragraph 7.8). The estimates include an allowance to cover prepayments. These are payments for hotel and touring expenses which are made by tourists on package tours to a travel agent abroad before arrival in Kenya, and which are eventually remitted to tour operators and hoteliers in Kenya. Also included are estimates of the expenditure of naval personnel visiting Mombasa, and of V.I.P.s and other persons not recorded in the migration statistics. These figures probably underestimate total receipts from tourism, because they do not include all the earnings of Kenya based carriers from transporting tourists to and from Kenya, but they do show that there can be no room for complacency if the target of K£37 million in tourist earnings in 1974 is to be met. Once imports of goods and services used by tourists have been paid for, about 75 per cent of tourist expenditures are left as net foreign exchange earnings; but the value of these expenditures lies not only in their foreign exchange content, but also in their employment and income generating effects. A recent study showed that further investment in tourism will be one of the most efficient ways of increasing employment, national income and foreign exchange earnings in Kenya, and also concluded that the industry provided a substantial net revenue to the Government. Recognizing this, the Government is giving substantial assistance to the tourist industry and may provide nearly half of the expected total expenditure of K£14 million on tourist development (including tourist roads) in 1970-74. as well as financing airport development and other road improvements.

CHAPTER 8—TRANSPORT AND COMMUNICATIONS

Kenya has an extensive transport system which includes road, rail and air facilities and inland and coastal water services. The development of this system has to meet the objective of providing economical and efficient transport services to aid the growth of the economy, and Government policy is that each particular mode of transport should be encouraged to provide the type of service for which it is most appropriate. Railways are particularly suitable for long-distance bulk shipments, while road transport has advantages of flexibility in routes, speed and load sizes. Shipping services are vital for overseas trade, and although inland and coastal water services are at present relatively less important than overseas shipping, they are expected to develop as trade increases along the Coast and on Lake Victoria. Air transport provides rapid international and regional transport of passengers and freight, and is of particular importance for the development of the tourist industry and international markets for perishable commodities.

TRANSPORT AND COMMUNICATIONS—VALUE OF RECEIPTS, 1965-1969

Table 8.1

K£'000

	Railway Transport	Road Transport	Water Transport	Air Transport	Services Incidental to Transport#	Total Transport and Storage	Communi-cations	Total Transport, Storage and Com-munications
1965—								
Public	15,066.0	19.3	10,302.5	5,786.5	158.8	31,333.3	5,165.5	36,498.8
Private		12,155.5	710.9	1,066.6	2,393.6	16,326.3	808.8	17,135.1
Total	15,066.0	12,174.8	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		13,974.4	864.3	1,338.3	3,134.8	18,711.8	1,213.1	19,924 9
Total	16,977.0	13,374.4	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	36,791.9	5,445.1	42,236.7
Private		15,760.2	889.1	1,335.6	3,239.8	21,224.7	1,368.5	22,593.2
Total	16,966.0	15,936.1	12,096.4	9,625.1	3,393.7	58,016.3	6,813.6	64,829.9
1968-								
Public	16,957.9	577.6	12,753.1	9,277.9	156.6	39,723.1	6,039.0	45,762.1
Private		19,034.0	1,662.4	1,471.1	4,017.0	26,184.5	988.2	27,172.7
Total	16,957.9	19,611.6	14,41.5	10,749.0	4,173.6	65.907.6	7,027.2	72,934.8
1969*—								
Public	16,729.3	1,004.3	13,218.4	10,082.5	180.2	41,214.7	6,987.0	48,201.7
Private		19.510.0	1,625.8	1,569.1	3,913.0	26,617.9	995.4	27,613.3
Total	16,72.3	20,514.3	14,844.2	11,651.6	4,093.2	67,832.6	7,982.4	75,815.0

*Provisional

Including storage

8.2. The relative importance of the various transport and communications industries in terms of receipts is shown in Tables 8.1 and 8.2. The provisional estimates for 1969 show that the public sector accounted for 64 per cent of total receipts, as a result of the dominant position of the Railways and Harbours Corporations, the Posts and Telecommunications Corporation and East African Airways. Only receipts from the transport and communications operations of these public corporations are shown in the table; receipts for work done by their subsidiary workshop and construction departments are included elsewhere, in the manufacturing and repairs and building and construction industries.

8.3. The figures in Tables 8.1 and 8.2 inevitably understate the total amount of road transport activity in Kenya because they do not cover private travel nor the carriage of goods by non-transport firms using their own vehicles. But, even without making allowance for this, in 1968 road transport overtook the railways as the most important overall mode of transport in Kenya, in terms of receipts, although the railways remained the principal mover of freight. Water transport is third in size and is followed by air transport, which has been expanding rapidly as East African Airways and charter operators have expanded their activities. After a rapid increase in 1964-68, the growth of the subgroup "services incidental to transport", which includes travel agency and tourist services as well as storage and packaging, appears to have slowed down.

Railways

8.4. The railways are the largest single transport undertaking in Kenya, and account for 25 per cent of receipts from transport and storage services. Receipts from both passenger and freight traffic have however been virtually static in the last four years, while road transport has accounted for increasing shares of these markets. Faster growth of the more flexible road transport sector is to be expected as the economy develops, but its present rate of expansion poses serious problems for the railways. The basic cause of these difficulties lies in the existing differential railway tariff structure which in effect subsidizes exports and taxes imports rather than reflecting the true cost to the railways of carrying these commodities. As a result, road transporters have been able to undercut the railways for the movement of imported goods, particularly petroleum, leaving them to bear the costs of carrying export commodities unprofitably. Adjustments to petroleum freight rates have already been made, but, if the railways are to remain viable, further modifications to the tariff structure will have to be made; it is Government policy that such action should be taken, to stimulate development of the kinds of transport service for which the railways have inherent advantages.

PASSENGER AND FREIGHT RECEIPTS, 1965-1969

Table 8.2 K£'000

	1965	1966	1967	1968	1969*
Passenger Traffic:					
Rail	1,075.8	1,123.3	1,098.0	1,106.2	1,087.4
Road	4,970.6	6,473.9	7,326.7	8,703.6	9,540.4
Total	5,946.4	7,597.4	8,424.7	9,809.8	10,627.8
Freight Haulage:					
Rail	13,990.3	15,853.5	15,868.0	15,851.6	15,641.9
Road..	7,304.2	6,900.5	8,608.4	10,908.0	10,973.9
Total	21,294.5	22,754.0	24,476.4	26,759.6	26,615.8

*Provisional

8.5. To enable such services to be provided competitively and efficiently, the entire railway system is being modernized and its capacity increased. Kenya's share of the development programme for 1970-74 will be more than K£20 million. Approximately half of this amount will be spent on improvements to lines open for traffic, and the bulk of the remainder will be used to purchase locomotives and rolling stock. The World Bank has approved finance to assist with the implementation of this programme. In addition, the Corporation will continue with its training programmes for employees at all levels of responsibility.

Harbours and Shipping

8.6. Nearly all the overseas exports and imports of Kenya and Uganda pass through the port of Mombasa. Details of freight handled are shown in Table 8.3 which indicates how the level of activity in the harbour has fluctuated in recent years. After a sharp upturn in 1968, the total throughput of freight fell back in 1969 to the level of 1966 and 1967. The table shows that this was the result of reduced landings in 1969 of both dry cargo and bulk liquids (predominantly unrefined petroleum) and reduced loadings of bulk liquids (predominantly petroleum products—but *see* paragraph 3.22), while loadings of dry cargo showed a slight increase.

8.7. The upward trend in the tonnage of cargo handled at Mombasa will undoubtedly continue, despite year-to-year fluctuations, as a result of expanding production and exports in Kenya and Uganda. Plans for extending the port's facilities have been drawn up by the East African Harbours Corporation, which is responsible for the administration and development of East Africa's sea-ports. Total planned expenditure for Mombasa in 1970-74 exceeds K£13.5 million, of which a large proportion will be covered by a World Bank loan. Work to be done includes the development of bulk

handling installations for cement (now in progress) and grains, and the construction of at least two new berths, which could eventually be converted for container handling. Also planned are improvements to some of the thirteen existing deep-water quays, additional warehousing and cold storage facilities and continued modernization to facilitate the use of road transport in the port, which was initially designed primarily for access by rail.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1965-1969

Table 8.3 '000 *Metric Tons*

	1965	1966	1967	1968	1969
Landed:					
Dry Cargo	-	-	-	994	885
Bulk Liquids	-	-	-	2,381	2,165
Total	2,677	3,185	2,879	3,375	3,050
Loaded:					
Dry Cargo	-	-	-	1,316.0	1,343
Bulk Liquids	-	-	-	1,212	698
Total	1,737	1,907	2,104	2,528	2,041
TOTAL FREIGHT HANDLED ..	4,414	5,092	4,983	5,903	5,091

8.8. Much of the shipping to and from Mombasa operates under Conference agreements, providing regular scheduled services. The main Conferences involved are the East African, for trade with the United Kingdom and Europe, and the Canadian, the American and the Far East Conferences for trade with North America and the Far East respectively. It is expected that the Inter-Governmental Standing Committee on Shipping, which represents the East African Governments and Zambia, will soon be given full powers for conducting negotiations with the Conferences on the freight rates they charge. Probably as a consequence of their rising freight rates, the Conference lines face a certain amount of competition in the form of non-conference vessels which are not bound to observe Conference rules and which may negotiate freight rates directly with shippers, although there is no guarantee that they will provide a regular service.

8.9. The Eastern Africa National Shipping line, a member of the East African Conference Lines, is the shipping organization of the three East! African countries and Zambia, and is owned by the four Governments equally, in partnership with a private company. The Line, formed in 1966, now owns four ships which are operated between East African and European ports, together with additional ships on charter when extra capacity is needed.

Road Transport

8.10. The improvements to roads in Kenya in recent years have encouraged rapid growth in the road transport industry, both for passengers and freight. Since 1965 total receipts from the road transport industry proper have increased by 68 per cent and now exceed total receipts from railway transport by K£3.8 million. This figure would be considerably higher if private motoring activities and own-account transport work by non-transport firms could be included. The number of licences issued for passenger and freight vehicles for hire since 1965 are shown in Table 8.4. Although the increase in numbers issued for freight transport is not particularly striking, the average capacity of vehicles licensed has been growing more rapidly. Passenger service vehicles licensed include minibuses, used mainly for tourist transport, and taxis and hire cars as well as buses, and have steadily increased, making possible the rapid growth of the passenger transport industry shown above in Table 8.2. It is Government policy to give preference to African transporters in the issue of transport licences and increasing numbers of them are now in the heavy haulage business as well as passenger transport.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1965-1969

Table 8.4 *Numbers*

	1965	1966*	1967*	1968*	1969*
Passenger Service Vehicles	3,153	3,358	3,729	4,200	*n.a.*
Freight Transport Vehicles ..	2,700	2,662	2,625	2,622	2,657
TOTAL	5,853	6,020	6,354	6,822	*n.a.*

*Estimated

8.11. Registrations of new vehicles more than recovered from the slow-down in 1968, increasing by nearly 15 per cent, and were higher than in any previous year, reflecting both the growth in consumers' incomes and increased investment in road transport equipment by the commercial sector. The average rate of growth of new registrations since 1964 has been nearly 10 per cent per annum, with registrations of lorries and motor-cycles showing particularly sharp rises.

NEW MOTOR VEHICLE REGISTRATIONS, 1965-1969

Table 8.5 *Numbers*

	1965	1966	1967	1968	1969
Motor cars	5,031	5,579	6,014	5,630	6,299
Utilities	3,402	3,636	4,212	3,465	4,232
Lorries	685	1,231	1,621	1,483	1,760
Buses	252	239	339	271	311
Motor cycles	729	871	978	1,016	1,244
Others	850	1,301	1,186	1,186	1,045
TOTAL	11,049	12,857	14,350	13,051	14,981

8.12. An indication of total road traffic growth is given by the consumption of petrol and light diesel fuel, as shown in Table 8.6. Petrol consumption in 1969 rose by 8 per cent, above the 1965-69 average rate of growth of 6 per cent per annum, while the increase in light diesel fuel consumption in 1969 was, at 4 per cent, considerably lower than the trend increase of 12 per cent per annum in 1965-69. This suggests that, in contrast to the longer term trend, light petrol-using traffic grew more rapidly in 1969 than diesel-using traffic, although a substantial amount of light diesel is used in agriculture. Diesel consumption by road transport and agriculture was in fact virtually static in 1969, since most of the total six million litre increase in consumption was accounted for by increased consumption by the railways, which use approximately 20 per cent of all light diesel fuel consumed as well as being the major consumer of heavier fuel oils.

CONSUMPTION OF PETROLEUM PRODUCTS USED IN TRANSPORT, 1965-1969

Table 8.6 *Thousand Litres*

	1965	1966	1967	1968	1969
Petrol (motor spirit) ..	161,653	169,996	183,589	196,767	212,830
Light Diesel Fuel	118,759	134,729	148,385	176,919	183,885
Heavy Diesel Fuel	28,912	32,140	32,572	35,404	36,824
Fuel Oil	414,497	438,858	458,301	149,457	352,560
Petrol (aviation spirit)	10,374	11,563	10,006	6,869	7,803
Turbo Fuel	104,880	154,194	153,872	176,942	202,957

8.13. The activities of Kenatco. a public transport company, continued to expand in 1969. The company's main activities are freight transport and transport for tourists. The freight haulage fleet includes some 80 lorries and 60 trailers, of which 36 units were purchased in 1969 at a cost of over K£300,000, and haulage activities, although centred in East Africa, have recently been extended to Zambia. Forty taxis are operated under the company's own name, and 80 mini-buses and 40 self-drive cars by a subsidiary company in conjunction with an international car rental organization. Kenatco is therefore one of the largest transport operators in Kenya and its present employment exceeds 600 persons. The company needs to consolidate its financial position and to improve utilization rates before undertaking any further major expansion of its vehicle fleet.

8.14. The Government is giving high priority to the development of Kenya's road system, with a new emphasis on feeder roads for rural areas. The road development programme for 1969-74 will cost more than K£43 million, and of this approximately half will be spent on trunk roads, a third on feeder roads and the remainder on special road development projects. Too little has been spent on road maintenance in the past, but substantial sums have now been allocated to it. Expenditure on development projects in

1969/70 totalled K£8.8 million, and K£3.1 million was spent on road maintenance, compared with K£4.5 million and K£2.2 million on road development and maintenance respectively in 1968/69. These expenditures will show further substantial increases in 1970/71. Major road projects completed in 1969 include two trunk roads in South Nyanza and Kilifi District, the Eldoret-Tororo road, and Phases 1 and 11 respectively of the development of "sugar" and "tea" roads to facilitate the movement of these crops from the growing areas to the main transport network. Work is now in progress on major projects including the Athi River-Namanga, Nairobi-Addis Ababa and Kijabe-Narok roads, and the upgrading of several other trunk roads, as well as a large number of smaller projects. Considerable delay in the completion of the Athi River-Namanga road has been caused by the contractor running into financial difficulties.

Civil Aviation

8.15. The continued increases in passenger and freight handled at Nairobi airport are shown in Table 8.7. The importance of the airport as an international crossroads is indicated by the high proportion of transit passengers in total passengers handled, and the rapid increase in air freight handled reflects a growing awareness of the advantages of this form of transport for certain products. Traffic through Kenya's second airport, at Mombasa, has also increased rapidly; in 1969 an estimated 225,000 passengers were handled there. This was an increase of 80 per cent on the previous year, and highlights the need for further development of that airport. Table 8.6 shows that the uplift of turbo fuel from Kenya has nearly doubled in five years as a result of the increased size of aircraft and the increased frequency of their movements within and through Kenya.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1965-1969

Table 8.7

	1965	1966	1967	1968	1969*
PASSENGERS (Thousands)					
Landed	166.8	195.0	220.6	248.1	284.6
Embarked	175.5	204.2	233.7	266.8	295.1
In Transit	106.4	108.3	141.1	154.7	200.1
TOTAL	448.7	507.5	595.4	669.6	779.8
FREIGHT (Metric tons)					
Cargo: Landed	2,519.3	2,856.2	3,131.7	4,203.8	4,624.4
Loaded	5,232.7	5,532.1	5,665.9	7,202.5	8,835.5
Mail: Landed	646.0	715.2	855.0	920.1	834.2
Loaded	600.5	667.8	688.1	712.0	733.1
TOTAL ..	8,998.5	9,771.3	10,340.8	13,038.4	15,027.2

*4th Quarter estimated.

8.16. East African Airways' operations continued to expand in 1969. New services were opened to Kinshasa, Bukoba, Copenhagen and Bangkok, and the frequency of other services was increased. In 1969, total aircraft kilometres flown increased by 25 per cent, passenger-kilometres by 5 per cent and freight metric-ton-kilometres by 15 per cent. At the end of 1969, the Corporation's fleet included four Super VC-10s, two Comets, four Friendships and eleven other aircraft. A fifth VC-10 was added early in 1970, and it is expected that DC-9 aircraft will be coming into service as Comet replacements by the end of the year.

8.17. Charter hire operations for tourists and businessmen account for the bulk of activity in private sector air transport, which in 1969 provided 13 per cent of total air transport sales *(see* Table 8.1). Wilson Airport near Nairobi is the centre from which most of this traffic operates, and is also the base for most general aviation activities in Kenya. As a result, it is one of the busiest airports in Africa in terms of aircraft movements. More than 80 per cent of these movements are test and training and other non-passenger carrying flights.

AIR TRAFFIC AT WILSON AIRPORT, 1965-1969

Table 8.8 *Numbers*

	1965	1966	1967	1968	1969
AIR MOVEMENTS:					
Arrivals	52,411	54,464	74,639	80,191	75,337
Departures	52,381	54,522	74,667	80,165	75,220
PASSENGERS HANDLED:					
Arrivals	5,642	6,729	7,343	6,803	8,145
Departures	6,118	7,042	7,042	6,421	8,044

8.18. The recent rapid growth of air transport has stimulated plans for the expansion and improvement of Kenya's airports to encourage tourism and air freight, and in particular to ensure that Nairobi (Embakasi) airport remains an international air centre capable of handling all types of aircraft. A long-term development programme for Embakasi has been drawn up and envisages expenditures of some K£20 million over the next 20 to 25 years. The most immediate problem at the airport is the pressure on passenger handling facilities, which will be greatly intensified once regular "jumbo-jet" services are introduced. Work is already in progress on interim improvements to the passenger building, and a new terminal complex with extended aircraft manoeuvring areas is planned for completion in 1974. Construction of new freight facilities will also soon be necessary.

