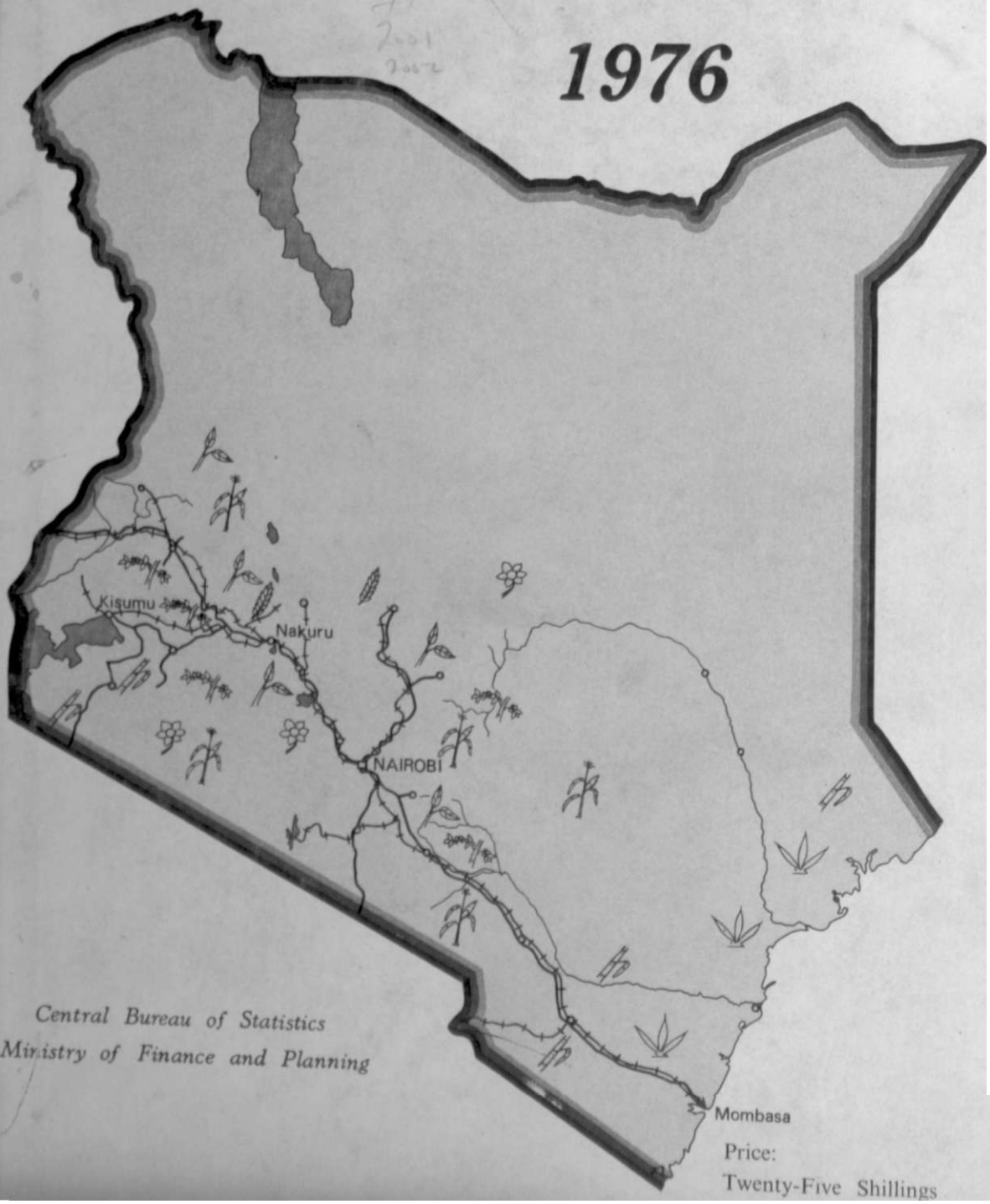
ECONOMIC SURVEY 1976

REPUBLIC OF KENYA



Central Bureau of Statistics
Ministry of Finance and Planning

Price:
Twenty-Five Shillings

ECONOMIC SURVEY

1976

Prepared by the Central Bureau of Statistics
Ministry of Finance and Planning

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NAIROBI,
JUNE, 1976

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NOTES:

1. Figures may not add to totals because of rounding.

2. The following conventional signs are used in the tables:
"—" Means nil or negligible (less than half the final digit shown).
". ." Means figures not available.

3. All figures quoted in tons are metric tons.

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ECONOMIC SURVEY, 1976

CHAPTER 0—CURRENT APPRAISAL AND OUTLOOK FOR 1976

Current Appraisal: A Summary

The direct and indirect effects of the rise in oil prices, together with the impact of the most severe recession experienced in the industrial countries since the end of the Second World War, further compounded in 1975 the poor growth rate of the economy experienced in Kenya in 1974. The further decline in economic activity in 1975 reduced the number of people in paid employment by 2 per cent, the first fall in a decade. In the past two years Kenya's terms of trade have deteriorated dramatically, a huge balance-of-payments deficit has been incurred, the growth rate of the economy has declined to about 1 per cent, and real per capita income has fallen.

0.2. The year 1976 should be much better for Kenya, although the output of the agriculture sector will be a crucial factor and here the present rains hold the key. The price of coffee has risen substantially on external markets and this together with a generally more buoyant world economy should help Kenya's external trade and balance of payments significantly. That in turn should alleviate a major dampening influence on the domestic economy. Unfortunately domestic inflation will continue at a relatively high level, being influenced both by the lower but still substantial inflation in the developed countries of the world, and by the after effects of the devaluation of the Kenya shilling in late 1975.

0.3. The international recession in the industrialised countries, with its world-wide impact, deepened during the first six months of 1975. Unemployment in OECD countries rose and world trade in real terms declined substantially. Fortunately the bottom of the recession was reached soon after the middle of the year. Most industrialised countries are now beginning to register significant rates of recovery following a cautious stimulation of their economies, and there is the possibility of some acceleration in the world growth rate during 1976. World trade is expected to regain most of the ground lost in 1975 and commodity prices have already indicated signs of a substantial level of recovery. A strong recovery in industrial investment, however, is not likely to occur in the OECD countries until at least the end of 1976, basically because there is still much under-utilized capacity at present available. Some modest improvement in the terms of trade of the developing countries is anticipated in 1976 but the balance of payments of the non-oil producing countries is still expected to be a cause of some anxiety. First estimates suggest an overall deficit on current account of these countries of some USS 32 billion. This huge deficit must almost certainly restrain economic growth in these under-developed countries in 1976, thus holding back the growth rate in the world economy as a whole.

0.4. Kenya's current balance of payments delicit in 1975 amounted to K£77 million equal to about 7.5 per cent of the GDP. Although this is still a disconcertingly high figure, it is a considerable improvement on the deficit in 1974 of K£114 million. The terms of trade worsened further in 1975 but the adverse movement was much less severe than in the previous year. The average unit price of imports rose by 17.9 per cent and of exports by 14.6 per cent. The improvement in the trade balance from a deficit of K£161 million in 1974 to one of K£134 million in 1975 was due to a fall of 20 per cent in the volume of imports, as against a fall of 11 per cent in the volume of exports.

0.5. The Government took various measures in 1975 to improve the un-favourable trade balance of 1974. These included imposition or raising of tariffs on raw materials; raising import duties and sales taxes on certain luxury consumer goods; and raising duties and taxes on petroleum products to reduce consumption. Exports of manufactured goods were also encouraged by suitable subsidies.

0.6. The overall deficit was further reduced by net earnings on the "invisible" account, which rose from K£46.7 million in 1974 to K£57.5 million in 1975. Tourist expenditure in Kenya, a part of these "invisible" earnings, increased from K£26.5 million to K£33.4 million. The gap in the current account of the balance for payments was covered by an inflow of capital from abroad into the private sector; by government's borrowing and its receipt of capital transfers; and by a net increase in the liabilities of the Central Monetary Authorities. Government borrowing and drawings on the IMF amounted to K£46.1 million, equal to 60 per cent of the current account deficit. Had the government not been able to borrow, the run down in foreign exchange reserves, and the consequential decrease in money supply, would have restrained the level of economic activity even further.

0.7. The unfavourable external balance on goods and services had a dampening effect on the economy by reducing effective demand. Other adverse factors in 1975 were the dis-investment in stocks, a marginal decline in aggregate investment in fixed capital, and a marginal decline in marketed agricultural production at constant prices. The economy as a result of the continued effect of these factors attained an increase of only about 1 per cent in GDP at constant prices in 1975, compared with an increase of 4 per cent in 1974. These growth rates are the lowest for a decade. The revised target in the Development Plan 1974-1978 was an average growth rate of 6.0 per cent a year.

0.8. With the population increasing at a rate of about 3.3 per cent a year, GDP at constant prices per head thus declined by about 2 per cent in 1975. There was also a further loss of real incomes due to the worsening of the terms of trade. On a per capita basis the overall decline in real income amounts to around 3 per cent. This follows a reduction of 5 per cent in 1974.

Such a fall in real incomes has been experienced in many of the world's non-oil developing countries in 1974 and 1975 and can be related either directly or indirectly to the rise in oil prices and the world recession.

0.9. The overall economic performance of the individual sectors of the economy has been varied. The worst-effected were the building and construction, wholesale and retail trade and transport sectors. The building and construction sector always suffers under conditions of recession or stagnation. The transport sector was adversely influenced by the reduction in economic activity in neighbouring countries which make use of the transit services in Kenya, and also by the decline in the physical volume of imports and exports. The commerce sector was affected by the overall decline in physical level of through-put handled. Production of the agriculture sector also declined marginally at constant prices, while output of the manufacturing sector rose by approximately 4 per cent.

0.10. The uneven distribution of rains; growers' reactions to the high cost of inputs; and poor world prices led to some reduction in the output of individual crops. Production of coffee, wheat and sugar-cane declined. The largest reduction, however, was recorded in the output of sisal which fell by some 50 per cent. In contrast output of tea, maize and pyrethrum rose. In fact the output of maize reached a record level. The output of livestock and livestock products was adversely affected by poor grazing conditions in certain areas due to indifferent rains. Overall, the output of the agriculture sector in real terms continued to stagnate in 1975. There has been virtually no growth in this sector since 1972.

0.11. The performance of the manufacturing sector in both 1974 and 1975 has been disappointing. Manufacturing is one of the key growth sectors, and up to 1973 the overall rate of increase in its production was high. The growth rate fell to just under 6 per cent in 1974. and dropped further to 4 per cent in 1975. The planned target growth rate is 10.2 per cent a year. However, investment has continued in this sector at a relatively satisfactory rate. Amongst investments recorded in 1975 were those in plants making textiles, footwear, processed dairy products, and chemicals and in motor assembly units. Heavy investment is also being planned to double the capacity in sugar processing. In 1975 the Webuye paper mill reached a level of output equal to half its planned capacity; and the addition to capacity in textile production recently brought on stream significantly increased production by the textile industry. Increases were also registered in the output of canned fruits and vegetables and of paints and non-metallic minerals.

0.12. Output in the construction sector fell by about 6 per cent in real terms in 1975. This is the second successive year of reduced activity in this sector, and but for the relatively high level of investment spending by the Government the sector would have been much more depressed. Central Government development expenditure, excluding loans and investment, rose

by 30 per cent at current prices between 1974 and 1975, and at constant prices the increase was in the region of 10 per cent. While activity in building and road construction was reduced the level of expenditure on water projects and airport schemes increased significantly.

0.13. Total expenditure by the public sector on water development and related activities rose to K£11.9 million in 1975/76, reflecting the Government's firm commitment to provide potable water to the whole nation as soon as possible. A major project is the Sabaki River water scheme which will, when completed, have cost a total of K£28.5 million. This project will alleviate the persistent water shortages experienced in the Mombasa Municipality and surrounding areas.

0.14. Both the international airports at Nairobi and Mombasa are being expanded and their facilities improved. Total expenditure at Nairobi Airport is estimated to amount to K£26.5 million. The works include construction of a new passenger terminal and a separate cargo terminal. The airport is to be connected to the city by a dual-carriage way limited-access road. The construction of a runway enabling larger aircraft to land on direct flights from Europe is a particular feature of the extensions to Mombasa Airport. A new passenger terminal is also being built and the total cost will be in the region of K£10 million.

0.15. Another large project in the transport sector is the oil pipeline from the refinery at Mombasa to Nairobi. The pipeline will be 499 kilometres long and will cost K£37.7 million. Further progress was also made in the development of Mombasa's port facilities with two new berths being virtually completed in 1975 and further handling equipment purchased.

0.16. Sales of petroleum products fell in 1974 due to higher prices. Although the overall growth rate in sales was restored to some extent in 1975, it was essentially accounted for by higher sales of turbo fuel to foreign airlines and by an increase in sales of fuel oil for use by the paper mill at Webuye. Consumption of electricity rose by 8.3 per cent and there was an increase of more than 100 million kwh of power generated within the country.

0.17. Imports of crude oil petroleum were virtually unchanged at 2.83 million tons in 1975. While domestic consumption of petroleum products rose within Kenya there was a substantial fall in exports, essentially due to lower sales to Uganda and Tanzania.

0.18. Tourism was effected generally by conditions on the world scene, by rising transport costs, and severe recession in tourist generating countries. Kenya, however, managed to record some growth, and the number of visitor-days spent by tourists in Kenya increased by 12.5 per cent to 4.96 million. Consequently tourists expenditure within Kenya, as indicated earlier, rose from K£26.5 million to K£33.4 million. A substantial part of the increase was. however, accounted for by price rises.

0.19. Paid employment in June, 1975, was 2 per cent lower than it was a year earlier. Total numbers in wage employment declined from 826,300 in 1974 to 809,400 in 1975. A further 128,400 persons were self-employed or engaged in informal sector occupations in the urban areas. This total of 937,700 persons plus a further 247,000 who are receiving secondary or higher education account for less than 20 per cent of the total economically active population. The remainder, i.e. over 80 per cent of the total, were either in rural areas engaged mainly in small-holding agriculture and other informal activities or in the urban areas seeking gainful employment. In view of the economic conditions prevailing in 1975 there was almost certainly a significant increase in the numbers of the under-employed or those seeking work.

0.20. There was a substantial decrease in employment in the private sector. This was offset to some extent by an increase in employment provided by the Central Government and other public employers. For the first time public sector wage employment exceeded that in the private sector.

0.21. The decline in the private sector employment was most severe in the construction, commerce and transport sectors. Nairobi registered the sharpest fall in employment of 6.6 per cent. There were, however, increases in employment in Nyanza. Western and Eastern provinces.

0.22. Domestic prices continued to rise in 1975 and, in fact, the average increase of more than 19 per cent was the highest recorded to-date. In three years prices have risen by 60 per cent for the lower income group and 53 per cent for the middle income earners. Although both gross earnings and wage rates rose in 1975 the increase in average earnings per employee did not keep pace with rise in the cost of living. For the third year in succession real wages per head fell. However, the reduction in 1975 of 2.9 per cent was lower than the fall of 6.0 per cent in 1974.

0.23. Government expenditure, both current and capital, is expected to total some K£384 million in 1975/76 compared with K£301 million in 1974/75. Furthermore a higher level of expenditure is expected to be incurred on development and investments in 1975/76, a total of K£137 million compared with K£94 million a year earlier. This emphasis on a higher level of government capital expenditure has undoubtedly helped to prevent the economy slipping into a deeper recession in 1975. Much of the capital expenditure continues to be financed by foreign and domestic loans. In 1975/76 external loans on development account will, it is expected, total K£46 million while the level of domestic borrowing is anticipated to rise to K£72.8 million. The overall Government deficit in 1975/76 is expected to amount to K£125.2 million, compared with K£75.0 million in 1974/75. This deficit is larger than originally anticipated due to a shortfall of some K£10 million on the estimated current revenue receipts while expenditure is estimated to be K£18 million higher than the amount budgeted for.

0.24. In October, 1975, the Kenya shilling was devalued by about 14.3 per cent with respect to the US dollar. The shilling, previously pegged to the US dollar, was then tied instead to the SDR. The exchange value of the SDR is an average of the exchange rates of the leading industrial countries. The net foreign reserves of the Central Monetary Authorities rose from K£66.9 million in December, 1974, to K£70.5 million at the end of 1975 but the net increase was only due to the rise in the use of IMF credit of K£16.2 million.

0.25. The limitation of the expansion of domestic credit to 16 per cent a year; according priority in borrowing to African business, the agriculture sector and the financing of exports; and raising the liquidity ratio of the commercial banks from 15 to 19 per cent as from July, 1976, were the main features of the monetary policy in 1975/76. These restrictions were aimed at reducing the exceptional deficit in the balance of payments and also at altering the structure of the economy so that a higher proportion of resources would flow into agriculture, export industries, and industries manufacturing import-competing products.

0.26. The money supply rose by 14 per cent in 1975, but in real terms it was little changed since prices rose by a somewhat similar percentage. Its increase in nominal terms was caused mainly by an increase in loans and advances by the commercial banks; and by substantially larger holdings of government securities or advances to Government. These influences more than offset the increase in net foreign liabilities of the banking system.

The Outlook for 1976

0.27. At mid-year the international economic outlook for 1976 was indicating a substantial improvement over conditions in 1975. The latter year was the most disappointing year experienced for a decade. The transition in the developed countries, from recession to growth, which first became apparent in the second half of 1975, has continued to gather strength. Indeed in 1976 the GDP of OECD countries should be some 5 to 6 per cent higher than in 1975, and should more than regain the losses incurred during the recession.

0.28. In Kenya a lower balance of payments deficit on current account is in prospect for 1976 although its level will be decided to some extent by policies adopted to improve the growth prospects of the economy. Commodity prices have risen sharply and the price rise for coffee, Kenya's major export, has been particularly significant. Coffee export earnings should double compared with those in 1975, yielding total receipts of some K£65 to K£70 million. Also import prices seem unlikely to rise as fast as export prices, while devaluation of the Kenya shilling should further promote exports and tourism. The tourist expenditure within Kenya should rise by 15 to 20 per cent to K£40 million.

0.29. The large balance of payments deficits in 1974 and 1975, by reducing effective demand, undoubtedly acted as a drag on the economy. The lower

prospective deficit in 1976 should accordingly lessen this dampening effect. Further, the value of marketed agricultural production should be higher and stimulate demand.

0.30. It is estimated that a substantial increase in Government expenditure will be recorded in 1975/76 with more emphasis being placed on capital expenditure. It seems likely that this trend will continue in 1976/77 and the economy will be stimulated in 1976 from the larger excess in Government's expenditure on capital formation over the level of its current savings. Some of the public projects have already been referred to earlier in this chapter. In addition the private sector should again begin to build up the stocks which were run down in 1975. However, private investment in fixed capital formation particularly in building and construction—seems unlikely to register any substantial increase in 1976. Nevertheless, as the economy recovers some increase in private investment in fixed capital formation should occur.

0.31. It also seems likely, after the fall in numbers in wage employment in 1975, that the improved prospects for growth in the economy should lead to a recovery in employment in 1976.

0.32. Indications are that an increase of 4 to 5 per cent may be achieved in GDP at constant prices in 1976. This forecast is based on the assumption of an adequate rainfall for agricultural crop and livestock production. However, re-attainment of an average target growth rate of 7 per cent a year as originally laid down in the Development Plan, 1974-1978 or even the revised figure of 6 per cent a year seems unlikely to be achieved during the current plan period, although prospects for the years 1977 and 1978 are now much more promising.

0.33. In brief, the prospects for 1976 are for a higher growth rate of GDP than in 1975, some recovery in wage employment, a lower balance of payments deficit on current account, and some shift in the distribution of incomes in favour of the rural areas.

CHAPTER 1—THE INTERNATIONAL SCENE

The industrial countries at the end of 1974 were experiencing the most severe recession since the end of the Second World War. Industrial production and GDP at constant prices continued to fall in the first six months of 1975 in nearly all OECD countries, and unemployment to rise. World trade in real terms also declined further in this period. The rate of inflation moderated, but only slightly. There is every indication, however, that the bottom of the recession was reached in the second or third quarter of 1975. The emphasis since then in most OECD countries has shifted from restraining inflation to cautious stimulation of the economies, and the fiscal and other measures taken in many countries appear to have been successful in turning the tide.

1.2. The dis-investment in stocks and lower investment in fixed capital formation were the main influences in OECD countries which caused the drop in industrial production and in GDP in the first half of 1975. The industries generally worst affected were motor manufacturing, metal products, textiles and clothing, certain chemicals, and building and construction. The GDP of OECD countries, despite the improvement that occurred in the second half of the year, was about 2 per cent lower in 1975 than in 1974.

1.3. However, the recovery that started from the middle of 1975 should mark the beginning of a steady climb-back from the recession. GDP of these countries increased in the second half of 1975; and the recovery has continued into the first quarter of 1976. Modest increases in consumer spending—induced by fiscal measures seem to have been primarily responsible for this recovery. Restocking too has also played a part. Although many industries in OECD countries are operating well below capacity, the more promising outlook may induce some increase in investment in fixed capital formation. A strong recovery in industrial investment, however, is not likely to occur until at least the end of 1976. Thus the OECD countries are likely to register an increase of some 4 to 5 per cent in GDP in 1976 compared to 1975, with possibly some acceleration of this rate towards the end of the year. The rate of recovery will of course vary from country to country.

1.4. Consumer prices in OECD countries were about 12 per cent higher in 1975 than in 1974. This compares with a figure of 13 per cent a year ago. The rates of increase in 1975 in different countries varied greatly, ranging from 5 to 25 per cent. By the end of 1975 the average price increase was down to 8.6 per cent. In 1976 the overall rate of price increase for OECD countries is expected to continue at a level of around 8 per cent. Further, the rates of increase in individual countries seem likely to cluster much more closely around (his average rate than in the past because of fiscal policies and wage rate changes already announced or being introduced.

1.5. World trade in 1975 in real terms was about 7 per cent lower than in 1974. The downturn was however halted in the second half of 1975 and trade in 1976 is expected to be some 6 to 7 per cent higher than in 1975.

1.6. Sharp movements in the prices of primary producers' exports have occurred during the past two years. The prices of such exports generally reached a peak in the second quarter of 1974; and from then onwards declined substantially till the second quarter of 1975. Food prices reached their peak rather later, in the fourth quarter of 1974, but then followed the general trend. The falls in the prices of agricultural and industrial materials and of metals and minerals have been more severe than those of food. There has been some improvement in prices of these commodities since the second quarter of 1975; and this tendency has continued in the first quarter of 1976.

Prices of Primary Producers Commodity Exports: Indices, 1968-1970=100

	Food Products	*Agricultural Industrial Materials*	*Metal and Minerals*	*All Products*
1974—				
1st Quarter	213.6	220.0	164.4	201.5
2nd Quarter	227.4	195.6	190.9	208.5
3rd Quarter	235.6	182.7	155.0	199.1
4th Quarter	267.4	162.2	144.4	205.3
1974 Year ..	236.1	189.9	163.7	203.7
1975—				
1st Quarter	234.2	154.2	143.5	187.7
2nd Quarter	197.3	153.8	141.2	170.1
3rd Quarter	207.7	157.0	142.6	176.1
4th Quarter	201.8	162.9	144.3	175.5
1975 Year ..	210.4	156.9	142.9	*177.4*
1976 January	207.7	171.8	147.7	181.4

1.7. Import prices for the developing countries of the world continued to rise in 1975 and it has been estimated that the prices of manufactured goods exports in world trade rose by 12 per cent. It seems likely that import prices for all items rose in 1975 by around 10 per cent in the developing countries. This occurred at a time when export prices of primary commodities fell by 13 per cent as shown in figures above and as a result the terms of trade worsened significantly for this group of countries. In fact the ECA has estimated a fall of 27 per cent in the terms of trade of the non-oil producing countries of Africa in 1975 based on their pattern of imports and the major commodities exported.

1.8. Some modest improvement in the terms of trade of the developing countries is anticipated in 1976. After the severe deterioration in their terms of trade during the past two years, this will indeed be a welcome relief. Different countries, as always, will experience varying trends. Kenya appears to be favourably placed. Coffee prices on world markets were roughly 50

per cent higher at the end of 1975 compared with prices a year ago. Tea prices, too, are higher than a year ago, and have been rising recently. Sisal prices, after their drastic fall of over 50 per cent from the 1974 peak, have also tended to harden.

1.9. In contrast to what has happened to export prices during the past two years, the rise in the prices of goods imported by the developing countries seems likely to continue in 1976 but to be relatively small. Lower wage rises in the developed countries of the world should have this effect, despite sharp price rises in imported raw materials. Price rises for imports of manufactured goods are expected to be some 10 per cent higher in 1976 than in 1975. There is the possibility, however, of a further rise in crude oil prices during the year of some 10 to 12 per cent.

1.10. As shown in the IMF Annual Report for 1975 the balance of payments current account deficit of the non-oil developing countries widened from US $8.9 billion in 1973 to US $27.8 billion in 1974 and was forecast at US $35 billion in 1975. Acute problems arose over the financing of deficits at the levels of 1974 and 1975 and special efforts were required by the IMF, the OPEC countries and other aid donors to attempt to contain the situation. However, many of the non-oil developing countries nevertheless found themselves in financial difficulties in 1975 and at the start of 1976. Such countries have been compelled to cut back their imports where their reserves have been too low for significant use in external financing and where their needs for real resources from abroad exceed the financial flows available to them.

1.11. For 1976 the first estimates suggest that the balance of payments current account deficit of these non-oil developing countries will be reduced to some extent but will still be at a level of about US $32 billion. This means that for most of these countries 1976 will be a year of anxiety over how to ensure an overall balance on external account without running down reserves further. Consequently, balance of payments constraints are likely to continue to restrain the growth rate of many economies and thus to hold back the full restoration of growth in the world economy.

1.12. Thus the prospects for 1976 which are already being realized to some extent are for a resumption of growth in the world economy, higher prices for primary commodities and lesser price rises for imports into developing countries. For this latter group of countries the trade prospects are better but there will still be major problems arising over the financing of their overall balance of payments. The disruptions to the world economy in 1975 are being slowly overcome but the main sufferers in that year were the non-oil producing developing countries. While prospects are better in 1976 there is still a long haul before this group of developing countries can expect to resume the growth rates of the earlier years of this decade.

CHAPTER 2—THE DOMESTIC ECONOMY

The main features of the domestic scene in 1975 were the significant slowing down in the rate of growth of the economy; a fall in real per capita income; the continued rise in domestic prices; and a drop in the number in paid employment.

2.2. GDP in real terms was only about 1 per cent higher in 1975 than in 1974. This is the lowest rate of growth recorded in the past decade. This low rate of growth compares with a rate of 4.0 to 5.5 per cent forecast in the Economic Survey last year; and with the revised annual target rate of growth of 6.0 per cent in the Development Plan, 1974-1978. The still large deficit on the current account of balance of payments had a severe dampening effect on the economy, by reducing effective demand. This dampening effect was only partially off-set by an excess of government expenditure on capital formation over its savings, which was larger than in the previous year. The disinvestment in stocks, and the lower level of aggregate capital formation also affected demand adversely. Stagnation in marketed agricultural production was an additional factor which slowed down the overall rate of growth of the economy. The government financed current account deficit of the balance of payments mostly through external borrowing, and drawings on the IMF. Had it not been able to do so, the run down in foreign exchange reserves, by decreasing the money supply could have led to a secondary deflation.

2.3. The cost of living index for the lower income group rose by a total of 20 per cent in 1975, although the rise in the last quarter of the year was less than 3 per cent. The huge rise in the prices of imports that occurred in 1974 had apparently by the end of the third quarter been largely reflected in the prices of consumption goods. However, the recent depreciation of the Kenya shilling, as well as the increases in the controlled prices of basic food stuffs, will, with a time lag, induce a further rise in the prices of consumer goods in 1976. Wage rates also rose in 1975, but not at the same rate as the increase in the cost of living indices.

2.4. Real per capita income fell by about 3 per cent in 1975, after the decline in per capita GDP at constant prices is adjusted for the adverse shift in the terms of trade. This follows a decline of 5 per cent in real per capita income in 1974. Real per capita income therefore fell by a total of approximately 8 per cent in the last two years.

2.5. The drop in the number of persons in paid employment is the result of the decline in the rate of growth of the economy. This has serious implications on the numbers under-employed or unemployed in the urban areas. Most other sections of the economically active population also suffered from the fall in real per capita income.

Sectoral Analysis of Gross Domestic Product

2.6. A sectoral breakdown of GDP and sectoral rates of growth in GDP, at current and constant prices, are set out in Tables 2.1 and 2.2, respectively. Not all sectors were equally adversely affected by the unfavourable economic climate. The worst affected sectors were building and construction, wholesale and retail trade, and transport. The manufacturing sector continued to expand, but at a considerably slower rate.

2.7. Monetary GDP of the agriculture sector at constant prices was about 1 per cent lower in 1975 than in 1974. Weather conditions and the high cost of inputs affected several crops. Coffee production in 1975 was 6 per cent lower than in 1974. Wheat and sugar cane production also fell, and sisal output, as was expected, dropped precipitously. In contrast, output of tea was marginally higher, and the production of maize and pyrethrum reached record levels. The output of meat and dairy products also declined.

2.8. The value of monetary output of building and construction at constant prices fell from K£91.1 million in 1974 to K£85.8 million in 1975, a fall of 6 per cent. GDP at constant prices also fell by 6 per cent. Government capital expenditure on building and construction increased by a slight margin, but that by the private sector fell. Private investment was inhibited by the decline in economic activity and by continued rise in building costs.

2.9. The contribution of the wholesale and retail trade to GDP at constant prices declined by about 8 per cent in 1975. The decline in the volume of agricultural output, and in that of imports and exports handled by the distribution sector, accounts for this fall. These factors also influenced the output of transport sector.

2.10. The production of the manufacturing sector increased at a considerably slower rate than anticipated. The value of output in real terms rose by 4 per cent between 1974 and 1975, compared with an increase of 6 per cent between 1973 and 1974. The output of textiles and paper and paper products increased sharply. But the conditions in other industries were less favourable, particularly in those producing food, beverages, tobacco, chemicals and metal products.

2.11. Table 2.2 also details a comparison between the rates of growth actually registered and the plan target rates of growth. No sector achieved the target or even the scaled down revised rates of growth mentioned in Sessional Paper No. 4 of 1975.

2.12. Table 2.3 sets out the derivation of GDP as the value of output less the cost of inputs; it also contains details on the components of GDP. The labour cost component of GDP shown in the table reflects remuneration of wage employees only. No imputation is made for the remuneration of self-employed persons or unpaid family workers, which is included in the operating

GROSS DOMESTIC PRODUCT, 1972-1975

Table 2.1 — *K£million*

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1972	1973	1974	1975*	1972	1973	1974	1975*
A. Outside Monetary Economy								
Agriculture, Forestry and Fishing	115.81	120.93	137.04	179.53	115.81	115.32	118.85	119.43
Building and Construction	11.65	13.65	14.69	15.59	11.65	12.10	12.30	12.68
Water	5.00	5.16	5.28	5.51	5.00	5.08	5.15	5.25
Ownership of Dwellings	14.11	16.74	18.68	20.23	14.11	14.72	15.36	16.01
TOTAL	146.57	156.48	175.69	220.86	146.57	147.22	151.66	153.37
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	94.36	107.43	123.08	128.90	94.36	96-72	96 15	95.16
Forestry	3.55	4.27	5.42	5.72	3.55	3 96	4.45	4.45
Fishing ..	1.26	1-34	1.45	1.69	1-26	1-17	1.11	1.17
Mining and Quarrying	2.23	3.20	3.14	3.47	2.23	3.22	2.90	2.98
Manufacturing	82.09	97.82	125.90	149 22	82.09	93.09	98.51	102.45
Electricity and Water	8.93	9.34	10 43	12.24	8.93	9.23	10.10	11.15
Building and Construction	35.73	38.70	43.39	45.50	35.73	35.45	32.02	30 09
Wholesale, Retail Trade, Restaurants and Hotels	66.26	80.48	115 88	120.34	66.26	76.30	77.84	71.95
Transport, Storage and Communications	39.61	46.13	55.65	60.59	39.61	43.75	43.22	40 64
Finance, Insurance, Real Estate and Business Services	31.42	36.77	46.80	55.03	31.42	34.71	38.43	39.94
Ownership of Dwellings	27.22	30.23	35.39	46.01	27.22	28.63	29.39	30.27
Other Services	14.69	17.30	22.14	24.97	14.69	14.56	16 85	17.02
TOTAL	407.35	473.01	588.67	653.68	407.35	440.79	450.97	447.28
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	5.12	6.15	7.27	8.86	5.12	5.69	6.45	7.42
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration	29.32	29.68	34.24	..	29.32	28.77	30.29	..
	5.35	5.67	7.43	..	5.36	5.58	6.72	..
Education	39.24	43.64	55.00	..	39.24	41.69	50.56	..
Health	11.68	12.04	13.93	..	11.68	11.55	12.17	..
Agricultural Services	8.47	8.76	9.73	..	8.47	8-51	8.86	..
Other Services	13.11	13.78	15.67	..	13.11	13 50	14.36	..
TOTAL	107.18	113.57	136.00	158.61	107.18	109.96	122.96	129.11
TOTAL PRODUCT MONETARY ECONOMY	519.65	592.73	731.94	821.15	519.65	556.08	580.38	583.81
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary)	666.22	749.21	907.63	1,042.01	666.22	703.30	732.04	737.18
GROSS DOMESTIC PRODUCT PER CAPITA K£	55.21	60.02	70.29	77.77	55.21	56.34	56.69	55.02

*Provisional

GROSS DOMESTIC PRODUCT: PERCENTAGE RATES OF GROWTH AND THE PLAN TARGETS, 1972-1975

Table 2.2 *Percentages*

	CURRENT PRICES				CONSTANT (1972) PRICES				Plan Targets
	1972-1973	1973-1974	1974-1975*	1972-1975 Cumulative	1972-1973	1973-1974	1974-1975*	1972-1975 Cumulative	
A.OUTSIDE MONETARY ECONOMY									
Agriculture, Forestry and Fishing	4.4	13.3	31.0	15.7	-0.4	3.1	0.5	1.0	—
Building and Construction	17.2	7.6	6.1	10.2	3.9	1.6	3.1	2.9	—
Water	3.2	2.3	4.4	3.2	1.6	1.4	1.9	1.6	—
Ownership of Dwellings	18.6	11.6	8.3	12.7	4.3	4.3	4.2	4.2	—
TOTAL	6.8	12.3	25.7	14.7	0.4	3.0	1.1	1.6	3.0
B. MONETARY ECONOMY									
1. Enterprises and Non-Profit Institutions									
Agriculture	13.8	14.6	4.7	11.1	2.5	-0.6	-1.0	0.3	6.7
Forestry	20.3	26.9	5.5	17.2	11.5	12.4	–	7.7	9.0
Fishing	6.3	8.2	16.6	10.2	-7.2	-5.1	6.3	-2.0	5.0
Mining and Quarrying	43.5	-1.9	10.5	16.0	44.4	.9 8	2.8	10.2	16.9
Manufacturing	19.2	28.7	18.5	22.1	13.4	5.8	4.0	7.7	10.2
Electricity and Water	4.6	11.7	17.4	11.1	3.4	9.4	10.4	7.7	9.0
Building and Construction	8.3	12.1	4.9	8.3	-0.8	-9.7	-6.0	-5.6	7.2
Wholesale. Retail Trade. Restaurants and Hotels	21.5	44.0	3.8	22.1	15.2	2.0	-7.6	2.6	7.2
Transport, Storage and Communications	16 5	20.6	8.9	15.2	10 4	-1.2	-6.0	1.0	7.2
Finance, Insurance, Real Estate and Business Services	17.0	27.3	17.6	20.5	10.5	10.7	3.9	8.3	—
Ownership of Dwellings	11.0	17.1	30.0	19.1	5.2	2.6	3.0	3.5	7.2
Other Services	17.8	28.0	12.8	19.4	-0.9	15.7	1.0	5.1	—
TOTAL	16.1	24.4	11.0	17.0	8.2	2.3	-0.8	3.2	
2. Private Households (Domestic Services)	20.1	18.2	21.9	20.0	11.1	13.4	150	13.2	7.2
3. Producers of Government Services									
Public Administration	1.2	15.4	—	—	-1.9	5.3	—	—	—
Defence	5.8	31.0	—	—	4.1	20.4	—	—	—
Education	11.2	26.0	—	—	6.2	21.3	—	—	—
Health	3.1	15.7	—	—	-1.1	5.4	—	—	—
Agricultural Services	3.4	11.1	—	—	0.5	4.1	—	—	—
Other Services	5.1	13.7	—	—	3.0	6.4	—	—	—
TOTAL	6.0	19.7	16 6	14.0	2.2	12.2	5.0	6.3	10.1
TOTAL PRODUCT MONETARY ECONOMY	14.1	23.5	12.2	16.5	7.0	4.4	0.6	3.8	8.4
TOTAL GROSS PRODUCT AT FACTOR COST	12 4	21.1	14 8	16.0	5.6	4.1	0.7	3.5	7.4
GROSS DOMESTIC PRODUCT PER CAPITA ..	8.7	17.1	10.6	12.1	2.0	0 6	-3.0	-0.1	—

*Provisional

Table 2.3

PRODUCTION ACCOUNTS, 1974-1975

K£million

	1974					1975*				
	Gross Output (at approx. Basic Prices)+	Inter-mediate Consump-tion	Gross Domestic Product (at Factor Cost)			Gross Output (at approx-Basic (Prices)t	Inter-mediate Consump-tion	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus**
A. Non-Monetary Sector	190.24	14.56	175.69	6.40	169.29	236.62	15.76	220.86	7.02	213.84
B. MONETARY SECTOR										
1. Enterprises and Non-Profit Institutions										
Agriculture	161.79	38.72	123.08	31.24	91.83	171.51	42.62	128.90	34.37	94.52
Forestry	6.62	1.20	5.42	3.79	1.63	7.02	1.29	5.72	3.92	1.80
Fishing	1.58	0.13	1.45	0.40	1.05	1.85	0.16	1.69	0.42	1.27
Mining and Quarrying	10.51	7.37	3.14	1.65	1.49	10.36	6.90	3.47	1.85	1.62
Manufacturing	508.22	382.32	125.90	58.97	66.93	594.50	444.29	149.22	70.45	78.77
Electricity and Water	18.57	81.4	10.43	2.62	7.81	20.92	8.67	12.24	3.17	9.08
Building and Construction	130.19	86.80	43.39	34.64	8.75	139.52	94.01	45.50	37.00	8.50
Wholesale, Retail Trade, Restaurants and Hotels	197.84	81.96	115.88	52.40	63.48	207.87	87.53	120.34	54.80	65.54
Transport, Storage and Communi-cations	147.07	91.42	55.65	34.07	21.58	167.14	106.55	60.59	36.25	24.34
Finance. Insurance. Real Estate and Business Services	62.03	15.22	46.80	20.70	26.11	70.50	15.47	55.03	23.84	31.19
Ownership of Dwellings	39.05	3.66	35.39		35.39	50.83	4.82	46.01		46.01
Other Services	45.83	23.69	22.14	15.02	7.12	53.16	28.19	24.97	17.02	7.65
TOTAL	1,329.30	740.63	588.67	255.50	333.17	1,495.18	841.49	653.68	283.39	370.29
2. Private Households (Domestic Services)	7.27	—	7.27	7.27	—	8 86	—	8.86	8.86	—
3. Producers of Government Serv ices . .	198.30	62.30	136.00	136.00		232.12	73.51	158.61	158.61	—
TOTAL MONETARY SECTOR	1,534.87	802.93	731.94	398.77	333.17	1,736.16	915.00	821.15	450.86	370.29
TOTAL NON-MONETARY AND MONETARY SECTOR	1,725.11	817.49	907.63	405.17	502.46	1,972.78	930.75	1,042.01	457.88	584.13

*Provisional

**Including consumption of fixed capital

+ After deduction of indirect taxes (less subsidies) from the total of output

surplus. Manufacturing, wholesale and retail trade and hotels and restaurants, transport, building and construction, agriculture, and services accounted for 97 per cent of the total wage bill of the enterprise sectors of the economy.

Structure of the Economy

2.13. Details on contribution to GDP by all sectors of economy are set out in Table 2.4. The share of the non-monetary production continues to decline steadily. That of manufacturing and general government has increased since 1972. Manufacturing, agriculture, wholesale and retail trade and hotels and restaurants accounted for 61 per cent of total GDP in 1975.

GROSS DOMESTIC PRODUCT

SECTOR SHARES, AT CONSTANT (1972) PRICES, 1972-1975

Table 2.4 *Percentages*

	1972	1973	1974	1975*
A. OUTSIDE MONETARY ECONOMY				
Agriculture, Forestry and Fishing	17.4	16.4	16.2	16.2
Building and Construction	1.7	1.7	1.7	1.7
Water	0.8	0.7	0.7	0.7
Ownership of Dwellings	2 1	2.1	2.1	2.2
TOTAL PRODUCT OUTSIDE MONETARY ECONOMY .	22.0	20.9	20.7	20.8
B. MONETARY ECONOMY				
1. Enterprises and Non-Profit Institutions				
Agriculture	14.2	13.8	13.1	12.9
Forestry	0.5	0.6	0.6	0.6
Fishing	0.2	0.2	0.2	0.2
Mining and Quarrying..	0.3	0.5	0.4	0.4
Manufacturing	12.3	13.2	13.5	13.9
Electricity and Water	1.3	1.3	1.4	1.5
Building and Construction	5.4	5.0	4.4	4.1
Wholesale, Retail Trade. Restaurants and Hotels . .	9.9	10.8	10.6	9.8
Transport, Storage and Communications. .	5.9	6.2	5.9	5.5
Finance, Insurance, Real Estate and Business Services	4.7	4.9	5.2	5.4
Ownership of Dwellings	4.1	4.1	4.0	4.1
Other Services ..	2.2	2.1	2.3	2.3
TOTAL	61.1	62.7	61.6	60.7
2. Private Households (Domestic Services)	0.8	0.8	0.9	1.0
3. Producers of Government Services				
Public Administration	4 4	4.1	4.1	. .
Defence	0 8	0.8	0.9	. .
Education	5.9	5.9	6.9	. .
Health	1.7	1.6	1.7	. .
Agricultural Services	1.3	1.2	1.2	. .
Other Services	2.0	1.9	2.0	
TOTAL	16.1	15.6	16.8	17.5
TOTAL PRODUCT MONETARY ECONOMY	78.0	79.1	79.3	79.2
TOTAL GROSS PRODUCT AT FACTOR COST (Monetary and Non-Monetary)	100.0	100.0	100.0	100.0

*Provisional

Resource Allocation

2.14. The total supply of resources at current prices is stated in Table 2.5. Gross capital formation constituted 18.7 per cent of GDP at current prices in 1975, compared with 28.1 per cent in 1974. The large difference in the percentages is accounted for by a substantial increase in stocks in 1974, and a decline in stocks in 1975. Public consumption in 1975 absorbed 14 per cent of the total available resources, against 16 per cent in 1974, and 14 per cent in 1964. Private consumption, as always, was the largest component.

TOTAL USE OF RESOURCES, AT CURRENT PRICES, 1972-1975

Table 2.5 — *K£million*

	1972	1973	1974	1975*
G.D.P. at Factor Cost	666.22	749.21	907.63	1,042.1
Of Which				
Non-Monetary	146.57	156.48	175.69	220.86
Monetary	519.65	592.73	731.94	821.15
+ Indirect Taxes	65.06	91.11	123.66	139.83
-Subsidies	1.30	2.26	1.83	0.89
=G.D.P. at Market Prices	729.98	838.06	1,029.46	1,180.95
+ Imports of goods and services	216.16	251.78	416.71	400.63
Export of goods and services	200.11	240.58	339.46	359.25
=Import Surplus	+16.05	+11.20	+77.25	+41.38
Total Resources available for Domestic Investment and Consumption	746.03	849.26	1,106.71	1,222.33
Gross Fixed Capital Formation	166.02	182.25	203.65	234.77
Increase in Stocks	-5.55	-15.21	85.76	-13.76
Gross Investment	160.47	167.04	289.41	221.01
Public Consumption	128.67	139.80	176.51	228.00
Private Consumption	456.89	542.42	640.79	773.32
TOTAL CONSUMPTION	585.56	682.22	817.30	1,001.32

*Provisional

Distribution

2.15. Table 2.6 details data on factor incomes and GNP. GNP is lower than GDP by the amount of net factor income payable abroad. In 1975 net factor income payable abroad was approximately 3.6 per cent of total GDP.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1972-1975

Table 2.6 *K£million*

	1972	1973	1974	1975*
FACTOR INCOMES—				
A. Outisde Monetary Economy	146.57	156.48	175.69	220.86
B. Monetary Economy—				
1. Remuneration of Employees:				
Enterprises	190.14	211.31	255.50	283.39
Private Households	5.12	6.15	7.27	8.86
General Government	107.18	113.57	136.00	158.61
TOTAL REMUNERATION OF EMPLOYEES	302.44	331.03	398.77	450.86
2. Rental Surplus (including depreciation)	27.22	30.23	35.39	46.01
3. Other Operating Surplus (including depreciation)	189.98	231.44	297.78	324.28
TOTAL MONETARY ECONOMY	519.65	592.73	731.94	821.15
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT	666.22	749.21	907.63	1,042.01
Add: Indirect Taxes	65.06	91.11	123.66	139.83
Deduct: Subsidies	1.30	2.26	1.83	0.89
GROSS DOMESTIC PRODUCT AT MARKET PRICES	729.98	838.06	1,029.46	1,180.95
Add: FACTOR INCOMES RECEIVED FROM ABROAD	12.92	10.22	15.23	14.07
Deduct: FACTOR INCOMES PAID ABROAD	34.61	54.20	58.76	57.05
GROSS NATIONAL PRODUCT	708.29	794.08	985.93	1,137.97

*Provisional

Gross Fixed Capital Formation

2.16. Gross fixed capital formation is analysed by type of asset and investing sector in Tables 2.7 and 2.8, at both current and constant prices. The value of total fixed gross capital formation at constant prices declined marginally to K£149.64 million in 1975, from K£151.30 million in 1974. The decline in the total value of public sector investments at constant prices from K£66.26 million in 1974 to K£61.56 million in 1975 was only partially offset by a rise in private sector investment from K£85.04 million to K£88.08 million. Public sector investment at constant prices declined mainly because of a fall of K£7.16 million in its investment in machinery and equipment. The drop follows the completion of installation of equipment at the oil refinery, in which the Government has a majority control. Increased public sector investment of K£ 1.85 million in building and construction only partially offset its lower

Table 2.7 CAPITAL FORMATION BY TYPE OF ASSET, 1972-1975 *K£million*

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1972	1973	1974	1975*	1972	1973	1974	1975*
DWELLINGS—								
PRIVATE:								
(i) Traditional	11.55	13.52	15.07	15.97	11.55	11.99	12.61	12.98
(ii) Modern	13.23	9.88	13.38	13.83	13.23	8.94	9.74	9 01
TOTAL	24.78	23.40	28.45	29 80	24.78	20.92	22.36	22.00
PUBLIC	5.42	5.60	5.86	8.15	5.42	5.06	4.27	5.31
TOTAL	30.20	29.00	34.31	37.95	30.20	25.99	26.63	27.31
NON-RESIDENTIAL BUILDINGS—								
PRIVATE	9.42	9.20	13.63	8.06	9.42	8.30	9.16	4.81
PUBLIC	11.50	14.05	16.94	20.58	11.50	12.68	11.39	12.26
TOTAL	20.91	23.25	30.57	28.65	20.91	20.99	20.55	17.07
CONSTRUCTION AND WORKS—								
PRIVATE	5.07	5.18	4.98	4.87	50.7	4.44	3.56	2.93
PUBLIC	33.57	40.86	43.69	51.85	33.57	34.99	31.22	31.16
TOTAL	38.64	46.04	48.67	56.72	38.64	39.42	34.79	34 09
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—								
PRIVATE	2.56	2.63	5.41	5.71	2.56	2.47	5.08	4.52
PUBLIC	0.14	0.12	0.07	0.09	0.14	0.12	0.07	0.09
TOTAL	2.70	2.74	5.47	5.81	2.70	2.58	5.14	4.61
TRANSPORT EQUIPMENT—								
PRIVATE	16.15	16 99	22.42	27.59	16.15	15.51	17.00	17.39
PUBLIC	3.91	4.75	4.66	6.53	3.91	4.34	3.54	4.12
TOTAL	20.06	21.74	27.09	34.12	20.06	19.85	20.54	21.51

Table 2.7—(Contd.)

