ECONOMIC SURVEY

1977

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ECONOMIC SURVEY, 1977

CHAPTER 0—CURRENT APPRAISAL AND OUTLOOK FOR 1977

Current Appraisal: A Summary

The inter-relationship of the world economy entails that countries with open economies such as Kenya must continue to be affected by what happens in the major industrialized countries. Most major market economies belong to the OECD. The GDP at constant prices of these countries rose by 5.5 per cent in 1976, though there was some slowing down in the second half of the year in the rate of recovery from the particularly depressed levels of 1975. While the USA, West Germany and Japan have taken some limited measures to stimulate their economies this year, the remaining OECD countries have been reluctant to take similar measures because of fears of inflation and balance of payments problems. This is holding back the potential growth rate and, as a result, the rate of growth in GDP of the OECD countries as a whole is unlikely to exceed 4 per cent in 1977.

0.2. World trade was 10 per cent higher in real terms in 1976 and a further rise of 6 to 7 per cent is forecast in 1977. Consumer prices in OECD countries increased by 8.6 per cent in 1976 and a similar rise is in prospect this year. There was a very welcome increase in prices of primary commodities in 1976, and the index of all products rose by 15 per cent. It is possible that the increase in 1977 may be even higher.

0.3. The recovery in Kenya's economy in 1976 owed much to the growth and the rise in prices of agricultural production, particularly of coffee and tea, the main export crops, and to a substantial increase in the output of the manufactured products. While the GDP had risen by only 1.2 per cent at constant prices in 1975, the increase in 1976 was 5.1 per cent. As a result per capita GDP went up by 1.7 per cent, accompanied by a growth of 4.7 per cent in the numbers of persons in paid employment; in 1975 employment had fallen by 0.9 per cent.

0.4. Perhaps the single most significant event in the domestic economy was the large rise in coffee prices. Between 31st December, 1975 and 31st December, 1976, coffee prices rose from an average of K£671 a tonne to K£1,623 a tonne. Moreover, the increase in prices coincided with a record crop yield, production rising from 66,200 tonnes in 1975 to 80,200 in 1976. The substantial growth in the value of exports was largely due to the much higher level of coffee exports; and this rise together with a reduction in the recurrent surplus of the Government and some growth in gross capital formation, increased effective demand and stimulated the whole economy Nearly all sectors participated in, and contributed to, the economic recovery.

0.5. The terms of trade improved substantially in 1976 wiping out the losses of the two preceding years. The deficit on the current account of the balance of payments was reduced from K£80.6 million in 1975 to K£42.0 million in 1976. Imports increased by K£45.3 million in value, and by 2.4 per cent in volume, while exports rose by K£73.3 million in value, and by 5.9 per cent in volume. Thus the deficit on the merchandise account was reduced by K£28.0 million. Moreover, the credit balance on "invisibles" was further improved by K£10.0 million. Although the net debit balance on investment income was higher, this was more than offset by higher net credits from other transportation and travel receipts. The overall deficit on the current account was financed by an inflow of private capital estimated at K£37.1 million and net borrowing of, and capital grants received by, the public sector of K£47.0 million. In fact the receipts on capital account exceeded the current deficit by a large margin and the net foreign assets of the Central Monetary Authorities increased by no less than K£35.7 million.

0.6. The large rise in the net foreign assets of the Central Bank was offset by a decrease in its lending to Government, and by an increase in notes in circulation. The reserve deposits of the commercial banks with the Central Bank remained nearly unchanged. However, the commercial banks' holdings of Treasury bills increased by K£25 million, and this caused a sharp rise in their liquidity ratio. At the end of December, 1976, this ratio stood at 24 per cent and by the end of March, 1977, it had risen further to 30 per cent, against the legal minimum of 18 per cent. This excess liquidity has led to a reduction in interest rates. It could also lead—unless the excess liquidity is mopped up—to a much faster increase in the money supply in 1977.

0.7. The recurrent expenditure of the Central Government rose from K£269.3 million in 1975/76 to K£311.8 million in 1976/77; and development expenditure went up from K£ 127.6 million to K£ 148.9 million. Despite the recovery in the economy, the increase in Government revenues was less than anticipated. The total deficit in 1976/77 is expected to amount to about K£132.1 million against K£103.7 million in 1975/76. About 45 per cent of this deficit has been covered by foreign loans and grants while the remainder will be financed by domestic borrowing. The Government in its expenditure policy is placing increasing emphasis on development of agriculture, and on provision of water supplies and social services in rural areas.

0.8. Agriculture in the money economy prospered in 1976 despite the inadequate rains in some areas. Its contribution to the GDP at constant prices rose by 6.9 per cent. Coffee, tea and wheat production all rose significantly but the output of sisal, pyrethrum and maize was lower. Beef production in 1976 also went up sharply, but this was prompted by sales of livestock due to lack of grazing which made slaughtering of immature stock necessary. The drought also reduced milk yields. The controlled prices of wheat, maize, rice, sugar-cane and beef were raised in 1976. This rise in producer prices

helped the "working poor" who mostly earn their living in the rural areas on holdings averaging 2.3 hectares. For three-fifths of these farmers, the small holding is less than 2 hectares in area. There was some improvement in the relative real incomes of small-holders in 1976 *vis-a-vis* persons in the urban areas.

0.9. The Manufacturing sector registered the high rate of growth of 13.3 per cent in its output in 1976, thus re-establishing the high growth rates of the previous decade. Nearly all sections of manufacturing sector participated in this faster rate of growth. One exception was in the output of petroleum products where a fall was recorded. Sharp gains were registered in the output of food products, and certain chemical, leather, plastic and metal products. Moderate gains were also recorded in the output of other sections, but the output of basic industrial chemicals, clay and glass products, and non-electrical machinery, in addition to that of petroleum products, fell. The capacity of the manufacturing sector is continually being expanded and the high level of investment in the sector in 1976 should lead to further increases in output in 1977. It is possible, however, that because of difficulties within the East African Community, exports of manufactured goods to Tanzania in particular will be reduced. Any adverse impact on output should be mitigated to some extent by the strong drive now being mounted to develop other export markets, and by the growth of demand in the domestic economy.

0.10. The value of output at constant prices of building and construction, after falling in both 1974 and 1975, recovered to some extent in 1976 and its contribution to GDP rose by 2.8 per cent. The recovery was mainly due to a larger volume of other construction work from such projects as the new Nairobi Airport, the Nairobi-Mombasa oil pipeline, the Gitaru Hydro-electric project and by higher Government expenditure on the development of roads and water supplies. The rise in construction costs moderated in 1976, and this together with a more buoyant economy helped the sector to achieve a modest recovery.

0.11. The output of the three main products of the mining sector—soda ash, fluorspar and salt—were all higher in 1976. Further growth in the industry will depend mainly on the success achieved in increasing their exports. There also appears to be good prospects for the mining of precious and semi-precious stones.

0.12. The sector "Retail and Wholesale Trade and Restaurants and Hotels" benefitted particularly from the higher level of throughputs of agricultural produce and of locally-manufactured goods, and the growth in tourism. Its contribution to GDP went up by 8.2 per cent at constant prices.

0.13. The output of transport and communications sector also went up as a result of the increase in economic activity in 1976. The GDP of the sector at constant prices rose by 6.0 per cent over 1975. High growth was recorded in the output of road transport and of services incidental to trans.

port. But in many respects it was a traumatic year. One difficulty experienced was the hold-up of road transport operations to Tanzania and Zambia. Much more serious, though, were the strains imposed on the Community corporations by the non-remittance of funds by Partner States. These strains led to the "rationalization" of the activities of East African Railways and East African Harbours corporations; and to the collapse of the East African Airways Corporation. As a result Kenya Airways came into being in early February, 1977.

0.14. The output of the oil refinery fell in 1976 to 2,879.2 million litres, as compared to 3,129.8 million litres in 1975. Domestic fuel sales, however, continued to rise, increasing from 1,602 million litres to 1,760 million litres over this period. While exports to Tanzania and Uganda were lower, total exports rose from 1,528 to 1,605 million litres. Lower crude petroleum imports had a larger proportion of the light crudes yielding a higher percent. age throughput of white products and lower fuel oil and export residues. The adverse trade balance of petroleum and its products improved in 1976 but the deficit was still as high as K£34.2 million equal to 36 per cent of Kenya's total adverse balance on merchandise account.

0.15. The amount of electricity generated rose from 901 million kilowatt hours in 1975 to 1.044 million kilowatt hours in 1976 despite the loss of output due to poor river flows following the low rainfall. Low production of hydro-electric power and the temporary cessation of imports from Uganda between 23rd July and 14th September, 1976, were made good by increased thermal generation.

0.16. Tourism flourished in 1976, whether judged by the number of departing visitors, the number of guest bed-nights occupied, or by tourist expenditure. The increase in tourist activity was influenced by depreciation of the exchange rate in October, 1975 and the recovery from recession by industrially developed countries. The number of departing visitors in 1976 was 10.9 per cent higher than in 1975; the number of bed-nights spent at hotels went up by 11.4 per cent; and estimated tourist expenditure rose by 25.4 per cent. The higher expenditures, after allowance has been made for inflation, represent a significant increase in real terms.

0.17. Good progress is being made in developing water supplies in rural areas. Development expenditure on such supplies rose from K£9.6 million in 1975/76 to K£13.3 million in 1976/77. The succession of drought years followed by floods in 1977 has emphasized the urgent need for Kenya to control its water resources and in September, 1976. a start was made in the preparation of the National Master Water Plan.

0.18. The social services continue to expand. It is Government policy to expand these services particularly in rural areas. After the introduction of free primary education in 1974 and the subsequent 51 per cent increase in

enrolments, growth in 1975 and 1976 has been low. However, there has been a continuing fast growth in enrolments in secondary schools and the emphasis on technical and vocational education is helping improve the supply of school leavers with such training.

0.19. The great importance of creating job opportunities, in line with the growing labour force, needs no stressing. Numbers in paid employment rose by 4.7 per cent in 1976, as a result of an increase of 5.1 per cent in the private sector and 4.1 per cent in the public sector. The sharpest increases in paid employment in the private sector occurred in building and construction, mining, trade, restaurants and hotels, and transport and communications. However, despite this rise in employment it seems unlikely that there was any significant decrease in the high level of urban unemployment in 1976. Average real earnings for those employed went up by 5.6 per cent in 1976, the first such increase in four years. Between 31st December, 1975 and 31st December, 1976, the cost-of-living indices for the Lower and Middle Income Groups rose by 6.8 per cent and 8.4 per cent, respectively, and further increases of 9.1 per cent and 6.0 per cent have occurred in the first quarter of 1977. The wage award of May, 1977, will go some way towards compensating those in the low income group for rises in prices.

0.20. While unemployment is a matter of concern in urban areas, the problem of under.employment resulting from growth of population, and its impact on environment in rural areas, needs also to be urgently considered. The population in the country as a whole is increasing at the annual rate in excess of 3 per cent a year. This is one of the fastest rates of growth in the world. At the current rate of increase the population will more than double by the year 2000. A fast increasing population results in a sharply rising Labour force. The bulk of this labour force will have to continue to live in the rural areas. A recent study of households in rural areas, on holdings of under 20 hectares, showed that there were an average of 7 persons living on such holdings whose average size was 2.3 hectares. Such households earned an average farm operating surplus of K.Sh. 2,304 a year and their total income including earnings and remittances averaged K.Sh. 3,785. The average standard of living of such households measured by various indicators was very much less than that of urban dwellers thus emphasizing the relevance of the Government policy to assist the "working poor" in agriculture. Based on the evidence of the study it appears that the pressure on good, rainfed, agricultural land has already reached serious proportions.

0.21. A further social problem is that of housing in the urban areas. A low rate of completions of housing within urban areas has led to increasing multiple occupation of existing dwellings and to an increase in the already serious level of overcrowding. Present lending policies of certain organizations financing house purchases continue to put home ownership beyond the reach of families in the middle and lower income groups.

Outlook for 1977

0.22. A major influence on the economy in 1977 will be the price of coffee. Some improvement in Brazilian production is expected in 1977 although much will depend on the severity of July frosts in that country. Production in other countries should also be higher. Expert opinion, however, believes that world coffee prices will remain high in 1977 but the outlook for 1978 is particularly uncertain. One indirect effect of the rise in coffee prices has been to cause a sharp rise in tea prices in the first half of 1977 which would also be reflected in Kenya's export earnings. If both coffee and tea prices remain high and if recovery in the industrially developed countries and in world trade continues, a further improvement in Kenya's terms of trade can be anticipated in 1977. The deficit on the current account of the balance of payments may remain at about the same level as in 1976; or possibly be slightly higher as some liberalization of imports seems likely in view of the current high level of the net foreign assets and the need to service the high incomes of the coffee growers.

0.23. With good weather conditions, and high coffee prices, 1977 should be another good year for agriculture and the economy as a whole. However, there has been some damage from flooding and the need to replant certain crops will be a cause for some concern. It is forecast that in 1977 there will be a substantial rise in the GDP at current prices and at constant prices the GDP is forecast to go up by approximately 6 to 7 per cent.

0.24. But the outlook beyond 1977 is much more uncertain. Coffee prices cannot be expected to indefinitely remain at present high levels. A change in the structure of the economy is needed that will lead to larger exports of goods and services and to greater output of such import-competing goods and services as can be economically justified. Such a change, when coffee prices come down will help to prevent the growth in the economy being constrained by balance of payments problems.

CHAPTER 1-THE INTERNATIONAL SCENE

Although the recovery from recession that started in industrially-developed countries in the second half of 1975 has continued, the world economy at the start of 1977 is once again beset by fluctuations and difficulties. The GDP at constant prices for all OECD countries was about 5.5 per cent higher in 1976 than in 1975 but some slowing of economic growth occurred in the second half of the year. This seems to have been mainly due to cessation in the rapid building-up of stocks. Nevertheless, for the year as a whole, there was some increase in investment in new plant and equipment, and the propensity to consume also rose slightly.

1.2. In mid.1976 the favourable trends that were apparent practically everywhere, led to a belief that the world was emerging from the most serious crisis it has known in recent decades, a crisis unprecedented inasmuch as its effects were virtually world-wide. However, that recovery remained fragile as was shown in developments in the second half of the year.

1.3. In 1977, the stronger economies, i.e. the USA, West Germany and Japan either have already stimulated, or are expected to stimulate, their economies. But in contrast a majority of the OECD countries, particularly those where the annual rate of inflation is still in double figures, and which have serious balance of payments deficits on current account seem likely to follow more cautious policies, and in certain cases, even policies of mode. rate restraint. While the USA, West Germany and Japan, which collectively in 1976 had a balance of payments surplus on current account of US$9 billion, the other OECD countries had a deficit of US$29 billion. One favourable factor is that interest rates in many OECD countries, particularly in those where inflation is less acute, have been falling. Lower interest rates, with a time lag, should encourage new investment in plant and equipment. They may also induce a more vigorous recovery of investment in housing. At present, however, investment in housing, which so often in the past has contributed substantially to recovery, is rising only moderately. All in all, the prospects in 1977 are that the recovery in OECD countries will continue, but at a slower rate than in 1976. Perhaps the increase in GDP at constant prices may be of the order of 4 per cent.

1.4. Unemployment in OECD countries decreased in the first half of 1976 but thereafter the level increased. The overall level of unemployment remains high. The percentage of the labour force unemployed in these countries at the end of 1976 was almost double the average figure for the period 1962. 1973.

1.5. Consumer prices in OECD countries rose on average by 8.6 per cent in 1976. The average conceals a wide dispersion of rates—from an increase of 1 per cent in Switzerland to 20 per cent in Italy. A further average rise in consumer prices in OECD countries of some 8 per cent is expected in 1977.

1.6. World trade in real terms was 10 per cent higher in 1976 than in 1975. It seems likely to grow at a somewhat slower rate of between 6 and 7 per cent in 1977, because of the anticipated lower rate of growth of GDP in OECD countries. The increase in world trade has been beneficial for the developing countries which are heavily dependent on trade in the primary commodities. The prices and volume of all the major raw materials entering into external trade have increased. As a result of these rises and prudent import policies many developing countries have been able to reduce their trade deficits often very appreciably. The trade deficit of the non-oil developing countries is estimated to have been in the region of US$25 billion in 1976 and to have been more than covered by the inflow of transfers and capital. The level of foreign indebtedness in particular countries has, however, risen critically.

1.7. The prices of primary producers exports rose strongly after the first quarter of 1976. Prices of commodities other than oil were 15 per cent higher in 1976 than in 1975, and in the fourth quarter of 1976 they were 24 per cent higher than in the comparable quarter of 1975. The largest increase occurred in the index for food prices, owing to the spectacular rises in the prices of coffee and cocoa. Coffee prices increased from K£671 a tonne in December, 1975 to K£1623 a tonne in December, 1976. By February, 1977, the price had reached the highest ever level of over £4,000 sterling a tonne on the London market. The price trends of other important commodities were more varied. Tea prices rose; and so did those of most metals particularly of tin and lead; and of rubber, wool and cotton. The prices of wheat, sugar, sisal and jute, however, declined. By April, 1977, there was some evidence that prices of commodities in general had reached a temporary plateau.

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

	Food Products	*Agriculture Industrial Materials*	*Metals and Minerals*	*All Products*
1975—				
1st Quarter	216.2	160.1	140.2	180.6
2nd Quarter	180.2	159.5	138.2	163.1
3rd Quarter	191.7	162.8	138.7	169.4
4th Quarter	185.9	169.1	140.8	168.9
1975 Year	193.7	162.8	139.5	170.6
1976—				
1st Quarter	192.9	184.9	143.5	176.7
2nd Quarter	218.5	200.1	156.5	196.2
3rd Quarter	224.3	208.7	162.1	202.7
4th Quarter	241.4	214.3	154.0	209.7
1976 Year	219.1	202.0	154.0	196.3

1.8. Most OPEC countries raised their prices of crude oil by 10 per cent from January, 1977, and a further 5 per cent increase is expected in July, 1977. Saudi Arabia, Abu Dhabi and Indonesia, however, increased their prices by only 5 to 7 per cent. The overall rise in price may therefore be about 8 per cent. These rises are modest in comparison to the huge rises that occurred in 1974 and 1975. For most developing countries, the terms of trade

in 1977 should move further in their favour. The expected recovery in the economies of OECD countries and in world trade should raise the demand for primary producers exports. For 1977 as a whole, prices of many raw materials will almost certainly be higher than in 1976 and the average price rises should be more than those of oil products and of goods imported from developed countries. As far as Kenya is concerned the average prices of coffee and tea on export markets seem likely to be considerably higher than those of 1976.

1.9. For developing countries generally, there was some reduction in 1976 in their overall balance of payments deficit on current account compared with that in 1975; and this trend seems likely to continue in 1977, It is probably, however, over-optimistic to expect this to lead to any lessening of import restrictions, for although the overall deficit on current account in 1977 may be less than in 1976 the level of the deficit may prove hard to finance in a number of countries.

1.10. Until the developed world is sure that inflation has been beaten to the extent of ensuring acceptable average price rises for the OECD countries there will continue to be a marked reluctance by governments to take policy measures to stimulate economies and reduce the present level of unemployment. Movement in the direction of containing inflation has been positive over the last 18 months but it seems obvious that there will be a further period of delay before more general expansionary policies can be pursued. The present period therefore seems characterized by a wait-and-see attitude as regards the economic situation. This attitude is influencing the international negotiations on co-operation and development, i.e. the move towards a new international economic order.

CHAPTER 2—THE DOMESTIC ECONOMY

There was a most welcome recovery in Kenya's economy in 1976, from the very poor performance of 1975. However, the rate of growth in GDP at 5.1 per cent at constant prices in 1976 was still below the revised plan target figure of 6 per cent a year. The original plan target was for an average growth rate in the GDP of 7.4 per cent a year. In the four years to 1976 the actual growth rate has, however, averaged only 3.8 per cent annually. If the original target had been realized the GDP of Kenya would have been higher by 14.4 per cent in 1976 and, more important, employment could have been as much as 18 per cent greater, with a further 180,000 persons, now unemployed, engaged in worthwhile activity. The reasons for the failure to attain the planned target growth rates in the years 1973 to 1975 have been noted in previous issues of the Survey. They stem from the oil crisis, the world recession and poor rainfall within Kenya.

2.2. It is useful at this point to itemise some of the continuing long-term development strategies of the Government. These include:.

(i) The achievement and maintenance of a fast rate of economic growth.

(ii) Increasing employment not only through faster economic growth but also through greater use of labour-intensive rather than capital. intensive means of production.

(iii) The improvement of the living standards of the "working poor" most of whom earn their livelihood in rural areas on small-holdings.

(iv) The reduction of income differentials.

(v) The reduction in the divergence in wage rates between large and small firms for people of similar skills, to promote optimal growth.

(vi) Making indirect taxation more progressive by imposing higher taxes on those items considered to be luxuries.

(vii) Emphasising economic production in those sectors which will increase exports and reduce imports.

2.3. In the context of the major objectives, 1975, as stated in last year's Economic Survey, was a particularly disappointing year. GDP at constant prices increased by only 1.2 per cent; real per capita incomes fell by 2.5 per cent; and the numbers in paid employment fell for the first time in a decade, decreasing by 0.9 per cent.

2.4. In contrast, most key indicators have shown a marked improvement in 1976. GDP as a whole, even though held back by a decline in the semi. monetary economy, increased by 5.1 per cent; and that of the enterprise sector in the monetary economy increased by 7.2 per cent. Per capita incomes rose by 1.7 per cent at constant prices but, because of a large favourable shift in the terms of trade, the rise in real terms was as much as 8.3 per cent. Particularly significant was the increase of 4.7 per cent in the number in paid employment.

2.5. The economy was stimulated by an increase in effective demand caused by the large rise in the value of coffee exports, which halved the balance-of-payments deficit on current account; the rise in investment in fixed capital formation; and a reduction in Government current surplus.

2.6. The rise in the controlled prices of agricultural products undoubtedly improved monetary incomes in the rural areas, and agriculture generally had a good year. For the first time for several years the terms of trade shifted in favour of agriculture sector, *vis-a-vis* other sectors of the economy.

2.7. Average earnings from wage employment increased by 15.9 per cent. This rise was higher than the increase in the cost of living, thereby yielding a net increase in real wages. Although the number in paid employment went up, the incidence of urban unemployment, in the face of an enlarging labour force, cannot have been reduced. This aspect is a source of concern. Moreover, even on the most sanguine assumptions, much of the increase in the labour force will have to be absorbed in agriculture during the next few years. The need to develop the rest of the economy at a much faster rate than agriculture in order to create non-agricultural employment is indicated.

Sectoral Analysis of Production

2.8. The detailed breakdown of GDP and the sectoral rates of growth, at current and constant prices, are set out in Tables 2.1 and 2.2. The GDP at constant prices of agriculture was 2.1 per cent higher in 1976 than in 1975. The contribution of the semi-monetary sector, owing to the poor maize and bean crops, fell by 1.8 per cent. This was, however, more than offset by a rise in the monetary production of agriculture sector of 6.9 per cent. The value of marketed agriculture production at constant prices rose by 6.5 per cent.

2.9. Manufacturing output, after rising by only 0.1 per cent in 1975, forged ahead significantly in 1976 with its GDP at constant prices growing by no less than 12.5 per cent. Other sectors to register significant increases in production in 1976 included mining and quarrying, whose production went up by 10.1 per cent at constant prices, and electricity and water which recorded a growth of 11.8 per cent. Although the production of construction sector went up by only 2.8 per cent, this marked a recovery from the falls in 1974 and 1975. Tourism grew fairly sharply and this helped the sector which covers trade, restaurants and hotels to record an increase of 8.2 per cent in its production. Higher marketed output from agriculture and increased manufacturing production also contributed to this growth.

2.10. The output of the service sectors grew in line with the more buoyant economy; production of the transport and communications sector went up by 6 per cent; and that of financial and other related services by 7 per cent. Producers of Government services which account for a substantial part of the public sector recorded an increase in production of 4.4 per cent in 1976.

Table 2.1 Gross Domestic Product, 1972, 1974-1976

K£million

	Current Prices				Constant (1972) Prices			
	1972	1974	1975	1976*	1972	1974	1975	1976*
A. Semi-Monetary Economy								
Agriculture. Forestry and Fishing	115.73	137.04	181.04	199.87	115.73	118.76	119.41	117.29
Building and Construction	10.78	14.79	19.35	21.86	10.78	11.31	11.54	11.86
Water	5.00	5.28	6.78	7.53	5.00	5.15	5.25	5.32
Ownership of Dwellings	12.98	18.81	25.39	29.36	12.98	14.12	14.73	15.35
Total Semi-Monetary Economy	144.49	175.93	232.56	258.62	144.49	149.34	150.93	149.82
B Monetary Economy								
1. Enterprises and Non-Profit Institutions	94.36	123.08	135.39	223.66	94.36	96.15	96.21	102.84
Agriculture	3.55	5.42	5.93	6.89	3.55	4.45	4.46	4.65
Forestry	1.26	1.45	1.65	1.68	1.26	1.11	1.11	1.16
Fishing	2.23	3.14	3.32	4.25	2.23	2.90	2.98	3.28
Mining and Quarrying	77.94	119.07	127.13	151.33	77.94	94.96	97.44	109.64
Manufacturing	8.93	10.43	13.20	16.52	8.93	10 10	II.20	12.52
Electricity and Water	35.73	43.39	44.39	50.69	35.73	32.02	30.87	31.72
Building and Construction	66.26	115.87	121.86	143.12	66.26	71.67	66.24	71.64
Wholesale, Retail Trade. Restaurants and Hotels	38.21	53.73	60.25	69.10	38.21	41.94	40.67	43.11
Transport, Storage and Communications	31.42	46.80	54.67	63.96	31.42	38.39	40.64	41.73
Finance, Insurance, Real Estate and Business Services	27.22	35.39	40.40	45.14	27.22	29.39	29.68	30.27
Ownership of Dwellings	14.69	19.33	21.69	25.76	14.69	16.49	17.62	18.17
Other Services								
Total	401.80	577.10	629.88	802.10	401.80	439.57	439.12	470.73
2. Private Households (Domestic Services)	5.12	7.27	8.86	10.37	5.12	6.45	7.42	8.08
3. Producers of Government Services	29.32	34.24	38.54	44.42	29.32	31.93	32.31	32.66
Public Administration	5.36	7.43	8.92	9.82	5.36	5.63	5.90	6.16
Defence	39.24	55.00	67.20	79.78	39.24	49.34	55.06	59.52
Education	11.68	13.93	15.22	18.10	11.68	12.26	13.29	13.41
Health	8.47	9.73	10.71	12.24	8.47	9.57	11.97	12.04
Agricultural Services	13.11	15.67	17.68	17.91	13.11	15.01	11.55	12.07
Other Services								
Total	107.18	136.00	158.27	182.27	107.18	123.74	130.08	135.86
Total Monetary Economy	514.10	720.37	797.01	994.74	514.10	569.76	576.62	614.67
Total Gross Product at Factor Cost (Monetary and Semi-Monetary)	658.59	896.30	1.029.57	1,253.36	658.59	719.10	727.55	764.49
Gross Domestic Product per Capita K£	54.58	69.42	76.84	90.51	54.58	55.64	54.30	55.21

*Provisional

Table 2.2

GROSS DOMESTIC PRODUCT: PERCENTAGE RATES OF GROWTH AND THE PLAN TARGETS, 1972-1976

Percentages

	CURRENT PRICES				CONSTANT (1972) PRICES				Plan Targets
	1973-1974	1974-1975	1975-1976*	1972-1976* Cumulative	1973-1974	1974-1975	1975-1976*	1972-1976* Cumulative	
A. SEMI-MONETARY ECONOMY									
Agriculture, Forestry and Fishing ..	13.4	32.1	10.4	14.7	3.0	0.6	—1.8	0.3	..
Building and Construction	14.6	30.8	13.0	19.3	1.2	2.0	2.8	2.4	..
Water	2.3	28.4	11.1	10.8	1.4	1.9	1.3	1.5	..
Ownership of Dwellings	19.4	35.0	15.6	**22.6**	4.3	4.3	4.2	4.2	..
TOTAL SEMI-MONETARY ECONOMY ..	13.7	32.2	**11.2**	15.7	3.0	1.1	—0.7	1.0	3.0
B. MONETARY ECONOMY									
1. Enterprises and Non-Profit Institutions									
Agriculture	14.6	10.0	65.2	24.1	—0.6	0.1	6.9	2.2	6.7
Forestry	26.9	9.4	16.2	18.0	12. 4	0.2	4.3	7.0	9.0
Fishing	8.2	13.8	1.8	7.4	—5.1	—	4.5	—2.2	5.0
Mining and Quarrying	— 1.9	5.7	28.0	17.5	—9.9	2.8	10.1	9.9	16.9
Manufacturing	25.9	6.8	19.0	18.0	8.9	2.6	12.5	9.0	10.2
Electricity and Water	11.7	26.6	25.2	16.6	9.4	10.9	11.8	8.8	9.0
Building and Construction	12.1	2.3	14.2	9.2	—9.7	—3.6	2.8	—3.0	7.2
Wholesale. Retail Trade. Restaurants and Hotels	43.8	5.2	17.4	21.2	—3.1	—7.6	8.2	1.9	7.2
Transport. Storage and Communications	21.7	12.1	14.7	16.0	—1.0	—3.0	6.0	3.1	7.2
Finance, Insurance, Real Estate and Business Services	35.5	16.8	17.0	19.5	18.3	5.9	2.7	7.4	..
Ownership of Dwellings	17.1	14.2	11.7	13.5	2.7	1.0	2.0	2.6	7.2
Other Services	11.7	12.2	18.8	15.0	13.2	6.8	3.1	5.5	..
TOTAL	23.9	9.1	27.3	18.9	2.5	—0.1	7.2	4.0	
2. Private Households (Domestic Services)	18.2	21.9	17.0	19.2	13.4	15. 0	8.9	12.1	7.2
3. Producers of Government Services									
Public Administration	15.4	12.6	15.2	11.0	4.3	1.2	1.1	**2.6**	..
Defence	31.0	20.0	10.1	16.3	2.0	4.8	4.4	3.6	..
Education	**26.0**	22.2	18.7	19.4	19.4	11.6	8.1	11.0	..
Health	15.7	9.3	18.9	11.6	9.0	8.4	0.9	3.6	..
Agricultural Services	} 12.7	11.8	6.2	**8.8**	11.0	—4.3	2.5	2.9	..
Other Services									
TOTAL	19.7	16.4	15.2	14.2	11.6	5.1	4.4	**6.2**	10.1
TOTAL MONETARY ECONOMY	23.0	10.6	24.8	17.9	4.4	1.2	**6.6**	4.7	8.4
TOTAL GROSS PRODUCT AT FACTOR COST	21.1	14.9	21.7	17.4	4.1	1.2	5.1	3.8	7.4
GROSS DOMESTIC PRODUCT PER CAPITA	17.1	10.7	17.8	13.5	0.7	—2.5	1.7	0.3	..