8.19. Mombasa is becoming increasingly important as a tourist centre, both in its own right and as a distribution centre for resorts along the Coast and for other areas of tourist interest in Kenya and Tanzania. But at present it is not possible for large jet aircraft to land at the airport; tourists arriving in such aircraft must land at Nairobi and travel to the Coast by road or in

smaller aircraft. Enlargement of the airport would enable it to attract greatly increased traffic, especially from inclusive tour charter flight operators whose costs are increased by having to transport tourists from Nairobi. A study on the future development of the airport necessitated by the growth of tourist, local and regional traffic is now under way. At Wilson Airport, the runway is being bituminized, and at Kisumu the terminal building is being modernized and the runway improved to enable "Friendship" aircraft to operate from it. Other airports and airstrips throughout the country will also be developed as part of the Government's policy of encouraging tourism and improving access to the remoter areas of the country.

Posts and Telecommunications

8.20. All posts and communications operations in Kenya are handled by the East African Posts and Telecommunications Corporation, which is also the major shareholder in the company which handles external communications. Table 8.9 shows how these services have been extended in the last few years.

POSTAL & TELECOMMUNICATIONS SERVICES, 1965-1969

Table 8.9 *Numbers*

	1965	1966	1967	1968	1969
Post Offices	268	304	332	346	374
Post Office Private Boxes	36,098	37,348	40,048	41,763	44.063
Telephone Subscribers' Lines	27,153	27,946	29,401	30,812	33,569
Public Call Offices	218	219	231	246	256
Telegrams Handled*	527	536	545	622	618

*Thousands

8.21. Telephone services expanded rapidly in 1969. The number of subscribers' lines increased by 9 per cent, and Subscriber Trunk Dialling (STD) was introduced in the Nairobi area. New automatic exchanges were installed to serve Nairobi's industrial area, Nyali (Mombasa) and Ruaraka; 85 per cent of subscribers' lines are now connected to automatic exchanges. The 1970-74 development programme for telecommunications aims to improve both domestic and international services. STD will be made available to subscribers outside Nairobi, the capacity of the entire system will be increased to meet rising demand and to provide a margin to cushion demand peaks, and obsolescent equipment still in service because of a previous lack of funds to replace it will be renewed. The development programme for postal services aims to increase the post office/population ratio and to improve services, particularly in rural areas. The total cost of this posts and telecommunications development programme will be K£7 million, much of which will be provided as loan finance by the World Bank.

8.22. Kenya's intercontinental communications will be improved when the satellite earth station at Mount Margaret in the Rift Valley becomes operational in August. A satellite positioned over the Indian Ocean will link the earth station by radio with similar stations in the United Kingdom, India and the Far East and provide circuits of improved quality and reliablity. The total cost of the project is expected to be K£1.2 million.

8.23. Radio is also used within Kenya by the Radiocall radio-telephone service for communications with the remoter parts of the country, by Government departments and by some sixty licensed radio amateurs. The Radiocall service moved onto a new international operating standard at the beginning of 1970 and now has seven offices and about 180 subscribers; the number of subscribers is temporarily depressed, pending conversion of sets to the new system.

Broadcasting

8.24. Commercial radio and television broadcasting in Kenya is handled by the Voice of Kenya, a department of the Ministry of Information and Broadcasting. Radio programmes in Kiswahili and English can be received throughout the country, and there are additional local programmes in other languages. The bilingual television service, previously available only in the Nairobi area, has now been extended to Mombasa following the recent completion of a transmitter there. A major audience survey intended, *inter alia*, to provide information to improve services was completed during the year. The number of licences issued for radio and television receivers is shown in Table 8.10. The growth shown is to some extent the result of more stringent enforcement of licensing regulations, but especially in the case of radios it is believed that the number of receivers in use substantially exceeds the number licensed. Total revenue from licences issued in 1969 was about K£0.25 million, and revenue from advertising about K£0.30 million.

RADIO AND TELEVISION LICENCES ISSUED, 1965-1969

Table 8.10 *Numbers*

	1965	1966	1967	1968	1969
Radio	113,898	142,221	135,486	192,652	197,004
Television	9,127	10,940	10,179	16,724	14,309

CHAPTER 9—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Employment

Wage employment in Kenya falls into three main groups: the "modern" sector, small-holdings and rural non-agricultural activities. The relevance of each in total employment is illustrated in Table 9.1.

TOTAL WAGE EMPLOYMENT IN THE ECONOMY, 1967 AND 1969

Table 9.1

	1967	1969	Per cent in Total	
			1967	1969
The "modern" sector	600.6	627.2	58.5	58.5
Smallholdings (including settlement schemes)	365.6	363.4	35.6	33.9
Rural non-agricultural activities	60.6	81.7	5.9	7.6
Total	1,026.8	1,072.3	100.0	100.0

9.2. An attempt was made in 1967 to build up a more complete picture of employment in the country. In practice, this meant extending coverage of employment statistics beyond the "modern" sector for which data had been available for many years. This sector consists of urban firms, large-scale farms, other large-scale enterprises located in the rural areas and the public sector. Extension of coverage of employment statistics to the rural sector involved a quite different approach to data collection. However, sample surveys of the rural areas were undertaken and these were repeated in 1969.

9.3. Over the two years shown, total wage employment in the country rose by just under 46,000. This may be compared with the growth in the labour force over the same period of about 220,000, consisting largely of school-leavers. Of course, this does not mean that the difference between these two figures, 174,000, consists of the unemployed since some at least among them would be self-employed, or join family enterprises. However, even allowing for this, the fact cannot be ignored that the number of new wage paid jobs over the last two years appears to have been only about a fifth of actual additions to the labour force.

9.4. Employment growth over this period seems to have been of the same order in both the "modern" and the rural sectors. Within the rural sector, there appears to have been a slight fall in the number of employees on smallholdings and a rise among those engaged in rural non-agricultural activities. However, it must be emphasized that data for the rural sector are based on a relatively small sample and sampling errors in such surveys (as well as non-sampling errors) would be such as to require small differences of this nature to be treated cautiously. Also, the rural data refer to employment on the day of enumeration and incorporate no adjustments for any seasonal variations. Some other problems of defining "employment" in the rural areas, discussed in previous *Surveys,* also affect interpretation of data on this. One of these is that there is no clear-cut distinction between employment and self-employment. A person who owns and normally works on his own farm may undertake casual labour occasionally for another in or outside agriculture.

9.5. The rest of this chapter is devoted to a discussion of employment in the "modern" sector which offers nearly 60 per cent of all wage paid jobs. As shown in Table 9.2, employment in this sector rose by 3.4 per cent in 1969 compared with growth of only 1.5 per cent in 1968. This is the highest rate of growth achieved in this sector for several years. Table 9.2 also underlines the fact that the rate of growth in the public sector was more than twice that in the private sector and within the latter there was no growth at all in non-agricultural employment. In fact, this declined slightly but employment in private agriculture and forestry rose by 3.3 per cent. A large part of this was attributable to the growth of coffee and tea production, noted in Chapter 4.

EMPLOYMENT BY MAJOR SECTOR, 1966-69

Table 9.2

	1966 (000')	1967 (000's)	1968 (000's)	1969* (000's)	Percentage change 1968-69
Private Sector—					
Agriculture and Forestry	188.1	172.7	173.0	178.7	+3.3
Rest of Private Sector	196.9	212.7	211.5	210.9	-0.3
Total Private Sector	385.0	385.4	384.5	389.6	+1.3
Public Sector	200.4	212.1	221.9	237.6	+7.1
TOTAL	585.4	597.5	606.4	627.2	+3.4

*Provisional.

9.6. A more detailed breakdown of employment in the private sector is shown in Table 9.3. Within the overall picture of relatively static employment outside agriculture and forestry, employment declined in some sectors and rose in others. In terms of numbers, the largest drop was in building and construction employment. This is a considerable disappointment since, due to its continued growth, this sector had promised to be the main source of new employment in the urban areas. The level of activity in the sector continued to rise during 1969 and its product increased by over 17 per cent. Productivity here is growing faster than employment. Increasing mechanization of building and construction work is apparent and will continue to limit the capacity of this sector to offer new employment opportunities unless there is a stronger incentive to use more labour instead. Employment in manufacturing and repairs, which is the largest single sector of private employment outside agriculture, also declined, although output in the sector was the highest for many years. However, for the first time in several years, employment in commerce rose a little, suggesting that the downward movement of the last few years in this sector had possibly been reversed. Transport and communications as well as the service industries continued to maintain the moderate upward employment trend of the last few years.

EMPLOYMENT IN THE PRIVATE SECTOR BY INDUSTRY, 1966-1969

Table 9.3

	1966 '000)	1967 ('000)	1968 ('000)	1969* ('000)	Percentage Change 1968-1969
Agriculture and Forestry	188.1	172.7	173.0	178.7	+3.3
Mining and Quarrying	2.3	2.4	2.9	2.6	-10.3
Manufacturing and Repairs ..	52.4	56.8	58.2	57.1	-1.9
Building and Construction ..	10.3	17.4	18.1	16.3	-10.0
Electricity and Water	2.7	2.8	2.7	2.5	-7.4
Commerce	46.1	43.3	40.2	41.8	+4.0
Transport and Communications	13.9	14.8	15.8	16.0	+1.3
Other Services	69.3	75.2	73.6	74.5	+1.2
TOTAL	385.0	385.4	384.5	389.6	+1.3

*Provisional.

9.7 Employment in the public sector for each of its major segments is set out in Table 9.4. The overall growth of 15,700 or 7.1 per cent in public sector employment contributed most of the rise in employment in the "modern" sector as a whole. The steady upward growth of public sector employment over the years shown has helped to raise its share in the total for the "modern" sector from 34 to nearly 38 per cent. Within the public sector, as might be expected, the Government is the largest employer. East African Community institutions account for over 18 per cent of all public sector employment in Kenya, but in 1969 these made no contribution to the growth in employment—all of it originated in purely Kenyan public authorities, in particular the Government. However, employment of the statutory boards and local authorities also grew. As far as Community institutions are concerned, the numbers in these are likely to remain stable after perhaps another small decline when all the transfers of Community headquarters and also the headquarters of some of the Community's corporations to Tanzania and Uganda are completed.

9.8. All employment by major sectors is shown in Table 9.5 which also sets out the relative significance of the public and private sectors in each economic activity. Mining and quarrying is the only economic sector which has no public employees. In agriculture and forestry, public sector activity is undertaken both by Kenya Government and Community institutions, the latter being almost entirely in research. In manufacturing and repairs, the significant size of public sector activity is accounted for by the repairs and maintenance workshops of the Community's transport corporations which are also responsible for the dominance of the public sector in transport, storage and communications. In building and construction, again, these Corporations as well as the Ministry of Works have a large weight. With the announcement by the Government of plans to purchase a majority share-holding in the East

EMPLOYMENT IN THE PUBLIC SECTOR, 1966-1969

Table 9.4

	1966 ('000)	1967 ('000)	1968 ('000)	1969* ('000)	Percent in Total
Kenya Government	93.5	94.9	99.1	109.1	45.8
Statutory Boards	N. a.	13.4	14.1	17.0	7.2
Local Government	60.2	59.8	63.1	67.3	28.3
E.A. Community General Fund Services	3.1	3.0	2.9	2.8	1.2
E.A. Railways and Habours	26.4	25.4	25.3	25.1	10.6
E.A. Posts and Telecommunications	4.7	4.9	4.8	4.8	2.0
E.A. Airways Corporation ..	2.5	2.8	3.0	3.3	1.4
Others	10.0	7.8	9.6	8.2	3.5
TOTAL	200.4	212.1	221.9	237.6	100.0

* Provisional

African Power and Lighting Company Ltd. *(see* Chapter 6), the public sector will soon account for almost all employment in electricity and water. As might be expected, the bulk of public sector employment is in services. Because, overall, public sector employment has been rising faster than employment in the private sector, its relative share in each of the major economic activity areas has been rising over the last few years and this trend is likely to continue.

PUBLIC AND PRIVATE SECTOR EMPLOYMENT BY INDUSTRY, 1969*

Table 9.5

('000)	Total Employment	PERCENTAGE DISTRIBUTION		
		Public	Private	Total
Agriculture and Forestry	195.0	8.4	91.6	100.0
Mining and Quarrying	2.6	-	100.0	100.0
Manufacturing and Repairs	72.7	21.4	78.6	100.0
Building and Construction	28.9	43.6	56.4	100.0
Electricity and Water	5.2	50.0	50.0	100.0
Commerce	44.2	5.4	94.6	100.0
Transport, Storage and Communications	51.8	69.1	30.9	100.0
Other Services	226.8	67.2	32.8	100.0
TOTAL	627.2	37.9	62.1	100.0

*Provisional.

9.9. The race and sex composition of employees is shown in Table 9.6. Because the entire growth in employment during 1969 was among Africans and also partly due to the continuing decline of the numbers of Asians and Europeans in wage paid jobs, the proportion of Africans among total employees was nearly 93 per cent. As far as employment by sex is concerned,

there was a significant increase during 1969 in the number of females in jobs. It is likely that a large part of this growth in female employment was among casual tea and coffee pickers.

REPORTED EMPLOYMENT BY RACE AND SEX, 1966-1969

Table 9.6

	1966 ('000)	1967 ('000)	1968 ('000)	1969* ('000)	PER CENT IN TOTAL	
					1966	1969
Africans ..	529.6	545.2	559.0	582.0	90.5	92.8
Asians	42.6	37.2	32.1	31.4	7.3	5.0
Europeans	13.2	15.1	15.3	13.8	2.2	2.2
TOTAL	585.4	597.5	606.4	627.2	100.0	100.0
Of which—						
Males	503.3	517.5	524.4	538.1	86.0	85.8
Females ..	82.1	80.0	82.0	89.1	14.0	14.2

*Provisional.

9.10. The distribution of employees by nationality is set out in Table 9.7. A good many of the African non-citizens shown are Ugandans and Tanzanians employed in Community institutions. Not unexpectedly, the number of non-citizen Asians and Europeans in employment again declined in 1969, due to the continuing operation of the Immigration Act. Compared with their numbers in 1968, the fall was 4,100. Consequently, the proportion of all non-citizens in wage paid jobs in the "modern" sector dropped slightly, to 6 per cent.

EMPLOYEES BY CITIZENSHIP, 1968 AND 1969

Table 9.7 000's

	CITIZENS		NON-CITIZENS		TOTAL	
	1968	1969*	1968	1969*	1968	1969*
Africans	552.8	557.3	5.2	4.7	558.0	582.0
Asians	10.1	11.0	22.0	20.4	32.1	31.4
Europeans	1.0	1.0	13.3	12.8	16.3	13.8
TOTAL	563.9	589.3	40.5	37.9	606.4	627.2
Per cent in Total	93.0	94.0	7.0	6.0	100.0	100.0

*Provisional.

9.7. Comparative figures for 1968 and 1969 of Asian and European employees by citizenship and economic activity are illustrated in Table 9.8. As shown above, for both these communities the number of non-citizens

ASIAN AND EUROPEAN EMPLOYEES BY CITIZENSHIP AND INDUSTRY, 1968 AND 1969*

Table 9.8 *Percentages*

	ASIANS						EUROPEANS					
	Citizens		Non-Citizens		Total		Citizens		Non-Citizens		Total	
	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969
Agriculture and Forestry	0.3	0.4	1.6	1.4	1.9	1.8	1.3	1.7	6.7	5.6	8.0	7.3
Mining and Quarrying	—	—	0.3	0.5	0.3	0.5	—	—	0.7	0.6	0.7	0.6
Manufacturing and Repairs	5.9	7.6	12.1	12 5	18.0	20.1	1.4	1.3	11.3	9.2	12.7	10.5
Building and Construction	0 5	0.6	4.4	4.8	4.9	5.4		—	3.3	2.8	3.3	2.8
Electricity and Water	—	—	0.5	0.8	0.5	0.8			1.4	3.2	1.4	3.2
Commerce	10.1	17.7	18.3	12.5	28.4	30.2	1.4	2.2	17.3	16.0	18 7	18.2
Transport and Communications	3.5	4.0	5.2	3.1	8.7	7.1	0.7	0.7	8.7	7.9	9.3	8.6
Other Services	4.4	9.1	33.0	25.0	37.3	34.1	2.0	2.4	44.0	46.4	46.0	48.8
TOTAL	24.6	39.4	75.4	60.6	100.0	100.0	6.7	8.3	93.3	91.7	100.0	100.0

in total employment declined. Within economic activities, employment of non-citizen Asians dropped faster in commerce and other services. However, there was a corresponding growth of Asian citizens in these occupations. For Europeans, in terms of economic activity, there was no striking movement in any particular sector.

Earnings

9.12. Earnings by major sector are shown in Table 9.9. During 1969, total earnings rose by about K£8,000,000 or 5.6 per cent compared with an increase in employment of 3.4 per cent.

EARNINGS BY MAJOR SECTOR, 1966-69

Table 9.9 *K£million*

	1966	1967	1968	1969*
Private Sector-				
Agriculture and Forestry ..	12.9	11.7	12.3	13.0
Rest of Private Sector	56.2	62.2	66.9	69.5
Total Private Sector	69.1	73.9	79.2	82.5
Public Sector	58 0	62.9	67.1	71.9
TOTAL	127.2	136.9	146.2	154.4

*Provisional.

9.13. Earnings by economic activity within the private sector are set out in Table 9.10. These rose for all categories of economic activity except transport and communications. The overall growth in earnings for the private sector was 4.4 per cent. As with employment, in the public sector the growth in earnings, shown in Table 9.11, was primarily in purely Kenyan institutions.