CAPITAL FORMATION BY TYPE OF ASSET, 1972-1975

K£million

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1972	1973	1974	1975*	1972	1973	1974	1975*
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	41.46	40.79	35.95	58.70	41.46	37.25	27.26	37.01
PUBLIC	9.33	17.16	20.82	13.66	9.33	15.67	15.78	8.62
TOTAL	50.79	57.94	56.77	72.36	50.79	52.92	43.04	45.62
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE	2.71	1.52	0.77	-0.84	2.71	1.38	0.63	-0.57
TOTAL PRIVATE—								
(i) Traditional Dwellings ..	11.55	13.52	15.07	15.97	11.55	11.99	12.61	12.98
(ii) Other	90.60	86.18	96.55	117.93	90.60	78.28	72.43	75.10
TOTAL PRIVATE ..	102.16	99.71	111.61	133.90	102.16	90.27	85.04	88.08
TOTAL PUBLIC	63.86	82.54	92.04	100.87	63.86	72.86	66.26	61 56
TOTAL PRIVATE AND PUBLIC	166 02	182.25	203.65	234.77	166.02	163.13	151.30	149.64

*Provisional

Table 2.8

CAPITAL FORMATION BY INDUSTRY, 1972.1975

K£million

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1972	1973	1974	1975*	1972	1973	1974	1975*
A. OUTSIDE MONETARY ECONOMY								
Traditional Dwellings ..	11.55	13.52	15.07	15.97	11.55	11.99	12.61	12.98
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions:								
Agriculture	14.61	14.42	21.13	23.67	14.61	13.11	16 80	15.68
Forestry	0 26	0.25	0.23	0.31	0 26	0.22	0.17	0.19
Mining and Quarrying	1.70	1.46	3.60	2.07	1.70	1.31	2.65	1.29
Manufacturing	28.19	31.84	29.86	29 58	28.19	28.91	21.86	18.54
Electricity and Water	8.51	12.17	10 03	19.72	8.51	10.48	7.21	11.90
Building and Construction	8.50	9.14	7.00	8.27	8.50	8.29	5.28	5.17
Wholesale, Retail Trade, Restaurants and Hotels	13.19	14.52	14.27	15.42	13.19	13.42	10.70	9.63
Transport. Storage and Communications	22.47	28.03	35.46	49.87	22.47	25 19	26.28	30.89
Finance. Insurance. Real Estate and Business Services	2.12	2.04	4.01	2.67	2 12	1.86	2.82	1.64
Ownership of Dwellings	19 22	16.16	19 82	22.71	19.22	14.61	14 45	14.79
Other Services	2.60	3.26	4.44	4 98	2.60	2.73	3.07	3 03
TOTAL	121.37	133.30	149.85	179.27	121.37	120.14	III 30	112.75
2. General Government								
Public Administration	4.84	4.87	4 90	5.14	4.84	4.39	3.40	3.12
Defence								
Education	3.59	3.88	4.12	4.69	3.59	3.50	2.86	2.84
Health	2.94	2.84	3.30	4 30	2.94	2.56	2.27	2.59
Agricultural Services	1.09	1.63	2 96	3.68	1.09	1.44	2.09	2.24
Other Services	2064	22.21	23.45	21.72	20.64	19.10	16.78	13.12
TOTAL	33.10	35.43	38.73	39.53	33.10	31.00	27.40	23 90
Outside Monetary Economy	11.55	13.52	15.07	15.97	11.55	11.99	12.61	12.98
Monetary Economy	154.47	168.73	188.58	218 80	154.47	151 14	138.69	136 66
TOTAL	166.02	182.25	203 68	234.77	166 02	163.13	151.30	149.64
C. PERCENTAGE RATES OF GROWTH—								
Outside Monetary Economy	—	17.0	11.5	6.0	—	3.8	5.2	2.9
Monetary Economy	—	9.2	11.8	16.0	—	-2.2	-8.2	-1.5
TOTAL	—	9.8	11.7	15.3	—	-1.8	-7.3	—

Provisional

investment in machinery and equipment. The most significant changes at constant prices in private sector investment were an increase of K£9.75 million in investment in machinery and equipment; and a drop of K£6.24 million in investment in building and construction.

2.17. A further breakdown of the government's construction expenditure by type of expenditure is detailed in Table 2.9.

CAPITAL FORMATION: CONSTRUCTION EXPENDITURE BY KENYA GOVERNMENT, 1972-1975
(at current prices)

Table 2.9 K£'000

	Roads	Water Works	Soil Con-servation	Other	Total
1972	16,747	1,236	96	2,965	21,045
1973	17,920	1,608	104	5,619	25,250
1974	18,618	1,632	234	9,841	30,226
1975*	14,980	4,757	397	14,246	34,380

*Provisional

CHAPTER 3—BALANCE OF PAYMENTS

As anticipated in the Economic Survey last year, Kenya's deficit on the current account of its balance of payments declined substantially, by K£37.6 million, from K£114.3 million in 1974 to K£76.7 million in 1975. The level of the current account deficit in 1975 is still well above the norm when compared to the prevailing levels of deficit of K£24.3 million to K£46.8 million between 1971 and 1973. Nonetheless the improvement in 1975, from the very large deficit of 1974, is encouraging and is due to policy measures introduced for this purpose. There is, however, still some way to go before the balance of payments can be said to be restored to a satisfactory position. A substantial increase in IMF credit of K£30 million in 1974 and 1975 enabled Kenya to maintain the level of its external reserves.

Merchandise Account

3.2. Imports including gold bullion as shown in Table 3.1 amounted to K£346.4 million in 1975 compared with K£368.5 million in 1974—a decline of K£22.2 million. Exports on the other hand rose by K£4.6 million, from K£207.5 million in 1974 to K£212.1 million in 1975. Thus the deficit on merchandise account decreased from K£161.0 million in 1974 to K£134.2 million in 1975. A comparison of the quarterly values of imports in 1974 and 1975 indicates that it was the decline in imports in the last three quarters of 1975, compared with those in the corresponding quarters in 1974, which largely accounted for the fall in imports over the year as a whole. The sudden upsurge in imports in the fourth quarter of 1974, and in the first quarter of 1975, was largely due to re-stocking. No upsurge on the same scale occurred in the same periods of 1975 and 1976. Further details on price and volume changes in foreign trade are noted in Chapter 7.

*Value of Imports**

K£million

	1974	1975	*Difference*
1st quarter	67.9	85.5	+ 17.6
2nd quarter	99.3	87.2	- 12 1
3rd quarter	89.5	80.9	- 8.6
4th quarter	109.7	93.7	- 16.0
TOTAL	366.4	347.3	—19.1

** These are the "trade" figures. They differ slightly from the figures used in the text, on account of adjustments made to the latter—which are the "balance of payments" figures.*

3.3. The smaller deficit on merchandise account was not due to any improvement in the terms of trade. In fact the terms of trade deteriorated further. The change in 1975. however, was only small compared with the dramatic and harsh adverse shift that occurred in 1974. There was in fact some slight improvement in the terms of trade in the last quarter of 1975. This more favourable trend should continue into 1976 as industrial countries recover from the recession. The more attractive prices on offer for Kenya's major exports are also likely to be a contributory factor.

Table 3.1 KENYA BALANCE OF PAYMENTS, 1973-1975 *K£million*

	1973			1974			1975*		
	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. •f.) Exports (f.o.b.)	219.0	164.5	*Dr.* 54.5	367.6	207.5	Or. 160.1	342.7	212.1	*Dr.* 130.6
2. Non-Monetary Gold Movements	0.2		*Dr.* 0.2	0 9	–	*Dr.* 0.9	3.6	–	*Dr.* 3.6
3. Freight and Insurance	1.7	13.1	11.4	1.0	19.5	18.5	1.8	21.0	19.2
4. Other Transportation	9.9	24.2	14 3	22.7	67.3	44.6	26.2	72.7	46.5
5. Foreign Travel	11.0	24.3	13.3	13.1	27.0	13.9	12.0	34.4	22.4
6. International Investment Income	45.1	9.4	*Dr.* 35.7	49 8	13.7	*Dr.* 36.1	48.6	12.1	*Dr.* 36.5
7. Government Transactions n.e.s.	10 4	5.1	*Dr.* 5.3	10.7	7.8	*Dr.* 2.9	10 6	7.8	*Dr.* 2.8
8. Other Services	11.2	13.3	2.1	9.6	11.4	1.8	12.1	13.2	1.1
9. Private Transfers	8.1	8.4	0.3	9.0	9.8	0.8	8.2	8.3	0.1
10. Government Transfers**	3.9	11.4	7.5	8.3	14.4	6 1	7.6	15.1	7.5
TOTAL CURRENT ACCOUNT	320.5	273.7	*Dr.* 46.8	492.7	378.4	*Dr.* 114.3	473.4	396.7	*Dr.* 76.7
of which: Visible Balance	219.2	164.5	*Dr.* 54.7	368.5	207.5	*Dr.* 1610	346.3	212.1	DR.134.2
Invisible Balance	101.3	109.2	Cr. 7.9	124.2	170.9	46.7	127.1	184 6	57.5
B. CAPITAL MOVEMENTS									
11. Private Long-term	*Cr.* 0.8	30.5	31.3	*Cr.* 0.3	41.3	41.6	0.7	25.0	24.3
12. Government Long-term	0.8	17 6	16.8	*Cr.* 0.4	21 4	21.8	*Cr.* 0.4	35.7	36.1
13. Government Enterprises	5.3	5.3	–	3.7	11.3	7.6	2.7	8.7	6.0
14. Short-term									
14.1 Government	–	–	–	—	—	—	—	—	—
14.2 Government Enterprises	—	—	—	2.1	2.8	0.7	0.4	0 3	*Dr.* 0.1
14.3 Deposit Banks	2.4	2.1	*Dr.* 0.3	3.6	7.3	3.7	3.4	4.0	0 6
14.4 Private	0 6	5 9	5.3	0.7	11.1	10.4	0.3	*Dr.* 3.7	*Dr.* 4.0
TOTAL	8.3	61.4	53.1	9 4	95.2	85.8	7.1	70.0	62.9

KENYA BALANCE OF PAYMENTS, 1973-1975—(*Contd.*)

Table 3.1—{Contd.) *KÃmillion*

	1973			1974			1975*		
	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits
C. CENTRAL MONETARY AUTHORITIES									
15. With 1.M.F.									
15.1 S.D.R.'s									
15.1.1 Change in Holdings	0 5	—	*Dr.* 0 5	*Cr.* 6 3	—	6-3	10	—	Dr. 1.0
15.1.2 Counterpart to Allocations	—	0-5	0-5	—	—	—	—	—	—
15.2 Change in Reserve Position in Fund (or Use of Fund Credit)	0-2	—	*Dr.* 0-2	—	13-7	13-7	16	17-8	16-2
16. Other Changes in Foreign Assets and Liabilities:									
16.1 Central Bank of Kenya	10-4	—	*Dr.* 10-4	*Cr.* 5-5	0-2	5-7	2-8	0 4	*Dr.* 2 4
16.2 Kenya Government	0-3		*Dr.* 0-3	*Cr.* 0 5		0-5	0-2		*Dr.* 0-2
					4-3	4-3		3-7	3-7
16.3 Valuation Changes	114	0-5	*Dr.* 10-9	*Cr.* 12-3	18-2	30-5	5-6	21-9	16-3
TOTAL	19-7	61-9	42-2	*Cr.* 2 9	113-4	116-3	12-7	91-9	79-2
TOTAL CAPITAL ACCOUNT	—	—	4 6	—		*Dr.* 2-0		—	*Dr.* 2-5
Errors and Ommissions									

*Provisional.

**Excludes Capital Grants.

^Includes Capital Grants.

"Invisible" Transactions

3.4. The net credit on all "invisibles" items in the balance of payments rose from K£46.7 million in 1974 to K£57.5 million in 1975, an increase of K£10.8 million. Net freight and insurance earnings were little changed while the net credit on "other transportation" was higher by K£1.9 million. This small increase was mainly attributable to higher foreign earnings by East African Airways and to higher export sales of fuel oil to foreign aircraft and ships. Tourist expenditure in Kenya also rose from K£26.5 million in 1974 to K£33.4 million in 1975. This increase largely explains the rise in the net earnings from travel from K£13.9 million in 1974 to K£22.4 million in 1975.

3.5. The net debit balance on international investment income was virtually unchanged. The debit balance for the private sector was lower, but the fall was offset by higher interest payments by the Central Bank of Kenya. The decline in the investment income accruing abroad of the private sector was caused by the slowing down in the rate of growth of the economy and by the increased level of taxation on company profits.

3.6 There was virtually no change between 1974 and 1975 in the inflow and outflow of funds recorded under the heading "Government Transactions N.E.S." in Table 3.1. Government transfers excluding capital grants, however, resulted in a higher net inflow of funds of K£7.5 million arising from credits of K£15.1 million and debits of K£7.6 million. There was also a small increase in 1975 in the net earnings recorded under "other services".

Capital Transactions

3.7. The current account deficit of K£76.7 million was financed by an inflow of capital from abroad into the private sector; by Government borrowing and receipt of capital transfers; and by a net increase in the liabilities of the central monetary authorities. The inflow of long-term and short-term funds into the private sector is estimated at K£20.3 million in 1975 compared with K£52.0 million in 1974. Although direct investment was lower than in the previous year, due to a fall in re-investment of undistributed profits, the decline is mainly accounted for by the reduction in the level of outstanding trade credits. It is estimated that these fell by a total of K£7.0 million in 1975, compared with a rise of K£23.0 million in 1974. The lower value of imports in 1975 and the running down of stocks accounts for much of this fall.

3.8. The net credit on capital movements of the Government sector consisted of capital grants of K£6.2 million, and net long-term borrowing—mainly from the World Bank—of K£29.9 million, an increase of K£12 million over the comparable figure in 1974. The increase in the net long-term and short-term liabilities of Government enterprises, however, fell to K£5.9 million in 1975 compared with K£8.3 million in 1974.

3.9. The increase in net credit receipts of the central monetary authorities is mainly accounted for by receipts of K£16.2 million from the IMF. Drawings under the "Oil Facility" and the "Extended Fund Facility" accounted for the increase in the use of IMF credit.

Capital Formation and the Balance of Payments

3.10. Table 3.2 sets out a different view point of the balance of payments. The table is based on the fact that the total of net borrowing and capital transfers from the rest of the world is equal to the current deficit on the balance of payments. This balance is derivable as the difference between gross capital and gross domestic savings.

BALANCE OF PAYMENTS AND CAPITAL FORMATION, 1974-1975

Table 3.2 *K£million*

Gross Capital Formation		Financing of Gross Capital Formation	
1974			
Gross Fixed Capital Formation	203.7	Net Borrowing from Rest of the World	110.0
Increase in Stocks	85.8	Capital transfers from Rest of the World	4.3
		Domestic Saving (including consumption of fixed capital)	175.2
TOTAL	289.5	TOTAL	289.5
1975			
Gross Fixed Capital Formation ..	234.8	Net Borrowing from Rest of the World	73.0
Increase in Stocks	—13.8	Capital Transfers from Rest of the World	6.2
		Domestic Savings (including consumption of fixed capital)	141.8
TOTAL ..	221.0	TOTAL	221.0

General Comment

3.11. Although Kenya's current account deficit in the balance of payments is still very large, amounting to nearly 7.5 per cent of GDP, the decline in the size of the deficit that occurred in 1975 is an encouraging pointer for 1976. Three factors—the rise in coffee prices, depreciation of the Kenya currency, and the onset of the recovery from the recession in industrial countries—all of which occurred late in 1975, should have a significant influence on the balance of payments in 1976. The anticipated increase in export earnings

should reduce the level of the current deficit and permit a more vigorous growth policy. However, any attempts to stimulate greater growth of the economy would lead to, and be dependent on, higher imports. In the prevailing circumstances a balance will need to be struck to ensure that the very real desire to achieve a more satisfactory rate of economic growth does not lead to continuing balance of payments problems.

CHAPTER 4—MONEY AND BANKING

The most significant events during the year were the depreciation of the Kenya shilling; the decline in the money supply in real terms; the substantial drawings on the International Monetary Fund; and the larger holdings by the banking sector of government securities or advances to the Government. Interest rates were little changed. The possibility of a tight credit position later in 1976 cannot be entirely ruled out.

Foreign Exchange Rates

4.2. On 27th October, 1975, the Kenya shilling was devalued by about 14.3 per cent with respect to the U.S. dollar. The shilling, previously pegged to the U.S. dollar, was then lied instead to the SDR. The SDR is a weighted average of the exchange rates of the leading industrial countries; and tying the shilling to it offers greater overall stability to the value of the Kenya currency.

4.3. Kenya's foreign exchange rates for the Kenya currency in terms of currencies of some of her principal trading partners are set out in Table 4.1. Also shown are the changes in these exchange rates since 31st December, 1973. A weighted average of these changes has been calculated, the weights being computed in terms of the relative importance of Kenya's foreign trade with these countries. The weighted average given in the table, however, is based on a much more comprehensive list of changes than those specifically shown.

Table 4.1 FOREIGN EXCHANGE RATES FOR SELECTED CURRENCIES, 1973-1975

Currency	MEAN RATES IN KENYA SHILLINGS				Percentage Change* Dec. 1975/ Dec. 1973
	31st Dec. 1973	31st Dec. 1974	30th Sept. 1975	31st Dec. 1975	
1 U.S. Dollar	6.900	7.143	7.143	8.260	+ 15.6
1 Pound Sterling	16.003	16.754	14.564	16.720	+ 4.7
1 Deutsche Mark	2.554	2.963	2.679	3.150	+ 6.3
1 French Franc	1.468	1.609	1.571	1.850	+ 150
1 Swiss Franc	2.125	2.805	2.597	3.150	+ 21.3
100 Italian Lira	1.134	1.103	1.042	1.208	- 9.5
100 Japanese Yen	2.462	2.374	2.359	2.710	+ 14.2
100 Indian Rupees	83.348	89.350	90.060	92.230	+ 3.2
1 Zambian Kwacha	10.733	11.111	11.111	12.850	+ 15.6
Overall Weighted Average**..	–		–	–	+ 14.09
Overall Weighted Index**— 31st Dec. 1973 = 100	100.0	94.23	99 90	85.91	—

*A rise denotes depreciation of Kenya's currency.

**For twenty currencies.

4.4. The index of the value of the Kenya shilling (31st December, 1973=100) stood at 85.9 on 31st December, 1975, a depreciation from the base date of 14.1 per cent. The depreciation of the Kenya shilling has been largest in terms of the currencies of the U.S.A., Switzerland, and most other

European countries—except the U.K. and Italy. That the overall depreciation of the Kenya shilling has not been greater is due in large part to its appreciation in the last quarter of 1975 in terms of sterling and the Italian lira. In terms of the SDR the Kenya shilling, since 31st December, 1973, has depreciated by 16.1 per cent.

4.5. The depreciation of the Kenya shilling should have a two-fold effect. Firstly, it should, with a time lag, restrict imports and stimulate exports while also stimulating at the same time the production of import competing goods. Secondly, it should encourage industry to adopt more labour-intensive techniques by raising the prices of imported capital goods. This will help to provide more employment opportunities.

Interest Rates

4.6. Interest rates, as shown in Table 4.2 remained largely unchanged throughout 1975 compared with the rates prevailing at the end of December, 1974. The exceptions are a small reduction in the Central Bank's rate for advances and discounts under the Crop Finance Scheme, and a rise in the rate of Kenya Post Office Savings Bank deposits.

Table 4.2 PRINCIPAL INTEREST RATES, 1973-1975 *Percent*

	31 st DECEMBER		
	1973	1974	1975
CENTRAL BANK OF KENYA			
Re-discount Rate for Treasury Bills	1.60	6.00	6.00
Advances against Treasury Bills	5.29	7 00	7.00
Bills and Notes under Crop Finance Scheme:-			
Discounts	5.50	7.00	6.50
Advances	600	7 00	6.50
Other Bills and Notes:—			
Discounts	5.50	7.00	7.00
Advances	6.50	7.00	7.00
Advances against Kenya Government Securities	6.50	7 00	7.00
KENYA COMMERCIAL BANKS			
Time Deposits:—			
Minimum 30 days (7 days notice)	3.00	5.125	5.125
3 months—less than 6 months	3.50	5.125	5.125
6 months—less than 9 months	3.75	5.375	5.375
9 months—12 months (incl.)	4.00	5.625	5.625
12 months (K.Sh. 100,000 250,000)	4.50	5.875	5.875
Savings Deposits	3.00	5.00	5.00
Loans and Advances (Minimum)	7.00	8.00	8 00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	3.00	3.00	5.00
Agricultural Finance Corporation, Loans ..	7.50	8.00	8.00
Hire-Purchase Companies and Merchant Banks:—			
Deposits (lime)	3.00 -7.50	5.00-7.50	5.00-7.50
Loans	7.00 - 12.00	8.00 -12.00	8.00 -12.00
Building Societies:—			
Deposits	5.50 - 6 50	5.50-6.50	5.50-6.50
Loans	7.50-10.00	7.50-11.00	7.50-11.00

4.7. It is something of an anomaly that interest rales in Kenya are generally lower than those in countries from whom she borrows. Indeed, real interest rates in Kenya, when allowance is made for inflation, are negative. If interest rates are too low, they fail to perform their allocative function: of allocating efficiently the investment funds available to those industries where the marginal productivity of capital is highest. They also, if too low, tend to induce firms to adopt capital intensive techniques. The IBRD in its report "Kenya into the Second Decade" makes the point that interest rates in Kenya should never, in the long-term, be lower than those in the countries from whom she borrows. If they are, the Kenya branches and subsidiaries of foreign companies will tend to borrow from local sources rather than from abroad. The Central Bank of Kenya has rules that limit such local borrowing but without entirely preventing it.

Foreign Exchange Reserves

4.8. Holdings of foreign exchange reserves are shown in Table 4.3. The table sets out the Central Bank's transactions with the IMF in detail. Liabilities to the Fund such as the counterpart liability to the issue of SDR's, and the issue of Fund credit are shown separately. Furthermore the net foreign assets of the commercial banks are not included in the foreign exchange reserves of the Central Monetary Authorities. This is in conformity with the new procedures laid down by the IMF. This presentation makes consistent the changes indicated in the table with those stated in the capital account of the balance of payments.

4.9. The net foreign reserves of the Central Monetary Authorities increased from K£66.9 million in December, 1974 to K£70.5 million in December, 1975. This increase of K£3.6 million was far more than counterbalanced by a rise of K£16.2 million in the use of Fund credit. The use of Fund credit, i.e., the difference between Kenya currency held by the Fund and the effective subscription payments, rose from K£13.7 million in December, 1974 to K£29.9 million in December, 1975. Of the increase, K£12.8 million was drawn under the "Oil Facility" and the remainder, K£3.4 million, under the "Extended Fund Facility". At the end of 1975, Kenya's total drawings, including gold tranche drawings, amounted to more than double her quota.

4.10. The net foreign liabilities of the commercial banks increased by K£0.6 million from K£4.8 million at the end of 1974 to K£5.4 million at the end of 1975.

Monetary Policy

4.11. Changes in the assets and liabilities of the banking sector and in the composition of these items should be viewed against the background of the monetary policy followed during 1975. The main features of the policy were: —

(i) That the expansion of total domestic credit was to be limited to 16 per cent a year.

Table 4.3

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1970-1976

K£'000

As at end of	CENTRAL BANK OF KENYA				Total Net Foreign Reserves of Central Govern-ment	Total Net Foreign Reserves of Central Monetary Authorities	GENERAL ACCOUNT WITH I.M.F.			Counter-part Liability: S.D.R. Account
	S.D.R.'S	Foreign Reserves	Foreign Liabilities (other) than to I.MF.)	Total Net Foreign Reserves of Central Bank**			Subscrip-tion	I.M.F. holding of Kenya Currency	Net use of Fund Credit*	
1970	2,080	71,580	456	73,204	67	73,271	12,857	9,642	-3,215	—
1971	428	50,849	398	50,879	874	51,753	13,955	10,466	-3,489	—
1972	6,621	58,899	1,032	64,488	690	65,178	13,955	10,466	-3,498	6,050
1973	712	66,730	282	67,160	86	67,246	15,510	11,632	-3,878	6,721
1974	801	66,376	452	66,725	178	66,903	15,750	29,456	13,706	6,721
1975—										
January	2,676	70,050	726	72,000	982	72,982	15,938	29,644	13,706	6,721
February	2,668	71,581	1,006	73,243	623	73,866	16,208	13,670	15,462	6,721
March	2,268	76,198	627	77,839	1,598	79,437	16,047	31,510	15,463	6,721
April	2,465	73,643	776	75,332	740	76,072	16,967	31,430	15,463	6,721
May	2,465	68,396	706	70,155	896	71,051	16,047	31,310	15,263	6,721
June	1,978	66,249	582	67,645	-13	67,632	15,913	31,375	15,462	7,721
July	1,898	64,133	1,130	64,901	976	65,877	15,324	30.786	15,462	6,721
August	2,270	60,081	1,581	60,770	956	61,726	15,270	34,146	18,876	6,721
September	2,226	56,504	701	58,089	1,018	59,107	14,975	33,851	18,876	6,721
October	2,527	75,670	1,484	76,713	1,123	77,836	17,603	47,486	29,883	6,721
November	2,255	72,431	1,017	73,669	2,130	75,799	17,372	47,255	29,883	6,721
December	1,818	69,131	806	70,143	414	70,557	17.372	47,255	29,883	6,721
1976—										
January	1,818	61,273	759	62,332	—	—	17,398	47,231	29,883	6,721

•Figure in minus indicate reserve position with the Fund.

**Excludes subscription to I.M.F.

Liability of the member country, corresponding to the issue of S.D.R.'s.

(ii) That the rate of expansion of credit to the private sector and public corporations was to be limited to 13 per cent a year, but that this limit was not to apply to agriculture, to small African business, and to the financing of exports. Loans to the agriculture sector were to be equivalent to 17 per cent of the net deposits of the commercial banks.

(iii) That advances to the Government by the banking sector and its holdings of government securities were not to increase between June, 1975 and June, 1976, by more than K£17.5 million.

(iv) That the domestic assets of the Central Bank were not to exceed K£17 million as at the end of 1975.

(v) Thal the liquidity ratio of the commercial banks was to be raised from 15 to 19 per cent from July, 1976.

4.12. These restrictions were aimed at reducing the exceptional deficit in the balance of payments. They were also aimed, in conjunction with the incomes policy being followed, at altering the structure of the economy so that a higher proportion of resources would flow into agriculture and into the export and import competing industries.

Money Supply

4.13. The change in the money supply is shown in Table 4.4. Between 31st December, 1974 and 31st December, 1975, the money supply—i.e., currency in circulation and demand deposits—increased by 14 per cent. However, the money supply in real terms declined, when allowance is made for the rise in price levels.

Table 4.4 MONEY SUPPLY, 1970-1976 ***K***£'000

As at end of	Currency Outside Banks	Private Demand Deposits	Other Deposits	Total
1970	35,288	59,391	66,237	160,916
1971	37,422	64,605	73,242	175,269
1972	45,110	75,916	78,783	199,809
1973	49,505	98,178	100,015	247.698
1974	54,286	105,958	106,943	267,186
1975—				
January	52,939	99,139	107,790	259,868
February	53,164	105,114	111,447	269,725
March	54,680	103,985	111,678	270.343
April	52,768	99,917	111,042	263,726
May	52,701	96,793	112,424	261,917
June	51,090	102,453	116,858	270,401
July	51,911	101,530	121,304	274,744
August	53,852	105,892	123,480	283,223
September	53,921	104,987	125,482	284,389
October	56,345	113,194	126,678	296,217
November	59,171	106,285	128,816	294,272
December	61.725	120,852	128,379	310,955
1976—				
January	63,892	116,511	130,449	310,852
February	64,406	17,479	133,748	315,632

Table 4.5

CENTRAL BANK Of KENYA AND COMMERCIAL BANKS: CHANGES IN MONEY SUPPLY, 1974-1975

K£'000

	CHANGE DURING YEAR		CHANGES DURING EACH QUARTER OF 1975			
	1974	1975	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	CHANGES IN MONEY SUPPLY AND SAVINGS DEPOSITS					
1. Deposits of Commercial Banks—						
1.1 Demand	11,926	14,397	—3,342	7.890	-7,728	17.577
1.2 Time	-813	23,233	9,511	5,840	6,787	1,095
1.3 Savings	8,661	6.649	1,246	-116	3,652	1.867
2. Notes and Coins in Circulation	5,184	7,439	394	-3,589	2,829	7,805
3. TOTAL	24.958	51,718	7,809	10,025	5.540	28,344
	EXPLANATORY CHANGES					
4. Advances. Discounts. Borrowings: Central Bank —						
4.1 Advances and Discounts of Central Bank	11,815	-10.099	2,469	39	-4,524	-8,083
4.2 Borrowings by Commercial Banks from Central Bank	-12,698	11,746	7,264	3,984	-294	794
4.3 Net	-883	1,649	9,733	4,023	-4,818	7,289
5. Loans and Advances by Commercial Banks	46,755	25.926	-3,123	6.564	5,936	16.549
6. Government Securities and Advances to Government—						
6.1 Central Bank	4.448	23,930	- 1,793	5.612	9,812	10,299
6.2 Commercial Banks	6.706	8,637	6.916	-1,990	2,435	1,276
6.3 Deposits of Government with Central Bank	14,671	1,852	-4.253	6,105	8,770	8,770
6.4 Net Securities and Advances	12.413	34,419	870	9,727	3,477	20,345
7. Investments —						
7.1 Central Bank	3,040	-1,342	15	-1,393	3,109	-3,073
7.2 Commercial Banks	- 10.792	5,381	922	1504	3,130	-175
7.3 Total	-7,752	4.039	937	111	6,239	-3.248
8. Foreign Assets-						
8.1 Central Bank	6,669	3,772	11,487	-10,445	-9,429	12,159
8.2 Commercial Banks	1.089	2.340	-121	447	-997	3,011
8.3 Total	-5.580	6,112	11,366	-9.998	10,426	15,170
9. Other Assets (net)--Revaluation	3,240	4,721	6,540	-1,085	9,103	3,243
10. Deposits of Non-Resident Banks—						
10.1 With Central Bank	13,701	- 19,898	7,051	-517	-3,533	- 8.797
10.2 Commercial Banks	4.546	2,218	1,503	855	- 402	- 4,174
10.3 Total	18,247	-22,116	-5,548	338	-3,936	12,971
11. Other Inter-Bank Deposits	364	1,330	--243	-59	633	999
12. Other Deposits with Central Bank*	- 724	-219	2,408	- 802	724	2,549
13. Bills payable by Commercial Banks	1.354	1.113	-1,425	1,552	336	904
14. General Reserve Fund	-3,274	-3,030	-626	-346	1,057	-1,001
TOTAL	24.958	51,718	7.809	10.025	5.540	28,344

*Deposits other than those of Government, Kenya Commercial Banks and non-resident Banks.

4.14. Other deposits—time and saving deposits—increased by 20 per cent during the year. This faster rate of increase in these deposits than in the increase in money supply may partly have been due to the increased rate of interest payable on such deposits. The higher rate of interest was introduced in the latter part of 1974.

4.15. Table 4.5 details the changes in the money supply and in time and savings deposits; and it also provides explanations for these changes in terms of other assets and liabilities. This table is a consolidation of the assets and liabilities of the Kenya Central Bank and commercial banks. Certain items have been netted out. The deposits of the commercial banks with the Central Bank, which are an asset of the commercial banks but a liability of the Central Bank, are one example. An increased asset holding contributes to an increase in the money supply or in time and savings deposits—unless the increased asset holding is offset by an increase in a liability other than the money supply, e.g. an increased deposit of the Government or of non-resident banks. Such increased deposits therefore bear a negative sign in the table. For the year as a whole the increase in the money supply and in time and savings deposits was caused by an increase in loans and advances by the commercial banks; by a substantial increase in holdings of government securities or in advances to the Government; and by a moderate increase in other investment holdings. These influences were partially offset by a sharp decrease in the level of net foreign assets. The increase in holdings of government securities and of advances to Government by the banking sector at K£23.8 million in the 6 months to December, 1975, was considerably in excess of the intended limit of K£17.5 million mentioned in paragraph 4.11 (iii).

Liquidity Ratio

4.16. The liquidity ratio of the commercial banks, as shown in Table 4.6. fell between 31st December, 1974 and 31st December, 1975 from 27 per cent to 19 per cent. Commercial banks' liquid assets increased during 1975 from K£47.8 million at the beginning of the year to K£51.5 million at the end of the year. Their deposit liabilities also increased but at a much faster rate: hence the decline in their liquidity ratio. The relatively small increase in liquid assets was accompanied by a substantial increase in commercial bank holdings of Treasury bills and a fall in their reserve deposits with the Central Bank. This fall in their reserve deposits occurred mainly, as is shown in Table 4.7, because of the falls in the Central Bank's advances and discounts, in its net foreign assets (item 5—item 7.1 in the table), and in its other assets. These falls more than offset the substantial increase in net advances to the Government.

4.17. Unless the liquid assets of the commercial banks increase, a tight credit position could well occur in the latter half of 1976. Without such an increase, they will be unable to expand their loans and advances to the

COMMERCIAL BANKS—LIQUID ASSETS, 1972-1976

Table 4.6

	Deposit Liabilities!	Liquid Assets*	Current Liquidity Ratio**
	Kim.	*Kim.*	*Percent*
1972 December	163.0	37.0	22.7
1973 December	211.4	48.4	23.0
1974 December	180.0	47.8	27.0
1975—			
January	226.1	49.8	22.0
February	230.7	48.5	21.0
March	238.0	53.6	23.0
April	232.8	43.9	19.0
May	235.0	46.7	20.0
June	244.9	50.8	21.0
July	255.4	56.0	22.0
August	254.9	49.8	20.0
September	261.1	55.0	21.0
October ..	260.7	49.9	19.0
November	267.3	49.5	19.0
December	271.0	51.5	19.0
1976—			
January	276.9	49.8	18.0
February	285.2	53.8	19.0

*Includes Notes and Coins, balances at Central Bank, net inter-bank balances in Kenya and overseas (included only if positive) and Treasury Bills.

**On 1st October, 1972 the prescribed minimum was fixed at 15%.

Deposits and Liquid Assets are calculated as an average of three days balance.

necessary extent—and therefore the money supply—to finance a higher level of increase in real GDP at enhanced prices. The continued rise in world prices, and the depreciation of the Kenya shilling, will inevitably raise domestic prices further. But the liquid assets of the commercial banks will only increase if they are permitted to increase their holdings of Treasury bills or to make larger advances to Government; or if their reserve deposits with the Central Bank of Kenya increase. And their reserve deposits will only increase if the Central Bank expands its holding of government securities or bills and advances so as to more than offset a possible fall in its net foreign assets. The latter may not occur, however, if the present indications of a much improved market for Kenya's main exports are realized.

CENTRAL BANK OF KENYA: CHANGES IN ASSETS AND LIABILITIES, 1974-1975

Table 4.7

K£'000

	CHANGE DURING YEAR		CHANGE DURING EACH QUARTER OF 1975			
	1974	1975	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1. Deposits of Kenya Commercial Banks with the Central Bank	7,977	−12,469	**-2,280**	—1,078	−1,243	—7,868
	EXPLANATORY CHANGES					
2. Advances and Discounts	11.815	−10,099	2,469	39	−4,524	−8.083
3. Net Advances to Government—						
3.1 Advances to Government, Treasury Bills and Government Securities	4.448	23,930	−1,793	5,612	9,812	10,299
3.2 Government deposits ..	14,671	1,852	−4,253	6,105	−8,770	8.770
3.3 Net Advances	19,119	25,782	−6,046	11,717	1.042	19,069
4. Other Securities	3,040	−1.342	15	−1,393	3,109	−3,073
5. Foreign Exchange	−6,669	3,772	11,487	−10,445	−9,429	12,159
6. Other Assets (net)	6.068	−6,987	−11,088	−1,955	14,131	−8.075
7. Deposit Liabilities—						
7.1 Non-Resident	−13,701	−19,898	−7,051	−517	−3,533	−8,797
7.2 Resident	−724	−219	2.408	−802	724	25,119
7.3 Total_	−14,425	−20,117	−4,643	−1,319	−2,809	−11,346
8. Notes and Coins in Circulation	−10,971	−3,478	5,526	2,278	−2,763	−8,519
9. General Reserve Fund						
GROSS TOTAL	7,977	−12,469	−2,280	−1,078	−1,243	−7,868

Commercial Banks' Hills, Loans and Advances

4.18. Table 4.8 indicates that by far the largest increase in advances in 1975 was to the Agriculture sector. The banks are thus complying with Government policy in this respect. Advances to the Manufacturing sector increased only slightly, while advances to Building and Construction and advances for financing of imports, exports and domestic trade all declined. There was also a large increase in advances to the category "other businesses" which probably reflects higher credit to the tourist industry.

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1972-1976

Table 4.8 K£'000

	1972 Dec.	1973 Dec.	1974 Dec.	1975 Dec.	1976 Jan.	1976 Feb.
PUBLIC SECTOR—						
Central Government	88	224	4	210	166	295
Local Government	1,270	1,584	1,497	1,225	1,654	1,534
E.A. Community	4,528	4,866	1,248	4,228	3,154	3,038
Total Government	5,886	6,674	2,749	5,663	4,974	4,867
Enterprises, Parastatal bodies and other Public entities ..	3,310	4,539	8,027	9,221	9,490	8,530
PRIVATE ENTERPRISES—						
Agriculture*	12,017	17,798	20,472	36,848	39,814	39,990
Mining and Quarrying	1,089	1,649	5,397	5,382	5,940	6,355
Manufacturing	24,329	27,919	40.883	41,926	44,934	42,882
Building and Construction ..	7.075	7,969	14.704	10,865	11,572	11,454
Transport, Storage and Communication	3,079	3,659	7,008	7,159	6,800	6,772
Trade:						
Exports	8,876	12,028	17,719	15,161	15,016	16,590
Imports	7,808	9,424	15,145	13,276	13,042	13,629
Domestic	17,200	19,238	26,119	25,936	26,517	25,570
Financial Institutions	4,093	11,821	6,899	6,400	4,028	6,347
Other Businesses	14,095	19,123	24,090	34,295	36,678	36,165
TOTAL PRIVATE ENTERPRISES ..	99,661	130,628	178,436	197,248	204,341	205,754
PRIVATE HOUSEHOLDS— (including non profit-making institutions)..	12,517	19,565	18,950	21,957	22,059	23,212
TOTAL BILLS, LOANS AND ADVANCES	121,374	161,406	208,162	234,089	240,864	242,363

*Including Forestry, Fishing and Wildlife.

Stock Market

4.19. The index of share prices on the Kenya Stock Market (January, 1964 = 100) rose from 176.7 at the end of 1974 to 197.7 at the end of 1975, a rise of 12 per cent. Share prices on nearly all stock markets of the world rose during the year; and those in Kenya were no exception.

CHAPTER 5—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

The most striking aspects of employment in 1975 were a reduction of 2 per cent in the number of people in wage employment in modern establishments, the first such reduction in 10 years; a further fall in real earnings, this time of nearly 3 per cent compared with one of 6 per cent in 1974; and for the first lime earnings from employment in the public sector exceeded those from employment in the private sector. The unemployment situation worsened appreciably during the year as a result of the fall in wage employment. Only a significant change in the economic climate in 1976 from the depressed conditions of 1975 can help to restore the growth of paid employment. The outlook as noted in the survey is more promising and the upward trend in paid employment should be resumed. However, unemployment will continue to be a source of particular anxiety, until the upward trend in employment matches or starts to exceed that stipulated in the Development Plan, 1974-1978.

5.2. Out of the total population of economically active persons, estimated at 6.4 million in 1975, only 15 per cent or 937,700 were engaged in the modern sector of the economy. A further 247,000 were receiving secondary and higher education, and the remainder, i.e. over 80 per cent of the total were, either in rural areas engaged mainly in small holding agriculture and other informal pre-occupations, or in the urban areas seeking gainful employment. The precise proportion of the total labour force unemployed is not known. However, in the economic conditions of 1975, it is apparent that there was almost certainly a substantial increase in the numbers under-employed or seeking work. Wage employment in the formal sector is not at present a large proportion of the total labour force, but it is a distinct set-back that such employment should be lower in 1975 than in 1974. Employment of those self-employed or engaged in informal establishments in the urban areas also fell, as shown in Table 5.1.

Table 5.1 PERSONS ENGAGED: RECORDED TOTALS, 1972-1975 *'000's*

	1972	1973	1974	1975*
Modern Establishments—Urban and Rural Areas-				
Wage Employees	719.8	761.4	826.3	809.4
Self-employed and unpaid family workers	50.0	54.0	55.9	54.2
Informal Establishments—Urban Areas	33.9	41.4	76.2	74.1
TOTAL	803.7	856.8	958.4	937.7

*Provisional.

5.3. Various factors were responsible for the reduction of 20,700, in the number of persons gainfully engaged in the modern sector. It is noted elsewhere in this survey that the agriculture, construction and transport sectors had a very indifferent year. Also the distribution sector was affected by a generally reduced level of economic activity, while growth in other economic sectors was below the trend of recent years.

Wage Employment

5.4. The number of persons engaged in wage employment in the modern sector declined by 16,900 in 1975, compared with an increase of 64,900 in 1974. Aggregate figures on employment in the private and public sectors are set out in Table 5.2. Employment in the private sector dropped by 27,500 in 1975, a fall of 5.5 per cent, compared with an increase of 7.3 per cent in 1974. This fall was offset to some extent by the continuing increase in employment in the public sector. In 1975, employment in the public sector increased by 10,500, or 3.2 per cent, a slower rate of increase, than the 10.4 per cent increase registered in 1974.

Table 5.2 WAGE EMPLOYMENT BY MAJOR SECTOR, 1972-1975 *'000's*

					Annual Percentage Change	
	1972	1973	1974	1975*	1973/74	1974/75*
PRIVATE SECTOR—						
Agriculture and Forestry	197.9	220.6	213.7	195.3	—3.1	—8.6
Rest of Private Sector	234.9	241.8	282.5	273.4	16.8	—3.2
Total Private Sector	432.8	462.4	496.2	468.7	7.3	-5.5
PUBLIC SECTOR	287.0	298.9	330.1	340.6	10.4	3.2
TOTAL	719.8	761.4	826.3	809.4	8.5	—2.0

*Provisional.

5.5. Approximately 11,700 employees were absorbed by new establishments in 1975. This compares with figures of 18,000 in 1974 and 14,100 in 1973. Figures on employment in these new establishments classified by sector of activity are shown in Table 5.3. These indicate a decline in employment in new establishments in all the sectors indicated.

Table 5.3 WAGE EMPLOYMENT IN NEW ESTABLISHMENTS BY ACTIVITY, 1972-1975 *'000's*

	1972	1973	1974	1975*
Agriculture and Forestry	1.7	5.7	6.8	4.9
Mining and Quarrying	–	0.2	0.3	–
Manufacturing	1.1	1.7	1.9	1.5
Construction	3.1	1.5	3.3	2.3
Trade, Restaurants and Hotels	1.9	2.5	2.7	1.5
Transport and Communications	0.2	0.3	0.5	0.4
Financing, Insurance, Real Estate and Business Services	0.4	0.7	1.5	0.3
Community, Social and Personal Services	0.5	1.5	1.0	0.8
TOTAL	8.9	14.1	18.0	11.7
CHANGE IN OVERALL WAGE EMPLOYMENT. .	28.6	41.6	64.9	—16.9

*Provisional.

5.6. A breakdown of total employment in the private sector by industrial classification of establishments is set out in Table 5.4. The sharpest declines were recorded in employment in construction of 19.8 per cent; in mining and quarrying of 16.1 per cent; in trade, restaurants and hotels of 12.6 per cent; in agriculture and forestry of 8.6 per cent; and in transport and communications of 6.8 per cent. Only in the sectors finance, insurance and real estate, and community, social and personal services did numbers in paid employment increase.

WAGE EMPLOYMENT IN THE PRIVATE SECTOR BY INDUSTRY, 1972-1975

Table 5.4 *'000's*

	1972	1973	1974	1975*	Percentage change 1974/75*
Agriculture and Forestry	197.9	220.6	213.7	195.3	—8.6
Mining and Quarrying	2.7	2.4	3.1	2.6	—16.1
Manufacturing	67.1	73.3	81.7	80.6	—1.3
Construction	23.4	23.7	29.3	23.5	—19.8
Trade, Restaurants and Hotels	46.0	44.7	55.4	48.4	—12.6
Transport and Communication	18.1	16.6	17.6	16.4	—6.8
Financing, Insurance, Real Estate and Business Services	14.8	17.1	18.7	19.8	5.9
Community, Social and Personal Services	62.9	64.1	76.7	82.1	7.0
TOTAL	432.8	462.4	496.2	468.7	—5.5

*Provisional

5.7. The fall in total paid employment in building and construction, in both private and public sectors, was considerably large than the 6 per cent fall in the value of real output of building and construction work in 1975. The steeper fall in paid employment was due to a change in the composition of output. A larger proportion of the output in 1975, was accounted for by large public projects such as the international airports. The construction work on such projects is undertaken by large firms which use capital intensive methods. Relatively little employment is therefore generated.