*Provisional

Table 2.3

Production Accounts, 1975-1976

K£million

	1975					1976*				
	Gross Ouput (at approx. Basic Prices)†	Inter-mediate Consump-tion	Gross Domestic Product (at Factor Cost)			Gross Output (at approx. Basic Prices)†	Inter-mediate Consump-tion	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus**
A. Semi-Monetary Sector	250.37	17.81	232.56	7.13	225.42	278.80	20.17	258.62	8.55	250.07
B. Monetary Sector										
1. Enterprises and Non-Profit Institutions										
Agriculture	175.08	39.69	135.39	34.98	100.41	267.59	43.92	223.66	42.42	181.24
Forestry	7.26	1.33	5.93	4.90	1.03	8.32	1 .43	6.89	6.03	0..86
Fishing	1.81	0.16	1.65	0.41	1.24	1.87	0.19	1.68	0.42	1.26
Mining and Quarrying	11.47	8.15	3.32	1.84	1.48	13.80	9.55	4.25	1.99	2.26
Manufacturing	599.46	472.33	127.13	57.89	69.24	730.13	578.80	151.33	67.61	83.72
Electricity and Water	22.47	9.27	13.20	4.83	8.37	27.94	11.42	16.52	6.32	10.20
Building and Construction ..	144.40	100.01	44.39	35.32	9.07	168.96	118.27	50.69	41.14	9.55
Wholesale. Retail Trade, Restaurants and Hotels	212.37	90.51	121.86	55.63	66.23	249.30	106.18	143.12	65.36	77.76
Transport, Storage and Communi-cations	170.39	110.14	60.25	36.54	23.71	199.51	130.41	69.10	41.57	27.53
Finance, Insurance, Real Estate and Business Services	72.57	17.90	54.67	26.21	28.46	84.81	20.85	63.96	30.48	33.47
Ownership of Dwellings	44.59	4.19	40.40		40.40	49.84	4.70	45.14		45.14
Other Services	51.91	30.22	21.69	15.43	6.26	58.32	32.56	25.76	17.92	7.84
Total	1,513.78	833.90	629.88	273.98	355.90	1,860.39	1,058.28	802.10	321.26	480.83
2. Private Households (Domestic Services)	8.86		8.86	8.86		10.37		10.37	10.37	—
3. Producers of Government Services	233.29	75.03	158.27	157.00	1.27	262.19	79.91	182.27	180.88	1.39
Total Monetary Sector	1,755.93	958.93	797.01	439.84	357.17	2,132.95	1,138.19	994.74	512.51	482.22
Total Semi-Monetary and Monetary Sector	2.006.30	976.74	1,029.57	446.97	582.59	2,411.75	1,158.36	1,253.36	521.06	732.29

*Provisional

**Including consumption of fixed capital

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

2.11. Table 2.3 details production accounts for the years 1975 and 1976 leading to the derivation of GDP. The labour cost component of GDP is not adjusted for imputation of wages to cover self-employed or unpaid family workers. Thus the operating surpluses contain a large element of unspecified labour costs, particularly in sectors such as the semi-monetary economy and in wholesale and retail trade. Labour costs virtually account for the entire contribution of producers of Government services to the GDP.

Structure of the Economy

2.12. Details of the relative contribution to GDP by the various sectors are given in Table 2.4. With the large relative growth of the monetary sector since 1972, the share of the semi-monetary economy has continued to decline. Over 80 per cent of the GDP in 1976 was accounted for by the monetary economy, and if monetary and semi-monetary productions are added together, 29.6 per cent of the total GDP was contributed by agriculture, forestry and fishing; industry's contribution was 20.4 per cent while services contributed most of the remainder.

GROSS DOMESTIC PRODUCT

Table 2.4 Sector Shares, at Constant (1972) Prices, 1972, 1974-1976 Percentages

	1972	1974	1975	1976*
A. Semi-Monetary Economy				
Agriculture, Forestry and Fishing	17.6	16.5	16 4	15.3
Building and Construction	1.6	1.6	1.6	1.6
Water	0.8	0.7	0.7	0.7
Ownership of Dwellings	2.0	2.0	2.0	2.0
Total Semi-Monetary Economy	21.9	20.8	20.7	19.6
B. Monetary Economy				
1. Enterprises and Non-Profit Institutions				
Agriculture	14.3	13.4	13.2	13.5
Forestry	0 5	0 6	0.6	0.6
Fishing	0.2	0.2	0.2	0.2
Mining and Quarrying. .	0.3	0.4	0.4	0.4
Manufacturing	11.8	13.2	13.4	14.3
Electricity and Water	1.4	1.4	1.5	1.6
Building and Construction	5.4	4.5	4.2	4.1
Wholesale, Retail Trade. Restaurants and Hotels	10.1	10.0	9.1	9.4
Transport, Storage and Communications. .	5.8	5.8	5.6	5.6
Finance, Insurance, Real Estate and Business Services	4.8	5.3	5.6	5.5
Ownership of Dwellings	4.1	4.1	4.1	4.0
Other Services	2.2	2.3	2.4	2.4
Total	61.0	61.1	60.4	61.6
2. Private Households (Domestic Services)	0.8	0.9	1.0	1.1
3. Producers of Government Services				
Public Administration	4.5	4.4	4.4	4.3
Defence	0.8	0.8	0.8	0.8
Education	6.0	6.9	7.6	7.8
Health	1.8	1.7	1.8	1.8
Agricultural Services	1.3	1.3	1.6	1.6
	2.0	2.1	1.6	1.6
Total	16.3	17.2	17-9	17.8
Total Monetary Economy	78.1	79.2	79.3	80.4
Total Gross Product at Factor Cost (Monetary and Semi-Monetary) ..	100.0	100.0	100.0	100.0

*Provisional

Table 2.5

Contribution of the Public Sector to Gross Domestic Product, 1975 and 1976

K£million

	1975					1976*				
	Kenya Government	Local Authorities	East African Community	Parastatal Bodies**	Total	Kenya Government	Local Authorities	East African Community	Parastatal Bodies**	Total
Monetary Economy										
Enterprises and Non-profit Institutions—										
Agriculture	—	—	—	2.22	2.22	—	—	—	2 02	2.02
Forestry	1.49	—	—	—	1.49	1.46	—	—	—	1 .46
Fishing	—	—	—	—.		—	—	—	—	—
Mining and Quarrying	—	—	—	—0.25	—0.25	—	—	—	0 36	0.36
Manufacturing	0.86	—	10.76	10 92	22.54	0.93		10.90	15.16	26 99
Electricity and Water	1.47	2.56	—	9.13	13.17	1.99	3.40		11.11	16.50
Building and Construction ..	8.59	0 90	6 80	0.18	16.47	9.41	1.42	6.58	0.25	17.66
Wholesale, Retail Trade, Restaurants and Hotels	—	—	—	—1.17	—1.17	—	—	—	—0.14	—0.14
Transport, Storage and Communications	0 08	—	36 86	1.07	38.01	0 09	—	38.61	0 97	39 67
Finance. Insurance, Real Estate Business Services	0.31	—	0.13	13.75	14.19	0.36	—	0 15	15.62	16.13
Ownership of Dwellings	0.61	2.59	0 52	—	3.72	0.64	2.73	0.54		3.91
Other Services	0 6!	—	—	0 31	0.92	0.66	—	—	0.21	0.87
Total	14.02	6 05	55.07	36.16	1131	15.54	7.55	56.78	45.56	125.43
Producers of Government Services .										
Public Administration	32.40	3.39	2.75	—	38.54	37.01	3.91	3.50	—	44.42
Defence	8.92	—	—	—	8.92	9.82	—	—	—	9.82
Education	60 11	3.20	0.14	3.75	67.20	71.06	3.62	0.16	4 94	79.78
Health	14.13	0 99	0.10	—	15.22	16.71	1.29	0.11	—	18.10
Agricultural Services	9.54	0 22	0.74	0 21	10 71	10.94	0 21	0.86	0.24	12 24
Other Services	12.01	4 66	1.00	—	17.68	11.80	5.06	1.06	—	17.91
Total	137.11	12.47	4.73	3.96	158.27	157.33	14.08	5.69	5.18	182 27
Total Public Sector	151.13	18.52	59.80	40.12	269 58	172.87	21.63	62.47	50 74	307.70

*Provisional

**Including Public Companies.

2.13. Although producers of Government services accounted for 17.8 per cent of the GDP in 1976, the contribution of the public sector, as a whole was larger. The public sector also includes firms whose share capital is 51 per cent or more owned by the Government, the paranatal bodies, and the activities of the East African Community in Kenya. The contribution of the public sector to Kenya's GDP was 26.2 per cent in 1975 and 24.6 per cent in 1976. The fall was due to the much faster growth of the private sector in 1976. Table 2.5 details a sectoral breakdown of GDP of the public sector.

TOTAL USE OF RESOURCES, AT CURRENT PRICES, 1972, 1974-1976

Table 2.6 *K£million*

	1972	1974	1975	1976*
G.D P. at Factor Cost	658.59	896.30	1,029.57	1,253.36
Of Which				
Semi-Monetary	144.59	175.93	232.56	258.62
Monetary	514.10	720.37	797.01	994.74
Indirect Taxes	65.06	123.66	139.94	174.16
—Subsidies	1.30	1 .83	0.81	0.73
=G.D.P. at Market Prices	722.35	1,018.13	1,168.70	1,426.79
+ Imports of goods and services	216.16	433.80	422.00	471.80
—Export of goods and services	200.11	357.20	382.60	478.00
=Import Surplus	+ 16.05	+ 76.60	+ 39.40	—6.20
Total Resources available for Domestic Investment and Consumption	738.40	1,094.73	1,208.10	1,420.59
Gross Fixed Capital Formation	165.11	203.76	242.54	298.04
Change in Slocks	—5.55	+ 85.76	—13.76	—21.14
Gross Investment	159.56	289.52	228.78	276.90
Public Consumptuon	128.67	176.51	205.30	245.44
Private Consumption	450.17	628.70	774.02	898.25
TOTAL CONSUMPTION	578.84	805.21	979.32	1,143.69

* Provisional

Resource Allocation

2.14. The total supply of resources at current prices is stated in Table 2.6. Gross Capital Formation constituted 19.4 per cent of GDP at current market prices in 1976, compared with 19.6 per cent in 1975. The slightly lower figure in 1976 is partly attributable to a larger decrease in stocks than in the previous year. Public consumption in 1976 absorbed 17.2 per cent of the total available resouces, against 17.6 per cent in 1975 and 17.3 per cent in 1974. Private con. sumption, always the largest component of expenditure, accounted for 63.0

per cent of the GDP in 1976 as compared to 66.2 per cent in 1975 and 61.8 per cent in 1974. Total resources in 1974 and 1975 include additions to GDP accruing from import surpluses of goods and services so that total expenditure in these two years was equal to 107.5 per cent and 103.4 per cent, respectively, of GDP. In 1976 on the other hand, there was a small export surplus of goods and services, and as a result total expenditure amounted to 99.6 per cent of GDP.

Distribution of Factor Incomes

2.15. Table 2.7 sets out data on Gross National Product, which is lower in total than GDP by the amount of net factor incomes payable abroad. In 1976 net factor incomes payable abroad were approximately 3.8 per cent of GDP at current market prices; in 1974 and 1975 the level had been 4.1 per cent. Gross National Product increased to K£ 1,372.2 million in 1976 compared with K£l,120.7 million in 1975 and K£975.8 million in 1974.

Gross National Product at Current Prices, 1972, 1974-1976

Table 2.7 K£million

	1972	1974	1975	1976*
Factor Incomes—				
A. Semi-Monetary Economy	144.49	175.93	232.56	258.62
B. Monetary Economy—				
1. Remuneration of Employees:				
Enterprises	187.46	249.10	273.98	321.26
Private Households	5.12	7.27	8.86	10.37
Producers of Government Services ..	107.18	136.00	157.00	180.88
Total Remuneration of Employees	299.76	392.37	439.84	512.51
2. Rental Surplus (including depreciation)	27.22	35.39	40.40	45.14
3. Other Operating Surplus (including depreciation)	187.11	292.61	316.77	437.08
Total Monetary Economy	514.10	720.37	797.01	994.74
Total Factor Incomes=Gross Domestic Product	658.59	896.30	1,029.57	1,253.36
Add: Indirect Taxes	65.06	123.66	139.94	174.16
Deduct: Subsidies	1.30	1 .83	0.81	0.73
Gross Domestic Product at Market Prices	722.35	1,018.13	1,168.70	1,426.79
Add: Factor Incomes Received from Abroad	12.92	15.60	17.80	17.60
Deduct: Factor Incomes Paid Abroad	34.61	57.90	65.80	72.20
Gross National Product	700.66	475.83	1,120.70	1,372.19

*Provisional

Investment Account

2.16. Table 2.8 notes details on financing of gross capital formation in 1976. It shows that 12.6 per cent of gross capital formation was financed by net foreign borrowing, a further 2.6 per cent by capital grants from abroad, and the remaining 84.8 per cent from domestic savings. The percentage financed from domestic savings was substantially higher in 1976 than in the previous year, when the comparable percentage was 64.8 per cent. A high level of domestic savings frees resources for gross capital formation; and thereby helps prevent domestic expenditure from rising in relation to GDP, which would otherwise lead to an increase in the current balance-non-payments deficit.

BALANCE OF PAYMENTS AND CAPITAL FORMATION, 1975-1976

Table 2.8 *K£million*

Gross Capital Formation		Financing of Gross Capital Formation	
1975			
Gross Fixed Capital Formation ..	242.5	Net Borrowing from Rest of the World	74.4
Increase in Stocks	13.8	Capital transfers from Rest of the World	6.2
		Domestic Saving (including consumption of fixed capital)	148.2
TOTAL	228.8	TOTAL	228.8
1976*			
Gross Fixed Capital Formation	298.0	Net Borrowing from Rest of the World	34.9
Increase in Stocks	21.1	Capital Transfers from Rest of the World	7.1
		Domestic Savings (including consumption of fixed capital)	234.9
TOTAL	276.9	TOTAL	276.9

* Provisional.

Cross Fixed Capital Formation

2.17. Gross fixed capital formation is analysed by type of asset in Table 2.9. Total gross fixed capital formation rose from K£242.5 million in 1975 to K£298.0 million in 1976 at current prices, and from K£ 143.0 million to K£ 160.1 million at constant (1972) prices. Capital expenditure at constant prices on buildings was lower in 1976 but this was more than offset by higher

Table 2.9 Capital Formation by type of Asset, 1972, 1974-1976 K£million

	Current Prices				Constant (1972) Prices			
	1972	1974	1975	1976*	1972	1974	1975	1976*
Dwellings.								
Private:								
(i) Traditional	10 65	15.17	20.12	23.01	10.65	11.60	12.00	12.48
(ii) Modern	13.23	13.38	15.55	14.14	13.23	9.74	10 .14	8.30
Total	23 88	28.55	35.67	37.16	23 88	21.35	22 14	20.78
Public	5.42	5.86	6 80	7.21	5.42	4.27	4.43	4.23
Total	29 30	34.41	42.47	44.37	29 30	25 62	26.57	25 01
nonresidential Buildings—								
Private	9.42	13.63	10.99	12 19	9.42	9.16	6.55	6.42
Public	11.50	16.94	20.43	19 92	11.50	11.39	12.18	10.49
Total	20.91	30.57	31.42	32.11	20 91	20 55	18.72	16.91
Other Construction Works—								
Private	5.07	4.98	4.52	3.54	5.07	3.56	2.72	1.86
Public	33.57	43.69	52 62	72.22	33.57	31.23	31.62	37.93
Total	38 64	48.67	57.14	75.76	38.64	34 79	34.34	39.79
Land Improvement and Plantation Development—								
Private	2.56	5.41	5.73	5.71	2.56	5 08	4 50	3.82
Public	0.14	0.07	0.09	0.10	0.14	0 07	0 09	0.09
Total	2 70	5.47	5.82	5.81	2.70	5 14	4 59	3 91
Transport Equipment—								
Private	16.15	22.42	27.66	33 69	16.15	16.24	15.10	16.93
Public	3.91	4.66	5.76	6 93	3.91	3.38	3 15	3.48
Total	20 06	27.09	33.42	40 62	20.06	19 61	18.25	20 41

Table 2.9—(Contd.) Capital Formation by Type of Asset, 1972, 1974-1976 K£million

	Current Prices				Constant (1972) Prices			
	1972	1974	1975	1976*	1972	1974	1975	1976*
Machinery and Other Equipment—								
Public	41.46	35.95	57.34	77.67	41.46	25.33	32.25	42.03
Private	9.33	20.82	15.62	20.22	9.33	14.67	8.78	10.94
Total	50.79	56.77	72.96	97.89	50.79	40.00	41.03	52.97
Breeding Stock and Dairy Cattle— Private	2.71	0.77	.0.69	1.48	2.71	0.63	.0.50	1.11
Total Private—								
(i) Traditional Dwellings	10.65	15.17	20.12	23.01	10.65	11.60	12.00	12.48
(ii) Other	90.60	96.55	121.10	148.43	90.60	69.74	70.76	80.47
Total Private	101.25	111.72	141.22	171.44	101.25	81.35	82.75	92.95
	63.86	92.04	101.32	126.60	63.86	64.99	60.25	67.16
Total Private and Public	165.11	203.76	242.54	298.04	165.11	146.34	143.00	160.11

*Provisional

Table 2.10 Capital Formation by Industry, 1972, 1974-1976 K£million

	Current Prices				Constant (1972) Prices			
	1972	1974	1975	1976*	1972	1974	1975	1976*
A. Outside Monetary Economy								
Traditional Dwellings	10 65	15.17	20.12	23 01	10 65	11.60	12 00	12.48
B. Monetary Economy								
1. Enterprises and Non-Profit Institute								
Agriculture	14.61	21.13	23.19	25.98	14.61	16.30	14.37	14.96
Forestry	0.26	0.23	0.15	0.26	0.26	0.16	0.09	0.13
Mining and Quarrying	1.70	3.60	1 .53	1.62	1.70	2.53	0.86	0.87
Manufacturing	28.19	29.86	31.23	43.65	28.19	20.88	17.68	23.37
Electricity and Water	8.51	10.03	17.19	32.45	8.51	7.15	10.26	17.06
Building and Construction	8.50	7.00	7.81	10.23	8.50	4.95	4.41	5.49
Wholesale, Retail Trade, Restaurants and Hotels	8.19	10.19	14.47	13.19	8.19	7.19	8.20	7.06
Transport, Storage and Communications	22.47	35.46	50.39	57.68	22.47	25.33	28.64	29.94
Finance, Insurance. Real Estate and Business Services	2.12	4.01	4.76	3.49	2.12	2.75	2.79	1.86
Ownership of Dwellings	19.22	19.82	23.09	22.25	19.22	14.42	14.99	13.02
Other Services	7.60	8.52	7.16	10.64	7.60	5.89	4.17	5 64
Total	121.37	149.85	180.97	221.44	121.37	107.55	106.46	119.40
2. General Government								
Public Administration	4.84	4.90	5.35	5.14	4.84	3.35	3.13	2.70
Defence								
Education	3.59	4.12	4.89	7.42	3.59	2.81	2.87	3.94
Health	2.94	3.30	4.35	6.30	2.94	2.25	2.57	3.32
Agricultural Services	1.09	2.96	5.71	7.84	1.09	2.07	3.37	4.13
Other Services	20.64	23.45	21.15	26.90	20.64	16.71	12.62	14.14
Total ..	33.10	38.73	41.45	53.59	33.10	27.19	24.55	28.23
Semi-Monetary Economy	10.65	15.17	20.12	23.01	10.65	11.60	12.00	12.48
Monetary Economy	154.47	188.58	222.42	275.03	154.07	134.74	131.00	147.63
Total	165.11	203.76	242.54	298.04	165.11	146.34	143.00	160.11
C. Percentage Rates of Growth—								
Outside Monetary Economy		19.1	32.6	14.4		5.1	3.4	4.0
Monetary Economy	—	11.8	17.9	23.7	—	—8.7	—2.8	12.7
Total		12.3	19.0	22.9		—7.8	—2.3	12.0

*Provisional

expenditure on "other" construction. Capital expenditure on transport equip. ment was slightly higher and substantial increase occurred in investment in machinery and equipment, which rose from K£73.0 million in 1975 to K£97.9 million in 1976 at current prices.

2.18 Fixed capital formation by investing industry is given in Table 2.10. Investment by enterprises and non-profit institutions at constant prices rose by 12.2 per cent in 1976. The bulk of the increase was due to higher investment by the manufacturing sector—its expenditure on fixed assets increased from K£31.2 million in 1975 to K£43.7 million in 1976; and to higher investment on electricity and water projects, which nearly doubled from K£17.2 million to K£32.5 million.

2.19. Expenditure on construction by the Government is noted in Table 2.11. Since 1972 the total has risen from K£21.05 million to K£50.3 million in 1976. The increase in 1976 was particularly sharp. Expenditure on road con. struction and water development accounted for 58.4 per cent of Government's total expenditure on construction in 1976. A nearly three-fold rise occurred in spending on water projects from K£4.1 million in 1975, to K£11.4 million in 1976.

CAPITAL FORMATION: CONSTRUCTION EXPENDITURE BY KENYA GOVERNMENT, 1972-1976
(at current prices)

Table 2.11 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	30,326
1975	16,146	4,099	222	16,497	36,964
1976*	17,600	11,397	413	20,892	50,302

*Provisional

CHAPTER 3—BALANCE OF PAYMENTS

The current account deficit was sharply reduced in 1976 to K£42.0 million. This compares with deficits of K£80.6 million in 1975, and of K£112.0 million in 1974. Thus the current deficit in 1976 was about one-third that of 1974. This improvement, however, offers no grounds for complacency. There is still an urgent need to change the structure of Kenya's economy; so that, when coffee prices decline to a more "normal" level, large balance-non-payment deficits will not again be incurred. It is the present intention, under the programme of drawings from the Extended Fund Facility of the IMF. that Kenya should not make further drawings after 1980.

3.2. As shown in Table 3.1 imports increased by K£45.3 million, from K£362.6 million in 1975 to K£407.9 million in 1976, while exports increased by K£73.3 million, from K£237.9 million in 1975 to K£311.2 million in 1976. About two-thirds of the increase in the value of exports was due to a higher value of coffee exports. The deficit on the merchandise account thus declined from K£124.7 million in 1975 to K£96.7 million in 1976.

3.3. The lesser adverse balance on the merchandise account was mainly due to a large favourable shift in the terms of trade. The export price index was 36.0 per cent higher in 1976 than in 1975, compared with a rise in the import price index of only 8.2 per cent. The rise in coffee prices, and to a lesser extent the rise in tea prices, were important influences on the rise in the export price index. The rise in both the export and import price indices was also partly due to the depreciation of the Kenya shilling in October, 1975. The favourable shift in the terms of trade is all the more welcome after the severe adverse shifts in 1974 and 1975, which followed the rise in oil prices.

3.4. Although emphasis has been laid on the change in the terms of trade, changes in the quantity of exports and imports also had an influence in lessening the deficit on the merchandise account. The quantity index of exports increased by 5.9 per cent, and that of imports by 2.4 per cent. Higher agricultural output increased the quantity of exports; and the faster rate of growth of Kenya's economy increased the demand for imports. Other factors which may have influenced the volume of exports and imports, apart from the depreciation of the Kenya shilling, were the slower rate of wage increases in Kenya than in many other countries; and the subsidy on exports of manufactured goods. The trade figures are given in detail in Chapter 7.

"Invisible" Transactions

3.5. The net credit on all "invisibles" increased by K£7.0 million, from K£47.7 million in 1975 to K£54.7 million in 1976. The net credit from freight and insurance increased by K£3.7 million; and that from other transportation by nearly the same amount. The latter increase was partly due to higher bunkerage receipts. The net credit from foreign travel rose by K£7.5 million. This resulted from increased tourism, for which the receipts rose from K£33.4 million in 1975 to K£41.1 million in 1976. The increases in net credits from

Table 3.1 Kenya Balance of Payments, 1974-1976 K£million

	1974			1975			1976*		
	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits
A. Current Account									
1. Merchandise transactions; Imports (c.i.f.); Exports (f.o.b.)	383.9	226.1	Dr. 157.8	362.6	237.9	Dr. 124.7	407.9	311.2	Dr. 96.7
2. Non.Monetary Gold Movements	0.9	—	Dr. 0.9	3.6	—	Dr 3.6		—	—
3. Freight and Insurance ..	1.0	19.5	18.5	1.8	21.0	19.2	4.6	27.5	22.9
4. Other Transportation	22.7	67.3	44.6	26.2	70.2	44.0	27.9	75.8	47.9
5. Foreign Travel	13.1	27.0	13.9	12.0	34.4	22.4	13.0	42.9	29.9
6. International Investment Income	49.8	13.7	Dr.36.1	57.7	15.7	Dr. 42.0	63.1	15.5	Dr. 47.6
7. Government Transactions n.e.s.	10.7	7.8	Dr. 2.9	10.6	7.8	Dr. 2.8	11.6	8.5	Dr. 3.1
8. Other Services	9.6	11.4	1.8	13.3	13.4	0.1	15.9	14.2	Dr. 1 .7
9. Private Transfers	9.0	9.8	0.8	8.2	7.2	Dr. 1 .0	9.3	7.2	Dr. 2.1
10. Government Transfers**	8.3	14.4	6.1	8.2	16.0	7.8	9.2	17.7	8.5
Total Current Account	509.0	397.0	Dr.112.0	504.2	423.6	Dr. 80.6		520.5	Dr. 42.0
of which: Visible Balance	384.8	226.1	Dr. 158.7	366.2	237.9	Dr. 128.3	407.9	311.2	Dr. 96.7
Invisible Balance	124.2	170.9	46.7	138.0	185.7	47.7	154.6	209.3	54.7
B. Capital Movements									
11. Private Long-term* **	Cr. 0.3	41.3	41.6	2.1	17.4	15.3	2.5	25.6	23.1
12. Government Long-term+	Cr. 0.4	21.4	21.8	Cr. 0.4	35.7	36.1	Cr. 0.4	42.2	42.6
13. Government Enterprises**	3.7	11.3	7.6	2.9	9.4	6.5	4.3	9.4	5.1
14. Short-term									
14.1 Government	—	—	—	—	—	—	0.6	—	Dr. 0.6
14.2 Government Enterprises++	2.1	2.8	0.7	0.4	0.3	Dr. 0.1	0.4	0.3	Dr. 0.1
14.3 Deposit Banks	3.6	7.3	3.7	3.4	4.0	0.6	3.3	Dr. 2.8	Dr. 6.1
14.4 Private	0.7	11.1	10.4	1.2	13.1	11.9	1.1	15.1	14.0
Total	9.4	95.2	85.8	9.6	79.9	70.3	11.8	89.9	78.1

Kenya Balance of Payments, 1974-1976

Table 3.1—(Contd.) K£*million*

C. Central Monetary Authorites	1974			1975			1976*		
	Debits/ Assets	Credits/ Liabili-ties	Net Credits	Debits/ Assets	Credits/ Liabili-ties	Net Credits	Debits/ Assets	Credits/ Liabili-ties	Net Credits
15. Transactions With IMF									
15.1 SDR's									
15.1.1 Change in Holdings									
15.1.2 Counterpart to Allocations	Cr. 6.3	—	—	1.0	—	Dr. 1 .0	Cr. 0.4	—	0.4
15.2 Change in Reserve Position in Fund (or Use of Fund Credit)	—	—	—	—	—	—	—	—	—
16. Other Changes in Foreign Assets and Liabilities:	1.0	20.1	191	2.2	21.3	19.1	—	7.9	7.9
16.1 Central Bank of Kenya	Cr. 0.4	0.2	0.6	2.8	0.4	Dr. 2.4	43.8	0.3	Dr. 43.5
16.2 Kenya Government	Cr. 0.1		0.1	Cr. 1.3		1.3	0.4	—	Dr. 0.4
16.3 Valuation Changes	—	4.3	4.3	—	Dr. 4.4	Dr. 4.4	—	Dr. 0.1	Dr. 0.1
Total	Cr. 5.8	24.6	30.4	4.7	17.3	12.6	43.8	8.1	Dr. 35.7
Total Capital Account	3.6	119.8	116.2	14.3	97.2	82.9	55.6	98.0	42.4
Errors and Omissions —	—	—	Dr. 4.2	—	—	Dr. 2.3	—		Dr. 0.4

*Provisional

**Excludes Capital Grants

***Includes enterprises whose capital is 51 percent or more owned by Public Sector

+Includes Capital Grants

++Covers the Community Corporations only.

invisible transactions were partly offset by an increase in the net debit balance on investment income of K£5.6 million. The other "invisible" items were not greatly changed.

Capital Account

3.6. The deficit on the current account of K£42.0 million was financed by an inflow of capital into the private sector, as well as by an increase in public loans and capital grants from abroad. Indeed, these net inflows more than offset the current account deficit. Consequently, there was a large net increase in the foreign assets of the Central Monetary Authorities.

3.7. The net long-term inflow from abroad into the private sector is estimated to have been some K£7.8 million higher in 1976 than in 1975. The short-term private inflow was also K£2.2 million higher, mainly on account of an increase in trade credits and in dividends due to non-residents which had not yet been distributed.

3.8. The net capital transactions of the public sector recorded an inflow of K£42.6 million, compared with one of K£36.1 million in the previous year. Included in these figures are the capital grants received by the Central Government, K£7.1 million in 1976 against K£6.1 in 1975; and the net borrowing of local authorities and parastatal bodies, which increased from K£5.2 million to K£8.4 million. Credit purchases of the Central Government changed only slightly. The net borrowing by the East African Community corporations declined by K£1.4 million in 1976.

3.9. The net foreign assets of the commercial banks rose by K£6.1 million in 1976, against a fall of K£0.6 million in 1975.

3.10. The main changes in the transactions of the Central Monetary Authorities were a smaller increase in the use of fund credit, which rose by K£7.9 million in 1976 against a rise of K£19.1 million in 1975; and an increase in other net foreign assets of the Central Bank of K£43.5 million, against a figure of K£2.4 million in the previous year. The increase in the use of fund credit of K£7.9 million was mainly on account of drawings under the Compensatory Finance Scheme.

Outlook

3.11. The price of coffee has risen further since the end of 1976; and it seems almost certain that the average FOB price of coffee in 1977 will be higher than that in 1976 leading to higher export receipts. Tea prices have also increased sharply in 1977 and should result in much increased export earnings. Exports other than coffee and tea to foreign countries should benefit from the continued recovery in the economies of industrially developed countries; but exports to Tanzania and Uganda are likely to be lower, owing to the difficulties being experienced by the East African Community. But, even so, aggregate exports as a whole are expected to be significantly higher in 1977 than in 1976. Imports, too, are likely to be higher, with an expected

increase in their demand as Kenya's economy continues to make significant gains, stimulated by increased earnings from coffee and tea. Liberalization of trade too may lead to higher imports.

3.12. The net credit balance from "invisibles" may be slightly lower. The net debit balance on investment income is likely to show an increase while the net credit from other transportation could be lower. The latter decline is expected to occur since it may take some time for Kenya Airways to get into its stride; and its net foreign earnings may thus be somewhat lower to start with than those of the now closed down East African Airways in 1976. Its hire charges in 1977 are also likely to be heavy.

3.13. It is shown in Chapter 7 that exports of Kenya produce to Tanzania in 1976 were valued at K£23 million and imports at K£11.6 million. The favourable balance was thus K£11.4 million. The border closure by Tanzania in February 1977 has halted trade between the two countries and this will have some impact on the current account of Kenya's balance of payments. However, this account overall will be relatively satisfactory in 1977 due to the high coffee and tea prices.

3.14. In sum, the outcome of these expected changes may be that the current account deficit in 1977 is at the same level or slightly higher than in 1976. It should not be overlooked that in the earlier years of this decade, Kenya's current account deficit ranged between K£24.3 million in 1972 and K£46.8 million in 1973 with the deficit adequately covered by the capital inflow. It looks as if 1977 will show a similar deficit after adjustment for price rises as in these earlier, more normal, years. The main uncertainty hinges on the fact that the present level of coffee prices cannot be expected to continue; and the year 1978 or 1979 will probably signal a return to a more difficult balance of payments position as coffee prices come down from their current high levels. Such balance of payments difficulties could be accentuated by a continuation of the Tanzanian border closure if new export markets for the produce previously sold to that country are not speedily developed.

CHAPTER 4—MONEY AND BANKING

The most significant events during the year were the rapid increase in the money supply; the sharp rise in the liquidity ratio of the commercial banks; but particularly the rise in the net foreign exchange reserves of the Central Bank of Kenya. There was some fall in interest rates, particularly short-term rates.

Foreign Exchange Rates

4.2. Table 4.1 shows the value of the Kenya shilling in terms of the currencies of her principle trading partners. Also shown is the weighted average percentage change in the value of the Kenya shilling. The Kenya shilling depreciated by 15.1 per cent between 31st December, 1973 and 31st December, 1975. But there was a small appreciation during 1976 due largely to the fall in the value of the £ Sterling—the UK being a major trading partner of Kenya. At the end of 1976 the level of depreciation of the Kenya shilling had narrowed to 13.7 per cent compared with the rates prevailing at the end of December, 1973. The Kenya shilling remained pegged to the SDR.