EARNINGS IN THE PRIVATE SECTOR, 1966-1969

Table 9.10 *K£million*

	1966	1967	1968	1969*
Agriculture and Forestry	12.9	11.7	12.3	13.0
Mining and Quarrying	0.5	0.6	0.7	0.8
Manufacturing and Repairs	15.1	16.8	18 9	19.5
Building and Construction	2.7	4.0	4.6	5.1
Electricity and Water	1.2	1.4	1.4	1.8
Commerce	20.1	21.3	20.9	20.6
Transport and Communications	5.0	5.6	6.3	6.0
Other Services	11.7	12.4	14.1	15.8
TOTAL	69.2	73.9	79.1	82.6

*Provisional.

EARNINGS IN THE PUBLIC SECTOR, 1966-1969

Table 9.11 *K£million*

	1966	1967	1968	1969*
Kenya Government..	26.2	27.1	29.4	32.0
Kenya Government Statutory Bodies .	N/a	3.4	3.9	4.3
Local Government ..	12.0	14.2	14.5	15.9
2.A. Railways & Harbours	8.9	7.6	8.2	8.4
E.A.C. General Fund Services	2.0	2.0	1.6	1.5
E.A. Posts and Telecommunications	2.5	2.7	2.9	3.0
E.A. Airways Corporation	2.7	3.0	3.2	3.6
Others	3.7	3.0	3.5	3.2
TOTAL	58.0	62.9	67.1	71.9

* Provisional

9.14. Changes in average earnings are shown in Table 9.12. For the first time in several years, the growth in overall average earnings, taking the private and public sectors together was lower than the rise in employment, 2.1 per cent compared with 3.4 per cent for the latter. However, within this overall average there were significant differences. As noted earlier in this chapter, in the private sector the only growth in employment was in agriculture and forestry, of 3.3 per cent. Average earnings in agriculture and forestry increased by only 2.3 per cent. For the rest of the private sector, average earnings grew by 3.9 per cent at a time when employment actually declined. In the public sector, the growth in average earnings was almost identical to the rise in employment. These changes are more clearly apparent in Table 9.13. It is perhaps significant that the highest growth in average earnings was in building and construction and mining and quarrying; both these sectors also displayed the highest drop in employment. This only underlines the conclusion already demonstrated in other studies of the employment situation that average wages have a direct and intimate relationship with changes in the level of employment—when these rise, employment tends to fall or, at best, remain stationary.

9.15. Figures of earnings as shown in this chapter are a good deal lower than the estimate of factor income going to employees in Table 1.5. An attempt was made in last year's *Economic Survey* to reconcile these two figures and it was pointed out that the bulk of the difference between them consists of emoluments paid to employees not included in the "modem" sector, i.e., the 445,000 workers on small-holdings and in rural non-agricultural activities shown in Table 9.1. Other factors which account for the balance of the difference between these two sets of figures are the exclusion from earnings as defined in this chapter of pensions, gratuities, passages, uniforms, employers' contributions to the National Security Fund or private provident funds and personal emoluments for the armed forces. A part of the variation is also accounted for by the fact that the method of calculation is slightly different.

AVERAGE EARNINGS PER EMPLOYEE, 1966-1969

Table 9.12 *K£*

	1966	1967	1968	1969*
THE PRIVATE SECTOR—				
Agriculture	68.8	67.8	71.1	72.7
Mining and Quarrying	217.4	250.0	241.4	307.7
Manufacturing and Repairs	288.1	295.8	324.7	341.5
Building and Construction	262.1	230.0	254.1	312.9
Electricity and Water	444.4	500.0	518.5	570.3
Commerce	436.0	492.0	520.0	492.8
Transport, Storage and Communications	359.7	378.4	398.7	375.0
Other Services	168.8	164.9	191.6	212.1
PUBLIC SECTOR	289.4	296.6	302.4	302.6
TOTAL	217.3	229.1	241.1	246.2

*Provisional

CHANGES IN EMPLOYMENT AND EARNINGS, 1966-1969

Table 9.13 *Percentages*

	EMPLOYMENT				AVERAGE EARNINGS			
	1966-67	1967-68	1968-69	1966-69	1966-67	1967-68	1968-69	1966-69
THE PRIVATE SECTOR—								
Agriculture and Forestry	-8.2	0.2	3.3	-5.0	-1.5	4.9	2.3	5.7
Mining and Quarrying	4.3	20.8	-10.3	13.0	15.0	-3.4	27.5	41.5
Manufacturing and Repairs	8.4	2.5	-1.9	9.0	2.7	9.8	5.2	18.5
Building and Construction	68.9	4.0	-10.0	58.3	-12.2	10.5	23.1	19.4
Electricity and Water	3.7	-3.6	-7.4	-7.4	12.5	3.7	10.0	28.3
Commerce	-6.1	-7.2	4.0	-9.3	12.8	5.7	-5-2	13.0
Transport and Communications	6.5	6.8	1.3	15.1	5.2	5.4	-6.0	4.3
Other Services	8.5	-2.1	1.2	7.5	-2.3	16 2	10.7	25.7
Public Services	5.8	4.6	7.1	18.6	2.5	2.0	0.1	4.6
TOTAL	2.1	1.5	3.4	7.1	5.4	5.2	2.1	13.3

Consumer Prices

9.16. The rate of increase of most consumer prices has continued to be extremely gentle by comparison with the normal rate in most developing countries, or in fact in most rich countries over the past year. The Nairobi Wage Earner's (Lower Income) Index was actually lower in December 1969 than a year earlier, but the prices of some imported goods included in the Nairobi Middle Income Index have been rising in early 1970 as the stabilizing effect of the devaluation of sterling fades. There is evidence that the cost of living for the highest income-groups has been rising sharply over the year.

9.17. The Wage Earner's Index measures changes in the cost of goods and services purchased by workers in Nairobi earning less than K.Sh. 350 per month (K£210 per annum), while the Nairobi Middle Income Index measures these changes as they apply to those earning between K£210 and K£750 per annum. Both indices exclude rent. The Wage Earner's and Middle Income Index figures for early 1970 may understate a temporary rise in the cost of living for some consumers, since sifted maize meal was replaced by an "enriched" maize and wheat mixture due to fears of a maize shortage (discussed in Chapter 4). This mixture has proved unpopular, and some families have been obtaining pure maize meal on the black market at higher prices. The imminent return of pure maize meal to the shops has now been announced (May 1970).

9.18. Movements in the Wage Earner's Index and the Middle Income Index are shown in Tables 9.14 to 9.16.

WAgE EARNER'S INDEX OF CONSUMER PRICES—NAIROBI

(Base : July 1964=100)

Table 9.14

	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—December..	119	113	106	107	133	39	117	100	100	112.7
1969—										
March	113	113	107	109	134	40	117	100	100	109.3
June	117	114	106	111	134	40	117	100	100	111.7
September	117	117	108	111	136	40	117	100	100	112.0
December	117	117	109	111	138	40	117	100	100	112.6
1970—										
January..	118	117	109	113	136	40	117	100	100	112.8
February	118	117	109	113	136	40	117	100	100	113.0
March	119	117	109	113	137	40	117	100	100	113.4
April	120	117	108	113	137	40	117	100	100	114.2
May	121	117	108	113	139	40	117	100	100	114 6

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

Table 9.15

		Beverages and Tobacco	Clothing and Footwear	Furniture and Utensils	Fuel, Light and Water	Household Operation	Personal Care and Health	Recreation and 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—December	115	111	115	108	113	107	53	111	113	100	110 4
1969—											
March	114	111	115	109	115	108	54	111	113	100	109.9
June	116	111	116	110	115	107	54	111	113	100	110.9
September	116	111	117	110	115	107	54	111	113	100	111.0
December	117	111	119	107	115	106	54	111	113	100	111.6
1970—											
January	118	111	119	107	115	106	54	111	113	100	112.4
February	119	111	121	107	117	107	53	111	113	100	112.5
March	119	111	121	107	117	107	54	111	113	100	112.6
April	121	111	129	109	116	107	54	111	113	102	114.6
May	121	111	129	109	116	108	54	111	113	102	114 6

PERCENTAGE CHANGES IN CONSUMER PRICE INDICES, DECEMBER 1964 TO MAY 1970

Table 9.16

	Dec. 64 to Dec. 65	Dec. 65 to Dec. 66	Dec. 66 to Dec. 67	Dec. 67 to Dec. 68	Dec. 68 to Dec. 69	Dec. 69 to May 70	Dec. 64 to May 70
Nairobi Wage Earner's Index (Lower Income)	+6.6	+2.5	+ 1.9	+0.8	- 0 1	+ 1.8	+ 13.9
Nairobi Middlelncome Index	+ 1.4	+4.2	+2.7	+0.7	+ 11	+2.7	+13.4

CHAPTER 10—PUBLIC FINANCE IN THE ECONOMY

The public sector's contribution to gross domestic product in 1969 amounted to K£127.8 million, an increase of 11.8 per cent over 1968 and was 26.8 per cent of total GDP, which grew by 7.8 per cent. This relatively rapid growth of public sector activity has been a feature of the last few years and underlines the increasingly active role of Government in the economy. Details of the contribution to GDP of each segment of the public sector by type of economic activity are set out in Table 10.1—56.8 per cent of the total in 1969 consisted of "general government" and the rest of various enterprise activities. The relatively faster growth of "general government" in 1969 was due largely to a sharp increase of outlays on education by the Central Government.

CONTRIBUTION OF THE PUBLIC SECTOR TO GROSS DOMESTIC PRODUCT
1964-1969

Table 10.1

K£million

	1964					1965	1966	1967	1968	1969 (Provisional)				
	Central Govt.	E.A. Community*	Statutory Boards	Local Authorities	Total	Total	Total	Total	Total	Central Govt.	E.A. Community*	Statutory Boards#	Local Authorities	Total
GENERAL GOVERNMENT SECTOR														
General Administration	5.1	1.7		1.7	8.6	8.7	8.8	8.8	10.0	6.7	2.3		2.1	11.1
Justice and Police	8.2	0.1			8.3	8.5	9.1	9.8	10.2	9.7	0.1			9.8
Defence	2.2				2.2	2.7	3.5	4.0	4.1	3.9				3.9
Education	3.6		0.6	7.1	11.2	10.3	11.3	13.9	17.6	11.5		3.2	10.1	24.8
Health Services	3.2			1.5	4.7	4 6	5.7	6.3	7.9	6.7	0.1		1.8	8.7
Agricultural and Veterinary Services	3.9	0.3	0.1	0.2	4.4	4.7	5.0	4.6	5.8	5.6	0.4	0.1	0.3	6.4
Other General Services	2.0	0.9		0.7	3.7	4.2	5.1	5.7	7.2	5.3	1.0		1.6	7.9
TOTAL GENERAL GOVERNMENT	28.1	3.1	0.6	11.2	43.0	43.8	48.6	53.1	62.8	49.5	3 9	3.3	15 9	72.6
ENTERPRISE SECTOR														
Agriculture			-0.1		-0.1	-0.2	-0.1	-0.3	0.2			0.6		0.6
Forestry	1.0				1.0	1.1	1.1	1.4	1.7	1.5				1.5
Manufacturing ..	0.5	4.0	-0.7	0.1	5.3	5.8	6.1	6.2	6.9	1.0	5.3	1.3	0.1	7.7
Construction	1.8	1.6		0.3	3.6	3.3	4.2	5.1	5.5	4.0	1.2		0.7	5.8
Electricity and Water	0.4		0.4	0.8	1.6	1.7	1.6	2.1	1.7	0.5		0.4	0.9	1.2
Transport and Communications..	0.3	17.5	-	-	17-8	20 6	22.5	22.8	24.9	0.4	25.8	0.6	-	26.7
Wholesale and Retail Trade			0.4		0.4	0.6	1.1 3.6	1.1	1.8			1.7		1.7
Banking and Insurance			2.8		2.8	3.4	3.8	4.1	5.0			5.5		5.5
Ownership of Dwellings	2.3	1.4		0.1	3.8	3.8		3.8	3.8	2.3	1.5		0.1	3.8
TOTAL ENTERPRISES ..	6.3	24.5	4.2	1.2	36.2	39.5	44.0	46.5	51.5	9.8	33.7	10.1	1.7	55.1
TOTAL PUBLIC SECTOR	34.5	27.6	4.8	12.4	79.2	83.3	92.6	99.6	114.3	59.2	37.6	13.4	17.6	127.8

*IncludingEast African Airways, East African Posts and Telecommunications, East African Harbours and East African Railways.

#IncludingGovernment Banks and Public Enterprises.

10.2. What is discussed in this chapter is not the entire public sector but the activities of what might be called "government" authorities only. These include the Central Government, Local Authorities and the activities in Kenya of the General Fund Services of the East African Community. A summary of the total expenditures of these three is shown in Tables 10.2 and 10 3. Similar analyses for each separately are presented later in this chapter. Taken together, general government expenditure, both recurrent and development, grew by 16 per cent during 1969/70. In terms of functions performed, the bulk of the growth was in social services but, in economic terms, capital expenditure continued to maintain the rapid rate of growth apparent since 1965/66.

GENERAL GOVERNMENT—CENTRAL, LOCAL* AND EAST AFRICAN
RECURRENT AND DEVELOPMENT EXPENDITURE ON MAIN SERVICES
1964/65-1969/70

Table 10.2 — K£*million*

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70
General Services	21.84	23.30	26.54	28.67	30.09	33.28
Financial Obligations	15.14	17.38	16.73	15.41	14.65	15.77
Economic Services	20.57	19.19	21.86	26.65	31.79	34.09
Community Services	8.08	10.79	12.29	12.82	14.68	18.86
Social Services	21.00	23.95	27.25	31.87	37.59	48.20
Unallocable	3.25	3.31	3.69	4.28	4.42	4.43
GRAND TOTAL#	89.88	97.92	108.36	119.70	133.22	154.63

*Local Government figures are based on calendar years while the rest are based on split financial years ending 30th June. Thus, for example. Local Government figures for 1969 have been added to financial year figures for 1969/70.
#Excludes Inter-Government Transfers.

GENERAL GOVERNMENT—CENTRAL, LOCAL AND EAST AFRICAN
ECONOMIC ANALYSIS OF EXPENDITURE, 1964/65-1968/69

Table 10.3 — *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69
Wages, Salaries and Allowances	35.75	38.74	42.80	45.61	49.64
Other Goods and Services	15.48	18.07	20.08	21.11	22.75
Subsidies	0.28	0.78	0.62	2.47	2.81
Loan Charges	9.35	11.31	10.20	9.53	11.19
Other Transfers	16.41	15.35	15.49	15.09	14.72
Capital Expenditure	12.48	13.63	19.14	25.79	31.51
Net inter-departmental transfers	0.13	0.04	0.03	0.10	0.60
GRAND TOTAL#	89.88	97.92	108.36	119.70	133.22

#Excludes Inter-Government Transfers

10.3. A detailed discussion of the revenue and expenditure of each general government authority follows in the sections below:—

Central Government

10.4. The outturn of Central Government expenditure and revenue over the last ten years is set out in Table 10.4. The current year's outturn must be regarded as tentative at this stage as it reflects appraisal of Government revenue and expenditure at the time of going to press. On this basis, the figures show a net surplus of K£1.85 million. However, it is likely that expenditure, particularly on development account, will be lower and the surplus even larger in the final outturn, perhaps over K£3 million. Experience of previous years suggests that approved expenditures, especially on the development budget, tend to exceed actual expenditure. At this time last year, the *Economic Survey* showed an estimated deficit of K£4.49 million but the actual deficit was K£3.27 million. Indeed, the consistent shortfall in this respect during recent years is a matter of some concern. Although some improvement has been apparent in recent months, administrative capacity to devise and carry through development projects remains a bottleneck in many ministries. At the same time, some departments are able to do more than they have finance for and afford an opportunity to promote more useful expenditure. Shortfalls in government spending have implications which go beyond the activities of government departments—they also affect the level of aggregate demand in the economy.

CENTRAL GOVERNMENT
OUT-TURN OF REVENUE AND EXPENDITURE,
1960/61-1969/70

Table 10.4 — *K£million*

	REVENUE			EXPENDITURE			Surplus/ Deficit
	Re-current	Develop-ment	Total	Re-current	Develop-ment	Total	
1960-61	41.36	9.18	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	85.74	15.97	101.71	80.51	24.46	104.98	-3.27
1969-70 (Est)	96.21	28.35	124.56	89.74	32.97	122.71	+1.85

10.5. As in previous issues of the *Economic Survey*, it is perhaps necessary to emphasize that there are more specific differences between the totals of revenue and expenditure of Central Government as shown in this chapter and those appearing in the Government Appropriation Accounts and Estimates. The principal reasons for this are:—

(a) the division of the budget into recurrent and development accounts causes transfers of various expenditure items from one account to the other. The figures included in this chapter eliminate any resultant double counting in the Appropriation Accounts.

(*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 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 expenditure under the Consolidated Fund Services has been included with the Central Government figures to give a complete picture of the budget.

10.6. Over the ten years from 1960/61 to 1969/70, Central Government expenditure has more than doubled, from K£50.94 million to K£122.71 million. On present estimates, in 1969/70 it will increase by 16.9 per cent over 1968/69, well above the average for the previous nine years and faster than the growth between 1967/68 and 1968/69. Recurrent expenditure is expected to rise by 11.5 per cent and development expenditure by 34.8 per cent. However, about a fifth of this growth is of a transfer nature, represented by the intended purchase of a majority share-holding by the Government in the East African Power and Lighting Company. Because of the expected shortfall in development expenditures, the actual figure for 1969/70 may be less than 34.8 per cent. No allowance has been made for this in Table 10.4 and, in the final outturn, any shortfall will reduce the rate of increase in total expenditure as well. On the revenue side, recurrent revenue is estimated to increase by 12.2 per cent and development revenue by 77.5 per cent—giving an overall increase in total revenue of 22.5 per cent. The expected surplus in recurrent account will more than make up for the deficit on development expenditure.