5.8. Employment in the distribution sector was affected by the decline in through-puts of imported goods and agricultural produce handled by the sector. The GDP of this sector at constant prices as a result was lower, and this influenced employment in the sector. Similar factors influenced employment in the transport and communications sector too. Paid employment dropped in agriculture sector as well due to small crop yields for the reasons stated in Chapter 8. Coffee, sugar-cane and sisal plantations are major employers in this sector, and employment in all these enterprises fell in 1975. Tea plantations were an exception.

5.9. Wage employment in the public sector, detailed in Table 5.5, increased by 10,500 in 1975. Employment in the Central Government rose by 2.4 per cent, mainly in the ministries of Water Development, Health and Labour. The increase in employment in parastatal bodies was 9,600 or 9.5 per cent. This increase was mainly due to a rise in employment by the Teachers' Service Commission, which employed an additional 7,800 teachers during the year. Employment in the enterprises with majority control by the public sector also increased by 2,500 or by 19.8 per cent. This increase was attributable to higher employment in the Mumias Sugar Company and in branches of the publicly controlled banks. The numbers employed by the local government authorities, however, declined by 13 per cent. This fall was the consequence of the redundancies caused by the abolition of area and local councils. Employment by the Community corporations did not change significantly; it was marginally lower in the East African Railways Corporation, and marginally higher in the East African Posts & Telecommunications Corporation.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1972–1975

Table 5.5 '000'S

	1972	1973	1974	1975*
Central Government	133.0	135.7	139.5	142.8
Parastatal Bodies	71.0	76.1	101.1	110.7
Majority Control by the Public Sector ..	7.4	10.0	12.6	15.1
Local Government	25.8	27.0	27.8	24.2
E.A. Community General Fund Services..	3.7	3.8	4.2	3.6
E.A. Railways Corporation	23.3	23.4	21.6	21.4
E.A. Harbours Corporation	3.0	3.3	3.2	3.2
E.A. Posts and Telecommunications Corporation	5.8	5.6	6.0	6.4
E.A. Airways Corporation..	3.9	3.7	3.7	3.3
E.A. Cargo Handling Services Limited ..	9.1	9.4	9.3	8.7
Other E.A. Public Bodies**	1.0	1.1	1.1	1.2
TOTAL	287.0	298.9	330.1	340.6

*Provisional.

**International Aeradio (E.A.) Ltd., E.A. External Telecommunication Company Ltd., and Eastern Africa National Shipping Line.

5.10. Table 5.6 sets out the numbers in wage employment by province. Nairobi, with 26.2 per cent of the total in paid employment in 1975, registered a decline of 14,900 or 6.6 per cent. This was the first such fall in a decade in Nairobi. In addition to the general slackness in business there were some special reasons, such as shortages of spare parts which led to the employees of bus companies and of the Railways Corporation being laid off. Special reasons, too, were responsible for the decline in employment in Central Province; such as the smaller coffee crop; the closing of the Kiambaa blanket factory in Kiambu District; and also the poor sisal crop, which resulted in 700 employees in Muranga District losing their jobs. Nyanza Province recorded an increase in employment in 1975 of 1,200 or 2 per cent. The reasons

for the rise were increases in employment at the Kisumu Cotton Mill, following the recent expansion of capacity; in sugar-cane farming owing to the increase in acreage under cane; and at the new tea factory in Kisii Distirct. In the Western Province employment increased by 1,700 or by 4.9 per cent. Additional employment at the Webuye paper mill which came into full production in 1975, in cotton ginning in Busia District, and in the Mumias Sugar Company, account for this increase. Employment increased in the Eastern and the North-Eastern provinces also by 5.3 and 15.8 per cent respectively. The increase in the former was aided by the construction work underway on the Kitui/Garissa road project; by heavy picking of coffee in Meru District; and by the increase in commercial production of vegetables in Machakos District. Employment in the Coast and Rift Valley provinces was, however, little changed. Table 5.6 also indicates that nearly half of those in paid employment were located in urban areas, and that Nairobi and the Coast provinces provided 38.6 per cent of total wage employment.

WAGE EMPLOYMENT BY PROVINCE, 1972-1975

Table 5.6 *000's*

Province	1972	1973	1974	1975*	Percentage Change 1974/75*	Percentage Urban 1975*
Nairobi	192.3	203.4	227.0	212.1	—6.6	100.0
Central	116.3	122.3	133.2	124.9	—6.2	17.5
Nyanza	51.5	51.9	60.0	61.2	2.0	28.1
Western	22.1	24.5	34.8	36.5	4.9	7.9
Coast	89.9	89.4	100.5	100.6	0.1	74.5
Rift Valley	195.9	214.6	208.2	207.8	—0.2	18.4
Eastern	48.8	51.8	58.8	61.9	5.3	17.4
North Eastern ..	2.9	3.4	3.8	4.4	15.8	–
TOTAL	719.8	761.4	826.3	809.4	—2.0	46.7

*Provisional.

5.11. Table 5.7 gives details of employment by citizenship and sex, and Table 5.8 of employment by citizenship and industry. In 1972, non-citizens accounted for 3.7 per cent of the total wage employment, and by 1975 this proportion had dropped to 2.3 per cent. The decline in non-citizen employment between 1974 and 1975, general to most industries was most marked in the sectors trade, restaurants and hotels, finance, insurance, real estate; and manufacturing.

WAGE EMPLOYMENT BY CITIZENSHIP AND SEX, 1972-1975

Table 5.7 *000's*

	1972	1973	1974	1975*	PER CENT IN TOTAL	
					1972	1975*
Citizens	693.5	741.5	807.4	791.1	96.3	97.7
Non-citizens	26.3	19 9	18 9	18-3	3.7	2.3
TOTAL	719.8	761.4	826.3	809.4	100.0	100.0
Of which: Males..	613.3	6475	705.0	682.9	85.2	84.4
Females	106.5	113.9	121.3	126.5	14 8	15.6

*Provisional.

WAGE EMPLOYMENT BY CITIZENSHIP AND INDUSTRY, 1974-1975

Table 5.8 *000's*

INDUSTRY	CITIZENS		NON-CITIZENS		TOTAL	
	1974	1975*	1974	1975*	1974	1975*
Agriculture and Forestry	260.1	239.2	1.1	1.0	261.1	240.1
Mining and Quarrying	3.8	3.3	0 1	0 1	3.9	3.4
Manufacturing	97.8	96.3	3.5	3.3	101.3	99 6
Electricity and Water	5.5	7.3	0.1	0.2	5.7	7.5
Construction	42.9	37.9	1.5	1.5	44.4	39.4
Trade, Restaurants and Hotels..	55.0	48.4	2.0	1.8	57.0	50.3
Transport and Communications	44.0	42.9	2.3	2.2	46.3	45.2
Financing, Insurance, Real Estate and Business Services..	20.1	22.2	1.8	1.5	21.9	23.6
Community, Social and Personal Services	278.1	293.5	6.5	6.7	284.6	300.2
TOTAL	807.4	791.1	18 9	18.3	826.3	809.4

*Provisional.

Earnings

5.12. Although both gross earnings and wage rates rose in 1975, the increase in average earnings per employee did not keep pace with the rise in the cost of living. As mentioned in Chapter 2 average real per capita income for the country as a whole was about 3 per cent lower in 1975 than in 1974. The fall in urban real wages of approximately 3 per cent was part of this reduction.

5.13. Total gross earnings from wage employment in the modern sector rose by K£36.6 million from K£274.4 million in 1974 to K£311.0 million in 1975. This was an increase of 13.3 per cent compared with one of 18.7 per cent in 1974. The increase in earnings occurred despite a drop of 2 per cent in wage employment. As a result average earnings rose by 15.7 per cent in 1975 compared with an increase of only 9.3 per cent in the previous year. The increase in average wages is accounted for by the following three factors—

(i) the normal annual increases;

(ii) increases awarded as a result of normal bargaining; and

(iii) the increases which became effective as a result of the Presidential Decree of May, 1975. The decree stipulated that the consolidated minimum wage in Nairobi and Mombasa was to be raised from Sh. 275, to Sh. 350 per month. The consolidated wage in all the other urban areas was to be raised to a minimum of Sh. 300 per month, while minimum wage of the farm workers was to be raised to Sh. 150 per month.

5.14. Employees in Central Government received awards effective from July, 1975, while employees in the East African Airways and Railways corporations, and in local authorities were awarded pay increases ranging from 3 to 15 per cent. Wages were also raised in other enterprises such as the banks.

Table 5.9 EARNINGS BY MAJOR SECTOR, 1972-1975 *K£million*

	1972	1973	1974	1975*
PRIVATE SECTOR—				
Agriculture and Forestry	18.6	20.6	20.5	22.3
Mining and Quarrying	0.7	0.8	1.0	1.1
Manufacturing	25.3	29.2	34.9	40.2
Construction	7.6	8.4	10.3	9.8
Trade, Restaurants and Hotels	21.6	21.9	27.8	28.5
Transport and Communications	8.3	7.7	11.2	10.1
Financing, Insurance, Real Estate and Business Services	12.7	13.7	16.2	19.0
Community, Social and Personal Services	12.5	14.7	19.6	22.1
TOTAL PRIVATE SECTOR	107.3	117.1	141.5	153.2
PUBLIC SECTOR—				
Central Government..	39.9	42.4	49.1	60.9
Parastatal Bodies	23.2	31.2	40.5	43.4
Majority Control by the Public Sector..	4.0	5.2	5.9	8.3
Local Government	8.9	9.2	10.6	12.7
E.A. Community	23.5	26.0	26.8	32.5
TOTAL PUBLIC SECTOR	99.5	114.0	132.9	157.8
TOTAL	206.8	231.1	274.4	311.0

*Provisional.

5.15. Details on earnings in the major sectors are set out in Table 5.9. Total earnings in the private sector increased by 8.2 per cent compared with a fall of 5.5 per cent in numbers in wage employment. Average earnings thus rose by 14.5 per cent. Total earnings in the public sector rose by 18.7 per cent in 1975 while numbers in wage employment increased by only 3.2 per cent. Average earnings in the public sector thus went up by 15.2 per cent. Total salaries and wages paid by the Central Government increased by 24.0 per cent in 1975, compared with an increase of 15.8 per cent in 1974. The

parastatal bodies recorded an increase in wage earnings of 7.2 per cent; and in enterprises in which the public sector has a majority control average earnings rose by about 17 per cent while the numbers in employment went up by nearly 20 per cent. In Local Government total earnings rose by 19.8 per cent and in the East African Community by 21.3 per cent.

5.16. Details of average wages per employee by industry and average annual changes in employment and average earnings are given in Tables 5.10 and 5.11. Details of estimated real wages are shown in Tables 5.12 and 5.13. For the third year in succession real wages per head fell. However, the reduction in 1975 of 2.9 per cent was lower than the fall of 6.0 per cent in 1974.

Table 5.10 AVERAGE WAGE EARNINGS PER EMPLOYEE, 1972-1975 *K£*

	1972	1973	1974	1975*
PRIVATE SECTOR—				
Agriculture and Forestry	94.0	93.4	95.9	114.2
Mining and Quarrying	259.3	333.3	322.6	423.1
Manufacturing	377.0	399.7	427.2	498.8
Electricity and Water	–	–	–	–
Construction	324.8	354.4	351.5	417.0
Trade, Restaurants and Hotels	469.6	489.9	501.8	588.8
Transport and Communications	458.6	463.9	636.4	615.9
Financing, Insurance, Real Estate and Business Services	858.1	801.2	866.3	959.6
Community, Social, and Personal Services	198.7	229.3	255.5	269.2
PUBLIC SECTOR	346.7	381.7	402.3	463.3
TOTAL	287.3	303.7	332.0	384.2

*Provisional

AVERAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1972-1975

Table 5.11 *Percent*

	EMPLOYMENT		AVERAGE EARNINGS	
	1972/75*	1974/75*	1972/75*	1974/75*
PRIVATE SECTOR—				
Agriculture and Forestry	—0.1	—8.6	7.1	19.1
Mining and Quarrying	0.7	-16.1	18.8	31.2
Manufacturing	6.5	-1.3	9.9	16.8
Electricity and Water	–		–	–
Construction	1.7	19.8	9.0	18.6
Trade, Restaurants and Hotels	2.8	-12.6	8.0	17.3
Transport and Communications	—3.0	-6.8	11.7	-3.2
Financing, Insurance, Real Estate and Business Services	10.3	5.9	4.1	10.8
Community, Social and Personal Services	9.5	7.0	10.7	5.4
PUBLIC SECTOR	5.9	3.2	10.2	15.2
TOTAL	4.1	—2.0	10.2	15.7

*Provisional. For 1972/75 the annual average is shown.

ESTIMATED REAL AVERAGE WAGE EARNINGS** PER EMPLOYEE, 1972-1975

Table 5.12

	1972	1973	1974	1975*
PRIVATE SECTOR—				
Agriculture and Forestry	91.4	83.4	73.7	73.6
Mining and Quarrying	252.2	297.6	247.8	272.6
Manufacturing	366.7	356.9	328.1	321.4
Construction	316.0	316.4	270.0	268.7
Trade, Restaurants and Hotels	456.8	437.4	385.4	379.4
Transport and Communications	446.1	414.2	488.9	396.8
Financing, Insurance, Real Estate and Business Services	834.7	715.4	665.4	618.3
Community, Social and Personal Services	193.3	204.7	196.2	173.5
PUBLIC SECTOR	337.3	340.8	309.0	298.5
TOTAL	279.5	271.2	255.0	247.6

*Provisional.

**Average current earnings adjusted for the rise in consumer prices. The consumer price indices are based on August 1971.

CHANGES IN WAGE EMPLOYMENT, AVERAGE WAGES AND CONSUMER PRICES, 1972-1975

Table 5.13 *Percentage*

	1972	1973	1974	1975*
Wage employment	4.1	5.8	8.5	-2.0
Current prices average wages	5.6	5.7	9.3	15.7
Consumer prices**	5.4	8.9	16.3	19.2
Real average wages	0.1	-3.0	-6.0	-2.9

*Provisional.

**Percentage increases are derived from a composite weighted index of both the lower and the middle income indices calculated as an average of the indices for all 12 months.

Consumer Prices

5.17. In 1975 consumer prices for the lower and middle income earners rose by 20.3 per cent and i 8.5 per cent, respectively, as noted in Table 5.14. The increases were the highest recorded in a single year. The bulk of these increases occurred in the first nine months of the year. The steep rises in import prices in 1974, as they worked their way through the "pipeline", and the rise in the prices of agricultural products were the main contributory factors.

PERCENTAGE CHANGES IN NAIROBI CONSUMER PRICES, DECEMBER, 1970-MARCH, 1976

Table 5.14

	Dec. 72 to Dec. 73	Dec. 73 to Dec. 74	Dec. 74 to Dec. 75	Dec. 75 to March 76	Dec. 70 to March 76
Nairobi Lower Income Index	15.0	16.1	20.3	5.9	88.3
Nairobi Middle Income Index	12.8	13.8	18.5	5.0	77.5

5.18. In the first quarter of 1976 the indices for the lower and middle income groups rose further, by 5.9 per cent and 5.0 per cent, respectively. The continued rise in world prices, together with the depreciation of the Kenya shillings, will inevitably cause domestic prices to rise further in the latter part of 1976. But the rate of increase for the year as a whole should be significantly less than in 1975. Some details of the rise in the price indices since 1972 are given in Table 5.15.

NAIROBI CONSUMER PRICES INDICES, 1972-1976

Table 5.15 *August,* 1971 = 100

	Food	Rent	Other	All Groups
LOWER INCOME INDEX—				
December — 1972	101.7	107.5	105.5	103.9
December — 1973	113.4	131.0	126.4	119.5
December — 1974	139.3	131.0	1431	138.7
March — 1975	160.9	131.0	152.6	152.6
June 1975	101.0	138.7	163.7	157.3
September— 1975	167.1	146.2	168.9	163.4
December — 1975	167.8	153.7	174.5	166.9
March 1976	177.8	161.3	186.1	176.8
MIDDLE INCOME INDEX—				
December — 1972	103.7	107.5	104.9	105.0
December — 1973	114.4	131.0	115.2	118.4
December — 1974	136.4	131.0	135.2	134.7
March 1975	159.0	131.0	151.8	150.1
June 1975	158.0	138.7	163.3	152.8
September— 1975	160.5	146.2	157.4	156.2
December — 1975	162.1	153.7	160.5	159.6
March 1976	166.3	161.3	173.1	167.6

CHAPTER 6—PUBLIC FINANCE

Government activities have a significant influence on the economy in a variety of ways. Through its fiscal policy Government influences the general level of demand in the economy; and also the distribution of income. It is a large employer of labour and purchaser of commodities. The benefits of its expenditure—on the social sector and other services—are widely distributed between communities and areas. Its policy also has an important influence on private industry; on the allocation of private investment between sectors, and even on the technologies used. Since its influence is so important and pervasive, an analysis of Government transactions in some depth is called for. This chapter gives details of expenditure of the Central Government and Local Authorities classified by function and economic category; of their revenue; and of the outstanding debt of the Central Government. A functional classification is also given of the expenditures in Kenya of the East African Community's General Fund Services.

6.2. Some more general statistics are first quoted to give a broad perspective of the Government's contribution to the economy. Public consumption —including that of Local Authorities, absorbed 18.7 per cent of the total resources available to the economy in 1975. The comparable figures in 1974 and 1964 were 16.4 per cent and 14.5 per cent respectively. Direct Government expenditure on capital formation including that of Local Authorities constituted 16.8 per cent of the total capital formation of the whole country in 1975 as compared to 19.0 per cent in 1974 and 9.8 per cent in 1964. If account is also taken of capital formation financed indirectly from Government loan investments the proportions are much higher. Lastly Government staff constituted 20.8 per cent of all paid employees in 1975. For the public sector as a whole, parastatal bodies and the Community corporations included, the figure was 40.0 per cent. In 1975 total expenditure by the Government was K£268 million; in the economy as a whole total gross domestic expenditure amounted to K£1,181 million.

6.3. Total current and capital expenditure of the Government at constant prices on goods and services increased by around 3.0 per cent in 1975. This growth rate compares with an annual average rate of growth of 11.1 per cent during the past decade.

General Outline

6.4. The main aggregates on Government revenue, expenditure and loans are stated in Table 6.1. Recurrent revenue is expected to increase from K£226.1 million in 1974/75 to K£258.9 million in 1975/76; and recurrent expenditure from K£207.2 million to K£247.2 million. The recurrent surplus thus will decline from K£19.9 million to K£11.7 million. Development expenditure is also estimated to be higher, rising from K£61.4 million in 1974/75 to K£80.8 million in 1975/76. Investment expenditure will increase from K£32.8 million to K£56.2 million. These various increases have raised

the expected level of overall deficit to K£125.2 million in 1975/76, a rise of K£50.2 million over the amount of deficit in the previous financial year. This overall deficit is larger than expected because of a shortfall of K£10 million in current revenue and an increase in expenditure of K£18 million over the budgeted amount. The Government is thus faced with a particularly difficult financing problem. The overall deficit of K£125.2 million is expected to be financed by external loans of K£46.0 million; by external grants of K£10.4 million; by long-term domestic borrowing of K£32.8 million; and by a short-term domestic borrowing of K£46.7 million. The net issues of Treasury bills will it is anticipated increase by K£35.0 million in 1975/76.

CENTRAL GOVERNMENT

Table 6.1 OUT-TURN OF REVENUE AND EXPENDITURE*, 1971/72-1975/76 *K£'000**

	1971/72	1972/73	1973/74	1974/75	1975/76
Recurrent Revenue	141,613	148,980	190,070	226,130	258,909
Recurrent Expenditure	128,670	139,578	163,726	207,231	247,166
Recurrent Surplus	12,943	+ 9,402	26,344	+ 18,899	+ 11,743
Development Expenditure	39,765	44,775	48,230	61,383	80,806
Development Project Earnings and Other Miscellaneous Receipts	424	607	582	347	110
DEFICIT	-26,398	-34,766	-21,304	-42,137	-68,953
INVESTMENT EXPENDITURE—					
Purchase of Equity	1,780	2,752	3,941	5,739	5,605
loans to: Public Corporations	9,461	13,392	13,075	25,022	48,413
Private Corporations	831	852	1,101	391	378
Other**	15	57	93	1,676	1,847
TOTAL INCREASE IN INVESTMENT CLAIMS	12,087	17,053	18,210	32,828	56,243
TOTAL DEFICIT	-38,485	-51,819	-39,514	-74,965	-125,196
FINANCING OF THE DEFICIT—					
External Loans on Recurrent Account					
External Loans on Development Account	11,489	24,657	14,454	22,003	46,000
External Grants to Recurrent Account . .	754	227	327	300	3,004
External Grants to Development Account	1,040	294	3,186	6,290	7,400
TOTAL EXTERNAL FINANCE	13,283	25,178	17,967	28,593	56,404
Internal Grants on Recurrent Account	15	17		40	35
LONG TERM DOMESTIC BORROWING ON DEVELOPMENT ACCOUNT	15,552	21,303	18,853	15,490	32,800
SHORT TERM BORROWING—					
Cereals and Sugar Finance Corporation . .	-4,954	2,074	-1,623	-1,095	4,500
Tax Reserve Certificates	91	-269	-1,867	-684	500
Treasury Bills	6,000	5,000	600	4,400	35,000
IMF Counterpart Facilities				5,700	6,700
Advances from Central Bank				4,400	
NET SHORT TERM BORROWING	1,137	6,805	-2,890	12,721	46,700
CHANGES IN CASH BALANCES (Increase)	-8,498	+ 1,486	-5,584	-18,121	+ 10,743

*This table details Kenya Government's deficit and its financing. The details in this table are set out in such a way as to isolate distortions caused by items of "investment" expenditure. These items consist of expenditures on purchase of equity in "commercial" enterprises and loans and advances to various sectors of the economy. Similarly, recurrent revenue, as shown in this table, excludes grants and long-term and short-term domestic financing. Basic aggregates in this table can be reconciled as follows:—

1. Recurrent expenditure plus development expenditure and investment expenditure as shown in this table equal total expenditure shown in Tables 6.7 and 6.9.
2. Development project earnings plus external loans and grants and long-term domestic borrowing on development account equal development revenue shown in Table 6.6.

**Includes loans to University students from the Recurrent Account amounting to K£1,665,000 for 1974/75 and K£1,847,000 for 1975/76.

Provisional.

6.5. The excess of gross capital formation by the Government over its current savings measures the extent to which the Government creates additional demand in the economy. "Development" expenditure as identified in Table 6.1 is not synonomous with gross capital formation nor is the current surplus synonomous with Government savings. Nevertheless, they are reasonable approximations. The excess so measured amounted to K£55.8 million for the calendar year 1975 and may be compared with the excess of K£32.2 million recorded in 1974. This stimulus to demand was very necessary in 1975 and without it the overall growth rate of the economy would probably have been negative. The impact of the deficit spending on demand increased quite substantially in the second half of the year. To complete the picture of the impact of Government activities on the economy it is also relevant to point out that Government borrowing and its receipt of aid from abroad help to cover the current deficit in the balance of payments. External loans and grants are expected to total K£56.4 million in 1975/76.

6.6. The issue of Treasury bills or borrowing from the Central Bank tends indirectly to increase effective demand in the economy by improving the liquidity of the commercial banks so that they are more ready to make loans. The relevance of this point, if a tight credit position is to be avoided later in 1976 is discussed in paragraph 4.17.

Recurrent Revenue

6.7. As is indicated in Table 6.2, taxation provides the bulk of recurrent revenue. In 1975/76 it is expected to amount to K£216.9 million out of a total recurrent revenue of K£258.9 million. Charges for goods and services cover such diverse items as school fees, sale of drugs by the Ministry of Health, sales by the Ministry of Agriculture, sales of surplus stores, sales by prison industries, etc. These charges will raise receipts of K£19.1 million in 1975/76.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT, 1971/72-1975/76

Table 6.2

K£million

	1971/72	1972/73	1973/74	1974/75	1975/76
Taxation	107.81	117.14	160.52	198.46	216.89
Interest and repayment of loans	5.09	4.64	4.98	5.61	6.70
Charges for goods and services	13.65	15.47	15.81	14.37	19.05
Reimbursement from other administrations	2.63	2.17	3.11	1.89	2.89
Miscellaneous	12.43	9.58	5.64	5.80	13.38
TOTAL RECEIPTS	141.63	149.00	190.07	226.13	258.91

* Provisional.

6.8. Table 6.3 gives details of direct and indirect taxation. In 1975/76 direct taxation will constitute 39 per cent of total taxation receipts.

CENTRAL GOVERNMENT

GROSS REVENUE BY SOURCE OF TAXATION FOR RECURRENT ACCOUNT, 1971/72-1975/76

Table 6.3 *K£million*

	1971/72	1972/73	1973/74	1974/75	1975/76*
DIRECT TAXATION—					
Income Tax	45.04	50.20	56.24	76.57	84.00
Other	2.76	4.37	1.99	0.58	0.50
TOTAL	47.80	54.57	58.23	77.15	84.50
INDIRECT TAXATION—					
Sales Tax		2.70	31.99	46.86	54.00
Import Duties	31.50	26.99	39.77	42.11	46.11
Excise Duties	16.21	16.85	20.85	22.67	21.51
Other	12.30	16.04	9.68	9.67	10.77
TOTAL	60.01	62.57	102.29	121.31	132.39
TOTAL TAXES AND LICENCES	107.81	117.14	160.52	198.46	216.89
Percentage contribution of:—					
Direct Taxes	44	47	36	39	39
Indirect Taxes	56	53	64	61	61

*Provisional

6.9. The Government's policy on indirect taxation in recent years has had the following objectives:—

(i) to broaden the tax base;

(ii) to make the structure of indirect taxes less regressive, by applying higher rates of excise tax, import duty and sales tax on luxury consumer goods;

(iii) to induce industry to adopt more labour-using techniques by raising import duties on imported capital goods;

(iv) to effect economies in the consumption of petroleum products, by imposing higher duties and taxes on petrol and on the import of high-powered cars; and

(v) to protect local industry.

6.10. The major change in recent years has been the introduction of sales tax in 1972/73. The revenue from this tax continues to rise and from only K£2.7 million in 1972/73, is expected to rise to K£54.0 million in 1975/76, equal to nearly 25 per cent of the total expected tax revenue. The revenue from import and excise duties has also, however, been increasing and is anticipated to total K£67.6 million in 1975/76 compared with K£43.8 million in 1972/73

6.11. Details on revenue by source from import and excise duties are given in Tables 6.4 and 6.5. Import duties on fuels, textiles, semi-manufactured goods, and transport equipment, are the most significant sources of revenue from this tax in 1975/76. The effect on revenue of a lower total value of imports has been more than offset by higher import duties. In aggregate, import duties it is expected will rise from K£42.1 million in 1974/75 to K£46.1 million in 1975/76. Excise duties it is estimated will fall, however, from a total of K£22.7 million to K£21.5 million owing to the impact of higher duties on beer and tobacco sales.

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1971-1975

Table 6.4 *K£'000*

END USE CATEGORY	1971	1972	1973	1974	1975
Food, drink and tobacco	4,630	4,745	4,268	2,999	3,588
Basic materials	742	897	1,120	1,756	1,706
Fuels	8,851	6,645	10,108	10,522	13,170
Chemicals	1,051	836	1,061	1,316	1,764
Textiles	4,868	3,809	4,119	6,006	5,015
Semi-manufactures	2,435	1,445	1,964	4,206	2,307
Metals	1,366	1,217	1,742	2,907	2,514
Transport Equipment	5,322	4,371	4,784	8,524	8,411
Machinery	2,229	2,279	3,535	3,762	4,286
Miscellaneous manufactured articles	4,260	3,384	2,795	4,751	4,756
Miscellaneous commodities and transactions	-526	-225	-448	-178	-150
TOTAL	35,228	29,403	35,048	46,572	47,368

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1971-1975

Table 6.5 *K£'000*

	1971	1972	1973	1974	1975
Beer	6,981	7,647	9,793	11,116	10,649
Sugar	2,713	2,197	2,848	3,556	3,636
Cigarettes	4,885	5,201	5,802	6,776	7,788
Cigars	–	–	–	–	–
Matches	186	199	247	228	125
Tobacco	25	24	3	12	27
Spirits	211	246	333	316	241
Mineral Waters	629	654	805	953	693
Biscuits	29	31	36	34	17
Fabrics, woven	622	743	670	753	827
Soap	702	493	867	664	670
Paints and distempers	178	229	227	224	221
TOTAL	17,160	17,664	21,632	24,632	24,894

Development Revenue

6.12. Development revenue, excluding borrowing from the banking system by means of Treasury Bills and advances from the Central Bank, it is expected will rise from K£44.1 million in 1974/75 to K£86.3 million in 1975/76; as shown in Table 6.6. Of the 1975/76 total, K£7.4 million will be received in the form of grants from overseas; K£46.0 million from external loans, and K£32.8 million from loans raised on the local market.

CENTRAL GOVERNMENT

DEVELOPMENT REVENUE*, 1971/72-1975/76

Table 6.6 *K£million*

	1971/72	1972/73	1973/74	1974/75	1975/76**
EXTERNAL SOURCES—					
Grants	1.04	0.29	3.19	6.29	7.40
Loans	11.49	24.66	14.45	22.00	46.00
TOTAL EXTERNAL SOURCES	12.53	24.95	17.64	28.29	53.40
INTERNAL SOURCES—					
Local Market Issues	15.55	21.30	18.85	15.49	32.80
Miscellaneous Revenue ..	0.43	0.61	0.58	0.35	0.11
TOTAL INTERNAL SOURCES	15.98	21.91	19.43	15.84	32.91
TOTAL	28.51	46.86	37.07	44.13	86.31

*Excludes Treasury Bills and recurrent budget surplus. Also excluded are advances from the Central Bank amounting to K£4.4 million for 1974/75.

** Provisional

Functional and Economic Classification of Expenditure

6.13. Table 6.7 details a functional analysis of Government's combined current and capital expenditure. The largest expenditures in 1975/76 are on education, transport and roads, agriculture and veterinary services, health services and on general services; the last consisting of expenditures on administration and foreign affairs, law and order, and defence. Social services will account for 28.9 per cent of the total expenditure, economic and community services 39.4 per cent, general services 16.7 per cent and financial obligations 12.5 per cent.

6.14. The rates of expansion of these major categories of expenditure are given in Table 6.8. In the last two financial years overall expenditure at current prices has risen by 31.0 per cent and 27.5 per cent, respectively, with particularly significant growth on economic and community services. In 1975/76 the expenditure on these services will go up by 49.3 per cent after a rise of 34.0 per cent in 1974/75. The sharp increase in 1975/76 is due to higher expenditure on water supplies and on loans to the Cereals and Sugar Finance Corporation.

RECURRENT AND DEVELOPMENT EXPENDITURE ON MAIN SERVICES, 1971/72–1975/76

Table 6.7 — *K£million*

	1971/72	1972/73	1973/74	1974/75	1975/76*
GENERAL SERVICES—					
Administration and Foreign Affairs	10.66	12.06	12.96	15.06	18.62
Law and Order	16.98	15.76	18.08	20.94	22.23
Defence	9.29	11.95	14.26	19 01	19 09
Revenue Collection and Financial Control	3.04	2.96	3.09	4.04	4.46
TOTAL	39.97	42.72	48.38	59.04	64.40
FINANCIAL OBLIGATIONS—					
Public Debt..	17.03	16.77	18.20	23.98	31.65
International Monetary Organization Subscriptions	0.12	0.20	0.45	0.45	1-65
Pensions and Gratuities	3.79	3.93	4.93	4.12	4.47
Passages and leave expenses ..	0.48	0.61	0.54	0.93	0.48
Transfers to local authorities ..	0.97	2.61	3.89	8 00	9.69
TOTAL	22.39	24.12	28.01	37.48	47.94
ECONOMIC AND COMMUNITY SERVICES—					
Agriculture and Veterinary ..	14.35	14.22	19.17	28.45	51.76
Forestry	2.30	2.35	2.79	3.08	4.28
Game and National Parks	2.41	2.95	3.05	4.15	4.95
Transport and Roads	24.23	29.09	32.91	39.74	42.76
Electricity and Petroleum	0.05	1.15	0.91	1.52	3.46
Banking	0.25	0.38	0.45	0.50	1.70
Water Works	3.31	4.12	4.80	7.41	15.73
Commerce and Industry	6.85	9.30	8.72	13.35	22.69
Other	2.80	2.67	2.85	3.20	4.08
TOTAL	56.55	66.23	75.65	101.40	151.41
SOCIAL SERVICES—					
Education	33.68	40.38	46.12	61.74	73.11
Health	12.22	1277	14.43	20.35	23.35
Other (Labour, Community Development, Housing, etc.)	10.01	9.54	10.88	13.01	14.51
TOTAL	55.91	62.70	71.43	95.10	110.98
UNALLOCABLE	5.71	5.64	6.69	8.41	9 49
TOTAL EXPENDITURE ..	180.52	201.41	230.17	301.44	384.22

*Provisional

THE GROWTH OF EXPENDITURE BY FUNCTIONAL ACTIVITIES, 1964/65-1975/76'

Table 6.8 *Percentages*

	1964/65 to 1974/75	1964/65 to 1975/76	1973/74 to 1974/75	1974/75 to 1975/76
General Services	231.1	261.2	22.0	9.1
Financial Obligations	121.0	182.7	33.8	27.9
Economic and Community Services	393.4	636.8	34.0	49.3
Social Services	671.0	799.7	33.1	16.7
TOTAL EXPENDITURE	327.4	444.7	31.0	27.5

*Provisional

6.15. An economic analysis of Government expenditure is presented in Table 6.9. A total of 48 per cent of the recurrent expenditure in 1974/75 was incurred on wages and salaries, 31 per cent on other goods and services, 13 per cent on transfers and 7 per cent on debt interest. In the case of capital expenditure 54 per cent was incurred on gross capital formation, and 36 per cent on loans and investments. Loan repayments at K£9.45 million represented just over 10 per cent of capital outlays. Expenditure on new buildings and other construction accounted for 84 per cent of the total expenditure on gross capital formation.

Public Debt

6.16. On the 30th June, 1975 the level of public debt, excluding short-term debt, rose to K£311.6 million, an increase of K£46.1 million over previous years figure. Of the total, 53.8 per cent was held externally and 46.2 per cent internally; also 49.6 per cent was unfunded and 50.4 per cent funded debt. During the year ended 30th June, 1975, the unfunded debt increased from K£125.7 million to K£156.8 million. Table 6.10 refers.

6.17. As shown in Table 6.11, K£19.2 million of the increase in unfunded debt of K£31.1 million came from bilateral sources and K£10.9 million from international organizations, mainly the World Bank. Of the total external unfunded debt outstanding on 30th June, 1975, the largest amounts were owed to the U.K., U.S.A., West Germany and international organizations. There was no increase in the local component of the unfunded debt in 1975.

6.18. Table 6.12 gives a breakdown of holders of public funded debt on the local register. By far the largest holder as at 30th June, 1975, was the National Social Security Fund, followed by the Government with its investment of sinking funds, and banks, insurance and other companies.

CENTRAL GOVERNMENT

Table 6.9 ECONOMIC ANALYSIS OF EXPENDITURE, 1970/71-1974/75 *K£million*

	1970/71	1971/72	1972/73	1973/74	1974/75
RECURRENT EXPENDITURE					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—					
Wages and Salaries	53.89	68.80	70.73	80.23	100.61
Other Goods and Services	22.61	30.06	37.99	45.60	65.23
TOTAL	76.50	98.86	108.72	125.83	165.84
SUBSIDIES	1.24	0.83	1.76	2.77	0.89
INTEREST—					
External Debt	3.33	3.87	5.46	5.03	5.64
Internal Debt	4.12	4.85	5.17	6.94	8.90
TOTAL	7.45	8.72	10.64	11.98	14.53
OTHER TRANSFERS—					
To Households and Un-incorporated Enterprises	7.55	11.12	12.78	15.85	8.44
To rest of the World	3.47	0.40	0.53	0.91	0.76
To other General Government Agencies:					
(a) Local Authorities	0.75	0.80	0.79	2.81	6.22
(b) East African Community ..		0.13	0.20	0.28	0.36
(*c*) Miscellaneous	4.79	3.12	2.28	1.40	12.13
TOTAL	16.56	15.58	16.59	21.26	27.91
TOTAL RECURRENT EXPENDITURE	101.75	124.00	137.71	161.83	209.17
CAPITAL EXPENDITURE					
GROSS CAPITAL FORMATION—					
Residential buildings	2.32	2.46	2.80	2.34	3.21
Non-residential buildings	5.67	6.25	6.55	7.26	13.22
Construction and Works	15.75	19 08	24.92	27.32	25.47
Plant, Machinery and Equipment ..	2.54	4.46	3.39	2.58	3.43
Transport Equipment	1.55	1 .97	1.52	1.67	3.38
Land	0.81	2.00	1.32	1.71	1.29
TOTAL	28.64	36.22	40.51	42.88	49.99
INVESTMENT IN ENTERPRISES	9.81	1.78	2.75	4.96	5.74
LOANS TO OTHER SECTORS	5.95	10.31	14.30	14.27	27.09
LOAN REPAYMENT—					
External Debt	1.91	2.98	3.18	3.56	4.29
Internal Debt	7.60	3.95	1.63	1.28	3.50
Sinking Fund	1.14	1.29	1.33	1.39	1.66
TOTAL	10.65	8.22	6.14	6.22	9.45
TOTAL CAPITAL EXPENDITURE ..	55.05	56.52	63.70	68.33	92.27
ALL EXPENDITURE	156.80	180.52	201.41	230.17	301.44

CENTRAL GOVERNMENT

PUBLIC DEBT, 1964-1975

Table 6.10 — *K£million*

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1964 ..	32.16	17.09	49.25	35.96	0.90	36.86	68.12	17.99	86.11
1965 ..	32.16	17.59	49.75	44.75	0.94	45.69	76.91	18.53	95.44
1966 ..	32.16	18.32	50.48	53.94	1.02	54.96	86.10	19.34	105.44
1967 ..	32.16	26.27	58.43	58.96	1.21	60.17	91.12	27.49	118.61
1968 ..	27.30	34.77	62.07	58.19	1.40	59.59	85.49	36.17	121.66
1969 ..	27.30	47.81	75.11	65.98	1-33	67.31	93.28	49.14	142.42
1970 ..	27.30	56.91	84.21	74.74	1.19	75.93	102.04	58.10	160.14
1971 ..	21.21	64.21	85.42	73.67	11.04	84.70	94.88	75.24	170.13
1972 ..	21.21	77.66	98.87	84.55	10.88	95.43	105.76	88.54	194.30
1973 ..	21.21	99-22	120.42	105.29	10.73	116.01	126.50	109.95	236.43
1974 ..	21.21	118.52	139.72	115.13	10.61	125.74	136.34	129.13	265.46
1975 ..	21.21	133.60	154 81	146.30	10.50	156.80	167.51	144.10	311 61

*Excluding Short-Term Borrowings.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1968-1975

Table 6.11 — *K£'000*

Outstanding as at June 30th	1968	1969	1970	1971	1972	1973	1974	1975
EXTERNAL DEBT								
Lending Countries								
United Kingdom	44,486	47,830	52,776	46,314	47,209	48,014	47,098	43,826
U.S.A	4,581	4,759	4,890	5,733	7,272	13,611	13,476	15,902
West Germany	3,563	3,622	3,896	4,583	4,889	4,869	6,319	14,223
U.S.S.R		163	147	130	113	97	89	69
Japan			149	598	599	690	1,058	2,738
Israel	456	609	647	566	471	374	275	173
Others			127	869	3,714	8,950	12,785	23,364
TOTAL	53,086	56,983	62,632	58,793	64,267	76,605	81,100	100,295
International Organizations								
I.B.R.D	1,661	1,497	1,195	2,498	6,640	9,122	11,143	16,296
I.D.A.	3,441	7,380	10,633	11,987	13,048	18,674	21,371	27,739
African Development Bank		119	278	386	595	885	1,508	1,970
TOTAL	5,102	8,996	12,108	14,871	20,283	28,681	34,022	46,005
TOTAL EXTERNAL ..	58,188	65,979	74,738	73,664	84,550	105,286	115,123	146,300
INTERNAL (E. AFRICAN) DEBT								
Uganda/Tanzania	454	400	367	333	299	265	231	196
Banks: Central				10,000	10,000	10,000	10,000	10,000
Other	553	465	386	295	199	108	56	
Insurance Companies ..	268	261	234	207	180	154	126	99
Other	127	202	202	202	202	201	201	202
TOTAL INTERNAL	1,402	1,328	1,189	11,037	10,880	10,728	10,614	10,497
TOTAL UNFUNDED DEBT	59,590	67,307	75,927	84,701	95,430	116,013	125,737	156,796

CENTRAL GOVERNMENT

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER, AS AT 30TH JUNE

Table 6.12 K£'000

	1970	1971	1972	1973	1974	1975
PUBLIC BODIES:—						
National Social Security Fund	19,498	23,412	26,134	30,427	48,181	62,185
Central Government	9,767	10,419	17,469	25,260	19,448	20,581
Local Government	1,041	965	948	778	780	721
Kenya PostOffice Savings Bank	2,551	2,551	3,384	5,644	4,851	6,186
East African Community Institutions	380	380	395	3,809	5,191	6,562
Central Bank	3,510	3,510	3,665	4,234	8,311	7,156
Other Public Sector	489	497	507	423	1,437	382
OTHER INTERNAL:—						
Commercial Banks	8,016	8,490	8,093	10,836	10,184	9,732
Insurance Companies..	4,905	5,271	6,133	6,106	6,357	5,964
Other Companies	4,075	6,164	8.889	10,314	12,236	13,192
Private Individuals	596	502	291	317	450	282
EXTERNAL:—						
Other East African	370	371	371	94	212	160
Other Sterling Area ..	1,671	1,642	1,369	962	870	494
Non Sterling Area	42	37	13	12	8	7
TOTAL	56,911	64,211	77,661	99,216	118,516	133,604

Debt Service Charges

6.19. Table 6.13 details the annual debt service charges on Central Government external funded and unfunded debt; and Table 6.14 details service charges on external debt as a proportion of the total receipts from exports of goods and services. Service charges on external debt were equal to 2.8 per cent of the value of exports of goods and services in 1975, having fallen from the level of 6.3 per cent in 1971. The 1975 figure is a low one. The comparable figure for many developing countries is known to be three or four times as high.

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1964-1975

Table 6.13 *K£million*

As at 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES			Sinking Funds at Market Value
	External	Internal	Total*	External	Internal	Total	External	Internal	Total	
1964	1.97	3.24	5.21	0.33	1.71	2.04	1.64	1.53	3.17	7.88
1965	2.61	3.76	6.37	0.56	2.26	2.82	2.05	1.49	3.54	9.05
1966	3.16	4.55	7.71	0.32	2.57	2.89	2.84	1-98	4.82	9.99
1967	4.83	3.50	8.33	0.81	2.79	3.60	4.02	0.71	4.73	11.22
1968	5.27	2.63	7.91	0.74	3.13	3.87	4.53	-0.50	4.03	11.01
1969	4.78	4 09	8.87	0 38	2.98	3.36	4.40	1-11	5.51	11.36
1970	4.98	5.70	10.68	0.62	3.01	3.64	4-18	2.86	7.04	13.91
1971	11.45	6,20	17.65	0.58	7.35	7.93	10.87	-1.15	9.72	12.84
1972	7.23	9.47	16.70	0.59	4.50	5.09	6.64	4.97	11 61	15.51
1973	8.88	7.67	16.55	0.68	3.97	4 64	8.20	3.70	11.91	15.94
1974	8.64	9 40	18.04	0.01	4 96	4.97	8.63	4.44	13.07	16.37
1975	10.11	13.55	23.66	_	5.61	5.61	10.11	7.94	18 05	18.36

*Includes interest payments of *K£million*:—
1964—4.05; 1965—4.41: 1966-4.73: 1967-5.25: 1968—5.40: 1969—5.97; 1970—6.61; 1971—7.44; 1972—8.72; 1973—10.64; 1974—11.98; 1975—14.53.

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORTS OF GOODS AND SERVICES
1964-1975

Table 6.14

	Debt Service Charges on External Debt*	Exports of Goods Services	Debt Service Charges as a Percentage of Exports of Goods and Services
	K£million	*K£million*	
1964	2.0	119.1	1.7
1965	2.6	118.5	2.2
1966	3.2	135.5	2.3
1967	4.8	130 0	3.7
1968	5.3	142.1	3.7
1969	4.8	153.8	3.1
1970	5.0	170.8	2.9
1971	11.5	181.9	6.3
1972	7.2	200.1	3.6
1973	8.9	240.6	3.7
1974	8.6	332.2	2.6
1975	10.1	358.4	2.8

*Including debt redemption. Interest payments on drawings on IMF are, however, excluded.

6.20. New external borrowing, however, during the past two years, since the dramatic rise in oil prices, has been heavy. Since new loans generally have a grace period of 5 years before repayment of principle starts, the debt service charges shown in the table do not reflect the debt burden in the "pipeline", which will be higher than the current figure. A continuous watch needs to be kept to ensure that the problem of debt service and debt repayment charges does not become unmanageable. But this seems unlikely: world inflation, although harmful in most respects has had the effect of reducing the real burden of existing debt. A continuation of inflation in the future would have a similar impact but might also cause borrowing requirements to increase.

Local Authorities

6.21. Expenditures by municipalities and county councils are given in Table 6.15. Total expenditure by all municipalities increased from K£24.2 million in 1974 to K£26.7 million in 1975 and over half of this was due to expenditure by Nairobi City Council.

6.22. Functional categories of the combined recurrent and capital expenditures of all municipalities are shown in more detail in Table 6.16; an economic classification in Table 6.17; and an analysis of revenue in Table 6.18. As shown in Table 6.16 expenditure on water undertakings increased noticeably in 1975, while there was a decline in expenditure on community services.

EXPENDITURE OF LOCAL AUTHORITIES, 1970-1975

Table 6.15

K£ million

	MUNICIPALITIES			COUNTY COUNCILS	TOTAL
	Nairobi City Council	Other Municipal Councils	Total		
1970	9.06	4.37	13.43	2.83	16.26
1971	11.11	4.56	15.67	3.45	19.12
1972	13.13	5.77	18.90	3.52	22.42
1973	13.05	6.00	19.05	3.86	22.91
1974*	15.04	9.20	24.24	5.26	29.50
1975*	16.40	10.31	26.70	5.61	32.31

*As shown in Councils' Estimates.