Table 4.1 Foreign Exchange Rates for Selected Currencies, 1973-1976

Currency	Mean Rates in Kenya Shillings			
	31st Dec. 1973	31st Dec. 1974	31st Dec. 1975	31st Dec. 1976
1 U.S. Dollar	6.900	7.143	8.260	8.310
1 Pound Sterling	16.003	16.754	16.120	14.150
1 Deutsche Mark..	2.554	2.963	3.150	3.530
1 French Franc	1.468	1.609	1.850	1.680
1 Swiss Franc	2.125	2.805	3.150	3.400
100 Italian Lira ..	1.134	1.103	1.208	0.951
100 Japanese Yen	2.463	2.374	2.710	2.840
1 Indian Rupee ..	0.853	0.894	0.922	0.931
1 Zambian Kwacha	10.733	11.111	12.850	10.480
Overall Weighted Average*		8.217	15.100	13.702
Overall Weighted Index*—31st Dec. 1973 = 100	100.0	91.783	84.900	86.298
1 SDR	8.324	8.747	9.658	9.655

*For twenty currencies.

Interest Rates

4.3. Interest rates, with some exceptions, were generally lower on 31st December, 1976, than they were a year earlier. The prevailing rates are detailed in Table 4.2. The Central Bank's re-discount rate fell from 6 per cent to 4.37 per cent; and its rate for advances against Treasury Bills or Kenya Government securities and on its advances against, or discount of, bills fell uniformly by half a percentage point.

Table 4.2 Principal Interest Rates, 1974-1976 Percen.

	31st December		
	1974	1975	1976
Central Bank of Kenya			
Re-discount Rate for Treasury Bills ..	6.00	6.00	4.37
Advances against Treasury Bills	7.00	7.00	6.50
Bills and Notes under Crop Finance Scheme :.			
Discounts	7.00	6.50	6.00
Advances	7.00	6.50	6.00
Other Bills and Notes:—			
Discounts	7.00	7.00	6.50
Advances	7.00	7.00	6.50
Advances against Kenya Government Securities	7.00	7.00	6.50
Kenya Commercial Banks			
Time Deposits:—			
Minimum 30 days (7 days notice)	5.125	5.125	5.125
3 months—less than 6 months	5.125	5.125	5.125
6 months—less than 9 months	5.375	5.375	5.375
9 months—12 months (incl.)	5.625	5.625	5.625
12 months (K.Sh. 100,000.250,000)	5.875	5.875	5.875
Savings Deposits	5.00	5.00	5.00
Loans and Advances (Minimum)	8.00	8.00	Free
Other Financial Institutions			
Kenya Post Office Savings Bank deposits	3.00	5.00	5.00
Agricultural Finance Corporation, Loans ..	8.00	8.00	9.00
Hire-Purchase Companies and Merchant Banks:—			
Deposits (time)	5.00 - 7.50	5.00 - 7.50	5.00 -.8.00
Loans	8.00 - 12.00	8.00.12.00	10.00 -12.00
Building Societies:—			
Deposits	5.50 - 6.50	5.50 - 6.50	6.00 - 8.50
Loans	7.50 - 11.00	7.50 - 11.00	8.00 - 12.00

4.4. Until recently, the commercial banks' rates for loans and advances were subject to maximum and minimum rates set by the Central Bank. The minimum rate is no longer imposed; and the excess liquidity of the commercial banks has induced some fall in their loan rates. In some instances interest rates in Kenya are lower than those in the countries she borrows front. In contrast to the fall in interest rates mentioned above, building societies' rates on loans and on their deposits rose. Similar rises also occurred in the rates of hire purchase companies. The rise in building society lending rates appears to have had some negative impact on the number of houses being built.

Foreign Exchange Reserves

4.5. Changes in foreign assets and foreign liabilities—valued at market rates of exchange—are shown in Table 4.3. The net foreign assets of the Central Monetary Authorities—transactions with the IMF excluded—in. creased by no less than K£43.4 million, rising from K£70.6 million on 31st December, 1975 to K£114 million on 31st December, 1976. This unpre. cedented increase was largely attributable to the huge rise in coffee prices noted in Chapter 3. However, even with the sharp rise the reserves would only cover 2 to 3 months imports and this is still far from being satisfactory. In any event, reserves would be likely to be reduced probably quite drastically when the current coffee boom subsides. The use of IMF Fund Credit in 1976 rose from K£33.1 million to K£41.0 million. This increased liability of K£7.9 million to the IMF was due to higher drawings under the oil facility and compensatory finance schemes of the fund, mainly the latter. At the end of 1976 Kenya's total drawings amounted to 277 per cent of her quota of drawing rights. However, if drawings under the oil facility are excluded, this figure is reduced to 94 per cent.

4.6. The net foreign assets of the commercial banks rose from K£4.6 million on 31st December, 1975 to K£10.7 million on 31st December, 1976 —a rise of K£6.1 million.

Monetary Guidelines

4.7. The guidelines for monetary policy in 1975 were further modified in 1976. The main guidelines were that—

(i) expansion of total domestic credit was to be limited to 21 per cent a year, and that to the private sector to 18 per cent;

(ii) the increase in Government borrowing from the banking system between 31st March, 1976 and 30th June, 1977, was not to exceed K£30.75 million;

(iii) the domestic credit expansion of the Central Bank for the same period was not to exceed K£24 million; and

(iv) the commercial banks were required to lend up to 17 per cent of their deposits to the agriculture sector.

4.8. Such policies were aimed at controlling the money supply. It seems likely, as is mentioned below, that these guidelines, with the exception of (iv) will be met.* Nevertheless, the excess liquidity of the commercial banks may effect price stability. Effective demand in 1977 will in any event be stimulated by a further rise in the value of exports and it is hoped by a rise in gross capital formation.

* Unless Government borrowing is defined to include sale of its securities by banks. to non.banking institutions.

Central Monetary Authorities: Foreign Exchange Reserves, 1972-1977

Table 4.3

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 l.M.F.)	Total Net Foreign Reserves of Central Bank**			Subscrip. tion	I.M.F. holding of Kenya Currency	Net use of Fund Credit*	
1972	6,621	58,899	1,221	64,298	2,075	66,373	18,612	13,948	4.664	6,049
1973	7,115	66,729	560	73,284	3,013	76,297	19,977	14,866	5,111	6,493
1974	802	66,373	473	67,066	1,733	68,799	20,989	35,002	—14.013	6,721
1975	1,818	69,129	806	70,141	414	70,555	23,179	**56,281**	**—33,102**	**6,721**
1976.										
January	1,818	60,953	760	62,011	981	62,992	23,197	56,325	—33,128	6,721
February	1,818	68,044	417	69,445	351	69,796	23,197	56.325	—33,128	6,721
March	1,818	79,839	664	80,993	500	81,493	23,200	56,334	—33,134	6,721
April	1,578	79,326	788	80,116	384	80,500	23,171	51,136	—27,965	6,721
May	777	85,660	836	85,601	477	86,078	23,166	52,621	—29,455	6,721
June	233	92,435	819	91,849	480	92,329	23,188	52,670	—29,482	6,721
July	2,590	109,092	967	110,715	784	111,499	23,177	64,235	—41,058	6,721
August	2,590	113,973	547	116,016	700	116,716	23,172	64,220	—41,048	6,721
September	2,049	120,735	451	122,333	796	123,129	23,244	64,419	—41,175	6,721
October	2,050	112,152	636	113,566	756	114,322	23,196	64,287	—41,091	6,721
November	2,049	113,236	633	114,652	950	115,602	23,153	64,217	—41,064	6,721
December	1,388	112,944	1,134	**113,198**	799	**113,997**	**23,171**	**64,219**	—41,048	**6,721**
1977—										
January	1,388	113,923	733	114,578	774	115,352	23,175	64,230	—41,055	6,721

*Figures in minus indicate use of Fund Credit

**Excludes subscription to I.M.F.

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

Source: Central Bank of Kenya

The Money Supply

4.9. Table 4.4 sets out the details on money supply. The money supply includes currency in circulation and all deposits except those of the Govern. ment and non-resident banks. Active money consists of money in circulation, demand deposits and deposits at 7 days notice, while other time deposits and savings deposits are classified as quasi-money. The active money supply increased by 25 per cent between 31st December, 1975 and 31st December, 1976, from K£227 million to K£283.7 million; and quasi-money by 22 per cent, from K£113.7 million to K£139 million. The growth in active money occurred mainly in the first and fourth quarters of 1976.

MONEY AND QUASI MONEY SUPPLY, 1972-1977

Table 4.4 K£'000

As at end of	Money*	Quasi. Money**	Total
1972	151,485	63,272	214,757
1973	193,083	74,719	267,802
1974	200,801	90,163	290,964
1975	226,996	113,711	340,707
1976—			
January	223,844	119,933	343,777
February	227,668	124,910	352,578
March	245,541	121,232	366,773
April	247,681	123,562	371,243
May	244,518	124,603	369,121
June	248,258	123,314	371,572
July	249,095	132,347	381,442
August	248,624	135,347	383,971
September	258,230	132,218	390,448
October	270,010	134,286	404,296
November	280,698	132,704	413,402
December	283,715	139,081	422,733
1977—			
January	297,335	143,367	440,704
February	318,620	148,142	466,762

*All demand deposits and 7 days notice Time Deposits, except those of Central Government and Non-Resident Bank.

**AlI other deposits except those of Central Government and Non-Resident Banks, All deposits except those of Central Government and Non-Resident Banks.

4.10. Table 4.5 shows the changes in the money supply and the causes of these changes. The huge rise of K£46.6 million in holdings of foreign assets was a major influence in the increase in the money supply in 1976. Increases in commercial banks' loans and advances of K£25.4 million, and in their holdings of Treasury Bills of K£25.9 million and of investments of K£16.9 million; and the increase of K£17.3 million in the Central Bank's holdings of Government guaranteed stocks, also contributed to the growth in money supply.

Central Bank of Kenya and Commercial Banks: Changes in Money Supply, 1975-1976

Table 4.5

K£'000

	Change During Year		Changes During Each Quarter of 1976			
	1975	1976	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	Changes in Mosey Supply and Savings Deposits					
1. Deposits of Commercial Banks.						
1.1 Demand	14,397	33,518	18,115	6,904	.2.262	10,761
1.2 Time	23,233	20,387	7,474	7,081	2,954	2,878
1.3 Savings	6,649	11,942	2,584	1,656	3,295	4,407
2. Notes and Coins in Circulation	7,439	19,531	228	-2,278	5,865	15,716
Total	51,718	85,378	28,401	13,363	9,852	33,762
	Explanatory Changes					
3. Advances, Discounts, Borrowing: from Central Bank	3.849	2.235	4,766	—2,433	—935	837
3.1 Advances and Discounts of Central Bank	—10,099	—1,291	3.800	—3,419	—2,097	—425
3.2 Borrowings by Commercial Banks	11,748	950	950	.698	698	
3.3 Local Bills discounted by Commercial Banks	2.200	2,576	16	1,684	464	412
4. Loans and Advances	41,619	8,199	—5,162	5,681	—8,772	16,452
4.1 Central Bank Loans to Government	17,157	— 17,157	-10,762	—1,995	—4,400	
4.2 Commercial Banks	24,462	25,356	5,600	7.676	—4,372	16,452
5. Treasury Bills held by	17,262	9.902	9,803	.35,356	13,145	22,310
5.1 Central Bank	6,773	—13,215	2,293	.8,327	—8,180	999
5.2 Commercial Banks	8,673	25,875	7,510	8,339	1,602	8,424
5.3 Government Deposits with Central Bank	1,852	—2,758	—	35,368	19,723	12,881
6. Investments	4,039	34,275	5,143	26.636	—1,182	3,678
6.1 Central Bank	— 1,342	17,341	4,921	23,037	—4,493	6,124
6.2 Commercial Banks	5,381	16,934	222	3,599	3,311	9,802
7. Foreign Assets	5,376	46.647	9,672	12,478	26,604	—2,107
7.1 Central Bank	3,772	43,385	10,710	11,011	30,116	—8,452
7.2 Commercial Banks	1,604	3,262	— 1,038	1,467	—3,512	6,345
8. Deposits of Non-Resident Banks	-22,116	—5,335	6,032	3,357	-13,091	—1,633
8.1 With Central Bank	—19,898	—8,149	142	3,609	—11,217	—683
8.2 Commercial Banks	—2,218	2,814	5,890	—252	— 1.874	950
9. Other Inter-Bank Deposits	6,934	—3,058	—602	-1,394	635	—1,697
10. Other deposits with Central Bank	—219	1,781	60	1,609	—424	536
11. Bills payable by Commercial Banks	—223	—3,556	— 1,294	1,628	—1,426	—2,464
12. Other Assets (net) - Revaluation	2,286	—2,997	—167	2,535	—3,443	—1,992
13. General Reserve Fund	-2,517	-2,715	150	—1,378	— 1,259	. 228
Total	51,718	85,378	28,401	13,363	9.852	33,762

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

4.11. These factors leading to growth in the money supply were partly offset by the decrease of K£17.2 million in the Central Bank's advances to the Government, and a decrease of K£13.2 million in its holdings of Treasury Bills. But for these offsetting influences by the Central Bank, the money supply would have risen that much faster. The figures indicate that the guidelines (ii) and (iii) stated in paragraph 4.7 are likely to be attained. But even so, the increase in the money supply, because of the large and mostly unforeseen increase in the foreign exchange reserves, is substantial. The money supply, even after allowance is made for the increase in prices, has risen considerably faster than GDP at constant prices.

4.12. The relationship between the increase in the money supply and the subsequent increase in prices is a topic of some controversy. The school of "monetarists" have attempted to relate the increase in prices to changes in the current and lagged values of the money supply and to changes in the current and lagged values in excess capacity, and to several other factors. But none of the equations developed has proved satisfactory for an open economy. Nevertheless, there clearly is some relationship between changes in the money supply and the subsequent changes in prices, even if it cannot be specified with any exactness. Accordingly, the rapid increase in the money supply in 1976, and the current excess liquidity of the commercial banks, is a matter of some concern. The excess increase in the money supply above the rise in GDP was in the region of 17 to 18 per cent in 1976 and on past relationships this could indicate that some part of this monetary increase might be reflected in substantial consumer price rises over the next year or two.

Liquidity Ratio

4.13. The liquidity ratio of the commercial banks is shown in Table 4.6. The ratio increased from 19 per cent at 31st December, 1975, to 24 per cent at 31st December, 1976, and has since risen to 30 per cent by the end of March. 1977. The legal minimum is 18 per cent. The liquid assets that constitute commercial banks' reserves are their balances with Central Bank, notes and coin, commercial bills and Treasury Bills, and net positive inter-bank balances in Kenya and overseas. The commercial banks' balances with the Central Bank, for the reasons stated in paragraph 4.14 below, changed little. The main cause of the big increase in their liquid assets was the increase of K£25.9 million in their holding of Treasury Bills. There was also an increase in their net foreign assets of K£6.1 million. Despite this large increase in holdings of Treasury Bills by the commercial banks, the holding of Government securities and advances to Government by the banking system as a whole seems likely to be within the guideline stated in paragraph 4.7.

4.14. Table 4.7 sets out the changes in the balances of the commercial banks with the Central Bank of Kenya and the causes of these changes. For the whole of 1976 these balances were almost unchanged. Broadly, the

COMMERCIAL BANKS—LIQUID ASSETS, 1973-1977

Table 4.6

	Deposit Liabilities'	Liquid Assets*	Current Liquidity Ratio**
	K£m.	*K£m.*	*Percent*
1973 December	211.4	48.4	23.0
1974 December	180.0	47.8	27.0
1975 December	271.0	51.5	19.0
1976—			
January	276.9	49.8	18.0
February	285.2	53.8	19.0
March	294.5	61.4	21.0
April	296.2	57.6	19.0
May	307.7	69.2	22.0
June	315.8	73.0	23.0
July	331.0	84.3	25.0
August	331.2	86.0	26.0
September	331.7	90.4	27.0
October	339.1	84.7	25.0
November	344.2	85.3	25.0
December	346.0	83.1	24.0
1977—			
January	351.1	83.8	24.0
February	371.1	101.0	27.0

*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 August, 1976 the prescribed minimum was fixed at 18%.

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

increase in the foreign assets of the Central Bank and some increase in its holding of Government guaranteed securities were almost exactly neutralized by its decreased holdings of Treasury Bills and lower advances to Government, and the increase in currency issued by it.

Commercial Banks' Bills, Loans and Advances

4.15. Although loans and advances and holdings of commercial bills by commercial banks increased by 15 per cent during the year ended 31st December, 1976, the rate of increase in the last quarter of the year was considerably faster than in the previous nine months. The faster rate of increase in the last quarter may have been due to the excess liquidity of the commercial banks inducing them to lower loan rates; to a greater willingness by them to lend to "fringe borrowers"; and to the general stimulus given to the economy by higher coffee prices.

Central Bank of Kenya: Changes in Assets and Liabilities, 1975-1976

Table 4.7

K£'000

	Change During Year		Change During Each Quarter of 1976			
	1975	1976	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
I. Deposits of Kenyu Commercial Banks with the Central Bank	—12,469	96	12,079	—3,114	11,021	—19,890
	Explanatory Changes					
2. Advances and Discounts	—10,099	—1,291	3,800	—3,419	—2,097	425
3. Net Advances to Government—						
3.1 Advances to Government. Treasury Bills and Government Securities	23,930	—30,372	—8,469	—10,322	— 12.580	999
3.2 Government deposits ..	1,852	—2,758		—35,368	19,723	12,887
3.3 Net Advances	25,782	—33,130	-8,469	—45,690	7,143	13,886
4. Other Securities	—1,342	17,341	4,921	23,037	—4,493	—6,124
5. Foreign Exchange	3,772	43,385	10,710	11,011	—30,116	—8,452
6. Other Assets (net)	—6,987	1,234	1,228	5,134	—1,661	—3,467
7. Deposit Liabilities. .						
7.1 Non.Resident	—19,898	—8,149	142	3,609	—11,217	683
7.2 Resident	—219	1,781	60	1,609	424	536
7.3 Total	-20,117	—6,368	202	5,218	— 11,641	— 147
8. Notes and Coins in Circulation	—3,478	—21,075	—313	15,950	-6,346	16,011
9. General Reserve Fund						
Gross Total	—12,469	96	12.079	—3,314	11,021	19,890

Commercial Banks—Bills, Loans and Advances, 1973-1977

Table 4.8 K£'000

	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 Jan.	1977 Feb.
Public Sector—						
Central Government	224	4	210	870	68	52
Local Government	1,584	1,497	1,225	871	796	736
E.A. Community	4,866	1,248	4,228	2,705	1,882	2,050
Total	6,674	2,749	5,663	4,446	2,746	2,838
Enterprises, Parastatal bodies and other Public entities ..	4,539	8,027	9,221	6,818	6,793	6,186
Treasury Bills	22,986	16,280	24,917	50,792	51,930	53,873
Private Enterprises						
Agriculture*	17,798	20,472	36,848	40,658	45,060	45,234
Mining and Quarrying	1,649	5,397	5,382	6,754	6,912	6,983
Manufacturing	27,919	40,883	41,926	46,200	47,790	50,601
Building and Construction ..	7,969	14,704	10,865	14,832	14,650	16,118
Transport, Storage and Communication	3.659	7,008	7,159	8,933	9,597	9,950
Trade:						
Exports	12,028	17,719	15,161	15,725	16,632	21,618
Imports	9,424	15,145	13,276	14,480	13,902	13,430
Domestic	19,238	26,119	25,936	26,547	28,039	29,477
Financial Institutions	11,821	6,899	6,400	10,031	11,165	10,048
Other Businesses	19,123	24,090	34,295	42,428	42,500	42,986
Total Private Enterprises ..	130,628	178,436	197,248	226,588	236,247	246,445
Private Households— (including non profit-making institutions)..	19,565	18,950	21,957	27,868	29,702	30,408
Total Bills, Loans and Advances	184,392	224,442	259,006	316,512	327,418	339,750

*Including Forestry, Fishing and Wildlife.

4.16. The highest rates of increase occurred in credit provided by the commercial banks to the building and construction and to mining and quarrying sectors. The Government directive that bank credit to the agriculture sector should amount to 17 per cent of total net bank deposits has not yet been achieved. However, the percentage has increased from 13 per cent at the end of 1975 to 15 per cent at the end of 1976. The high cost of making loans to cultivators on small farms, and the risks entailed, have no doubt acted as deterrents to a more rapid expansion of credit to the agriculture sector.

4.17. An important change in policy has recently been announced relating to loans by the commercial banks to branches and subsidiaries of foreign companies. Such firms, if engaged in agriculture, manufacturing or tourism.

whose local borrowing has previously been restricted to between 20 and 60 per cent, will now be permitted to borrow locally up to 100 per cent of the new investments made over the next two years. The object of the change is to encourage expansion of these sectors.

Stock Market

4.18. The index of share prices on the Nairobi Stock Exchange rose from 206.23 on 31st December, 1975, to 229.35 on 31st December, 1976. Since the end of the year the index has further improved. Share prices in 1977 should reflect the expected continued growth of the economy.

CHAPTER 5—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

One of the main objectives of the Development Plan is to provide employment for Kenya's rapidly expanding labour force. Hence the decrease of 1 per cent in numbers in paid employment in 1975 was particularly worrying. In 1976, however, there was a welcome and much needed turnround: paid employment in the private sector increased by 5.1 per cent and in the public sector by 4.1 per cent. Despite these increases, urban unemployment and under-employment almost certainly remained high. For those in employment, average earnings in both the public and private sector increased faster than the rise in the cost of living. There was an increase in real wages for the first time in four years.

5.2. Kenya's economically active population in 1976 is estimated to number 6.6 million. As shown in Table 5.1, of this number, approximately 14 per cent, or 914,700 people, were engaged in the modern sector of the economy. A further 306,000 were receiving secondary or higher education; and the remainder were either in urban areas seeking employment; working in the rural areas on small agricultural holdings; or engaged in informal sector activity. As mentioned in Chapter 8, nearly 80 per cent of Kenya's population live on agricultural holdings of under 20 hectares.

PERSONS ENGAGED: RECORDED TOTALS, 1973-1976

Table 5.1 *'000's*

	1973	1974	1975	1976*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	761.4	826.3	819.1	857.2
Self-employed and unpaid family workers	54.0	55.9	56.9	57.5
Informal Establishments—Urban Areas	41.4	76.2	74.1	94 9
TOTAL	856.	958.4	950	11,009.6

*Provisional.

5.3. During the next decade more than half of the increase in the labour force will have to seek gainful employment in agriculture—mostly on small holdings. It is the Government's long-term strategy to expand industry at a faster rate so that the percentage of the annual increase in the labour force that has to be absorbed in agriculture will progressively decline. This strategy will, of course, take time to become effective. Clearly the whole problem of providing employment outside agriculture would become much easier if the rate of population growth decreased. At the present rate of population growth, it is estimated that the supply of "good" land will fall from its present level of 0.88 hectares per capita to 0.36 hectares per capita by the year 2000. It is against this rather sombre background that changes in employment need to be viewed.

Employment

5.4. As shown in Table 5.1, wage employment in modem establishments increased from 819,100 in 1975 to 857,200 in 1976, an increase of 4.7 per cent; the number of self-employed and unpaid family workers went up from 56,900 to 57,500; and employment in the "informal" sector in urban areas increased from 74,100 to 94,900. The "informal" sector covers a great variety of occupations—street markets, "open-air" garages, hawkers, sellers of newspapers, shoe-shine boys, etc. The sharp increase in employment in the "informal" sector reflects the relative difficulty of finding employment in the modern sector of the economy.

5.5. Table 5.2 gives details of wage employment in the modern sector. Of the total increase of 38,100 in such employment in 1976, employment in the private sector went up by 24,100; and in public sector by 14,000. Moreover, 12,900 of the overall increase in employment occurred in new establishments as shown in Table 5.3.

Table 5.2 Wage Employment by Major Sector, 1973-1976 '000's

					Annual Percentage Change	
	1973	1974	1975	1976*	1974/75	1975/76*
Private Sector—						
Agriculture and Forestry ..	220.6	213.7	195.8	197.7	—8.4	1.0
Rest of Private Sector	241.8	282.5	280.9	303.1	—0.6	7.9
Total Private Sector	462.4	496.2	476.7	500.8	—3.9	5.1
Public Sector	298.9	330.1	342.4	356.4	3.7	4.1
Total	761.4	826.3	819.1	857.2	—0.9	4.7

*Provisional.

Table 5.3 Wage Employment in New Establishments by Activity, 1973-1976 '000's

	1973	1974	1975	1976*
Agriculture and Forestry	5.7	6.8	4.9	3.1
Mining and Quarrying	0.2	0.3	—	
Manufacturing	1.7	1.9	1.5	1.3
Construction	1.5	3.3	2.3	3.1
Trade, Restaurants and Hotels	2.5	2.7	1.5	2.6
Transport and Communications	0.3	0.5	0.	0.5
Finance, Insurance, Real Estate and Business Services	0.7	1.5	0.3	0.7
Community, Social and Personal Services	1.5	1.0	0.8	1.6
Total	14.1	18.0	11.7	12 9
Change in Overall Wage Employment. .	41.6	64.9	—7.2	38.1

*Provisional.

5.6. *Private Sector.*—Wage employment in the private sector by industry is stated in Table 5.4. Between 1975 and 1976 the largest percentage increases in employment occurred in construction—22.4 per cent; mining and quarrying —14.8 per cent; distribution and hotels—12.0 per cent; and transport and communications—9.1 per cent.

WAGE EMPLOYMENT IN THE PRIVATE SECTOR BY INDUSTRY, 1973-1976

Table 5.4 *'000's*

	1973	1974	1975	1976*	Percentage change 1975/76*
Agriculture and Forestry	220.6	213.7	195.8	197.7	1.0
Mining and Quarrying	2.4	3.1	2.7	3.1	14.8
Manufacturing	73.3	81.7	82.1	87.7	6.8
Construction	23.7	29.3	24.6	30.1	22.4
Trade. Restaurants and Hotels	44.7	55.4	51 .7	57.9	12.0
Transport and Communications	16.6	17.6	16.5	18.0	9.1
Finance, Insurance, Real Estate and Business Services	17.1	18.7	20.2	20.9	3.5
Community, Social and Personal Services	64.1	76.7	82.9	85.4	3.0
TOTAL	462.4	496.2	476.6	500.8	5.1

*Provisional

5.7. Wage employment in "modern" agriculture increased by only 1 per cent. The drought that affected many areas east of the Rift Valley offset the effect of increases in employment from the high coffee, tea and pineapple crops.

5.8. Employment in manufacturing increased by 6.8 per cent in 1976. Since manufacturing output increased by 13.3 per cent, the smaller increase in employment was doubtless due to a recovery in the level of operating capacity from the low levels of 1975 and to an increase in productivity. The increased employment in manufacturing occurred in sub-sectors engaged in the production of dairy products, pulp and paper, plastics, vegetable oils and soap, and manufactured tea.

5.9. The sharp increase in employment in construction was in marked contrast to the almost equally sharp fall in the previous year. Employment in 1976, at 30,100 in the private sector, was marginally higher than in 1974, when it stood at 29,300. The increased employment in 1976 was due largely to other construction activity, as opposed to building construction, and is accounted for mainly by the construction of the airports at Nairobi and Mombasa, the Gitaru Hydro-electric Project, the Nairobi-Mombasa pipeline and various water development and road projects.

5.10. Greater activity in tourist trade helped to provide increased employment in distribution, restaurants and hotels. Employment in transport and communications also went up as a result of the need to transport larger quantities of crops, higher imports and exports, and a higher output of manufactured goods.

5.11. ***Public Sector***.—Wage employment in the public sector increased, as shown in Table 5.5, from 342,400 in 1975 to 356,400 in 1976, a gain of 4.1 per cent. Employment in the Central Government increased by 10,900, or by 7.7 per cent; in parastatal bodies by 6,200 or 5.6 per cent; and in the East African Posts and Telecommunications Corporation by 400. The increase in employment in parastatal bodies was mainly due to an increase in employment by the Teachers Service Commission. Falls in employment occurred in Local Authorities, and in establishments whose share capital is more than 50 per cent owned by the public sector.

Wage Employment in the Public Sector, 1973-1976

Table 5.5 '000's

	1973	1974	1975	1976*
Central Government	135.7	139.5	142.4	153.3
Parastatal Bodies**	76.1	101.1	110.8	117.0
Majority Control by the Public Sector	10.0	12.6	15.3	11.8
Local Government	27.0	27.8	26.2	25.5
E.A. Community General Fund Services..	3.8	4.2	3.7	4.2
..A. Railways Corporation	23.4	21.6	21.2	21 0
E.A. Harbours Corporation	3.3	3.2	3.2	3.7
E.A. Posts and Telecommunication	9.4	9.3	8.7	8 7
Other E.A. Public Bodies+	1.1	1.1	1.2	1.1
Total	298.9	330.1	342.4	356.4

*Provisional.

**Includes Teachers Service Commission.

+The figures relate to June of each year.

International Ac-radio (E.A.) Ltd., E.A. External Telecommunication Company Ltd., and Eastern Africa National Shipping Line.

5.12. *Employment by Province.*—Table 5.6 gives details of wage employ. ment by province. Wage employment in Nairobi, which had 26.9 per cent of total wage employment in the whole country in 1976, recovered from its fall in 1975, the total rising by 11,700. Much of the increase in employment occurred in manufacturing and in construction.

Wage Employment by Province, 1973-1976

Table 5.6 000's

Province	1973	1974	1975	1976*	Percentage Change	Percentage Urban
					1975/76*	1976*
Nairobi	203.4	227.0	218.6	230.3	5.4	100.0
Central	122.3	133.2	124.0	133.4	7.6	17.7
Nyanza	51.9	60.0	61.7	63.4	2.8	27.9
Western	24.5	34.8	36.7	36.2	—1 .4	12.7
Coast	89.4	100.5	101.8	105.9	4.0	76.7
Rift Valley	214.6	208.2	209.8	216.7	3.3	19.1
Eastern	51.8	58.8	62.2	66.5	6.9	18.5
North Eastern	3.4	3.8	4.2	4.8	14.3	—
Total	761.4	826.3	819.1	857.2	4.7	47.9

*Provisional.

5.13. Employment in Central Province also went up and was back to its 1974 level. The increase in employment in 1976 amounted to 9,400, a rise of 7.6 per cent over that in 1975. It was partly accounted for by higher employ. ment on the coffee plantations in Kiambu, and on the pineapple farms in Murang'a. In Nyanza Province wage employment rose by 1,700, or by 2.8 per cent. Most of the increase occurred on sugar plantations in Kisumu District; but the Ahero Pilot Irrigation Scheme also provided some additional employ. ment. Employment decreased in Western Province by 500, or 1.4 per cent. The modest increases in employment in the Webuye Paper Mill were offset by a decline in employment elsewhere. In Coast Province employment rose by **4**,100, or 4 per cent. The increase is mainly attributable to the cashewnuts factory in Kilifi, which came into full production in 1976; and to the construc- tion work underway at Mombasa Airport. Employment in Rift Valley Province was to some extent affected by the drought. Nevertheless, employ. ment in this province as a whole increased by 6,900 or 3.3 per cent. The increase occurred in specific areas such as sugar-cane plantations in Nandi and in the maize growing areas in Trans-Nzoia. Employment increased, too, in Eastern Province by 4,300 or 6.9 per cent. The Gitaru Hydro-electric Project in Embu was mainly responsible for this increase.

5.14. *Employment by Citizenship.*—Details of employment by citizenship and sex are given in Table 5.7, and of employment by citizenship and industry in Table 5.8. In 1976 only 2.2 per cent of the total number employed were non-citizens, compared with the figure of 2.6 per cent in 1973. The figures given in Table 5.8 show that in no industry is the percentage of non-citizens high.

Wage Employment by Citizenship and Sex, 1973-1976

Table 5.7 000s'

	1973	1974	1975	1976*	Per Cent in Total	
					1973	1976*
Citizens	741.5	807.4	800.7	838.5	97.4	97.8
Non-citizens	19.9	18 9	18 4	18.7	2.6	2.2
Total	761.4	826.3	819.1	857.2	100.0	100.0
Of which: Males..	647.5	705.0	689.2	718.1	85.0	83.8
Females	113.9	121.3	129.9	139.1	15.0	16.2

* Provisional.