10.7. The detailed expenditures of individual ministries set out in the Appropriation Accounts and Estimates have been reanalyzed in Table 10.6 according to various tasks or functions undertaken by the Central Government—irrespective of which ministry was actually responsible for the expenditures. Given below in Table 10.5 are the percentage increases in expenditure since 1964/65 on the main groups of services into which total expenditure has been classified.

10.8. General services have recorded an increase in 1969/70 larger than the increase in total expenditures between 1968/69 and 1969/70 as noted above. This increase of 18.2 per cent is larger than any recent two-year increase. General services include expenditure on administration, law and order, defence, revenue collection and financial control. As far as administration is concerned, the most significant increase is in capital expenditure on

THE GROWTH OF EXPENDITURE BY FUNCTIONAL ACTIVITIES, 1964/65 TO 1969/70

Table 10.5 *Percentages*

	1964/65 to 1968/69	1964/65 to 1969/70	1967/68 to 1968/69	1968/69 to 1969/70
General Services	36.7	61.6	1.9	18.2
Financial Obligations	17.7	18.9	6.2	1.0
Economic and Community Services	66.4	87.3	16.3	12.5
Social Services	84.7	155.6	22.8	38.4
TOTAL EXPENDITURE	48.8	74.0	11.7	16.9

buildings. This is budgeted to account for very nearly K£0.5 million in the current financial year and includes work on a Government Conference Hall and office block, the full cost of which is likely to be about K£2 million, on completion. The bulk of other expenditure on buildings is on further Government offices being built in Nairobi and provincial centres. Both defence and law and order have also recorded increases of approximately K£1 million but this is an increase in recurrent expenditure. For several years expenditure on defence as a proportion of total expenditure has been stable at around 5 per cent except for 1966/67 and 1967/68 when it increased slightly to 6 per cent—due to extra expenditure arising out of operations in the North-Eastern Province of the country. Expenditure on law and order has in fact declined slightly as a proportion of the total budget, from an average of 11.6 per cent between 1964/65 and 1967/68 to 10.6 per cent in 1968/69 and 10.2 per cent in 1969/70.

10.9. The overall financial obligations of the Government increased by only 1.0 per cent between 1968/69 and 1969/70. The two main items that account for changes in this category of expenditure are the public debt and transfers to local authorities. The rest of the items in it show no marked fluctuations except for compensation payments which have now come down to a relatively insignificant amount following the virtual completion of the Africanization programme in the Civil Service. These payments are expected to end in the next year or two. After a big increase between 1967/68 and 1968/69, transfers to local authorities have fallen slightly, by K£0.5 million. With the takeover by the Central Government of the three main services provided by the County Councils—education, health and secondary roads—transfers to local authorities will fall sharply in 1970/71. However, there will be a compensating increase in direct expenditure by the Central Government on the three services taken over. The take-over of these services is discussed in greater detail later in the Local Government section of this chapter.

10.10. Within financial obligations the costs of public debt, shown in Table 10.6, went up by 10 per cent between 1968/69 and 1969/70. Compared to an increase of 141 per cent in Central Government expenditure over the

CENTRAL GOVERNMENT

RECURRENT AND DEVELOPMENT EXPENDITURE ON MAIN SERVICES

1964/65-1969/70

Table 10.6 *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
GENERAL SERVICES—						
Administration and Foreign Affairs	4.98	4.73	4.76	4.97	5.39	6.76
Law and Order	8.16	8.83	9.81	11.17	11.16	12.52
Defence	3.04	4.03	5.29	6.13	5.56	6.59
Revenue Collection and Financial Control	1.66	1.76	2.39	1.66	2.27	2.94
TOTAL	17.83	19.35	22.48	23.93	24.38	28.81
FINANCIAL OBLIGATIONS—						
Public Debt	6.36	7.71	8.33	8.09	8.95	9.88
International Monetary Organization Subscriptions		0.71	0.37	0.27	0.87	0.72
Pensions and Gratuities	3.86	3.77	3.93	3.60	3.76	3.87
Compensation Payments	3.60	3.25	2.98	2.30	0.14	0.06
Passages and leave expenses	0.66	0.62	0.51	0.57	0.54	0.43
Transfers to local authorities	2.47	4.14	2.89	3.98	5.70	5.20
TOTAL	16.96	20.19	19.00	18.81	19.97	20.16
ECONOMIC AND COMMUNITY SERVICES—						
Agriculture and Veterinary	12.74	11.09	10.49	11.70	13.45	12.09
Forestry	1.11	1.19	1.76	1.62	1.54	1.75
Game and National Parks	0.47	0.59	0.93	1.46	1.25	1.44
Transport and Roads	3.41	5.65	6.39	7.30	9.17	13.04
Electricity						2.52
Other (including water supplies)	2.82	3.27	4.78	7.31	8.78	7.64
TOTAL	20.55	21.79	24.36	29.39	34.19	38.48
SOCIAL SERVICES—						
Education	6.81	6.89	7.92	9.84	11.89	18.15
Health	3.16	3.72	4.07	5.13	5.91	7.61
Other (Labour, Community Development, Housing, etc.)	2.35	2.82	4.17	3.57	4.97	5.75
TOTAL	12.33	13.44	16.17	18.54	22.77	31.51
UNALLOCABLE	2.86	2.75	3.11	3.31	3.67	3.75
TOTAL EXPENDITURE ..	70.54	77.52	84.88	93.99	104.98	122.71

last ten years, public debt has grown at a slower pace, by 126 per cent. Over the same period, gross debt servicing charges have grown by 213 per cent. The net cost of these increased at a slightly higher pace. All the same, gross annual debt servicing charges are still only 8 per cent of total Government expenditure, and have dropped to this level from an average of about 9.5 per cent for 1964/65 to 1966/67 and 8.5 per cent for 1968/69. The actual total debt, shown in Table 10.7, was K£ 142.42 million in 1969, 17 per cent higher than in 1968.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1960-1969

Table 10.7 *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				
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
1969 ..	93.28	49.14	142.42	10.79	8.87(5.97)	3.36	5.51

*Excluding short-term borrowing.

**Interest payments shown in brackets.

10.11. Of this total, 65 per cent was external debt and 35 per cent internal. The share of the latter has increased rapidly in recent years, particularly since 1966 when it was only 18 per cent of the total. A large part of the growth in 1969 was in internal debt. This has been made possible by institutional developments which have enabled domestic savings to be mobilized more effectively. The principal domestic source of Government borrowings is the National Social Security Fund which was set up in 1966 and provided 35 per cent of total outstanding internal public debt in 1969. The growing importance of the domestic money market as a source of loan finance coincides with more difficult conditions for obtaining international loan finance. However, external finance continues to play a vital role in Kenya's development and, as emphasized in the Development Plan, this is expected to remain so in the foreseeable future, as a source not only of capital but also of foreign exchange to meet the "off-shore" costs of development.

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

Table 10.8 K£'000

HOLDERS	1965	1966	1967	1968	1969
National Social Security Fund		1,157	3,603	8,148	17,417
Central Government ..	4,736	7,375	8,614	11,828	9,761
Local Government	754	860	961	1,052	1,058
Kenya Post Office Savings Bank	1,150	2,064	2,114	2,114	2,114
East African Community—Institutions	768	821	864	891	891
Other Public Sector	519	666	664	683	474
Central Bank of Kenya*	3,510	3,510	3,510	3,510	3,510
Commercial Banks	1,008	1,109	1,723	1,766	6,184
Insurance Companies	2,465	3,256	3,770	4,590	4,879
Other Companies	670	974	1,250	2,083	2,441
Private Individuals	394	514	541	550	780
Other East African	376	355	353	353	352
Other Sterling Area	1,369	1,577	1,763	1,735	1,723
Non-Sterling Area	31	34	42	42	42
TOTAL	17,750	24,272	29,772	39,345	51,627

*1965 Figures are for the East African Currency Board.

10.12. There is an estimated increase of 12.5 per cent in expenditure on economic and community services between 1968/69 and 1969/70. This is almost entirely due to increases in expenditure on transport services and roads and electricity. As mentioned above, the latter is for the proposed purchase of a majority share in East African Power and Lighting Company Limited. This is a once-for-all item of expenditure. The amount shown is the likely expenditure during 1969/70, not the full cost, which will be about K£3.1 million. Of K£13.04 million spent on transport and roads, K£11.85 million is the expenditure incurred on roads and K£1.19 million is earmarked for aerodromes. Of the expenditure on roads, K£3.06 million is to be undertaken on recurrent account, for road maintenance, and the balance for new development. Major projects included under this head are:—

Trunk Roads Programme	K£2.52 million
Up-grading of Trunk Roads ...	K£1.21 million
Nairobi—Addis Ababa Road	K£0.77 million
Sugar Roads—Nyanza	K£0.71 million

Eldoret-Tororo* and Athi River—	
Namanga Roads	K£0.68 million
Tourist Development Roads ...	K£0.46 million
Settlement Roads	K£0.36 million

*Completed towards the end of 1969.

As far as expenditure on aerodromes is concerned, K£0.62 million is to be incurred on recurrent account. The bulk of the balance is earmarked for the first stage of the expansion programme for Nairobi Airport.

10.13. Compared with 1968/69, expenditure on the remaining economic and community services has gone up only marginally or even declined, as in the case of agriculture. The immediate reason for the decline in expenditure on agriculture was the decrease in subsidized exports of maize in 1969 (see paragraph 4.6). However, general expenditure on agriculture also appears to have stabilized. In the past, the main thrust to growth in agricultural expenditure was associated with the "Million Acre" land settlement scheme. However, this project is now nearly completed (see paragraph 4.58). It is perhaps worth pointing out that for the agricultural growth targets projected in the Plan, a substantial increase in expenditure is envisaged—this is essential for the realization of these targets.

10.14. The most significant increases in the expenditure of Central Government have gone into social services which consist in the main of education and health services. As noted earlier, expenditure on social services has increased by 155.6 per cent between 1964/65 and 1969/70. However, the bulk of the growth in outlays in 1969/70 on education and health arises out of the take-over of these two services by the Central Government from County Councils, although this was apparent only in expenditure in the second half of the financial year. The full impact of this take-over will be fully visible in the figures for next year.

10.15. An economic analysis of the Central Government expenditure is set out in Table 10.9. The table does not include figures for 1969/70 since it is not possible to undertake an economic analysis of expenditure for the current year due to lack of sufficient detail. The proportion of recurrent expenditure in the total, on the basis of economic analysis (as opposed to the budgetary conventions used in the published Estimates) has steadily declined between 1964/65 and 1968/69, from 80.7 per cent to 71.7 per cent—with a corresponding increase in the proportion of capital expenditure. This is consistent with the more active role of the Government in promoting capital formation, particularly in the infrastructure.

10.16. Outlays for capital formation in total capital expenditure which also includes loans rose from 32.5 per cent in 1964/65 to 58.8 per cent in 1967/68. However, in 1968/69 such expenditure had dropped slightly, to 55.8 per cent. Capital formation in 1969/70 is estimated to have increased 30.3 per

cent over 1968/69. This increase of 30.3 per cent between 1968/69 and 1969/70, compared to the growth of 15.4 per cent between 1967/68 and 1968/69, would seem to indicate the Government has been succeeding in overcoming some of the bottlenecks which have caused under-expenditure on development estimates in the last few years. This is underlined in the figures below which also show the five-fold rise in capital formation by Government in the five years between 1964/65 and 1969/70:—

		Capital Formation	*Annual Increase*
		K£m	*per cent*
1964/65	...	4.43	-
1965/66		6.43	45.1
1966/67		10.01	55.7
1967/68		14.38	43.7
1968/69		16.60	15.4
1969/70		21.63	30.3

10.17. Recurrent expenditure, shown in Table 10.9, went up by 7.3 per cent between 1967/68 and 1968/69. This growth was fairly evenly spread out over the various subheads into which the economic analysis of recurrent expenditure is aggregated. Wages and salaries had, on the average, absorbed about 42 per cent of total recurrent expenditure between 1964/65 and 1968/69. "Transfers" were the next largest category of recurrent expenditure. However, their share of total recurrent expenditure declined from 30.7 per cent in 1964/65 to 25.1 per cent in 1968/69. This decline was caused, first, by a fall in transfers to the rest of the world as a result of the phasing out of compensation payments to expatriate British civil servants, and, second, by the contraction in transfers arising out of the land settlement programme. The increase in transfers to local authorities was not sufficiently large to offset this.

10.18. The functional and economic analysis of Government expenditure is put together as a cross tabulation set out in Table 10.10, for 1968/69. This analysis identifies consumption and capital expenditure by main **services** and provides a detailed explanation of the manner in which the Central Government spends its revenue. For reasons of space, this table can only be set out for one year and cannot therefore, be used to demonstrate changes over time.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1964/65-1968/69

Table 10.9 — *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69
RECURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—					
Wages and Salaries:					
Personal Emoluments	20.04	20.53	22.99	24.43	26.32
House Allowances	0.72	0.81	0.83	0.89	1.07
Passages and Leave Expenses	0.66	0.62	0.51	0.54	0.51
Contribution to Pensions Fund	0.45	0.45	0.45	0.41	0.44
Pay and allowances to Armed Forces:					
Personal Emoluments	1.96	2.38	3.14	3.23	3.22
Pensions and Gratuities	0.07	0.07	0.09	0.10	0.13
Total	23.92	24.87	28.01	29.60	31.70
Other Goods and Services:					
Rent of Fixed Assets:—					
(a) Residential	0.17	0.19	0.25	0.26	0.32
(b) Non-residential	0.20	0.21	0.29	0.30	0.38
Maintenance and repairs	1.73	2.13	1.83	2.42	2.54
Travelling expenses	1.73	1.98	2.35	2.31	2.39
Collection costs of income tax, customs and excise duties	0.75	0.90	100	1.02	1.10
Miscellaneous other goods and services	6.26	7.23	8.02	8.68	9.10
Total	10.84	12.64	13.74	14.99	15.83
SUBSIDIES—					
To agriculture	0.27	0.75	0.53	2.39	2.76
To other sectors	0.01	0.03	0.09	0.08	0.05
Total	0.28	0.78	0.62	2.47	2.81
INTEREST—					
External Debt	3.26	3.46	3.74	3.54	3.58
Internal Debt	1.14	1.27	1-51	1.86	2.39
Total	4.41	4.73	5.25	5.40	5.98
OTHER TRANSFERS—					
To Households and Un-incorporated Enterprises:					
(a) Persons (including pensions)	4.24	4.13	4.36	4.00	4.29
(b) Private non-profit institutions (Educational)	4.09	4.56	3.62	4.73	5.48
(c) Other private non-profit institutions	0.32	0.22	025	0.34	0.33
To rest of the world	3.49	3.97	3.40	2.84	1.11
To Other General Government Agencies:					
(a) Local Government	2.42	3.45	2.99	3.92	5.69
(b) E.A. Community	0.13	0.21	0.12	0.12	0.12
(c) Land Settlement	2.29	0 93	0 69	0.51	0.51
(*d*) Miscellaneous	0.47	0.22	1-73	1.18	1.38
Total	17.45	17.69	17.16	17.64	18.91
TOTAL RECURRENT EXPENDITURE ..	56.90	60.73	64.79	70.11	75.22

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1964/65-1968/69

Table 10.9—*(Contd.)* *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69
CAPITAL EXPENDITURE					
GROSS CAPITAL FORMATION—					
Residential buildings	0.25	0.46	0.49	1.13	1.42
Non-residential buildings	0.99	1.25	1.62	3.31	4.39
Construction and works	2.12	3.11	5.42	6.77	7.83
Plant, machinery and equipment	0.52	0.88	1.42	1.46	1.93
Transport Equipment	0.50	0.69	0.86	0.92	0.75
Land	0.05	0.04	0.21	0.79	0.28
Total	4.43	6.43	10.01	14.38	16.60
LOANS TO OTHER SECTORS—					
To Household and Unincorporated Enterprises	0.21				
To Corporations	1.05	2.87	3.75	3.31	3.66
To Other General Government Agencies	4.82	2.81	2.86	4.04	6.52
Total	6.08	5.68	6.61	7.35	10.18
LOAN REPAYMENTS					
External Debt	1.79	2.86	2.84	1.85	1.67
Internal Debt	0.84	1.31	0.09	0.09	0.57
Sinking Fund	0.51	0.51	0.55	0.78	0.74
Total	3.13	4.68	3.47	2.72	2.98
TOTAL CAPITAL EXPENDITURE	13.64	16.78	20.10	24.46	29.76
TOTAL EXPENDITURE	70.54	77.52	84.88	94.57	104.98

10.19. An analysis of gross recurrent receipts is set out in Table 10.11. In 1969/70 taxation receipts accounted for 75 per cent of total recurrent revenue compared to 69 per cent in 1964/65. Total receipts from taxation have grown by 11.2 per cent between 1968/69 and 1969/70, compared to a growth of 8.9 per cent between 1967/68 and 1968/69, but this is still below the average annual rate of growth of 12.7 per cent during the last five years.

10.20. The sources of taxation receipts over these years are set out in detail in Table 10.12. Direct taxes accounted for 44 per cent of all tax receipts. As noted in last year's *Economic Survey,* the share of direct taxation has been rising in recent years. The lowering of income tax allowances and the fact that rising employment and wages have drawn many more people into the income tax net have been contributory factors in this trend. An additional factor in 1969/70 was the growth of graduated personal tax receipts in Central Government revenue. With the recent take-over by the Central Government of all GPT revenue from county councils, the share of direct taxation is likely to rise further.