MUNICIPAL COUNCILS: RECURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1971-1975

Table 6.16

K£'000

	1971	1972	1973	1974*	1975*
ADMINISTRATION	1,097	1,417	1,385	1,933	2,485
COMMUNITY SERVICES—					
Roads	1,369	1,773	2,061	2,863	1,953
Sanitary Services	1,090	1,961	1,919	2,595	2,908
Other	671	373	450	543	566
TOTAL	3,130	4,107	4,431	6,002	5,426
SOCIAL SERVICES—					
Health	1,469	1,506	1,813	2,202	2,448
Education	2,645	3,355	4,131	4,503	4,503
Other	673	1,773	1,147	2,157	2,567
TOTAL	4,788	6,634	7,090	8,862	9,517
TRADING SERVICES—					
Water Undertakings	1,709	2,448	2,253	1,676	2,998
Markets and Slaughter Houses ..	256	479	321	371	417
Breweries and Beer-shops	425	282	205	284	139
Housing Estates (including Staff Housing)	4,007	3,277	3,160	4,900	5,217
Hostels	30	34	24	11	9
Other	132	92	47	99	209
TOTAL	6,559	6,613	6,011	7,340	8,989
UNALLOCABLE EXPENDITURE	96	131	133	98	287
TOTAL	15,668	18,902	19,050	24,235	26,704

*As shown in Councils' Estimates.

6.23. As shown in Table 6.17, 41 per cent of the total expenditure in 1975 was accounted for by wages and salaries, 20 per cent by other goods and services and a further 27 per cent by capital projects.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1971- 1975

Table 6.17 *K£'000*

	1971	1972	1973	1974*	1975*
EXPENDITURE ON:					
Wages, Salaries and Allowances	6,251	7,892	9,649	9,756	10,933
Other Goods and Services	3,481	3,775	4,141	5,323	5,322
Loan Charges	2,279	2,546	2,843	3,336	3,379
Transfers (Excluding Compensation and Gratuities)	543	480	839	436	512
Capital Projects	3,821	*6,077*	2,943	6,253	7,241
Net Inter Departmental Transfers	-707	-1,868	—1,364	-868	-682
TOTAL	15,668	18,902	19,050	24,235	26,704

*Provisional.

6.24. Table 6.18 sets out details on revenue of the municipalities. The main sources of revenue for municipal councils are indirect taxes, income from property, sales of water and sewerage and refuse charges. The level of Government grants to the municipalities declined from K£3.38 million in 1974 to K£2.74 million in 1975. Loans raised by these Councils help provide most of the funds for capital projects. A total of K£6.37 million was raised in loans in 1975 while the expenditure on capital projects amounted to K£7.24 million.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1971-1975

Table 6.18 *K£'000*

	1971	1972	1973	1974*	1975*
Graduated Personal Tax	4,723	3,896	3,234	172	
Indirect Taxes (Licences, Cesses and Rates)	3,850	3,863	4,146	4,655	5,132
Income from Property (Buildings and Land Rents)	1,780	1,959	2,250	2,162	3,127
Interest on Investments	226	320	300	191	291
Sale of Goods and Services:—					
School Fees	525	546	1,137	598	427
Sale of Water	2,235	2,080	2,005	2,356	2,611
Sale of Beer	354	177	142	204	22
Markets and Slaughter Charges	131	72	25	92	114
Sewerage and Refuse Removal Charges	569	1,271	1,214	1,460	2,181
Other Sales	677	700	671	870	1,273
Government Grants	269	144	1,431	3,382	2,741
Loans Raised	3,081	4,186	3,008	6,175	6,373
Miscellaneous (Including Court fines, sale of capital assets, loan repayment, and non-Government grants)	168	321	283	205	1,638
TOTAL	18,588	19,535	19,844	22,522	25,932

*Provisional

6.25. An economic analysis of the expenditure incurred by the county councils, is set out in Table 6.19.

COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1971-1975

Table 6.19 *K£'000*

	1971	1972	1973	1974*	1975*
PENDITURE:—					
Wages, Salaries and Allowances	1,875	1,900	2,034	2,175	2,425
Other Goods and Services	1,102	1,021	958	1,684	1,220
Loan Charges	231	149	231	319	317
Transfers (including Compensation and Gratuities)	87	79	68	207	73
Capital	179	348	562	858	1,557
Net Inter-Departmental Transfers	—26	20	+ 9	+ 19	+ 16
TOTAL	3,448	3,517	3,862	5,261	5,608
EVENUE:—					
Graduated Personal Tax	114**	13**	–	26**	–
Indirect Taxes (Licences, Cesses and Rates)	1,342	1,539	3,138	1,738	2,490
Income from Property (Building and Land Rent)	472	542	747	773	679
Interest on Investment	61	77	73	71	150
Sale of Goods and Services:—					
School Fees	1	3		51	78
Other	966	984	981	1,350	1,357
Government Grants	11	19	28	9	22
Loans Raised	55	16	6	481	829
Miscellaneous (including court fines, sale of Capital assets and non-Government Grants)	166	150	131	284	163
TOTAL	3,188	3,342	5,104	4,784	5,769

*Provisional.
**Area Council Poll Rates.

East African Community

6.26. An economic analysis of the expenditure incurred by the General Fund Services of the Community in Kenya, is detailed in Table 6.20.

EAST AFRICAN COMMUNITY: GENERAL FUND SERVICES: EXPENDITURE IN KENYA BY MAIN SERVICES, 1970/71-1974/75

Table 6.20 *K£million*

	1970/71	1971/72	1972/73*	1973/74*	1974/75*
GENERAL SERVICES	2.75	2.93	3.76	2.92	3.09
SOCIAL SERVICES	0.16	0.24	0.36	0.34	0.56
ECONOMIC SERVICES	2.94	3.76	3.88	3.57	4.28
FINANCIAL OBLIGATIONS	0.48	0.47	0.13	0.51	0.09
UNALLOCABLE EXPENDITURE ..	0.01	0.16	0.42	–	–
TOTAL	6.34	7.57	8.56	7.34	8.01

*Provisional.

CHAPTER 7—EXTERNAL TRADE

Owing to the deepening of the recession in industrial countries world trade fell by 7 or 8 per cent in 1975 below the 1974 level. Lower prices for primary commodities resulting from reduced world demand, accompanied by higher prices for manufactured goods, because of the continuing inflation in the industrial countries, caused an adverse shift in the terms of trade of most developing countries. Kenya had suffered a severe fall in its terms of trade in 1974, and there was a further, but relatively slight, adverse movement in 1975. Despite this, the country's trade deficit was reduced by K£23 million from K£148 million in 1974 to K£125 million in 1975. This more favourable result was welcome as the size of trade deficit in 1974 had risen to an unprecedented level.

7.2. The reduction in trade deficit in 1975 is accounted for by a drop of 20 per cent in the volume of imports; larger than the fall of 11 per cent in the volume of exports. These quantitative changes more than offset the small adverse shift in the terms of trade. The Government had taken various measures in 1975 to improve on the very poor trade balance of 1974. These included imposition or raising of tariffs on imported raw materials; raising import duties or sales taxes on certain luxury consumer goods; and increasing the duties and taxes on petroleum products to reduce consumption. Exports of manufactured goods were also encouraged by suitable subsidies.

7.3. The measures taken were anticipated to hold the annual growth of imports to about 2 per cent a year and to increase exports by a higher annual rate over the next few years. The variation from these targets in the percentage changes actually achieved in 1975, a drop of 5.2 per cent in the value of imports and a rise of 1.9 per cent in the value of exports, resulted from the slower rate of growth of the economy; the running down of stocks; severe licensing of certain categories of imports; and the credit policy, which in practice favoured agriculture and the tourist sectors.

7.4. The devaluation of the Kenya shilling in October, 1975, is expected to have an influence on the trade pattern in 1976. This together with the dramatic rise in coffee prices which has occurred since late 1975, will, it is hoped, help reduce the trade deficit further. How far Kenya's trade deficit is actually reduced in 1976, will, however, depend on the continuation of the measures introduced in 1975, and the extent to which such measures may be modified, or new measures introduced, as part of a policy to achieve a more satisfactory rate of economic growth.

Overall Value of Trade

7.5. Table 7.1 details the value of imports and exports for the last five years. The total value of imports fell from K£366.4 million in 1974 to K£347.3 million in 1975. While the value of imports by the private sector fell by 7.9 per cent, the value of direct imports by the Government, which arc

relatively small, rose by 56.0 per cent; the latter due to higher level of imports of fertilizer by the Kenya Government, and to imports of transport equipment by the Community corporations. Against the general trend, imports of fuel and lubricants rose by a further K£13.9 million in 1975, and accounted for 27.4 per cent of the total imports.

Table 7.1 BALANCE OF TRADE, 1971-1975 *K£million*

	1971	1972	1973	1974	1975
IMPORTS—					
From outside East Africa* ..	184.1	177.6	205.8	353.0	337.4
of which					
Commercial	162.8	160.3	187.4	333.9	307.6
Government	21.3	17.3	18.4	19.1	29.8
From Uganda and Tanzania	16.0	13.5	12.3	13.3	9.9
TOTAL	200.1	191.1	218.1	266.4	347.3
EXPORTS—					
To Markets outside E.Africa**	73.2	90.6	122.6	162.9	168.8
Re-exports	5.2	4.9	6.3	7.2	7.5
To Uganda and Tanzania ..	33.9	32.8	38.8	48.3	46.2
TOTAL	112.3	128.2	167.7	218.4	222.5
BALANCE OF TRADE—					
With Marketsoutside E.Africa	— 105.7	—82.2	—76.9	—182.9	-161.1
With Uganda and Tanzania..	17.9	19.3	26.5	35.0	36.3
TOTAL	-87.8	- 62.9	— 50.4	-147.9	124.8

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

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

7.6. Total exports increased slightly by 1.9 per cent, from K£218.4 million in 1974 to K£222.5 million in 1975. The increase was due to a rise of 27.5 per cent in the value of exports of fuel and lubricants, from K£45.6 million in 1974 to K£58.2 million in 1975 which offset the large fall in sisal earnings from K£17.0 million to K£7.3 million.

7.7. The resultant deficit in the balance of trade improved by K£23.1 million, from K£147.9 million in 1974 to K£124.8 million in 1975. This overall deficit in 1975 is the net result of a deficit of K£161.1 million with markets outside East Africa, partially offset by a favourable balance of K£36.3 million recorded in trade with Tanzania and Uganda.

Price Changes

7.8. The new price index series for total imports and exports (1971 = 100) is detailed in Table 7.2. The overall price index for imports rose by 17.9 per cent in 1975; prices of petroleum and its products having risen by 31.5 per cent and those of non-oil imports by 12.8 per cent. Apart from petroleum, other significant price rises were recorded for imports of animal and vegetable

oils and fats, whose prices rose by 29.6 per cent; for beverages and tobacco, by 25.2 per cent; and for machinery and transport equipment, by 20.3 per cent. The only prices to fall were those of food products and live animals, which decreased by 3.8 per cent.

Table 7.2 PRICE INDICES, 1972-1975 *1971=100*

Imports	1972	1973	1974	1975
Food and live animals	113	139	183	176
Beverages and tobacco	113	125	131	164
Crude materials, inedible	117	129	153	180
Mineral fuels	116	125	394	518
Animal and vegetable oils and fats	95	102	179	232
Chemicals	102	139	248	260
Manufactured goods	110	128	188	216
Machinery and transport equipment	116	127	153	184
Miscellaneous manufactured articles	111	122	177	208
All Imports	112	128	201	237
Non-oil Imports	111	128	179	202
Exports				
Food and live animals	106	122	142	150
Beverages and tobacco	106	101	92	132
Crude materials, inedible	110	157	204	183
Mineral fuels	101	109	222	309
Animal and vegetable oils and fats	100	114	172	225
Chemicals	133	148	195	245
Manufactured goods	113	143	170	209
Machinery and transport equipment	113	133	157	193
Miscellaneous manufactured articles	112	148	163	200
All Exports	111	126	171	196
Non-oil Exports	112	129	161	173

7.9. The overall export price index rose by 14.6 per cent, because of the increases of 39.2 per cent and 7.5 per cent, respectively, in the prices of petroleum products and non-oil exports. Significant increases were recorded in the export prices of beverages and tobacco of 43.5 per cent; of animal and vegetable oils and fats of 30.8 per cent; and of chemicals of 25.6 per cent. The prices of crude materials, however, fell by 10.3 per cent, chiefly because of falls in the prices of sisal and of hides and skins, which taken together accounted for over 35 per cent of the value of crude materials.

Volume Changes

7.10. The quantum index for imports and exports is detailed in Table 7.3. The total volume of imports was 19.8 per cent lower in 1975 than in 1974 with the volume of imports of mineral fuels falling by 11.7 per cent, and that of non-oil imports by 22 per cent. Imports declined in volume for all categories except imports of machinery and equipment. The sharp declines

in the volume of imports of chemicals and manufactured goods were particularly noticeable. Part of the explanation of these falls lies in lower imports of fertilizers and paper products. The volume of total exports over the same period fell by 11.4 per cent. The volume of exports of petroleum products was down by 8.0 per cent and that of non-oil exports by 12.3 per cent. All the non-oil categories registered a decline.

Table 7.3 QUANTUM INDICES, 1972-1975 *1971=100*

Imports	1972	1973	1974	1975
Food and live animals	92	80	61	51
Beverages and tobacco	76	63	105	74
Crude materials, inedible	80	89	118	76
Mineral fuels	104	108	120	106
Animal and vegetable oils and fats	88	106	104	71
Chemicals	102	99	112	76
Manufactured goods	78	86	92	57
Machinery and transport equipment	82	78	80	86
Miscellaneous manufactured articles	78	75	67	54
All Imports	89	85	91	73
Non-oil Imports	84	83	87	68
Exports				
Food and live animals	122	136	120	117
Beverages and tobacco	93	120	92	54
Crude materials, inedible	110	122	146	127
Mineral fuels	108	109	115	106
Animal and vegetable oils and fats	123	135	166	129
Chemicals	81	97	84	57
Manufactured goods	79	86	103	82
Machinery and transport equipment	76	102	109	88
Miscellaneous manufactured articles	61	61	57	40
All Exports	103	118	114	101
Non-oil Exports	103	120	114	100

Terms of Trade

7.11. As a result of the unit price changes detailed above, Kenya experienced a further deterioration in its terms of trade with the index falling from 85 in 1974 to 83 in 1975. The favourable swing in the terms of trade for oil was not sufficient to offset the adverse trend in non-oil items. The terms of trade for the period since 1972 are detailed in Table 7.4.

Table 7.4 TERMS OF TRADE, 1972-1975 *1971=100*

	1972	1973	1974	1975
All Items	99	98	85	83
Non-Oil Items ..	101	101	90	86

Analysis by Broad Economic Categories

7.12. *Imports.*—Details on imports classified by broad economic categories are set out in Table 7.5. Some selected imports are also detailed in Table 7.6. The most significant changes in 1975 were the substantial increases in the relative importance of fuels and lubricants and machinery and capital equipment. Industrial supplies were reduced sharply both in terms of value and as a percentage of total imports.

TOTAL IMPORTS, 1971-1975,
By Broad Economic Category

Table 7.5 — *K£'000*

	1971	1972	1973	1974	1975
1. Food and Beverages	19,100	19,173	21,569	24,467	20,751
Primary	4,817	4,709	6,681	4,418	6,367
For Industry	1,251	2,455	4,815	2,619	4,667
For Household Consumption	3,566	2,254	1,866	1,799	1,700
Processed	14,283	14,464	14,888	20,049	14,385
For Industry	4,812	3,873	4,672	7,630	8,608
For Household Consumption	9,471	10,591	10,216	12,419	5,777
2, Industrial Supplies (Non-Food)	70,437	66,035	84,507	145,443	99,818
Primary	5,884	4.952	5,307	9,288	7,660
Processed	64,553	61,083	79,200	136,155	92,158
3. Fuels and Lubricants	16,933	20,542	23,120	81,147	95,036
Primary	13,193	14,816	17,904	67,461	87,242
Processed	3,740	5,726	5,216	13,686	7,794
Motor Spirit	630	1,230	1,036	2,125	884
Other	3,110	4,496	4,180	11,561	6,910
4. Machinery and other Capital Equipment ..	31,874	36,107	40,607	39,642	57,755
Machinery and oilier Capital Equipment..	29,234	32,976	37,754	36,115	53,215
Parts and Accessories	2,640	3,131	2,852	3,527	4,540
5. Transport Equipment	35.663	26,290	24,440	41,362	43.959
Passenger Motor Vehicles	6,657	5,945	4,650	9,300	5,788
Other	12,678	9,496	8,914	12,081	18,171
Industrial	12,345	9,273	8,768	11,826	17,951
Non-Industrial	333	223	146	255	220
Parts and Accessories	16,328	10,848	10,876	19,981	20,000
6. Consumer Goods not elsewhere specified . .	24,750	21,576	23,352	33,178	29,293
Durable	6,533	4,510	5,143	6,957	5,014
Semi-Durable	10,667	8.955	9,317	15,034	12,523
Non-Durable	7,550	8,111	8,893	11,187	11,756
7. Goods not elsewhere specified	1,305	1,368	495	1,121	685
TOTAL	200.064	191,091	218,089	366,361	347,296

PERCENTAGE SHARES

1. Food and Beverages	9.5	10 0	9.9	6.7	6.0
2. Industrial Supplies (Non-Food)	35.2	34.6	38.7	39.7	28.7
3. Fuels and Lubricants	8.5	10.7	10.6	22.1	27.4
4. Machinery and other Capital Equipment . .	15 9	18.9	18.6	10.8	16.6
5. Transport Equipment	17.8	13.8	11.2	11.3	12.7
6. Consumer Goods not elsewhere specified . .	12.4	11.3	10.7	9.1	8.4
7. Goods not elsewhere specified	0.6	0.7	0.2	0.3	0.2
TOTAL	100.0	100.0	100.0	100.0	1000

7.13. Imports of machinery and other capital goods increased by 45.7 per cent, from K£39.6 million in 1974 to K£57.8 million in 1975, while their share in total imports rose from 10.8 per cent to 16.6 per cent. In this category the most substantial increases occurred in the imports of food processing machinery, mining and mineral crushing equipment, and cargo handling equipment.

Table 7.6 SELECTED NET IMPORTS, 1971-1975 *K£million*

	1971	1972	1973	1974	1975
Crude Petroleum	12.80	14.59	17-56	67.03	86.82
Motor Vehicle and Chassis	16 68	13.49	11.46	22.23	21.64
Agricultural Machinery and Tractors	3.00	3.27	3.03	3.28	6.26
Industrial Machinery (including Electrical)	29.97	34.08	38.86	40.48	56.13
Iron and Steel	11.31	10.17	14.41	26.96	14.48
Cotton Fabrics	1.17	0.77	0.62	1 -27	0.68
Synthetic Fabrics	3.78	3.49	6.75	8.25	5.39
Paper and Paper Products	8-31	7.70	10 17	17.50	10.79
Pharmaceuticals	3.29	3.59	3.94	6.55	6.59
Fertilizers	3.06	3.75	4.33	15.27	11.35

7.14. Imports of fuel and lubricants increased by 17 per cent from K£81.1 million in 1974 to K£95.0 million in 1975. As a result their share in total imports rose from 22.1 to 27.4 per cent. Imports of crude petroleum increased from K£67.0 million in 1974 to K£86.8 million in 1975, a rise of 29.5 per cent. The value of imports of other petroleum products, however, fell by 41.8 per cent since more of these products were processed at the enlarged Mombasa refinery, which has increased its intake capacity for crude oil.

7.15. The value of imported transport equipment rose by 6.3 per cent between 1974 and 1975, from K£41.4 million to K£44.0 million. The increase in the value of these imports is due to the higher level of imports by the Community corporations. Private imports of such equipment registered a marginal decline in value. The decline in quantitative terms was more significant.

7.16. Imports of food products such as wheat and sugar for further processing also increased. The value of all other categories of imports fell. Imports of non-food industrial supplies such as iron and steel, fertilizer, synthetic rubber and dye-stuffs recorded the largest decline of 31.4 per cent. There was a decline also in imports of other non-capital goods such as tyres, paper products, fabrics of cotton and synthetic fibres and other consumer goods.

7.17. *Exports.*—Details on exports classified by broad economic categories are given in Table 7.7. The most significant change is the increase of 27.6 per cent in the exports of fuel and lubricants to K£58.2 million in 1975. Apart from this movement most other major categories were little changed except for a fall of 11.5 per cent in exports of non-food industrial supplies from K£67.8 million in 1974 to K£60.0 million in 1975. This is accounted for by the fall in the exports of sisal.

TOTAL EXPORTS,* 1971-1975
By Broad Economic Category

Table 7.7 K£'000

	1971	1972	1973	1974	1975
1. Food and Beverages	47,928	62,520	74,506	82,101	81,774
Primary	37,459	48,833	59,657	67,071	67,432
For Industry	21,493	26,906	37,310	40,498	36,232
For Household Consumption	15,966	21,927	22,347	26,574	31,200
Processed	10,469	13,687	14,849	15,029	14,342
For Industry	1,169	1,045	1,772	2,099	2,078
For Household Consumption	9,300	12,642	13,077	12,930	12,264
2. Industrial Supplies (Non-Food)	28,731	31,608	51,670	67,807	59,973
Primary	10,895	14,879	28,453	36,838	30,532
Processed	17,836	16,729	23,127	30,969	29,441
3. Fuel and Lubricants	18,356	19,274	21,285	45,624	58,188
Primary	69	69	88	99	268
Processed	18,287	19,205	21,197	45,524	57,920
Motor Spirit	2,639	2,888	3,275	5,953	8,124
Other	15,648	16,317	17,922	39,572	49,796
4. Machinery and other Capital Equipment . .	1,145	956	1,125	2,009	1,388
Machinery and other Capital Equipment..	1,125	931	1,083	1,900	1,295
Parts and Accessories	20	25	43	109	93
5. Transport Equipment	538	549	713	1,188	1,327
Passenger Motor Vehicles	–	–	–	–	–
Other	97	53	38	486	652
Industrial	97	53	38	486	565
Non-Industrial	–	–	–	–	87
Parts and Accessories	441	496	675	702	675
6. Consumer Goods not elsewhere specified ..	10,229	8,286	11,932	12,330	12,117
Durable	561	227	329	374	264
Semi-Durable	3,921	2,876	4,200	3,771	2,813
Non-Durable	5,747	5,183	7,403	8,185	9,040
7. Goods not elsewhere speeded	151	190	157	223	200
TOTAL	107,078	123,384	161,388	211,282	214,967
	PERCENTAGE SHARES				
1. Food and Beverages	44.8	50.7	46.2	38.8	380
2. Industrial Supplies (Non-Food)	26.8	25.6	32.0	32.1	27.9
3. Fuel and Lubricants	17.1	15.6	13.2	21.6	27.1
4. Machinery and other Capital Equipment . .	1.1	0.8	0.7	1.0	0.7
5. Transport Equipment	0.5	0.4	0.4	0.6	0.6
6. Consumer Goods not elsewhere specified ..	9.6	6.7	7.4	5.8	5.6
7. Goods not elsewhere specified	0 1	0.2	0.1	0.1	0.1
TOTAL	100.0	100.0	1000	100.0	1000

*Excluding Re-exports.

7.18. Quantities, prices and values of the principal export items are detailed in Tables 7.8, 7.9 and 7.10. The volumes of coffee and sisal exports were 5.6 per cent and 40.7 per cent lower respectively, in 1975 than in 1974. Although world prices of coffee have increased continuously since July, 1975, Kenya did not benefit to any extent in 1975 because of early sales. Tea benefitted from higher prices and greater quantities; its export value was higher by 18.3 per cent. Other products where earnings increased substantially included petroleum products, cement, and tinned pineapples. Table 7.10 shows the range of Kenya's export items based to a large extent on agricultural and mineral products after varying degrees of processing. The exports of manufactured items continues to increase in value, but not comparably in quantity.

QUANTITIES OF PRINCIPAL OVERSEAS EXPORTS, 1971-1975

Table 7.8

	Unit	1971	1972	1973	1974	1975
Coffee	Tons	56,426	63,142	75,317	71,680	67,615
Tea	"	33,508	47,126	51,472	49,595	52,547
Petroleum Products	Million Litres	1,145	1,129	1,219	1,259	1,016
Pyrethrum products	Tons	2,676	3,358	3,438	4,566	4,906
Meat products	"	7,180	10,208	6,336	6,564	8,123
Sisal	"	34,713	38,764	44,800	72,070	42,717
Hides and skins	"	8,271	10,522	8,226	9,082	11,940
Soda ash	"	149,904	144,717	201,880	139,510	78,481
Cement	"	331,689	372,208	432,694	490,651	510,470
Maize (raw)	"	12*	8*	199,544	44,681	118,570
Canned pineapples	"	10,805	9,734	13,352	8,663	19,990
Butter and ghee	"	227	1,979	1,860	1,147	637
Beans and peas	"	8,059	21,268	16,283	10,408	15,977
Cotton (raw)	"	4,606	4,266	4,780	3,318	3,008
Wool	"	1,313	1,605	1,498	1,343	1,224
Animal feeds	"	21,566	39,403	29,711	9,292	12,298
Cashew nuts	"	10,604	15,540	9,368	20,350	14,297

*Consisting of small shipment of "special purpose" maize.

OVERSEAS EXPORT PRICES, 1971-1975

Table 7.9

K.Sh./Unit

	Unit of Quantity	1971	1972	1973	1974	1975
Coffee unroasted	Kg.	6.92	7.84	9.50	10.71	10.41
Tea	Kg.	7.09	6.99	6.59	7.82	8.73
Petroleum products	1,000 Lt.	154.94	158.44	155.64	416.00	623.64
Maize	100 Kg.	..	..	56.02	74.40	79.07
Meat and products	Kg.	10.20	9.55	11.88	13.75	12.33
Pyrethrum extract	Kg.	149.79	148.52	164.10	192.20	223.49
Sisal	100 Kg.	87.29	106.70	213.20	470.56	343.76
Hides and skins, undressed	Kg.	5.90	7.18	12.61	9.78	9.07
Wattle extract	Kg.	1.58	1.62	1.91	2.12	2.46
Soda ash	100 Kg.	24.82	26.74	27.89	38.76	60.00
Cement	100 Kg.	9.44	10.55	11.86	16.25	21.02
Beans, peas, etc.	Kg.	1.13	1.04	1.44	2.97	2.24
Cashew nuts, raw	Kg.	1.41	1.35	1.30	1.59	1.59
Wool	Kg.	4.00	4.60	10.76	10.31	6.97
Animal feed	100 Kg.	39.59	30.03	64.80	63.88	59.84
Cotton, raw	Kg.	5.13	5.70	5.74	6.85	8.53
Pineapples, tinned	Kg.	1.78	1.89	2.22	3.26	3.57
Butter and ghee	Kg.	8.17	7.67	7.44	8.00	8.98
Wattle bark	100 Kg.	58.68	54.54	51.90	66.42	79.61

Table 7.10 OVERSEAS EXPORTS: CHANGES IN VALUE. QUANTITY AND PRICE. 1974-1975

	VALUE K£'000			PERCENTAGE CHANGE IN		
	1973	1974	Change	Value	Quantity	Price
Coffee, unroasted	38,387.4	35,203.6	-3,183.8	-8.3	-5.7	-2.8
Tea	19,386.8	22,927.1	3,540.3	18.3	6.0	11.6
Petroleum products	26,184.9	31,666.9	5,482.0	20.9	-19.3	49.9
Meat and products	4,512.5	5,005.7	493.2	10.9	23.8	-10.3
Pyrethrum extract	5,649.2	4,790.2	-859.0	-17-9	7.4	-211
Sisal	16,956.6	7,342.2	-9,614.4	-56.7	—40.7	-26.9
Hides and Skins, undressed	4,441.5	5,413.9	972.4	21.9	31.5	-7.3
Wattle extract	1,434.1	1,719.6	285.5	19.9	3.7	16.0
Soda ash	2,703.6	2,354.6	-349.0	-12.9	-43.7	54.8
Cement	3,986.5	5,365.7	1,379.2	34.6	4.0	29.4
Beans, peas etc.	1,544.6	1,788.2	243-6	15.8	53.5	-24.6
Cashew nuts, raw	1,612.9	1,137.7	-475.2	-29.5	-29.7	-
Wool	692.0	426.2	-265.8	-38.4	-8.9	-32.4
Animal feed	296.8	368.0	71-2	24.0	32.4	-6.3
Cotton, raw	1,135.7	1,282.4	146.7	12-9	9.3	24.5
Pineapples tinned	1,411.6	3,571.0	2,159.0	153.0	130.8	9.5
Butter and ghee	458.5	286.2	-172.3	-37.6	44.5	12.2
Wood carvings	620.6	388.8	-231.8	-37.4		
Metal scrap	768.6	439.2	-329.4	-42.9	12.2	-49.1
Wattle bark	70.3	83.8	13.5	19.2	-0.6	19.1
All other items	30,691.4	37,251.0	6559.7	21.4	..	..
TOTAL	162,946.1	168,812.0	5,865.9	3.6	..	..

Direction of Trade

7.19. *Imports*.—Imports by country of origin are given in Table 7.11. In broad terms Kenya's major imports came from the European Economic Community (EEC), the Middle East and Japan. The value of imports from the EEC declined by 9 per cent; its share of imports therefore fell further from 40.5 per cent of the total in 1974 to 38.8 per cent in 1975. However, imports from the United Kingdom increased both in value and in their share of the total to a fifth of Kenya's total imports. Imports from Iran increased by 41 per cent in 1975; that country is Kenya's main supplier of crude oil. Japan, with a share of 8.6 per cent of total imports, is the third largest supplier of imports.

7.20. Even though trade with Canada and Australia is still quite small, imports from each of these countries in 1975 were more than double their 1974 levels; from Canada because of imports of fertilizer and of cargo handling equipment and from Australia chiefly due to increased imports of tallow.

7.21. Imports from African countries declined in 1975 by 32.6 per cent. Imports from Tanzania fell by 11.7 per cent, from K£9.6 million in 1974 to K£8.4 million in 1975. Those from Uganda fell by an unprecedented 61.6 per cent to just K£1.4 million in 1975. Trade with Zambia was curtailed in 1975 owing to Tanzania's ban on heavy vehicles on its roads thereby disrupting the transit traffic; imports from that country amounted to only K£0.5 million as against K£2.0 million in 1974.

Table7.11

ORIGIN OF TOTAL IMPORTS,

K£'000

	1971	1972	1973	1974	1975
E.E.C.—					
United Kingdom	56,249	50,560	50,742	63,949	69,455
West Germany	16,104	16,867	20,312	36,193	27,028
Italy	6,951	7,846	8,165	12,396	12,675
France	6,771	7,122	6,583	12,705	9,622
Netherlands	5,177	4,870	7,926	14,372	6,823
Other	4,177	5,135	5,532	8,705	9,166
TOTAL	95,429	92,400	99,260	148,320	134,770
Other Western Europe Total	8 928	9,415	11,430	19,517	17,545
Eastern Europe Total	5,289	4,103	5,379	10,710	3,407
U.S.A	16,321	11,954	16,762	20,788	24,879
CANADA	960	1,404	1,964	2,811	5,664
AFRICA—					
Tanzania	7,932	5,887	7,627	9,568	8,445
Uganda	8,026	7,583	4,668	3,766	1,447
Zambia	208	381	569	2,001	500
Other	2,466	2,276	1,718	2,150	1,397
TOTAL	18,632	16,127	14,582	17,485	11,789
MIDDLE EAST—					
Iran	9,991	14,044	15,648	36,406	51,139
Other	5,630	4,707	5,324	34,852	32,047
TOTAL	15,621	18,751	20,972	71,258	83,187
FAR EAST AND AUSTRALIA—					
Australia	3,143	3,663	2,218	2,046	5,491
Japan	19,330	17,870	25,998	40,438	30,006
India	3,649	3,934	4,032	6,480	5,940
China (Mainland)	1,435	1,213	1,613	4,186	1,392
Other	8,517	6,048	8,971	16,309	11,342
TOTAL	36,074	32,728	42,832	69,459	54,171
All other countries	2,214	2,748	4,223	5,718	11,671
Parcel Posts and Special Transactions	595	1,461	684	294	213
TOTAL	200,064	191,091	218,089	366,360	347,296

7.22. *Exports*.—Exports by country of destination are detailed in Table 7.12. For the third year running, the share of exports to EEC has fallen marginally from 29.7 per cent in 1974 to 27.4 per cent in 1975. Nevertheless exports to the United Kingdom and West Germany increased so that in 1975 the United Kingdom was the second largest purchaser of Kenyan products; West Germany being fourth largest. Uganda, although remaining the largest single buyer of Kenya's exports, bought K£3.4 million less from Kenya in 1975, and the share of total exports going to that country fell from 13.4 per cent to 11.6 per cent. Exports to Tanzania rose by 6.6 per cent to K£20.3 million in 1975.

Table 7.12 DESTINATION OF TOTAL EXPORTS*, 1971-1975 *K*£'000

	1971	1972	1973	1974	1975
E.E.C.—					
United Kingdom	15,471	20,392	20.622	18,700	22,677
West Germany	7,047	9,480	13,571	17,874	19,187
Italy	1,541	2,909	3,687	4,440	5,771
France	537	724	1,460	1,863	1,443
Netherlands	3,435	6,989	8,096	11.445	7,467
Other	1,199	1,769	4,380	10,582	4,412
TOTAL	29,232	42,263	51,816	64,904	60,958
Other Western Europe Total	5,080	7,319	11,110	11,637	11,271
Eastern Europe Total	2,450	1,437	2,256	2,968	2,299
U.S.A	5,625	5,491	7,532	8,028	8,408
CANADA	1,119	1,753	2,706	3,329	5,038
AFRICA—					
Tanzania	14,743	16,286	16,854	19,049	20,302
Uganda	19,150	16,507	21,898	29,287	25,855
Zambia	5,529	4,976	7,282	10,913	8,207
Other	8,527	9,837	13,054	19,345	25,304
TOTAL	47,949	47,606	59,088	78,594	79,668
MIDDLE EAST—					
Iran	353	623	592	331	964
Other	2,708	1,725	3,048	4,297	4,596
TOTAL	3,061	2,348	3,640	4,628	5,560
FAR EAST AND AUSTRALIA—					
Australia	817	769	670	1,140	1,363
Japan	2,648	2,093	5,031	5,364	4,555
India	2,046	2,378	1,587	2,820	2,542
China (Mainland)	876	1,618	3,070	1,787	1,402
Other	2,132	3,001	6,856	10,874	9,948
TOTAL	8,519	9,859	17,214	21,985	19,810
ALL OTHER COUNTRIES	1,852	2,484	5,271	8,200	10,871
AIRCRAFTS AND SHIPS STORES	7,354	7,688	7,047	14,135	18,616
ALL EXPORTS	112,241	128,247	167,680	218,408	222,499

*Excluding gold and currency but including Re-Exports.

7.23. It is interesting to note that exports to other African countries excluding Uganda, Tanzania and Zambia, rose by 31 per cent in 1975 while those to Middle Eastern countries rose by 20 per cent. Such increases are indicative of the achievements of Kenya Export Promotion Council, whose activities are detailed below. It is also noted that despite a general decline in shipping at Mombasa, exports of ship's and aircraft stores rose from K£14.1 million in 1974 to K£18.6 million in 1975. The increase, however, is accounted for by the effects of rising prices.

7.24. Further details of trade with African countries and East Africa are shown in Tables 7.13 and 7.14.

TRADE WITH AFRICAN COUNTRIES, 1971-1975

Table 7.13 — *K£*000

	EXPORTS*					NET IMPORTS				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
MAINLAND—										
Uganda	19,150	16,507	21,898	29,287	25,855	8,026	7.583	4,668	3,766	1,447
Tanzania	14,743	16,286	16,854	19,049	20,302	7,932	5,887	7,627	9,568	8,445
Zambia	5,529	4,976	7,283	10,913	8,207	208	381	567	2,001	500
Ethiopia	1,016	1,059	1,800	2,315	1,190	163	187	174	158	104
Burundi	413	310	513	593	809	1			22	17
Somalia	775	1,173	1,290	1,502	3,057	56	75	69	245	91
Sudan	488	619	1,046	924	1,818	7	1	1	6	
Rwanda	881	1,289	1,579	2,978	4,922	353	1		300	
Zaire	1,149	1,091	909	1,105	1,920	731	742	534	367	461
Malawi	238	263	317	494	310	56	6	5	15	15
Mozambique	231	203	187	92	366	417	118	96	15	81
Egypt	212	276	242	1,924	2,628	30	42	23	53	58
Algeria and Libya	441	696	420	551	533	–				
Ghana and Nigeria	203	266	233	644	999	53	173	351	445	10
Other	751	519	962	2,052	1,710	595	872	403	485	532
INDIAN OCEAN ISLANDS—										
Mauritius	557	702	1,376	984	1,461	1	..	1	6	21
Reunion	559	453	654	854	984	–				
Other**	613	919	1,527	2,333	2,597	3	59	64	33	7
TOTAL	47,949	47,606	59,088	78,594	79,668	18,632	16,127	14,582	17,485	11,789
Percentage of all Exports/ Imports.	42.7	37.1	35.2	35.9	35.8	9.3	8.4	6.7	4.7	3.4

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

** Madagascar and Seychelles.

Table 7.14 TRANSFER OF MANUFACTURED GOODS WITHIN E.A. COMMON MARKET, 1971-1975 K£'000

TRANSFERS FROM / TRANSFERS TO	KENYA	TANZANIA	UGANDA	Transfers of Manu-factured Goods	Total of All Transfer
1971					
Kenya	..	5,061.7	6,664.9	11,726.6	15,958.0
Tanzania	12,950.3	..	841.3	13,791.6	15,559.5
Uganda	16,547.3	1,684.8	..	18,232.1	21,047.4
Total Transfers of Manu. Goods	29,497.6	6,746.5	7,506.2	43,750.3	
Total of all Transfers	33,892.2	9,829.7	8,842.3	..	52,564.9
1972					
Kenya		3,267.4	5,806.9	9,074.3	13,470.5
Tanzania	13,956.4		237.7	14,194.1	16,577.3
Uganda	13,710.7	585.4	..	14,296.2	17,276.2
Total Transfers of Manu. Goods	27,667.1	3,852.8	6,044.6	37,564.6	
Total of all Transfers	32,793.3	6,656.3	7,874.4		47,324.0
1973					
Kenya	..	4,940.2	3,409.0	8,349.2	12,295.8
Tanzania	14,825.7		127.0	14,952.7	16,966.1
Uganda	17,312.6	804.8	..	18,117.4	22,782.0
Total Transfers of Manu. Goods	32,138.3	5,745.0	3,536.0	41,419.3	
Total of all Transfers	38,751.5	8,511.7	4,780.7	..	52,043.9
1974					
Kenya		5,365.9	1,830.2	7,196.1	13,334.2
Tanzania	15,587.6		11.2	15,598.8	19,061.3
Uganda	24,534.9	957.5		25,492.4	30,597.1
Total Transfers of Manu. Goods	40,122.5	6,323.4	1,841.4	48,287.3	
Total of all Transfers	48,336.1	10,878.4	3,778.4		62,992.6
1975					
Kenya		5,159.3	592.2	5,751.5	9,891.5
Tanzania	17,990.7		1.2	17,991.9	20,302.8
Uganda	23,378.6	178.7		23,557.3	26,138.3
Total Transfers of Manu. Goods	41,369.3	5,338.0	593.4	47,300.7	
Total of all Transfers	46,156.6	8,728.0	1,448.0	..	56,332.6

Kenya Export Promotion Council

7.25. The Kenya Export Promotion Council continued with its endeavours to improve Kenya's export trade during 1975. The Council concentrated its exploratory missions on neighbouring markets and the Middle East. It investigated prospects for exports in twelve African countries. A fact-finding mission and a specialized sales mission were sent to the Middle East countries covering Iran, Kuwait, Bahrain, Abu-Dhabi, Dubai and Saudi Arabia. The findings of these missions were made available to manufacturers and exporters.

7.26. The Council organized Kenya's official participation in several trade fairs in Zambia, Switzerland, West Germany, Iraq and Libya. It also arranged seminars covering the food, pharmaceutical and chemical industries to help to raise the level of technical and organizational performance of these industries.

7.27. The Export Promotion Council has, as from 1976, been re-organized into the Kenya Trade Development Authority. The authority has been given wider powers over matters pertaining to export promotion and the international trade in general. The authority will be paying increasing attention to improving local production for export, especially in terms of quality and the range of products, in order to strengthen Kenya's competitive standing in the export markets. In particular it will offer more advice on the possible new production lines, capacity changes for maximum utilization of resources, quality improvement and control, and cost reduction. It is to continue to collect information on the status of foreign business concerns, customs duties and formalities and import restrictions in foreign markets. It will also continue to assemble and disseminate statistical information for use by industrial and commercial enterprises.

7.28. Kenya is continuing to widen the range of its export products. Given its geographical situation in relation to the fast expanding markets in Middle Eastern countries it should be able to expand sales to that part of the world. Also its position with regard to exports to neighbouring countries remains strong but expansion in these markets will be dependent on their economic performance.

CHAPTER 8—AGRICULTURE

The weather and the high cost of inputs resulted in 1975 being the second consecutive year of relatively poor performance by the agricultural sector. There was an above average rainfall in the western parts of Kenya, i.e. in the area west of the Rift Valley. Although this led to a higher marketed production of maize, it was too heavy for the wheat crop, which recorded a lower yield compared with that in 1974. The remainder of the country in contrast suffered from below average rainfall and crop production was reduced. Livestock production was also influenced by this rainfall pattern, and present data suggest that the output of livestock was down in 1975, when compared with that of 1974.

8.2. Higher producer prices for maize, wheat and milk were announced in February, 1975. However only maize output recorded any increase in 1975 and this was largely due to the high rainfall in the major growing areas. Maize growers on large farms in these areas were able to respond more readily to the producer price increase; but the evidence available points to a substantially reduced use of fertilizers by the small producers which affected the output in all areas of the country.

8.3. In fact the continuing high prices for basic inputs into agriculture have reduced the use of fertilizers and other chemicals substantially while purchases of farm machinery in 1975 were also at a low level. These indirect results stem from the price rise for crude petroleum at the end of 1973. Kenya's basic industry on which the future growth rate of the economy is heavily dependent has consequently been adversely affected. In addition to the weather this was the other major reason for the continued stagnation of Agriculture in 1975.

8.4. In an attempt to restore fertilizer usage to its previous levels, a fertilizer subsidy scheme has been announced for the 1975/76 season. This together with the producer price rises in 1975 and, also it is hoped, a normal rainy season, should help agriculture to return to a sustained real growth rate.

Marketed Agricultural Production

8.5. The value of marketed production at current prices is given in Table 8.1. Gross marketed production at current prices was valued at K£158.4 million in 1975 compared with K£148.4 million in 1974. The rise of 6.7 per cent may be compared with an average of 18.2 per cent for the two previous seasons. Gross revenues at current prices from a number of crops were above those for 1974 despite a major fall occurring in receipts of revenue from sisal. Maize deliveries were the highest for many years recording an increase of 33.5 per cent. Coupled with much higher producer prices the value of maize output more than doubled in 1975 to K£17.0 million. The value of wheat to growers was also up, despite a fall in output, by 19.5 per cent to K£8.3 million as a result of the price increase during the year. Overall, the value of cereals in 1975 at K£29.1 million was 65 per cent higher than

Table 8.1 GROSS MARKETED PRODUCTION BY COMMODITY, 1970-1975 K£'000

	1970	1971	1972	1973	1974	1975*
CEREALS—						
Wheat	4,994	5,206	4,160	3,865	6,925	8,275
Maize	2,828	4,276	7,252	8,571	8,482	17,022
Barley	392	437	477	976	1,148	1,662
Rice	724	725	859	906	974	1,995
Other Cereals	62	102	205	173	129	142
TOTAL	9,000	10,746	12,953	14,491	17,658	29,096
TEMPORARY INDUSTRIAL CROPS—						
Castor and other oil seeds ..	556	400	272	235	495	680
Pineapples	242	295	326	412	384	520
Pyrethrum	1,477	2,423	3662	3,259	4,206	4,383
Sugar Cane	3,509	3,457	3,038	4,453	5,916	8,230
Tobacco	35	28	31	30	34	87
Cotton	695	878	980	983	1,167	1,549
TOTAL	6,514	7,481	8,309	9,372	12,202	15,449
OTHER TEMPORARY CROPS—						
Pulses	236	303	753	416	1,027	1,181
Potatoes	1,263	1,652	1,723	1,551	2,122	2,440
Other Temporary Crops	1,247	1,542	1,773	1,596	2,207	2,538
TOTAL	2,746	3,497	4,249	3,563	5,356	6,159
PERMANENT CROPS—						
Coffee	21,814	18,922	24,165	32,772	35,326	33,061
Sisal	1,715	1,519	1,862	7,051	18,350	7,038
Tea	13,838	11,803	16,034	16,766	19,255	22,914
Coconut Products	520	545	572	515	540	594
Wattle	420	423	530	468	472	370
Cashew nuts	1,186	944	638	862	959	1,061
Fruit and Other Permanent Crops	745	1,025	1,080	972	1,206	1,124
TOTAL	40,238	35,181	44,881	59,406	76,108	66,162
TOTAL CROPS	58,498	56,905	70,392	86,832	111,324	116,866
LIVESTOCK AND PRODUCTS—						
Cattle and Calves	13,324	13,330	16,510	16,353	17,610	19,827
Sheep, Goats and Lambs	475	733	825	795	1,137	1,339
Pigs	750	593	631	651	728	856
Poultry and Eggs	998	1,032	1,207	1,360	1,104	1,597
Wool	346	220	205	503	480	252
Hides and Skins	604	841	1,170	1,205	1,298	1,461
Dairy Products	6,806	9,300	10,890	11,305	10,100	10,781
TOTAL	23,303	26,049	31,438	32,172	32,457	36,113
UNRECORDED MARKETED PRODUCTION	3,595	3,741	4,100	4,299	4,668	5,374
GROSS FARM REVENUE	85,396	86,695	105,930	123,303	148,449	158,353

*Provisional

in 1974. Despite a decline in output during 1975, the value of sugar cane increased by 39 per cent to K£8.2 million.