Wage Employment by Citizenship and Industry, 1975-1976

Table 5.8 000's

Industry	Citizens		Non-Citizens		Total	
	1975	1976*	1975	1976*	1975	1976*
Agriculture and Forestry	239.6	241.9	1.0	1.1	240.6	243.0
Mining and Quarrying .	3.4	3.8	0.1	0.1	3.5	3.9
Manufacturing	97.5	105.4	3.3	3 0	100.7	108.4
Electricity and Water	7.5	8.2	0.2	0.4	7.7	8.6
Construction	39 0	45.6	1.5	1.5	40.5	47.1
Trade, Restaurants and Hotels..	51.8	58.2	1.8	2.0	53.7	60.2
Transport and Communications	43.2	45.4	2.3	2.3	45.5	47.7
Finance, Insurance, Real Estate and Business Services	22.6	23.9	1.5	1.5	24.1	25.4
Community, Social and Personal Services	296.0	306.1	6.7	6.8	302.7	312.9
Total	800.7	838.5	18.4	18.7	819.1	857.2

* Provisional.

Earnings

5.15. Total gross earnings from wage employment in the modern sector rose by K£66.6 million, from K£312.3 million in 1975 to K£378.8 million in 1976. Table 5.9 refers. This was an increase of 21.3 per cent compared with one of 13.8 per cent in 1975. The increase in earnings is in part the result of the Presidential decree on wages of 1st May, 1975, which was implemented by most enterprises from July, 1975, onwards.

Table 5.9 EARNINGS BY MAJOR SECTOR, 1973-1976 *K£million*

	1973	1974	1975	1976*
PRIVATE SECTOR—				
Agriculture and Forestry	20.6	20.5	22.6	26.9
Mining and Quarrying	0.8	1.0	1.1	1.3
Manufacturing	29.2	34.9	40.2	46.5
Construction	8.4	10.3	10.1	13.7
Trade, Restaurants and Hotels	21 .9	27.8	29.8	35.7
Transport and Communications	7.7	11.2	10.2	12.5
Finance, Insurance, Real Estate and Business Services	13.7	16.2	19.4	22.2
Community, Social and Personal Services	14.7	19 6	22.0	27.1
TOTAL PRIVATE SECTOR	117.1	141.5	155.5	185.9
PUBLIC SECTOR—				
Central Government	42.4	49.1	60.5	81.5
Parastatal Bodies**	31.2	40.5	43.4	58.8
Majority Control by the Public Sector..	5.2	5.9	8.4	8.0
Local Government	9.2	10.6	12.7	12.1
E.A. Community	26.0	26.8	31.8	32.6
TOTAL PUBLIC SECTOR	114.0	132.9	156.8	193 0
TOTAL	231.1	274.4	312.3	378.9

*Provisional.

**Includes Teachers Service Commission.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1973.1976

Table 5.10 *K£*

	1973	1974	1975	1976*
PRIVATe SECTOR—				
Agriculture and Forestry	93.4	95.9	115.6	136.1
Mining and Quarrying	333.3	322.6	401.3	419.4
Manufacturing	399.7	427.2	489.8	530.2
Construction	354.4	351.5	411.0	455.1
Trade, Restaurants and Hotels	489.9	501.8	575.0	616.6
Transport and Communications	463.9	636.4	619.1	694.4
Finance, Insurance, Real Estate and Business Services	801.2	866.3	962.5	1,062.2
Community, Social, and Personal Services	229.3	255.5	273.0	317.3
PUBLIC SECTOR	381.7	402.3	457.9	541.5
TOTAL	303.7	332.0	381.3	442.0

*Provisional

5.16. Average earnings by industrial sectors are given in Table 5.10. In 1976 average earnings in the private sector rose by 13.8 per cent, and in the public sector by 18.3 per cent. In the private sector, the largest percentage increase in average earnings occurred in agriculture and forestry, followed by that of transport and communications. The increases in average earnings in mining and quarrying, manufacturing, and building and construction were below the average. Changes in wage employment and average earnings are set out in further detail in Table 5.11.

Average Changes in Wage Employment and Average Earnings, 1973-1976

Table 5.11 Percent

	Employment		Average Earnings	
	1973/76*	1975/76*	1973/76*	1975/76*
Private Sector—				
Agriculture and Forestry	0.3	1.0	10.1	17.7
Mining and Quarrying	5 0	14.8	13.6	4.5
Manufacturing	7.0	6.8	9.0	8.2
Construction	7.8	22.4	9.0	10.7
Trade, Restaurants and Hotels	6.6	12.0	7.1	7.2
Transport and Communications	0.2	9 1	12.0	12.2
Finance, Insurance, Real Estate and Business Services	9 1	3.5	5.8	10.4
Community, Social and Personal Services	8.2	3.0	12.4	16.2
Public Sector	5.6	4.1	11.9	18.3
Total	4.5	4.7	11.4	15.9

*Provisional. For 1973/76 the annual average is shown.

5.17. The increase in average earnings of 15.9 per cent in 1976 was considerably in excess of the rise in the cost of living discussed below. Real earnings therefore increased. This rise in real average earnings in 1976 of 5.6 per cent, after the falls in 1974 and 1975, was a welcome relief for many workers. It does mean, however, that the Government's guideline of restricting the rise in nominal incomes to two-thirds of the rise in the cost of living was not adhered to in 1976. Further details on changes in real wages, and the magnitude of the overall change in such wages in the context of changes in total wage employment and prices are noted in Tables 5.12 and 5.13. Some part of the variations in wages between industrial sectors is due to the composition of occupations. However, wage rates in large firms are believed to be nearly double those in small firms for persons of comparable skills, and about four times those in agriculture. It is particularly relevant to note that the relatively high wage rates in the "modern" sector of the economy encourage the use of labour-saving techniques and reduce the increase in employment.

Estimated Real Average Wage Earnings** per Employee, 1973-1976

Table 5.12 K£

	1973	1974	1975	1976*
Private Sector—				
Agriculture and Forestry	123.1	109.1	111.7	119.8
Mining and Quarrying	439.1	367.0	387.7	369.2
Manufacturing	526.6	486.0	473.2	466.7
Construction	466.9	399.9	397.1	400.6
Trade, Restaurants and Hotels	645.4	570.9	555.6	542.8
Transport and Communications	611.2	724.0	598.2	611.3
Finance, Insurance, Real Estate and Business Services	1,055.6	985.6	930.0	935.0
Community, Social and Personal Services	302.1	290.7	263.8	279.3
Public Sector	502.9	457.7	442.4	476.6
Total	400.1	377.7	368.4	3891.

*Provisional.

**Average current earnings adjusted for the rise in consumer prices. Real earnings and the consumer price indices are based on January—June, 1975.

Changes in Wage Employment, Average Wages and Consumer Prices, 1973-1976

Table 5.13 Percentage

	1973	1974	1975	1976*
Wage employment	5.8	8.5	—0.9	4.7
Current prices average wages	5.7	9.3	14.8	15.9
Consumer prices**	11.1	15.8	1.8	9.8
Real average wages	—4.9	—5.6		5.6

*Provisional.

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

Consumer Prices

5.18. Consumer prices in 1976 rose only moderately compared with the sharp increases in 1974 and 1975. Between December, 1975 and December, 1976, the Lower Income, Middle Income and Upper Income indices rose by 6.8, 8.4 and 8.1 per cent, respectively, as shown in Table 5.14. However, during the first quarter of 1977 the indices have already risen by a further 9.1, 6.0 and 4.7 per cent, respectively, owing mainly to increases in prices of various food items announced in February, 1977. Between December, 1976 and March, 1977, the indices for foodstuffs rose by 12.9, 10.4 and 9.5 per

cent. It is expected that price increases will be substantially higher in 1977 than in the previous year. Table 5.15 gives further details on consumer prices. The wage awards announced on 18th May, 1977, for the lower income wage earners goes a long way towards compensating them for the price increases that have already occurred in 1977.

PERCENTAGE CHANGES IN NAIROBI CONSUMER PRICES DECEMBER, 1973.MARCH, 1977

Table 5.14

	Dec. 73 to Dec. 74	Dec. 74 to Dec. 75	Dec. 75 to Dec. 76	Dec. 76 to March 77	Dec. 23 to March 22
Nairobi Lower Income Index	11.2	19.6	6.8	9.1	54.9
Nairobi Middle Income Index	14.8	16.1	8.4	6.0	53.0
Nairobi Upper Income Index	9.6	16.7	8.1	4.7	44.0

NAIROBI CONSUMER PRICES INDICES, 1973.1977

Table 5.15 *January-June,* 1975=100

	Food	Rent	Others	All Groups
LOWER INCOME—				
December— 1973	72.1	96.6	80.9	82.2
December— 1974	88.5	95.3	91 .6	91.4
December— 1975	106.6	114.0	110.2	109.3
December— 1976	111.5	124.3	121.3	116.7
March — 1977	125.9	134.2	123.0	127.3
MIDDLE INCOME—				
December— 1973	74.0	96.5	76.9	79.5
December— 1974	88.2	96.5	90.3	91 .3
December— 1975	104.8	111.1	103.9	106.0
December 1976	110.8	120.5	116.1	114.9
March — 1977	122.3	127.6	119.2	121.8
UPPER INCOME—				
December— 1973	77.3	96.6	81.7	85.1
December— 1974	93.4	96.6	93.3	93.3
December— 1975	109.1	109.3	109.4	108.9
December — 1976	119.2	115.6	118.0	117.7
March — 1977	130.5	121.0	120.7	123.2

CHAPTER 6. PUBLIC FINANCE

Government activities have an important and pervasive influence on the economy as a whole. An analysis in some depth of Government transactions is therefore an essential part of this survey. This chapter gives some statistics that indicate the scope of Government in the setting of the whole economy. It provides details of the expenditure of the Central Government and of Local Authorities classified by function and economic category; of their revenue; and of the outstanding debt of the Central Government.

6.2. Table 6.1 details the basic summary of Central Government's financial transactions. This table shows that because of the continued rapid growth of development and investment expenditure by Central Government the level of deficit financing has been increasing at a fast rate. Since recurrent revenue has risen more slowly than expected, the Government has been faced with a difficult financing problem. Heavy external receipts financed nearly half the deficit in 1976/77, the balance being covered by domestic long. and short. term borrowing and a run-down of the cash balances built up in 1975/76. The relatively high level of development expenditure in 1976/77 was essential to stimulate the economy after the particularly disappointing results in 1975.

Scope of Government

6.3. Government staff of the Central Government, and Local Authorities constituted 20.9 per cent of all paid employment in 1976, as against 20.6 per cent in 1975. For the public sector as a whole, including the East African Community and its corporations and the parastatal bodies, the proportion in 1976 was 41.6 per cent. Public consumption in 1976 amounted to K£254.4 million or 17.2 per cent of gross domestic expenditure. The comparable proportion in 1975 was 17.6 per cent and in 1964, 14 per cent. The total expenditure of Government on goods and services, including capital expenditure, absorbed 21 per cent of the total resources available to the economy in 1976. Capital formation by Government was 18.0 per cent of the gross fixed capital expenditure of the whole economy, compared with 17.1 per cent in 1975. However, if account is also taken of capital formation financed indirectly by Government loans, these percentages are much higher.

6.4. At constant prices the total of recurrent and development expenditure of Government including expenditure on investment was about 6.2 per cent higher in 1976 than in 1975.

Summary of Government Revenue and Expenditure

6.5. Table 6.1 states the main aggregates of Central Government revenue, expenditure and loans. Recurrent revenue is expected to increase from K£269.3 million in 1975/76 to K£311.8 million in 1976/77; and recurrent expenditure from K£245.4 million to K£295.0 million—yielding a reduced recurrent surplus of K\£16.8 million in 1976/77, against one of K£23.9 million

CENTRAL GOVERNMENT

Table 6.1 OUT-TURN OF REVENUE AND EXPENDITURE*, 1972/73-1976/77 K£'000

	1972/73	1973/74	1974/75	1975/76	1976/77++
Recurrent Revenue	148,908	190,070	226,130	269,295	311,774
Recurrent Expenditure	139,578	163,726	207,231	245,415	294,972
Recurrent Surplus	+ 9,402	+ 26,344	+ 18,899	+ 23,880	+ 16,802
Development Expenditure	44,775	48,230	61,383	78,859	109,800
Development Project Earnings and Other Miscellaneous Receipts	607	583	347	22	
DEFICIT	—34,766	—22,304	—42,137	—54,957	—92,998
INVESTMENT EXPENDITURE—					
Purchase of Equity ..	2,752	3,941	5,739	6,156	10,154
Loans to: Public Corporations**	13,392	13,075	25,022	39,791	26,314
Private Corporations	852	1,101	391	1,000	648
Other+	57	93	1,676	1,834	1,942
TOTAL INCREASE IN INVESTMENT CLAIMS ..	17,053	18,210	32,828	48,781	39,058
TOTAL DEFICIT	—51,819	—39,514	—74,965	—103,738	—132,056
FINANCING OF THE DEFICIT—					
External Loans	24,657	14,454	22,003	43,131	41,100
External Grants	521	3,513	6,599	7,556	19,063
TOTAL EXTERNAL FINANCE	25,178	17,967	28,593	50,687	60,163
Internal Grants on Recurrent Account	17		40		6
LONg TERM DOMESTIC BORROWING ON DEVE-. LOPMENT ACCOUNT	21,303	18,853	15,490	52,782	25,000
SHORT TERM BORROWING—					
Cereals and Sugar Finance Corporation ..	2,074	—6,623	—1,093	8,390	
Tax Reserve Certificates	—269	—1,867	—684	82	
Treasury Bills	5,000	600	4,400	24,000	25,000
IMF Counterpart Facilities			5,700		
Advances from Central Bank			4,400		—4,400
NET SHORT TERM BORROWING	6,805	—2,890	12,721	32,472	20,600
CHANGES IN CASH BALANCES (Increase+)	+ 1,486	—5,584	—18,121	+ 32,203	—26,287

*This table details Kenya Government's deficit and its financing. The details in this table arc set out in such a way as to isolate distortions caused by items of "investment" expenditure. These items consist of expenditure 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 a loan to Kenya Meat Commission from the Recurrent Account, 1975/76 amounting to K£1.3 million.

lncludes loans to University students from the Recurrent Account amounting to K£l,666,000 for 1974/75 and K£1,823,290 for 1975/76 and K£1,935,695 for 1976/77.

Provisional.

in 1975/76. Despite the marked recovery of most sectors of the economy, the increase in recurrent revenue has not been as large as might have been expected. This is accounted for by the usual lags in tax receipts and possibly by some tax evasion.

6.6. It is expected that development expenditure will rise from K£78.9 million in 1975/76 to K£109.8 million in 1976/77 and that investment expenditure will decrease from K£48.8 million to K£39.1 million. Total development expenditure is estimated to amount to K£148.9 million in 1976/77, compared to K£127.7 million in 1975/76.

6.7. The various changes are expected to result in a rise in the overall deficit from K£103.7 million to K£132.1 million. This overall deficit is anticipated to be financed in 1976/77 by external loans of K£41.1 million, by external grants of K£19.1 million, by long-term domestic borrowing of K£25.0 million, by net short-term borrowing of K£20.6 million, and by a run-down of cash balances of K£26.3 million.

6.8. The excess of Government's total development expenditure over the recurrent surplus measures the extent to which Government transactions directly influence effective demand in the economy. In 1976/77 this excess is likely to be K£93.0 million, against K£55.0 million in 1975/76.

6.9. The financial actions of the Government either by the sale of Treasury Bills; or through advances from the Central Bank; or running down its own cash balances have a direct effect on bank liquidity ratios. Since the rise in recurrent revenue was less than expected in 1976/77, the Government had to resort to some of these methods of finance leading to a consequent large rise in the liquidity ratio of the commercial banks.

Recurrent Revenue

6.10. The 1976/77 budget introduced the following main tax changes—

(i) a 10 per cent duty was levied on imports of certain capital goods;

(ii) the duty on imported sugar was raised from K.Sh. 44.10 to K.Sh. 100 per tonne;

(iii) duties on imports of commercial vehicles, passenger vehicle assembly kits and all motor vehicle spare parts were equalized at 25 per cent;

(iv) a graduated purchase tax was introduced on the sale of second-hand cars;

(v) the entertainment tax was raised on the higher-priced cinema seats;

(vi) individuals with cars provided by their employers were obliged to add the value of the use of such vehicles to their income for purposes of their respective income tax.

These changes were not large in aggregate. They were expected to increase revenue by about K£12 million during the financial year 1976/77—mainly through an increase in receipts from import duty of K£4.3 million, sales tax of K£1.6 million, and excise duty of K£5.0 million.

6.11. By far the largest proportion of recurrent revenue, as shown in Table 6.2, is secured through taxation. Charges for goods and services cover such diverse items as school fees, sales of drugs by the Ministry of Health, sales by the Ministry of Agriculture, sales by prison industries, etcetera

CENTRAL GOVERNMENT

Table 6.2 GROSS RECEIPTS ON RECURRENT ACCOUNT, 1972/73-1976/77 *K£million*

	1972/73	1973/74	1974/75	1975/76	1976/77*
Taxation	117.14	160.52	198.46	229.93	257.21
Interest and repayment of loans	4.64	4.98	5.61	5.80	8.30
Charges for goods and services	15.47	15.81	14.37	16.73	29.06
Reimbursement from other administrations	2.17	3.11	1.89	5.09	4.23
Miscellaneous	9.58	5.64	5.80	11.74	12.98
TOTAL RECEIPTS	149.00	190.07	226.13	269.30	311.77

*Provisional.

6.12. Table 6.3 details summary figures on receipts from direct and indirect taxation. The proportion of tax revenue collected through indirect taxation in Kenya has been gradually increasing. In 1972/73 the proportion of indirect tax to total tax receipts was 53.4 per cent, but by 1976/77 this had risen to 60.2 per cent. Receipts from sales tax have risen rapidly over the past five years and now constitute 42.6 per cent of total indirect taxes.

CENTRAL GOVERNMENT

GROSS REVENUE BY SOURCE OF TAXATION FOR RECURRENT ACCOUNT, 1972/73.1976/77

Table 6.3 *K£million*

	1972/73	1973/74	1974/75	1975/76	1976/77*
DIRECT TAXATION—					
Income Tax	50.20	56.24	76.57	89.84	102.00
Other	4.37	1.99	0.58	0.40	0.40
TOTAL	54.57	58.23	77.15	90.24	102.40
INDIRECT TAXATION—					
Sales Tax	2.70	31.99	46.86	59.27	66.00
Import Duties	26.99	39.77	42.11	49.18	51.10
Excise Duties	16.85	20.85	22.67	20.63	25.53
Other	16.04	9.68	9.67	10.61	12.18
TOTAL	62.57	102.29	121.31	139.69	154.81
TOTAL TAXES AND LICENCES	117.14	160.52	198.46	229.93	257.21
Percentage contribution of:—					
Direct Taxes	47	36	39	39	40
Indirect Taxes	53	64	61	61	60

* Provisional

6.13. The Government policy on indirect taxation in recent years has been to –

(i) broaden the tax base;

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

(iii) make the structure of indirect taxes more progressive by applying higher rates of excise tax, import duty and sales tax on luxury consumer goods;

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

Such policies are reflected in the receipts from various indirect taxes. Receipts from import duties in the past 3 years on fuels, transport equipment and machinery, as shown in Table 6.4, have risen significantly. In 1976 duties from these three commodity groups constituted 53.9 per cent of the total collected. The rise in the value of imports in 1976, of 12.2 per cent over the 1975 level, has been accompanied by a rise of 40.3 per cent in import duties.

Central Government

Import Duty Collections, 1972-1976

Table 6.4 K£'000

End Use Category	1972	1973	1974	1975	1976
Food, drink and tobacco	4,745	4,268	2,999	3,588	3,938
Basic materials	897	1,120	1,756	1,706	2,371
Fuels	6,645	10,108	10,522	13,170	19,160
Chemicals	836	1,061	1,316	1,764	3,722
Textiles	3,809	4,119	6,006	5,015	4,726
Semi-manufactures	1,445	1,964	4,206	2,307	2,814
Metals	1,217	1,742	2,907	2,514	6,432
Transport Equipment	4,371	4,784	8,524	8,411	9,512
Machinery	2,279	3,535	3,762	4,286	7,149
Miscellaneous manufactured articles	3,384	2,795	4,751	4,756	6,388
Miscellaneous commodities and transactions	.225	448	.178	.150	260
Total	29,403	35,048	46,572	47,368	66,274

6.14. Table 6.5 gives details of receipts from excise revenue. The total duty collected on beer and cigarettes was 12.4 per cent higher in 1976 than in 1975; and 61.3 per cent higher than it was in 1972. In 1976, the excise duty on three commodities—beer, sugar and cigarettes—constituted 92 per cent of the total collections.

Central Government

Table 6.5 Excise Revenue by Commodities, 1972-1976 K£'000

	1972	1973	1974	1975	1976
Beer	7,647	9,793	11,116	10,649	12,143
Sugar	2,197	2,848	3,556	3,636	5,668
Cigarettes	5,201	5,802	6,776	7,788	8,580
Cigars					
Matches	199	247	228	125	1
Tobacco	24	3	12	27	14
Spirits	246	333	316	241	371
Mineral Waters	654	805	953	693	—
Biscuits	31	36	34	17	—
Fabrics, woven	743	670	753	827	850
Soap	493	867	664	670	802
Paints and distempers	229	227	224	221,	194
Total	17,664	21,632	24,632	24,894	28,623

6.15. No detailed analysis is available of sales tax. But approximately half the revenue is derived from the sale of imports and half from domestically. manufactured goods.

Development Revenue

6.16. Development receipts are shown in Table 6.6. The total is estimated to have fallen from K£103.5 million in 1975/76 to K£85.2 million in 1976/77. This is mainly on account of an almost 50 per cent decline in loans raised on the local market. External grants for development projects are expected to rise from K£7.5 million in 1975/76 to K£18.8 million in 1976/77, and external borrowing will, it is anticipated, be slightly lower, declining from K£43.1 million to K£41.1 million.

Central Government

Table 6.6 Development Revenue*, 1972/73.1976/77 K£million

	1972/73	1973/74	1974/75	1975/76	1976/77**
External Sources—					
Grants	0.29	3.19	6.29	7.53	18.80
Loans	24.66	14.45	22.00	43.13	41.10
Total External Sources	24.95	17.64	28.29	50.66	59.90
Internal Sources—					
Local Market Issues	21.30	18.85	15.49	52.78	25.00
Miscellaneous Revenue	0.61	0.58	0.35	0.02	0.30
Total Internal Sources	21.91	19.43	15.84	52.80	25.30
Total	46.86	37.07	44.13	103.46	85.20

* Excludes Treasury Bills and recurrent budget surplus. Also excluded are advances from the Central Bank amounting to K£4.4 million for 1974/75, repaid in 1976/77.

** Provisional

Recurrent and Development Expenditure on Main Services, 1972/73-1975/76

Table 6.7 K£million

	1972/73	1973/74	1974/75	1975/76	1976/77*
General Services—					
Administration and Foreign Affairs	12.06	12.96	15.06	18.70	21.15
Law and Order	15.76	18.08	20.94	24.33	24.12
Defence	11.95	14.26	19.01	20.59	42.43
Revenue Collection and Financial Control	2.96	3.09	4.04	4.26	5.05
Total	42.72	48.38	59.04	67.89	92.75
Financial Obligations—					
Public Debt	16.77	18.20	23.98	31.35	40.66
International Monetary Organization Subscriptions	0.20	045	0.45	0.41	1.49
Pensions and Gratuities	3.93	4.93	4.12	4.36	4.28
Passages and leave expenses ..	0.61	0.54	0.93	0.99	0.64
Transfers to local authorities ..	2.61	3.89	8 00	9.66	10.64
Total	24.12	28.01	37.48	47.76	57.72
Economic and Community Services—					
Agriculture and Veterinary ..	14.22	19.17	28.45	33.01	37.51
Forestry	2.35	2.79	3.08	4.42	5.17
Game and National Parks	2.95	3 05	4.15	4.50	6.70
Transport and Roads	29.09	32 91	39.74	43.40	51.11
Electricity and Petroleum	1.15	0.91	1.52	3.64	7.52
Banking	0.38	0.45	0.50	1.25	1.04
Water Works	4 12	4.80	7.41	13.09	19.63
Commerce and Industry	9.30	8.72	13.35	31.63	22.03
Other	2.67	2.85	3.20	4.34	5.19
Total	66.23	75.65	101.40	139.29	155.88
Social Services—					
Education	40.38	46.12	61.74	71.83	83.34
Health	12.77	14.43	20.35	23.92	30.16
Other (Labour, Community Development, Housing, etc.)	9.54	10 88	13.01	14.80	12.93
Total	62.70	71.43	95.10	110.55	126.43
Unallocable	5.64	6.69	8 41	8.57	11.05
Total Expenditure ..	201 .41	230.17	301.44	373.05	443.83

*Provisional

Functional and Economic Classification of Expenditure

6.17. As shown in Table 6.7, the largest expenditures in 1976/77, in order of importance, were incurred on education, transport and roads, defence, the public debt, agriculture and veterinary services and health services. General services consisting of expenditure on administration, foreign affairs and law and order, accounted for just over one-tenth of the total. In 1976/77 expenditure on social services should account for 28.5 per cent of total expenditure, on economic and community services for 35.1 per cent, on general services including defence for 20.9 per cent, and on financial obligations for 13.0 per cent.

6.18. Table 6.8 gives the rates of expansion of various categories of expenditure since 1972/73. In recent years the expansion of expenditure on economic and community services has been particularly marked. This is partly explained by the Government's current emphasis on helping the "working poor" in agriculture, and in extending water supplies in rural areas. Expenditure on agriculture and veterinary services increased from K£28.45 million in 1974/75 to K£33.01 million in 1975/76, and to an expected K£37.51 million in 1976/77. The overall increase in total expenditure of 19 per cent in 1976/77 may be compared with an increase of 23.8 per cent in 1975/76 and 31 per cent in 1974/75.

Central Government

The Growth of Expenditure by Functional Activities, 1972/73.1976/77*

Table 6.8 Percentages

	Average cumulative rate of growth 1972/73 to 1976/77	1973/74 to 1974/75	1974/75 to 1975/76	1975/76 to 1976/77
General Services	21.3	22.0	15.0	36.6
Economic and Community Services	23.8	34.0	37.4	11.9
Social Services	19.2	33.1	16.2	14.4
Financial Obligations	24.4	33.8	24.8	23.4
Total	21.9	31.0	23.8	19.0

*Provisional

Central Government

Table 6.9 Economic Analysis of Expenditure, 1972/73-1975/76 K£million

	1972/73	1973/74	1974/75	1975/76
RECURRENT EXPENDITURE				
Consumption Expenditure on Goods and Services—				
Wages and Salaries	70.73	80.23	100.61	120.63
Other Goods and Services	37.99	45.60	65.23	71.32
Total	108.72	125.83	165.84	191.95
Subsidies	1.76	2.77	0.89	0.73
Interest—				
External Debt	5.46	5.03	5.64	6.99
Internal Debt	5.17	6.94	8.90	12.54
Total	10 64	11.98	14.53	19.53
Other Transfers—				
To Households and Unincorporated Enterprises	12.78	15.85	8 44	8.63
To rest of the World	0.53	0.91	0.76	1 .03
To other General Government Agencies:				
(a) Local Authorities	0.79	2.81	6.22	6.55
(b) East African Community	0.20	0.28	0.36	0.47
(c) Miscellaneous	2.28	1.40	12.13	13.47
Total	16.59	21.26	27.91	30 15
Total Recurrent Expenditure	137.71	161.83	209.17	242.35
CAPITAL EXPENDITURE				
Gross Capital Formation—				
Residential buildings	2.80	2.34	3.21	3 03
Non-residential buildings	6.55	7.26	13.22	11.37
Construction and Works	24.92	27.32	25.47	45.09
Plant, Machinery and Equipment	3.39	2.58	3.43	4.97
Transport Equipment	1.52	1.67	3.38	3.34
Land	1.32	1.71	1.29	2.30
Total	40.51	42.88	49 99	70.10
Investment in Enterprises	2.75	4.96	5.74	6.16
Loans to Other Sectors	14.30	14.27	27.09	42.62
Loan Repayment—				
External Debt	3.18	3.56	4.29	4.76
Internal Debt	1.63	1.28	3.50	5.20
Sinking Fund	1.33	1.39	1.66	1.86
Total	6.14	6.22	9.45	11.83
Total Capital Expenditure	63.70	68.33	92.27	130.70
All Expenditure	201 .41	230.17	301.44	373.05

6.19. An economic analysis of the Central Government expenditure is given in Table 6.9. The table shows recurrent and capital expenditure separately. In 1975/76 recurrent expenditure accounted for 65.0 per cent of the total expenditure, having fallen from 68.4 per cent in 1972/73. This reflects an increase in the relative proportion devoted to capital expenditure. Expenditure on wages and salaries, and that on goods and services, were by far the largest items of recurrent expenditure. Gross capital formation in 1975/76 was 53.6 per cent of total capital expenditure; loans and investment made up 37.3 per cent, and loan repayments 9.1 per cent. Construction expenditure boosted by expenditure on the Nairobi Airport, and on the provision of water supplies was the largest item of gross capital formation. Expenditure on public buildings was reduced in 1975/76 from the level of expenditure in 1974/75.

Public Debt

6.20. The external debt of the Government rose from K£167.5 million at the end of June, 1975, to K£209.9 million at the end of June, 1976, and the internal debt from K£144.1 million to K£190.9 million. Of the total external debt outstanding at the end of June, 1976, K£21.2 million was funded and K£188.7 million unfunded but in contrast, K£180.4 million of the internal debt was funded and only K£10.4 million unfunded. Table 6.10 refers.

Central Government

Public Debt, 1971-1976

K£mlllion

As at 30th June	Public Debt*								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
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
1976	21.21	180.44	201.64	188.66	10.43	199.09	209.89	190.87	400.63

*Excluding Short-Term Borrowings.

6.21. Table 6.11 shows the sources of the unfunded debt. Between June, 1975 and June, 1976, the external debt owing to bilateral donors increased by K£9.5 million, and to international institutions by K£32.9 million.

Central Government
Sources of Unfunded Debit, 1971-1976

Table 611 K£'000

Outstanding as at June, 30th	1971	1972	1973	1974	1975	1976
External Debt						
Lending Countries						
United Kingdom	46,314	47,209	48,014	47,098	43,826	40,786
U.S.A.	5,733	7,272	13,611	13,476	15,902	18,380
West Germany	4,583	4,889	4,869	6,319	14,223	16,122
U.S.S.R	130	113	97	89	69	57
Japan	598	599	690	1,058	2,738	6,710
Israel	566	471	374	275	173	87
Others	869	3,714	8,950	12,785	23,364	27,639
Total	58,793	64,267	76,605	81,100	100,295	109,781
International Organizations						
l.B.R.D	2,498	6,640	9,122	11,143	16,296	39,101
I.D.A	11,987	13,048	18,674	21,371	27,739	37,531
African Development Bank	386	595	885	1,508	1,970	2,243
Total	14,871	20,283	28,681	34,022	46,005	78,875
Total External	73,664	84,550	105,286	115,123	146,300	188,656
Internal (E. African) Debt						
Uganda/Tanzania	333	299	265	231	196	161
Banks: Central	10,000	10,000	10,000	10,000	10,000	10,000
Other	295	199	108	56		
Insurance Companies	207	180	154	126	99	72
Other	202	202	201	201	202	202
Total Internal.	11,037	10,880	10,728	10,614	10,497	10,434
Total Unfunded Debt	84,701	95,430	116,013	125,737	156,796	199,091

6.22. An analysis of the public funded debt by holder is given in Table 6.12.

Central Government

Analysis of Public Funded Debt at Book Value by Holders on Local Register, as at 30th June

Table 6.12 K£'000

	1971	1972	1973	1974	1975	1976*
Public Bodies:—						
National Social Security Fund	23,412	26,134	30,427	48,181	62,185	76,200
Central Government	10,419	17,469	25,260	19,448	20,581	23,921
Local Government	965	948	778	780	721	838
Kenya Post Office Savings Bank	2,551	3,384	5,644	4,851	6,186	7,320
East African Community In. stitutions	380	395	3,809	5,191	6,562	6,388
Central Bank	3,510	3,665	4,234	8,311	7,156	36,349
Other Public Sector	497	507	423	1,437	382	564
Other Internal:—						
Commercial Banks	8,490	8,093	10,836	10,184	9,732	8,888
Insurance Companies..	5,271	6,133	6,106	6,357	5,964	7,082
Other Companies	6,164	8,889	10,314	12,236	13,192	11,943
Private Individuals	502	291	317	450	282	270
External:—						
Other East African	371	371	94	212	160	165
Other Sterling Area	1,642	1,369	962	870	494	482
Non Sterling Area	37	13	12	8	7	7
Total	64,211	77,661	99,216	118,516	133,604	180,438

* Provisional

Debt Service Charges

6.23. Total debt service charges are shown in Table 6.13. Those on the external debt are given as a proportion of the value of exports in Table 6.14. Debt service charges in 1976, on the combined external and internal debt, were only about 2.2 per cent of GDP. Those on the external debt alone were approximately 2.5 per cent of the value of exports of goods and services. However, these figures need to be interpreted with caution. Because of grace periods on capital repayments, the sharp increase in borrowing over the past 3 years has yet to be fully reflected in debt service charges.