CENTRAL GOVERNMENT

ECONOMIC AND FUNCTIONAL CROSS-ANALYSIS OF 1968/69 ACCOUNTS

Table 10.10

K£'000

ECONOMIC CLASSIFICATION / FUNCTIONAL CLASSIFICATION	Recurrent Expenditure								Capital Expenditure			Total Recurrent and Capital Expenditure
	Consumption Expenditure		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 Rapayments to other Sectors	
	Wages and Salaries	Other										
GENERAL SERVICES—												
Administration—Central	1,237	430	—	—	31	—	—	1,698	317	—	—	2,015
Administration — Provincial	2,071	312	—	—	—	—	—	2,382	157	—	—	2,540
Conduct of Foreign Affairs	341	324	—	2	—	103	—	771	59	—	—	830
Law and Order	7,307	2,778	—	—	18	—	—	10,103	1,053	—	—	11,156
Defence	3,336	2,001	—	—	20	—	—	5,358	202	—	—	5,559
Revenue Collection and Financial Control	563	1,379	15	284	6	8	—	2,257	18	2	—	2,277
COMMUNITY SERVICES—												
Roads	1,087	768	19	72	—	—	—	1,946	6,499	—	—	8,445
Water Works	456	935	7	—	31	—	—	1,429	367	64	—	1,860
Other	54	22	—	—	—	—	—	76	—	—	—	766
SOCIAL SERVICES—												
Education	2,869	307	—	—	6,261	9	—	9,447	2,443	—	—	11,889
Health	2,832	1,475	—	—	177	5	—	4,489	1,423	—	—	5,912
Labour	198	41	—	—	52	—	—	292	3	—	—	295
Housing	55	37	—	26	—	—	—	118	212	1,893	—	2,224
Other, including Community Development	986	686	—	281	257	—	—	2,210	242	—	—	2,452
ECONOMIC SERVICES—												
Agriculture	2,327	755	2,762	1,125	8	12	—	6,989	985	3,654	—	11,629
Veterinary	903	623	—	1	8	—	—	1,535	286	—	—	1,821
Forestry	443	207	4	1	—	1	—	657	882	—	—	1,539
Game and Fisheries	340	168	—	15	—	—	—	524	152	22	—	698
National Parks and Tourism			—	219	—	—	—	219	—	332	—	551
Lands, Mines, Surveys and Geology	1,109	308	—	—	1	—	—	1,418	132	—	—	1,550
Commerce and Industry	429	682	5	48	1	—	—	1,167	16	4,109	—	5,293
Transport, excluding Roads	252	314	—	22		—	—	588	138	—	—	726

CENTRAL GOVERNMENT

ECONOMIC AND FUNCTIONAL CROSS ANALYSIS OF 1968/69 ACCOUNTS

Table 10.10—*(Contd.)*

K£'000

ECONOMIC CLASSIFICATION / FUNCTIONAL CLASSIFICATION	RECURRENT EXPENDITURE								CAPITAL EXPENDITURE			Total Recurrent and Capital Expenditure
	CONSUMPTION EXPENDITURE		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	
	Wages and Salaries	Other										
RECURRENT FINANCIAL OBLIGATIONS—												
Interest	–	–	–	–	–	–	–	5,974	–	–	–	5,974
Sinking Fund ,.	–	–	–	–	–	–	–	–	–	–	735	735
Redemption	–	–	–	–	–	–	–	–	–	–	2,245	2,245
Compensation Payments to Designated Officers	–	–	–	–	37	104	–	141	–	–	–	141
Pensions and Gratuities	573	–	–	–	3,184	–	–	3,757	–	–	–	3,757
Subscription to International and Monetary Organizations	–	–	–	–	–	870	–	870	–	–	–	870
Passages and Leave Expenses	541	–	–	–	–	–	–	541	–	–	–	541
Transfers to Local Authorities, n.e.s.	–	–	–	5,603	–	–	–	5,603	–	–	100	5,703
UNALLOCABLE EXPENDITURE—												
Buildings—Residential	162	365	–	–	–	–	–	528	68	–	–	596
Buildings—Non-Residential	456	182	–	–	–	–	–	638	205	–	–	844
M.O.W.—Unallocable	575	484	–	–	1	–	–	1,060	608	–	–	1,668
Government Printer	171	216	–	–	–	–	–	387	69	–	–	456
Other Unallocable	19	28	–	–	–	–	–	47	60	–	–	108
TOTAL	31,695	15,830	2,813	7,701	10,095	1,113	—	75,223	16,598	10,177	2,979	104,978

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT, 1964/65-1969/70

Table 10.11 *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
DOMESTIC SOURCES—						
Taxation	39.74	44.32	53.42	59.85	65.20	72.53
Interest and repayment of loans	2.67	2.72	3.59	5.85	6.42	5.16
Charges for goods and services	5.14	5.16	6.19	7.18	7.74	11.54
Reimbursement from other administrations	0.95	0.62	1.20	1.40	1.45	1.50
Miscellaneous..	1.04	4.80	1.58	2.78	4.04	4.92
Total	49.54	57.63	65.98	77.06	84.85	95.65
EXTERNAL SOURCES—						
Grants under Overseas Service Aid Scheme	3.55	2.38	2.71	1.58	0.66	0.38
Other U.K. Grants	1.31	0.05	0.04	0.03	0.04	0.02
U.K. Loans	2.72	2.22	2.22	1.27	0.11	0.07
Other Foreign Loans and Grants	0.08	0.13	0.10	0.09	0.09	0.09
Total	7.66	4.78	5.07	2.97	0.90	0.56
TOTAL RECEIPTS	57.20	62.36	71.05	80.03	85.74	96.21

10.21. Income tax receipts show an increase of 19.7 per cent between 1968/69 and 1969/70, compared to an increase of 2.8 per cent, between 1967/68 and 1968/69. Tax collections in 1967/68 refer to the year of income 1966, in 1968/69 to the year of income 1967, and in 1969/70 to the year of income 1968. The small increase in income tax collections between 1967/68 and 1968/69, compared to that between 1968/69 and 1969/70 was due to the fact that the operating surplus (which includes profit, depreciation and interest) of the enterprise sector of the economy between 1966 and 1967 rose by 1.6 per cent only, while between 1967 and 1968 it went up by 8 per cent. In addition, the 1969/70 estimates of income tax collections also reflect the once-for-all gain in collections of corporation tax as a result of a change in the payment procedure which has meant that companies have had to pay their corporation tax within twelve months of the end of the financial year instead of up to twenty-three months later.

10.22. Largely because of a general fall in imports of consumer goods, import duty collections went up by only 2.3 per cent between 1968/69 and 1969/70, compared to an increase of 9.4 per cent between 1967/68 and 1968/69. Collections of import duty classified by the principal end-uses of imports are set out in Table 10.13. However, statistics in this table are on a calendar year basis and should not therefore be used for direct comparison

CENTRAL GOVERNMENT

GROSS REVENUE FROM TAXATION FOR RECURRENT EXPENDITURE, 1964/65-1969/70

Table 10.12 *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
DIRECT TAXATION—						
Income Tax	13.46	15.89	18.79	22.97	23.61	28.27
Graduated Personal Tax				0.41	1.51	2.75
Estate Duties		0.26	0.30	0.37	0.35	0.30
Export Duties	0.45	0.65	0.99	0.41	0.31	0.40
Total	13.91	16.80	20.08	24.16	25.78	31.72
INDIRECT TAXATION—						
Import Duties	15.89	17.20	20.08	19.95	21.83	22.33
Excise Duties	6.24	6.30	8.47	10.45	11.79	12.85
Stamp Duties	0.72	0.70	0.80	0.79	0.91	1.00
Petrol and Diesel Tax	1.15	1.18	1.56	1.68	1.79	1.80
Licences and Fees under the Traffic Act	0.84	0.97	1.31	1.40	1.53	1.42
Taxes and Licences, n.e.s.	0.75	0.95	0.79	1.08	1.21	1.13
Land Premia and Taxes	0.03	0.04	0.14	0.12	0.07	0.05
Royalties	0.18	0.19	0.18	0.22	0.29	0.22
TOTAL	25.83	27.53	33.33	35.69	39.42	40.81
TOTAL (TAXES AND LICENCES)	39.74	44.32	53.42	59.85	65.20	72.53
Percentage contributions of:—						
Direct Taxes	35	38	38	40	40	44
Indirect Taxes	65	62	62	60	60	56

with the figures in Table 10.12. Import duty on fuels is the largest single item, accounting for a quarter of the total collections. Duty collections on textiles come next and these showed a decline between 1968 and 1969. The reason for this was the drop in textile imports over this period, noted in Chapter 3. The next item of import duty collections in order of importance is transport equipment. This registered an increase of 22.8 per cent and is explained by the large growth in imports of transport equipment—noted and discussed in Chapter 3. Among other consumer goods, import duty collections on items in the category "food, drink and tobacco" were also slightly down in 1969 compared to 1968.

10.23. Excise duty collections, set out in Table 10.14, went up by 8 per cent over 1968, compared to a 24.3 per cent increase between 1967 and 1968. As in Table 10.13, figures for this table are also compiled on a calendar year basis and are not directly comparable with the relevant figures in Table 10.12. All the various excisable commodities recorded steady increases in excise duty collections. Beer, sugar and cigarettes continued to dominate the total level of collections by accounting for 84.5 per cent of all receipts in 1969. However, the relative importance of these three commodities

in total excise duty collections is less than a few years ago when they accounted for about 95 per cent of total collections. This proportion has declined in recent years as the number of excisable commodities has increased from 8 in 1964 to 12 in 1969. New excise taxes have been imposed to maintain revenue lost from declining imports following the growth of import substitution industries. This trend is likely to become more pronounced in future years.

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1964-1969

Table 10.13 K£'000

END USE CATEGORY	1964	1965	1966	1967	1968	1969 (Est.)
Food, drink and tobacco	2,446	3,223	4,066	2,206	2,734	2,403
Basic materials	55	103	175	216	493	679
Fuels	4,052	4,309	4,965	5,627	6,071	6,765
Chemicals	442	524	588	468	649	671
Textiles	3,329	3,635	4,798	3,537	4,499	4,128
Semi-manufactures	641	806	1,052	995	1,451	1,553
Metals	378	531	538	565	760	796
Transport Equipment	1,478	1,885	2,564	3,162	2,954	3,627
Machinery	567	594	683	748	1,010	1,215
Miscellaneous manufactured articles	1,401	1,341	1,728	1,364	2,047	1,988
Miscellaneous commodities and transactions	183	168	288	420	561	682
TOTAL	14,961	17,108	21,444	19,307	23,229	24,507

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1964-1969

Table 10.14 K£'000

COMMODITY	1964	1965	1966	1967	1968	1969
Beer	2,155	2,479	3,044	3,343	4,291	4,334
Sugar	1,407	938	779	1,891	2,540	2,819
Cigarettes	2,432	2,594	3,037	3,065	3,381	3,756
Cigars	-	1	1	1	1	1
Matches	25	48	92	96	146	191
Tobacco	44	25	36	33	24	35
Spirits	102	159	101	176	214	223
Mineral Waters	49	141	228	357	363	434
Biscuits	-	-	16	32	33	29
Fabrics, woven	-	-	-	386	386	436
Soap	-	-	210	437	430	494
Paints and distempers	-	-	-	42	111	162
TOTAL .	6215	6,384	7,624	9,590	11,919	12,914

10.24. A notable feature of Table 10.11 is the almost total disappearance of foreign assistance in recurrent revenue over the last five years. The share of external sources of finance in total recurrent revenue over this period has dropped from over 13 per cent in 1964/65 to less than one per cent in 1969/70. This means that revenue from domestic sources has grown even faster than recurrent expenditure over these years. This growth has been sufficient not only to allow the virtual elimination of external assistance but also to generate a surplus over expenditure for transfer to the development budget, thus reducing the need for dependence on external sources in this as well.

10.25. While external finance in recurrent revenue is now negligible and although its share of total development revenues has been declining, it continues to be of major importance to the latter, as shown in Table 10.15. In fact, the value of external assistance in development revenue in the current financial year accounts for 38 per cent of the total, compared with 45 per cent last year and 80.9 per cent in 1964/65. Furthermore, since the deficit between development revenue and expenditure for 1969/70 will be made up from domestic sources, the relative extent of external aid in development expenditure will be a good deal smaller in the final analysis.

10.26. Largely owing to the growth of loans from external and internal sources, total development revenue in 1969/70 has risen by 77.5 per cent over the previous year. No breakdown of external loans by donors is available at the time of going to press, but it is expected that the United Kingdom and International Development Association contributions will show substantial increases. Development revenue from domestic sources has more than doubled. Local market issues continue to be used to mobilize private savings for public investment.

10.27. The revenue details in Table 10.15 do not include transfers of revenue from the recurrent account in order to avoid double-counting. Over the last seven years these transfers were as follows:—

	K£ Million
1963/64	1.5
1964/65	1.0
1965/66	2.4
1966/67	4.0
1967/68	4.0
1968/69	6.0
1969/70	6.0

CENTRAL GOVERMENT

DEVELOPMENT REVENUE ACCOUNTS, 1964/65-1969/70

Table 10.15 *K£million*

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70 Estimate
EXTERNAL SOURCES—						
Grants:						
British Government	3.47	2.35	0.50	0.17	0.02	0.65
Others	1.33	0.18	0.14	0.04	0.16	0.30
Total	4.80	2.53	0.64	0.21	0.18	0.95
Loans:						
U.K. Exchequer and C.D.C.	6.34	3.95	2.38	3.29	2.24	*n.a.*
U.S.A.I.D.		2.22	0.70	0.61	0.03	*n.a.*
I.B.R.D	0.27	0-13	0.36	0.08	0.23	*n.a.*
West Germany	1.22	0.20	0.53	0.54	0.28	*n.a.*
I.D.A	0.03	0.51	1.42	1.47	3.95	*n.a.*
Other foreign loans	0.12	0.24	0.23	0.30	0.29	*n.a.*
Total	7.98	7.25	5.62	6.29	7.01	9.85
Total External Sources	12.78	9.78	6.26	6.50	7.19	10.80
INTERNAL SOURCES—						
Loans:						
Local Market Issues	1.03	0.56	7.49	7.95	7.97	12.31
Other local loans		0.18	0.33	0.61	0.16	5.00
Total	1.03	0.74	7.82	8.56	8.13	17.31
MISCELLANEOUS REVENUES—						
Taxation	0.64				0.15	
Development Project Earnings	0.23	0.31	0.06	0.08	0.09	0.18
Other	1.12	0.28	0.34	0.77	0.40	0.06
TOTAL	1.99	0.59	0.40	0.85	0.64	0.24
Total Internal Sources	3.02	1.33	8.22	9.41	8.77	17.55
TOTAL REVENUE	15.80	11.11	14.48	15.92	15.97	28.35

Local Authorities

10.28. Expenditure by Local Authorities increased by 12.8 per cent between 1968 and 1969. This compares with an increase of 11.7 per cent in Central Government expenditure between 1967/68 and 1968/69 and of 16.9 per cent between 1968/69 and 1969/70. The overall aggregate expenditures of local authorities are set out in Table 10.16. In the past, county councils have accounted, on the average, for approximately 50 per cent of the total expenditure. However, this share of the county councils in the expenditure of all local authorities will decline sharply from the current year with the take-over of county council responsibilities in education, health and secondary roads by the Central Government.

LOCAL AUTHORITIES

TOTAL EXPENDITURE, 1965-1969

Table 10.16 *K£million*

	MUNICIPALITIES			COUNTY COUNCILS	TOTAL
	Nairobi City Council	Other Municipal Councils	Total		
1965	5.8	2.8	8.6	10.8	19.4
1966	6.9	3.6	10.5	10.9	21.4
1967	7.7	4.0	11.7	12.0	23.7
1968	8.9	4.9	13.8	13.6*	27.4
1969*	9.3	5.7	15.0	15.9	30.9

*Estimates.

10.29. Among local authorities, Nairobi City Council expenditure is easily the greatest. Its outlays are shown separately in Table 10.16. In 1969 it accounted for 30 per cent of all expenditure by local authorities and 62 per cent of the expenditure of municipalities. Compared with 1968 its total expenditure in 1969 rose by only 4.5 per cent but it is expected to rise more sharply in the current year.

10.30. Table 10.17 sets out the expenditures by each municipal council on the main services during the three years 1967-69. A percentage breakdown of this expenditure is shown in Table 10.18. Expenditures on social and community services as a proportion of the total declined as a combined figure from 60 per cent in 1967 to 49 per cent in 1969 while trading services recorded an increase from 29.7 per cent to 44.2 per cent over this period. In the case of Nairobi and Mombasa municipalities this relative decline in expenditure on social and community services was most apparent (although the actual outlays of total expenditure were higher). A more detailed functional breakdown of total expenditure by municipalities for the years 1965 to 1969 is set out in Table 10.19.

10.31. Most of the expenditures have been devoted to education followed by, in varying order, health, roads and sanitary services. However, of the four, the most significant increases were recorded in health and educational services. Housing expenditure for purposes other than renting was negligible in 1969 but expenditure on housing estates, included under "trading services", increased sharply—by 58 per cent over 1968. This reflects the increased emphasis of public policy on the development of low cost housing in urban areas where the influx of people from rural areas has made it a particularly pressing problem. Funds made available by the Central Government through the National Housing Corporation have also facilitated such expenditure. Apart from housing estates, water undertakings are another prominent service on which municipalities have maintained a fairly high level of expenditure. This has been necessary to cope with increased demand for this service due to industrial development as well as population growth.