8.6. Except for tea which recorded substantial increases both in quantity and value to reach a level of K£22.9 million, performance of most permanent crops was below the level obtained in 1974. Sisal in particular was down both in quantity and price and, consequently, the value of marketed production was only K£7.0 million compared with K£18.4 million in 1974. Performance of coffee was likewise poor. While its output declined by 5.6 per cent, the total return to coffee growers fell by K£2.3 million to K£33.1 million in 1975. The poor performance of these two crops was occasioned by lack of sufficient rainfall and lower prices offered in the international markets during the year. While sisal prices have continued to stagnate, coffee prices rose steeply as from the middle of 1975. The full impact of increases in prices of coffee, however, will only become apparent in 1976.

8.7. After recording no significant increase during 1974, the value of livestock production rose by 11.3 per cent in 1975. Basically this was due to an increase in the prices paid to farmers. The value of cattle and calves purchased went up by 12.6 per cent while the dairy products too registered a more modest increase of K£0.7 million. However, the dairy and beef sectors had another disappointing year when assessed in volume terms. Dairy production in 1975 fell by 7.7 per cent and cattle purchases by the KMC were also down by 16 per cent.

8.8. As shown in Table 8.2 all crops registered an average price increase in 1975 except for coffee and sisal where falls were recorded and for pyrethrum where the price was unchanged. There were also significant increases in prices of beef, bacon-pigs and wholemilk. The result of the price changes on farmers' receipts was generally favourable although as indicated above the total value of marketed production showed only a relatively small increase in 1975 mainly because of the impact of the sharp fall in prices and output of sisal.

Table 8.2 AVERAGE GROSS COMMODITY PRICES TO FARMERS, 1970-1975* *KSh. per stated Unit*

	Unit	1970	1971	1972	1973	1974	1975
Coffee	100 kg.	747	636	779	921	1,008	1,000
Tea	" "	674	650	601	593	721	808
Sisal	" "	78	68	90	243	424	323
Pyrethrum (extract equivalent)	kg.	310	357	396	415	430	430
Seed Cotton	100 kg.	99	105	115	122	155	192
Maize	" "	28	33	39	39	46	70
Sugar Cane	ton	45	45	50	52	62	89
Rice Paddy	100 kg.	51	48	51	50	59	105
Wheat	"	45	51	51	57	80	105
Beef (third grade)	"	273	285	302	346	413	474
Bacon Pigs	"	355	370	418	426	567	636
Milk	100 Litres	53	69	77	77	77	85

*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.

SHARES OF COMMODITY GROUPS IN GROSS MARKETED PRODUCTION, 1970-1975

Table 8.3 *Percentages*

	Cereals	All other temporary crops*	Permanent crops	Livestock and Products	Total
1970	10.4	16.5	46.3	26.8	100.0
1971	12.4	17.0	40.6	30.0	100.0
1972	12.2	15.7	42.4	29.7	100.0
1973	11.7	14.0	48.2	26.1	100.0
1974	12.0	15.0	51.2	21.8	100.0
1975	18.4	17.0	41.8	22.8	100.0

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

8.9. The output on small farms increased in 1975 while that on large farms declined. As a result small farm production accounted for 55 per cent of the total marketed agricultural production. Increased deliveries of maize, sugar cane and pyrethrum from the small farms helped to raise the share of small farms in total marketed production. Table 8.4 details the distribution of output between large and small farms since 1970.

Table 8.4 GROSS MARKETED PRODUCTION FROM LARGE AND SMALL FARMS, 1970-1975

	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	K£ million	Annual Percent change	*K£ million*	Annual Percent change	*K£ million*	Annual Percent change	*Percent*
1970 ..	41.2	8.7	44.2	15.4	85.4	12.1	51.8
1971 ..	42.1	2.1	44.6	0.9	86.7	1.5	51.5
1972 ..	50.3	19.4	55.6	24.8	105.9	22.2	52.5
1973 ..	60.0	19.2	63.3	13.8	123.3	16.4	51.4
1974 ..	73.4	22.3	75.0	18.5	148.4	20.4	50.6
1975* ..	70.8	—3.5	87.5	16.7	158.3	6.7	55.3

*Provisional

8.10. The value of Agricultural Inputs excluding direct labour is set out in Table 8.5. The total value of these inputs during 1975 rose by 10 per cent. This increase was attributable entirely to rising costs. It is estimated that the usage of material inputs especially fertilizers declined during the year due to the cut-backs in their application by many farmers particularly the small-holders. Indeed the total value of fertilizers used declined in 1975 by K£1.4 million to K£11.5 million despite the price increases; on the other hand the total purchases of other material inputs rose by K£5.0 million, or 23.5 per cent, to amount to K£26.4 million. Service inputs excluding direct labour were estimated at K£4.56 million in 1975 compared with K£4.31 million in 1974.

AGRICULTURAL INPUTS**, 1971-1975

Table 8.5 K£'000

	1971	1972	1973	1974	1975*
MATERIAL INPUTS—					
Fertilizers	3,711	4,224	5,893	12,876	11,472
Other Agricultural Chemicals	1,640	2,936	3,124	4,090	4,659
Livestock Drugs and Medicines	1,152	1,683	1,488	1,762	2,506
Fuel and Power	3,090	3,458	3,782	5,328	6,773
Bags	1,057	1,465	1,806	2,328	2,858
Manufactured Feeds	1,487	2,124	2,841	4,606	5,450
Purchased Seeds	800	736	1,206	1,475	2,233
Other Material Inputs	1,594	1,644	1,557	1,756	1,875
TOTAL	14,531	18,270	21,697	34,221	37,826
SERVICE INPUTS TOTAL	2,907	3,680	3,843	4,314	4,555
TOTAL INPUTS	17,438	21,950	25,540	38,535	42,381

*Provisional.

**Except Labour.

8.11. Table 8.6 compares recorded production and inputs from 1972 to 1975 at current and constant prices. While there has been a continuous rise in farm incomes at current prices since 1972, at constant prices there was a fall in these incomes in both 1974 and 1975.

AGRICULTURAL OUTPUT *Less* RECORDED INPUT: MONETARY SECTOR, 1972-1975

Table 8.6 *K£million*

	1972	1973	1974	1975*
AT CURRENT PRICES—				
Total Output	116.40	133.20	161.79	171.51
Less Recorded Inputs	22.04	25.77	38.72	42.62
NET TOTAL	94.36	107.43	123 08	128-90
AT CONSTANT (1972) PRICES—				
Total Output	116.40	118.92	119.72	118.46
Less Recorded Inputs	22.04	22.20	23.57	23.30
NET TOTAL	94.36	96.72	96.15	95.16

•Provisional.

Crop Production

8.12. *Maize.*—Purchases by the Maize and Produce Board during 1975 were the highest ever with an increase in volume of 33.5 per cent over that of 1974. Purchases were particularly high in Western and Rift Valley provinces while deliveries in Nyanza Province reached a level higher than ever recorded

previously. The good crop was the result of favourable weather conditions especially during the second half of last year, as well as the increased usage of improved seed. Figures on maize deliveries and domestic sales during the last five years are shown below: —

	Deliveries Tons	*Domestic Sales Tons*
1971	257,000	283,752
1972	372,985	194,727
1973	440,810	227,370
1974	365,354	363,163
1975	487,826	355,477

8.13. The domestic sales by the board for human consumption and livestock feed declined in 1975; the good harvest yielded adequate supplies for "home" consumption needs. However, sales by the Maize and Produce Board are expected to rise considerably especially in Eastern Province, due to the pre-rain drought in 1976. In addition, exports were resumed towards the end of last year. It is expected that the exports will account for a sale of about 240,000 tons.

8.14. The increase in maize price to the farmers at the beginning of 1975 had the result of reducing "holdbacks" by the producers for speculative sales. More timely deliveries were thus made to the Maize and Produce Board. Present forecasts indicate purchases of 6 million bags during the year, provided rains are reasonable. This is likely to result in substantial surpluses which may need to be disposed of as exports.

8.15. *Wheat.*—The above average rainfall in western Kenya, west of Rift Valley, was too heavy for good wheat returns. Total deliveries to the Wheal Board fell by 14,003 tons from the 1974 level of 159,462 tons. Consequently, Kenya imported 38,445 tons of wheat to meet her domestic requirements. Figures on total wheat deliveries and consumption of flour during the last live years are as follows:

	Wheat Deliveries Tons	*Flour Consumption Tons*
1971..	205,743	116,431
1972..	164,383	111,903
1973..	124,572	130,222
1974..	159,462	128,669
1975..	145,459	112,057

8.16. The domestic consumption of wheat flour in 1975 dropped to 112,057 tons, 16,612 tons below the 1974 level. The decrease of 12.9 per cent in consumption is attributed mainly to higher prices of wheat flour products. It is possible that the lower consumption pattern could continue given the present high costs of living.

8.17. The recent undertaking by the Government to subsidize fertilizer prices as well as the price increase announced at the beginning of 1975 and the Kenya Wheat Board's current credit scheme especially for the small scale growers in Narok, are expected to have a positive influence on wheat deliveries during the year. The Board's latest projections reflect a substantial increase in wheat deliveries from the 1975/76 crop, although no increase is envisaged in the area to be planted with this crop.

8.18. Rice.—This is discusssed later under the section on irrigation.

8.19. *Pyrethrum.*—Deliveries of pyrethrum during 1975 were the highest for many years. Flower deliveries reached a level of 15,402 tons—an increase of 993 tons or 7 per cent over the 1974 production. The small-scale growers continued to claim the largest share in production, accounting for 87 per cent of the total.

8.20. The year 1975 registered a deterioration in the pyrethrin content of the flowers. The average content for the year was 1.32 per cent as compared to 1.46 per cent in 1974. The decline in the pyrethrin content was due to the below average quality of deliveries in Kisii District.

Pyrethrum Extract Production	*Tons*
1971 ..	143
1972	185
1973 ..	157
1974 ..	196
1975 ..	204

8.21. Production of pyrethrum extract has increased steadily during the last two years. This has been brought about by the generally favourable weather conditions in the major growing areas; the marketing boards' programme to increase the use of improved seeds and better management practices has also had its impact.

8.22. *Sugar cane.*—Production of cane fell from 1,719,083 tons in 1974 to 1,654,583 tons in 1975. This drop was occasioned by relatively dry weather conditions and the escalating cost of fertilizer and fuel. Cane deliveries during the year from factory estates dropped by 11 per cent to 551,800 tons. Smallholder growers on the other hand, increased their deliveries and there was a particularly large rise in the production handled by co-operatives. As shown in Table 8.7 these societies handled 326,600 tons in 1975 compared with 238,100 tons in 1974.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1972-1975

Table 8.7 *Tons*

	1972	1973	1974	1975
Factory Estates	351,967	534,132	622,056	551,752
Large Farms	452,399	570,595	228,358	124,721
Small-Holders	86,872	165,361	427,595	443,654
Co-operative Societies		78,444	238,117	326,562
Settlement Schemes	171,057	196,530	202,957	207,894
TOTAL	1,062,295	1,545,062	1,719,083	1,654,583

8.23. The price increases announced in the first half of last year and early this year should, it is hoped, act as a major incentive to the cane growers to boost their production. Both rises amount to a total increase of 40 per cent. The price is now K.Sh. 100 per ton for growers at the Coast and K.Sh. 105 per ton for growers in the remaining parts of the country. Simultaneously the price of manufactured white sugar has also been increased substantially to the current level of K.Sh. 4,205 per ton from an earlier price of K.Sh. 3,210 per ton. As a result, the retail price is now K.Sh. 4.50 per kilogram.

8.24. The basic development strategy for the industry is to make Kenya self-sufficient in "white" sugar production within two years from 1976. A campaign has therefore been launched to encourage farmers to grow more cane so that the factories can work at full capacity. In addition, plans are already underway to establish two new sugar and sugar cane schemes in Bungoma and South Nyanza districts. These are expected to boost production significantly once they become operational.

8.25. *Cotton.*—After dropping in 1974, cotton production made a slight recovery during 1975, though it is still below the levels of production recorded in 1971 and 1972. The increase in production of 7.3 per cent to 16,121 tons of seed cotton in 1975 was mainly due to high yields in Tana River irrigation scheme and good rains in the cotton growing districts in western Kenya. The increase of 42 per cent in producer prices in 1975 also had an impact in promoting cultivation of cotton as a cash crop.

Seed Cotton Production

	Tons
1971	16,764
1972	16,981
1973.. ..	16,177
1974	15,024
1975	16,121

8.26. The increase in production during 1975 needs to be accelerated to meet Kenya's overall requirements for cotton fibre. There is indeed a growing demand from the local spinners especially for the shorter staple cotton. Present indications are that most farmers still prefer other crops

which need less labour and less costly inputs and yield higher net returns. Hence further financial assistance, mechanized block cultivation and easier marketing facilities are probably required to promote this crop further.

8.27. *Horticulture.*—The total volume of horticultural products exported increased by 15.7 per cent during 1975 with substantial increases being recorded in all important commodities. There was a particularly sharp increase in the value of exports of cut flowers. The total value of exports of horticultural products thus more than doubled from K£1.69 million in 1974 to K£4.16 million in 1975. One constraint on the growth of the horticultural export industry during the last two years has been the lack of air cargo space. Restrictions and duty assessment on CIF valuation have very much reduced the flow of imports as southbound air cargo from Europe. This has led to a reduction in northbound air cargo space which could be utilized for the uplift of horticultural produce. Kenya's neighbours in the South, where most of the scheduled passenger services originate, have also been developing their horticultural industries and are now utilizing the cargo space hitherto available to Kenya.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1970–1975

Table 8.8

	Volume *Tons*	Value *K£*
1970	3,224	342,088
1971	5,123	543,600
1972	7,856	833,600
1973*	10,158	1,478,553
1974*	11,335	1,692,475
1975*	13,115	4,163,700

*A separate valuation was introduced for cut flowers in 1973. In 1973 to 1975 value figures are therefore not comparable with those for the previous years.

8.28. Measures have been drawn up to limit the export of pineapples, a low paying commodity, in preference to limiting exports of selected vegetables, to ensure that the industry optimizes its returns on the limited air cargo space available. Trial shipments by sea are also currently being carried out and, should these prove successful, pineapples will in future be exported by sea thereby releasing extra air cargo space for more high valued products.

8.29. *Coffee.*—The volume of coffee delivered to and classified by the Coffee Board in 1975 was the lowest since 1972. Total deliveries declined by 5.6 per cent in 1975 compared to those in 1974. The drop in production is

the result of the decline of 11 per cent in output of small-holder coffee growers, while the output on estates went up marginally. Small-holders, however, still accounted for 53 per cent of the total deliveries in 1975. The drop in total production during the year was the result of dry weather conditions which prevailed during the latter part of 1974 and the first quarter of 1975, coupled with the impact of increasing input prices particularly of fertilizers.

COFFEE PRODUCTION, 1970-1975

Table 8.9 '000 *Tons*

	Estates	Small-holders	Total
1970 ..	27.9	30.4	58.3
1971 ..	31.5	28.0	59.5
1972 ..	34.2	27.8	62.0
1973 ..	35.1	36.1	71.2
1974 ..	30.8	39.3	70.1
1975 ..	31.2	35.0	66.2

8.30. As anticipated and in view of the adverse weather conditions, the quality of the crop deteriorated slightly during 1975. As a result of the research undertaken by the Coffee Board since the beginning of the year, some improvement in quality is anticipated in the 1976 crop.

8.31. Along with the decline in production the international coffee prices also drifted downwards in 1975. The latter did not show any change of trend until the beginning of the second half of the year. The subsequent high prices during the second half of the year were the result of the July frost which decimated the Brazilian crop. The upsurge in prices was particularly evident during the fourth quarter when a record average sale price of K£571 per ton was realized compared to K£453 per ton during the same period in 1974. The Kenya crop as a result earned an average annual price of K£482 per ton in 1975. The comparable price for 1974 was K£503.

8.32. Much better prospects were evident as at 30th September, 1975 for market realizations for the 1975/76 crop. Reports from the coffee districts appeared to confirm the preliminary estimates of a large crop for the new pool year and indications are that an all-time record crop could be realized. The price of coffee has hardened even further in 1976, following the impact of developments curtailing production in other coffee growing countries while world demand for coffee continues to improve.

8.33. *Tea.*—After recording a decline in 1974 total production of manufactured tea made a recovery of 6.2 per cent in 1975 to reach a record production level of 56,730 tons. This was mainly due to generally good weather conditions in the tea growing districts especially during the second and fourth quarters of the year.

Manufactured Tea Production	*Tons*
1971	36,290
1972	53,322
1973	56,578
1974	53,440
1975	56,730

8.34. The volume of tea exports went up by 3,398 tons or 7.6 per cent in 1975 compared to the previous year. Great Britain continued to be the leading importer of Kenya grown tea and accounted for about 50 per cent of its total exports.

8.35. Small-holder tea production has also continued to increase. This sector accounted for 16,372 tons of manufactured tea in 1975, i.e. 29 per cent of the total, compared with 14,653 tons in 1974. A further 2,821 hectares were planted to tea by the small-holders in 1974/75 raising the total area under small-holder tea plantations to 37,205 hectares. This is six times the level in 1965/66. Details on the development of small-holder tea areas are set out in Table 8.10.

THE DEVELOPMENT OF SMALL-HOLDER TEA—TO 1974/75

Table 8.10

	Total Hectares at end of year	Number of growers at end of year	Average size of holding per grower in Hectares
Up to 1966/67	8,424	32,599	0.26
1967/68	10,772	37,953	0.28
1968/69	13,409	42,596	0.31
1969/70	16,229	48,443	0.34
1970/71	19,230	53,400	0.36
1971/72	26,228	66,897	0.39
1972/73	30,895	79,314	0.39
1973/74	34,384	90,135	0.38
1974/75	37,205	97,337	0.38

8.36. As a result of good market demand in 1975, firm prices were offered at the auctions for Kenya tea. This meant an increase in receipts of K.Sh. 870 per ton to K.Sh. 8,080 per ton for the Kenya tea growers.

8.37. *Sisal.*—Total sisal production dropped significantly in 1975 back to the depressed levels of 1971 and 1972. The reported production of 43,639 tons was 50.4 per cent below the 1974 all time record output of 86,526 tons. There was a particularly heavy decline in the production of unwashed hand decorticated sisal, which accounted for almost half of the total output in the preceding year.

Sisal Production	*Tons*
1971	44,826
1972	41,210
1973	58,054
1974	86,526
1975	43,639

Livestock Production

8.38. *Dairying.*—The generally unfavourable weather conditions during the last two years and the high cost of alternative feed inputs have been responsible for the continued decline in total dairy production. The quantity of recorded wholemilk processed by the KCC registered a further drop of about 8 per cent in 1975 as compared to the 1974 level. Wholemilk deliveries were particularly poor during the first six months of 1975 when production fell by 20 per cent. Good showers during the second half of 1975, however, improved the grazing conditions which resulted in the wholemilk deliveries during the period being marginally above the 1974 level.

DAIRY PRODUCTION, 1971-1975

Table 8.11

	1971	1972	1973	1974	1975
Total recorded milk production* '000 ***litres***—as processed by the KCC to produce:—	220,351**	268,437**	279,658**	249,843**	230,607**
Wholemilk and cream '000 ***litres***	108,374	124,550	148,816	160,009	157,956
Butter and ghee '000 ***kgs.***	4,092	5,696	5,543	4,457	4,191
Cheese '000 ***kgs***	495	730	988	558	462
Evaporated milk '000 ***kgs.***	2,679	4,826	5,129	3,249	1,626
Dried wholemilk powder '000 ***kgs.***	2,320	2,927**	3,697	2,592	2,289
Dried skimmilk powder '000 ***kgs.***	3,228	4,080	3,814	3,019	2,772
Other products '000 ***kgs.***	393	235	159	71	1

*Deliveries of milk and butter fat to Kenya Co-operative Creameries (KCC) and other sales licensed by the Kenya Dairy Board.

**Wholemilk equivalent.

8.39. The drop in total wholemilk production reduced the output of milk and milk products processed by the KCC. Output of processed wholemilk and cream, and butter and ghee dropped by 1 and 4 per cent, respectively. Cheese production recorded a decline of 7 per cent and output of dried wholemilk and skim milk powders fell by 11 and 8 per cent, respectively. Sales of dairy products, especially, wholemilk to local markets other than through KCC channels, have, however, been on the increase. It is likely that this compounded the adverse effect of weather on the KCC intake.

8.40. The quantity of wholemilk and other dairy products exported during 1975 fell by about 30 per cent. The worst hit were the exports of packet milk, which declined by 457,504 litres to 1,073,773 litres. Bulk wholemilk exports also fell by 2 per cent compared with those in 1974. Uganda continued to be the largest importer of Kenya dairy products during the year. The price increases announced at the beginning of 1975 had little impact on dairy production in that year but it is hoped that their effect will be more positive in 1976.

8.41. *Beef.*—There was a shortfall in the intake by Kenya Meat Commission (KMC) of 25,442 cattle and calves compared with its targeted figures for 1975. This is attributable to the closure of markets at Ngong at the end of January and also to the closure of Nakuru depot at the end of June, 1975. Also Athi River plant could have absorbed more cattle during the later part of the year had it not been for the reduction in the purchasing power of the KMC due to financial constraints.

	KMC Intake
	Head of Cattle and Calves
1971	209,900
1972	199,100
1973	155,000
1974	159,500
1975	134,100

8.42. The 1975 figures on total deliveries to KMC were the lowest for many years. Because of the decline in the total cattle and calves deliveries, the KMC's output of meat fell by 16 per cent compared with that in 1974. Its share of domestic sales was reduced from 8,374 tons in 1974 to 3,239 tons in 1975. Exports sales, however, accounted for 80.5 per cent of total KMC's meat output in 1975 compared to 57.6 per cent in 1974. Table 8.12 gives details of carcass production and disposal.

PRODUCTION AND DISPOSAL OF CARCASS BEEF BY THE KENYA MEAT COMMISSION, 1970-1975

Table 8.12

	Total Production *tons*	Local Sales *tons*	EXPORTS		Percentage of Production Exported
			Chilled or Frozen *tons*	Canned *tons*	
1970	27,993	15,621	2,680	9,692	44.2
1971	26,094	13,611	2,780	9,703	47.8
1972	26,905	12,780	3,992	10,133	52.5
1973	22,694	11,752	3,068	7,874	48.2
1974	19,770	8,374	2,873	8,523	57.6
1975	16,600	3,239	3,335	10,026	80.5

8.43. The drop in the KMC's meat output was largely due to growing competition from slaughter houses in the rural areas which lately have become significant sources of supply especially for the lower grade meat. This point is explained by the substantial reduction in the KMC's local sales particularly since 1973. In addition, lack of sufficient feeds due to rising costs has had an adverse effect mainly on deliveries of graded young animals.

8.44. *Sheep and Goats.*—After declining in 1974, there was a recovery in the deliveries of sheep and goats to the KMC in 1975. The total of sheep and lamb deliveries more than doubled in 1975 while goat deliveries increased only marginally. There was, however, a decline particularly in deliveries of exotic sheep and the KMC had to offer competitive prices in order to fulfil specific export orders. Table 8.13 details deliveries of sheep, lambs and goats during 1970–1975. The 1975 deliveries, although better than in 1974, were still only one-third of the total stock handled in 1972. This again indicates the importance of non-KMC slaughter houses in the meat trade within Kenya.

DELIVERIES OF SHEEP, LAMBS AND GOATS TO THE KENYA MEAT COMMISSION, 1970–1975

Table 8.13 '000 *Head*

	Sheep	Lambs	Goats
1970.	50.4	14.4	47.3
1971	37.8	15.3	46.8
1972	33.2	21.5	46.5
1973	12.4	5.4	17.7
1974	6.6	4.8	6.5
1975	15.2	10.6	7.2

8.45. *Pigs.*—The measures instituted by the Uplands Bacon Factory in 1974 to stimulate increased total pig deliveries had a significant impact in 1975. The increase in deliveries of 8 per cent, or 2,800 head, was confined to bacon-pigs while deliveries of porkers and pigs for manufacturing remained virtually at the 1974 level. The price for baconers was higher by K.Sh. 69 per 100 kilograms in 1975 than in 1974. Details of pig deliveries since 1970 are given in Table 8.14.

PIG DELIVERIES TO UPLAND BACON FACTORY, 1970–1975

Table 8.14 '000 *Head*

	Baconers	Porkers	Manufac-tures*	Total
1970	49.5	9.1	1.9	60.5
1971	42.8	6.3	2.0	51.0
1972	33.9	2.2	3 1	39.2
1973	31.0	1.2	1.8	34.1
1974	29.9	2.6	1.9	34.5
1975	33.0	2.5	1.9	37.7

*The grade was changed from Larders in 1972.

Agricultural Development Services

8.46. *Agricultural Education and Training.*—The institutions offering education and training in Agriculture range up to the university level. As far as the university enrolments are concerned, a total of 73 and 82 students, respectively, were admitted to the faculties of Agriculture and Veterinary Medicine in 1975. Of the total enrolment 124 students were Kenyans. A total of 126 students in the two faculties are expected to graduate at the end of the current academic year. A further development in the field of university education was the introduction in 1975 of a Master of Science Course in Agronomy. This is to be followed by a similar course in Husbandry and Entemology in 1976.

8.47. Enrolments for diploma courses at the Egerton College remained almost at the 1974 level. About 203 students graduated form the college during 1975 and a large majority of them were absorbed into the Government service. Three other institutes also offer a two-year training course in agriculture and related fields. The Animal Health and Industry Training Institute at Kabete runs courses in animal husbandry, and the institutes at Embu and Bukura conduct courses in general agriculture. Also short-term courses continue to be conducted at Narosura Farm Mechanization Training Institute in Baringo and at Naivasha Dairy Training School and at farmers training centres in Eldoret and Nyahururu. Details on total student enrolments at the agricultural training institutions are shown in Table 8.15.

TOTAL ENROLMENTS AT AGRICULTURAL TRAINING INSTITUTIONS, 1971-1975

Table 8.15 *Numbers*

	1971	1972	1973	1974	1975
DEGREE LEVEL--					
University of Nairobi- Faculty of Agriculture	81	120	120	163	185
Faculty of Veterinary Medicine	210	264	296	304	312
DIPLOMA LEVEL—					
Egerton College	590	635	630	624	643
CERTIFICATE LEVEL—					
Embu Institute of Agriculture	160	160	160	153	161
Animal Health and Industry Training Institute	255	255	255	264	215
SHORT-TERM VOCATIONAL COURSES—					
Narosura Farm Mechanization Training Scheme	120	60	60	100*	100*
Naivasha Dairy Training School	120	120	120	402**	454**

*Includes short courses of 1—2 weeks.

**Includes short course seminars.

8.48. *Irrigation.*—The National Irrigation Board schemes aim to achieve a high level of productivity through an intensive input of management and technology. The tenant farmers cultivate plots of about 1.5 hectares each. Details of the progress and peformance of the schemes during 1974/75 crop year are set out in Table 8.16.

PROGRESS AND PRODUCTION AT FIVE IRRIGATION SCHEME AREAS, 1970/71-1974/75

Table 8.16

	1970/71	1971/72	1972/73	1973/74	1974/75
MWEA—					
Area cropped—*Hectares*	4,311	4,660	4,766	5,534	5,379
Plot-holders—*Number*	2,338	2,578	2,562	3,001	2,917
Gross value of output—K£'000 ..	600	680	761	919	1,349
Payments to plot-holders—K£'000	379	437	495	620	903
ALL (5) SCHEME AREAS—					
Area cropped—*Hectares*	6,605	7,206	7,821	8,517	8,471
Plot-holders—*Number*	3,807	4,041	4,094	4,604	4,405
Gross value of output—K£'000	815	966	1,110	1,282	1,874
Payments to plot-holders—K£'000	471	578	651	768	1,180
CROPS PRODUCED—*Tons*—					
Mwea—paddy	24,760	27,938	31,220	30,819	28,423
Ahero—paddy	2,221	2,128	2,977	2,273	2,467
Bunyala—paddy	1,124	1,683	746	471	674
Tana—cotton	1,278	1,875	2,004	2,272	2,288
Perkerra—Onions	1,600	1,746	994	1,644	1,267
Chillies	–	86	165	186	188

8.49. Total paddy production in the schemes dropped by 6 per cent in 1974/75 mainly because of soil fertility problems encountered in the Keraba Section of the Mwea Irrigation Scheme. The yields from the first crop in 1974/75 at the Ahero Scheme were also disappointing but the second crop recorded an improvement. Although there was a decline in the total paddy production, price increases during the year maintained the high level of returns for the farmers. The price of Sindano varieties went up from 55 cents to 90 cents per kilo and of Kenya Pishori from 80 cents to K.Sh. 1.15 per kilo.

8.50. The Perkerra scheme performed satisfactorily during 1974/75, while higher cotton yields were registered at the Hola scheme. Double cropping is presently practised in half of the total scheme areas. The secondary crops consist of maize and groundnuts, which are marketed by the farmers individually.

8.51. During the 1975 season construction of the 800 hectare West Kano Irrigation Pilot scheme was in progress. The planning phase for the Bura scheme also reached an advanced stage. This scheme, which is 30 kilometres North of Hola will ultimately have a cropping area of 15,000 hectares. Cotton will be the main crop with maize and groundnuts as secondary crops.

8.52. *Range Management.*—Some 60 groups and 100 commercial ranches together with 3 feedlots, are being developed during the current plan period, 1974-1978, in Kajiado, Kilifi, Tana River, Lamu and Machakos districts. A total of 35 ranches were organized in 1975 and loans for their development approved. Of these, 17 were funded by the International Development Agency at a total cost of K£737,617. In addition, planning work was also underway

for the development of the grazing block in North-Eastern Province. This programme is expected to extend over 700,000 hectares. A Rangeland Ecological Monitoring Unit which is intended to provide up-to-date data on wildlife, livestock and crop cultivation in pastoral areas was also established during 1975. The unit will provide information which will facilitate identification of areas for livestock development, and enable assessment to be made of the possible conflict of such development with the interests of "game" preservation.

8.53. *Livestock Marketing.*—The Livestock Marketing Division of Ministry of Agriculture could not procure an adequate amount of equipment and cattle transporters to implement fully its programme of establishing livestock buying centres in 1974/75. Despite these problems, a record number of livestock, in excess of 62,000 head, were purchased during the year. A large proportion of these were immature cattle, intended to be disposed of both to existing ranchers and other secondary producers, and to new enterprises financed under the Livestock Development Project. Unfortunately the projected demand from new enterprises did not materialize during the year. Also there was a decline in demand from established producers.

8.54. *Agricultural Credit.*—The total loans issued to farmers in 1974/75 with the exception of the loans granted through the commercial banks and loans issued under the Guaranteed Minimum Return (GMR) system, amounted to K£8.5 million. Table 8.17 indicates the total value of loans issued by nine major financial organizations. These are the Co-operative Bank of Kenya, the Agricultural Finance Corporation, the Settlement Fund Trustees, the Kenya Tea Development Authority, the Agricultural Development Authority, the Cotton Lint and Seed Marketing Board, the Horticultural Development Authority, the Pyrethrum Marketing Board and the National Irrigation Board. The total loans issued by these organizations increased by 4.4 per cent between the period 1973/74 and 1974/75. The largest recipients of the loans were the co-operative societies which had a share of 47.3 per cent, followed by small scale farmers with a share of 32.5 per cent.

8.55. *Agricultural Research.*—In 1975 the foreign component of a number of research projects being undertaken by the government was terminated and they were continued with purely Kenyan resources. At the same time requests were made and accepted for the continuation of foreign assistance in selected projects. Research work is continuing on maize, wheat, triticale, coffee, cotton, sugar-cane amongst other projects and the seed inspection service produced nearly 17,000 tons of certified seeds from 8,500 hectares. During 1975 the Kenya Soil Survey became an increasingly important factor in the assessment and rational use of land resources. This research activity must be viewed as an important input urgently needed to ensure that productivity from agriculture can continue to grow in line with the requirement for the sector to feed a rapidly increasing population and to provide higher outputs for export and for use in local industry.

NEW AGRICULTURAL CREDIT ISSUED BY TYPE OF FARMER, 1971/72-1974/75

Table 8.17 K£'000

	1971/72	1972/73	1973/74	1974/75
SMALL SCALE FARMERS—				
Short term loans	178.9	190.0	768.2	832.1
Medium term loans	727.8	728.4	509.3	639.4
Long term loans	46.3	34.8	26.8	22.4
Other loans	-	-	189.0	176.0
TOTAL	953.0	953.2	1,493.3	1,669.9
LARGE SCALE FARMERS—				
Short term loans	5.6	21.5	141.9	157.0
Medium term loans	31.6	31.3	3.9	4.7
Long term loans	993.3	1,829.3	895.9	924.7
Other loans				18 4
TOTAL	1,030.5	1,882.1	1,041.7	1,104.8
CO-OPERATIVE SOCIETIES—				
Short term loans	702.0	723.5	1,562.8	1,341.9
Medium term loans	3.5	156.5	909.0	1,008.6
Long term loans		60.9	73.7	71.5
Other loans			93.2	146.8
TOTAL	705.5	940.9	2,638.7	2,568.8
OTHER FARMERS—				
Short term loans	542.2	584.8	-	46.3
Medium term loans	0.9	53.4	26.1	23.1
Long term loans	721.2	-	-	15.5
TOTAL	1,264.3	638.2	26.1	84.9
ALL RECIPIENTS—				
Short term loans	1,428.7	1,519.8	2,472.9	2,377.3
Medium term loans	763.9	969.6	1,448.2	1,675.8
Long term loans	1,760.9*	1,924.9*	996.4	1,034.0
Other loans			282.2	341.3
TOTAL	3,953.4	4,414.4	5,199.7	5,428.5

*Included above

Agricultural Co-operatives

8.56. Out of 2,439 registered co-operatives, a total of 1,271 were reported to be active in 1975. Most of these co-operatives handle agricultural production. The latest figures indicate that 53 per cent of members in agricultural co-operatives were involved in coffee production, 12 per cent each in pyrethrum and dairying, and 5 per cent each in sugar-cane and cotton.

8.57. By 1975 the total membership of these co-operatives had grown to 732,000 though not all members were active. There were particular concentrations of membership in Central Province—192,000, Nyanza Province—

165,000, and Eastern Province—144,000. Membership has grown by 69 per cent since 1970. Turnover is another indicator of the growth and activity of co-operatives. Their turnover has nearly doubled since 1970:—

	000' *Shillings*
1970	373
1971	351
1972	480
1973/74	614
1974/75	681

8.58. The major product handled in 1974/75 was coffee and this accounted for nearly half of the total turnover. The proportion of Kenya's clean coffee output handled by co-operatives had been growing steadily and averaged 55 per cent in the two seasons to 1974/75. For milk the share was 38.5 per cent in 1974/75 when account is taken of direct sales to the public. A particularly high proportion, 91 per cent, of the total pyrethrum production was also handled by co-operatives in 1974/75. The proportion of sugar-cane handled by co-operatives has been growing and reached 31 per cent of the total in 1974/75.

8.59. Other crops handled by co-operatives include copra, cashewnuts, oilseeds, fruits and vegetables. A growing quantity of livestock and livestock products has also been passing through the co-operative societies, although the experience of such societies in pig handling has been disappointing. The co-operative movement is increasing its participation in agricultural production and the indication is that this growth will continue. Marketing is one of the key aspects for the development of the agricultural industry and the handling of produce on a co-operative basis can only bring benefits to the rural areas and help stimulate their development.

Land Adjudication and Registration

8.60. Details of the state of land registration and adjudication by province as at 31st December 1975 are set out in Table 8.18. The total area of land registered, adjudicated or under adjudication increased by 6 per cent in 1975 to reach an area of 6.6 million hectares. This figure is equal to 48 per cent of the total registerable land area. Provinces below the average for the country as a whole included the Rift Valley, Eastern and Coast provinces. A frequency distribution of the percentages on registered land by district in 1975 is given in Table 8.19. Districts in which land registration has covered less than 30 per cent of the area concerned are Baringo, West Pokot, Samburu and Kilifi; at the other end of the scale complete coverage had been achieved in Kisii, Nyeri, Murang'a, Kiambu and Kirinyaga.

Table 8.18 PROGRAMME OF LAND REGISTRATION AND ADJUDICATION BY PROVINCE AS AT 31ST DECEMBER, 1975

	Registered Areas		Arui Ad udicatcd but not Pregistered		Area in Progress	Total Land Registered, Adjudicated or under Adjudication	
	•000 *Holdings*	000 *Hectares*	'000 *Holdings*	'000 *Hectares*	'000 *Holdings*	'000 *Hectares*	% of Total Registrable Land
Nyanza	286.3	505.1	5 2 0	126.6	250.3	882.0	78.5
Western	242.1	568 0	8.7	29.6	22.4	620 0	96 8
Rift Valley	78.4	1,962.5	3.6	155.2	1,113.1	3,230.8	45.0
Central	2120	422.9		-	-	422.9	1000
Eastern	132.4	351.0	~~L.9	1280	652.9	1,131.9	350
Coast	21.4	89.1	₴.0	79.7	166.7	335.5	23.6
ALL PROVINCES	972.6	3,898.6	68.2	519.1	2,205.4	6,623.1	47.5

FREQUENCY DISTRIBUTION SHOWING DISTRICTS BY PERCENTAGE OF REGISTRABLE LAND REGISTERED, ADJUDICATED OR UNDER ADJUDICATION* AS AT 31ST DECEMBER, 1975

Table 8.19 *Percentages*

Up to 30		30 to 59 9		60 to 89.9		90 to 97.9		98 and over	
Baringo	12.8	Elgeyo Marakwet	56.4	Kisumu	73.9	Siaya	93.5	Kisii	100.0
West Pokot	218	Narok	58.7	South Nyanza	65.2	Bungoma	94.6	Kakamega	98.5
Samburu	16.4	Meru	46.2	Kajiado	83.8	Busia	96.9	Nyeri	100.0
Kilifi	14.2	Kitui	36 0	Laikipia	87.3	Nandi	95.7	Muranga	1000
		Taita	33.1	Embu	84.7	Kericho	94.9	Kiambu	100.0
		Kwale	33.2	Machakos	70.5			Kirinvaga	100.0

•Individual figures indicate coverage in respective districts.

8.61. The area of holdings added to the land register during 1975 is set out in Table 8.20. The numbers and area of holdings were higher in 1975 by 46 per cent and 44 per cent, respectively, than in 1974. In 1975 registration was extended to 84,700 holdings covering an area of 498,100 hectares.

Table 8.20 AREA OF HOLDINGS ADDED TO THE LAND REGISTER, 1971-1975 000 *Hectares*

	1971	1972	1973*	1974	1975
Kisumu ..	7.1	-	9 9	6.3	9.2
Siaya	3.8	12.7	42.5	—	23.0
Kisii	12.7	20.0	20.7	4.1	13.0
South Nyanza	17.0	26.6	46.6	45.5	15.4
Kakamega	1.1	43.1	36.8	—	—
Bungoma	6.1	31.1	26.1	3.5	—
Busia	140	29.8	15.7	16.6	34.6
Kericho	9.9	14.5	7.5	6.2	11.8
Nandi	3.7	8.5	11.8	4.2	—
Elgeyo Marakw	—	0.7	5.2	17.1	0.5
Baringo"	30.4	529.9	178.8	96.5	202.3
Kajiado	101.8	114.9	93.4	37.4	11.7
Narok"					42.9
West Pokot"				_	65.7
Samburu"	0.1	9.4	1.4	—	4.2
Kirinyaga		10.0		4.1	12.7
Embu	14 1	9.1	-	17.4	4.9
Meru	15.1	4.1	22.9	11.7	16 6
Machakos				4.8	150
Kitui		2.6		—	2.5
Taita	-		15 9	49.7	2.3
Kwale	—-	—-	1.5	4.6	1.7
Kilifi					
TOTAL	217.2	870.4	619.4	344.8	498 1

3.4 82.7 1

•12,700 holdings comprising 43,600 hectares registered by March, 1974 are included in 1973 totals.
"In 1975, 65 holdings were registered in Baringo, 68 holdings in Narok, 7 holdings in West Pokot, and 32 holdings in Samburu.

CHAPTER 9—NATURAL RESOURCES

Water Supplies

The Ministry of Water Development has the overall responsibility for community water supplies and development and control of water resources including control on water pollution. The Ministry is also technically responsible for development of sewerage disposal facilities in the country. The Nairobi water supply and sewerage projects are major schemes excluded from the Ministry's area of operation.

9.2. Total public expenditures on water development and related services by the Central Government and other public authorities are given in Table 9.1. Expenditure has continued to rise sharply since 1971/72. It increased substantially from K£7.0 million in 1974/75 to K£11.9 million in 1975/76 reflecting the Government's firm commitment to provide potable water for the whole nation as soon as possible. Almost 75 per cent of the total expenditure in 1975/76 is to be incurred by the Ministry of Water Development, while the local authorities will account for another 18 per cent. Much of the local authority expenditure is being undertaken by the Nairobi City Council. The Mombasa Pipeline Board will account for most of the balance of the expenditure. Approximately 55 per cent of the total expenditure in 1975/76 is committed to rural areas. Of the 183 water schemes under the control of Ministry of Water Development, 80 are located in rural areas and this number is expected to increase in future years.

CENTRAL GOVERNMENT AND OTHER PUBLIC AUTHORITY DEVELOPMENT EXPENDITURES ON WATER SUPPLIES AND RELATED SERVICES, 1971/72-1975/76

Table 9.1 K£'000

	1971/72	1972/73	1973/74	19747/5	1975/76*
Ministry of Water Development	1,402	2,375	2,912	4,579	8,759
Mombasa Pipeline Board	123	264	333	474	840
Other Ministries	102	89	191	155	123
Local Authorities	1,652	2,086	2,482	1,831	2,188
TOTAL	3,279	4,814	5,918	7,039	11,910

*Provisional

9.3. *Ministry of Water Development.*—The details of development expenditure undertaken by the Ministry are shown in Table 9.2. Its total outlay rose by 91.3 per cent from K£4.58 million in 1974/75 to K£8.76 million in 1975/76. Almost 50 per cent of its total development expenditure is earmarked for specific provision of water supply in the rural areas. The allocation for 1975/76 includes the Government contribution to the Sabaki River water supply project being executed through the Mombasa Pipeline Board. The provincial distribution of rural water supply projects being

undertaken by the Ministry is shown in Table 9.3. The number of rural schemes completed or currently nearing completion under various programmes increased from 63 in 1974 to 93 in 1976. Indications are that the substantial rates of increase of 48 per cent and 134 per cent over the last two years for the number and value of projects respectively are likely to continue.

DEVELOPMENT EXPENDITURES FOR WATER SUPPLIES AND RELATED SERVICES BY THE MINISTRY OF WATER DEVELOPMENT, 1971/72-1975/76

Table 9.2 K£'000

	1971/72	1972/73	1973/74	1974/75	*1975/76**
Urban Water Supplies	208	180	45	452	1,495
Rural Water Supplies	654	1,292	1,141	2,300	4,192
Water Resources Surveys	11	80	138	267	578
Lake Victoria Hydrometeorological Survey	46	50	52	57	342
Dam and Borehole Subsidies	8	8	105	174	290
Livestock Development Project Range Water	392	282	450	779	976
Miscellaneous programmes	83	483	981	550	886
TOTAL	1,402	2,375	2,912	4,579	8,759

*Provisional.

RURAL WATER SUPPLY PROJECT SCHEMES OPERATIONAL OR EXPECTED TO BE OPERATIONAL AT JUNE 1974, 1975 AND 1976

Table 9.3

	June 1974		June 1975		June 1976	
	No.	Cost *K£'000*	*No.*	Cost *K£'000*	*No.*	Cost *K£'000*
Central	5	606	7	998	8	1,080
Coast	8	202	11	345	10	381
Eastern	12	203	12	203	16	532
N. Eastern	7	37	11	84	10	136
Nyanza	7	292	12	605	12	605
Rift Valley	21	245	26	363	31	674
Western	3	115	5	339	6	575
TOTAL	63	1,700	84	2,937	93	3,983

9.4. *Local Authorities.*—After declining during 1974/75, development expenditures by local authorities rose by 19.5 per cent to reach K£2.19 million in 1975/76. Nairobi City Council, whose plans for Chania Phase II development programme are underway, continues to account for the major part of this expenditure. Kisumu Municipality is also currently undertaking

a major water and sewerage development programme while Nakuru Municipality has just completed the first phase of its similar development programme.

9.5. Mombasa Pipeline Board.—The main function of the Board is to undertake development of bulk water supplies for Mombasa Municipality and the adjacent area. The board is currently committed to the development of Sabaki River water project, which will when completed have cost an estimated K£28.5 million. This project will alleviate the persistent water shortages experienced in the Mombasa Municipality and the surrounding areas.

9.6. Other Ministries.—The Ministry of Health is involved in a joint programme with the WHO and the UNICEF to facilitate provision of clean water. The programme consists of 96 schemes in 35 districts and will benefit some 150,000 persons. The Ministry of Housing and Social Services is also promoting clean water supplies amongst the rural population. Water supply schemes developed by the community self-help efforts are the main products of this promotional effort. The value of self-help water supply schemes initiated since 1971, and the proportion of the costs of such schemes contributed by local participants were as follows: —

	Value of Schemes	*Proportion from Beneficiaries*
	K£'000	*Per cent*
1971 ..	233	64.4
1972 ..	205	79.5
1973	260	81.2
1974 ..	226	83.6
1975 ..	229	82.1

9.7. Water Conservation.—The primary objective of the programme undertaken by the Dam Construction Unit of the Ministry of Water Development is to build up storage facilities to preserve water for human consumption and livestock use. The figures noted earlier in Table 9.2 indicate that the value of dam and borehole subsidies paid out by the Ministry rose from K£105.000 in 1973/74 to K£290.000 in 1975/76. This rate of increase is an encouraging pointer to the attempts being made to help resolve water supply problems in certain areas. Construction activity by the Dam Construction Unit resulted in the completion of two dams each in Kitui and Machakos districts, while similar construction of weirs, subsurface dams and rock catchments is in progress in the Taita-Taveta District.

Forestry

9.8. A further 7,600 hectares of land were put to forest plantation in 1975. This figure raised the area under forest plantation in the country to 142,500 hectares. The Turbo afforestation scheme, which is the major supply source

of timber to the papermill at Webuye, accounted for a large portion of the newly planted area. Further details on forest plantations are set out in Table 9.4.

FOREST PLANTATION AREA, 1970-1975

Table 9.4 '000 *Hectares*

	1970	1971	1972	1973	1974	1975*
Indigenous softwoods	4.6	4.6	4.6	4.7	4.7	4.7
Indigenous hardwoods	4.3	4.5	4.4	4.8	5.0	5.3
Exotic Softwoods—						
Cypress	43.8	47.0	47.4	50.0	53.2	56.7
Pines	51	52.2	57.6	58.5	61.4	64.9
Exotic hardwoods—						
Timber..	2.3	2.3	1.6	1.7	1.8	1.8
Fuel	9.8	9.3	7.7	8.3	8.8	9.1
TOTAL AREA	115.9	119.9	123.3	128.0	134.9	142.5

*Provisional.