Central Government

Debt Servicing Charges, 1971-1976

Table 6.13 K£million

As at 30th June	Annual Debt Servicing Charges			Interest and Loan Repayment Receipts			Net Servicing Charges			Sinking Funds
	External	Internal	Total*	External	Internal	Total	External	Internal	Total	Market Value
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	8.61	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
1976	11.96	19.09	31.05	—	5.80	5.80	11.96	13.29	25.25	20.92

*Includes interest payments of K£million:—
1972—8.72; 1973—10.64; 1974—11.98; 1975—14.53: 1976—19.54

Central Government

Debt Service Charges on External Debt Related to Exports of Goods and Services 1970-1976

Table 6.14

	Debt Service Charges on External Debt* K£million	Exports of Goods Services K£million	Debt Service Charges as a Percentage of Exports of Goods and Services
1970	5.0	170.8	2.9
1971	11.5	181.9	6.3
1972	7.2	204.5	3.5
1973	8.9	253.6	3.5
1974	8.6	357.2	2.4
1975	10.1	382.6	2.6
1976	12.0	478.0	2.5

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

6.24. Table 6.15 gives a forecast of the repayment of capital and interest over the period 1980 to 1995 on the external debt outstanding on 1st January, 1976. The debt service payments include payments on loans which have been committed but not yet drawn upon. Payments on this debt will reach a maximum in 1985. But, of course, actual debt service payments will be higher than those shown particularly after 1985; for by that time additional loans will also have been received.

PROFILE ON DEBT SERVICE CHARGES, 1980-1995

Table 6.15 K£million

As at 1st of January	Debt Outstanding	SERVICE PAYMENTS		
		Principal	Interest	Total
1980	396.42	12.20	16.17	28.36
1981	384.11	12.86	16.22	29.08
1982	371.12	15.12	15.71	30.83
1983	355.94	15.03	15.03	30.06
1984	340.90	15.86	14.39	30.25
1985	325.03	17.19	13.65	30.84
1986	307.84	17.66	12.78	30.44
1987	290.18	17.94	11.89	29.83
1988	272.24	17.87	10.94	28.81
1989	254.37	18.10	10.00	28.10
1990	236.28	18.47	9.05	27.52
1991	217.81	18.39	8.06	26.45
1992	199.42	16.87	7.12	23.99
1993	182.55	16.27	6.25	22.52
1994	166.27	15.81	5.41	21.22
1995	150.46	14.37	4.60	18.97

Source: World Bank

6.25. Although world inflation is to be deplored, it has had one favourable effect: in real terms it has reduced the burden of the external debt of Kenya and other developing countries. Because of inflation the prices of primary commodities have risen by between 50 and 100 per cent in the past five years, and in some cases by more. It will therefore be possible to repay the debt with a smaller volume of exports. On the other hand, world inflation, to which Kenya is not immune, does raise her annual borrowing needs.

Local Authorities

6.26. Expenditure by Local Authorities is given in Table 6.16. Expenditure at current prices by municipalities was 5.1 per cent higher in 1976 than 1975, and of town and county councils by 17.7 per cent.

*T*able 6.16 Expenditure of Local Authorities, 1972-1976 K£million

	Municipalities			Town and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1972	13.13	5.77	18.90	3.52	22.42
1973	13.05	6.00	19.05	3.86	22.91
1974	13.80	7.92	29.72	3.37	25.09
1975*	16.40	10.31	26.70	5.61	32.31
1976*	17.43	10.64	28.07	6 60	34.67

*As shown in Councils' Estimates.

6.27. Table 6.17 gives a functional classification of the combined current and capital expenditure of municipalities. Expenditures on roads, sanitary services, education and water undertakings were all appreciably higher in 1976, but those on housing estates were lower.

Table 6.11 Municipal Councils: Recurrent and Capital Expenditure on Main Services, 1972-1976 K£'000

	1972	1973	1974	1975*	1976*
Administration	1,417	1,385	1,517	2,485	2,318
Community Services—					
Roads .. .,	1,773	2,061	1,858	1,953	2,231
Sanitary Services	1,961	1,919	2,793	2,908	3,662
Other	373	450	700	566	820
Total	4,107	4,431	5,351	5,426	6,714
Social Services—					
Health	1,506	1,813	1,375	2,448	2,252
Education	3,355	4,131	3,866	4,503	4,958
Other	1,773	1,147	2,254	2,567	2,323
Total	6,634	7,090	7,495	9,517	9,533
Trading Services—					
Water Undertakings	2,448	2,253	2,226	2,998	3,918
Markets and Slaughter Houses ..	479	321	381	417	514
Breweries and Beer-shops	282	205	128	139	118
Housing Estates (including Staff Housing)	3,277	3,160	4,213	5,217	4,261
Hostels	34	24	14	9	11
Other	92	47	238	209	368
Total	6,613	6,011	7,200	8,989	9,191
Unallocable Expenditure	131	133	153	287	312
Total	18,902	19,050	21,716	26,704	28,070

*As shown in Councils' Estimates.

6.28. As shown in Table 6.18 almost 45 per cent of the total expenditure of municipalities in 1976 was incurred on wages and salaries, 21.4 per cent on other goods and services and a further 20.3 per cent on capital projects. Loan charges accounted for the balance of expenditure.

Municipal Councils: Economic Analysis of Expenditure, 1972-1976

Table 6.18 K£000

	1972	1973	1974	1975*	1976*
Expenditure on:					
Wages, Salaries and Allowances	7,892	9,649	9,075	10,933	12,604
Other Goods and Services	3,775	4,141	5,238	5,322	6,004
Loan Charges	2,546	2,843	3,372	3,379	4,251
Transfers (Exluding Compensation and Gratuities)	480	839	558	512	419
Capital Projects	6,077	2,943	3,823	7,241	5,689
Net Inter Departmental Transfers	-1,868	-1,364	-350	-682	-897
Total	18,902	19,050	21,716	26,704	28,070

*Provisional.

6.29. Details of the revenue receipts of municipalities are given in Table 6.19. Of the total revenue of K£32.3 million in 1976, almost 18 per cent was secured from indirect taxes, 14.2 per cent from property rents, 29.1 per cent from sales of goods and services, 15.6 per cent from Central Government grants, and 21.5 per cent from loans.

Municipal Councils: Economic Analysis of Revenue, 1972.1976

Table 6.19 K£'000

	1972	1973	1974	1975*	1976*
Graduated Personal Tax	3,896	3,234	24	—	—
Indirect Taxes (Licences, Cesses and Rates)	3,863	4,146	5,004	5,132	5,792
Income from Property (Buildings and Land Rents)	1,959	2,250	2,714	3,127	4,582
Interest on Investments	320	300	203	291	177
Sale of Goods and Services:—					
School Fees	546	1,137	578	427	553
Sale of Water	2,080	2,005	2,386	2,611	3,651
Sale of Beer	177	142	75	22	32
Markets and Slaughter Charges	72	25	104	114	276
Sewerage and Refuse Removal Charges	1,271	1,214	1,542	2,181	2,227
Other Sales	700	671	1,164	1,273	2,672
Government Grants	144	1,431	4,335	4,051	5,031
Loans Raised	4,186	3,008	3,886	6,373	6,934
Miscellaneous (Including Court fines, sale of capital assets, loan repayment, and non-Government grants)	321	283	294	328	364
Total	19,535	19,844	22,309	25,932	32,291

* Provisional

6.30. An economic analysis of the expenditure of town and county councils is given in Table 6.20.

Town and County Councils: Economic Analysis of Expenditure and Revenue, 1972-1976

Table 6.20 k£'000

	1972	1973	1974	1975*	1976*
Expenditure:—					
Wages, Salaries and Allowances	1,900	2,034	1,948	2,425	2,873
Other Goods and Services	1,021	958	1,045	1,220	1,703
Loan Charges	149	231	224	317	410
Transfers (including Compensation and Gratuities)	79	68	113	73	184
Capital	348	562	686	1,557	1,404
Net Inter-Departmental Transfers	+20	+9	—54	+ 16	+ 26
Total	3,517	3,862	3,962	5,608	6,600
Revenue:—					
Graduated Personal Tax	13**	—	—	—	—
Indirect Taxes (Licences, Cesses and Rates)	1,539	3,138	2,161	2,490	2.730
Income from Property (Building and Land Rent)	542	747	689	679	921
Interest on Investment	77	73	101	150	134
Sale of Goods and Services:—					
School Fees	3	—	—	78	—
Other	984	981	1,126	1,357	1,697
Government Grants	19	28	24	22	136
Loans Raised	16	6	8	829	860
Miscellaneous (including court fines, sale of Capital assets and non-Govermental Grants) Government Grants)	150	131	84	163	79
Total	3,342	5,104	4,193	5,769	6,557

*Provisional.
**Area Council Poll Rates.

CHAPTER 7—TRADE

Previous Surveys have shown that the massive trade deficits that Kenya experienced in 1974 and 1975 were due mainly to the oil crisis, the recession in industrial countries, and the dry weather which affected agricultural pro. duction. However, the upturn in world trade following some recovery from recession by industrial countries; the subsidy on the exports of manufactured goods; the devaluation of Kenya Shilling; and particularly the large rises in coffee prices, all had favourable effects on Kenya's trade in 1976. The trade deficit declined by half, from K£124.6 million in 1975 to K£61.8 million in 1976. The reduction in the trade deficit was accompanied by a moderate increase of 2.4 per cent in the volume of imports and an increase of 5.9 per cent in the volume of exports. There was also a marked favourable shift in the terms of trade.

7.2. Trade prospects in 1977 are presently favourable even though Tan. zania has sealed its border with Kenya since February, 1977, leading to a cessation of trade between the two countries and to some curtailment in Kenya's trade with Zambia, Malawi, Zaire and Burundi. Exports should be higher in 1977, as the prices of coffee and tea have risen strongly on world markets; but with the anticipated increase in imports the trade deficit in 1977 may not be greatly changed from that of 1976.

Table 7.1 Balance of Trade, 1972-1976 K£million

	1972	1973	1974	1975	1976
Imports—					
From outside East Africa* ..	184.0	215.2	369.4	352.1	393.8
Commercial	166.7	196.8	350.3	319.5	364.1
Government	17.3	18.4	19.1	32.6	29.7
From Uganda and Tanzania					
Local Produce	13.5	12.3	13.3	9.8	12.3
Transfers of Imported Mer-					
chandise	0.4	1.1	1.2	0.6	0.8
Total	197.9	228.6	383.9	362.6	407.0
Exports—					
To Markets outside E.Africa**	90.6	122.6	163.0	169.0	268.8
Re-exports	4.8	6.2	7.1	7.5	9.7
To Uganda and Tanzania ..					
Local Produce	32.8	38.8	48.3	46.2	49.9
Transfers of Imported Mer-					
chandise	4.5	13.0	17.3	15.3	16.7
Total	132.7	180.7	235.7	238.0	345.1
Balance of Trade.					
With Marketsoutside E.Africa	.88.6	.86.4	.199.3	.175.7	.155.3
With Uganda and Tanzania..	+ 23.4	+ 38.4	+ 51.1	+ 51.1	+ 53.5
Total	.65.2	.48.0	.148.2	.124.6	.61.8

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

Overall Value of Trade

7.3. Table 7.1 sets out the overall value of imports and exports for the last five years and unless otherwise stated, figures on imports and exports are reported gross of transfers to and from Uganda and Tanzania. After falling by 5.6 per cent in 1975, the value of imports increased by 12.2 per cent, from K£362.6 million in 1975 to K£407.0 million in 1976. Imports of the commercial sector increased by 14 per cent but Government imports declined by 8.9 per cent, chiefly owing to decreased imports by the East African Community corporations.

7.4. The value of exports increased dramatically by 45 per cent, from K£238.0 million in 1975 to K£345.1 million in 1976. Exports to countries outside East Africa increased by 59 per cent and those to Tanzania and Uganda by 8.3 per cent. The increase in value of exports to countries outside East Africa was chiefly due to higher coffee sales which rose from K£35.2 million in 1975 to K£93.3 million in 1976.

7.5. The overall balance of trade consequently improved sharply, from a deficit of K£124.6 million in 1975 to one of K£61.8 million in 1976. The deficit in 1976 resulted from a K£115.3 million deficit with markets outside East Africa and a surplus of K£53.5 million in trade with Tanzania and Uganda.

Price Changes

7.6. Import and export price indices are set out in Table 7.2. The average level of prices of imports rose by 8.2 per cent in 1976. This was the result of an increase of 18.1 per cent in the prices of petroleum and its products while prices of non-oil products rose by 6.9 per cent. Apart from mineral fuels, the only other group to record a substantial price increase was chemicals, where the rise was 11.8 per cent. Prices of imports of animal and vegetable fats and oils actually fell by 6.6 per cent. The increase in import prices was small despite the devaluation of the Kenya shilling in late 1975. Part of the explanation lies in the large fall in 1976 in the value of the pound sterling, the UK being Kenya's largest source of imports.

7.7. The overall export price index rose faster than that of imports with an increase of 36 per cent. Export prices of non-oil products rose by 42.7 per cent compared with a rise of 20.6 per cent in the prices of petroleum products. Coffee prices, which rose by 131.3 per cent, were mainly responsible for the increase of 63.5 per cent in the price index of the commodity group food products. Other substantial increases were recorded in export prices of chemicals, beverages and tobacco, machinery and transport equipment and of miscellaneous manufactured goods. Due to the drop in the price of sisal, the price index on exports of crude materials registered the lowest increase of 12.5 per cent.

Table 7.2 Price Indices, 1973-1976 1972=100

Imports	1973	1974	1975	1976
Food and live animals	124	164	207	213
Beverages and tobacco	108	111	141	165
Crude materials, inedible	101	117	151	154
Mineral fuels	113	339	452	534
Animal and vegetable oils and fats	115	155	211	197
Chemicals	134	181	229	256
Manufactured goods	122	169	187	201
Machinery and transport equipment	115	141	179	189
Miscellaneous manufactured articles	118	171	179	194
All Imports	119	178	220	238
Non-oil Imports	120	157	188	201
Exports				
Food and live animals	110	131	137	224
Beverages and tobacco	98	90	116	145
Crude materials, inedible	141	184	160	180
Mineral fuels ..	108	230	321	387
Animal and vegetable oils and fats	114	174	227	262
Chemicals	115	126	160	205
Manufactured goods	118	134	183	219
Machinery and transport equipment	114	131	166	211
Miscellaneous manufactured articles	129	149	148	209
All Exports	115	152	175	238
Non-oil Exports	116	138	150	214

Volume Changes

7.8. Quantum indices on merchandise trade are shown in Table 7.3. Although the volume of imports in 1976 was 2.4 per cent higher than in 1975, they were still only at 86 per cent of the level in 1972. For the second year running, 'the volume of imports of mineral fuels fell this time by 9 per cent; but the volume of non-oil imports rose by 5 per cent. After a decline of 34 per cent in 1975, the volume of imports of animal and vegetable oils and fats increased by 50.5 per cent in 1976. Other groups recording particular increases were beverages and tobacco, and crude materials which rose in volume by 42.4 per cent and 33.3 per cent, respectively.

7.9. As a result of a rise of 7.7 per cent in the volume of non-oil exports, accompanied by a drop of 2.1 per cent in the volume of exports of mineral fuels, the volume of total exports increased by 5.9 per cent. Substantial increases were recorded in the exports of food products—17.2 per cent, and animal and vegetable fats and oils—44.4 per cent; but declines were recorded in the volume of exports of chemicals, manufactured goods, and miscellaneous manufactured articles. Despite the recovery in export volumes in 1976 the total was still 8.5 per cent below the level recorded in 1973.

Table 7.3 Quantum Indices, 1973-1976 1972=100

Imports	1973	1974	1975	1976
Food and live animals	87	68	42	43
Beverages and tobacco	82	142	99	141
Crude materials, inedible	119	159	93	124
Mineral fuels	94	114	100	91
Animal and vegetable oils and fats	116	147	97	146
Chemicals	100	148	86	83
Manufactured goods	107	122	71	79
Machinery and transport equipment	92	93	93	93
Miscellaneous manufactured articles	94	86	77	82
All Imports	97	110	84	86
Non-oil Imports	98	109	80	84
Exports				
Food and live animals	117	102	99	116
Beverages and tobacco	126	93	62	66
Crude materials, inedible	112	133	120	122
Mineral fuels	103	102	94	92
Animal and vegetable oils and fats	165	152	133	192
Chemicals	123	130	91	87
Manufactured goods	121	105	103	102
Machinery and transport equipment	170	176	143	147
Miscellaneous manufactured articles	120	106	90	69
All Exports	117	111	101	107
Non-oil Exports	120	114	104	112

Terms of Trade

7.10. Table 7.4 details the terms of trade. As a result of a steep rise in coffee prices, Kenya's terms of trade shifted strongly in her favour in 1976. The terms of trade in 1976 were restored to the level of 1972 after the sharp deterioration recorded in 1974 and 1975.

Table 7.4 Terms of Trade, 1973-1976 1972=100

	1973	1974	1975	1976
All Items	97	85	80	100
Non-Oil Items	97	88	80	106"

Analysis by Broad Economic Categories

7.11. *Imports.*—Imports classified by broad economic categories are shown in Table 7.5 and details on some selected imports are given in Table 7.6. The pattern of imports in 1976 was little changed from that in 1975. Except for

a decline of two percentage points in the share of transport equipment in the total, there were no major changes in the relative importance of the various categories.

Total Imports, 1972-1976,
By Broad Economic Category

Table 7.5 K£'000

	1972	1973	1974	1975	1976
1. Food and Beverages	19,494	21,813	25,395	21,393	26,310
Primary	4,951	6,932	4,675	6,609	2,786
For Industry	2,455	4,815	2,654	4,712	393
For Household Consumption	2,496	2,117	2,021	1,897	2,393
Processed	14,543	14,881	20,720	14,784	23,524
For Industry	3,883	4,692	7,806	8,925	11,379
For Household Consumption	10 660	10,189	12,914	5,859	12,145
2. Industrial Supplies (Non-Food)	68,506	88,978	153,094	105,007	124,011
Primary	5,114	5,360	9,281	7,734	11,488
Processed	63,392	83,618	143,813	97,273	112,523
3. Fuels and Lubricants	20,903	22,321	81,565	95,805	103,884
Primary	14,816	16,708	67,465	87.242	94,159
Processed	6,087	5,609	14,100	8,563	9,725
Motor Spirit	1,270	1,079	2,200	1,006	796
Other	4,817	4,530	11,900	7,557	8,929
4. Machinery and other Capital Equipment	37,797	42,728	43,028	61,660	72,521
Machinery and other Capital Equipment..	34,500	39,580	38,918	56,307	64,259
Parts and Accessories	3,297	3,148	4,110	5,353	8,262
5. Transport Equipment	28,290	27,641	44,373	46,789	44,116
Passenger Motor Vehicles	5,967	4,760	9,495	6,230	8,410
Other	9,704	9,135	12,652	19,072	16,955
Industrial	9,481	8,985	12,393	18,836	16,618
Non-Industrial	223	150	259	236	337
Parts and Accessories	12,619	13,746	22,226	21,487	18,751
6. Consumer Goods not elsewhere specified	21,706	24,617	35,304	31,273	35,219
Durable	4,571	5,385	7,179	5,277	7,009
Semi-Durable	9,098	9,924	15,657	12,989	16,578
Non-Durable	8,037	9,309	12,468	13,007	11,632
7. Goods not elsewhere specified	1,153	456	1,116	659	936
TOTAL	197,851	228,552	383,875	362,586	406,997
	Percentage Shares				
1. Food and Beverages	9.8	9.5	6.6	5.9	6.5
2. Industrial Supplies (Non-Food)	34.6	38.9	39.9	29.0	30.5
3. Fuels and Lubricants	10.6	9.8	21.2	26.4	25.5
4. Machinery and other Capital Equipment	19.1	18.7	11.2	17.0	17.8
5. Transport Equipment	14.3	12.1	11.6	12.9	10.8
6. Consumer Goods not elsewhere specified	11.0	10.8	9.2	8.6	8.7
7. Goods not else where specified	0.6	0.2	0.3	0.2	0.2
TOTAL	100.0	100.0	100.0	100.0	100.0

Table 7.6 Selected Overseas Imports, 1972-1976 K£million

	1972	1973	1974	1975	1976
Crude Petroleum	14.59	16.36	67.02	86.82	93.47
Motor Vehicles and Chassis	17.86	11.27	22.38	22.96	23.63
Agricultural Machinery and Tractors	3.45	3.23	3.58	6.56	7.06
Industrial Machinery (including Electrical)	35.31	40.80	43.65	59.47	67.87
Iron and Steel	10.59	14.68	28.38	15.00	27.54
Cotton Fabrics	0.80	0.69	1.30	0.72	0.55
Synthetic Fabrics	3.63	7.21	8.33	5.96	3.29
Paper and Paper Products	7.86	10.68	19.53	11.10	7.59
Pharmaceuticals	3.96	4.46	7.37	7.57	6.67
Fertilizers	3.79	4.51	15.29	11.16	5.22

7.12. In 'terms of value, imports of food and beverages recorded the largest increase of 23 per cent, from K£21.4 million in 1975 to K£26.3 million in 1976; and their share in the total increased by 0.6 per cent. Since the importation of wheat and barley which occurred in 1975 was not repeated in 1976, imports of primary foodstuffs fell by 58 per cent. In contrast, imports of processed food products increased by 59 per cent. The principal imports of items for household consumption included rice, sugar, and alcoholic beverages.

7.13. Imports of fuels and lubricants increased by 8.4 per cent in 1976; but their share in total imports declined slightly. The cost of crude petroleum rose more slowly than in previous years, by 7.7 per cent, from K£86.8 million in 1975 to K£93.5 million in 1976, but the volume of imports was lower. Imports of motor spirit declined in 1976; and although imports of other petroleum products increased, these were well below the 1974 levels.

7.14. Imports of transport equipment were the only major group to fall in 1976, from K£46.8 million in 1975 to K£44.1 million in 1976. Imports of passenger motor vehicles rose from K£6.2 million in 1975 to K£8.4 million in 1976; but these increases were more than offset by lower imports of all other categories of transport equipment. The decline in these other categories reflects to some extent the lower purchases by the East African Community corporations.

7.15. Imports of non-food industrial supplies rose by 18.1 per cent, from K£105 million in 1975 to K£124 million in 1976. In this group, the largest increases were recorded in the imports of chemicals for manufacture of beverages, and iron and steel. Imports of iron and steel consisted mostly of pipes and tubes for use in the construction of the Mombasa-Nairobi pipeline. Declines were registered in imports of fertilizers, fabrics, and paper and paper products.

7.16. Imports of machinery and capital equipment increased by 17.6 per cent, from K£61.7 million in 1975 to K£72.5 million in 1976. The increase was largely due to higher imports of textile spinning machinery, and of equipment for construction and mining. Imports of consumer goods also increased but the increases were confined to durable and semi-durable goods.

7.17. *Exports.*—Exports analysed by broad economic categories are detailed in Table 7.7. The most significant feature in the table is the dominance of the food and beverage group. Exports of this group increased from K£82.4 million in 1975 to K£159.6 million in 1976; and its share of total exports rose from 35.8 per cent to 47.6 per cent.

Total Exports,* 1972-1976
By Broad Economic Category

Table 7.7 K£'000

	1972	1973	1974	1975	1976
1. Food and Beverages	62,679	74,983	83,028	82,417	159,586
Primary	48,951	59,912	67,328	67,676	135,873
For Industry	26,906	37,310	40,532	36,278	95,926
For Household Consumption	22,045	22,602	26,796	31,398	39,947
Processed	13,728	15,071	15,700	14,741	23,713
For Industry	1,051	1,970	2,275	2,395	2,805
For Household Consumption	12,677	13,101	13,425	12,346	20,908
2. Industrial Supplies (Non-Food)	32,919	56,651	75,415	65,196	78,480
Primary	14,952	28,630	36,888	30,617	34,836
Processed	17,967	28,021	38,527	34,579	43,644
3. Fuel and Lubricants	19,451	21,673	46,035	58,957	69,730
Primary	69	88	98	268	323
Processed	19,382	21,585	45,937	58,689	69,407
Motor Spirit	2,902	3,317	6,027	8,246	8,966
Other	16,480	18,268	39,910	50,443	60,441
4. Machinery and other Capital Equipment	1,930	3,272	5,390	5,303	6,589
Machinery and other Capital Equipment.	1,807	2,934	4,710	4,398	5,319
Parts and Accessories	123	338	680	905	1,270
5. Transport Equipment	1,946	4,026	4,199	4,190	4,005
Passenger Motor Vehicles	50	156	196	460	484
Other	245	322	1,057	1,570	1,283
Industrial	245	318	1,053	1,467	1,269
Non-Industrial		4	4	103	14
Parts and Accessories	1,651	3,548	2,946	2,160	2,238
6. Consumer Goods not elsewhere specified	8,732	13,657	14,473	14,092	16,712
Durable	264	582	595	528	762
Semi-Durable	2,932	4,861	4,400	3,279	3,925
Non-Durable	5,536	8,214	9,478	10,285	12,025
7. Goods not elsewhere specified	190	157	223	200	293
TOTAL	127,848	174,420	228,763	230,356	335,395
	Percentage Shares				
1. Food and Beverages	49.1	43.0	36.3	35.8	47.6
2. Industrial Supplies (Non-Food)	25.8	32.5	33.0	28.3	23.4
3. Fuel and Lubricants	15.2	12.4	20.1	25.6	20.8
4. Machinery and other Capital Equipment	1.5	1.9	2.4	2.3	2.0
5. Transport Equipment	1.5	2.3	1.8	1.8	1.1
6. Consumer Goods not elsewhere specified	6.8	7.8	6.3	6.1	5.0
7. Goods not elsewhere specified	0 1	1.0	0 1	0.1	0.1
TOTAL	1000	100.0	1000	100.0	1000

*Excluding Re-exports.

7.18. The increase in food exports resulted from the higher commodity prices prevailing in 1976. Exports of coffee increased by 165 per cent, from K£35.2 million in 1975 to K£93.3 million in 1976, and of tea from K£22.9 million in 1975 to K£31.8 million in 1976. Other substantial increases were recorded in the exports of meat products and canned pineapples.

7.19. Exports of non-food industrial supplies increased by 20.4 per cent in 1976. In this group, while increases were recorded in the exports of pyrethrum products, hides and skins, cement, fluorspar and wattle extract, sales of sisal fell by 42.9 per cent.

7.20. Quantities, values, prices and percentage changes of some principal exports are given in Tables 7.8, 7.9 and 7.10.

Table 7.8 Quantities of Principal Overseas Exports, 1972-1976

	Unit	1972	1973	1974	1975	1976
Coffee	Tons	63,142	75,317	71,680	67,728	77,586
Tea		47,126	51,742	49,595	52,450	59,263
Petroleum Products	Million Litres	1,129	1,219	1,259	1,016	1,163
Pyrethrum products	Tons	3,358	3,438	4,566	4,906	4,166
Meat products	"	10,208	6,336	6,564	8,010	9,681
Sisal	"	38,764	44,800	72,070	43,986	29,354
Hides and skins	"	10,552	8,226	9,082	11,940	14,158
Soda ash	"	144,717	201,880	139,510	78,481	98,904
Felspar, Fluorspar	"	—	24,260	37,108	49,163	90,465
Cement	"	372,208	432,694	490,561	510,470	601,044
Maize (raw)	"	8*	199,544	44,681	118,570	106,987
Canned pineapples	"	9,734	13,352	8,663	20,385	29,904
Butter and ghee	"	1,979	1,860	1,147	629	1,154
Beans and peas	"	21,268	16,283	10,408	15,977	11,252
Cotton (raw)	"	4,266	4,780	3,318	3,005	2,073
Wool	"	1,605	1,498	1,343	1,223	1,288
Animal feeds	"	39,403	29,711	9,292	12,717	23,651
Cashew nuts	"	15,540	9,368	20,350	14,297	11,543

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

Table 7.9 Overseas Export Prices, 1972.1976 K.Sh./Unit

	Unit of Quantity	1972	1973	1974	1975	1976
Coffee unroasted	Kg.	7.84	9.50	10.71	10.40	24.06
Tea	Kg.	6.99	6.59	7.82	8.73	10.72
Petroleum products	1,000 Lt.	158.44	155.64	416.00	623.64	669.14
Maize	100 Kg.	..	56.02	74.40	79.07	98.84
Meat and products	Kg.	9.55	11.88	13.75	12.50	17.16
Pyrethrum extract	Kg.	148.52	164.10	192.20	223.67	226.28
Sisal	100 Kg.	106.70	213.20	470.56	333.69	285.57
Hides and skins, undressed	Kg.	7.18	12.61	9.78	9.07	12.09
Wattle extract	Kg.	1.62	1.91	2.12	2.46	2.78
Soda ash	100 Kg.	26.74	27.89	38.76	60.00	60.03
Felspar, Fluorspar	100 Kg.	. .	26.21	28.24	40.24	49.09
Cement	100 Kg.	10.86	16.25	21.02	21.02	25.40
Beans, peas, etc.	Kg.	1.04	1.44	2.97	2.24	2.88
Cashew nuts, raw	Kg.	1.35	1.30	1.59	1.59	1.73
Wool	Kg.	4.60	10.76	10.31	6.97	8.18
Animal feed	100 Kg.	30.03	64.80	63.88	58.07	80.86
Cotton, raw	Kg.	5.70	5.74	6.85	8.53	11.02
Pineapples, canned	Kg.	1.89	2.22	3.26	3.54	4.67
Butter and ghee	Kg.	7.67	7.44	8.00	9.10	9.59
Wattle bark	100 Kg.	54.54	51.90	66.42	79.61	100.52

Table 7.10 Overseas Exports: Changes in Value, Quantity and Price, 1975-1976

	Value K£'000			Percentage Change in		
	1975	1976	Change	Value	Quantity	Price
Coffee, unroasted	35,227.9	93,348.5	58,120.6	165.0	14.6	131.3
Tea	22.930.0	31,762.0	8,832.0	38.5	13.0	22.8
Petroleum products	31,666.9	38,934.4	7,267.5	22.9	14.5	7.3
Meat and products	5,005.7	8,310.9	3,305.2	66.0	20.9	37.3
Pyrethrum extract	3,494.1	5,685.6	2,191.5	62.7	60.8	1.1
Sisal	7,338.9	4,191.3	—3,147.6	—42.9	—33.3	—14.4
Hides and Skins, undressed	5,413.9	8,561.2	3,147.3	58.1	18.6	33.3
Wattle extract	1,214.6	2.686.3	1,471.7	121.2	52.6	13.0
Soda ash	2,378.4	2,968.6	590.2	24.8	26.0	—
Felspar, Fluorspar	989.1	2,220.3	1,231.2	124.5	84.0	22.0
Cement	5,365.7	7,633.2	2,267.5	42.2	17.7	20.8
Beans, peas etc	1,788.2	1,620.4	—167.8	—9.4	—29.6	28.6
Cashew nuts, raw	1,137.7	998.4	—139.3	—12.2	—19.3	8.8
Wool	426.2	526.4	100.2	23.5	5.3	17. 4
Animal feed	369.3	956.2	586.9	158.9	86.0	39.2
Cotton, raw	1,282.4	1,142.1	— 140.3	—10.9	—31.0	29.2
Pineapples, canned	3,604.7	6,979.6	3,374.9	93.6	46.7	31.9
Butter and ghee	286.2	553.5	267.3	93.4	83.5	5.4
Wood carvings	388.8	486.1	97.3	25.0	12.7	10.9
Metal scrap	435.2	347.4	—87.8	—20.2	—33.8	20.5
Wattle bark	83.8	115.6	31.8	38.0	9.3	26.3
All other items	38,140.2	48,763.5	10,623.3	27.9	. .	. .
Total	168.967.9	268,791.5	99,823.6	59.1	. .	. .