MUNICIPAL COUNCILS

EXPENDITURE ON MAIN SERVICES 1967-1969

Table 10.17

	SERVICES																	
	ADMINISTRATION			COMMUNITY			SOCIAL			TRADING			UNALLOCABLE EXPENDITI RE			TOTAL		
	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*
	378	567	471	1,908	1,897	1.725	3,142	2,688	2,892	2.124	3,761	4,172	193	4	–	7,745	8.916	9,260
	211	257	245	450	745	693	640	1,242	927	525	483	1,512	110	–	–	1,936	2,727	3,377
	133	81	107	129	113	125	189	225	272	293	406	356	16	28	23	760	853	883
	40	43	52	101	132	146	160	163	184	236	267	275	21	–	2	558	606	659
Eldoret	36	42	40	49	51	74	77	90	95	100	137	104	1	–	2	263	318	315
Kitale	16	16	24	40	38	39	36	39	47	86	78	79	6	1		184	172	189
Thika	48	56	36	54	47	73	62	52	65	120	81	117	–	–		284	236	291
ALL MUNICIPALITIES	862	1,063	975	2,731	3,022	2.875	4.306	4.499	4.482	3,484	5,213	6,615	347	31	27	11,730	13.828	14,974

*Estimates

MUNICIPAL COUNCILS

EXPENDITURE ON MAIN SERVICES, 1967-1969

Table 10.18 — *Per cent*

	SERVICES																	
	Administration			Community			Social			Trading			Unallocable Expenditure			Total		
	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*	1967	1968	1969*
Nairobi	4.9	6.3	5.1	24.6	21.3	18.6	40.6	30.1	31.2	27.4	42.2	45.1	2.5	0 1		100.0	100.0	100.0
Mombasa	10.9	9.4	7.3	23.2	27.3	20.5	33.1	45.6	27.4	27.1	17.7	44.8	5.7	-	-	100.0	100.0	100.0
Nakuru	17.5	9.5	12.1	17.0	13.2	14.2	24.9	26.4	30.8	38.5	47.6	40.3	2.1	3.3	2.6	100.0	100.0	100.0
Kisumu	7.2	7.1	7.9	18.1	21.9	22.2	28.7	27.0	27.9	42.3	44.2	41.7	3.7	-	0 3	100.0	100.0	100.0
Eldoret	13.7	13.2	12.7	18 6	16.0	23.5	29.3	28.3	30.2	38.0	43.1	33.0	0 4	-	0.6	100.0	100.0	100.0
Kitale	8.7	9.3	12.7	21.7	22.1	20.6	19.6	22.7	24.9	46.7	45.3	41 8	3.3	0 6	-	100.0	100.0	100.0
Thika	16 9	23.7	12.4	19.0	19.9	25.1	21.8	22.0	22.3	42.3	34.4	40.2	_	_	_	100.0	100.0	100.0
ALL MUNICIPALITIES	7.3	7.7	6 5	23.3	21.9	19.2	36.7	32.5	29.9	29.7	37-7	44.2	3.0	0.2	0.2	1000	100.0	100.0

*Estimates.

RECURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1965-1969

Table 10.19 K£'000

SERVICES	1965	1966	1967	1968	1969*
ADMINISTRATION	690	916	862	1,063	975
COMMUNITY SERVICES—					
Roads	990	1,485	1,210	1,610	1,266
Sanitary Services	1,208	1,176	1,284	1,229	1,334
Other	401	426	237	182	275
TOTAL (Community Services)	2,599	3,087	2,731	3,021	2,875
SOCIAL SERVICES—					
Health	758	870	1,169	1,442	1,467
Education	1,325	1,471	1,819	2,372	2,213
Housing	226	212	695		
Other	403	483	623	686	802
TOTAL (Social Services)	2,712	3,036	4,306	4,500	4,482
TRADING SERVICES;—					
Water Undertakings	868	1,393	1,518	1,532	1,199
Markets and Slaughter houses	138	164	155	178	245
Breweries and Beer-shops	151	277	229	356	345
Housing Estates (including Staff Housing)	991	1,112	1,271	2,864	4,522
Shops, Catering and Leasing	73	80	86	58	
Hostels	49	39	32	35	34
Other	179	152	192	191	268
TOTAL (Trading Services)	2,449	3,217	3,483	5,214	6,613
UNALLOCABLE EXPENDITURE	193	242	347	31	27
TOTAL	8,643	10.498	11,729	13,829	14,972

*Estimates

10.32. An economic analysis of municipal expenditures is set out in Table 10.20. As a percentage of the total, expenditure on personal emoluments rose from 33 per cent in 1968 to 37 per cent in 1969. Total capital expenditure by Municipalities did not grow in 1969. However the "mix" did change significantly in favour of capital expenditure on housing. This emerges clearly from Table 10.19.

10.33. The revenues of the municipalities are shown in Table 10.21. Direct taxes, split between rates and graduated personal tax, are the largest single source of revenue. The effect of the loss by Nairobi and Mombasa municipalities of half their receipts of graduated personal tax. for re-allocation by the Central Government to the less fortunate of the county councils,

ECONOMIC ANALYSIS OF EXPENDITURE, 1965-1969

Table 10.20 K£'000

	1965	1966	1967	1968	1969*
EXPENDITURE ON—					
Wages, Salaries and Allowances	3,717	3,968	4,146	4,605	5,477
Other Goods and Services	2,159	2,975	2,462	2,856	3,177
Loan Charges	1,599	1,239	1,187	1,977	2,174
Transfers to other authorities and persons	270	331	278	322	315
Capital	957	2,008	3,595	3,963	3,921
Net inter-departmental transfers	- 5 7	- 2 4	+62	106	- 9 1
TOTAL	8,645	10,497	11,730	13,829	14,973

*Estimates

is clearly apparent for 1968 and 1969. Between them, in 1968/69, Nairobi City Council and Mombasa Municipal Council made over K£1.5 million to the Central Government from their G.P.T. collections. It is estimated that in 1969/70 also the remissions will be approximately the same. The tighter financial position resulting from this cession of revenue to the Central Government has led to the curtailment of some of the services provided by these two municipalities (a drop in expenditure on community and social services as a proportion of the total has already been noted in paragraph 10.30 above). However, compensatory growth in income from rates, through an increase in these, is expected to make up for part of the loss of revenue from G.P.T. This was already apparent to some extent in 1969. That apart, income from property, i.e., rents, receipts from the sale of goods and services (which are revenues earned by trading services) and school fees, form the major sources of revenue. Government grants are relatively insignificant in municipal revenue. Loans have become increasingly important since 1965 but, in the main, these are raised only by Nairobi City Council for housing and development of water supplies.

10.34 County council expenditures in each province for main services are shown in Table 10.22 Total outlays increased by 17 per cent between 1968 and 1969. The more detailed functional breakdown of the expenditure of county councils, in Table 10.23, shows that the bulk of this increase went to education. Expenditures on education, health, and roads between them accounted for almost 80 per cent of total expenditure.

MUNICIPAL COUNCILS

ECONOMIC ANALYSIS OF REVENUE, 1965-1969

Table 10.21 K£'000

	1965	1966	1967	1968	1969*
Direct Taxes—					
Graduated Personal Tax	2,355	2,589	2,688	1,915	2,323
Rates	2,128	2,067	2,196	2,393	2,985
TOTAL	4,483	4,656	4,884	4,308	5,308
Indirect Taxes (Licences and Cesses)	64	84	67	71	95
Income from Property (Building and Land rents)	1,034	1,115	1,139	1,272	1,454
Interest on Investments	305	315	350	167	138
Sale of Goods and Services	2,830	3,456	3,234	3,627	3,905
Government Grants	389	192	211	286	215
Loans Raised	433	626	1,356	2,003	2,185
Miscellaneous (including court fines, sale of capital assets and non-Government grants)	245	90	132	91	103
TOTAL	9,783	10,534	11,373	11,826	13,403

*Estimates.

10.35. An economic analysis of county council expenditures is shown in Table 10.24. The bulk of the growth between 1968 and 1969 was absorbed in a rising wage bill.

10.36. County council revenues are set out in Table 10.25. As in the case of municipalities, direct taxes were a prominent source of revenue but, until 1969, Central Government grants ranked as the largest single source of finance. However, along with the major services performed by county councils, the Central Government has also taken over their graduated personal tax revenue and there will be a reduction in Central Government grants which used to go largely towards financing these services. Receipts from the sale of goods and services which include school and medical fees will also decline because these fees will in future go into Central Government revenues.

10.37. With the take-over of their major functions by the Central Government, the scale of operations of the county councils, in financial terms, will be curtailed severely. The likely effects of this take-over on county councils' revenue and expenditure are illustrated in Table 10.26. On the basis of the figures for 1969, 80 per cent of expenditures and a somewhat higher proportion of revenues will be removed. In actual fact, however, grants will continue to be made to local authorities, although on a smaller scale than in the past. Table 10.26 shows that even for the services left to them, county councils will be unable to finance these from their remaining sources of revenue.

COUNTY COUNCILS

EXPENDITURE ON MAIN SERVICES, 1967-1969

Table 10.22 k£'000

	SERVICES																				
	ADMINISTRATION			COMMUNITY			SOCIAL			ECONOMIC			TRADING			UNALLOCABLE EXPENDITURE			TOTAL		
	1967	1968*	1969*	1967	1968*	1969*	1967	1968*	1969*	1967	1968*	1969*	1967	1968*	1969*	1967	1968*	1969*	1967	1968*	1969*
Nyanza Province	114	113	181	85	137	131	1,516	1,690	1,862	23	26	26	52	58	66	33	43	18	1,823	2,067	2,284
Western Province	84	96	101	54	72	98	1,263	1,359	1,562	14	17	17	33	44	55	24	11	36	1,472	1,599	1,869
Rift Valley Province..	334	502	431	744	619	561	1,500	1,876	2,135	64	197	98	223	130	294	88	194	155	2,953	3,518	3,674
Central Province	213	255	304	222	194	334	2,199	2,479	3,114	35	33	35	89	70	105	27	46	41	2,785	3,077	3,933
Eastern Province	174	176	204	168	152	217	1,641	1,837	2,220	73	85	76	74	54	87	34	74	60	2,164	2,378	2,864
Coast Province	94	107	193	75	71	107	450	516	711	29	30	45	37	44	50	28	16	14	713	784	1,120
North-Eastern Province	18	25	31	7	6	11	46	98	96	6	9	10	12	14	10	1	8	12	90	160	170
ALL COUNTY COUNCILS	1,031	1,274	1,445	1,355	1,251	1,459	8,61.5	9,855	11.700	244	397	307	520	414	667	235	392	336	12,002	13,582	15,916

*Estimates.

K£'000

SERVICES	1965	1966	1967	1968*	1969*
ADMINISTRATION	1,013	993	1,031	1,274	1,445
COMMUNITY SERVICES—					
Roads	1,246	1,189	1,277	1,233	1,415
Sanitary	67	13	60	34	41
Other	4	4	19	10	3
Total	1,317	1,206	1,356	1,277	1,459
SOCIAL SERVICES—					
Public Health	957	1,050	1,111	1,267	1,453
Education	6,362	6,547	7,281	8,318	9,940
Other	238	166	224	235	308
Total	7,557	7,763	8,616	9,820	11,701
ECONOMIC SERVICES—					
Veterinary	176	173	167	188	209
Agriculture	49	48	42	52	51
Forestry	17	19	20	25	31
Other	23	26	16	132	18
Total	265	266	245	397	309
TRADING SERVICES—					
Water undertakings	172	155	167	210	222
Markets and slaughter houses	115	109	149	123	191
Breweries and beershops	45	40	76	21	43
Other	108	112	128	66	211
Total	440	416	520	420	667
UNALLOCABLE EXPENDITURE	185	313	234	392	337
TOTAL EXPENDITURE	10,777	10,957	12,002	13,582	15,916

*Estimates

COUNTY COUNCILS

ECONOMIC ANALYSIS OF EXPENDITURE, 1965-1969

Table 10.24 K£'000

	1965	1966	1967	1968*	1969*
EXPENDITURE ON—					
Wages, Salaries and Allowances	7,182	7,653	8,603	9,617	11,517
Other Goods and Services	2,581	2,578	2,691	3,151	3,044
Loan Charges	221	146	174	208	230
Transfers to other authorities and persons	284	240	222	244	325
Capital	414	288	273	529	681
Net inter-departmental transfers	+94	+52	+38	-168	+ 119
TOTAL	10,776	10,957	12,002	13,582	15,916

*Estimates

COUNTY COUNCILS

ECONOMIC ANALYSIS OF REVENUE, 1965-1969

Table 10.25 K£'000

	1965	1966	1967	1968*	1969*
Direct Taxes—					
Graduated Personal Tax	2,621	2,749	2,706	3,254	3,320
Rates	251	235	204	178	132
TOTAL	2,872	2,984	2,910	3,432	3,452
Indirect Taxes (Licences and Cesses)	453	501	522	692	823
Income from Property (Building and land rents)	185	166	247	266	367
Interest on Investments	62	58	63	56	55
Sale of Goods and Services	3,609	3,662	3,315	4,110	4,228
Government Grants	3,184	3,267	3,515	3,939	4,927
Loans Raised	7	6	8	30	154
Miscellaneous (including court fines, sale of capital assets and non-Government grants)	109	117	133	297	224
TOTAL	10,481	10,761	10,713	12,822	14,230

*Estimates

COUNTY COUNCILS

THE EFFECTS ON REVENUES AND EXPENDITURES OF THE CENTRAL GOVERNMENT TAKE-OVER OF MAJOR FUNCTIONS

Table 10.26 K£'000

	1966	1967	1968*	1969*
EXPENDITURE—				
Total Expenditure	10.957	12,001	13,581	15,917
Of which—Roads	1,189	1,277	1,233	1,415
Health	1,050	1,111	1,301	1,453
Educatio	6,547	7,281	8,318	9,940
Total excluding Roads, Health and Education	2,171	2,332	2,729	3,109
REVENUE—				
Total Revenue	10,761	10,714	12,821	14,230
Of which—G.P.T	2,749	2,706	3,254	3,320
School Fees	2,793	2,700	3,205	3,477
Government Grants	3,267	3,533	3,937	4,935
Total excluding G.P.T., School Fees and Grants	1,952	1,775	2,425	2,498

*Estimates

10.38. The relevant operations will, of course, be transferred to the Central Government and will be reflected in its revenues and expenditures. The major reason for the Government's take-over of these functions was the growing inability of county councils to discharge their responsibilities satisfactorily. However, the assumption of all former county council functions will require a sharp growth in the capacity of the relevant Government departments. This is a mammoth task and will involve an unavoidable transition period.

East African Community

10.39. Table 10.27 sets out the expenditure incurred in Kenya by the General Fund Services of the East African Community. (The expenditures of the self-contained services of the Community, i.e. the railways, harbours, airways and postal services are excluded from this category.) These consist of administrative activities, research and revenue collection services. It was stated in the *Economic Survey* for 1969 that while 'he share of Community General Fund expenditure in Kenya had declined compared with expenditure in Uganda and Tanzania, there was still an overall increase of 12 per cent over the previous year. In 1968/69. however, even total expenditure had fallen below the high mark of 1967/68, reflecting the completion of the transfer of the headquarters of many departments to Arusha. A further decline is likely. The total share of expenditure in Kenya in 1968/69 was 41 per cent compared to 56 per cent in 1967/68 and 61 per cent in 1966/67. Overall, there was a decline of 3 per cent in expenditure between 1967/68 and 1968/69.

10.40. The proportion of total expenditure incurred in Kenya on revenue collection declined from 36 per cent in 1967/68 to 30 per cent in 1968/69—a direct effect of the move of head office services from Nairobi to Arusha. Research services, on the other hand, recorded both an overall increase of 11 per cent between 1967/68 and 1968/69 and a relative increase as a proportion of total expenditure from 32 per cent in 1967/68 to 37 per cent in 1968/69.

10.41. An economic analysis of the total expenditure incurred in Kenya is set out in Table 10.28. Since the operations of the General Fund Services are connected with research, revenue collection and administration, all of which involve substantial recurrent expenditures, capital expenditure tends to be low. Consequently, personal emoluments constitute the largest single economic category of expenditure. These were 67 per cent in 1968/69 but rather lower than in the past.

10.42. While expenditure of the General Fund Services in Kenya declines both in absolute as well as relative terms, compared to expenditures incurred in Uganda and Tanzania, revenue earned or received directly in Kenya is not expected to show any such decline. As illustrated in Table 10.29, this trend is expected to reduce the level of the deficit at which the General Fund Services are operated in Kenya.