9.9. Forrest tires continued to be a hazard. Some 1,665 hectares of forest plantation, 153 hectares of indigenous forest, and 2,391 hectares of grass and bush were destroyed by fire during 1975, causing an estimated financial loss of K£684,000.

9.10. Sales of forest products are shown in Table 9.5. There has been a steady decline in the volume of charcoal exports since 1973 when the Government instituted measures to curtail ruthless tree-felling for charcoal burning, mainly at the Coast. Total charcoal exports were reduced drastically from 24,354 tons in 1974 to 7,700 tons in 1975.

Table 9.5 SALES OF FOREST PRODUCTS, 1970-1975

	1970	1971	1972	1973	1974	1975*
Timber '000 *true cu. metres*—						
Softwood	260	240	243	254	243	230
Hardwood	24	33	48	54	54	69
TOTAL	284	273	291	308	297	299
Fuel '000 *stacked cu. metres*—						
Fuelwood	65	46	37	42	44	48
Charcoal	133	125	150	163	143	121
Power and Telegraph Poles *numbers*	14,409	12,501	13,000	13,414	12,000	14,972

*Provisional.

9.11. The papermill at Webuye, which came into operation towards the end of 1974 recorded a log intake of 125,693 cubic metres during 1975. This figure is well below the planned initial intake capacity. It indicates a slow build-up of production and output.

Fisheries

9.12. The recorded fish catch rose substantially in Kenya from 28,581 tons in 1974 to 33,767 tons in 1975. The 1975 catch was valued at K£2.06 million. Freshwater landings increased by 16.2 per cent in quantity to reach 29,236 tons. Lakes Victoria and Turkana accounted for 27,243 tons or 93 per cent of these landings. Lower landings of marine fish are attributable to the inability on the part of the coastal fishermen to exploit the offshore fishing grounds due to lack of powered boats. Nevertheless, the sea-fish catch is expected to increase substantially following the implementation of the present mechanization programme. Further details on quantity and value of fish landed are noted in Table 9.6.

QUANTITY AND VALUE OF FISH LANDED, 1971-1975

Table 9.6

	1971	1972	1973	1974	1975*
Quantities *Tons:*—					
Freshwater fish—					
Lake Victoria	14,918	15,989	16,797	17,175	16,581
Lake Turkana	3,612	4,090	4,927	5,731	10,662
Other areas	2,599	2,007	3,174	2,259	1,993
TOTAL	21,129	22,086	24,898	25,165	29,236
Marine fish	6,562	7,411	3,546	3,116	4,220
Crustaceans	274	185	210	121	124
Other marine products	199	126	269	179	187
GRAND TOTAL ..	28,164	29,808	28,923	28,581	33,767
Value *K£'000:*—					
Freshwater fish	944	998	1,167	1,332	1,392
Marine fish	512	463	366	371	538
Crustaceans	71	54	61	40	50
Other marine products ..	7	8	19	16	81
TOTAL	1,534	1,523	1,613	1,759	2,061

*Provisional.

Wildlife

9.13. The passing of the Wildlife Management Act was a major development during 1975. The act is intended to facilitate amalgamation of the former Kenya National Parks and the Game Department under a new Wildlife Conservation and Management Department. The functional re-organization of these departments is already underway.

9.14. The five-year UNDP/FAO Wildlife Management Project initiated in 1971 is due to be terminated at the end of December. 1976. It is hoped that the reports generated by the project will assist the promotion of wildlife conservation and management. Negotiations were also concluded in 1975 for K£6.5 million project earmarked for the development of wildlife

and tourism in Amboseli, Masai Mara and Samburu. In addition to the above, supporting services are to be established to facilitate more effective management of wildlife generally in Kenya. These include setting up of a Wildlife Planning Unit, a Wildlife and Fisheries Training Institute, and road construction and maintenance units to be located at Archer's Post, Amboseli and Migwara in Masai Mara.

9.15. The Game Department continued the acceleration of its anti-poaching programme. The Anti-poaching Control Unit has now been established with its headquarters at Isiolo and plans are underway to set up three additional units to cover Tana River, Kajiado and Narok districts. Total revenue of the Game Department rose from K£474,000 in 1974 to K£511,000 in 1975. As in earlier years virtually all this revenue came from hunting fees and trophy sale permits. This increase in 1975 followed a four-year run of reduced revenues, from a peak level of K£605,000 in 1971.

Mining

9.16. Export earnings by the mining industry continued to grow in 1975. The total export value of K£4.35 million recorded in 1975 represents a growth of 15.2 per cent over the comparable earnings in 1974. The growth was held back to some extent by the decline in the value of soda ash exports, which fell from K£2.70 million in 1974 to K£2.55 million in 1975, a decrease of 5.6 per cent. However, the output of other minerals continued to grow in 1975. Their export value rose from K£1.07 million to K£1.80 million, a growth rate of 68 per cent. The total value of exports of minerals since 1970 is noted below:—

	Mineral Exports K£'000
1970	1,697
1971	1,908
1972	1,996
1973	3,270
1974	3,775
1975	4,350

9.17. Although soda ash maintained its position as the most important mineral in value terms, its output continued to fall at a time when world prices for the commodity increased sharply. The average export price of soda ash rose from K£19.4 per ton in 1974, as shown in Table 9.9, to K£30.3 per ton in 1975, an increase of 56.2 per cent. Fluorspar and gemstones are the other minerals whose export prices recorded an upward trend. Prices of most other minerals fell in line with the world trend. Tables 9.7 and 9.8 provide further details on the output and sales of the more important of the minerals extracted in Kenya.

9.18. Some of the difficulties experienced in the transportation of soda ash and salt in 1974 persisted into 1975. Partly as a consequence, the tonnage of soda ash produced fell sharply from 155,997 tons in 1974 to 91,733 tons in 1975, a decrease of 41.2 per cent. The production of salt was also adversely

Table 9.7 THE QUANTITY OP MINERAL OUTPUT, 1971-1975

	Unit	1971	1972	1973	1974	1975*
Barytes	Ton.	743	628	903		376
Carbon Dioxide	"	1,051		1,666		
Copper		73	72			
Diatomite	Ton.	1,400	1,812	1,241	1,657	1,799
Felspar	"	2,650	1,962	1,461		1,616
Fluorspar Ore (Fluorite)	"	6,561	10,457	26,733	37,018**	49,163**
Garnet	Kg.		24	17		
Gold	Gm.		34	4,238	6,662	3,062
Guano	Ton.	350	747	682	352	297
Limestone Products	"	28,127	22,854	32,286		197,414
Magnesite..	"	221	628	1,517		
Magnetite	M		9,240	12,345	19,780	16,800
Salt (Crude)	"	54,359	37,362	35,002		
Salt (Refined)	"	43,406	22,783	27,688	19,826	5,553
Sand	"		12,900	12,511		
Sapphire	Gm.			450		
Soda Ash	Ton.	161,260	164,160	205,550	155,997	91,733
Soda Crushed Raw		1,932		3,710	4,211	1,546	2,310

•Provisional.

••Exports.

Table 9.8 THE VALUB OP SALES OP MINERAL OUTPUT, 1971-1975 *Ki*

	1971	1972	1973	1974	1975*
Barylcs	10,563	11,894	21,085	. .	12,202
Carbon Dioxide	97,045		162,500	. .	. .
Copper	26,663	20,176			
Diatomite	28,000	37,233	27,302	39,768	46,722
Felspar	26,005	11,356	10,250	. .	44,031
Fluorspar Ore (Fluorite)	38,226	126,959	306,742	. .	. .
Garnets	. .	3,058	41,208	70,605	. .
Gold	. .	1,287	4,091	11,000	6,232
Guano	5,899	15,362	14,428	10,984	11,902
Limestone Products	232,486	184,826	227,441	. .	854,719
Magnesite	1,768	6,479	12,136	. .	
Magnetite	. .	57,450	123,450	98,900	73,080
Salt (Crude)	. .	45,690	27,631		
Salt (Refined)	424,785	224,906	270,433	195,962	85,033
Sand		17,178	20,238		
Sapphire			50,399		27,665
Soda Ash	1,889,316	1,745,815	2,087,194	2,243,932	2,670,528
Soda Crushed Raw	17,614	34,729	39,159	12,469	21,700
TOTAL	2,798,370	2,544,398	3,445,687	. .	. .

•Provisional.

••Exports valued at K.£989,000 in 1975.

affected. Its output fell by 72.0 per cent, as indicated in Table 9.7. It is anticipated that the production of soda ash and salt will be considerably boosted in 1976. The Nairobi-Magadi road has now been resurfaced to bitumen standard, and expansion of the processing plant is underway at a cost of K£500,000. Indeed there is a possibility that the output may be doubled in a few years time.

Table 9.9 AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1973-1975 *Kiper ton*

	1973	1974	1975
Fluorspar	13.1	19.4	30.3
Soda Ash	13.9	19.4	30.3
Corrnduum—Ruby	43.3	40.2	58.6

9.19. Satisfactory progress was made in the exploitation of fluorspar in the Kerio Valley in 1975. Export earnings from this mineral rose to a new record level of nearly K£1 million, thus making fluorspar the second most important mineral product. The quantity exported rose from 37,018 tons in 1974 to 49,163 tons in 1975. A most significant development for fluorspar in 1975 was the opening of a new market in North America. An initial shipment to U.S.A. alone made up nearly half the total export earnings from this commodity. This augurs well for further exploitation of the fluorspar deposits in future years.

9.20. The expansion of the zinc, lead and silver mine at Kinangoni at the Coast has progressed at a slower pace than expected because of technical difficulties experienced at the mine in the last two years. Thus, at present, only lead is being exploited commercially. The output of this mineral doubled from 80 tons in 1974 to 177 tons in 1975 with a comparable increase being recorded in export earnings which doubled from K£70,000 to K£149,000 over the same period.

9.21. There were some noteworthy developments in the exploitation particularly of industrial minerals. One such mineral is gypsum used in the manufacture of cement and limestone products. A new local company has been formed to exploit this mineral on a large-scale in order to meet increased demand from the two cement factories and the asbestos plant. Vermiculite is another important mineral used in the agriculture and building industries. It has registered a steady increase in production over the last few years.

9.22. An upsurge in gemstone prospecting was noticeable during the early part of 1975 with the activity being centred in Kwale and Taita-Taveta districts. The mining of gemstone has attracted a large number of local entrepreneurs. Exports of these gemstones rose from K£24,000 in 1974 to K£37,000 in 1975. There was a price increase of more than 40 per cent during the year.

9.23. Mining of Sapphires in the Garba Tulla area near Dusi made considerable progress during 1975 and the value of sales rose to K£50,000. A consortium of Japanese companies was granted a licence in 1975 to prospect for the chromite/nickel deposits in West Pokot area. Magnetite mining continued at Ikutha in Machakos District and over 16,000 tons were supplied to the Bamburi cement factory.

9.24. Four co-operatives were licenced in 1975 to undertake gold mining in Narok, South Nyanza, Siaya and Kakamega districts. The mineral is known to occur in these districts in small deposits. In addition, prospecting for gold in the Turkwell river bed is also proceeding. A small mine produces some gold on the Nandi Escarpment at Kibigori. Finally, exploration for oil and natural gas also continued at a more aggressive pace in 1975; the companies involved making determined efforts in the eastern half of the country.

CHAPTER 10—FUEL AND POWER

Sales of petroleum products fell in 1974 as a result of the price increases made in that year. Although the growth rate was restored to some extent in 1975, it was essentially accounted for by the higher sales of turbo fuel to foreign airlines, and by an increase in sales of fuel oil for use by the paper mill at Webuye. Consumption of electricity in Kenya rose by 8.3 per cent, and there was an increase of 101.6 million kwh of power generated within the country.

10.2. Imports of crude petroleum and electricity continued to feature prominently in the external trade statistics. Imports of crude petroleum increased marginally by 0.7 per cent in volume from 2.81 to 2.83 million tons while domestic sales of petroleum fuels rose from 1,501 to 1,602 million litres, an increase of 6.7 per cent. There was a substantial fall in exports of petroleum fuels from 1,813 to 1,528 million litres, a drop of 18.7 per cent. Thus there was only a very small increase in crude petroleum imports for processing despite the rise in domestic consumption of petroleum products.

Fuel and Lubricants

10.3. The value of imports of fuels and lubricants amounted to K£95.0 million in 1975, as already indicated in Chapter 7. As a result these imports increased their share of the total value of imports, from 22.1 per cent in 1974 to 27.4 per cent in 1975. Exports of petroleum products also moved upwards to a new level of K£58.2 million in 1975, compared with K£45.6 million in 1974. Petroleum products accounted for 27.1 per cent of the total value of exports in 1975, compared with 21.6 per cent in 1974.

10.4. The imports of processed fuels and lubricants declined significantly in 1975 as shown in Table 10.1, mainly because of the new capacity brought on stream at the oil refinery. The extensions cost K£12.5 million. Imports of processed fuels, consequently, fell from 254 million litres in 1974 to only 26 million litres in 1975, a decline of almost 90 per cent. Imports of lubricating oils and greases also fell, the former by 22.8 per cent. The decline in exports referred to above is mainly the result of a drop in sales to Uganda and Tanzania.

10.5. *Prices.*—The rise in the price of crude petroleum imports moderated significantly in 1975. The price of crude petroleum rose from an average of US$10.25 per barrel in 1974 to an average of US$11.40 per barrel in 1975. This represents an increase of only 11.2* per cent, which is relatively modest, compared with the steep rise of over 236 per cent registered in 1974.

10.6. Retail prices of petroleum products in 1975, on the other hand, recorded a relatively large increase of 28.6 per cent. This was due to measures taken to raise duties and taxes to conserve the use of petroleum products

*This increase is not the same as that shown in the external trade statistics in Chapter 7. Due to lag effects some of the imports at the start of 1974 were recorded at 1973 prices in trade statistics and a similar effect was apparent in the recorded prices of exported products.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1971–1975

Table 10.1

	1971		1972		1973		1974		1975	
	Quantity	Value *K£'000*	Quantity	Value *K£'000*	Quantity	Value *K£*'000	Quantity	Value *K£000*	Quantity	Value *K£*'000
IMPORTS—										
Crude Petroleum *'000 metric tons*	2,540.6	12,797.8	2,499.2	14,586.7	2,716.0	17,557.4	2,807.8	67,027.0	2,825.5	86,822.4
Fuels *'000 litres*	143,591.1	1,428.2	259,595.5	2,717.3	162,091.3	2,021.3	254,485.9	6,279.7	26,052.1	1,249.1
Lubricating oils *'000 litres* . .	53,004.4	1,647.8	78,995.4	2,411.0	76,923.8	2,450.0	111,684.3	6,885.4	86,232.6	6,198.1
Lubricating greases *metric tons*	278.2	40.6	153.1	29.5	179.6	35.3	373.2	95.9	300.3	73.7
EXPORTS—										
Fuels *'000 litres*	1,849,186.9	15,058.5	1,831,343.9	15,347.9	1,867,195.3	16,127.3	1,812,512.1	37,981.3	1,527,873.2	48,655.0
Lubricating oils *'000 litres*	43,741.5	2,388.7	60,248.8	3,607.8	64,628.3	4,495.0	65,311.4	6,728.5	63,941.1	8,670.7
Lubricating greases *metric tons*	633.6	57.6	1,399.9	137.2	1,908.2	259.3	2,667.6	469.0	2,229.7	478.7

within Kenya. Nonetheless this rise was lower than the comparable increase of 37.1 per cent recorded in 1974. Details of the retail prices of petrol and gas oil in Nairobi in 1974 and 1975 are given below:—

Petroleum Product Prices

K.Sh. per Litre

Effective Date	*Premium Grade Motor Spirit*	*Regular Grade Motor Spirit*	*Gas Oil*
12-2-74	1.62	1.50	1.16
12-5-74	1.72	1.60	1.26
16-6-74	1.92	1.80	1.26
20-2-75	2.03	1.91	1.36
13-6-75	2.27	2.15	1.47
6-12-75	2.47	2.35	1.67
10-3-76	2.57	2.45	1.77

10.7. ***Production.***—Details of throughput and output of the refinery at Mombasa are set out in Table 10.2. The annual throughput of crude petroleum at the refinery rose only marginally in 1975 due to lack of export demand. Product output actually fell because of a change in the type of crude input processed. A lighter crude was preferred because it was cheaper and yielded less of the heavier oils, particularly of the export residue, for which the demand has been declining steadily. Thus, although the overall output of the refinery fell by 0.5 per cent, the production of the lighter products, for which the domestic demand is still high, rose appreciably. Production of kerosene and turbo fuel recorded the largest growth, increasing from 479.6 million litres in 1974 to 565.5 million litres in 1975, a rise of 17.9 per cent. Much of this increase was the result of higher sales of turbo fuel within Kenya and exports to Uganda and Tanzania which also rose sharply. The fall of 24 million litres in production of fuel oil was compensated by a rise of a similar amount in the output of gas oil.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS, 1971-1975

Table 10.2 *'000 litres*

	1971	1972	1973	1974	1975
THROUGHPUT					
Crude petroleum	2,966,217	2,925,263	3,068,580	3,325,485	3,343,785
OUTPUT					
L.P.G.*	21,551	24,468	27,745	30,580	33,049
Mogas	441,255	438,092	449,383	498,447	491,808
Kerosene	466,440	447,887	460,275	479,631	565,535
Gas oil	402,042	400,785	443,175	466,651	489,883
Diesel	167,829	185,847	185,300	180,209	158,664
Fuel oil	1,024,666	626,295	692,381	845,611	821,862
Bitumen	48,788	44,720	47,933	36,457	41,719
Export residue	268,695	537,280	668,335	607,268	527,287
TOTAL OUTPUT	2,841,266	2,705,374	2,974,527	3,144,854	3,129,807

*Liquified petroleum gas.

10.8. *Consumption.*—Details on domestic fuel sales since 1971 are set out in Table 10.3. Much of the rise in sales of 6.7 per cent recorded in 1975 was due to the increase in the demand for fuel oil, turbo fuel and motor spirit. These three products accounted for 72.8 per cent of the total domestic sales in 1975. Sales of fuel oil went up by 6.2 per cent following increased demand from the paper mill at Webuye, while the growth in commercial air movements accounted for rises of 18.2 and 8.3 per cent, respectively, in the sale of turbo fuel and aviation spirit. Consumption of motor spirit also rose by 4.3 per cent in 1975.

DOMESTIC FUEL SALES, 1971-1975

Table 10.3 *'000 Litres*

	1971	1972	1973	1974	1975
L.P.G.*	15,177	18,191	12,017	12,362	13,741
Motor spirit	271,462	292,537	321,041	311,489	324,974
Aviation spirit	6,079	6,979	7,662	7,786	8,429
Turbo fuel**	242,422	278,245	341,769	318,881	377,042
Lighting kerosene	56,591	66,579	65,731	67,674	70,571
Power kerosene	1,600	1,569	1,272	595	291
Light diesel fuel	248,539	277,792	302,549	297,899	303,718
Heavy diesel fuel	47,075	50 223	54,845	47,599	38,599
Fuel oil	419,855	452,652	432,871	437,098	464,295
TOTAL	1,308,800	1,444,767	1,539,757	1,501,383	1,601,660

*Liquified petroleum gas.

**Includes sales to foreign airlines at airports in Kenya.

10.9. It is apparent that the sharp increases in prices of petroleum products in 1974 and 1975 have been effective in reducing the increase in domestic consumption of petroleum products, particularly of motor spirit. This is indicated by the decline of 3.9 per cent in the average consumption of motor spirit per vehicle from 2,103 litres per annum in 1974 to 2,025 litres in 1975. The growth of 2.0 per cent in the sales of light diesel fuel was also low, being held by a fall in demand from the tea factories. This is a direct result of the change over from the use of more expensive to the less expensive type of fuel, since apparently a large number of tea factories substituted timber for diesel fuel in 1975.

Electricity

10.10. *Production.*—All generating stations performed satisfactorily in 1975. This is indicated in Table 10.4 by the substantial growth of domestically generated electricity. This growth rate of 12.7 per cent is 2 percentage points above the target growth rate stipulated in the Development Plan, 1974-1978. Consequently, imports of electricity from Uganda which now account for less than 25 per cent of domestic sales fell by 11.9 per cent.

GENERATION, IMPORTS AND CONSUMPTION OF ELECTRICITY, 1971-1975

Table 10.4 *'000 k Wh*

	1971	1972	1973	1974	1975
Domestically Generated	557,262	664,171	723,271	799,641	901,203
Imported	293,356	283,168	302,379	295,975	260,774
TOTAL AVAILABLE	850,618	947,339	1,025,650	1,095,616	1,161,977
Internal Usage and Transmission and Distribution losses	135,400	152,496	165,929	170,730	160,545
TOTAL SALES	715,218	794,843	859,721	924,886	1,001,432

10.11. *Consumption.*—Sales of electricity maintained a strong upward trend in 1975, as indicated in Table 10.5. The growth in sales of 8.3 per cent was mainly due to an increase of 5.8 per cent in the total number of consumers. The total number of meters installed rose from 139,476 in 1974 to 147,568 in 1975. Sales of electricity to commercial users went up by approximately 10 per cent and for domestic purposes by 8.8 per cent. The fall in the sales to industrial users was due to a general decline in their average consumption. It is, however, apparent that sales of electricity to industry will be significantly enhanced when supply to a number of relatively large industrial projects is commenced. The more notable amongst these include 3.5 MVA supply to a new textile factory in Eldoret, 1.8 MVA supply to the new textile mill in Nanyuki and 12 MVA supply to the proposed fertilizer factory in Mombasa.

SALES OF ELECTRICITY BY TYPE OF USER, 1971-1975

Table 10.5 *'000 kWh*

	1971	1972	1973	1974	1975
Domestic and staff quarters ..	114,405	122,991	129,141	139,039	151,258
Off peak water heating and pumping	105,497	117,941	121,282	120,670	134,551
Industrial	223,507	252,846	285,912	316,607	311,854
Commercial	186,158	204,222	223,938	239,486	263,333
Lighting and power (small consumers)	9,516	9,948	10,842	12,513	15,052
Street Lighting	9,232	9,389	10,447	10,066	10,670
Special Contracts	66,903	77,506	78,159	86,505	114,714
TOTAL SALES	715,218	794,843	859,721	924,886	1,001,432

10.12. The average annual consumption of electricity per user by type of user and area in 1975 is shown in Table 10.6.

AVERAGE ANNUAL CONSUMPTION OF ELECTRICITY PER USER, BY TYPE OF USER AND AREA, 1975

Table 10.6 *'000 k Wh*

	Nairobi and Mt. Kenya	Coast	Rift Valley	Western	Total
Domestic and Staff quarters ..	3.29	2.58	3.42	2.43	3.09
Off peak water heating and pumping	5.17	3.18	23.98	4.33	5.19
Industrial	987.68	556.59	406.33	761.14	795.55
Commercial	15.12	13.06	12.34	8.31	13.70
Lighting and power (small consumers)	0.30	0.24	0.29	0.31	0.28
Street lighting	162.74	273.83	16.87	38.43	101.62
Special Contacts	3,996.00	54,671.50	94.50	1,186.00	19,119.00

10.13. *Development.*—Developments in the provision of electricity supply continued in 1975 at much the same pace as in 1974. Two arc-furnaces in the steel industry, one in Mombasa and one in Kikuyu, were connected to the supply system and the system reinforced to support industrial development in Nairobi, a textile mill in Nanyuki and coffee and tea processing factories in the Kerugoya area. A total of 590 kilometres of overhead and underground power lines were laid in 1975. The distribution transformer capacity connected to the system was further enhanced by 43,675.5 KVA, and the transmission capacity rose by 33.75 MVA.

10.14. Work on the provision of electricity supply to Kabarnet township was completed during 1975. Work was also in progress on the extension of supply to Narok township; it is due to be completed in the first half of 1976. Plans for the provision of electricity to Marsabit and Siakogo had reached an advanced stage by the end of the year and construction work had commenced at Lodwar. It is hoped that all these projects will be completed in 1976. In addition, surveys were carried out in order to make electricity supplies generally available in the Irianyi Division of Nyanza Province. The construction work was commenced early in 1976, but owing to the extensive area to be covered it is not likely to be completed until 1977. In 1975 electricity was switched on for the first time in Voi, Mwatate and Wundanyi townships, while Kitale township was interconnected to the national grid, thus making it possible to close down the more expensive local diesel generating plant.

10.15. In 1975, a loan agreement for K£22.5 million was signed with the World Bank to be used for the construction of the Gitaru hydro-electric project on the upper reaches of Tana River. The entire project is now estimated to cost K£49 million. Preliminary work for the Gitaru project was

completed during 1975 and considerable progress had been recorded by the end of the year, particularly in the area of surface works. It is expected that the project will be completed in 1978.

10.16. Exploration for the cheaper geothermal power in the 45 sq. km. site at Olkaria near Lake Naivasha made substantial progress. By the end of 1975, 6 test wells had been drilled. One of the wells yielded a steam output with a capacity to generate between 1.5 and 2 megawatts of power, while another well which had been drilled to a depth of 975 metres can now yield a steady steam output with a capacity to generate between 3.5 and 4 megawatts of power. The tests on the 6 wells yielded sufficiently satisfactory results for a decision to be made to undertake a feasibility study for the construction of a power generation plant. A contract was signed by the United Nations Development Programme with a Swedish firm to execute this study.

CHAPTER 11—MANUFACTURING

The unfavourable economic conditions which prevailed during 1975 slowed down growth in the manufacturing sector considerably. The overall rise of 4.0 per cent registered in 1975 is the lowest rate of growth in manufacturing production since 1964 and compares with the target rate of 10.2 per cent laid down in the Development Plan, 1974-1978. The poor growth achieved in 1975 follows a similar unsatisfactory year in 1974 when the increase in output was only 5.9 per cent.

11.2. Different groups in manufacturing sector experienced varying rates of growth. Much of the overall growth was accounted for by the increased production of the paper and textile industries. The initiation of production at the paper mill in Webuye enhanced output of paper significantly and the new capacity in the textile industry brought on stream towards the end of 1974 boosted the output of this group of industries in 1975. The major consumer of these two industries is the domestic market. Increases were also registered in the output of canning of fruits and vegetables, paint and non-metallic minerals. These increases were induced by higher sales in export markets. Further details on production of the various groups of industries in the manufacturing sector are set out in Table 11.1.

11.3. Conditions for production of beverages, tobacco, rubber and metal products and electrical and non-electrical machinery were, however, less favourable. The consumption of sugar, bread, beer and tobacco fell during 1975 due to price increases. Over-stocking, which occurred as a result of the relaxation of import controls in 1974 was an additional major constraint on the growth of output of certain products. The output of industries making soaps, toothpaste and detergents was affected by the fall in exports to Uganda.

11.4. Total exports of manufactured goods including inter-state transfers rose by 7.1 per cent in value terms in 1975. Most of this growth was, however, due to exports of petroleum products. Exports of manufactured goods including inter-state transfers amounted to K£126.8 million in 1975 compared with K£118.4 million in 1974, and of this total, 46.4 per cent was accounted for by exports of petroleum products. There was in fact a decline of K£4.7 million in 1975 in the value of exports of manufactured goods of petroleum exports are excluded.

11.5. Apart from petroleum products, exports of processed food products and chemical products accounted for nearly 60 per cent of the remainder. However, the share of processed foodstuffs as a proportion of total exports of manufactured goods increased modestly from 27.7 per cent in 1974 to 30.9 per cent in 1975, while that of chemical products decreased from 29.1 per cent in 1974 to 26.3 per cent in 1975.

QUANTITY INDEX OF MANUFACTURING PRODUCTION, 1970-1975

Table 11.1 *1969=100*

	1970	1971	1972	1973	1974	1975*	Percentage change 1974 to 1975
Coffee Milling	107.3	135.8	129.7	149.3	117.6	131.5	11.8
Meat Processing	108.4	100.1	100.6	82.0	73.1	64.0	—13.1
Dairy Products	105.7	100.6	121.4	135.2	134.4	126.4	—6.0
Canning of Fruit and Vegetables	130.9	141.9	154.4	230.0	200.9	329.2	63.9
Canning and Preserving of Fish	110.0	90.0	90.0	90.0	90.0	110.0	22.2
Grain Milling	119.2	116.5	120.1	130.8	131.3	125.7	-4.3
Bakery Products	115.4	160.0	188.5	205.1	214.5	206.5	—3.7
Sugar	108.9	107.7	79.2	121.4	142.8	138.8	—2.8
Confectionery	97.1	98.2	120.0	125.9	62.4	52.9	—15.2
Miscellaneous Food	102.3	113.3	146.4	160.5	184.0	207.3	12.7
TOTAL FOODSTUFF PROCESSING	111.8	118.1	127.7	142.6	143.9	147.0	2.2
Beverages	120.7	141.2	162.6	198.2	228.2	234.7	2.8
Tobacco	114.6	123.3	127.6	143.7	169.6	167.1	—1.5
TOTAL BEVERAGES AND TOBACCO	119.1	136.4	153.3	183.7	212.6	216.7	1.9
Cotton Ginning	119.5	130.3	125.1	119.2	122.4	131.4	7.4
Knitting Mills	110.2	127.3	120.5	119.0	117.5	118.6	0.9
Cordage, Rope and Twine	48.4	82.3	118.4	147.7	116.1	161.2	38.8
Spinning and Weaving	128.6	146.5	142.6	171.2	211.3	218.9	3.6
TOTAL TEXTILES	91.8	115.5	127.5	149.4	148.9	171.0	14.9
Footwear	103.5	128.6	136.1	125.5	130.1	139.0	6.8
Clothing and Wearing Apparel . .	124.4	120.4	141.4	188.1	167.4	174.1	4.0
Canvas Goods	133.4	100.9	96.3	100.6	102.0	121.6	19.2
TOTAL FOOTWEAR AND CLOTHING	121.3	118.2	119.6	153.9	144.1	154.1	6.9
Wood Products	102.5	98.6	105.1	111.2	107.2	108.3	0.6
Furniture and Fixtures	112.5	133.3	195.9	216.7	225.0	283.3	25.9
TOTAL WOOD PRODUCTS AND FURNITURE	106.7	113.1	143.1	155.4	156.6	181.7	16.0
Paper	112.0	125.8	128.2	144.7	149.8	239.7	60.0
Printing	111.6	136.8	113.4	135.3	145.6	157.1	7.9
TOTAL PAPER AND PRINTING .	111.7	134.2	116.9	137.5	146.6	176.5	20.4
Leather and Leather Products	79.6	102.0	130.4	140.4	140.7	107.0	—24.0
Rubber and Rubber Products	116.5	135.0	161.8	347.5	349.3	298.3	—14.6
Chemicals	101.4	113.0	117.8	127.1	129.3	132.8	2.7
Petroleum Products	99.9	118.2	116.5	122.3	132.5	133.2	0.5
Non-Metallic Minerals	122.8	123.5	132.0	130.0	135.3	145.1	7.2
Metal Products	111-1	121.9	132.9	166.4	158.4	157.3	—0.7
Non-Electrical Machinery	117.4	119.4	128.3	216.9	256.9	242.0	—5.8
Electrical Machinery	115.0	123.9	124.1	138.6	154.0	150.6	—2.2
Transport Equipment	102.4	112.1	110.9	115.6	125.7	126.5	0.7
Miscellaneous Manufacturing	126.4	173.4	174.8	132.6	150.2	169.1	12.6
ALL MANUFACTURING	110.0	121.6	127.8	144.9	153.4	159.5	4.0

*Provisional

Investment

11.6. In 1975 the Industrial Development Bank and the Development Finance Company of Kenya continued to make significant contributions to the financing of large industrial projects; and a subsidiary of the Industrial and Commercial Development Corporation, the Kenya Industrial Estates,

registered further progress in promoting the development of small and medium industries. The Industrial Development Bank in its second full year of operations raised its total level of commitments to K£3.9 million. The actual amount disbursed in 1975 was K£1.5 million. During the year the Bank continued to diversify into different industrial sectors particularly textiles, chemicals and foodstuffs. The Development Finance Company of Kenya approved five new projects in 1975, involving an investment of K£562,500 in such diverse fields as the manufacture of matches, soaps, motor vehicles components and sanitary fittings. This raised its total commitments to K£1.6 million. The Kenya Industrial Estates has now established four estates for medium and small scale industries in four major towns, namely Nairobi, Nakuru, Kisumu and Mombasa. Nearly all the 53 units in the Nairobi estate and 20 of the 27 units in the Nakuru estate and 9 of the 25 units in the Kisumu estate were operational in 1975. These units are engaged in diversified types of production, such as textiles, furniture, plastic goods, footwear and metal products. None of the 26 units built in Mombasa was operating in 1975, though 9 units are expected to commence production within the year. The products to be manufactured will include textiles, chemicals, footwear and metal products. The establishment of the K£1.1 million industrial estate at Eldoret was delayed in 1975 and the construction work is expected to start during the year.

11.7. Such investment as detailed above which is sponsored by the parastatal bodies, and other investments in the larger enterprises in the manufacturing sector account for an increase of 47 per cent in value of imports of machinery and capital equipment in 1975. These offset the effects of credit restrictions in 1974, which affected investment in small and medium scale industrial enterprises in 1975. As a result the overall level of capital formation in the sector as a whole was maintained at a satisfactory level.

Individual Industries

11.8. *Food Processing.*—This group of industries in the manufacturing sector registered some recovery in the growth of output in 1975, when compared with its performance in 1974. The growth of 2.2 per cent in output was due largely to the sharp increase in production of canned fruits and vegetables following the expansion of capacity at a canning factory. There were also notable increases in the output of milled coffee, processed fish, and other miscellaneous foodstuffs. The output of other industries engaged in food processing, however, continued to decline as a result of the indifferent performance of the agricultural sector.

11.9. Output in meat processing declined further by 12.4 per cent in 1975 owing to a lower intake of beef cattle by the Kenya Meat Commission. Meat production at 11,393 tons had dropped to an equivalent of 40.7 per cent of the 1970 figure of 27,992 tons. Despite this poor performance, the level of exports of meat and meat preparations rose from 6,564 tons valued at K£4.5

million in 1974 to 8,123 tons valued at K£5.0 million in 1975. A larger proportion of the 1975 exports was of canned meat.

11.10. The output of processed dairy products also declined in 1975. Production fell by a further 6.0 per cent on account of a decline in the deliveries of milk to the Kenya Co-operative Creameries, as indicated in paragraphs 8.39 and 8.40. A substantial amount of investment has been injected in this industry in the last few years and plans have been announced to erect two more factories in Nairobi and Mombasa, respectively, at a total cost of K£4 million. When completed the plant in Nairobi will augment the capacity to process fresh milk by over 60 per cent while the new factory at Mombasa will raise butter production substantially.

11.11. As indicated above, production of canned fruits and vegetables increased significantly in 1975, rising by 63.9 per cent. Fruit and vegetable canning now accounts for 8.9 per cent of the total output of food processing industries compared with 4.0 per cent in 1969. The sharp rise in production is the outcome of the completion of an expansion programme costing K£3.5 million, initiated in 1972, to supply the export market for canned pineapples. As a result the exports of canned pineapples rose substantially from 8,663 tons valued at K£1.4 million in 1974 to 19,990 tons valued at K£3.6 million in 1975.

11.12. The rising trend of output of grain mill products since 1971 was interrupted in 1975 by a decrease in output at 4.3 per cent. The decline is due to a drop of 12.8 per cent in output of wheat flour, which more than offset the increase of 12.3 per cent in the output of maizemeal as shown in Table 11.2. Domestic demand for wheat flour fell by 16,612 tons in 1975, mainly due to high prices for wheat products. This is also reflected in the output of bakery products, which fell for the first time since 1964 by 3.7 per cent. Apparently the switch from wheat flour to maizemeal consumption is a reflection of the pressure on living standards following the high increases in consumer prices in 1974 and 1975.

PRODUCTION OF GRAIN MILL PRODUCTS, 1970-1975

Table 11.2

Year	Wheat Flour	Sifted Maizemeal	Rice	Broken Rice
	'000 tons	*'000 tons*	*'000 tons*	*'000 tons*
1970	127.9	80.0	—	—
1971	120.4	102.0	—	—
1972	116.5	102.5	17.3	2.1
1973	133.8	122.0	19.7	4.1
1974	128.1	160.5	20.6	2.7
1975*	111.7	180.3	21.0	1.7

*Provisional.

11.13. Potential developments in the grain milling and related industries include proposals to establish a new giant maize milling plant at Nakuru at a cost of K£1.7 million; a new biscuit factory in Nairobi at a cost of K£330,000 and the extension of an existing biscuit factory to cost K£800,000. There are also plans to build several grain silos at a total cost of K£260,000.

11.14. Production of sugar after recovering in 1973 and 1974 fell in 1975 mainly due to a drop in the deliveries of cane. However, despite this setback local production catered for approximately 81.7 per cent of the domestic consumption in 1975, compared with 73.1 per cent in 1974. This is due to a decline of 13 per cent in consumption of sugar from 224,646 tons in 1974 to 195,294 tons in 1975. Domestic demand was adversely affected by the rise of 45.8 per cent in the retail price of sugar that occurred in February, 1975. It is likely that domestic demand may be further restricted in 1976 by the recent increase in the retail price of sugar from K.Sh. 3/50 to K.Sh.4/50 per kilogram.

11.15. It is expected that within a few years the country will be self-sufficient in the production of sugar once two new factories become operational. An agreement was signed during the year for the establishment of a K£25 million sugar complex in Bungoma in Western Province. When completed this complex will initially produce 60,000 tons of white sugar per year with a possibility of further expansion to raise output to 90,000 tons. A second complex of a similar capacity is to be established at Awendo in South Nyanza. Preliminary survey work has just been finalized. Discussions are also underway to expand the production capacity of the sugar factory in Mumias from its present 75,000 tons to approximately 156,000 tons per annum. This project, it is estimated, will cost about K£30 million. With some of these investments being undertaken within the current plan period, the actual expenditure should be far in excess of the K£8.5 million included in the plan.

11.16. The rate of growth of other food processing industries including confectionery fell slightly in 1975. Output increased by 12.7 per cent compared with a growth of 14.6 per cent in 1974. The most important development in this group was the opening of the K£2.5 million cashewnut processing plant in Kilifi.

11.17. *Beverages and Tobacco.*—Table 11.3 details the changes in the production of beverages and tobacco. Growth in this group of industries was reduced significantly in 1975. Their output increased by only 1.9 per cent compared with an average growth rate of over 16 per cent per annum recorded between 1969 and 1974. Production of beer, which accounts for 58.4 per cent of the total output of the group, fell by 2.4 per cent in 1975 due to a reduction in domestic demand. It is presumed that this is mainly due to the price increases effected during the year. The production of cigarettes also declined for the same reason. In contrast, the output of mineral

waters, whose prices had remained stable during the year, rose by 23.9 per cent. This illustrates another example of substitution by cheaper alternative as a result of price increases. The rising level of demand has prompted further expansion in the manufacturing capacity for mineral waters. A new soft drinks plant is to be established in Nyeri at a total cost of K£545,000.

PRODUCTION OF BEVERAGES AND TOBACCO, 1970-1975

Table 11.3

	Spirits	Beer	Mineral waters	Cigarettes
	litres	'000 *litres*	'000 *litres*	*Million*
1970	180,441	79,533	31,429	2,426
1971	200,114	93,538	35,986	2,610
1972	278,496	104,825	38,501	2,709
1973	336,722	139,393	43,816	3,050
1974	355,255	157,633	53,371	3,608
1975	362,297	153,812	66,136	3,562

11.18. Textiles.—Growth in the output of this group recovered sharply despite the adverse economic climate prevailing in 1975. Overall production rose by 14.9 per cent compared with a fall of 0.4 per cent in 1974. Output of cordage, rope and twine rose by 38.8 per cent while production of ginned cotton increased by 7.4 per cent. Output of ginned cotton will be further increased, once the new ginnery under construction in Meru District becomes operational. It is estimated to cost K£500,000.

11.19. There was a very low rate of growth in output of the knitting mills. Growth in this sub-group was held back mainly by low level of demand because of the large quantities of knitwear imported in 1974. Imports of knitwear fell drastically from K£779,000 in 1974 to K£11,000 in 1975. As a result, sales of local output should pick up in 1976. The industry will benefit from the K£750,000 extension of a knitwear factory in Eldoret. This will enable the factory to process locally all its raw materials for making cardigans, sweaters and other garments.

11.20. Production in the spinning and weaving mills recorded an increase of 3.6 per cent in 1975. Local production of fabrics now caters for approximately 55 per cent of domestic demand. This proportion is expected to increase substantially with the commissioning of the K£6 million integrated textile mill at Nanyuki scheduled for 1976. Imports of yarn and thread of synthetic fibres and cotton woven fabrics fell significantly in 1975, and consequently over K£2 million was saved in foreign exchange.

11.21. Investment in the textile industry is increasing briskly. Construction work of the largest integrated textile mill in the country is already in progress at Eldoret. This mill is estimated to cost approximately K£12.5 million; it will

have a plant with 11,232 spindles and 276 automatic looms and a complete repair workshop. When completed it will use first grade cotton and have a capacity to produce 12.1 million sq. metres of printed and dyed fabrics a year.

11.22. *Footwear, Clothing and Canvas Goods*.—The poor trend in this industry in 1974 was reversed in 1975. A large increase of 19.6 per cent was recorded in the output of canvas goods and the clothing industry also registered an upward trend with a growth rate of 4.0 per cent. Production capacity in the clothing industry will be augmented significantly when the K£930,000 garment factory at Thika becomes operational. It will have the capacity to manufacture shirts, ladies underwear and children's clothing. The country's current production of shirts as a result will be trebled.

11.23. Rising domestic demand caused an increase in the output of footwear. Its production increased by 6.8 per cent in 1975; double the rate of growth realized in the previous year. One of the enterprises in this sub-group is planning to expand its production capacity from the current 300 pairs per day to 1,000 pairs per day at a cost of K£250,000.

11.24. *Wood Products and Furniture*.—The index for this industry, based on production of forest timber and domestic consumption of hardwood, maintained a strong upward trend and recorded a rise of 16.0 per cent in 1975. A new K£250,000 sawmill was opened during the year at Nyeri.

11.25. *Paper and Printing*.—The output of this industry was significantly influenced by the initiation of production of paper at Webuye. In its first full year of operations in 1975 the mill produced 25,087 tons of paper. It had, however, to content with marketing problems due to the existence of a large stock of imported paper. Local capacity now more than satisfies the domestic demand for machine-made papers excluding newsprint and other specialized types of paper. The paper mill at Webuye does not currently manufacture newsprint paper. Exports of paper and paper products, which amounted to K£4.0 million in 1974, fell to K£3.8 million in 1975 but could be boosted substantially by the opening of new markets in Kuwait, Iran, Pakistan and India. The industry as a whole registered an increase in its output of 20.4 per cent in 1975.

11.26. *Leather and Leather Products*.—Production in this industry fell sharply, declining by 24.0 per cent because of a fall in demand in export markets. Exports of dressed leather fell from 38,344 sq. metres worth K£107,946 in 1974 to only 11,148 sq. metres valued at K£30,004 in 1975. Exports of undressed leather, however, rose sharply from 118 tons worth K£177,417 in 1974 to 270 tons valued at K£341,498. A new tannery, which has been in the pipeline for about 4 years, is nearing completion at Athi River. The total cost of the tannery is expected to amount to K£550,000. When in full production it will have the capacity to treat 800 hides per day.

11.27. *Rubber and Rubber Products*.—The steep rise in prices of tyres as well as the large stock of imported tyres, effected the output of this commodity in 1975. Apparently there are still large stocks of imported tyres in the country despite a decrease of 88.2 per cent in the quantity imported in 1975. Imports of new motor vehicles tyres in 1974 had reached record levels with a total of 186,796 tyres worth K£2.3 million compared with 42,186 tyres valued at K£339,000 imported in 1973 and only 22,090 tyres worth K£404,000 imported in 1975. The local production of motor vehicles tyres fell by 50.9 per cent from 205,164 tyres in 1974 to 100,694 tyres in 1975.

11.28. *Chemicals and Chemical Products*.—The overall output of this group increased at only a very modest pace in 1974 and 1975, at rates well below the target average rate of 10.5 per cent laid down in the Development Plan, 1974-1978. Growth during this period was held back mainly by the declining trend in the production of soap, detergents, toothpaste and vegetable oil extracts as a result of the drop in exports of these commodities to Uganda. The 2.7 per cent increase in production in this industry in 1975 is mainly attributable to an increase of 16.3 per cent in the production of paints, prompted by rising demand in overseas export markets. This increase, however, had very little effect on the declining trend of exports from the sector. Exports of chemicals fell from K£21.2 million in 1974 to K£17.9 million in 1975, a decline of 15.6 per cent. This was due to a fall in the exports of soaps and toothpaste and wattle bark extract.

11.29. New investments in this group include the expansion of the pyrethrum extracting plant at Nakuru at a cost of K£700,000; the construction of a K£500,000 factory to manufacture water proofing materials, disinfectants and road sealers; the establishment of a new K£200,000 factory to manufacture infusion solutions for use in hospitals; and the completion of the K£200,000 Zinc Oxide plant in Nairobi with a production capacity of 1,000 tons per annum. Plans have also been announced for the construction of a new match factory to be built at a total cost of K£175,000 and of a K£140,000 soap factory.

11.30. *Petroleum*.—The performance of this industry is discussed in Chapter 10.

11.31. *Non-metalic Minerals*.—Production of this group rose by 7.2 per cent in 1975. Output of clay products went up by 34.4 per cent mainly because of new capacity brought on stream late in 1974, while the rising demand for glass products from Tanzania and Uganda induced a growth of 16.1 per cent in their output. Output of cement also went up though only moderately. As shown in Table 11.4 exports of cement rose by 3.8 per cent in 1975 to 550,500 tons while total production went up by 4.7 per cent to 897,100 tons.

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Table 11.4 CEMENT PRODUCTION AND UTILIZATION, 1970-1975 '000 *tons*

	PRODUCTION	IMPORTS		EXPORTS		CONSUMPTION AND STOCKS
		From Uganda and Tanzania	From Overseas	To Uganda and Tanzania	To Overseas	
1970	792.1	—	1.0	170.2	343.1	279.7
1971	794.0	–	42.1	149.2	331.7	355.2
1972	799.9	1.8	64.0	97.0	372.2	396.0
1973	792.2	0.2	16.8	16.2	432.7	360.3
1974	856.5	—	0.4	39.5	490.7	326.7
1975	897.1	—	0.2	38.7	511.8	346.8

11.32. The most significant development in this industry in 1975 was the commencement of the production at the motor vehicle windscreen plant in Nairobi. The plant was established at a cost of K£275,000 and is producing between 25 and 30 windscreens a day. However, when the plant goes into full production it will have the capacity to produce 75 windscreens a day. It is expected that this factory will be able to supply the three new motor vehicle assembly plants being established.