Direction of Trade

7.21. *Imports.*—Imports by principal countries and areas of origin are detailed in Table 7.11. Although the main direction of trade remained unchanged in 1976, the leading countries of origin improved their relative shares in Kenya's total imports. Among the EEC countries, imports from West Germany registered the significant increase of 40.4 per cent, accounting for one-tenth of total imports. The United Kingdom remained the main source of imports, followed by Iran, Japan and West Germany in that order. Imports from Japan recorded the largest single increase of any country, rising by 43.5 per cent. Declines were recorded in the value of imports from the USA, Italy, Australia, Uganda and Middle East countries other than Iran.

7.22. Imports from African countries, after declining by 32.4 per cent in 1975, rose by 31 per cent in 1976; and their share of total imports rose slightly to 4.1 per cent. This increase in imports was confined to increases in imports from Tanzania which remained the major source of African imports, and from Sudan and Rwanda. Imports from Sudan and Rwanda totalled K£1.0 million in 1976 having been nil in 1975. Imports from Uganda fell further, by 44 per cent. Table 7.13 sets out further details on trade with African countries.

7.23. *Exports.*—Exports by country of destination are given in Table 7.12. Exports to the EEC countries nearly doubled, from K£61 million in 1975 to K£118.9 million in 1976; and their share rose from 25.6 per cent of total exports in 1975 to 34.5 per cent in 1976. West Germany, taking 36 per cent

of all coffee sold in 1976, was the largest purchaser of Kenya exports, followed by the UK. Exports to other major EEC countries more than doubled in 1976; as did exports to the USA.

Origin of Total Imports, 1972-1976

Table 7.11 K£'000

	1972	1973	1974	1975	1976
E.E.C.—					
United Kingdom	54,301	57,137	71,123	75,707	77,043
West Germany	17,485	20,933	38,515	29,186	40,974
Italy	8,096	8,419	12,849	9,968	10,820
France	7,253	6,818	13,117	13,284	12,914
Netherlands	5,028	8,194	14,587	7,429	9,601
Other	5,321	5,307	8,995	9,441	11,645
Total	97,484	106,807	159,186	145,015	162,997
Other Western Europe Total	9,614	11,853	20,501	17,978	19,621
Eastern Europe Total	4,219	5,847	10,903	3,496	3,742
U.S.A	12,621	17,259	21,577	25,556	23,672
Canada	1,406	3,838	2,814	5,799	6,270
Africa—					
Tanzania	6,196	8,528	10,686	9,166	12,406
Uganda	7,706	4.860	3,843	1,486	818
Zambia	383	604	1,996	549	824
Other	2,285	1,740	2,206	1,461	2,546
Total	16,570	15,732	18,731	12,662	16,594
Middle East—					
Iran	14,138	15,114	36,528	51,355	68,381
Other	4,754	4,702	34,971	32,261	28,997
Total	18,892	19,816	71,499	83,616	97,378
Far East and Australia—					
Australia	3,722	2,243	2,187	5,666	2.211
Japan	18.182	27,125	41,954	31,384	45.034
India	4,232	4,346	6,763	6,379	7,922
China (Mainland)	1,219	1,677	4,627	2,836	3,055
Other	6,210	9,172	16,010	10,541	17,492
Total	33,565	44,563	71,541	56,806	75,714
All other countries	2,957	2,574	6,853	11,435	353
Parcel Post and Special Transactions	523	263	270	223	656
Total	197,851	228,552	383,875	362,586	406.997

7.24. Against the general trend, exports to the main trading partners in the Far East fell in 1976. However, this decline was more than offset by a 130.5 per cent increase in exports to countries other than the major trading partners in the Far East. Total exports to the Far East rose by 32 per cent but those to the Middle East were only 7.4 per cent higher.

7.25. Although exports to African countries increased by 13.5 per cent in 1976, their share in total exports fell from nearly 40 per cent in 1975 to 31.3 per cent in 1976. Exports to Tanzania rose by 17.2 per cent, but those to Uganda increased only marginally. The largest increase occurred in exports to the Sudan while important increases were also recorded in exports to

Burundi, Zaire, Ethiopia, Rwanda and the Indian Ocean islands. Exports to Somalia fell by 22 per cent. Although exports to Zambia recorded a marginal increase, trade with that country was beset with transportation problems arising from the ban on use of heavy vehicles for transportation of these exports through Tanzania.

Table 7.12 Destination of Total Exports*, 1972-1976 K£'000

	1972	1973	1974	1975	1976
E.E.C.—					
United Kingdom	20,392	20,622	18,700	22,691	36,072
West Germany	9,480	13,571	17,874	19,189	42,123
Italy	2,909	3,687	4,440	5,771	13,874
France	724	1,460	1,863	1,459	3,415
Netherlands	6,989	8,096	11,445	7,477	17,052
Other	1,769	4,380	10,582	4,407	6,349
Total	42,263	51,816	64,904	60,994	118,885
Other Western Europe Total	7,319	11,110	11,637	11,287	21,012
Eastern Europe Total .	1,437	2,256	2,968	2,301	3,301
U.S.A	5,491	7,532	8,028	8,409	18,378
Canada	1,753	5,706	3,329	5,039	6,096
Africa—					
Tanzania	19,428	22,227	25,949	28,540	33,442
Uganda	17,832	29,557	39,676	32,910	33,162
Zambia	4,976	7,282	10,913	8,218	9,018
Other	9,837	13,054	19,345	25,390	32,227
Total	52,073	72,120	95,883	95,028	107,849
Middle East—					
Iran	623	592	331	964	955
Other	1,725	3,048	4,297	4,619	5,040
Total	2,348	3,640	4,628	5,583	5,995
Far East and Australia—					
Australia	769	670	1,140	1,740	1,393
Japan	2,093	5,031	5,364	6,333	4,551
India	2,378	1,587	2,820	2,862	2,545
China (Mainland)	1,618	3,070	1,787	1,402	413
Other	3,001	6,856	10,874	7,503	17,295
Total	9,859	17,214	21,985	19,840	26,197
All Other Countries	2,484	5,271	8,200	10,884	13,653
Aircrafts and Ships Stores	7,688	7,047	14,135	18,617	23,696
All Exports	132,714	180,712	235,697	237,982	345,062

*Exluding gold and currency but including Re-Exports.

The Impact of the Tanzanian Border Closure on Community Trade

7.26. Kenya's trade with Tanzania and Uganda was maintained at a high level in 1976. The value of Kenya's exports to these countries has increased by 78 per cent between 1972 and 1976, from K£37.3 million to K£66.6 million, and in 1976 accounted for 61.8 per cent of exports to the whole of Africa. Exports to Tanzania alone increased by 72.1 per cent, from K£19.4 million in 1972 to K£33.4 million in 1976. Over the same period imports from Tanzania doubled, from K£6.2 million to K£12.4 million in 1976. In 1976 Kenya's favourable trade balance with Tanzania amounted to K£21 million.

Trade with African Countries, 1972—1976

Table 7.13 K£'000

	Exports*					Imports				
	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
Mainland—										
Uganda	17,832	29,557	39,676	32,910	33,162	7,706	4,860	3,843	1,486	818
Tanzania	19,428	22,227	25,949	28,540	33,442	6,196	8,528	10,686	9,166	12,406
Zambia	4.976	7,283	10,913	8,219	9,018	383	604	1,996	549	824
Ethiopia	1,059	1,800	2,315	1,189	1,701	187	174	158	104	56
Burundi	310	513	593	809	1,306	—	—	22	32	5
Somalia	1,173	1,290	1,502	3,061	2,373	75	69	245	126	103
Sudan	619	1,046	924	1,818	4,165	1	1	6	—	136
Rwanda	1,289	1,579	2,978	4,922	6,269	1	—	300	—	765
Zaire	1,091	909	1,105	1,920	2,184	742	534	367	462	410
Malawi	263	317	494	310	415	6	5	15	15	8
Mozambique	203	187	92	366	243	118	96	15	81	11
Egypt	276	242	1,924	2,631	2,669	42	23	53	59	21
Algeria and Libya	696	420	551	533	124		—	—	—	—
Ghana and Nigeria	266	233	644	1,022	655	173	351	445	10	30
Other	518	960	2,052	1,733	2,935	881	422	541	544	977
Total	49,999	68,563	91,712	89,983	100,661	16,511	15,667	18,692	12,634	16,570
Indian Ocean Islands—										
Mauritius	702	1,376	984	1,463	2,474	—	1	6	21	8
Reunion	453	654	854	984	1,524	—	—	—	—	—
Other**	918	1,527	2,333	2,597	3,190	59	64	33	7	16
Total	52,073	72,120	95,883	95,028	107,849	16,570	15,732	18,731	12,662	16,594
Percentage of all Exports/ Imports.	39.2	39.9	40.7	39.9	31.2	8.4	6.9	4.9	3.5	4 1

*Including Re-exports.
** Madagascar and Seychelles.

7.27. The expansion of trade within East African has been nurtured since 1967 under the provisions of the Treaty for East African Co-operation. However, in February, 1977, Tanzania sealed its border with Kenya thereby dealing a critical blow to the Common Market, and trade between Kenya and Tanzania has since ceased completely.

7.28. Table 7.14 gives details of imports of local produce from Tanzania in 1976. Such imports were valued at K£11.6 million, or 2.9 per cent of all Kenya's imports. As seen from the table, four items; tobacco, raw cotton, aluminium-ware and tyres accounted for 54.8 per cent of the total imports from Tanzania. Although it might be too early to draw firm conclusions, most of the items other than tobacco are either already being replaced by locally produced goods or could be produced locally in the near future.

IMPORTS OF LOCAL PRODUCE FROM TANZANIA, 1976

Table 7.14	K£'000
Tobacco, Unmanufactured	3701 .6
Raw Cotton	1100.5
Aluminium Corrugated sheets, plates, circles and foil	954.9
Tyres for road motor vehicles	615.2
Radio, broadcast receivers	609.4
Outer garments for women	557.0
Tubes and pipes of iron and steel	417.2
Cotton fabrics	376.0
Raw sugar	347.8
Coffee extract	266.9
Beans	262.3
Batteries and cells	252.3
Others	2165.6
Total	11,626.7

7.29. Kenya's exports to Tanzania have always been much higher than its imports from that country. In 1976 total exports to Tanzania amounted to K£33.4 million or 12.4 per cent of all exports. Of this amount nearly K£23 million consisted of exports of local produce, i.e. goods produced or manufactured in Kenya; the rest were re-exports of previously imported goods. The loss of the latter is of minimal consequence to the economy since it means a corresponding reduction in imports.

7.30. As shown in Table 7.15, exports of local produce originating in Kenya's manufacturing sector totalled K£21 million out of total production amounting to K£737.5 million in 1976. Thus exports to Tanzania were only 2.9 per cent of total production. With a stagnant manufacturing sector the impact on the value added of the manufacturing sector might be somewhat higher than this percentage as profitability in particular firms may have been affected. Fortunately, manufacturing sector is growing rapidly as a result of the upturn in the domestic economy and the impact of the loss of sales to Tanzania at this stage is anticipated to be small. The largest single export

to Tanzania in 1976 was of petroleum products. Exports of petroleum and other chemical products to Tanzania amounted to K£8.3 million out of a total production valued at K£152 million. With the increased emphasis of the refinery at Dar es Salaam on catering for domestic sales, there has been a progressive fall in exports of petroleum products from Kenya over a number of years and such exports in any event would have declined further in 1977. Amongst other export products affected by the disruption of trade between Tanzania and Kenya, the most significant are metal products whose exports to Tanzania amounted to K£2.7 million in 1976 out of a total output valued at K£51.5 million, miscellaneous foodstuffs—K£1.6 million out of a total output of K£73.3 million and industrial chemicals—K£1.4 million out of K£34.9 million.

Manufacturing Output and Exports of Local Product to Tanzania, 1976

Table 7.15 K£'000

	Output	Exports of Local Product to Tanzania
Meat and Dairy Products	36,998	584
Canned Vegetables, Fish, Oils and Fa	43,826	79
Grain Mill Products	43,817	821
Bakery Products	11,557	1
Sugar and Confectionery	25,253	90
Miscellaneous Foods	73,340	1,600
Beverages and Tobacco	44,914	14
Textiles	27,925	873
Clothing	19,848	37
Leather Products and Footwear	10,711	19
Wood and Cork Products	11,872	294
Furniture and Fixtures..	10,575	239
Paper and Paper Products	26,705	1,122
Printing and Publishing	20,940	719
Industrial Chemicals	31,865	1,429
Petroleum and Other Chemicals	152,043	8.283
Rubber Products	11,620	239
Plastic Products..	7,479	48
Pottery and Glass Products	3,140	252
Non-Metallic Mineral Products	28,767	608
Metal Products	51,477	2,662
Non-Electrical Machinery	4,434	319
Electric Machinery	9,772	346
Transport Equipment	14,104	15
Miscellaneous Manufactures	14,555	330
Total	737,537	21,023
Value Added	151,330	4,390*

*This figure is 2.9 per cent of the total value added by manufacturing i.e. the same as the proportion of output of manufacturing sector exported to Tanzania in 1976.

7.31. The Government has initiated action to capture new export markets in order to recoup the loss of the Tanzania market and details of the work of Kenya External Trade Authority follow in paragraphs 7.32 to 7.36. More. over, as indicated above, the domestic economy is going through a phase of expansion and this will help overcome many problems for individual concerns.

Kenya External Trade Authority

7.32. The Kenya External Trade Authority, set up in April, 1976, is the successor to the Kenya Export Promotion Council. Since its formation, the Authority has re-appraised Kenya's trade, setting the priorities for a more aggressive export promotion drive. Six sections have been set up in the Authority, each with responsibilities in specific fields; these are marketing, product development, information and publicity, trade policy, export training, and administration.

7.33. During 1976 the marketing section organized two sales missions to seven Middle East and four African countries. The missions returned home with specific and potential business orders. During 1977 this section is to be strengthened by the addition of marketing desks for Latin America, East Europe and China. Participation in trade fairs and exhibitions has been reorganized on lines designed to ensure a return on the finances committed for such participation.

7.34. The product development section has already embarked on the task of assisting industry to rationalise production through product adaptation and diversification. Among the industries assisted to date in developing new products are the Kenya Meat Commission, Uplands Bacon Factory, East African Tanning Extract Company, and East African Breweries Ltd. The Authority is also collaborating with the Maize and Produce Board in the production of food colouring and flavouring materials, and with the Ministry of Agriculture in encouraging production of honey.

7.35. The information section is responsible for the publication of *Kenya Export News.* During 1977 the Authority will produce the first issue of the Kenya export directory. The Authority also intends to improve the dissemination of information on customs export procedures through newsletters and the radio.

7.36. The trade policy section has been responsible for studying and finding ways of implementing trade agreements. Accordingly, the Lome ACP/EEC Convention agreement is being studied in order to advise exporters on how to take advantage of the agreement. Other activities during the year included training seminars on trade, and on the adaption of production to serve the export markets better.

CHAPTER 8ð AGRICULTURE

Agriculture is the most important sector of the economy: it accounts for about 29 per cent of total GDP for the whole country.

8.2. Despite inadequate rains and even drought in some areas, 1976 was a good year in many ways for agriculture. Not only was coffee production a record, but its price too reached record levels, rising by nearly 200 per cent. The output of tea also increased substantially, and its price, particularly since the turn of the year, has risen sharply. Other crops whose production rose were wheat and rice. The production of maize, beans, cotton, pyrethrum and sisal was, however, lower though the marketed component of maize production went up significantly. Sugar-cane production was about the same as in the previous year. The drought, because it reduced grazing land, caused premature slaughtering of cattle to increase significantly. As a result the average weight per head of cattle slaughtered fell. Milk deliveries to KMC were also markedly reduced.

8.3. The controlled prices of wheat, maize, sugar, rice, beef and milk were all raised during the year. But it was particularly the large rise in the price of coffee and, to a lesser extent, in that of tea, which caused a favourable shift in the terms of trade of Agriculture *vis-a-vis* the remainder of the economy.

8.4. The Government is placing an increasing emphasis on the development of agriculture, because of its concern to improve the conditions of the "working poor" in rural areas. The "working poor" in rural areas mostly earn their living on holdings of under 20 hectares. Included for the first time in this issue of the Economic Survey are details about such holdings obtained from the Integrated Rural Survey conducted by the Central Bureau of Statistics. Not far short of 80 per cent of Kenya's population live on such holdings.

Value of Output and GDP

8.5. The 8.1 gives the value of output, intermediate consumption and GDP of the monetary sector of agriculture at both current and constant prices. The value of output of this sector in 1976 was 52.8 per cent higher at current prices than in 1975 and 6.2 per cent higher at constant prices. The sector's monetary GDP rose by 65.2 per cent at current prices and 6.9 per cent at constant prices.

Marketed Production

8.6. Table 8.2 gives quantum and price indices of the main categories of marketed product; and Table 8.3 sets out details on gross marketed production at current prices. Marketed production shown in this table excludes sales on local markets. The quantum indices show that the output of the marketed component of cereals and of permanent crops were both higher in 1976 than in 1975 but that of temporary industrial crops and of livestock and products were lower. Details of individual products are given later under the section on production.

Agricultural Output: Less Recorded Input Monetary Sector

Table 8.1 K£million

	1972	1973	1974	1975	1976*
At Current Prices—					
Total Output	116.40	133.20	161.79	175.08	267.59
Less Recorded Inputs	22.04	25.77	38.72	39.69	43.92
Value Added	94.36	107.43	123.08	135.39	223.66
At Constant (1972) Prices.					
Total Output	116.40	118.92	119.72	119.85	127.28
Less Recorded Inputs	22.04	22.20	23.57	23.63	24.44
Value Added	94.36	96.72	96.15	96.21	102.4
Quantum Indices (1972 100)					
Output	100.00	102.16	102.85	102.96	109.35
Input..	100.00	100.72	106.94	107.21	110.89
Price Indices (1972=100)					
Output	100.00	112.01	135.14	146.08	210.24
Input	100.00	116.08	164.28	167.96	179.70

*Provisional.

Agricultural Marketed Production Indices, 1973.1976

Table 8.2. 1972=100

	1973	1974	1975	1976*
Quantum Indices—				
Cereals	108.2	103.5	119.9	145.3
Temporary Industrial Crops	107.9	123.5	132.7	124.6
Permanent Crops	111.5	111.9	106.0	121.2
Total	108.4	111.3	113.6	126.6
Livestock and Products	94.2	85.7	86.3	82.5
Total Gross Marketed Production	103.6	102.6	104.5	111.3
Price Indices—				
Cereals	103.4	131.7	186.2	208.5
Temporary industrial Crops	104.5	118.9	143.4	165.3
Permanent Crops	118.7	151.6	144.2	264.2
Total Crops	113.7	142.1	150.7	233.9
Livestock and Products	108.	120.4	133.1	146.0
Total Gross Marketed Production	112.3	136.5	146.2	214.1

*Provisional.

8.7. Price indices of the various groups of products illustrate the influence of the unprecedented rise in coffee prices on the average realization from permanent crops and also that all other subsectors recorded increases in 1976. The average increase in prices for total marketed production in 1976 was 46.4 per cent.

8.8. The large rise in the value of marketed coffee production from K£35.3 million in 1975 to K£103.5 million in 1976—a rise of K£68.2 million is the most prominent feature of the information detailed in Table 8.3. Indeed the 1976 value of receipts from coffee sales was slightly less than three times the receipts in 1975. The value of marketed tea production also increased substantially, rising from K£22.9 million in 1975 to K£32.7 million in 1976. Total marketed production was valued at K£252.4 million in 1976, an increase of 55.8 per cent on 1975.

Table 8.3 Gross Marketed Production, 1972-1976 at Current Prices

	1972	1973	1974	1975	1976*
Cereals					
Wheat	4,160	3,865	6,925	8,275	12,047
Maize	7,252	8,571	8,482	17,022	21,628
Others	1,541	2,055	2,251	3,626	5,571
Total	12,953	14,491	17,658	28,928	39,246
Temporary Industrial Crops					
Pyre thrum	3,662	3,259	4,206	4,551	3,919
Sugar Cane	3,038	4,453	5,916	8,230	9,618
Others	1,609	1,660	2,080	3,041	3,585
Total	8,309	9,372	12,202	15,822	17,122
Other Temporary Crops	4,249	3,563	5,356	7,123	8,309
Permanent Crops—					
Coffee	24,165	32,772	35,326	35,345	103,504
Sisal	1,862	7,051	18,350	7,038	4,112
Tea	16,034	16,766	19,255	22,914	32,757
Others	2,820	2,817	3,177	3,274	3,382
Total	44,881	59,406	76,108	68,571	143,755
Total Crops	70,392	86,832	111,324	120,439	208,432
Livestock and Produces					
Cattle and Calves	16,510	16,353	17,610	19,827	20,200
Dairy Products	10,890	11,305	10,100	10,781	12,050
Others	4,038	4,514	4,747	5,515	5,623
Total	31,438	32,172	32,457	36,123	37,873
Unrecorded Marketed Production	4,100	4,299	4,668	5,404	6,070
Total	105,931	123,303	148,449	161,966	252,375

*Provisional.

8.9. Details of price changes for individual products are shown in Table 8.4. The largest rises were recorded in prices of coffee and tea: the price of marketed coffee rose from K.Sh. 1,069 per 100 kilograms in 1975 to K.Sh. 2,578 in 1976; and that of marketed tea from K.Sh. 808 per 100 kilo. grams to K.Sh. 1,057. Rises also occurred in the controlled prices of such products as wheat, maize, sugar, rice, beef and milk.

Average Gross Commodity Prices to Farmers, 1972-1976*

Table 8.4 KSh. per stated Unit

	Unit	1972	1973	1974	1975	1976
Coffee	100 kg.	779	921	1,008	1,069	2,578
Tea	99 99	601	593	721	808	1,057
Sisal	99 99	90	243	424	323	245
Pyre thrum (extract equivalent)	kg.	396	415	430	447	472
Seed Cotton	100 kg.	115	122	155	192	209
Maize	,, ,,	39	39	46	70	77
Sugar Cane	ton	50	52	62	89	105
Rice Paddy	100 kg.	51	50	59	104	137
Wheat	,, ,,	51	57	80	105	120
Beef (third grade)	99 99	302	346	413	474	479
Bacon Pigs	99 99	418	426	567	636	655
Milk	100 Litres	77	77	77	85	105

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

8.10. Between 1971 and 1975 the share of marketed production of small farms at current prices had shown a tendency to rise. This trend as detailed in Table 8.5 was reversed in 1976 because the value of the production of coffee by large estates increased faster than that by small-holders. In 1976 the share of small farms in total marketed production as a result declined to 50.7 per cent from 55.6 per cent in 1975.

Table 8.5 Gross Marketed Production From Large and Small Farms, 1972.76

	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
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 .3
1974	73.4	22.3	75.0	18.5	148.4	20.4	50.6
1975	71 .8	.2.2	90.1	20.1	162.0	9.2	55.6
1976* ..	124.5	73.4	127.8	41 .8	252.4	55.8	50.7

*Provisional.

Inputs

8.11. Quantum and price indices for agricultural inputs are detailed in Table 8.6; and further details on value of inputs at current prices are given in Table 8.7. The quantum index for all agricultural inputs rose from 106.7 in 1975 to 110.3 in 1976. The quantum index for fertilizer inputs was little changed but that for bags was higher because of the larger coffee crop and an increase in the volume of marketed maize. The quantities of manufactured feed used in 1976 was also higher because of purchases needed to supplement the poor natural grazing. Prices of all major inputs with the exception of fertilizers were higher in 1976. As a result the overall index on prices of inputs rose from 167.5 to 179.0—an increase of 6.9 per cent.

Table 8.6. AGRICULTURAL INPUT INDICES, 1973-1976 1972 = 100

	1973	1974	1975	1976*
Quantum Indices—				
Fertilizers	97.2	99.1	88.8	89.3
Fuel and Power	96.6	104.1	106.3	96.1
Bags	94.4	97.5	102.0	108.5
Manufactured Feeds	118.9	138.6	131.3	151.4
Purchased Seeds	161.3	183.8	239.7	250.7
Other Material Inputs	94.2	105.7	96.5	100.0
Total Material Inputs	100.9	110.2	106.8	109.5
Service Inputs	97.0	98.8	105.8	114.3
Total Inputs	100.3	108.3	106.7	110.3
Price Indices—				
Fertilizers	143.5	307.4	266.0	256.2
Fuel and Power	113.2	148.0	183.7	212.1
Bags	130.6	163.0	191.3	218.0
Manufactured Feeds	112.5	156.5	158.4	179.4
Purchased Seeds	101.6	109.0	136.4	151.5
Other Material Inputs	104.6	114.9	131.4	147.3
Total Material Inputs	117.6	170.0	176.0	189.8
Service Inputs	107.7	118.6	125.0	127.8
Total Inputs	116.0	162.1	167.5	179.0

*Provisional.

Production and Income of Small Holdings

8.12. Tables 8.8 and 8.9 provide some information on production and income of small holdings collected in the Integrated Rural Survey referred to earlier. The survey covered holdings of under 20 hectares. Nearly 80 per cent of the total population live in the rural areas, virtually all on such holdings. On the basis of the survey results it is apparent that out of an estimated number of nearly 1.5 million such holdings, some 30 per cent are less than 1 hectare, and nearly 60 per cent less than 2 hectares in size. The average size of a small holding is in fact only 2.3 hectares.

8.13. The average value of production and inputs per holding are given, by province, in Table 8.8. The annual average value of production per holding was K.Sh. 2,883 and 45 per cent of the value of production was home consumed. There are very wide variations in the value of production per holding both within and between provinces and the lower the output the higher is the proportion of production consumed in the home. Of the 1.5 million holdings, about 22 per cent sell less than 10 per cent of the value of their production, and about 36 per cent sell less than 20 per cent.

Table 8.7 Agricultural Inputs**, 1972-1976 K£'000

	1972	1973	1974	1975	1976*
Material Inputs—					
Fertilizers	4,224	5,893	12,876	9,974	9,664
Other Agricultural Chemicals	2,936	3,124	4,090	3,719	4,277
Livestock Drugs and Medicines	1,683	1,488	1,762	2,321	2,669
Fuel and Power..	3,458	3,782	5,328	6,754	7,049
Bags	1,465	1,806	2,328	2,858	3,466
Manufactured Feeds	2,124	2,841	4,606	4,417	5,771
Purchased Seeds	736	1,206	1,475	2,407	2,796
Other Material Inputs	1,644	1,557	1,756	1,904	2,280
Total	18,270	21,697	34,221	34,354	37,972
Service Inputs Total	3,680	3,843	4,314	4,871	5,377
total Inputs	21,950	25,540	38,535	39,225	43,349

* Provisional.
**Except Labour.

8.14. The low level of expenditure on inputs on such holdings, particularly on fertilizer is striking. The expenditure on fertilizer varies considerably by province, but in no case does it exceed 3.2 per cent of the total value of output. It seems possible that if credit facilities were to be made more effectively available then productivity could be considerably increased by making more use of those specialized inputs needed to raise output.

8.15. Disposable income from small holdings is stated by province, in Table 8.9. On average, for all provinces, 59.5 per cent of dispossable income accrued from the operating farm surpluses, 30.2 per cent from non-farm activities—mostly from wages—and 10.2 per cent from remittances mainly from members of the household living in urban areas. Again, such percentages vary considerably in different provinces. Remittances are a relatively high proportion of disposable income in the Coast and Western Provinces. Also shown in Table 8.9 is total consumption of the households on small holdings, subdivided between purchased items and consumption of own produce. In no province does the farm operating surplus cater fully for total consumption. Indeed on average, this surplus covers only 67 per cent of consumption of the household, the balance being provided for by the other sources of income.

Table 8.8 Average Values per Small Holding of the Value of Output and. Input*, 1974/75 K.Sh

	Central Province		Coast Province		Eastern Province		Nyanza Province		Rift Valley Province		Western Province		Total	
Value of Production ..	3,360		1,318		2,621		3,432		4,378		1,700		2,883	
(Of which for home consumption) „	(1,530)		(670)		(1,667)		(1,047)		(1,686)		(896)		(1,297)	
Purchased Inputs—														
Seed	76		18		92		28		84		42		59	
Machinery Contract	15		9		30		39		116		18		31	
Fertilizer and Sprays	109		2		59		10		128		17		52	
Other crop expenses	71		1		21		60		62		18		43	
Feeding Stuffs	94		1		7		0		22		5		25	
Other Livestock Expenses	61		1		27		3		140		12		31	
Machinery Repairs	217		65	97	76	312	35	175	29	581	68	180	93	334
Non-Purchased Inputs														
Output used as seed	29		12		81		15		4		5		31	
Output fed to Stock	101	130	24	36	13	94	12	27	55	59	15	20	35	66
Value Added—														
Wages in Cash	227		242		149		99		284		119		161	
Wages in Kind	19		19		21		13		26		16		18	
Operating Surplus	2,341	2,587	926	1,185	2,045	2,215	3,118	3,230	3,428	3,738	1,365	1,500	2,304	2,483

*Data collected during the Integrated Rural Survey held in certain areas in Kenya.

Table 8.9

Average Disposable Income per Small Holding, 1974/75

K.Sh.

	Central Province	Coast Province	Eastern Province	Nyanza Province	Rift Valley Province	Western Province	Total
Farm Operating Surplus	2,341	926	2,045	3,118	3,428	1,365	2,304
Non-Farm Operating Surplus	326	626	491	365	303	126	354
Wages from Regular Employment	921	449	368	415	796	559	566
Wages from Casual Employment	365	474	353	108	135	165	252
Remittance	510	946	362	235	257	457	399
Total	4,462	3,423	3,620	4,240	4,919	2,673	3,875
Consumption—							
Home Consumption	1,530	670	1,667	1,047	1,686	896	1,297
Purchase	2,943	2,469	2,353	1,499	1,740	1,912	2,153
Total	4,473	3,139	4,020	2,546	3,426	2,808	3,450
Savings	—11	283	—400	1,695	1,493	—135	425
Percapita Disposable Income	642	426	537	644	655	360	556
Average number of persons per holding	6 99	8.04	6.74	6-58	7.51	7.43	6.97

8.16. Average annual per capita disposable income is also given in Table 8.9. The average figure for all provinces was only K.Sh. 556. There is, however, a considerable spread in the earnings of different sized holdings, and amongst holdings producing different crops. A relevant point is that home-grown food in the derivation of the income estimates was valued at farm-gate prices; and such prices were often less than half the retail prices in urban areas. This means that the per capita income figure of K.Sh. 556 is worth comparatively much more in terms of its purchasing power in rural than urban areas. Savings on average constituted 10 per cent of the disposable income of the households on small holdings.

Agriculture Credit

8.17. The poor use of fertilizers on holdings of 20 hectares and under, as mentioned earlier, underlines the important role that credit schemes can play in raising agricultural output. Such schemes, make it possible for small-holders to finance larger purchases of fertilizer and other essential inputs. Table 8.10 gives details of new agricultural credit issued in 1975/76 by seven major financial organizations excluding commercial banks which are discussed in Chapter 4. Total credit rose in value by 71 per cent from K£5.4 million in 1974/75 to K£9.3 million in 1975/76. This increase illustrates the steps taken by the financial sector to stimulate the level of productivity in agriculture. The large increase in loans by the Agricultural Finance Corporation, the most prominent of the seven major financial organizations, was partly due to greater disbursements under the existing loan programmes, and partly to the implementation of the USAID loan programme, which started operating early in 1976. Also as shown in the table, small-scale farmers benefited most, being extended 42 per cent of total new credit. Co-operative societies which include a large element of small-scale farmers in their membership received a further 27 per cent of credit allocated. The bulk of the credit made available was mainly in the form of short-term loans, i.e. basically for working capital during the 1975/76 season. Of all loans made in 1975/76, short-term loans accounted for 59 per cent, medium-term loans for 16 per cent and long-term loans for 24 per cent of the total credit.