EAST AFRICAN COMMUNITY

(GENERAL FUND SERVICES)

EXPENDITURE IN KENYA BY MAIN SERVICES, 1963/64-1968/69

Table 10.27 *K£million*

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
GENERAL SERVICES—						
Central Administration	0.31	0.33	0.38	0.47	0.32	0.31
Law and Order	0.09	0.11	0.12	0.11	0.09	0.11
Revenue Collection and Financial Control	1.14	1.75	1.75	1.81	2.06	1.68
Total (General Services)	1.82	2.19	2.25	2.38	2.47	2.10
SOCIAL SERVICES—						
Education	0.17	0.19	0.23	0.26	0.38	0.48
Health	0.02	0.03	0.02	0.02	0.02	0.02
Total (Social Services)	0.19	0.21	0.24	0.28	0.40	0.50
ECONOMIC SERVICES—						
Agriculture and Veterinary	0.39	0.41	0.41	0.52	0.58	0.59
Commerce and Industry	0.09	0.08	0.08	0.09	0.07	0.07
Transport	0.55	0.67	0.66	0.77	0.83	0.95
Meteorology	0.33	0.33	0.33	0.33	0.38	0.46
Total (Economic Services)	1.35	1.49	1.48	1.71	1.86	2.07
FINANCIAL OBLIGATIONS—						
Public Debt	0.08	0.07	0.08	0.14	0.30	0.12
Pensions and gratuities	0.23	0.21	0.23	0.25	0.30	0.44
Compensation Payments	0.37	0.33	0.32	0.34	0.05	0.05
Total (Financial Obligations)	0.68	0.61	0.63	0.73	0.65	0.61
UNALLOCABLE EXPENDITURE	0.05	0.02	0.03	0.03	0.39	0.32
TOTAL	4.08	4.52	4.63	5.13	5.77	5.60

EAST AFRICAN COMMUNITY

(GENERAL FUND SERVICES)

ECONOMIC ANALYSIS OF EXPENDITURE IN KENYA, 1963/64-1968/69

Table 10.28 K£'000

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
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	2,844
(b) House Allowance	263	289	297	330	349	399
(c) Passage and Leave Expenses	69	74	52	45	41	50
(c) Contribution to Pension Fund		30	76			
Total (Wages and Salaries)	2,688	3,051	2,956	3,173	3,250	3,293
2. *Other Goods and Services:*						
(a) Maintenance and repairs	275	132	156	340	339	150
(*b)* Transport and Travelling	70	94	108	117	144	218
(c) Equipment, Postal and Incidental Expenses	84	149	158	127	125	216
(d) Miscellaneous	136	247	254	194	364	221
Total (Other Goods and Services)	565	623	677	778	973	805
TOTAL CONSUMPTION EXPENDITURE	3.253	3,674	3,634	3,950	4,223	4,098
3. *Interest on Internal Debt*	25	37	42	43	28	29
4. *Transfers to:*						
(a) Individuals			74	79	79	117
(b) Private non-profit making Educational Institutions	149	167	207	237	349	403
(c) The Rest or the World	512	458	484	555	554	478
(d) Kenya Government	14	8			334	230
Total Transfers	674	633	766	871	1,316	1,226
TOTAL RECURRENT EXPENDITURE	3,952	4,314	4,441	4,863	5,567	5,355
CAPITAL EXPENDITURE						
5. *Gross Capital Formation:*						
Residential Buildings	5	37	57	40	29	6
Non-Residential Buildings	4	23	11	10	15	10
Construction and Works	1		12	4	1	
Plant Machinery and Equipment	70	76	70	149	105	209
Vehicles	2	12	8	11	36	9
Total (Gross Capital Formation)	81	147	158	213	186	234
6. *Loan Repayment to Other Sectors*	48	28	35	51	12	12
TOTAL CAPITAL EXPENDITURE	128	176	193	263	198	246
TOTAL EXPENDITURE	4,080	4,520	4,634	5,127	5,766	5,601

EAST AFRICAN COMMUNITY

(GENERAL FUND SERVICES)

OUT-TURN OF EXPENDITURE AND REVENUE ALLOCATED TO KENYA, 1963/64-1968/69

Table 10.29 K£'000

	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69
EXPENDITURE	4,080	4,520	4,634	5,127	5,766	5,601
REVENUE	3,037	3,192	3,617	3,968	4,390	4,548
DEFICIT	1,043	1,328	1,017	1,159	1,376	1,103

CHAPTER 11—EDUCATION AND OTHER SOCIAL SERVICES

Education

Developments in education during 1969 have been mildly encouraging; there has been a considerable increase both in the number of qualified Kenyan primary and secondary school teachers and in the number of student teachers for arts, science and technical subjects. This will make it easier to improve the quality of education, as stressed in last year's *Economic Survey*, and tailor courses and institutions to the needs of independent Kenya. Secondary school and university enrolments are now growing at least twice as fast as numbers at primary school, and new professional faculties of Agriculture and Journalism have been established at University College, Nairobi. At the same time, various local authority responsibilities, including education, have recently been taken over by the Central Government and it is hoped that this will finally remove uncertainties over the supply of books and equipment, and particularly the payment of teachers' salaries, which have dogged the education system in 1969/70 as in previous years. Enrolments per class in both primary and secondary schools have risen, and this will help to ensure the fullest possible use of existing scarce educational resources.

11.2 *Primary Education.*—There were 6,111 primary schools operating in Kenya in 1969, which represents a slight fall from the 1968 figure of 6,135. The percentage rate of increase of enrolments fell again, from 9 per cent in 1967 to 7 per cent in 1968 and 6 per cent in 1969. While the rate of increase of enrolments in standards 6 and 7 was again low (since some children "drop out" after the early standards), the very small (1 per cent) increase in Standard I enrolments was a new development. It is too early to say definitely whether this is the beginning of a trend. In some areas virtually all school-age children may already be attending (or have completed) Standard I.

11.3. Table 11.3 shows that there have been welcome improvements in some provinces in average primary enrolments per class, bringing the national average closer to the Government target of 40. Nyanza enrolments have been affected by the serious financial difficulties of the South Nyanza County Council, while the low Rift Valley average enrolment includes both the highest enrolment per class in Kenya (50 in Nakuru Municipality) and the lowest (14 in West Pokot and 19 in Turkana). The figures for enrolments as a percentage of the 6-12 year old population should not be taken to represent the overall proportion of the school-age population in school; they are based on 1968 population estimates, and many primary school students are aged over 12 and a few are under six. However, the figures do give some idea of regional variations in school numbers.

11.4. *Secondary Education.*—The number of pupils enrolled in secondary schools has risen by 14 per cent overall—the same increase as last year. There are now over 115.000 children enrolled in Kenya's secondary schools, against 36,000 in 1964. Tables 11.1 and 11.4 show that numbers in secondary education have grown far faster than in primary education since Independence.

ENROLMENT IN PRIMARY SCHOOLS BY STANDARD, 1964-1969

Table 11.1

	NUMBERS						Percentage Increase	
	1964	1965	1966	1967	1968	1969	1964-69	1968-69
Standard 1	180,290	195,733	193,909	228,769	250,757	253,298	40	1
Standard 2	144,786	165,754	166,110	183,634	207,755	224,645	55	8
Standard 3	139,727	139,285	152,919	165,640	178,537	197,669	41	11
Standard 4	145,004	135,124	130,282	146,912	158,899	171,573	18	8
Standard 5	134,031	126,428	120,850	124,832	132,701	142,680	6	8
Standard 6	122,603	122,714	132,714	136,848	134,247	141,785	16	6
Standard 7	114,408	121,269	146,192	147,544	146,784	150,647	32	3
Standard 8	33,870	36,036	440	-		-	-	-
TOTAL	1,014,719	1,042,146	1,043,416	1,133,179	1,209,680	1,282,297	26	6

These figures reflect the success of the post-Independence policy of making more secondary education available, particularly in rural areas. Meanwhile the total number of secondary schools operating has risen from 601 in 1968 to 694 in 1969 and the trend towards single stream schools, discussed in last year's *Economic Survey*, has continued. Four hundred and fifty-four schools in 1969 were single stream (385 in 1968) and of these 315 were unaided (mainly *Harambee)* schools.

AVERAGE ENROLMENT PER CLASS IN PRIMARY SCHOOLS, 1967-1969

Table 11.2 *Average Numbers*

	1967	1968	1969
Standard 1	34	35	35
Standard 2	32	31	32
Standard 3	29	29	31
Standard 4	28	29	30
Standard 5	28	29	29
Standard 6	33	32	31
Standard 7	36	36	37
ALL CLASSES	30	31	32

PRIMARY SCHOOL ENROLMENTS BY PROVINCE, 1968 AND 1969

Table 11.3

	Total Enrolments '000s		Estimated African Population Aged 6-12	Enrolment as a per-centage of 6-12 Population		Average Enrolment per class	
	1968	1969	'000s	1968	1969	1968	1969
Coast	71.6	76.8	126	57	61	29	30
North-Eastern	2.4	3.3	49	5	7	31	36
Eastern	242.1	269.7	373	65	72	32	35
Central	296.9	312.0	291	102	107	35	35
Nairobi E.P.D.	55.1	60.9	41	134	149	39	40
Rift Valley	174.6	183.2	403	43	45	27	27
Nyanza	221.1	206.5	393	56	53	30	28
Western	145.9	169.9	256	57	66	30	33
TOTAL	1,209.7	1,282.3	1,932	63	66	31	32

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1964-1969

Table 7.4(a)

	NUMBERS						Percentage Increase	
	1964	1965	1966	1967	1968	1969	1964/69	1968/69
Form 1	12,712	19,015	24,108	31,805	35,624	39,836	213	12
Form 2	9,122	12,566	18,503	26,592	28,467	33,824	271	19
Form 3	7,035	7,760	11,210	16,880	19,547	20,637	193	6
Form 4	5,625	6,784	7,068	10,756	14,565	17,279	207	19
Form 5	864	1,130	1,356	1,622	1,769	2,068	139	17
Form 6	563	721	948	1,124	1,389	1,602	185	15
TOTAL	35,921	47,976	63,193	88,779	101,361	115,246	221	14
Number of Schools	244	367	465	542	601	694	184	15

11.5. Since Form 1 enrolment in 1969 has increased considerably while Standard 7 enrolment in 1968 actually decreased, the proportion of primary school leavers going on to secondary school has risen from 25 to 27 per cent. Table 11.5 shows that there has been little change betwen the bigger provinces in the proportions of primary leavers continuing their education, except that the position of Nyanza relative to other provinces has slipped further.

STANDARD 7 ENROLMENT IN 1967 AND 1968 AND FORM 1 ENROLMENT IN 1968 AND 1969

Table 11.5

	Standard 7 Enrolment		Form 1 Enrolment		Form 1 Enrolment as percentage of previous year's Standard 7	
	1967	1968	1968	1969	1968	1969
Coast	7,698	8,162	3,054	3,584	40*	44*
North-Eastern	100	180	36	39	36	22
Eastern	26,604	26,921	4,433	5,656	17	21
Central	38,443	37,234	7,967	9,321	21	25
Nairobi E.P.D.	6,168	6,018	6,262	6,415	102#	107
Rift Valley	20,684	19,205	4,554	5,028	22	26
Nyanza	27,187	28,232	4,995	5,477	18	19
Western	20,660	19,163	4,323	4,316	21	23
TOTAL ..	147,544	146,784	35,624	39,836	24	27

*This figure is relatively high because many students from other Provinces enter Form 1 in Mombasa.

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

11.6. A breakdown of all secondary schools by type and province is set out in Table 11.6. The most interesting feature of the table is the degree of concentration of schools in the various provinces. Central Province has the largest number of schools—about 25 per cent of the total number and of the numbers in the maintained and unaided categories. Also, its relative position in 1968 and 1969 was unchanged. In fact, in terms of Form 1 enrolments, its position improved slightly, as shown in Table 11.7.

SECONDARY SCHOOLS BY PROVINCE, 1968 AND 1969

Table 11.6 *Numbers*

	Maintained		Assisted		Unaided		Total	
	1968	1969	1968	1969	1968	1969	1968	1969
Central	49	59	2	2	94	110	145	171
Coast	18	17	3	3	22	22	43	42
Eastern	31	38	0	0	58	66	89	104
Nairobi E.P.D.	16	15	13	13	36	36	355	64
North-Eastern	1	1	0	0	0	0	1	1
Nyanza	33	39	0	0	66	88	99	127
Rift Valley	33	37	1	1	45	54	79	92
Western	32	38	0	0	48	55	80	93
TOTAL	213	244	19	19	369	431	591	694

FORM I ENROLMENT BY PROVINCE, 1968 AND 1969

Table 11.7

	1968 Numbers	1969 Numbers	Percentage of Total	
			1968	1969
Coast	3,054	3,584	9	9
North Eastern	36	39	*	*
Eastern	4,433	5,656	12	14
Central	7,967	9,321	22	23
Nairobi E.P.D	6,262	6,415	18	16
Rift Valley	4,554	5,028	13	13
Nyanza	4,995	5,477	13	14
Western	4,323	4,316	12	11
TOTAL	35,624	39,836	100	100

* negligible

11.7. Table 11.8 shows the great increase in the numbers of candidates for secondary school examinations—from 18,106 in 1966 to 60,622 in 1969. The bulk of this increase comes from the growing coverage of the Kenya Junior Secondary Examination which is now being taken at the end of the Form II year by many who are going on to Form III as well as by school-leavers. The number of Higher School Certificate candidates has doubled

since 1966 and there were two and a half times more School Certificate candidates in 1969 than in 1966. Success rates have naturally dropped as many more children are now able to take these examinations than in the past; these success rates remain considerably better for those in Government schools than for private candidates and those in *Harambee* (unaided) schools.

PERFORMANCE OF CANDIDATES IN SCHOOL EXAMINATIONS, 1966-1969

Table 11.8

	1966	1967	1968	1969
KENYA JUNIOR SECONDARY EXAMINATION—				
Number of Candidates (Including teachers)	9,314	18,868	30,212	38,210
Percentage of Passes	29	35	20	22
CAMBRIDGE SCHOOL CERTIFICATE—				
Number of Candidates	8,036	12,108	17,249	20,918
Percentage of full passes	62	56	49	47
CAMBRIDGE HIGHER SCHOOL CERTIFICATE—				
Number of Candidates	756	941	1,196	1,494
Percentage of full passes	46			
Percentage with one principal subject only	35	38	60	60
TOTAL CANDIDATES	18,106	31,917	48,657	60,622

11.8. There has been a further rise, from 89 to 93 per cent, in the overall proportion of Kenya citizen secondary school pupils. This was foreshadowed in last year's *Economic Survey,* and the process will continue, as the proportion is still higher in the lower forms. There has however already been a significant change in the proportions in Forms V and VI—in 1967, for example, 28 per cent of Form V and 31 per cent of Form VI pupils were non-citizens, but these percentages had dropped to 14 and 16 respectively by 1969.

CITIZENSHIP OF PUPILS IN SECONDARY SCHOOLS, 1968 AND, 1969

Table 11.9

	Kenya Citizens		Non-Citizens		All Pupils		Percentage of Kenya Citizens		
	1968	1969	1968	1969	1968	1969	1967	1968	1969
Form I . .	33,441	37,743	2,183	2,093	35,624	39,836	90	94	95
Form II. .	26,114	31,701	2,353	2,123	28,467	33,824	90	92	94
Form III	17,553	18,652	1,994	1,985	19,547	20.637	85	90	90
Form IV	12,606	15,493	1,959	1,786	14,565	17,279	79	87	90
Form V	1,465	1,788	304	280	1,769	2,068	72	83	86
Form VI	1,059	1,342	330	260	1,389	1,602	69	76	84
TOTAL	92,238	106,719	9,123	8,527	101,361	115,246	87	89	93

11.9. As Table 11.10 shows, there was a small increase in average enrolments per class in secondary schools. It was most marked in Form V.

AVERAGE ENROLMENT PER CLASS IN SECONDARY SCHOOLS, 1967-1969

Table 11.10 *Numbers*

	1967	1968	1969
Form I	34	36	36
Form II	35	34	35
Form III	33	33	33
Form IV	30	32	32
Form V	20	21	23
Form VI	17	18	19
ALL CLASSES	33	33	34

11.10. *Technical Education.*—There has been a substantial increase in the number of pupils on secondary trade courses, from 1,382 in 1968 to 2,020 in 1969. This is in line with the Government policy of switching the emphasis of education to practical and vocational training. Numbers enrolled at the Mombasa Technical Institute also rose, from under 500 to 623. There were 2.041 students enrolled at the Kenya Polytechnic in 1969, following courses in the departments of engineering, building and civil engineering, science, commerce, printing and catering; of these, 1,780 were Kenya citizens. The total enrolment at the Polytechnic in 1968 was 1,899 students. In 1969, there were 107 Kenya citizen and 183 non-citizen teachers in technical teaching posts, compared with the 1968 figures of 80 Kenya citizens and 170 non-citizens.

11.11. *Teachers.*—The teacher supply situation improved considerably between 1968 and 1969. In primary schools, there was no change in the overall percentage of Kenya citizens, which remained at 97 per cent. The percentage of qualified primary teachers, however, rose substantially from 72 to 78 per cent—there were over 2,500 more professionally qualified teachers and 2,100 fewer unqualified teachers. This improvement is due to a combination of factors: new teachers are coming "on stream" from training colleges while unqualified teachers leave and retire, and existing unqualified teachers attend upgrading courses. Six thousand one hundred twenty-six students were training to be primary teachers in 1969, which represents an increase of 7 per cent over the 1968 figure of 5,740.

11.2. The proportion of secondary school teachers who are Kenya citizens continued to improve, rising from 14 per cent in 1968 to 47 per cent in 1969. Well over half the Kenyan secondary school teachers are now professionally qualified (57 per cent, against 52 per cent in 1968). In the academic year 1969/70, 26 Kenya students were studying for a postgraduate Diploma in Education at University College, Nairobi, and 134 other Kenyans were read-

ing for B. Ed. degrees at Makerere and Dar es Salaam University Colleges. The number studying in Teachers' Colleges to be secondary school teachers rose from 645 in 1967 to 885 in 1968 and 1064 in 1969. The rapid flow of graduate Kenya citizens into secondary teaching has also continued; there were 257 professionally qualified Kenyans teaching in secondary schools in 1969, where there had been only 184 such teachers in 1968 and 100 in 1967.

SCHOOL TEACHERS BY QUALIFICATIONS AND CITIZENSHIP, 1968 AND 1969

Table 11.11

	Kenya Citizens		Non-Citizens		Percentage of Kenya Citizens		TOTAL	
	1968	1969	1968	1969	1968	1969	1968	1969
PRIMARY SCHOOLS—								
Professionally Qualified	26,445	28,971	1,040	1,030	96	97	27,485	30,001
Not Professionally Qualified	10,211	8,098	227	213	98	97	10,438	8,311
TOTAL PRIMARY	36,656	37,069	1,267	1,243	97	97	37,923	38,312
Percentage Professionally Qualified	72	78	82	83	–	–	72	78
SECONDARY SCHOOLS—								
Professionally Qualified	1,070	1,411	1,672	1,860	39	43	2,742	3,271
Not Professionally Qualified	985	1,055	917	941	52	53	1,902	1,996
TOTAL SECONDARY	2,055	2,466	2,589	2,801	44	47	4,644	5,267
Percentage Professionally Qualified	52	57	65	66	–	–	59	62
GRAND TOTAL	38,711	39,535	3,856	4,044	91	91	42,567	43.579

11.13. *University Education.*—The three University Colleges—Nairobi, Makerere and Dar es Salaam—which comprise the University of East Africa are about to become separate national universities. This change is not expected to have much practical effect on the courses offered, since each college has been widening its faculty coverage considerably in the last few years. The total number of Kenya undergraduates at the three colleges has risen from 1,356 in academic 1968/69 to 1,752 in 1969/70. Within this overall increase, the Kenya percentage of undergraduates reading for B.A. and Common Faculties degrees has risen from 27 to 30 per cent, while the percentage in Professional Faculties students is unchanged. However, the Kenya share of engineering students has fallen from 39 per cent to 35 per cent, while the Kenya share of medical students is also down.