11.33. *Metal Products.*—Output of this industry declined by 0.7 per cent in 1975. The demand for several types of locally manufactured metal products was held back by over-stocking which occurred in 1974. Particularly affected was the production of rolled steel bars, rods, angles, shapes and sections, corrugated iron sheets and wire products. The decline in building activity in 1975 contributed further to the slowing down in growth in output of this sector. The most important development in this group is the establishment of a K£1 million wire drawing and galvanising plant at Ruiru with a production capacity of approximately 12,000 tons of galvanised wire per year. A new K£200,000 welding alloys factory was also set up in Nairobi in 1975.

11.34. *Transport Equipment.*—Growth in this industry was mainly held back by reduced activity in the motor vehicle body building works. Several new projects have been announced or were nearing completion in 1975. These will increase the productive capacity of this group significantly. Work is in progress on the K£2.8 million vehicle plant in Thika. This plant is expected to have an initial annual output of 3,650 vehicles and would provide employment to over 400 people. Two other agreements for the establishment of motor vehicle assembly plants were signed during the year. One plant to be established in Mombasa is estimated to cost K£3.5 million. It will have a capacity of assembling more than 5.000 vehicle units a year and will create employment for 500 people. The second plant with a capacity of producing 6,000 commercial vehicles is to be established in Nairobi and is estimated to cost K£5 million.

11.35. *Miscellaneous Manufacturing.*—The overall increase of 12.6 per cent in the output of miscellaneous manufactured goods in 1975 was mainly due to a rise in demand for plastic products.

CHAPTER 12—BUILDING AND CONSTRUCTION

Activity in the Building and Construction sector was reduced in 1975. Total employment in both the public and private sectors fell by about 10 per cent compared with a fall in the value of output in real terms of 6 per cent. Thus 1975 is the second consecutive year of stagnation in the industry. The much more severe fall in employment, than in output, is due to considerably higher proportion of the value of output being accounted for by special public capital intensive projects such as the new Nairobi Airport, and the extension to Mombasa Airport. The additional employment created by these projects was not sufficient to compensate for the decline in employment in other types of building activities, which are much more labour intensive.

12.2. The sharp rise in construction costs which occurred in 1974 as well as the restriction in the credit facilities were major factors in the decline of private sector activity in 1975. Central Government development expenditure excluding loans and investment actually rose by 30 per cent at current prices between 1974 and 1975 and at constant prices the increase was in the region of 10 per cent. While activity in building and road construction was reduced there was greater expenditure, in particular on water projects and on airport schemes.

12.3. The rise in construction costs has considerably moderated during 1975. This movement should help to promote activity in 1976. The volume of the work in the pipeline also raises the hope that 1976 will mark the beginning of the recovery by the construction sector. Several major projects were in progress at the beginning of 1976. These include the construction of the new Nairobi International Airport, the extension of the Mombasa Airport, the oil pipeline project, the construction of the Gitaru hydro-electric power station and the construction of several major water projects. These projects are not specifically discussed in detail in this chapter since they are covered in the respective sectoral chapters of the survey. These projects, along with the housing schemes now being implemented will, it is expected, enhance output of the building and construction sector in 1976.

Building and Construction Costs

12.4. Although construction costs continued to rise in 1975, the rate of increase as shown in Table 12.1 was slower than in 1974. The overall increase in construction costs in 1975 of 13.0 per cent is relatively modest compared with the 30.4 per cent increase recorded in 1974 and that of 20.1 per cent in 1973.

Table 12.1 PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES, 1973-1975

	MATERIALS			LABOUR			TOTAL		
	1973	1974	1975	1973	1974	1975	1973	1974	1975
Residential Buildings	16.6	33.7	17.0	9.7	12.9	11.61	14 9	28.9	15.9
Non-Residential Buildings	35.8	35.8	13.3	9.7	12.9	11.6	27.5	29.4	12.9
All Buildings	25.0	34.7	15.2	9.7	12.9	11.6	20.8	29.1	14.4
"Other" Construction	27.3	47.3	10 5	9 7	12.9	11.6	19.0	32.3	10.9
TOTAL COST INDEX. .	25.8	38.8	13.6	9 7	12 9	11.6	20.1	30.4	13.0

12.5. In 1975, the increases in the material costs were generally higher than those for labour inputs, except for the rate of increase in the cost of materials used for "other" construction which was marginally higher than the costs of labour inputs by just over 1 per cent. On the whole the cost index for residential buildings had the highest increase, rising by 15.9 per cent overall. This was mainly due to the influence of timber costs in the construction of residential buildings.

12.6. Nearly all items of inputs showed relatively modest price increases compared with those in 1974, except sand, which had registered a price increase of 7.2 per cent in 1974 compared with an increase of 50 per cent in 1975; and hardcore filling, which also went up by 50 per cent in 1975, compared with an increase of 5.4 per cent in 1974. The prices of some materials actually fell in 1975 because of overstocking and poor demand. These included items such as glass, electric cables and padlocks.

Completions

12.7. The value of all private building work carried out in the main towns, including new buildings constructed and extensions to existing buildings, is set out in Table 12.2. The 1975 figures are not yet fully comprehensive at this stage but they do indicate a decline in reported completions of about K£1 million or around 10 per cent compared with those in 1974. Even though the final figures are expected to be slightly higher when all the returns are received the value of completions will be lower than the value of completions in 1974, more so when measured in real terms.

THE VALUE OF ALL REPORTED PRIVATE BUILDING WORK COMPLETED IN MAIN TOWNS, 1970–1975

Table 12.2 *K£million*

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Others	Total
1970	8.40	1.24	0.16	0.06	0.04	—	0.01	—	9.91
1971	11.39	1.22	0.08	0.14	0.05	0.04	0.01	—	12.93
1972	9.88	2.72	0.16	0.18	—	—	0.06	0.06	13.06
1973	5.86	1.76	0.38	0.02	0.03	0.90	0.26	0.06	9.27
1974	7.20	2.47	0.24	0 01	—	0.14	0.11	0.03	10.20
1975*	7.31	1.58	0.01	—	—	0.04	—	—	8.94

*Provisional.

12.8. The private sector indicates a better performance in terms of numbers and value of completions of residential buildings when compared to non-residential buildings as shown in Table 12.3. The values for completions in Nairobi were boosted by the completion of construction of Utalii College, valued at K£1.2 million and the completion of another hotel valued at K£850,000.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS IN MAIN TOWNS. 1970-1975

Table 12.3

	NUMBER		ESTIMATED COST *K£ million*		
	Residential	Non-Residential	Residential	Non-Residential	Total
1970	470	131	3.92	4.98	8.90
1971	1,425	165	5.40	6.29	11.69
1972	1,855	148	6.64	5.13	11.77
1973	1,478	98	4.93	2.46	7.39
1974	1,252	85	6.85	2.63	9.48
1975*	1,077	54	6.69	1.46	8.15

*Provisional.

12.9. Completions of public buildings also indicate a decrease in 1975 in the volume of work on both residential and non-residential buildings, as shown in Table 12.4. The number of residential buildings completed fell from 1,281 units in 1974 to 491 units in 1975, although these completions in terms of value declined relatively marginally from K£2.5 million to K£2.4 million. The number of non-residential buildings completed also declined from 134 units valued at K£3.2 million in 1974 to 76 units valued at K£1.5 million in 1975.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS, 1970-1975

Table 12.4 K£'000

	NUMBER			COST			
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	Total**
1970	446	131	577	2,122.8	2,103.7	4,226.5	4,256.0
1971	521	108	629	2,115.1	1,179.5	3,294.6	3,848.0
1972	997	235	1,232	3,049.3	1.883.9	4,933.2	5,078.6
1973	722	101	823	1,834.5	1,964.5	3,798.9	3,898.2
1974	1,281	134	1,415	2,515.1	3,206.4	5,721.5	6,153.6
1975*	491	76	567	2,353.3	1,461.3	3,814.6	3,982.6

*Provisional.

**Including the value of extensions.

Plans approved

12.10. The value of private residential buildings plans approved by the Nairobi City Council fell in 1975 while that of plans for non-residential buildings rose substantially—more than counter-balancing the decline in the former. As shown in Table 12.5 the overall value of private building plans approved rose from K£16.75 million in 1974 to K£18.43 million in 1975. The increase of 10.0 per cent when compared with a rise of 14.4 per cent in building costs

over the same period would seem to confirm the point noted earlier that the volume of private building work in progress was lower in 1975 when compared with that in 1974. The bulk of the project work initiated in 1975 in the private sector is in non-residential buildings.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY THE NAIROBI CITY COUNCIL, 1970-1975

Table 12.5 *Estimated Cost K£'000*

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1970	8,284	6,240	14,523	2,368	1,815	4,183	18,705
1971	7,046	5,594	12,640	1,093	921	2,014	14,654
1972	6,464	6,104	12,568	406	3,639	4,045	16,614
1973	9,376	5,361	14,737	1,947	2,815	4,761	19,498
1974	11,204	5,547	16,751	1,325	2,333	3,658	20,410
1975	7,961	10,465	18,426	1,415	4,757	6,172	24,598
1973—							
1st Qr.	3,604	596	4,200	791	173	963	5,163
2nd Qr.	2,173	2,732	4,905	6	544	550	5,455
3rd Qr.	2,009	849	2,858	296	2,072	2,368	5,226
4th Qr.	1,590	1,184	2,774	854	26	880	3,654
1974—							
1st Qr.	3,001	1,588	4,589	661	793	1,454	6,043
2nd Qr.	3,296	1,450	4,746	538	1,134	1,672	6,418
3rd Qr.	—	—	—	—	—	—	—
4th Qr.	4,908	2,509	7,417	126	406	532	7,949
1975*—							
1st Qr.	3,308	2,723	6,031	353	1,699	2,052	8,083
2nd Qr.	1,525	1,328	2,853	43	1,394	1,437	4,290
3rd Qr.	1,591	4,422	6,013	31	683	714	6,727
4th Qr.	1,537	1,992	3,529	988	981	1,969	5,498
1976—							
1st Qr.*	1,354	884	2,238	202	1,660	1,862	4,100

*Provisional.

12.11. There was a substantial increase, however, in the value of public plans approved by Nairobi City Council. These rose from K£3.7 million in 1974 to K£6.2 million in 1975, an increase of 68.7 per cent. Allowing for building cost increases, this would suggest a rise of 47 per cent in volume of work. This large rise would offset the decline in private work at constant prices. The net result is a planned increase in building work of about 5 per cent in 1975 in volume terms while the value of all building work approved rose from K£20.4 million in 1974 to K£24.6 million in 1975, a rise of 20.5 per cent. As in the private sector, non-residential buildings dominated the building activity of the public sector, accounting for 77.1 per cent of public plans approved in 1975.

12.12. The details of plans approved by other municipalities excluding Nairobi are set out in Table 12.6. The value of private non-residential plans approved rose from K£4.4 million in 1974 to K£4.8 million in 1975, an increase of 8.7 per cent. The number and value of public plans approved in

other municipalities is generally relatively low except for 1974 when there was an upsurge in value of plan approvals for public residential buildings to a level of K£3.1 million.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY OTHER MUNICIPALITIES, 1972-1975

Table 12.6 — *Estimated Cost* K£'000

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1972	2,274	3,552	5,827	143	97	240	6,066
1973	2,576	4,433	7,009	196	2,005	2,201	9,210
1974	5,167	4,373	9,540	3,094	217	3,311	12,851
1975*	2,676	4,754	7,430	46	1,219	1,265	8,695
1972—							
1st Qr.	370	397	767	—	—	—	767
2nd Qr.	676	1,298	1,974		5	5	1,979
3rd Qr.	689	924	1,613	143	89	231	1,844
4th Qr.	539	934	1,473	—	3	3	1,476
1973—							
1st Qr.	712	392	1,104	1	1,857	1,858	2,962
2nd Qr.	732	1,016	1,749	1	35	36	1,785
3rd Qr.	534	1,836	2,370	190	86	276	2,646
4th Qr.	598	1,189	1,787	4	27	31	1,818
1974—							
1st Qr.	2,173	1,166	3,339	—	159	159	3,498
2nd Qr.	1,010	1,514	2,524	—	4	4	2,528
3rd Qr.	1,318	1,406	2,724	—	48	48	2,772
4th Qr.	663	786	1,449	3,094	5	3,099	4,548
1975*—							
1st Qr.	813	1,327	2,140	11	1,019	1,030	3,170
2nd Qr.	670	2,521	3,191	35	18	53	3,244
3rd Qr.	730	658	1,388	—	58	58	1,446
4th Qr.	463	248	711	—	124	124	835

*Provisional.

Housing and Housing Needs

12.13. Through public and private investments most major towns have seen a steady growth in housing development in the last few years. But the development has not kept pace with the rapid growth in urban population. This is particularly true in Nairobi where it is estimated that new housing in the region of 10,000 units a year is required to ease the current shortage while only approximately 1,000 units a year, as shown in Table 12.9, are being built to cater for this requirement.

12.14. The Government is now giving much greater emphasis to the construction of houses for people with low incomes. This is apparent from the plans for the new houses to be built in Nairobi and other urban centres. The Nairobi City Council, with assistance from the World Bank and the Government, has embarked on an ambitious low-cost site and service housing scheme at Dandora. This project, which will provide approximately 6,000 units with water and sewer connexions, is estimated to cost approximately K£10 million. Another low-cost middle-income housing project consisting of 2,650 units

ranging from one-bedroomed to three-bedroomed houses will be built between the Outer Ring Road and Dandora for approximately K£3.6 million. Work on this USAID sponsored project is already in hand and 500 foundations have been laid.

12.15. The value of houses completed, and the number of units built under the auspices of the National Housing Corporation, are shown in Table 12.7. The overall number of units completed rose by 14.6 per cent in 1975 to 1,651, and the total cost of units completed was K£2.9 million. The number of units in Nairobi, which as a matter of policy is now receiving less emphasis, continued to decline, falling by over 60 per cent to 166 in 1975. The bulk of the units completed were in Rift Valley and Western provinces where 697 and 350 units respectively were built in 1975.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1970-1975

Table 12.7

	1970	1971	1972	1973	1974	1975
Units Completed						
PROVINCE—						
Central	220	–	6	12	168	232
Coast	174	208	589	267	300	20
Eastern	50	–	16	34	71	79
Nairobi	1,341	1,290	1,505	477	432	166
North Eastern		8	26	6	–	–
Nyanza	4	20	42	68	25	107
Western	85	34	–	226	32	350
Rift Valley	192	177	313	153	413	697
TOTAL	2,066	1,737	2,497	1,243	1,441	1,651
Value of Units Completed K£'000						
Central	337		6	37	184	651
Coast	179	198	1,119	486	290	36
Eastern	60	–	16	44	88	118
Nairobi	1,617	1,526	3,042	899	1,396	582
North Eastern	—	14	29	13	–	–
Nyanza	30	17	44	77	41	273
Western	147	117	169	89	408	812
Rift Valley	72	30	–	500	47	410
TOTAL	2,442	1,902	4,425	2,145	2,454	2,882
No. of Sites and Service Plots Completed						
TOTAL*	169	1,465	2,100	96	—	363

*Mainly in Central Province and Nairobi.

12.16. The most noteworthy of the projects completed by the National Housing Corporation were the 147 units valued at K£382,000 built in Kibera, Nairobi; 312 rental units valued at K£399,000 built in Kaloleni, Nakuru; 266 rental units valued at K£202,000 built in Eldoret; and 300 rental units valued at K£345,000 built in Webuye, Western Province. The Eldoret and Nakuru houses are low/middle-income houses with rental values of K.Sh. 145 and K.Sh. 195 per month respectively.

12.17. Increasing resources are being allocated to the provision of housing for civil servants by the Government. This indication is given in Table 12.8 which shows the number and value of housing units built under the auspices of the Ministry of Works since 1969/70. During 1974/75 the number and value of institutional housing units completed increased substantially while the number and value of pool housing units declined significantly. The most significant pool housing scheme completed in 1975 was the nine storey high rise block of 48 flats built in Nairobi at a cost of K£390,000. There are plans to construct a further 500 pool housing units in Kileleshwa, Nairobi, by 1977. The details on institutional and pool housing units discussed above do not include the mortgage houses for civil servants built under the supervision of Ministry of Works. In 1975, 108 such units were completed on the Race Course Road, Nairobi, at a total cost of K£763,200. One disturbing feature of the data given in Table 12.8 is the very large increase in the average cost per unit completed particularly since 1972/73. The average cost has jumped from K£1,977 in 1972/73 to K£3,812 in 1974/75.

MINISTRY OF WORKS HOUSING CONSTRUCTION, 1969/70-1974/75

Table 12.8

	INSTITUTIONAL HOUSING*			POOL HOUSING**		
	Units Built	Cost *K£'000*	Cost per Unit *K£*	Units Built	Cost *K£'000*	Cost per Unit *K£*
1969/70	482	5150	1,068	19	45.7	2,407
1970/71	885	1,198.8	1,355	77	172.2	2,237
1971/72	520	807.8	1,553	52	140.1	2,694
1972/73	861	1,493.7	1,735	185	574.2	3,104
1973/74	353	769.1	2,179	212	386.2	1,822
1974/75	574	2,106.9	3,670	54	287.2	5,318

*For specific ministries.
**For general civil service use.

12.18. There was a decline in the number of new private houses built in 1975 mainly due to the rise in building costs and the subsequent shortage of mortgage finance. A total of 1,077 residential units were completed at a cost of K£6.7 million in 1975, as stated in Table 12.3, compared with totals of 1,478 and 1,252 units in 1973 and 1974 respectively. Although the private sector and other agencies now fill the gap left by National Housing Corpora-

tion in Nairobi, much of the private building activity caters for people in the middle and upper incomes. This is brought out in Table 12.9, which indicates that over 80 per cent of the total number of units completed in 1975 had 4 or more rooms.

Table 12.9 ANALYSIS OF REPORTED NEW RESIDENTIAL BUILDINGS—NAIROBI, 1970-1975

Years	NUMBER OF HABITABLE ROOMS*						TOTAL NO. OF DWELLING UNITS
	1	2	3	4	5	6 or more	
1970	6	83	385	145	146	137	902
1971	2	171	262	403	177	148	1,163
1972	4	236	286	558	106	208	1,397
1973	1	162	121	555	101	121	1,061
1974		141	96	314	202	253	1,006
1975	15	74	92	377	182	268	1,008

Road Construction

12.19. Total expenditure by Ministry of Works on the construction of new roads and maintenance of existing roads is expected to be 2.4 per cent higher in 1975/76 than in 1974/75 as shown in Table 12.10. This amount, however, is nonetheless lower than the amount spent in 1973/74 by 1 per cent. In real terms, the expenditure for 1975/76 of K£26.4 million represents a net decline in the level of construction activity, since civil engineering costs rose by approximately 7 per cent in the first seven months of the current financial year, 1975/76.

TOTAL EXPENDITURE ON ROADS, 1973/74-1975/76

Table 12.10 K£'000

	1973/74	1974/75	1975/76*
DEVELOPMENT			
Trunk Roads	7,340.3	5,083.5	5,906.0
Primary Roads	5,678.3	3,961.2	4,009.0
Secondary Roads	499.5	1,786.1	1,499.0
Minor	3,056.7	390.3	30.0
Unclassified	692.2	4,212.6	1,433.0
Miscellaneous	1,300.3	1,657.1	4,024.0**
Implementation of road maintenance organization	1,110.6	1,355.0	500.0
TOTAL	19,677.9	18,445.8	17,401.0
RECURRENT (maintenance and repair)	6,944.8	7,299.6	8,955.0
TOTAL	26,622.7	25,745.4	26.356.0

*Provisional.

**Includes rural access roads and the use of private consultants.

12.20. Capital expenditure on new roads has been declining in the last three years as a matter of policy. In the current financial year, it is expected to decline even further to K£17.4 million, a decrease of about 12.0 per cent since 1972/73. This is in line with the objectives and priorities set out in the current development plan. Significant features of the capital expenditure on new roads are the high priority now being given to new access roads in rural areas and the use of the direct labour in construction of the roads. Further details on expenditure on construction of new roads and maintenance of existing roads are set out in Table 12.10.

12.21. The growth in the expenditure on maintenance of existing roads of 22.7 per cent in 1975/76 is related to the size of the road network in the country. Maintenance expenditure now accounts for 35 per cent of total expenditure while 45 per cent of the total maintenance expenditure goes on the upkeep of the major roads.

12.22. The classification, length and cost of new roads completed in 1975 is shown in Table 12.11. A total of K£7.2 million was spent on the construction of these new roads in 1975, covering a distance of 459 kilometres. There was a substantial drop in the length and cost of roads completed to bitumen standard in 1975. Four major roads were completed to bitumen standard in 1975. These are: Kapsabet-Chavakali road, a distance of 48 kilometres completed at a cost of K£1.4 million; Nanyuki-Timau road, a distance of 22 kilometres rebuilt at a cost of K£1.0 million; Murang'a-Othaya road, a distance of 35 kilometres, built at a cost of K£800,000; and the Mazeras-Kaloleni road, a distance of 22 kilometres, built at a cost of K£775,000.

12.23. During the year, two new loan agreements were signed: the first with the African Development Bank, which will advance approximately K£1.3 million for the construction of the Kitale-Kapenguria road; and the second with the Japanese Overseas Economic Co-operation Department, which will advance K£6.8 million for the construction of a new six-lane bridge across Tudor Creek in Mombasa to replace the current narrow pontoon Nyali bridge. This new bridge will spread over 3 spans of 90,150 and 90 metres and is expected to be completed in 1980. When in use it will ease the current traffic congestion and promote further industrial and tourist development at the Coast north of Mombasa.

12.24. The Ministry of Works also undertakes the financing of roads in the special rural development programme. During the year, a total of K£125,000 was spent on construction of these roads covering a distance of 150 kilometres. However, this programme is now being phased out and a new country wide rural access roads programme has been launched. The programme lays emphasis on the use of direct labour for road construction deploying labour intensive techniques. In 1975, a total of 60 kilometres of such roads was constructed at a cost of K£232,000, giving employment to 650 people.

12.25. There are indications that activity in this sector may begin to pick up again in 1976. This is borne out in Table 12.11 which sets out details on the projects initiated in 1975. All the five new projects involve construction of roads to bitumen standard at a total cost of K£11.8 million. The most noteworthy of these projects are the Nyeri–Nyahururu road, a distance of 55.2 kilometres to cost K£2.6 million; and the four carriage way London road–Nairobi Airport road, a distance of 19 kilometres to cost K£1.9 million.

MINISTRY OF WORKS—ROADS COMPLETED, STARTED AND IN PROGRESS, 1975

Table 12.11

	BITUMEN		GRAVEL	
	Length *Km.*	Value K£'000	Length *Km.*	Value K£'000
ROADS COMPLETED				
Trunk Roads	22	1,049	—	—
Primary Roads..	70	2,190	22	1,100
Secondary Roads	17	660	—	—
Tea and Sugar Roads	29	—	299	2,248
TOTAL 1975	138	3,899	321	3,348
TOTAL 1974	267	6,860	338	—
ROADS STARTED				
Trunk Roads	124	6,324	—	—
Primary Roads	125	5,476	—	—
TOTAL 1975	249	11,800	—	—
TOTAL 1974	104	5,601	88	900
WORK IN PROGRESS				
Trunk Roads	69	2,816	—	—
Primary Roads	14	104	—	—
Secondary Roads	27	1,356	—	—
Tea Roads	77	—	440	5,234
Bridges etc.	—	895	—	—
TOTAL 1975	187	5,172	440	5,234
TOTAL 1974	385	6,000	522	6,284

12.26. The details of work still in progress are also set out in this table. Although this is lower than the volume of such work in 1974, it is expected that because of the high level of work started in 1975, construction activity will now show a revival. Of the eight projects still in progress in 1975, the most important ones were the 12 kilometre dual carriage way from Nairobi Airport turn-off to Athi River turn-off and a Weighbridge station both to cost a total of K£1 million; the Kagumo–Kiriaini road, a distance of 41 kilometres, to cost approximately K£1.5 million; and the Gucha River–Sotik road, a distance of 43 kilometres, to cost K£1.1 million.

CHAPTER 13—TOURISM

Rising transport costs and severe recessions in the tourist generating countries have affected the growth of international tourism. Under the circumstances, the fact that tourism in Kenya grew moderately in 1975 represents a considerable achievement even though overall progress fell below the 1974–1978 Development Plan targets. The number of visitors to Kenya increased by 5 per cent while visitor days grew by 12.5 per cent from 4.41 million in 1974 to 4.96 million in 1975, mainly as a result of the large increase in numbers of visitors staying for more than a month in the country. The number of total bed-nights spent in hotels rose by 7.8 per cent while bed capacity increased by 2.7 per cent, so that the bed occupancy rate rose from 46.5 per cent in 1974 to 48.8 per cent in 1975. Planned and actual bed occupancy figures are detailed in Table 13.1.

BED OCCUPANCY PLANNED AND ACHIEVED, 1972 AND 1975

Table 13.1 '000 *Bed-Nights*

	DEVELOPMENT PLAN PROJECTIONS		ACTUAL BEDS OCCUPIED	
	1972	1975	1972	1975
E.A. Residents	958	1,141	757	1,060
Foreign Residents	1,557	2,759	1,718	2,149
TOTAL...	2,515	3,900	2,475	3,209

13.2. While "holiday" travel in 1975 grew more slowly than "business" travel, there was in fact an increase of 11.9 per cent in the total days spent in Kenya by visitors on holiday as shown in Table 13.5. Arrival and departure statistics by purpose of visit are given in Table 13.2. The statistics on arrivals indicate increases of 5 per cent and 14 per cent, respectively, in the number of visitors on "holiday" and "business". Visits by persons in transit fell by 4 per cent. However, departure figures yield a somewhat different pattern. The number of "holiday" visitors fell marginally, while the number of "business" and transit visitors rose by 6 per cent and 16 per cent, respectively. Differences between arrival and departure statistics arise because of timing factors and to some extent because visitors report their category differently on arrival and departure.

13.3. Estimated tourist expenditure in 1975 rose by 26 per cent from K£26.5 million in 1974 to K£33.4 million in 1975. Estimated expenditure includes an element of pre-payments and excludes specific payment of air-fares. The faster growth in tourist expenditure than in the number of visitor days reflects the effects of rising prices; in real terms tourist expenditure actually rose only marginally.

ARRIVING AND DEPARTING VISITORS BY PURPOSE OF VISIT, 1973-1975 '000

Table 13.2

Quarter/Purpose		Arrivals			Departures		
		1973	1974	1975	1973	1974	1975
1st Qr.	Holiday	76.2	80.9	85.6	86.0	96.4	97.6
	Business	11.1	13.3	13.5	10.6	10.4	10.0
	Transit	14.6	14.4	12.4	9.4	6.5	5.3
	TOTAL	101.9	108.6	111.5	106.1	113.3	112.9
2nd Qr.	Holiday	56.8	53.7	46.3	60.2	59.1	56.0
	Business	11.4	13.2	13.8	11.0	10.9	10.6
	Transit	13.2	15.7	12.5	8.6	7.7	6.8
	TOTAL	81.4	82.6	72.7	79.8	77.6	73.4
3rd Qr.	Holiday	76.3	74.9	80.9	87.1	83.9	83.1
	Business	13.7	15.3	14.9	11.2	10.7	11.3
	Transit	16.5	14.6	15.5	9.5	7.4	9.5
	TOTAL	106.5	104.7	111.2	107.7	101.9	103.9
4th Qr.	Holiday	82.2	67.2	78.2	75.7	70.8	73.5
	Business	12.1	12.2	19.3	10.9	11.5	14.0
	Transit	13.5	12.3	14.2	7.9	4.3	8.4
	TOTAL	107.9	91.7	111.6	94.5	86.7	95.9
Year	Holiday	291.6	276.7	290.9	309.0	310.3	310.2
	Business	48.3	53.9	61.5	43.7	43.4	45.9
	Transit	57.9	56.9	54.6	35.4	25.9	30.0
	TOTAL	397.7	387.5	407.0	388.1	379.6	386.1

13.4. Tourism appears to have taken a significant upward trend in 1976. In the first two months of the year total visitor arrivals increased by 18.3 per cent and departures by 16.8 per cent. For persons declaring themselves as on "holiday" the increases were 18.2 per cent and 12.9 per cent, respectively.

Visitors and Visitor Days

13.5. Table 13.3 details visitor departures by country of residence of the visitor. The number of persons from Europe increased for all categories of visitors in 1975, though the increase in the number of "holiday" visitors was slower in 1975 than in 1974—5.2 per cent in 1975 compared with 6.0 per cent in 1974; the number of "business" and transit visitors rose by 12.6 per cent and 16 per cent, respectively. There were also more visitors from Asia and Australasia. Conversely the number of visitors from North America continued to fall from 58.100 in 1973 to 51,300 in 1975, although as shown later in Table 13.5 the average stay was longer in 1975 than in the earlier years. Hence the number of total visitor days in respect of visitors from

North America was higher in 1975 than in 1973. The fall in visitors from Tanzania which has been reflected in the travel statistics since 1972 continued in 1975 when Kenya received 60,600 visitors from that country compared with 77,800 in 1973.

Table 13.3 VISITOR DEPARTURES BY COUNTRY OF RESIDENCE, 1973-1975 '000

	Holiday Visitors			All Visitors*		
	1973	1974	1975	1973	1974	1975
United Kingdom	38.3	36.8	39.3	49.0	45.8	49.6
West Germany	32.2	31.6	36.8	36.3	34.9	40.4
Italy	13.5	16.2	16.2	15.8	18.4	18.1
France	9.0	9.2	9.6	10.5	10.5	11.2
Switzerland	17.7	19.7	19.1	19.2	21.0	20.8
Other Europe	22.8	27.9	27.7	27.8	31.9	32.6
TOTAL EUROPE	133.5	141.4	148.7	158.6	162.5	172.6
United States	45.4	41.5	39.0	52.0	46.4	44.1
Canada	5.1	5.5	6.1	6.1	6.4	7.2
TOTAL N. AMERICA. .	50.5	47.0	45.1	58.1	52.8	51.3
TOTAL ASIA	15.0	16.3	16.8	21.5	21.9	23.2
Uganda	14.1	18.5	18.2	23.3	27.6	27.5
Tanzania	63.1	51.4	47.5	77.8	65.3	60.6
Zambia	7.8	8.6	6.8	12.3	12.8	11.2
Other Africa	19.5	20.8	20.8	29.7	29.3	31.8
TOTAL AFRICA	104.5	99.3	93.2	143.0	135.0	131.1
TOTAL OTHER	5.5	6.3	6.5	6.9	7.4	7.9
GRAND TOTAL	309.0	310.3	310.2	388.1	379.6	386.1

*Includes business visitors and persons in transit.

13.6. A summary of visitor departures by mode of travel from 1971 to 1975 is given in Table 13.4. Departures by air rose by 3.4 per cent to 311,600 and this method of travel accounted for 81 per cent of total departures in 1975. Visitor departures by sea continued to decline, from 72,700 in 1974 to 71,800 in 1975. The high proportion of departures by air reflects the continuing increase in the share of visits by non-East African residents, the decline in East African tourism, and the declining importance of sea travel. The latter has been affected to some extent by Mombasa's loss of bunkerage shipping traffic following the re-opening of the Suez Canal in June, 1975.

Table 13.4 VISITOR DEPARTURES BY METHOD OF TRAVEL, 1971-1975 *'000*

	1971	1972	1973	1974	1975
Air	257.8	285.9	297.6	301.5	311.6
Sea	16.1	7.9	4.2	2.6	2.0
Road	117.3	128.7	84.0	72.7	71.8
Lake		1.7	1.8	1.8	0.6
Rail	8.5	4.2	0.6	1.0	0.1
TOTAL	399.7	428.4	388.1	379.6	386.1

13.7. Details on the total visitor days and average length of stay are set out in Table 13.5. Total visitor days increased from 4.41 million in 1974 to 4.96 million in 1975, while the overall average length of stay increased from 11.6 days to 12.9 days. Non-East African residents stayed on average 13.7 days; among this group residents of U.K. and Asia stayed the longest. East African residents stayed on average 10.1 days.

Table 13.5 TOTAL STAY OF DEPARTING VISITORS AND AVERAGE LENGTH OF VISIT, 1971-1975

Length of Stay	1971	1972	1973	1974	1975
	Total Stay—'000 *Days*				
0-14 Days	1,737	1,940	1,763	1,966	1,864
15-28 Days	873	1,001	1,033	1,057	1,229
Over 28 Days	1,124	1,827	1,639	1,383	1,871
TOTAL	3,734	4,768	4,435	4,406	4,963
	Average Length of Stay—*Days*				
0-14 Days	5.2	5.5	5.6	6.5	6.3
15-28 Days	19.7	19.8	19.9	19.9	20.2
Over 28 Days	55.7	71.1	64.2	61.7	68.2
TOTAI	9.3	11.1	11.4	11.6	12.9
	Total Stay by Originating Areas—'000 *Days*				
East Africa	1,109	1,350	991	961	893
Other Africa	271	341	411	411	425
United Kingdom	644	793	762	679	850
West Germany	373	493	442	444	585
Other Europe	543	738	803	975	1,081
North America	494	715	690	594	702
Asia	241	262	262	256	328
All Other	59	75	74	86	99
TOTAL	3,734	4,768	4,435	4,406	4,963
	Total Stay by Purpose of Visit—'000 *Days*				
Holiday	3,200	4,287	3,951	3,918	4,383
Business	454	409	423	440	530
Transit	80	72	61	48	49

13.8. The margin of seasonal variation among visitors as measured by the low/high season ratio was reduced, in 1975 the 2nd Quarter/1st Quarter ratio measured 100:157 as compared with a similar ratio of 100:168 in 1974. The most creditable improvement occurred in the ratio of guest nights spent in beach hotels, where the May/December ratio improved considerably from 100:495 in 1974 to 100:289 in 1975. At last efforts to improve low season traffic are beginning to have some impact.

Hotel Occupancy

13.9. Hotel occupancy statistics for the five years are summarized in Table 13.6. The improvement in the bed occupancy rate has already been noted. Although increases were recorded in all categories of occupants, non-East African residents staying less than one month recorded the only creditable increase of 10 per cent, thereby slightly raising their share of total bed-nights to 67 per cent in 1975. This category of visitor has increased continuously since 1969 the number of nights spents in hotels. From 1969 to 1975 the overall growth rate has been 145 per cent, equal to an average of more than 17 per cent a year. However, growth during the last 3 years has been dis-appointing.

Table 13.6 HOTEL BED OCCUPANCY, 1971-1975 '000 *Bed-Nights*

	1971	1972	1973	1974	1975
Permanent occupants*	217	190	347	333	339
Kenya Residents	441	469	505	553	579
Residents of Uganda and Tanzania	103	98	136	141	142
Foreign Residents	1,432	1,718	1,795	1,952	2,149
TOTAL BEDS OCCUPIED	2,193	2,475	2,784	2,979	3,209
TOTAL BEDS AVAILABLE	4,215	4,980	5,854	6,414	6,584
Bed Occupancy Rate *per cent*	52.1	49.7	46.5	4.65	48.8

*Persons staying one month or more in one hotel—includes some block bookings for airc

13.10. Tables 13.7 and 13.8 are based on the occupancy figures in Table 13.6 and detail the distribution of hotel nights spent in various areas of Kenya by East African residents—including Kenya residents and "permanent occupants", and foreign residents. For the first time coastal hotels have surpassed Nairobi in total occupancy. In 1975 they accounted for 43 per cent of total occupancy compared with 41 per cent for Nairobi. With the opening of the Mombasa Airport to larger aircraft in December. 1975, tour operators will now be able to fly in foreign tourists and the coast stands poised to attain a larger growth in tourist traffic.

HOTEL BEDS OCCUPIED BY AREA, 1970-1975

Table 13.7 '000 *Bed-Nights*

	1970	1971	1972	1973	1974	1975
Nairobi—High Class	371.5	430.5	481.6	543.2	557.4	572.1
Other	508.2	557.7	625.6	759.7	746.7	753.9
Coastal —Beach	517.1	627.6	763.2	812.5	950.9	1,149.4
Other	179.6	187.8	169.7	195.9	222.7	222.2
Coast Hinterland	67.3	81.4	96.7	100.6	102.6	104.8
Masailand	71.8	86.1	100.1	116.9	123.6	130.0
Central	138.6	165.3	179.9	191.1	210.8	207.4
Other_	50.3	56.0	58.5	64.0	64.4	69.1
TOTAL	1,904.3	2,192.5	2,475.0	2,783.8	2,979.0	3,208.8
Of which:—						
Foreigners	1,148.3	1,431.9	1,717.7	1,795.5	1,952.0	2,148.9
E.A. Residents*	756.1	760.5	757.3	988.4	1,027.1	1,060.0
TOTAL BEDS AVAILABLE	3,881.9	4,215.3	4,979.6	5,853.6	6,414.2	6,584.3
Occupancy rate (%)	49.1	52.1	49.7	47.6	46.5	48.8

*Includes all persons staying one month or more in one hotel.

13.11. The growth in total hotel capacity in 1975 was distributed unevenly among the tourist zones. Capacity of Nairobi and beach hotels grew by 3 and 5 per cent respectively and marginal increases were recorded in the capacity of hotels in the coast hinterland. Masailand, Nyanza, Central Province, and Northern circuits.

13.12. Table 13.9 sets out hotel nights by country of residence of visitors. The highest number of bed-nights stayed were registered by visitors grouped as from "Other Europe" which includes Switzerland and Italy, followed by Kenya residents, and visitors from West Germany and U.K. Zonal distributions indicate a marked preference for the "coast" by visitors from "Other Europe" and West Germany while visitors from North America prefer the Nairobi and other up-country circuits. The proportion of U.K. residents going to the coast also, was higher in 1975 than in previous years. Domestic tourism as shown by increased bed-nights stayed in hotels by Kenya residents continued to grow, but such growth was confined to Nairobi and up-country hotels.

13.13. A significant swing has occurred in the proportion of total visitors' time spent in hotels. West Germans spent 82 per cent of their stay in hotels in 1975 compared with 99 per cent in 1974: North Americans 45 per cent compared with 57 per cent in 1974: and U.K. visitors maintained their proportion at 46 per cent in 1975. Nights not spent at hotels would be spent camping and staying in private homes. It is also presumed that a growing proportion of visitors are staying at small hotels not covered by the regular hotel surveys.

HOTEL ROOM AND BED AVAILABILITY AND OCCUPANCY RATES, BY AREA, 1971-1975

Table 13.8

	NAIROBI		COASTAL			OTHER					All Hotels
	High Class	Other	Beach	Mombasa Island	Coast Hinter-land	Masai land	Nyanza Basin	Western	Central	Northern	
1971—											
Rooms available—*'000 nights*	389	609	537	189	84	93	64	34	263	13	2,275
Occupancy rate—*per cent*	82	66	65	69	54	52	52	35	42	17	64
Beds available—'000 *nights*	716	**1,028**	1,067	349	195	192	118	55	472	25	4,215
Occupancy rate—*per cent*	60	54	59	54	42	45	32	27	35	15	52
1972—											
Rooms available—'000 *nights*	441	713	748	204	87	94	63	36	272	17	2,675
Occupancy rate—*per cent*	79	64	56	59	60	60	47	40	42	23	60
Beds available—*'000 nights*	802	1,213	1,493	379	202	199	118	59	483	32	4,980
Occupancy rate—*per cent*	60	52	51	45	48	50	29	30	37	19	50
1973—											
Rooms available—*'000 nights*	569	794	849	236	127	123	62	36	302	24	3,123
Occupancy rate—*per cent*	72	**66**	53	**61**	43	54	51	38	40	19	58
Beds available—*'000 nights*	1,063	1,381	1,677	443	280	252	115	58	544	41	5,855
Occupancy rate—*per cent*	51	55	48	44	36	46	34	29	35	18	48
1974—											
Rooms available—'000 *nights* ..	581	861	**1.008**	270	129	137	68	43	317	16	3,430
Occupancy rate—*per cent*	71	**61**	53	61	43	51	51	33	43	21	57
Beds available—'000 *nights*	1,093	1,488	1,995	498	279	280	119	61	570	31	6,414
Occupancy rate—*per cent*	51	50	48	45	37	44	36	27	37	19	46
1975—											
Rooms available—'000 *nights*	579	885	1,058	260	135	140	69	39	320	20	3,505
Occupancy rate—*per cent*	73	60	60	62	42	52	54	36	41	21	59
Beds available—*'000 nights*	1.092	1,564	2,093	473	284	283	120	57	578	39	6.584
Occupancy rate—*per cent*	52	48	55	47	37	46	38	29	36	17	49

HOTEL GUEST-NIGHTS BY COUNTRY OF RESIDENCE, 1975

Table 13.9 '000 *Bed-Nights*

Country of Residence	Nairobi	Coast	Game Lodges	Other	Total
Kenya	178.5	245.9	55.1	99.2	578.6
Uganda	69.9	10.6	0.2	1.5	82.2
Tanzania	39.3	18.5	0.5	1.5	59.7
Other Africa	75.2	23.2	1.5	2.3	102.1
United Kingdom	163.9	178.8	26.8	22.1	391.6
West Germany	75.0	362.5	30.1	12.1	479.7
Scandinavia	47.1	49.1	9.2	6.5	111.9
Other Europe	148.6	340.3	59.6	37.1	585.7
North America	178.6	40.0	57.8	41.1	317.5
Asia	48-3	10.1	4.4	1.9	64.6
All Other	54.7	31.1	3.4	6.5	95.7
Permanent Occupants	247.0	61 6	4.3	26.4	339 4
TOTAL	1,326.0	1,371.6	252.9	258.3	3,208.8

13.14. Occupancy statistics on game lodges are shown separately in Table 13.10. Although the number of bed-nights spent in game lodges by foreign residents fell by 7 per cent, this decline was more than compensated for by a dramatic rise in popularity of these lodges with East African residents., whose number of bed-nights rose by 35 per cent.

GAME LODGE* OCCUPANCY, 1973-1975

Table 13.10

LODGE LOCATION/ TYPE.	BIDS OCCUPIED '000 *Nights*						BED OCCUPANCY RATE *Percentage*		
	E.A. Residents			Foreign Residents					
	1973	1974	1975	1973	1974	1975	1973	1974	1975
National Parks	23.4	28.4	37.3	94 0	89.6	72.8	45.4	45.1	41.0
Game Reserves	14 0	16.0	22.8	108 3	118.2	120.0	52.2	50 0	53.9
TOTAL	37.4	44.4	60.1	202.4	207.8	192.8	48.6	47.6	47.4
Full Catering	22.7	29.2	44.1	200.5	205.4	190.4	49.1	50.0	47.6
Self-Service	14.8	15.2	15 9	1.9	2.4	2.4	43.6	42.7	44.9

*Lodges in National Parks and Game Reserves only.

Visits to Game Reserves, National Parks and Other Attractions

13.15. The total number of visitors to national parks and wildlife areas, as shown in Table 13.11, was 7 per cent higher in 1975 than in 1974. The main attractions were Nairobi, Tsavo, Nakuru and Amboseli parks. Visits to museums and the Snake Park are summarized in Table 13.12. The number of total visitors to these attractions increased by 3.2 per cent, with fairly significant growth being recorded at the Snake Park and Fort Jesus, and a fall in the numbers visiting the National Museum.

TOTAL NUMBER OF VISITORS TO NATIONAL PARKS, 1971-1975

Table 13.11 *Numbers*

	1971	1972	1973	1974	1975
Aberdare	39,681	40,926	42,222	39,973	43,798
Amboseli	—	—			82,641
Kisite Mpunguti	—	—	—	—	596
Lake Nakuru	59,059	79,563	98,447	95,067	78,470
Marine	26,677	33,369	30,160	35,777	34,609
Marsabit	—	—			4,413
Meru	5,514	7,957	15,671	21,418	22,393
Mt. Elgon	1,398	3,792	4,216	3,989	2,414
Mt. Kenya	5,152	6,064	6,924	8,151	8,600
Nairobi	177,869	197,013	277,359	159,263	132,387
Shimba Hills	8,249	10,237	10,018	11,119	9,999
Tsavo (East)	47,042	57,598	64,280	64,758	68,133
Tsavo (West)	71,181	85,691	92,018	91,627	79,567
TOTAL	441,822	522,210	641,315	531,142	568,020

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1971-1975

Table 13.12 *Numbers*

	1971	1972	1973	1974	1975
National Museum	131,008	146,490	151,819	140,670	124,545
Lamu Museum	—	3,835	5,502	5,545	6,066
Snake Park	73,049	86,187	89,991	86,681	93,168
Fort Jesus	65,489	69,184	71,306	77,759	93,186
Gedi	21,353	23,726	24,570	28,444	30,876
Olorgesailie	3,012	6,157	3,597	2,593	4,487
Kariandusi	1,374	2,963	1,967	2,554	3,240
Hyrax Hill	1,217	3,249	1,640	2,022	1,284
Jumba la Mtwana		—	79	1,588	2,339
TOTAL	296,502	341,791	350,471	347,856	359,191

Development of Tourism

13.16. The economic recession of 1974 and 1975 dealt a severe blow to the economic development in Kenya including that of tourism. Because of this and the likelihood of a relatively slow recovery on the world scene the prospects for the development of tourism can only be expressed in terms of

"cautious" optimism in 1976 and 1977. It has become clear that the targets set out in the 1974-1978 Development Plan are not likely to be realised. However, the devaluation of the Kenya shilling in October 1975 will offset some of the disadvantages of higher transport costs by making Kenya more attractive a proposition for foreign visitors through lower hotel and local costs.

13.17. Development expenditure by the Government on some major tourist programmes has been curtailed in the 1976/77 forward budget. Despite this setback the Government continues to encourage private investment in tourism and is also increasing its participation through the Kenya Tourist Development Corporation (KTDC). During the year ending June 1975, KTDC invested a further K£519,000 in the tourist industry to raise its total up to K£3.6 million. In 1974/75 the KTDC, through its subsidiary Hotel Management Company, also took over the management of three hotels in Nairobi, two at the coast, and one each in Kericho, Meru and Eldoret. Three other hotels in which KTDC is a partner were under construction while five others were completed or under construction with its assistance. This will promote further its declared policy of spreading tourism throughout the country. Kenyanization of the industry continued to rank as a high priority task of the KTDC in 1975. More than half the loans made in 1974/75 totaling K£462,000 were for the purchase by Kenyans of existing hotel and tourist related facilities.