Crop Production

8.18. *Maize.*—Sales to the Maize Marketing Board increased sharply, rising from 487,826 tonnes in 1975 to 564,748 tonnes in 1976. Table 8.11 refers. However, despite these higher sales to the Board, the maize crop for the whole country, including the part that is home-consumed or sold on local markets, is estimated to have been about 10 per cent lower. Uneven rainfall was a major cause of the fall in output. In most areas mainly in the west production may have fallen by about 7 per cent. In the Coast Province the fall was more pronounced, possibly of the order of 10 to 15 per cent. In the northern part of Central Province where rainfall was well below average the crop was lower by about 30 per cent. Because of the poor maize crop **in**

certain areas, sales of maize by the Board for local consumption rose by 80,026 tonnes in 1976 to 435,503 tonnes. Exports of maize were little changed; but stocks held by the Board were slightly higher, 2.2 million bags at the end of 1976 compared with 2.1 million bags at the end of 1975. The producer price of maize was increased to K.Sh. 65 per bag in January, 1975, and further increased to K.Sh. 80 per bag in September. 1976. Such price increases should encourage greater production.

New Agricultural Credit Issued by Type of Farmer, 1972/73-1975/76

Table 8.10 K£'000

	1972/73	1973/74	1974/75	1975/76
Small Scale Farmers—				
Short term loans	190.0	768.2	832.1	3,331.5
Medium term loans	728.4	509.3	639.4	570.1
Long term loans	34.8	26.8	22.4	0.3
Other loans		189.0	176.0	32.4
Total	953.2	1,493.3	1,669.9	3,934.2
Large Scale Farmers—				
Short term loans	21.5	141.9	157.0	470.0
Medium term loans	31.3	3.9	4.7	87.1
Long term loans	1,829.3	895.9	924.7	1,620.7
Other loans			18.4	94.1
Total	1,882.1	1,041.7	1,104.8	2,272.0
Co-operative Societies—				
Short term loans	723.5	1,562.8	1,341.9	1,692.0
Medium term loans	156.5	909.0	1,008.6	795.0
Long term loans	60.9	73.7	71.5	21.1
Other loans		93.2	146.8	
Total	940.9	2,638.7	2,568.8	2,508.0
Other Farmers—				
Short term loans	584.8	—	46.3	—
Medium term loans	53.4	26.1	23.1	—
Long term loans	—	—	15.5	552.4
Total	638.2	26.1	84.9	552.4
All Recipients—				
Short term loans	1,519.8	2,472.9	2,377.3	5,493.5
Medium term loans	969.6	1,448.2	1,675.8	1,452.2
Long term loans	1,924.9	996.4	1,034.0	2,194.5
Other loans	*	282.2	341.3	126.5
Total	4,414.4	5,199.7	5,428.5	9,266.7

*Includedabove

8.19. *Wheat.*—Sales to the Wheat Board rose from 145,459 tonnes in 1975 to 186,774 tonnes in 1976. Consumption, it is estimated, may have exceeded production by about 20,000 tonnes in 1976, with a consequent fall in the level of stocks of that amount. The following figures detail the wheat flour consumption in recent years:—

	Tonnes
1972	111,903
1973	130,222
1974	128,669
1975	112,057
1976	136,488

The increase in flour consumption between 1975 and 1976, as indicated by the figures, was 21.9 per cent and reflects a swing back to a more normal consumption pattern after the disruptions due to relative price changes in 1974 and 1975. The Government's continued "subsidy"' on fertilizers, the Wheat Board's credit scheme for small-holders in the Narok area, and the recent price increase from K.Sh. 100 to K.Sh. 120 a bag should all help to stimulate future production.

8.20. *Pyrethrum.*—Total production in terms of dry pyrethrum flower dropped by 2,620 tonnes from 15,402 tonnes in 1975 to 12,782 tonnes in 1976. The decline was due to a fall in production in Kisii District, which is a major small-holder pyrethrum growing region. The dry weather during the year had an adverse effect on the crop. As a result the production of pyrethrum extract was the lowest in the last three years despite a rise in the pyrethrin content of the flowers from 1.32 per cent in 1975 to 1.41 per cent in 1976. This improvement is attributable to better crop husbandry, the use of improved seeds, and the more intensive use of fertilizer mainly by large-scale growers. A recently announced increase in price of dried flower of 50 cents per kilogram and better weather conditions should help a recovery in production in 1977.

Table 8.11 MARKETED* PRODUCTION OF SOME MAJOR CROPS, 1972-1976 *Tonnes*

Year / Crop	1972	1973	1974	1975	1976
Wheat	152,960	124,572	159,462	145,459	186,774
Maize	372,985	440,801	365,354	487,826	564,748
Rice Paddy	33,785	36,128	33,210	32,113	38,738
Pyrethrum (Extract Equivalent)	184.9	156.9	195.6	203.9	166.1
Sugar-Cane	1,062,295	1,545,062	1,719,083	1,654,583	1,652,698
Cotton	16,981	16,177	15,024	16,121	15,803
Coffee	62,048	71,190	70,103	66,152	80,303
Sisal	41,210	58,054	86,526	43,639	33,555
Tea	53,322	56,578	53,440	56,730	61,984

*Sales to Marketing Boards

8.21. *Sugar-cane.*—The deliveries of cane to sugar factories in 1976 were at almost the same level as those in 1975. The stagnant production was due in part to the indifferent weather conditions. Although total deliveries were nearly unchanged, deliveries by small-holders increased from 443,654 tonnes in 1975 to 500,479 tonnes in 1976. This increase was stimulated by the establishment of a K.Sh. 4 million small-holder sugar factory in Kakamega District. Details of deliveries by grower are given in Table 8.12. The rise in small-holder deliveries was off-set by a reduction in deliveries from factory estates.

Sugar Cane Production by Type of Growers, 1973-1976

Table 8.12 Tons

	1973	1974	1975	1976
Factory Estates	534,132	622,056	551,752	487,328
Large Farms	570,595	228,358	124,721	138,353
Small-Holders	165,361	427,595	443,654	500,479
Co-operative Societies	78,444	238,117	326,562	332,603
Settlement Schemes	196,530	202,957	207,894	193,834
Total	1,545,062	1,719,083	1,654,583	1,652,697

8.22. It is the Government's intention that Kenya should be self-sufficient in sugar. A producer credit scheme for small-growers and co-operatives has been introduced to encourage production. The Government has also recently increased the controlled price of sugar-cane from K.Sh. 105 to K.Sh. 133 per tonne to help stimulate output. Supporting the drive for higher sugar production is the expansion programme being undertaken by the Mumias Sugar Factory. The cost of this expansion will be K£35 million. On completion the company's sugar production should rise from its present level of 60,000 tonnes a year to about 156,000 tonnes a year by 1981. This is a major project in a number being developed.

8.23. *Horticulture.*—Exports of horticultural products during the past five years have expanded rapidly, as stated in Table 8.13. The value of exports, has increased from K£0.8 million in 1972 to K£4.2 million in 1975 and K£4.9 million in 1976. Exports by air increased by 11 per cent in volume in 1976 with substantial increases in the volume of exports of green beans, chillies, courgettes, brinjals, mangoes and other items. Had more freight space been available, exports of horticultural products should have been even higher than this.

Exports of Fresh Horticultural Produce, 1972-1976

Table 8.13

	Volume Tons	Value K£
1972	7,856	833,600
1973*	10,158	1,478,553
1974*	11,335	1,692,475
1975*	13,115	4,163,700
1976*	17,775	4,937,490

*A separate valuation was introduced for cut flowers in 1973. The 1973 to 1976 value figures are therefore not comparable with those for the previous years.

8.24. *Coffee* — For growers of coffee, and indeed for the whole economy, 1976 was a momentous year, with both production and prices of coffee reaching record levels. Total production rose to 80,300 tonnes, an increase of 14,000 tonnes or 21.3 per cent, over that of 1975. The estates increased their deliveries by 11,600 tonnes, their output constituting some 53 per cent of total production. Deliveries by the co-operatives increased by 2,500 tonnes. The estates made more intensive use of irrigation, which increased their yields despite the dry weather. The quality of coffee in classes 1-3 declined by 2.6 per cent, but this was more than off-set by a quality gain in classes 4-6 of 9.1 per cent. The average quality gain in classes 1-6 was 5.5 per cent.

8.25. The upsurge in the world coffee prices, which started in the second half of 1975 continued throughout 1976. The price of coffee rose from K£671 a tonne at the end of December, 1975 to K£ 1,623 a tonne at the end of 1976. The price has risen further in the first half of 1977. A shortage of world supplies—owing to frost damage to coffee trees in Brazil in 1975 and lower production in Angola, Colombia and Nicaragua—was the main cause of the spiralling prices. It had been forecast that it would take two or three years before Brazilian production could recover, but for the immediate future much will depend on the extent of the cold weather in Brazil in July, 1977. Coffee prices are expected to have a very high average in 1977 but the outlook for 1978 is uncertain.

8.26. Present indications are that Kenya's coffee crop in 1977 will be about the same level as in 1976. There is some danger of disease owing to the very high rainfall but the high returns should enable the growers to ensure that the impact of disease is minimized through the use of protective measures.

8.27. *Tea* — Production of manufactured tea increased by 5,254 tonnes from 56,730 tonnes in 1975 to a record of 61,984 tonnes in 1976. This rise of 9.3 per cent was due to adequate rains in the tea-producing districts, especially during the last three months of the year. Kericho District produced over 40 per cent of the total output in 1976. The quantity of total tea exported

during 1976 rose by **4**,955 tonnes or 10.3 per cent. Great Britain continued to rank as the major importer. Other important markets were the USA, Pakistan and Canada, which together bought some 17,469 tonnes.

8.28. The Kenya Tea Development Authority's programme to spread tea growing amongst small-holders is achieving good results as shown in Table 8.14. Production of manufactured tea by small-holders increased from 16,118 tonnes in 1975 to 19,422 tonnes in 1976, a rise of 20.5 per cent. This sector produced 31.3 per cent of total tea output in 1976. In 1975/76 there were an additional 2,535 hectares planted on small-holdings; and the number of tea growing small-holders increased by 8,600.

THE DEVELOPMENT OF SMALL-HOLDER TEA—TO 1975/76

Table 8.14

	Total Hectares at end of year	Number of growers at end of year	Average size of holding per grower in Hectares	Production of ready-made tea tonnes
1971/72	26,228	66,897	0.39	11,336
1972/73	30,895	79,314	0.39	14,617
1973/74	34,384	90,135	0.38	14,658
1974/75	37,205	97,337	038.	16,118
1975/76	39,740	105,949	0.38	19,442

8.29. *Sisal.*—Since 1974, when production reached a record level of 86,526 tonnes, output of sisal has declined sharply. Total production in 1976 was JO,084 tonnes lower than in 1975, amounting to only 33,555 tonnes. Low prices on world markets are the main cause of this drastic fall in production. The local pay-out price dropped from K.Sh. 3,434 to K.Sh. 2,625 per tonne between December, 1975 and 1976. Some growers have reduced the area planted under this crop, while others have shifted to production of other agricultural commodities such as pineapples. Competition from synthetic products has been a principal cause of the fall in sisal prices on world markets. Some improvement in sisal prices from their current low levels seems likely as recovery from recession in industrial countries continues.

8.30. *Cotton.*—Production of cotton in 1976 dropped to 15,803 tonnes, 317 tonnes below the 1975 figure. The dry weather in the major growing areas in western Kenya and the Coast Province was not conducive to high yields. The Cotton Seed and Lint Marketing Board offers credit facilities to growers for the purpose of seed and insecticides. Since cotton is mainly grown by small-holders such facilities are important. This assistance, coupled with higher prices for cotton announced recently, should lead to higher production in 1977 barring any adverse fluctuations in the weather. The producer price for cotton was raised from K.Sh. 2 and K.Sh. 1 per kilogram for AR and BR varieties, respectively, to K.Sh. 2.50 and K.Sh. 1.25 in June, 1976.

Livestotck Production

8.31. Table 8.15 gives details of dairy and livestock production. The dairy industry has been particularly hard hit by the poor grazing conditions, during the last three years and also by the rise in the cost of animal feeds. The quantity of wholemilk processed by the Kenya Co-operative Creameries (KCC) dropped from 230.6 million litres in 1975 to 208.7 million litres in 1976. In 1973 production had reached 279.7 million litres. Deliveries were particularly low during the first half of 1976, yields being affected by the acute shortage of adequate grazing. Because of the decline in wholemilk deliveries, the volume of dairy products processed by the KCC was reduced with particular falls in the output of cheese and skim-milk powder.

Table 8.15 Dairy and Livestock Production, 1972-1976

	Unit	1972	1973	1974	1975	1976
Kenya Co-operative Crfamerifs Recorded Milk Production* ..	'000 litres	268,437	279,658	249,843	230,607	208,658
Milk Processed:						
(i) Wholemilk cream	'000 litres	124,550	148,816	160,009	157,956	150,422
(if) Butter and ghee	Tonnes	5,696	5,543	4,366	4,191	3,067
(iii) Cheese. .	,,	730	988	558	462	177
(iv) Evaporated milk		4,826	5,129	3,249	1,626	2,099
(v) Dried Wholemilk powder	,,	2,927	3,697	2,592	2,289	3,009
(vi) Dried skim-milk powder .		4,080	3,814	3,019	2,772	1,489
(vii) Other Products	"	235	159	71	1	2
Kenya Meat Commission Intake of:						
(i) Cattle and calves	'000 Head	199	155	160	134	228
(ii) Sheep		33	12	7	15	12
(iii) Lambs		22	5	5	11	1
(iv) Goats		46	18	6	7	5
Total Production of Carcass Beef	Tonnes	26,905	22,694	19,770	16,600	26,865
Uplands Bacon Factory Intake of pigs for:						
(0 Bacon ..	'000 head	34	31	30	33	34
ii) Pork . .		2	1	3	2	2
(iii) Manufactures. .		3	2	2	2	2

*Including sales Licensed by the Kenya Dairy Board.

8.32. The quantity of wholemilk dairy products exported during 1976 fell by a further 15.6 per cent over the already low volume of exports in 1975. Sales to Uganda and Tanzania, which used to account for the bulk of exports of Kenya dairy products, were reduced almost to zero. Butter and dried wholemilk powder accounted for most of these exports. However, exports to markets other than East Africa increased.

8.33. Grazing conditions, owing to the good rains, should be much better this year than in 1976 leading to a possible sharp rise in production. Dairy production will also be encouraged by the recent rises in the controlled prices of its products. The producer price of milk was raised from 94 cents per litre to K.Sh. 1.32 per litre in October, 1976.

8.34. *Beef.*—The number of cattle slaughtered at the plants of the Kenya Meat Commission (KMC) during 1976 was high, and there was a record intake of 228,500 head. This compares with an intake in 1975 of only 134,100

head, the lowest in 17 years. However, the average weight of purchased cattle declined as poorer quality beasts were on offer due to the prolonged drought and resulting poor grazing conditions. The major ranching districts of Narok, Kajiado, Machakos and Kitui all suffered from poor grazing and these areas together supplied over 145,000, mainly low grade, cattle to the KMC. Fortunately there was a partially off-setting increase in KMC's intake of high grade cattle. The rise was stimulated by the increase in prices to the producers. Price rises occurred in June, 1976 and again in October, 1976. The higher prices now paid by KMC of K.Sh. 7.10 per kilogram for GAQ grade beef should enable it to compete more effectively with local slaughter-houses for the better quality stock intake.

8.35. As a result of the increase in KMC's cattle intake, the output of meat rose from the low level of 16,600 tonnes in 1975 to 26,865 tonnes in 1976, an increase of 61.8 per cent. As shown in Table 8.16 KMC's domestic sales of beef rose by 82.4 per cent to 5,903 tonnes but were still only half of the level of 1973. Exports in 1976 of beef and canned products went up by 57 per cent to 20,958 tonnes and the output of both chilled or frozen and canned beef reached record levels. Prospects for higher exports to new developing markets are good.

Production and Disposal of Carcass Beef by the Kenya Meat Commission, 1972-1976

Table 8.16 Tonnes

	Total Production	Local Sales	Exports		Percentage of Production Exported
			Chilled or Frozen	Canned	
1972	26,905	12,780	3,992	10,133	52.5
1973	22,694	11,782	3,068	7,844	481
1974	19,770	8,374	2,873	8,523	57.6
1975	16,600	3,239	3,335	10,026	80.5
1976	26,861	5,903	4,457	16,501	78.0

8.36. The intake of sheep and goats by the KMC in 1976 decreased substantially. The decline was most noticeable for Iambs, whose intake in 1976 was only about one-tenth of that in 1975. It is obvious that an increasing amount of trade in these small animals is taking place through other marketing channels.

8.37. There was a small increase in the intake of pigs by the Uplands Bacon Factory, from 37,000 in 1975 to 38,000 in 1976. In an effort to raise the number of pigs delivered for slaughter, the producer price was increased by a further K.Sh. 19 per 100 kilograms in 1976. This was additional to the increase of K.Sh. 69 per 100 kilograms in 1975. The price in 1976 for bacon pigs was K.Sh. 6.55 per kilogram.

Agricultural Development Services

8.38. *Education.*—The faculties of Agriculture and Veterinary Medicine at the University of Nairobi admitted 83 and 87 students, respectively, for degree courses in 1976. Out of the total students admitted to the Agricultural faculty, 17 were studying food technology. The total number of students expected to graduate at the end of the current academic year is 130, and of these 52 are from the faculty of Veterinary Medicine. Currently, the Agriculture faculty is also offering postgraduate courses to 43 students in the fields of agronomy, agricultural entomology, plant breeding and soil science.

8.39. Details on total student enrolments at agricultural training institutions are set out in Table 8.17. The number of students for the diploma courses at Egerton College was 682 in 1976, an increase of 39 over the figure for 1975. A further 215 trainees were attending courses on animal production at the Animal Health and Industry Training Institute at Kabete and 377 on general agricultural practices at the Embu and Bukura institutes of agriculture. Short. term courses are also offered at Narosura Farm Mechanization Training Institute in Baringo District, at the Naivasha Dairy Training School, and at the Large-scale Farmers Training Institutes at Nyahururu and Eldoret-Some 277 participants were offered training in farm management during 1976 at these latter institutes.

Total Enrolments at Agricultural Training Institutions, 1972-1976

Table 8.17 *Numbers*

	1972	1973	1974	1975	1976
Degree Level—					
University of Nairobi. Faculty of Agriculture	120	120	163	185	202
Faculty of Veterinary Medicine	264	296	304	312	313
Diploma Level—					
Egerton College	635	630	624	643	682
Certificate Level—					
Bukura Institute of Agriculture..					187
Embu Institute of Agriculture	160	160	153	i61	190
Animal Health and Industry Training Institute	255	255	264	215	215
Short-term Vocational Courses—					
Narosura Farm Mechanization Training Scheme	60	60	100*	100*	..
Naivasha Dairy Training School	120	120	402**	454**	490

*Includes short courses of 1—2 weeks.
**Includes short course seminars.

8.40. *Irrigation.*—The total area under irrigation in Kenya is approximately 24,000 hectares. Of this area, 15,000 hectares in the large estates produce coffee, fruit and vegetables. In addition, minor schemes in the arid areas cover 500 hectares, and the National Irrigation Board schemes are spread over 8,285 hectares. Table 8.18 sets out details on progress and performance of the five schemes of the National Irrigation Board. Total paddy production during 1975/76 was the highest for many years. Production in the irrigation scheme areas rose by 17.2 per cent from 31,564 tonnes in 1974/75 to 36,996 tonnes in 1975/76. This increase was due to problems of soil fertility being overcome in the Karaba section of Mwea irrigation scheme; and to new varieties of paddy producing higher yields in the Ahero and Bunyala schemes.

The producer price of paddy was increased from K.Sh. 0.90 to K.Sh. 1.15 a kilogram for sindano variety, and from K.Sh. 1.15 to K.Sh. 1.40 a kilogram for the local basmati rice.

PROGRESS AND PRODUCTION AT FIVE IRRIGATION SCHEME AREAS, 1971/72-1975/76

Table 8.18

	1971/72	1972/73	1973/74	1975/76	1975/76
Mwea—					
Area cropped—Hectares	4,660	4,766	5,534	5,379	5,609
Plot-holders—Number	2,578	2,562	3,001	2,917	2,972
Gross value of output—K£'000	680	761	919	1,349	1,851
Payments to plot.holders—K£'000	437	495	620	903	1,346
All (5) Scheme Areas—					
Area cropped—Hectares	7,206	7,821	8,517	8,471	8,285
Plot-holders—Number	4,041	4,094	4,604	4,405	4,554
Gross value of output—K£'000	966	1,110	1,282	1,874	2,450
Payments to plot.holders—K£'000	578	651	768	1,180	1,652
Crops Produced—Tonnes					
Mwea—paddy	27,938	31,220	30,819	28,423	32,060
Ahero—paddy	2,128	2,977	2,273	2,467	3,747
Runyala—paddy	1,683	746	471	674	1,189
Tana—Cotton	1,875	2,004	2,272	2,288	2,209
Perkerra—Onions	1,746	994	1,644	1,267	775
Chilies	86	165	186	188	178

8.41. Owing to the low rainfall in the Perkerra catchment, the area irrigated had to be reduced considerably in 1975/76. Hence the sharp drop in the production of the crop grown there. In the Tana scheme area, production of cotton declined to 2,209 tonnes in 1975/76, slightly below the level in 1974/75. Half of this scheme continues to be put under double cropping, with maize and groundnuts as the secondary crops.

8.42. During the 1975/76 season planting was initiated on part of the West Kano scheme and 100 per cent cropping is planned to be attained in the 1977/78 season. The planning stage of the Bura irrigation scheme is nearly completed. Plans are also well advanced to initiate additional irrigation schemes, particularly along the Tana River catchments. One such scheme is the 100.hectare Kibiriguri Horticultural Pilot Irrigation project. Another is the Mitunguu project with a planned initial irrigated area of 400 hectares producing cotton, tobacco and horticultural products. This project, it is hoped, will eventually be extended to some 10,000 hectares.

8.43. *Range Management.* — Satisfactory measures were instituted during 1976 to accelerate range development. One of these measures was the preparation of plans for seven group ranches in Narok District. Plans were also made for ten ranches spread over 361,000 hectares in Kajiado District; and for six ranches in the Samburu area. Development of block grazing in North. Eastem. Province progressed well.

8.44. *Livestock Marketing.*—The Livestock Marketing Division installed four cattle weighbridges in different parts of the country in 1976 to promote purchases of livestock on the hoof. Over 2,000 head of cattle were purchased using weighbridges in Tana and Samburu Districts.

8.45. A 20,000.hectare ranch was acquired in Laikipia District in 1976, mainly for keeping immature animals for sale to ranchers. As a result of the price increases to producers by the KMC, and the recent good rains in Taita District, the demand for immature stock is increasing. Should the good rains continue in large areas of the country there is no doubt that the stock of immature animals now totalling 12,000 head presently held by the Division will all be sold by the end of current financial year.

8.46. *Agricultural Research.*—The Scientific Research Division concent. rated its activities in 1976 on crops of second priority, such as sorghum, and, in co-operation with the East African Agriculture and Forest Research Organization, on cassava. Research was also started on the production of seed of adopted horticultural crop varieties.

8.47. The production of certified seed continued to expand during the year. The Kenya Seed Inspection Service certified 21,012 tonnes of seed during 1975/76 compared with 16,788 tonnes during 1974/75. Maize seed constituted 65 per cent of this quantity. A new maize hybrid seed and two new varieties of potatoes were also released during 1976.

Land Adjudication and Registration

8.48. The progress on land registration and adjudication is indicated in Tables 8.19, 8.20 and 8.21. The total area of land registered, adjudicated or under adjudication during 1976 rose to 6,724,500 hectares. This area is equal to 51 per cent of total registered land. Registration and adjudication is slow in the Coast, Eastern and Rift Vally provinces. Table 8.20 gives a frequency distribution of the percentages of registered land by district at the end of December, 1976. Seven districts had less than 30 per cent of the total register. able land on the register. Progress, however, has been better in Western Province and a large part of Nyanza Province. Almost complete coverage has been achieved in most districts in these two provinces. Coverage of Central Province was completed many years ago.

Table 8.19 Programme of Land Registration and Adjudication by Province as at 31st December, 1976

	Registered Areas		Area Adjudicated but not Registered		Area in Progress	Total Land Registered. Adjudicated or under Adjudication	
	'000 Holdings	'000 Hectares	'000 Holdings	'000 Hectares	'000 Hectares	'000 Hectares	% of Total Registrable Land
Nyanza	264 2	548.0	44.0	36.3	323.3	907.5	80.8
Western	250.4	583.8	5.5	15.0	6.5	605.3	94.5
Rift Valley	87.5	2,238.1	6.1	223.4	1,176.6	3,638.1	56.7
Central	238.2	412.7				412.7	
Eastern	118.5	371.6	37.0	67.	305.4	744.1	23.4
Coast	26.6	253.3	9.6	19 0	144.5	416.8	29.4
All Provinces	985.4	4,407.5	102.2	360.8	1,956.3	6,724.5	51.0

FREQUENCY DISTRIBUTION SHOWING DISTRICTS BY PERCENTAGE OF REGISTERABLE LAND REGISTERED, ADJUDICATED OR UNDER ADJUDICATION* AS AT 31ST DECEMBER, 1976

Table 8.20 *Percentages*

Up to 30	30 to 89.9	60 th 89.9	90 to 97.9	98 and over
Kitui .. 8.2	Machakos.. 34.9	Narok .. 62.4	Bungoma .. 91.6	Nyeri .. 100.0
Baringo .. 9.5	Kwale .. 49.4	South Nyanza 67.2	Busia .. 95.6	Muranga .. 100.0
Taita .. 11.0	Elgeyo Markwet.. 56.5	Kisumu .. 73.2	Kakamega 96.5	Kiambu .. 100.0
Kilifi .. 18.2		Nandi .. 75.8		Kirinyaga 100.0
Meru.. .. 21.2		Embu .. 88.1		Siaya .. 100.0
West Pokot .. 23.3		Laikipia .. 88.4		Kisii .. 100.0
Samburu .. 28.8		Kericho .. 89.2		
		Kajiado .. 80.0		

*Individual figures indicate coverage in respective district.

8.49. Table 8.21 gives details of the area of holdings added to the register. During 1976, a total of 490,100 hectares were registered, against 498,100 hectares in 1975. Three Districts—Kajiado, Kwale and Kilifi accounted for 62 per cent of the total area added to the register in 1976. At the present rate of progress it will take at least 10 more years to complete land registration in Kenya. This has a particular significance in relation to the use of credit in agriculture. It is easier to raise loans against the security of title to land than in any other way. As noted earlier in this chapter more agricultural credit could be one of the most effective means of raising productivity in agriculture.

Table 8.21 Area of Holdings Added to the Land Register, 1972.1976 '000 Hectares

	1972	1973*	1974	1975	1976
Kisumu ..	—	9.9	6.3	9.2	8.8
Siaya	12.7	42.5	—	23.0	23.0
Kisii	20.0	20.7	4.1	13.0	2.8
South Nyanza	26.6	46.6	45.5	15.4	15.8
Kakamega	3.4	82.7	15.1	8.1	7.6
Bungoma	431	36.8	—	—	4.7
Busia	311	26.1	3.5	—	2.5
Kericho	29.8	15.7	16 6	34 6	20.7
Nandi	14 5	7.5	6.2	11.8	8.7
Elgeyo Marakwet	8.5	11.8	4.2	—	3.0
Baringo	0.7	5.2	17.1	0 5	2.5
	529.9	178.8	96.5	202.3	161.7
Narok ..	114.9	93.4	37.4	11.7	34.6
West Pokot	—	—	—	42.9	10.6
Samburu				65.7	—
Kirinyaga	9.4	1.4	—	4.2	—
Embu ..	10.0		41	12.7	5.8
Meru	9.1	—	17.4	4 9	5.6
Machakos	4.1	22.9	11.7	16 6	24.2
Kitui	—	—	4.8	15.0	4.9
Taita	2.6	—	—	2.5	0 6
Kwale ..	—	15.9	49.7	2.3	65.1
Kilifi	—	1.5	4.6	1.7	76.9
total	870.4	619.4	344.8	498.1	490.1

*12,700 holdings comprising 43,600 hectares registered by March, 1974 are included in 1973 totals.

CHAPTER 9—NATURAL RESOURCES

Water Supplies

The Government's water development strategy has the aim of providing adequate potable water to the whole population by the year 2000. This objective will be achieved by an increasing level of investment, with the total running into large sums of money for the building of dams, the installation of pipelines, treatment works and pumping stations and the drilling and equiping of boreholes. All this is in addition to the development of large irrigation, sewerage and water polution control programmes.

9.2. As a move to view the programme on development of water resources comprehensively, the Government in September, 1976, through the Ministry of Water Development embarked on the preparation of the National Master Water Plan. The Master Plan will provide data on—

(i) the availability, reliability and quality of the country's water resources; and

(ii) the forecast demands of various categories over the next 10. 20 and 30 years.

The project's activities are being funded both by the Swedish Development Aid Agency and the Kenya Government.

9.3. Total public expenditures on water development and related services are given in Table 9.1. The table shows a substantial increase of K£4.7 million or 36 per cent in expenditures on water development and related services during the 1976/77 financial year. This reflects the Government's full commitment to this development. The rise in expenditure since 1972/73 has been more than three-fold, from K£5.6 million to K£17.8 million.

Central Government and Other Public Authority Development Expenditures on Water Sulpplies and Related Services, 1972/73.1976/77

Table 9.1 K£'000

	1972/73	1973/74	1974/75	1975/76	1976/77*
Ministry of Water Development**	2,375	2,739	5,412	9,592	13,325
Mombasa Pipeline Board	264	333	746	958	450
Tana River Development Authority	789	949	473	255	1,605
Other Ministries	89	191	155	123	125
Local Authorities	2,086	2,482	1,831	2,188	2,277
Total	5,603	6,694	8,617	13,116	17,782

*Provisional

**Including the Water Apportionment Board

9.4. Some 75 per cent of the total public funds in 1976/77 were spent by the Ministry of Water Development with special emphasis on rural projects. A substantial proportion of the expenditure was spent on the Mombasa Sabaki Project being executed by the Ministry. Local authorities accounted for a further 13 per cent of total outgoings. The expenditure by the Mombasa Pipeline Board during the year fell by almost a half, but that by the Tana River Development Authority rose from K£255,000 to K£l,605,000.

9.5. *Ministry of Water Development.*—The outlays of capital expenditures incurred by the Ministry of Water Development are set in Table 9.2. During the financial year 1976/77, these expenditures rose by K£3.7 million or 40 per cent. The Mombasa Sabaki Project accounted for K£5.15 million or about 39 per cent of the total amount spent. Expenditures on rural water supplies by the Ministry at K£3,497,000 were about the same as in 1975/76.

DEVELOPMENT EXPENDITURES FOR WATER SUPPLIES AND RELATED SERVICES BY THE MINISTRY OF WATER DEVELOPMENT, 1972/73-1976/77

Table 9.2 K£'000

	1972/73	1973/74	1974/75	1975/76	1976/77*
Urban Water Supplies	180	180	432	995	1,000
Rural Water Supplies	1,292	1,367	2,300	3,459	3,497
Mombasa Sabaki Project	–	320	474	2,114	5,150
Lake Victoria Hydrometerological Survey	50	52	37	70	70
Dam and Boreholes Subsidies	8	225	175	141	187
Livestock Development Project Range Water	282	203	779	1,257	1,085
National Master Water Plan	—	–	95	150	395
Water Conservation	–	50	57	343	132
Miscellaneous programmes	563	342	1,063	1,062	1,809
TOTAL	2,375	2,739	5,412	9,592	13,325

***Provisional.**

9.6. The provincial distribution of rural water supply projects being undertaken by the Ministry, is detailed in Table 9.3. The number of the projects operational or expected to be operational by June, 1977, has increased to 106 from 95 in June, 1976. These projects involve a total expenditure of nearly K£8.5 million. Substantial increases have been recorded in the expenditures incurred in Nyanza, Eastern and Central provinces.