11.14. While the number of Kenya students at the University of East Africa rose by 27 per cent last year compared to a 21 per cent increase the previous year), the total number of students at University College, Nairobi, rose by 26 per cent (17 per cent in 1968/69). Slightly over half the students at Nairobi are from Kenya. New Faculties of Agriculture and Journalism were established during the year, and the appointment has been announced of the first Kenyan Principal of the College.

UNIVERSITY OF EAST AFRICA—KENYA STUDENTS BY FACULTY, 1967/68-1969/70

Table 11.12

	1967/68			1968/69			1969/70		
	Kenya Students	Other Students	Percentage Kenya Students	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	583	1,174	33
B. Sc	176	399	31	188	581	24	261	669	28
B. Com	86	149	37	108	203	35	127	223	36
B. Ed.	69	92	43	117	492	19	134	561	19
TOTAL COMMON FACULTIES	696	1,709	29	835	2,279	27	1,105	2,627	30
Engineering	117	166	41	133	204	39	124	226	35
Medicine	136	254	35	171	326	34	214	439	33
Veterinary Science	39	103	27	42	142	23	52	148	26
Other Professional Faculties	137	283	33	175	371	32	230	473	33
TOTAL PROFESSIONAL FACULTIES	429	806	35	521	1,043	33	620	1,286	33
TOTAL	1,125	2,515	31	1,356	3,322	29	1,725	3.913	31

UNIVERSITY COLLEGE, NAIROBI-KENYA STUDENTS BY FACULTY, 1964/65-1969/70

Table 11.13

	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70
Undergraduates—						
Arts	70	132	187	276	319	387
Science	43	65	97	138	142	203
Commerce	22	41	51	86	108	127
Architecture	12	16	17	32	27	48
Engineering	71	94	105	117	133	124
Veterinary Science	17	27	32	39	42	52
Medicine	—	—	—	19	52	102
Building and Land Economics	—	—	—	—	36	62
TOTAL	235	375	489	707	859	1,105
Postgraduate Students	27	35	44	44	25	72
Diploma Courses—						
Domestic Science	28	28	27	27	38	26
Art/Design	17	21	23	22	12	10
Architecture	7	4	1	1	—	. —
Land Development and Survey	27	16	17	16	—	—
Advanced Nursing ..	—	—	—	—	10	13
TOTAL	79	69	68	66	60	49
Other Courses	8	—	—	—	3	—
All Kenya Students	349	479	601	822	947	1,226
Students from Other Countries	302	447	550	698	832	1,014
TOTAL	651	926	1,151	1,520	1,779	2,240

11.15. In past *Economic Surveys,* an estimate has been given of the number of Kenya students in institutions of higher learning abroad. It is now possible to give exact figures for the number of Kenya students returning each year from the various countries, as shown in Table 11.14.

KENYA STUDENTS RETURNING FROM ABROAD, 1968 AND 1969

Table 11.14

Numbers Returning

	1968	1969
United Kingdom	283	314
United States ..	151	138
U.S.S.R.	69	88
India	39	83
Yugoslavia	23	10
Canada	22	19
Italy	22	11
Pakistan	16	19
West Germany	15	24
Bulgaria	12	19
Sweden	11	20
Other Countries	143	156
TOTAL	806	901

Health and Family Planning

11.16. Total Central Government expenditure on health has risen again, both in total and on a per head basis. The numbers of Kenya medical students at the University of East Africa have risen from 136 in 1967 and 171 in 1968 to 214 in 1969, and other Kenyans are studying medicine abroad.

11.17. There has been a substantial increase between 1968 and 1969 of 1011 beds in Government hospitals, which provide the bulk of hospital beds in the country (8,858 out of 13,615 in 1968). About 130 beds out of an intended 200 are now in use in the new hospital at Homa Bay, while the hospital at Kisumu is fully operational after initial staff shortages. The take-over of a 75 bed hospital at Kinango in the Coast Province was foreshadowed in last year's *Economic Survey;* this takeover is now complete and the hospital has expanded to 100 beds. New district hospitals have opened in Western Province at Busia (200 beds) in North-Eastern at Mandera (100 beds), in Eastern at Marsabit (100 beds) and in the Rift Valley at Loitokitok (100 beds now, to be extended to 200 by the end of 1970). Plans include 200-bed hospitals at Garissa (North-Eastern Province) and Ol Kalou (Central Province). During financial 1968/69 capital expenditure on Medical Developments Projects was K£1.55 million, and K£2.05 million is expected to be spent under this head in financial 1969/70.

CENTRAL GOVERNMENT EXPENDITURE ON HEALTH SERVICES, 1964/65-1969/70

Table 11.15

	Total *K£million*	PER HEAD	
		KSh.	Percentage Increase
1964/65	3.11	6/83	-
1965/66	3.72	7/95	16
1966/67	4.07	8/44	6
1967/68	5.13	10/33	22
1968/69	5.91	11/58	12
1969/70 (estimated)	7.61	14/31	24

11.18. Kenya continues to be one of the few countries in Africa with a national family planning programme. This programme is strictly voluntary in the sense that there is no attempt by the Government to force its adoption and it is part of a combined policy of fighting malnutrition, improving childrens' and mothers' health, and controlling the rate of population growth (which, at well over 3 per cent, is one of the highest in the world).

11.19. The number of family planning clinics has grown substantially, and at the end of 1969 there were 193 operating, compared to 116 in 1968.

FAMILY PLANNING CLINICS, 1968 AND 1969

Table 11.16

	1968	1969
Government and Private ..	95	157
Nairobi City Council	21	36
TOTAL	116	193

11.20. The number of first visits to family planning clinics has not, however, risen at the same rate. First visits were running about 1,500 per month in 1968, and this average climbed to about 2,000 per month in early 1969; since then there has been little change in this figure, although the average monthly number of revisits has risen, as was expected, from 2,000 to 5,000. It is felt that the stagnation in the new visits total is not due to lack of capacity in the clinics, and further investigations into this rather disappointing rate of progress will be necessary. The need for any family planning at all is not universally accepted in the country and there is room for intensive educational programmes. The current numbers of "acceptors" are far too small to have any real impact on Kenya's population growth.

11.21 .Kenya's campaign against malnutrition, which started in 1961, is a WHO/FAO/UNICEF project. There are now about 60 Kenyan nutrition fieldworkers, who are enrolled nurses or midwives; about 20 fieldworkers are given a six month training course each year at the Karen College of Nutrition, which has been in operation since 1965. These fieldworkers cover all parts of Kenya and the campaign has recently been extended to North-Eastern Province. The campaign has many aspects, including help at health centres and district hospitals for mothers and children, and publicity activities such as the production of books and pamphlets and a nutrition training programme for nursery school teachers in conjunction with the Ministry of Co-operatives and Social Services. Nutrition workers show people how to make the best use of the foods available to them, but in some areas the problem is essentially one of poverty; farmers do have enough milk or eggs, for example, to nourish their families properly, but they have to sell some of their produce to meet school fees or other commitments. The Government will spend about K£36,000 on the campaign in the current financial year, and that expenditure is expected to increase to K£73,000 a year by 1973, when there will be some 125 nutrition fieldworkers.

Housing

11.22. The number of dwellings completed on National Housing Corporation projects rose from 1,468 in 1968 to 2,019 in 1969, as Table 11.17 shows. Within these totals, the number of dwellings completed in Nairobi almost doubled, while completions in Central, Coast, Rift Valley and Western Provinces were substantially lower; the numbers completed rose in Nyanza and Eastern Provinces. The importance of Nairobi projects in the total can be seen in the newly available cost figures inserted in the table; the average cost per unit was below the recently fixed ceiling of £1,200 for all provinces except the Nairobi area, but the Kenya average figure was over £1.400.

NATIONAL HOUSING CORPORATION PROJECTS BY PROVINCE, 1968 AND 1969

Table 11.17

	Units Completed in 1968	Units Completed in 1969	Average Cost 1969 K£
Central	180	119	962
Coast	113	50	923
Eastern	0	121	870
Nairobi E.P.D	705	1,309	1,728
North Eastern	0	0	
Nyanza	100	173	1,143
Rift Valley	307	247	687
Western	63	0	-
TOTAL	1,468	2,019	1,435

11.23. There is, of course, a far greater demand for "middle income" housing in Nairobi than in other areas, particularly from those who have been promoted in the Civil Service or Local Government since *Uhuru* and for those who are now rising in commerce and industry. However, there is certainly a "multiplier" effect of such heavy expenditure, and a distinct switch of emphasis to low cost aided self-help and site and service schemes in selected regional centres and rural areas could very well be of greater benefit to the Kenya economy as a whole. Such a switch would be in line with the 1970-74 Development Plan emphasis on rural development, which stresses the need to create employment and improve the infrastructure outside Nairobi in order to slow the drift to Nairobi and promote more balanced growth. This does not mean that "middle class" housing should not be built—only that public funds should not be diverted into it. The demand for such housing emanates from members of the population who are often in a position to mobilize private resources for house-building or purchase.

11.24. The Ministry of Housing has been paying particular attention over the year to the problem of landlords and tenants who do not keep property clean and in good repair. Several appeals have been made and the Ministry hopes it will not have to use its powers under the Public Health Act. It remains to be seen how effective such appeals will prove in the long run without inspection machinery.

The National Social Security Fund

11.25. There have been no significant developments in the activities of the National Social Security Fund during 1969. The fund has not yet extended its coverage beyond full time male workers employed by employers with five or more employees and the year may thus be seen as one of consolidation.

11.26. Administrative difficulties have, however, remained a feature of the Fund's operation and the most recent Auditors' Report contained several adverse comments, referring particularly to the large amounts held in suspense accounts and to the difficulties and delays in providing contributors with statements of their accounts when necessary. A leading firm of accountants and management consultants has now been called in and it is hoped that their report will enable the Fund to function more smoothly.

11.27. Contributions received by the Fund in 1969 totalled K£6.06 million, while benefits paid totalled K£0.22 million. Contributions from both employers and employees continue to be earmarked for payment to workers of old age benefit, survivors' benefit for contributors' families, invalidity benefit for permanently disabled workers, and emigration benefit. Nearly two years ago the Government approved in principle the payment of sickness benefit to cover free inpatient treatment at Government Hospitals for all contributors but the necessary amendment to the Act has not yet been passed. The Fund's investment portfolio consists mainly of Kenya Government stock,

(it holds about 40 per cent of the Public Debt) but it also contains "wider-range" investments such as property and equities on the Nairobi Stock Exchange. By the end of 1969 the Fund had invested only a small amount in property, but it already possessed over £900,000 nominal of stock in companies such as East African Power and Lighting and B.A.T. Kenya. This stock had a market value of over K£1 million. In so far as fund contributions are mainly at the expense of employers' and workers' current consumption, this element of forced saving is making an increasingly important contribution to Kenya's development.

NATIONAL SOCIAL SECURITY FUND CONTRIBUTIONS AND BENEFITS, 1966-1969

Table 11.18 *K£million*

	Contributions Received	Benefits Paid	Contributions net of Benefits
1966	1.17		1.17
1967	4.56	0.02	4.54
1968	5.57	0-15	5.42
1969	6.06	0.22	5.84
TOTAL ..	17.36	0.39	16.97

CHAPTER 12—THE OUTLOOK FOR 1970

It is more difficult than usual to make forecasts for the coming year. The United States economy, which has a major influence on world economic conditions, is in a state of inflationary recession. Business profits have fallen and gross national product declined by about 1 per cent (in real terms) in the first quarter of the current year, althought it has continued to rise at current prices. There is considerable uncertainty about the likely pattern for the rest of the year. However, although the stock market depression has spread from the United States to other world bourses, in the industrial economies of continental Western Europe and Japan real growth in GNP is expected to be about 5 per cent, and somewhat slower for the British economy. But it now seems likely that 1970 will see the downturn in the growth of world trade which was forecast but did not occur in 1969. As far as monetary conditions are concerned, although there is some anxiety caused by the United States balance of payments position, the existing relatively stable conditions are expected to continue through the year.

12.2. Within Kenya, unlike last year, the long rains have been good and this should be reflected in the size of harvests during the year and early in 1971 (from 1970 plantings). Deliveries of wheat during the year will consist primarily of the 1969/70 crop already harvested. This crop was as large as the 1968/69 harvest so that the excess supply of wheat noted in Chapter 4 will continue to be a feature of the year and Government subsidies for uneconomic exports will have to be maintained. As far as maize is concerned, no more deliveries from the 1969/70 crop are expected. The size of the 1970/71 maize crop is more difficult to predict but it is expected that output will respond well to good rainfall and a total marketed surplus of about 300,000 metric tons is likely. However, deliveries during the calendar year 1970 are likely to amount to a good deal less, possibly half this amount. Rice paddy production is closely related to the area of irrigated paddy fields. This increased substantially in 1969. Deliveries during the first quarter of the current year suggest that the crop will be 25-35 per cent higher.

12.3. Coffee plantings are expected to maintain the recovery from coffee berry disease and a larger crop than last year's is likely. Tea production should respond well to the good rainfall and. although deliveries during the first quarter of the year were below those of the corresponding period last year, production should exceed last year's, perhaps by about five thousand tons. Sisal output is likely to remain at about the level of 1969. The outturn for pyrethrum is not expected to recover to the level of 1968 although production might be about 25 per cent above the low deliveries of 1969. Sugar output is expected to exceed last year's by about 10,000 metric tons—this will be reflected in a corresponding growth of cane output. It appears that the 1970 cotton crop will be as high as the record harvest of 1969.

12.4. Dairy production ought to rise due to favourable weather. The abolition of the milk quota system noted in Chapter 4 might give a further uplift to marketed production. The improvement in grazing provided by wetter conditions is also likely to improve the growth of slaughter stock. All told, marketed livestock production in quantity terms might exceed last year's by about 6 per cent.

12.5. Farmers' incomes depend, of course, on prices as well as production. Prices received for cereals will reflect the lower prices for wheat and maize fixed for 1969 plantings and maintained unchanged for 1970 plantings. Coffee prices, however, show a major improvement over last year. Although production will exceed Kenya's quota under the International Coffee Agreement this is unlikely to affect the net price paid to farmers in 1970, but this might be an important consideration in 1971. Tea prices to date suggest that these will show little change from last year's. The weakening of sisal prices following the collapse earlier this year of the *ad hoc* quota arrangements was noted in Chapter 4. If these arrangements are restored, some improvement in prices might follow but, even if this is the case, the overall average for the year will probably be lower than last year's.

12.6. The effect of these trends in production and prices is a likely growth in the value of marketed agricultural output of about 10 per cent at current prices.

12.7. In the major non-agricultural industries also, expectations of growth during 1970 look favourable. Present indications suggest that sales by the manufacturing sector are likely to exceed the high level of 1969 by more than 10 per cent. Rapid growth is expected to be maintained in the food, petroleum and cement industries, all of which showed relatively fast growth during 1969 as well. Production of electrical goods should reflect the opening this year of an electric bulb factory. Several other industries are also expected to show rising sales during the year. A high level of activity is likely to be maintained in building and construction. Although approvals of plans for new buildings in Nairobi during the first quarter of the year were lower than those for the same period last year, they exceeded those of any other quarter for the last two years. The high level of approvals in the last quarter of 1969 should be felt in the scale of activity in 1970. Tourism has already shown a vigorous recovery from the relatively static situation of 1969. The number of foreign visitors departing in the first quarter of the year was 25 per cent above the level of the first quarter in 1969 although hotel bed occupancy by foreign residents showed a much smaller growth. However, it does seem likely that the year will see substantial growth in expenditure by tourists.

12.8. The rising level of coffee and tea production, along with the fact that coffee prices particularly are favourable, is expected to contribute an additional K£5-6 million to the value of exports. However, there will be no maize exports in 1970 and exports of pyrethrum are also expected to fall. In manufacturing, on the other hand, the expected rapid rate of growth is also likely to result in rising exports of manufactured products, particularly of petroleum and cement but also of the wide range of other manufactures exported to Uganda and Tanzania. Overall, exports are expected to grow by 5 to 6 per cent.

12.9. No trade statistics for the early months of the current year are yet available. However, customs revenue receipts during January-May 1970 were 20 per cent above those for the corresponding period last year, although imports during these months were probably biased towards consumer goods. Total imports for the year are likely to be 9 per cent higher than last year's. Growth is expected to take place in almost all major categories, notably in transport equipment and other capital goods. The former will be influenced strongly by imports of railway equipment and possibly also of jet airliners for East African Railways and East African Airways respectively. Machinery for the rubber tyre factory being built is likely to form a major component in imports of other capital goods. The expected rise in the tempo of industrial activity should also result in increased requirements of imported basic

materials and semi-manufactures for further fabrication. As far as consumer goods are concerned, a large increase in imports of textiles, both from overseas and from Uganda and Tanzania, will be required to build up the stocks which were heavily depleted during 1969.

12.10. With imports rising faster than exports, unlike last year, the deficit in the visible balance of trade will widen. It is difficult to assess what effect this will have on the country's foreign exchange reserves. During the first three months of the year these had risen by over K£9 million. This was very similar to the pattern early in 1969. However, the 1969 pattern of continued growth for the rest of the year also is unlikely to be repeated. If foreign exchange income from tourism grows as fast as expected, there is unlikely to be much change at the end of the year in the size of the country's foreign exchange reserves.

12.11. Had events followed the pattern of 1969, a little growth in employment in the agricultural sector might have taken place. However, just as this *Survey* goes to press the Government has announced a new "tripartite agreement" to increase employment by 10 per cent. Details of the manner in which the Government, employers and trade unions will implement this agreement are not yet available. If the effect of this is like that of the "tripartite agreement" of 1964, employment might rise by 35,00045,000. This is not 10 per cent of employment in the "modern sector" but many employers in this sector have less than 10 employees and might not be able to increase employment by 10 per cent. However, it must be emphasized that for the effects of such measures to be more than temporary it is essential that other steps such as those set out in the Development Plan, on an incomes policy, should also be presented.

12.12. Taking all factors mentioned in this chapter into account, it would seem that 1970 will see a level of growth in gross domestic product better than the satisfactory achievement of 1969. A growth rate of 7-8 per cent at 1969 prices is forecast.