13.18. Further provision of infrastructure facilities included the opening in December, 1975, of the Mombasa Airport extension referred to earlier, while the Nairobi Airport extensions are still under construction. The coast is now assured of a larger tourist inflow by the direct access of bigger aircraft. Kisumu Aerodrome has been up-graded to Fokker Friendship standards, while the Manda Island airstrip, which serves Lamu has been extended to accommodate the twin-engined aircraft popularly used by tourists. Wildlife attractions are the cornerstone of development of tourism and the Government continues to strive to conserve and protect this cultural heritage. Three former reserves were up-graded to the status of national parks while at the same time the Government withdrew trophy-dealers licences and appointed itself the sole dealer in ivory to curb poaching. Concerted efforts by the anti-poaching unit also had substantial success in the protection of wildlife.

13.19. The Ministry of Tourism has been entering into arrangements with organizations in tourist generating countries to increase the flow of visitors to Kenya especially during the low season i.e. from May to July. Tourist promotion and publicity were stepped up in 1974 and 1975 and joint ventures were arranged with agents in Germany, France and the U.S.A. A German tourist organization had intended to operate Boeing 747 weekly charter flights to Mombasa when the new airport extension was opened.

13.20. The fall in visitors from North America prompted the Government to open a second tourist office in Los Angeles and plans are underway to open similar offices in Chicago and Toronto.

13.21. Tourist roads are expected to be built to improve the links between the various circuits. A particular example is the intention to construct a road from Masai Mara over the Nguruman escarpment to Magadi and Amboseli.

13.22. While this promotional and development activity has been going on. an unfortunate recent development for the Kenya tourist industry is the increases in air fares announced by the IATA. These add a further K£25 to the return fare from France and K£45 to that from the United Kingdom. While Kenya's devaluation in October 1975 had been expected to benefit tourism, continuing inflation and currency uncertainties in certain major world countries appear to be working in the opposite direction.

CHAPTER 14—TRANSPORT AND COMMUNICATIONS

The output of Transport and Communications rose by 13.6 per cent in value, in 1975. In real terms however the output of the sector fell by 6 per cent. The higher level of receipts is the result of increases in charges which became effective in 1975. There was however a significant decline of activity due to the world recession; the interruption of transport services from Kenya, particularly Mombasa Port, to Zambia; and the reduction in both direct and through traffic to Uganda. Details on receipts of the various groups in this sector are set out in Table 14.1 The most significant increase in value terms was recorded in the receipts of the communications sector, which went up by 47 per cent following the upward revision of postal rates early in 1975. Receipts from road transport increased by 17 per cent, and those of the railways and the airways by 6.6 and 13.7 per cent respectively. Earnings from water transport also rose by 7 per cent, while the significant fall in the volume of external trade caused a reduction in the earnings of the services incidental to transport.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1972-1975

Table 14.1 K£'000

	1972	1973	1974	1975*
Railway Transport	19,945	21,240	23,805	25,365
Road Transport	18,992	29,660	30,611	35,824
Water Transport	19,034	20,912	32,196	34,483
Air Transport	26,387	26,765	35,065	39,877
Services Incidental to Transport	7,139	8,479	11,286	10,850
TOTAL TRANSPORT	91,497	107,056	132,963	146,399
Communications	11,094	13,651	14,110	20,738
GRAND TOTAL	102,591	120,707	147,073	167,137

*Provisional.

Road Transport

14.2. Details on receipts from road passenger and freight transport are set out in Table 14.2. There was a particularly sharp increase in earnings from road passenger services. These receipts went up by 45.5 per cent from K£9.34 million in 1974 to K£ 13.58 million in 1975. Receipts from road freight traffic however increased by only 4.6 per cent for reasons noted above.

Table 14.2 EARNINGS FROM ROAD AND RAIL TRAFFIC, 1972-1975 K£'000

	1972	1973	1974	1975*
Passenger Traffic				
Rail	1,396	1,487	911	455
Road	7,643	10,752	9,336	13,580
TOTAL	9,039	12,239	10,247	14,035
Freight Traffic—				
Rail	18,549	19,753	22,894	24,910
Road	11,349	18,908	21,275	22,244
TOTAL	29,898	38,661	44,169	47,154
TOTAL RAIL TRAFFIC	19,945	21,240	23,805	25,365
TOTAL ROAD TRAFFIC	18,992	29,660	30,611	35,824

*Provisional.

14.3. Table 14.3 details the total number of "live" vehicles in Kenya in 1974 and 1975. The total number of vehicles increased by 8.5 per cent in 1975. The number of saloon cars rose by 6.8 per cent; station wagons by 15.7 per cent; utilities and pickups by 9.3 per cent; lorries by 6.3 per cent; and buses and mini-buses by 6.7 and 16.3 per cent, respectively. The deceleration in the increase in the overall number of vehicles in 1975 over 1974 is due to effects of import restrictions and higher prices obtaining during the year. New registrations of saloon cars declined by 14 per cent in 1975; of lorries by 12 per cent; and buses and mini-buses by 29 and 32 per cent, respectively. Of the total stock of vehicles, 47 per cent were less than 6 years old and over half of them were based in Nairobi.

MOTOR VEHICLE STOCK, 1974 1975

Table 14.3 *Numbers*

	1974	1975
Saloon Cars	78,312	83,676
Station Wagons	12,623	14,609
Utilities and Pick-ups	40,004	43.740
Lorries	19,635	20,875
Buses	2,870	3,063
Mini-buses	1,326	1,542
Special purpose vehicles	533	609
Trailers	8,000	8,601
Rollers, graders, cranes	1,200	1,313
Wheeled tractors	8,822	9,925
Crawler tractors	282	290
Motor-Cycles	10,332	11,312
Three-Wheelers	147	160
TOTAL ALL VEHICLES	184,086	199,715

*Provisional.

14.4. The total number of licences issued in 1975 for vehicles on hire declined by 17.3 per cent, as shown in Table 14.4. The number of licences issued to passenger service vehicles declined by 24.3 per cent while those issued for freight transport fell by 11.1 per cent. It is shown in Table 14.3 that the stock of lorries and buses actually increased in 1975. Some part of the decline in licenses issued, therefore, is a reflection of the effects of the Presidential decree of June, 1973, which exempted all vehicles under 3-ton tareweight from licencing.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1970-1975

Table 14.4

Numbers

	1970	1971	1972	1973	1974	1975
Passenger Service Vehicles	3,137	3,255	3,447	3,380	3,583	2,711
Freight Transport Vehicles	3,092	3,394	3,418	3,767	4,096	3,641
TOTAL	6,229	6,649	6,865	7,147	7,679	6,352

14.5. *Kenatco.*—This is the only public enterprise company engaged in road transport. Ft undertakes freight haulage in eastern and central Africa, operates a taxi fleet in Nairobi and offers forwarding and clearing services in Kenya.

14.6. Over the past few years the company has increased extensively its transport operations particularly those serving Zambia. The company continued in 1975 to transport the bulk of Kenya's exports to Zambia in-spite of the ban on heavy duty vehicles imposed by Tanzania in 1974. In August, 1975. it commenced the transportation of Zambian exports and imports to and from the port of Dar es Salaam in Tanzania. Zambia also resumed the use of Mombasa port in early 1976 and Kenatco has made an arrangement with the Zambian Government for the company to freight-haul 5,000 tons of Zambian imports and similar tonnages of its copper exports a month via that port.

14.7. During 1975 the company negotiated a similar contract for freight haulage of Rwanda exports and imports to and from Mombasa. Under this arrangement the company has acquired a sizeable share of haulage business generated by Rwanda. There is now a regular flow of freight traffic to southern Sudan, and such traffic is expected to increase as more use is made of the port facilities at Mombasa.

Railways

14.8. As shown in Table 14.1, railway revenues in 1975 were about 6.4 per cent over those in 1974. The increase is due to the tariff revision effected in April, 1975, rather than to any real increase in the volume of traffic. Railway operations in the Kenya region, for example, moved only 3.5 million tons of freight in 1975, compared with 3.9 million tons in 1974.

14.9. The railway's ability to convey traffic continued to deteriorate in 1975 due to the lack of spare parts for rolling stock and locomotives. Consequently, passenger services were suspended in February, 1975. in order to maintain the movement of essential commodities and were only partially resumed on a limited scale in August, 1975. Suspension of passenger traffic resulted in a shortfall of K£0.5 million in revenue receipts from passenger traffic in 1975. However, during the year the Government, did take steps to procure the required spare parts; and as these arrive, the haulage capacity is expected to be restored to its normal level. A team of Canadian experts is studying ways to regionalise the East African system as a part of the rationalization programme.

14.10. Satisfactory progress was made during the year in the execution of the major capital works being undertaken by the East African Railways Corporation. Work on the Changamwe marshalling yard and the Nairobi/Embakasi line formation was at the half-way stage by the turn of the year. The realignment of the Voi/Ndara section was completed and plans have been prepared for realignment of the Mazeras/Mariakani and Sultan Hamud/Konza sections. The survey of the Kerio Valley is also nearly complete including the exploratory drilling for the projected 5 kilometre tunnel.

Harbours and Shipping

14.11. The port of Mombasa, in addition to serving Kenya also serves Uganda and to a limited extent Rwanda, Burundi and eastern Zaire. As noted earlier, the flow of Zambian traffic was resumed early in 1976, after an year's break, and there are indications that southern Sudan is likely to make more use of the port facilities at Mombasa.

14.12. The total revenue earned by the port during the year amounted to K£20.7 million compared with K£19.5 million in 1974. However, as shown in Table 14.5, volume of total throughput handled fell by 9 per cent in 1975 despite an increase of 20 per cent in volume of imports of crude oil, from the low level recorded in 1974. Amongst other imports the volume of paper and iron and steel handled fell by half and that of vehicles by a third. There was a particularly sharp fall in the exports of fuel and lubricants from 744,000 tons in 1974 to 423,000 tons in 1975, while the volume of exports of soda ash and cotton declined by a half and a third, respectively. Volume of exports of Kenya maize, however, rose sharply from 48,000 tons in 1974 to 121,000 tons in 1975. Exports of fluorspar also registered an increase of 38 per cent. The decline in cargo traffic during the year was mainly due to the world economic recession and the tighter import controls imposed by the governments of Kenya and Uganda. The diversion of Zambian transit trade, and a drop in the number of ships calling at Mombasa with the reopening of the Suez Canal were also contributory factors.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1971-1975

Table 14.5 '000 *Tons*

	1971	1972	1973	1974	1975*
Landed:					
Dry Cargo	1,330	1,237	1,175	1,292	856
Bulk Liquids	2,638	2,564	2,998	2,762	3,303
Total	3,968	3,801	4,173	4,054	4,159
Loaded:					
Dry Cargo	1,457	1,418	1,820	1,724	1,366
Bulk Liquids	913	703	731	744	423
Total	2,370	2,121	2,551	2,468	1,789
TOTAL FREIGHT HANDLED	6,338	5,922	6.724	6,522	5,948

*Provisional

14.13. Notwithstanding the decline in traffic, significant progress was made in the programme for the development of port facilities in 1975. The construction of two additional berths was virtually completed in 1975, and further handling equipment purchased including one mobile crane, 12 portal cranes, 118 tractors, 17 lighters and 231 forklift trucks. In addition, four new pontoons, six mooring boats, and a new tug were commissioned during the year. The work on the construction of new services area is rapidly nearing completion, and additional navigational aids were also installed during the year.

14.14 The East African National Shipping Line jointly owned by Kenya, Tanzania, Uganda and Zambia, operates a fleet of four vessels from East Africa to the U.K. and north-west Europe. In 1975 the fleet made 24 voyages, carrying 197,500 tons of cargo, earning gross receipts of K£4.8 million. Over K£2 million of this revenue was earned from operations into and out of Mombasa.

Pipeline Transportation

14.15. Owing to the increase in production from the oil refinery, which last year totalled to 1.4 million tons, and the growth in the pace of industrialization, it has become increasingly necessary for Kenya to develop more modern methods to improve the flow of petroleum products from the refinery at Mombasa to Nairobi and up-country areas. Consequently the Government formed the Kenya Pipeline Company in 1974 to undertake the construction and management of a pipeline from Mombasa to Nairobi. Construction work was initiated in the first half of 1976 and the project, which is estimated to cost K£37.7 million is being financed through World Bank loans, various credit facilities by the contractors, and by Government equity and loan capital.

14.16. The project consists of a 499 kilometre pipeline from the Mombasa refinery to Nairobi, pump stations along the route, a short lateral line to the Nairobi Airport and storage facilities at the terminals. The pipeline will be 14 inches in diameter and will initially have pumping stations at Changamwe. Maungu, Mtito Andei and Nzaui. The products to be carried include two grades of petrol, kerosene, and aviation fuel. The pipeline is due to come on stream by the end of 1977, and will have an initial throughput capacity of 1.44 million tons a year.

Civil Aviation

14.17. *East African Airways.*—Operations of the national carrier continued to expand during the year though at a reduced level of profitability to the airline. For the year ended December, 1975, the airline and its subsidiary Simbair made a profit of K£1.2 million compared with the profit of K£2 million earned in 1974. While revenue receipts without Simbair increased by 13.8 per cent to K£32.45 million, the level of expenditure rose to K£31.9 million in 1975, an increase of 18.5 per cent.

14.18. The airline operated a total of 36,915 block hours; an increase of 7.3 per cent over 1974. Passenger traffic increased by 57,393 to 708,435 persons, and the passenger load factor for the year was 54.4 per cent. Although the on-time performance ratio was slightly lower than in 1974. the month-to-month variability in this ratio was reduced in 1975.

Airport Traffic

14.19. Passenger traffic handled at Nairobi Airport went up by 14 per cent, as shown in Table 14.6. There was also an increase of 8.6 per cent in the amount of freight handled. The volume of cargo loaded increased by 16.3 per cent mainly due to the increase in freighting of Kenya's exports of fruit and flowers; in contrast cargo landed decreased by 9.4 per cent owing to the general decline in imports.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1971-1975

Table 14.6

	1971	1972	1973	1974	1975
PASSENGERS—OOO's					
Landed	378.4	409.8	418.4	430.3	463.3
Embarked	386.4	438.9	415.3	437.0	479.1
In Transit	233.9	283.1	315.2	352.0	448.0
TOTAL ..	998.7	1,131.8	1,148.9	1,219.3	1,390.4
FREIGHT—*tons*					
Cargo: Landed	6,215.7	7,314.8	8,459.7	9,455.0	8,662.2
Loaded	11,391.1	16,373.6	17,890.2	19,382.0	22,537.6
Mail: Landed	958.9	1,057.7	917.0	1,026.3	1,197.6
Loaded	836.2	1,186.8	1,035.4	1,077.8	1,200.9
TOTAL	19,401.9	25,932.9	28,302.3	30,941.1	33,598.3

14.20. Details on traffic at Mombasa Airport are set out in Table 14.7. After the rapid growth between 1973 and 1974. passenger traffic levelled off in 1975 with only transit traffic showing any appreciable increase. Freight traffic, however, fell sharply with a particularly substantial fall of 29 per cent in the quantity loaded.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1971-1975

Table 14.7

	1971	1972	1973	1974	1975*
PASSENGERS—000's					
Landed	78.3	75.1	87.4	115.9	112.0
Embarked	80.4	76.5	87.3	117.3	117.4
In Transit	31.9	40.5	41.2	57.1	73.7
TOTAL	190.6	192.1	215.9	290.3	303.1
FREIGHT—Tons					
Cargo: Landed	273.4	227.6	254.9	309.0	237.1
Loaded	423.6	326.1	349.6	437.1	309.6
Mail: Landed	73.4	64.6	64.5	69.8	55.5
Loaded	60.0	52.6	47.0	48.2	44.7
TOTAL	830.4	670.9	716.0	864.1	646.9

*Provisional

Airport Development

14.21. *Nairobi Airport.*—This airport handles 75 per cent of the total East African air traffic and is used by more than 25 international airlines. The first phase of the extension programme for the airport, which commenced in early 1973, is now well advanced and it is anticipated that work will be substantially completed by the beginning of 1977. The phase of development includes construction of a new passenger terminal with direct access to aircraft by airbridges, a separate cargo terminal, a control block and a number of ancillary buildings. The complex will be served by new parallel taxiway, links and aprons. It will be connected to Nairobi by a dual-carriageway limited-access road. The forecast cost of the airport works will be in the region of K£26.5 million.

14.22. *Mombasa Airport.*—The construction of the civil works at Mombasa airport has reached an advanced stage and part of the new runway was opened to taffic in December, 1975, allowing direct flights from Europe to operate into Mombasa. The airport is now able to handle Boeing 707 and DC-8 aircraft. The remaining part of the runway, taxiway and apron will be completed and become operational during 1976. Work on the construction of the new passenger terminal and associated works is also proceeding as programmed and should be completed by mid-1977. The forecast cost of the entire development is estimated at about K£10 million. The airport will register a substantial increase in the volume of traffic when the project is completed.

Posts and Telecommunications

14.23. *Postal Services.*—The East African Posts and Telecommunications Corporation continued to improve and expand its services in 1975, as detailed in Tables 14.8 and 14.9. Four new branch offices and twenty-one sub-post offices were established during the year and a new head post office building completed in Machakos; the number of private boxes increased by 12 per cent to 80,800. After a fall of 17 per cent in 1974 the number of ordinary letters handled increased by 22 per cent to 117 million and the number of registered and insured items also rose by 4 per cent. Parcel post, however, continued to decline with only 608,000 articles being handled in 1975 compared with 744.000 in 1971.

Table 14.8 POSTAL AND TELECOMMUNICATION SERVICES, 1971-1975 *Numbers*

	1971	1972	1973	1974	1975
Post Offices	408	433	460	506	535
Post Office Private Boxes	54,093	58,175	64,960	72,141	80,831
Telephone Subscribers' Lines	39,510	43,775	46,903	49,654	53,028
Public Call Offices	288	295	315	335	354
Telegrams Handled—*000's* ..	637	608	528	532	541
Parcels Handled—*000's*	744	695	661	657	608
Manual Telephone Calls Made —*000's*....	—	2,418	3791	4,100	3,739
Registered and Insured Items —*000's*....	4,247	4,388	4,047	4,304	4,498
Telex Subscribers	184	270	451	556	516
Ordinary letters handled *Million*		107	116	96	117

Table 14.9 EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1971-1975

	1971	1972	1973	1974	1975
Telegraph Service £'000 *cables*	402.3	482.3	487.0	306.5	260.1
Telephone Service £'000 *paid minutes*	532.6	1,097.5	1,712.5	1,963.0	2,497.8
Telex Service £'000 *paid minutes*	346.2	420.8	560.0	874.1	, ,
Leased Circuits Revenue £'000....	278.5	396.1	398.1	325.8	371.4

*Includes leased circuits, press reception and transmission equipment, hire and maintenance.

14.24. *Telecommunications.*—The number of subscriber telephone lines increased by 6.7 per cent to 53,028, while the number of extensions went up from 63,699 in 1974 to 68,882 in 1975. There was a decline of 8.8 per cent in the number of manual telephone calls basically because of the growth in STD traffic. The telephone exchange capacity of the corporation increased by 36 per cent and a further 8,455 pairs of cable were added to the underground distribution network. Carrier and radio telephone capacity was also enhanced with a further 300 channels. Data on usage of intercontinental

telecommunications in Kenya are given in Table 14.9. The very rapid expansion of overseas telephone calls continued in 1975 and totalled 2.5 million minutes.

Information and Mass Media

14.25. New information offices of the Department of Information were opened at Nanyuki, Isiolo, Moyale, Voi and Kilifi in 1975. The department will have covered all the districts in the country, when four more offices are made operational during 1976. A VHF system is being adopted to overcome the difficulties encountered by information offices in the remote areas of the country in Rift Valley, Coast, Eastern and North-Eastern provinces. Four VHF bands have been set aside and the trans-receivers are being installed.

14.26. Radio services now extend to 80 per cent of the country. With an estimated 1.4 million radio sets in use there is now a set to every two households. There was, however, no major expansion in television services during the year since such expansion is restricted by the availability of electricity. Table 14.10 details the number of new radio and television sets sold in 1975.

Table 14.10 NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1972-1975 *Numbers*

	1972	1973	1974	1975
Radios	84,650	85,243	77,869	87,997
Television Sets	2,658	2,575	2,647	2,847

14.27. The Institute of Mass Communications continued to train key personnel for the Ministry of Information and during the year under review 63 trainees were enrolled for the five regular courses on television and radio broadcasting.

14.28. *Newspapers.*— Newspapers have continued to be an essential complement to radio and television in the dissemination of information and ideas. Table 14.11 details the daily/weekly circulation of the major newspapers in the country in 1974 and 1975. Circulation of the Swahili issues increased at a faster rate than the English issues, both for the dailies and the weekly newspapers.

DAILY/WEEKLY AVERAGE NEWSPAPER CIRCULATION*, 1974-1975

Table 14.11

	1974	1975
MORNING NEWSPAPERS		
English	95,979	97,883
Swahili	25,252	31,625
OTHER NEWSPAPERS		
English Weeklies	62,798	63,947
Swahili Weeklies	100,527	114,831

*A small fraction circulates outside Kenya.

CHAPTER 15—EDUCATION, HEALTH AND OTHER SOCIAL SERVICES

Expansion of the provision of social services has continued to be a major pre-occupation of the Government since independence. The total recurrent and development expenditure by the Central Government and Local Authorities set out in Tables 15.1 and 15.2 underline this commitment. Total Central Government expenditure rose two-and-a-half times from K£42 million to K£101 million between 1970/71 and 1975/76. During the period about two-thirds of total expenditure on social services was directed towards improvement of educational services. This, added to Government expenditure on adult education incurred by the Ministry of Housing and Social Services, helps to indicate the Government's commitment towards the reduction of illiteracy as a matter of social concern.

15.2. The Central Government in 1970 took over from the County Councils the responsibility for the maintenance of social services. This take-over did not include those social services being provided by the municipal authorities. The total local authorities expenditure on these services shown in Table 15.2 also more than doubled during the period 1970 to 1975.

Education

15.3. The provision of educational services continued to expand in 1975. After the massive rise in primary school enrolments in 1974 of 51 per cent due to the introduction of free primary education, the increase in 1975 of 5.4 per cent was a limited one. However, as shown in Table 15.3 recurrent expenditure on education is estimated to have risen by K£10.2 million between 1974/75 and 1975/76 while development expenditure fell by K£1.5 million yielding a net overall increase of 14.4 per cent.

15.4. From 1974 to 1975 primary and secondary school enrolments rose by 5.4 per cent and 15.0 per cent while the number of schools increased from 7,668 and 971 to 8,054 and 1,175 respectively. In primary schools as noted above the exceptional rise in new entrants fell back sharply, and total enrolments in Standard I were reduced from 958,940 in 1974 to 668,166 in 1975. Secondary education is continuing to grow rapidly to help meet the need for middle level entrants to the labour force and supply university entrants later to fill shortages of indigenous high level manpower. The intake of students at the medical school, now numbering 161 in the first year compared to 80 in the fifth year, merits particular mention.

15.5. *Primary Education.*—The enrolment in the primary schools rose from 2.73 million to 2.88 million in 1975. If the rate of expansion of 5.4 per cent is continued primary school enrolments will be in excess of 3 million in 1976. The particularly sharp increase in primary school enrolments in 1974 has special implications for educational planning. These arise as a result of the need to make provision for adequate numbers of primary school places in

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1970/71-1975/76

Table 15.1

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76*
RECURRENT EXPENDITURE—						
Ministry of Education	25,355	30,852	37,033	41,901	55,283	65,506
Ministry of Health	7,525	9,642	10,617	12,145	16,903	16,752
Ministry of Labour	1,288	1,497	1,610	1,928	2,653	2,749
Ministry of Housing and Social Services**	488	584	635	727	1,216	1,581
DEVELOPMENT EXPENDITURE—						
Ministry of Education	1,497	2,218	2,809	2,738	4,392	2,800
Ministry of Health	2,626	2,601	2,183	2,321	3,499	4,471
Ministry of Labour	108	1,193	53	34	16	48
Ministry of Housing and Social Services**	3,012	3,492	4,639	4,721	5,550	6,678
TOTAL EXPENDITURE	41,899	52,079	59,579	66,515	89,512	100,585

* Provisional.

**Includes only expenditure by Department of Community Development, Adult Education and other Social Services. Expenditure by the National Youth Service.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1970-1975

Table 15.2 K£'000

	1970	1971	1972	1973	1974	1975*
Education	2,389	2,656	3,356	4,131	4,503	4,702
Health	808	1,469	1,509	1,864	2,207	2,641
Housing	2,976	4,151	3,401	3,325	5,374	5,797
Other Social Services	1,417	1,101	2,209	1,789	2,849	3,074
TOTAL	7,590	9,378	10,475	11,108	14,933	16,214

*Provisional

MINISTRY OF EDUCATION EXPENDITURE*, 1970/71-1975/76

Table 15.3 K£'000

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76**
RECURRENT EXPENDITURE—						
Administration and General	1,288.5	1,831.9	1,937.4	2,364.9	1,705.4	7,369.5
Primary Education	14,224.8	16,798.7	20,297.1	24,795.5	33,911.8	37,639.8
Secondary Education	4,763.1	5,379.9	6,269.7	7,005.7	8,296.2	8,926.5
Technical Education	735.7	874.1	997.5	1,074.0	1,653.1	1,622.8
Teachers Training	1,270.6	1,416.1	1,499.8	1,596.3	1,717.1	2,160.9
Special Schools	108.5	127.3	137.5	149.4	211.2	212.6
Teachers Service Commission	84.9	90.7	116.0	133.6	237.4	305.9
Higher Education	2,878.8	3,333.8	4,620.3	4,740.3	7,041.9	6,743.1
Other Schemes and Service		1,000 0	1,058.0	41.7	509.2	524.9
TOTAL	25,354.8	30,852.4	36,933.3	41,901.4	55,283.2	65,506.1
DEVELOPMENT EXPENDITURE—						
Primary Education			16.4	21.0	34.3	51.8
Secondary Education	754.1	983.6	1,011.0	1,358.7	2,889.3	1,639.4
Teacher Training	4.9	90.9	70.5	36.7	233.6	344.3
Kenyatta College	8.5	31.6	55.2	102.4	114.2	159.0
Technical Education	55.3	123.8	44.8	238.0	212.9	200.5
Higher Education	508.1	572.0	558.9	313.7	281.7	349.0
IDA Project	96.2	356.1	1,006.8	614.0		
Special Schools	35.5	37.5	37.5	41.7	441.7	61.9
Site Survey and Planning	34.7	22.3	7.4	12.3	184.5	55.0
TOTAL	1,497.3	2,217.9	2,808.5	2,738.5	4,392.2	2,860.9

*Expenditure gross of appropriations in aid as opposed to net expenditure in previous Surveys.
**Provisional.

Standard V and beyond after 1978 and for the possible need for a substantial expansion in secondary schools in 1981 and later years. The development process must also be able to make maximum potential use of the increase in literacy which will follow the educational "revolution" of 1974.

15.6. Primary school enrolments as set out in Table 15.4 indicate a general decline of intake in all provinces to a more normal level of increase after the high increases in 1974. Comparison with the estimates on population aged 6-12 years indicates an over-enrolment. Rates of over 100 per cent, however, are the result of enrolling pupils aged 12 years and above. In 1974 large numbers of these were enrolled in Standard I. As a result 444,896 pupils in primary schools in 1975, were recorded as being aged 13 years and over. This amounts to 15 per cent of the total enrolment in 1975.

PRIMARY SCHOOL ENROLMENT BY PROVINCE, 1972-1975

Table 15.4 *Numbers '000*

Province	1972	1973	1974	Total Enrolment	1975 PUPILS AGED 13+		PERCENTAGE INCREASE	
					No.	Per cent of Total	1973/74	1974/75
Central	407.8	443.5	540.8	558.1	114.1	20.4	21.9	3.2
Coast	96.1	103.1	152.0	156.9	30.3	19.4	47.4	3.2
Eastern	339.6	370.6	521.8	545.9	78.6	14.4	40.8	4.6
Nairobi	71.8	76.4	81.4	83.4	11.8	14.2	6.5	2.5
North Eastern	5.0	6.4	8.7	7.0	2.5	35.5	35.9	-19.5
Nyanza	269.8	291.1	573.0	602.9	71.7	11.9	96.8	5.2
Rift Valley	250.9	279.1	456.7	495.7	74.3	15.0	63.6	8.5
Western	234.9	245.8	400.0	431.3	61.6	14.3	68.7	7.8
TOTAL	1,675.9	1,816.0	2,734.4	2,881.1	444.9	15.4	50.6	5.4
No. of Schools	6,657	6,932	7,668	8,054	—	—	10.6	5.0

15.7. *Secondary Education.*—The total enrolment in secondary schools as shown in Table 15.5 rose by 29,000 from 196,000 in 1974 to 225,000 in 1975 compared to an increase of 21,000 in 1974. During the year the number of secondary schools increased from 971 to 1,175.

SECONDARY SCHOOL ENROLMENT BY PROVINCE AND SEX, 1972-1975

Table 15.5

	Enrolments '000s				Form 1 enrolment as percentage of previous year's Standard 7			
	1972	1973	1974	1975*	1972	1973	1974	1975*
Central	37.1	41.7	51.4	55.4	33	36	39	35
Coast	14.4	15.4	17.4	16.1	47	45	45	37
Eastern	23.5	24.7	35.4	38.5	24	25	31	32
Nairobi	25.3	25.6	21.1	22.6	106	100	71	70
North-Eastern	0.3	0.4	0.4	0.5	57	47	33	28
Nyanza	22.3	23.0	28.8	31.4	23	23	23	25
Rift Valley	20.4	22.3	21.4	29.1	29	29	29	31
Western	18.6	21.7	20.2	31.3	26	28	26	37
TOTAL	161.9	174.8	195-8	225.1	31	32	33	34
Girls	50.6	57.5	68.6	80.7	30	32	35	—
Boys	111.3	117.2	127.2	144.4	31	32	33	—
No. of Schools	949	964	971	1,175	—	—	—	—

*Provisional

15.8. *Technical and Vocational Education.*— In the past, masonry, carpentry, agriculture and spinning were taught in upper standards of some primary schools and in Forms I and II in some secondary schools. However, due to a relative scarcity of technical teachers it has been necessary to concentrate teaching of these skills in a more limited number of institutions. Technical subjects are now taught in four technical secondary schools while the Mombasa and Kenya polytechnics also play an important role in this field of education. Enrolments increased from 7,236 in 1973 to 8,149 in 1974 and 8,266 in 1975 at these technical schools and polytechnics.

15.9. In addition to the training offered in technical institutions various bodies also undertake specialized training for their own needs. Training is offered among others at the Railway Training School, the East African Posts and Telecommunications Regional Training School, the East African Power and Lighting Training School, and the Utalii College, which enrolled its first students during the year. The development of various institutes of technology continued in 1975 with the Kiambu Institute of Technology enrolling 315 students in plumbing, masonry, carpentry, electricity and secretarial courses. The Murang'a Institute of Technology, Riat and a few of the others are expected to open their doors to the first intake of students in 1976.

15.10. *Teachers*.—The facilities for training of primary and secondary school teachers have continued to expand to fulfil the growing demand for teachers. The number of secondary school teachers rose by 2 per cent and 16 per cent in 1974 and 1975, while the total of primary school teachers rose by 39 per cent and 10 per cent respectively over the same periods.

15.11. While the number of training colleges for primary school teachers was reduced from 24 to 17 in 1974, the intake of the remainder was expanded. As shown in Table 15.6 the enrolment in training colleges for primary school teachers went up by 2.2 per cent in 1975. The output of trained teachers from the training colleges for primary school teachers, and from the Kenya Science Teachers College is supplemented further by the output of graduates in Education from the University of Nairobi and the Kenyatta University College.

Table 15.6 ENROLMENT IN TEACHER'S TRAINING COLLEGES, 1974 AND 1975

	Academic Year	1974			1975		
		Male	Female	Total	Male	Female	Total
Secondary School Teachers*—							
SI	1st	134	45	179	134	56	190
	2nd	98	27	125	132	41	173
	3rd	130	50	180	98	27	125
TOTAL		362	122	484	364	124	488
Primary School Teachers—							
PI	1st	1,680	1,014	2,694	1,792	1,087	2,879
	2nd	1,617	1,061	2,678	1,641	833	2,474
P2	1st	921	594	1,515	939	654	1,593
	2nd	780	615	1,395	930	587	1,517
P3	1st	50	34	84	45	38	83
	2nd	82	31	113	53	31	84
TOTAL		5,130	3,349	8,479	5,400	3,230	8,630
Special Education		—	—	—	13	23	36
GRAND TOTAL		5,492	3,471	8,963	5,777	3,377	9,154

*Kenya Science Teachers College only.

15.12. *Higher Education*.—The distribution of both undergraduate and post-graduate students enrolled in the University of Nairobi by type of course is detailed in Table 15.7. Due to financial constraints and lack of accommodation it was not possible to increase the enrolment in 1975/76 over 1974/75. In fact the total enrolments fell by 1.2 per cent while those of Kenyan students declined by 2.3 per cent. This is the first time over the past few years for such a decline to be recorded. The drop, however, was not generalized to all disciplines since faculties of architecture, engineering, veterinary science, medicine, agriculture and law all recorded marginal increases. Enrolment at

the Kenyatta University College also fell in 1975 from 1,267 to 1,219 or by 3.8 per cent. Although both the Nairobi University and the Kenyatta University College enrol foreign students, the proportion of Kenyan students at about 90 per cent has continued to remain high.

UNIVERSITY OF NAIROBI—KENYA STUDENTS BY FACULTY, 1970/71-1975/76

Table 15.7 *Numbers*

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Undergraduate Courses-						
Arts	588	791	802	785	577	514
Science	267	330	299	298	417	324
Commerce	135	204	253	351	374	421
Architecture	66	116	88	123	92	79
Engineering	167	220	266	389	366	411
Veterinary Science	66	90	117	155	187	191
Medicine	169	252	323	396	469	537
Building and Land Economics**	73	102	149	200	216	216
Agriculture	40	81	122	146	160	185
Law	55	106	139	161	177	182
Home Economics	4	8	—	—	—	—
Education	—	—	204	583	941	916
TOTAL	1,630	2,300	2,762	3,587	3,976	3,976
Postgraduate Courses	107	200	234	358	471	418
Diploma Courses—						
Domestic Science	19	—	—	—	—	—
Art/Design	6	—	—	—	—	—
Diplomacy	—	—	—	7	14	7
Land Development and Survey	—	9	—	—	—	—
Advanced Nursing	13	24	29	31	37	38
Journalism	13	12	13	19	30	18
Adult Education	—	8	14	14	12	12
TOTAL	51	53	56	71	93	75
Other Courses	—	—	—	—	29	9
All Kenya Students	1,788	2,553	3,052	4,016	4,579	4,478
Students from Other Countries	998	890	790*	604	665	528
TOTAL	2,786	3,443	3,842	4,620	5,234	5,006

*Including 24 postgraduate vacation students not classified by faculty or citizenship.
**Including B.A. Design.

15.13. *Education Extension Programme.*—This programme endeavours to provide both functional and formal education to any person aged 16 years and over who is not a full-time student at any primary, or secondary school

or university. Education is made available either on full-time or part-time basis. Instructions are communicated either through the mass media, or correspondence courses, or in formal classes. The programme is executed by the Department of Social Services, the institute of Adult Studies at the University of Nairobi, County Councils and various self-help groups all over the country under the sponsorship of Board of Adult Education which co-ordinates it.

Health Services

15.14. The total Central Government expenditure on provision of health services shown in Table 15.1 more than doubled from K£10.2 million in 1970/71 to K£21.2 million in 1975/76. This very rapid increase in expenditure illustrates the effort being made towards improving this very important social service. An important aspect of the development of health services is the increase in deployment of both medical and para-medical personnel and their distribution. Information on this aspect is limited at the present time. It is however pertinent to note that in 1975/76 a total of 537 students were reading medicine at the University of Nairobi compared with only 169 in 1970/71.

15.15. In the past the Ministry of Health has had problems in compilation of accurate extant hospital and medical statistics. A pilot project which was initiated in Kitui, Kwale and Mombasa districts in January, 1975, is aimed at introducing an entirely new health information system to help develop a continuous system for recording vital, morbidity and mortality statistics and other hospital and medical information for all institutions on a district basis. In the meantime the data set out in Tables 15.8 and 15.9 are repealed from the 1975 Economic Survey. Further details on Social Statistics including Health Statistics will be found in a forthcoming publication of the Central Bureau of Statistics on Social Indicators.

HOSPITAL BEDS AND COTS BY PROVINCE, 1973-1974

Table 15.8 *Numbers*

	Government	Mission	Total
Central	1,506	1,663	3,169
Coast	1,334	190	1,524
Eastern	1,255	1,456	2,711
North Eastern	241		241
Nyanza	954	703	1,657
Rift Valley	1,574	1,384	2,958
Western	654	1,026	1,680
Nairobi	2,767	227	2,994
Total 974	10,285	6,649	16,934
Total 1973	9,829	5,768	15,597

REGISTERED MEDICAL PERSONNEL 1969, 1972-1974

Table 15.9 *Numbers*

	1969	1972	1973	1974
Doctors and Dentists	—	—	892	1,242
Pharmacists	169	143	141	202
NURSES				
Registered	3,099	4,141	4,490	4,876
Enrolled	3,872	5,174	5,783	—
MIDWIVES				
Registered	1,473	1,844	1,980	2,171
Enrolled	1,584	2,237	2,502	2,764

15.16. The Government's commitment towards providing health services to all people is spelled out through the construction of various health centres in the rural areas. In 1975 construction of the Chulaimbo Rural Health Training Centre was completed and construction of rural health centres was started at Gilgil, Munyu, Warazo, Sagana, Turbo, Igegania, Mariakani, Burnt Forest, Yala and Port Victoria. Construction work was also started on the Phase III project at Kenyatta National Hospital Medical School, Mathare Hospital Maximum Security Unit and Nyamira District Hospital as well as on Maragua Rural Health Training Centre, and the Eldoret Community Nurses Training School.

15.17. *Medical Personnel.*—The total number of doctors, dentists and pharmacists was about 1,600 in 1975 with probably one-third in the Government service. The concentration of doctors, in particular private practitioners, in the urban areas results in a very high population to doctor ratio in the rural areas. The increase in enrolment of students at the medical school has already been discussed above. The training of para-medical staff is offered at the Nairobi Medical Training Centre and at institutions in Mombasa, Murang'a, Machakos, Embu, Nyeri, Thika, Nakuru, Kakamega, Kisumu and Kisii. The Nairobi Medical Training Centre offers training at different levels in clinical medicine, environmental health, laboratory technology, nursing, pharmaceutical technology, physical medicine and radiography. Of the 895 and 1,114 trainees who graduated in 1974 and 1975, respectively, 490 and 577 in each year had been trained at the Nairobi Medical Training Centre.

15.18. *Public Health.*—The outbreak of cholera in the last quarter of 1974 continued into 1975 with 1,120 cases being reported resulting in 31 deaths. Although the outbreaks of this disease and of cerebro-spinal meningitis were

centered in Nyanza Province and Machakos District, a few additional cases were also reported in other areas. A count of reported cases of these and of other infectious diseases is set out in Table 15.10.

REPORTED CASES OF SOME INFECTIOUS DISEASES, 1971-1975

Table 15.10 — *Numbers*

	1971	1972	1973		1974		1975*	
			Cases	Deaths	Cases	Deaths	Cases	Deaths
Acute Poliomyelitis	144	245	190	7	583	30	400	11
Anthrax	259	229	282	2	212	2	193	1
Brucellosis	55	45	94	2	65	—	188	—
Cerebro-Spinal Meningitis	83	36	97	37	153	36	426	50
Dysentry	18,939	14,368	19,208	77	28,866	65	17,375	119
Encephalitis (Primary)	7	50	3	—	5	1	27	2
Infectious Hepatitis	768	746	819	21	1,483	33	2,473	39
Kala-Azar	121	155	196	8	174	4	127	5
Leprosy	607	349	262	9	326	13	406	1
Schistosomiasis	11,633	9,012	2,847	—	1,792	—	9,538	6
Tetanus	538	495	663	272	815	215	614	205
Trypanosomiasis	34	40	13	2	9	—	19	—
Typhoid Fever	185	161	196	11	241	14	273	12
Cholera**	768	45	—	—	413	43	1,120	35
Small Pox	—	—	—	—	—	—	—	—

*Provisional.

**Includes laboratory confirmed cases only.

15.19. *National Hospital Insurance Fund*.—The total of contributors to the fund rose by 50,000 to 155,000 in 1974/75. The fund collected contributions amounting to K£1.42 million in this year, while the benefits also increased to K£1.31 million. This latter increase is partly accounted for by extension of the fund's coverage to hospitals which were not operating within the scheme in 1974 and by increases in rates of benefits paid at some of the other hospitals.

NATIONAL HOSPITAL INSURANCE FUND, 1966/67—1974/75

Table 15.11 — K£

	Receipts*	Benefits**	Contributions Net of Benefits
1966/67	693,659	343,683	349,976
1967/68	799,930	582,249	217,681
1968/69	845,775	574,966	270,809
1969/70	964,666	622,786	341,880
1970/71	950,659	665,327	285,332
1971/72	1,026,576	777,635	248,941
1972/73	1,189,255	883,152	306,103
1973/74	1,166,705	1,072,758	93,947
1974/75	1,420,338	1,311,911	108,427

*Includes both compulsory and voluntary contributions and other receipts but 1966/67 and 1967/68 include only members contributions

**Benefits exclude other payments e.g. management expenses.

15.20. *Family Planning*.—Kenya had an estimated population of 13 million in 1975, expanding at a rate of about 3.3 per cent a year. Kenya in fact has one of the highest rates of growth in the world. With 87 per cent of the total population being in rural areas, the supply of "good" cultivable land averages to the equivalent of 0.88 hectares per head at the moment. However, if the population continues to expand at its present rate, there will be only 0.36 hectares of land left per capita by the year 2000—i.e. within the life time of most of Kenya's present population. Whilst a basic revolution in agricultural practices could lead to a substantial increase in the output of food products, the prospect of such a large decrease in land availability per head can only be looked upon with anxiety. It seems preferable to aim at some reduction of the potential population pressure on the land, by encouraging family planning.

15.21. In 1974 the Kenya Government contracted with the World Bank a five-year Family Planning Programme. This is expected to assist Kenya in reducing the high rate of natural increase from around 3.3 per cent in 1974 to 3 per cent in 1980 and eventually to 2.8 per cent in the year 2000. The project aims to achieve these goals by recruiting 640,000 new acceptors over the Plan period 1974-1978 and consequently averting a total of 150,000 births. However, only 49,191 and 49,975 new acceptors were registered in 1974 and 1975, respectively, well below the planned average of 128,000 per year. It is hoped that with an increase in the number of trained family planning field workers who have recently joined the field force the target may well be attained by 1978.

15.22. *Nutrition*.—A UNICEF team was invited to evaluate the nutrition field worker programme of the Ministry of Health. The major malnutrition problem in Kenya is that of protein-calorie deficiency in young children. The deficiency though common in a mild form can with a disturbing frequency advance to full-blown Kwashiokor (protein deficiency) and Marasmus (starvation). Nearly 375,000 families per year are visited by field workers either at clinics or in their homes to educate the public on cheap and locally grown products, which can avoid malnutrition, particularly that caused by protein deficiency. About 3,000 children are currently admitted to hospitals annually suffering from this deficiency.

Other Social Services

15.23. *Community Development*.—Preliminary estimates suggest that the value of self-help projects, excluding institutes of technology, undertaken in 1975 was K£4.8 million compared to K£2.6 million in 1971, a rise of 85 per cent. Summarized details on projects undertaken in 1971-1975 are set out in Table 15.12. The proportion of "peoples" contributions has continued to amount to over 80 per cent of total contribution.

15.24. *National Social Security Fund*.—The numbers registered with the Fund rose from 23,288 employers in 1974 to 24,818 in 1975 while the number

VALUE OF SELF-HELP SCHEMES, 1971-1975

Table 15.12 K£'000

Project	1971	1972	1973	1974	1975*
Education	1,249	1,531	1,667	3,087	3,100
Nurseries	113	155	478	185	250
Health	167	190	180	190	201
Social Welfare and Recreation	75	273	1,080	343	350
Domestic	40	66	48	144	173
Water Supplies	233	205	208	226	260
Transport and Communication	30	41	27	45	48
Agriculture	304	500	318	295	368
Miscellaneous	374	156	85	112	115
TOTAL...	2,584	3,116	4,090	4,627	4,865
Of which					
People's Contributions	2,193	2,708	3,700	4,238	—
Other Contributions	391	409	390	389	—

*Provisional.

of employees increased by 75,191 to reach 796,549. The increased coverage led to a substantial rise in the contributions to the fund which amounted to K£12.43 million in 1975 compared with K£9.83 million in 1974. As the level of benefits paid out in 1975 remained at the low level of KÃ1.16 million, there was a further large increase in the net size of the fund which, including investment income, rose to a level of just under K£70 million at the end of 1975.

NATIONAL SOCIAL SECURITY FUND CONTRIBUTIONS AND BENEFITS, 1966-1975

Table 15.13 *K£million*

	Contributions Received	Benefits Paid	Contributions Net of Benefits	Annual Investments*
1966...	1.17	--	1.17	1.16
1967...	4.46	0.02	4.44	3.67
1968...	5.45	0.15	5.30	7.47
1969...	5.82	0.22	5.60	6.80
1970...	6.37	0.56	5.81	5.90
1971	7.32	0.63	6.69	7.82
1972...	7.85	0.64	7.21	8.96
1973...	8.73	0.96	7.77	9.09
1974...	9.83	1.10	8.73	7.75
1975...	12.43	1.16	11.27	11.33
TOTAL	69.43	5.44	63.99	69.95

*Annual investments are made up of net contributions plus investment income and bank interest.

15.25. *Youth Development Programme*.—This programme is aimed at training youth to make them employment oriented. It is implemented through the village polytechnics, Christian Industrial Training centres, youth training centres and Agricultural Youth Training projects. The number of these training centres and projects has risen from 25 in 1970, when they trained 2,700 youths, to 130 in 1975 with an intake of 9,500 trainees. Most of the trainees who qualify have successfully joined the labour force either as employees or as self-employed small-scale entrepreneurs.

15.26. *Housing*.—The Government has also devoted considerable resources to provision of adequate housing, as a matter of social concern. This aspect of Government's activity in social services is discussed in detail in Chapter 12.

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