9.7. *The Mombasa Pipeline Board.*—The Board has as its main function the bulk supply of water to Mombasa Municipality. It secures its supply of water from two primary systems—the Mzima Pipeline from the Mzima Springs and the Marere Pipeline from Pemba reservoir. Water from these two sources is purchased in bulk through the Ministry of Water Development. Supply by the two systems has been improved significantly particularly in recent months.

9.8. *Water projects by other Ministries.*—As well as the water development programme undertaken by the Ministry of Water Development, there are minor water projects being assisted by other ministries. The Ministry of Health promotes the use of safe water through its environmental sanitation programmes. During 1976 this Ministry was involved in some 99 such schemes being carried out in 37 districts. The Ministry of Housing and Social Services also promotes clean water supplies amongst the rural population. The cost of its schemes in money, labour and material inputs during 1976 was K£402,000 as compared to K£297,000 in 1975.

Rural Water Supply Project Schemes Operational or Expected to be Operational at June 1975, 1976 and 1977

Table 9.3

	June 1975		June 1976		June 1977 *	
	No.	Cost K£'000	No.	Cost K£'000	No.	Cost K£'000
Central	7	998	8	1,080	10	2,018
Coast	11	345	12	381	12	381
Eastern	12	203	16	532	21	1,952
North Eastern	9	84	10	136	11	143
Nyanza	12	605	12	605	15	2,725
Rift Valley	26	363	31	674	31	674
Western	5	339	6	575	6	575
Total	82	2,937	95	3,983	106	8,468

*Provisional.

9.9. *Water Conservation.*—The activities of the water conservation section in the Ministry of Water Development during 1976 were mainly concentrated in Machakos and Kitui districts in Eastern Province. By the end of 1976, some 6 earth dams had been completed in these districts in addition to minor water conservation structures such as weirs, sand traps, spring protection, wells, etc., in the Taita-Taveta District, Coast Province. Plans are currently underway to initiate water conservation work in Samburu District in Rift Valley Province during the second half of 1977.

9.10. An important programme was initiated in March, 1977, entailing research on schistosmiasis in Eastern Province. The aim of this programme is to assess the incidence of bilharzia among the population served by earth dams and to devise remedial measures which should lead to the complete eradication of the disease. The research is being carried out by a team from the Ministry of Health.

9.11. *Ground Water.*—Exploitation of ground water especially in the dry regions of Eastern and North-Eastern Provinces is an important aspect of rural water development programmes. The Government encourages the exploitation of such water resources through an organized subsidy system operating within the Ministry. During 1976/77 some 93 boreholes were drilled, out of which 66 were successful.

9.12. *Training.*—The activities of the Ministry of Water Development call for a range of specialized skills which can only be provided through an organized training programme. Because of such needs the Ministry has established a Water Development Staff Training School. The school offers a three-year basic course in various required skills in addition to offering "in-service" courses for serving staff. The training programme has been remarkably successful and by July, 1977, the cumulative number of students at the school will have risen to 656. Of these, 330 will have completed training by then. In addition to normal training at the school, the Ministry also sponsors some students for higher diploma courses at the Kenya Polytechnic.

Forestry

9.13. A further 6,900 hectares were brought under forest plantations during 1976 thereby raising the total planted area to-date to 149,400 hectares. Progress was slower in 1976 than in 1975 possibly due to the effect of the less favourable weather conditions. A large percentage of the newly planted area was within the Turbo afforestation scheme, which is being developed to supply the papermill at Webuye. Table 9.4 gives details on forest plantation areas by wood species.

FOREST PLANTATION AREA, 1971-1976

Table **9.4** **'000** *Hectares*

	1971	1972	1973	1974	1975	1976*
Indigenous softwoods	4.6	4.6	4.7	4.7	4.7	4.7
Indigenous hardwoods	4.5	4.4	4.8	5.0	5.3	5.7
Exotic Softwoods—						
Cypress	47.0	47.4	50.0	53.2	56.7	59.7
Pines	52.2	57.6	58.5	61.4	64.9	68.1
Exotic hardwoods—						
Timber	2.3	1.6	1.7	1.8	1.8	1.9
Fuel	9.3	7.7	8.3	8.8	9.1	9.3
TOTAL AREA	119.9	123.3	128.0	134.9	142.5	149.4

***Provisional**

9.14. The forest areas continue to suffer considerable losses as a result of persistent and unwarranted acts of arson. During 1976 a total of 7,754 hectares of both natural and planted forests were destroyed by fire. The **worst** affected were the natural forests of which some 7.492 hectares were destroyed completely during the year.

9.15. Details of forest products sales during 1976 are shown in Table 9.5 together with those for the previous years. The table reveals a general decline in the volume of sales in all categories of products, after the substantial rise

in 1975. The continuing reduction in the volume of timber used for charcoal indicates that Government's efforts to regulate charcoal burning especially at the Coast have met with some success.

Table 9.5 Sales of Forest Products, 1971-1976

	1971	1972	1973	1974	1975	1976*
Timber '000 true cu. metres—						
Softwood	240	243	254	290	352	338
Hardwood	33	48	54	51	59	54
Total	273	291	308	341	411	392
Fuel '000 stacked cu. metres—						
Fuel wood	46	37	42	73	84	64
Charcoal	125	150	163	139	121	115
Power and Telegraph Poles numbers	12,501	13,000	13,414	12,000	15,352	15,221

*Provisional.

9.16. Forest based industries increased their production during 1976. Total output of the fibre board factory at Eldoret rose to 1.5 million square metres in 1976 and this factory is aiming to achieve a turnover rate of 2.5 million square metres by the end of this year. Increased production is also planned for a similar factory at Elburgon. Its production is targeted to increase by 139,300 sq. metres from 696,800 sq. metres in 1976 to 836,100 sq. metres in 1977. Log intake by the pulpwood papermill at Webuye—the largest single consumer of raw forest products in the country, increased from 125,693 cubic metres in 1975 to 222,283 cubic metres in 1976, a rise of 76.8 per cent.

Fishing

9.17. The quantity of fish landed during 1976 increased by 4 per cent to 28,495 tons. The value of the 1976 catch was K£2.08 million as compared to K£2.02 million in 1975. Substantially increased landings from Lake Victoria raised its catch to 18,680 tons, a record since 1972. Fish landings from Lake Turkana were also higher but a fall was noted in fish yields from other fresh water sources. The total of marine fish landings in 1976 fell below the 1975 level. It is likely that the use of powerboats by the Coast fishermen has not yet been fully exploited. Table 9.6 gives details on quantity and value of fish landed.

Wildlife

9.18. The Ministry of Tourism and Wildlife established an aerial censusing and monitoring unit for wildlife in 1976. It is expected that this unit will help the Government to begin to utilize more fully its wildlife resources. A team of Kenya scientists is being trained to monitor the interactions between wildlife, domestic livestock and the environment. The bulk of equipment has been purchased, the necessary staff recruited, and work initiated on defining the various ecological zones for this critical exercise.

QUANTITY AND VALUE OF FISH LANDED, 1972-1976

Table 9.6

	1972	1973	1974	1975	1976*
Quantities Tonnes:—					
Freshwater fish—					
Lake Victoria	15,989	16,797	17,175	16,581	18,680
Lake Turkana	4,090	4,927	5,731	4,236	4,519
Other areas	2,007	3,174	2,259	1,993	1,147
Total	22,086	24,898	25,165	22,810	24,346
Marine fish	7,411	3,546	3,116	4,220	3,889
Crustaceans	185	210	121	124	159
Other marine products	126	269	179	187	101
Grand Total	29,808	28,923	28,581	27,341	28,495
Value K£'000:—					
Freshwater fish	998	1,167	1,332	1,348	1,377
Marine fish	463	366	371	538	541
Crustaceans	54	61	40	50	70
Other marine products	8	19	16	81	89
Total	1,523	1,613	1,759	2.017	2,077

*Provisional.

9.19. As a result of successful negotiations with the World Bank in July, 1976, the Kenya Government obtained K£6.9 million loan for wildlife and tourism development over the next five years. The loan is intended to enable the Government to implement its policies on promotion of wildlife-based tourism. These policies concern the conservation of wildlife resources to develop their attraction for foreign and local tourists, and establish supporting training facilities and promoting conservation education in secondary schools.

9.20. The Government is continuously concerned with the depredation of wildlife in any form. In order to enhance conservation and control measures, the Anti-Poaching Unit under the Department of Wildlife Conservation and Management is being strengthened in order to curb and eventually eradicate any illegal killings.

Mining

9.21. The mining industry operated at a satisfactory level during 1976 despite the closure during the year of the lead-silver mine at Kinangoni in the Coast Province. Details on mineral output are set out in Table 9.7. Export earnings of minerals rose to K£5.94 million in 1976 as compared to K£4.35 million in 1975. Most mineral products recorded increases in their export sales earnings but the most significant improvement occurred in exports of fluorspar which earned K£2.2 million in 1976 as against the 1975 total of K£989,000. Value of soda ash exports also rose to K£2.9 million in 1976 as compared with K£2.55 million in 1975.

Table 9.7 Mineral Production, 1972-1976 Value K£

	1972	1973	1974	1975	1976
Output (Tonnes)					
Fluorspar	10,457	26,733	37,018	54,600	75,027
Kunker				133.830	176,798
Limestone products	22,854	32,286	..	197,414	30,059
Magnetite	9,240	12,345	19,780	16,800	..
Salt (crude)	37,362	35,002	..	..	..
Salt (refined)	22,783	27,688	19,826	5,553	14,250
Soda ash	164,160	205,550	155,997	91,733	115,214
Value (K£)					
Diatomite	37,233	27,302	39,768	46,722	69,368
Fluorspar ore	126,959	306,742	693,046	1,243,491	1,788,037
Garnets	3,058	41,208	70,605	44,429	107,274
Kunker			87,336	158,679	278,000
Limestone products	184,826	227,441	420.330	854,719	834,666
Magnetite	57,450	123,450	98,900	73,080	70,576
Corundum-Ruby	..	..	59,400	59,400	297,000
Salt (crude and refined)	270,595	298,064	195,962	85,033	195,939
Soda ash	1,745,815	2,087,194	2,243,932	2,670,528	3 085,224
Tsavorite (Grossular)	..	..	17,728	21,618	67,024
Vermiculite	..	..	100,972	192,791	312,069
All other	118,461	334,286	34,453	162,755	292,366
Total	2.544,398	3,445,687	4,062,432	5,613,245	7,397,543

9.22. The increase in the value of exports of minerals in 1976 as compared to 1975, was mainly due to a general rise in production. The prices on the whole were low in the world markets. The average export price of soda ash fell by K£5.8 to K£24.5 per ton in 1976 and that of fluorspar from K£30.3 to K£30 per ton. Demand for corundum—ruby in the world market continued to be strong and the average export price rose slightly to KX59.5 per ton. Table 9.8 gives details of the average prices for some selected mineral products.

Table 9.8 AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1974-1976 *K£ per ton*

	1974	1975	1976
Fluorspar	19,4	30,3	300
Soda Ash	19.4	30.3	24.5
Corundum—Ruby	40.2	58.6	59.5

9.23. Production of soda ash made a recovery from the low figure of 91,733 tons for 1975 to reach 115,214 tons in 1976. The bulk of this production was exported. Salt production also made a similar recovery.

9.24. There was a further increase in the exploitation of fluorspar in Kerio Valley during 1976. Production of this mineral increased from 54,600 tons in 1975 to 75,027 tons in 1976. Continued development of this product calls for aggressive expansion of external market outlets since almost the entire quantity produced is exported.

9.25. In the Kilifi District, the Vitengeni barite-lead mine continued to produce barite on a small-scale, which, except for minor export to the Indian Ocean islands, was consumed locally. The lead concentrate derived from this mine was stockpiled to await further processing. Production plans were also drawn up during 1976 to exploit additional barites from the Nyale deposit in the same area where lower grade barite is considered sufficiently suitable to warrant drilling.

9.26. Detailed investigation continued during the year of the high grade Telot Chromite deposit in West Pokot District. The investigation is being undertaken by a Japanese consortium. This mineral occurs in the ultrabasic rocks within the crystalline Mozambiquian basement. In the same district, the Mines and Geological Department drill-tested two major drainage systems for alluvial gold. The alluvial deposits are large but the gold content has not yet proved to be economic. Success of this programme would enhance gold mining which has been on the decline for the last two years.

9.27. A joint programme of geological exploration and mapping was carried out during 1976 in Taita-Taveta District by the Mines and Geological Department and a team of experts from Austria. The programme included detailed mapping within the gemstone belt along which local miners continue to unearth a variety of gemstones including ruby and green garnet. Some 541 tons of these products were exported during 1976.

CHAPTER 10ð FUEL AND POWER

Although both domestic sales and exports of petroleum products were higher in 1976, there was a significant fall of 12 per cent in crude oil imports accompanied by a reduction in production at the refinery in Mombasa of 9.2 per cent. It must be presumed that stocks of fuel, particularly of heavy fuels, at the refinery and throughout the country were run down during the year. The use of more light crude oil by the refinery led to some increase in productivity reflected in a very high products/crude oil ratio of 94.9 per cent. The rise in the price of crude petroleum continued with the average cost of imports rising by 22.7 per cent per tonne. Some increases in product prices were therefore unavoidable.

10.2. Consumption of electricity continued to grow; and the power stations were often working to capacity to meet the increased demand. The quantity of electricity imported fell and in 1976 was only 82 per cent of the level in 1974.

Fuel and Lubricants

10.3. *Domestic Sales.*—Sales of petroleum products increased from 1.60 million litres in 1975 to 1.76 million in 1976, a rise of 10 per cent. The increase largely occurred in three petroleum products: fuel oil; light diesel fuel and turbo fuel. Table 10.1 refers. In 1976 the volume of sales of fuel oil, light diesel fuel, and turbo fuel increased by 15.0 per cent, 12.2 per cent and 8.0 per cent, respectively. The sales of motor spirit went up by only 2.6 per cent. The rise in sales of fuel oil was partly attributable to higher inputs for electric power generation and to increased consumption by the paper mill at Webuye. The increase in sales of turbo fuel reflects higher demand by foreign aircraft companies. The inclusion of foreign aircraft companies purchases of jet fuel in domestic sales figures in Table 10.1 introduces an clement of double counting as these figures are also included in exports, discussed in Paragraph 10.5 below.

Table 10.1 DOMESTIC FUEL SALES, 1972-1976 *'000 Litres*

	1972	1973	1974	1975	1976
L.P.G.*	18,191	12,017	12,362	13,741	14,700
Motor spirit	292,537	321,041	311,489	324,974	333,553
Aviation spirit	6,979	7,662	7,786	8,429	8,281
Turbo fuel**	278,245	341.769	318,881	377,042	407,490
Lighting kerosene	66,579	65,731	67,674	70,571	67,798
Power kerosene	1,569	1,272	595	291	254
Light diesel fuel	277,792	302,549	297,899	303,718	340,806
Heavy diesel fuel	50 223	54.845	47,599	38,599	52,811
Fuel oil.	452,652	432,871	437.098	464,295	534,012
Total	1,444,767	1,539,757	1,501.383	1,601,660	1,759,705

*Liquifiedpetroleum gas.

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

10.4. Sales of premium motor spirit rose by 4.9 per cent, increasing from 184.9 million litres in 1975, to 194.0 million litres in 1976; but those of regular grade decreased by 0.3 per cent falling from 140.1 million litres. The tendency in recent years of changing over to cheaper grade petrol was reversed this year. Overall, since 1973 sales of motor spirit have risen by only 3.9 per cent—reflecting the impact of the price rises and the lower growth of the economy.

10.5. *Exports.*—As shown in Table 10.2 the value of exports including sales to foreign aircraft companies rose from K£55.1 million in 1975 to K£68.6 million in 1976, an increase of 24.4 per cent. This increase was due to higher sales of processed fuels to countries outside East Africa which rose in volume by 14.6 per cent. In marked contrast, there was a decline of 13.8 per cent in the volume of exports to Tanzania and Uganda. Indeed, the volume of exports to Tanzania fell by 57.5 per cent, from 74.2 million litres in 1975 to 31.5 million litres in 1976. This is a continuation of the trend of recent years. The refinery in Dar es Salaam has been catering for an increasingly higher proportion of the Tanzanian demand. Exports to Uganda however continue at a much higher level than for Tanzania, since Uganda still has no refinery of its own. In 1976 the value of petroleum exports to Uganda constituted 70.1 per cent of Kenya's total exports to that country.

10.6. *Imports.*—Imports of crude petroleum fell by 12 per cent, decreasing from 2.83 million tonnes in 1975 to 2.49 million tonnes in 1976. The cost in 1976 of this lower quantity of crude oil was K£93.5 million, compared with K£86.8 million in 1975. The average price of crude based on import statistics, has risen from K£6.47 per tonne in 1973, to K£30.7 per tonne in 1975 and K£37.5 per tonne in 1976. However, as indicated below the type of crude used in 1976 has changed. Imports of processed fuels and lubricants rose from K£7.45 million in 1975 to K£9.02 million in 1976. Higher imports of jet fuel mainly accounted for this rise. Jet fuel constituted 73.6 per cent of the value of imports of processed fuels in 1976.

10.7. In 1976 the value of imports of crude oil and petroleum products constituted 26.4 per cent of the value of Kenya's total imports. This is slightly lower than the level in 1975 when the figure was 27.4 per cent. Net imports of petroleum and products—i.e. after the deduction of the value of exports—amounted to K£34.2 million in 1976. This adverse balance of petroleum and petroleum products was 36 per cent of Kenya's total adverse balance on merchandise account in the balance of payments.

Quantity and Value of Imports and Exports of Petroleum Products, 1972-1976

Table 10.2

	1972		1973		1974		1975		1976	
	Quantity	Value K£'000	Quantity	Value K£'000	Quantity	Value K£'000	Quantity	Value Ki'000	Quantity	Value K£'000
Imports—										
Crude Petroleum '000 metric tons	2,499.2	14,586.7	2,716.0	17,557.4	2,807.8	67,027.0	2,825.5	86,822.4	2,490 0	93,469.5
Fuels '000 litres	259,595.5	2,717.3	162,091.3	2,021.3	254,485.9	6,279.7	26,052.1	1,249.1	67,161.6	3,345.7
Lubricating oils '000 litres	78,995.4	2,411.0	76,923.8	2,450.0	111,684.3	6,885.4	86,232.6	6,198.1	59,406.5	5,678.9
Lubricating greases metric tons	153.1	29.5	179.6	35.3	373.2	95.9	300.3	73.7	107.8	41.5
Exports—										
Fuels '000 litres	1,831,343.9	15,347.9	1,867,195.3	16,127.3	1,812,512.1	37,981.3	1,528,183.4	45,988.4	1,605,376.1	57,603.4
Lubricating oils '000 litres	60,248.8	3,607.8	64,628.3	4,495.0	65,311.4	6,728.5	63,941.1	8,670.7	63,850.3	10,584.7
Lubricating greases metric tons	1,399.9	137.2	1,908.2	259.3	2,667.6	469.0	2,229.7	478.7	1,452.0	372.2

10.8. *Production.*—Table 10.3 gives details of the throughput and output of the refinery at Mombasa. The annual throughput of crude petroleum at the refinery fell by 9.2 per cent in 1976. This is the first fall since 1972. Throughput as noted above contained a higher proportion of the lighter but more expensive crude oil. The lighter crude oil gives a higher yield of white fuels. The proportion of the heavier fuels used fell from 63.8 per cent in 1975 to 61.6 per cent in 1976.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS,** 1972-1976

Table 10.3 '000 litres

	1972	1973	1974	1975	1976
Throughput					
Crude petroleum	2,925,263	3,068,580	3,325,485	3,343,785	3,034,711
Output					
L.P.G.*	24,468	27,745	30,580	33,049	33,896
Mogas	438,092	449,383	498,447	491,808	491,393
Kerosene	447,887	460,275	479,631	565,535	538,079
Gas oil	400,785	443,175	466,651	4C9,883	461,758
Diesel	185,847	185,300	180,209	158,664	111,150
Fuel oil	626,295	692,381	845,611	821,862	677,136
Bitumen	44,720	47,933	36,457	41,719	42,571
Export residue	537,280	668,335	607,268	527,287	515,941
TotalOutput	2,705,374	2,974,527	3,144,854	3,129,807	2,871.924

*Liquified petroleum gas
**Excludes lubricants

10.9. Total output of petroleum products fell from 3,129.8 million litres in 1975 to 2,871.9 million litres in 1976, a fall of 8.2 per cent. The largest decline in volume was in the output of fuel oil, which fell by 144.7 million litres. The output of diesel, gas oil and residual fuel declined in volume by 24.9, 5.7 and 2.2 per cent, respectively. The output of fuels at the refinery is not likely to be affected by the current border closure between Kenya and Tanzania. The volume of exports to Tanzania in 1976 was only 1.1 per cent of the total output of the fuels from refinery and on the trend of recent years a further fall would have occurred in 1977. However, if lubricants are included as shown in Chapter 7, the value of exports of petroleum products and by. products accounts for about 5 per cent of the refinery output.

10.10. *Prices.*—Fuel prices are now rising less steeply than in the last three years. The prices of crude petroleum rose from an average of US$11.40 per barrel in 1975 to US$12.17 per barrel in 1976. This represents an increase of less than 7 per cent, compared with an increase of 11.2 per cent in 1975. However, a shift to lighter crudes to improve the productivity of the refinery is leading to higher price rises for imports than would be indicated by the dollar price rise for a standard type of oil. In any event Kenya's import costs for crude petroleum rose in 1976 in terms of the Kenya currency because of the devaluation in October, 1975.

10.11. Rises in retail prices of petroleum products were moderate in 1976. The average price of motor spirit rose by 4.1 per cent during the year. There had however been a rise of 9 per cent in December, 1975, which hit consumers mainly in 1976. Details of the Nairobi retail prices of petrol and gas oil from 1974 to-date are given below: —

K.Sh. per Litre

Effective Date	Motor Spirit		Gas Oil
	Premium Grade	Regural Grade	
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
14.4.77	2.64	2.52	1.84

Electricity

10.12. *Production.*—The effects last year of poor rainfall and the temporary loss of the imports of electricity from Uganda between 23rd July and 14th September made 1976 a particularly difficult year. The increased supply of electricity to meet rising demand was only made possible by the operation for a considerable part of the year of all available thermal, diesel and gas plants. Heavy expenditure was thus incurred on the purchase of much more costly fuel oil to run these plants. Figures on generation, imports and consumption of electricity are noted in Table 10.4.

GENERATION, IMPORTS AND CONSUMPTION OF ELECTRICITY, 1972-1976

table 10.4 '000 kWh

	1972	1973	1974	1975	1976
Domestically Generated	664,171	723,271	799,641	901,203	1,044,301
Imported	283,168	302,379	295,975	260,774	241,900
Total Available ..	947,339	1,025,650	1,095,616	1,161,977	1,286,201
Internal Usage and Transmission and Distribution losses	152,496	165,929	170,730	160,545	203,722
Total Sales	794,843	859,721	924,886	1,001,432	1.082,479

10.13. The proportion of imports of electricity as a percentage of total supply fell from 22.4 per cent in 1975 to 18.8 per cent in 1976. Comparably production in Kenya rose by 15.9 per cent from 901.2 million Kwh to 1,044.3 million Kwh in 1976. Since 1972 domestic output has grown by 57 per cent.

10.14. *Consumption.*—Overall sales of electricity as shown in Table 10.5 continued to expand, rising by 8.1 per cent in 1976 compared to an increase of 8.3 per cent in 1975. Sales to industry in 1976 increased by 14.2 per cent after a decline in 1975; and consumption of electricity by domestic consumers and commercial users in 1976 went up by 3.1 per cent and 3.6 per cent, respectively. Major individual new consumers in 1976 included a textile mill at Eldoret and the pharmaceutical works in Nairobi. The fluorspar mine in the Kerio Valley and the brewery in Nairobi also increased their consumption significantly. Average annual consumption of electricity per user, is detailed in Table 10.6.

SALES OF ELECTRICITY BY TYPE OF USER, 1972-1976

TABLE 10,5 '000 *KWH*

	1972	1973	1974	1975	1976
DOMESTIC AND STAFF QUARTERS	122,991	129,141	139,039	151,258	155,913
OFF PEAK WATER HEATING AND PUMPING	117,941	121,282	120,670	134,551	129,893
INDUSTRIAL	252,846	285,912	316,607	311,854	356,138
COMMERCIAL	204,222	223,938	239,486	263,333	272,881
LIGHTING AND POWER (SMALL CONSUMERS)	9,948	10,842	12,513	15,052	14,295
STREET LIGHTING	9,389	10,447	10,066	10,670	10,645
SPECIAL CONTRACTS	77,506	78,159	86,505	114,714	142,715
TOTAL SALES	794,843	859,721	924.886	1,001,432	1,082,479

AVERAGE ANNUAL CONSUMPTION OF ELECTRICITY PER USER, BY TYPE OF USER AND AREA, 1976

TABLE 10.6 '000 KWH

	NAIROBI	COAST	RIFT VALLEY	WESTERN	MT. KENYA	TOTAL
DOMESTIC AND STAFF QUARTERS ..	3.18	2.56	3.57	2.10	2.83	2.98
OFF PEAK WATER HEATING AND PUMPING	4.70	3.05	26,86	3.99	8.83	4.81
INDUSTRIAL	925.01	602.02	338.19	757.87	365.90	725.33
COMMERCIAL	15.47	13.17	12.46	6.26	9.31	13.29
LIGHTING AND POWER (SMALL CONSUMERS)	0.28	0.22	0.25	0.20	0.32	0.25
STREET LIGHTING	337.95	343.60	14.44	46.44	8.81	105.40
SPECIAL CONTRACTS	14,205.00	63,941.00	55.00	517.00	—	23,785.67

10.15. *Development.*—Development of domestic generating capacity and the extension of distribution network continues to be based on anticipated future expansion of the economy. Further electricity supplies are being requested for the sugar factory at Mumias, two car-assembly plants—one in Nairobi and one at the Coast, the paper mill at Webuye, the oil pipeline from Mombasa to Nairobi, a synthetic textile factory at Thika, and a cement plant at Athi River. These new loads will add 12.5 MVA while in 1978 the Mombasa water supply project and a fertilizer plant also at Mombasa will add a further 21 MVA. The operating costs seem likely to fall in 1977 because of the high level of rainfall and its impact on increased production of hydro-electricity.

10.16. Work on rural electrification projects continued in 1976 and sup. plies were made available to Narok, Iten and Lodwar Townships. Construction work was at an advanced stage on the Siakago and Marsabit Township projects and both schemes were expected to be completed in the first half of 1977. Construction work also commenced on a scheme to provide supplies to the Irianyi Division in Nyanza Province; and planning work has started for making electricity available at Mandera. Work on the extension of the supply to Mumias Township was virtually completed in 1976. Extension of this line to Siaya Township is scheduled for completion in 1977.

10.17. Further installation at Kipevu and Kamburu were run in or com. missioned in 1976. Work on the Gitaru Hydro-electric Project also made steady progress. The first 72 MW generator is scheduled to be commissioned in August, 1978, and the second two months later.

10.18. A feasibility study on geothermal generation of electricity at Olkaria in the Rift Valley was started in January, 1976, and the final draft report submitted in January, 1977. This report has established that geothermal energy could economically be exploited for electricity generation. The next stage will be an appropriate engineering project report for which quotations have been invited. Later an application will be made to potential financiers for the funds required to implement geothermal development.

CHAPTER 11ð MANUFACTURING

The manufacturing sector had a buoyant year in 1976, and its contribution to the GDP at constant prices rose by the high figure of 13.3 per cent compared with an increase of only 0.2 per cent between 1974 and 1975. Sharp gains were recorded in production in 1976 of food, other chemicals, and leather, rubber, plastic and metal products. Moderate gains were recorded in the output of beverages and tobacco, textiles, and paper and paper products. Production of basic industrial chemicals, clay and glass products, petroleum products, and of non-electrical machinery, however, declined in 1976.

11.2. The high level of investment in the sector in 1976 should lead to further increases in production in 1977. It is possible, however, that because of difficulties within the East African Community, Kenya's exports of manufactured goods to Tanzania in particular may suffer. Any adverse impact will need to be mitigated by the strong drive now being mounted to develop other export markets. It is difficult at this stage to assess how investment in this sector might be influenced by a break-up of the East African customs union. Kenya's trade with Uganda and Tanzania is discussed in fuller detail in Chapter 7.

Value of Output and Value Added

11.3. The values of output, and intermediate consumption, and the contribution to value added by the manufacturing sector, at both current and constant prices, are noted in Table 11.1. At current prices, the value of out. put, and value added were higher by 21.2, and 18.1 per cent, respectively, in 1976. At constant prices the value of output and value added went up by 13.3 per cent. The implied average price rise for all manufactured products was 7.0 per cent.

MANUFACTURING, SECTOR: OUTPUT AND PRODUCT*, 1974-1976

TABLE 11.1 — *K£ MILLION*

	VALUE OF OUTPUT	INTERMEDIATE CONSUMPTION	VALUE ADDED
	AT CURRENT PRICES		
1974	552.37	393.02	129.35
1975	625.85	488.95	136.90
1976	758.54	596.83	161.71

*INCLUDES TEA PROCESSING

Production

11.4. Table 11.2 details the quantum indices on output of the manufacturing sector in the period 1972 to 1976. This table indicates increases in production of 14.5 per cent in 1973, 8.2 per cent in 1974, only 0.2 per cent

in 1975 and 13.3 per cent in 1976. The series reflects the damaging impact of the changes in the world economic conditions on output in 1974 and particularly in 1975. The strong advance in 1976 could indicate a return to the more normal situation prevalent in Kenya before 1974.

Quantity Index of Manufacturing Production, 1974-1976

Table 11.2 1972 = 100

	1973	1974	1975	1976	Percentage Rise 1976/1975
Meat and Dairy Products	99.3	91..7	82.8	104.2	25.9
Canned Vegetables, Fish and Oils and Fats	120.0	120.6	157.0	201.1	28.1
Grain Mill Products	117.9	135.7	130.7	151.5	15.9
Bakery Products	107.6	131.8	126.2	135.4	7.3
Sugar and Confectionery	162.3	185.7	183.9	205.9	12.0
Miscellaneous Foods	109 6	110.3	106.8	125.4	17.4
Food Manufacturing	115.3	121.6	122.4	144.9	18.4
Beverages	113.9	129.7	136.2	149.6	9.8
Tobacco	112.5	133.0	131.1	136.2	3.9
Beverages and Tobacco	113.5	130.9	134.6	145.3	7.9
Textiles	131.0	132.0	154.3	159.7	3.5
Clothing	91 .2	83.4	84.9	89.2	5.2
Leather and Footwear	94.3	105.2	143.9	203.8	41.7
Wood and Cork Products	105.8	117.2	141.2	133.6	.5.4
Furniture and Fixture	102.0	110.0	95.2	93.1	.2.2
Paper and Paper Products	132.0	96.3	111.1	121.9	9.7
Printing and Publishing	113.3	132.0	188.1	199.3	5.9
Basic Industrial Chemicals	139.5	149.1	91 8	86.4	.5.9
Petroleum and Other Chemicals	114.2	121.3	118.1	136.2	15.3
Rubber Products	148.7	152.7	103 4	149.2	44.3
Plastic Products	108.0	184.4	243.9	281.8	15.5
Clay and Glass Products	88.5	95.3	95.7	77.4	— 19.2
Non-Metallic Minerals	93.4	112.3	123.9	132.5	6.9
Metal Products	113.4	127.5	118.3	170.5	44.2
Non-Electrical Machinery	90.9	121.1	67.2	49.1	.26.9
Electrical Machinery	120.9	169.6	149.7	165.6	10.6
Transport Equipment	82.5	73.9	102.1	109.3	7.0
Miscellaneous Manufactures	142.9	161.5	132.1	149.2	13.0
Total Manufacturing	114.5	123.9	124.1	140.6	13.3

11.5. *Food Processing.*—This group in the manufacturing sector achieved its best performance for 12 years in 1976. The overall growth in production of 18.4 per cent in 1976 was due to substantial increases in the output of meat products, canned fruits and vegetables, grain mill products, and miscellaneous foodstuffs. Indeed, the output of all types of processed food products except bakery products and sugar registered increases of above 9 per cent.

11.6. Exports of manufactured foodstuffs accounted for nearly 26 per cent of their total output. Transfers to Tanzania and Uganda amounted to only 4.4 per cent of total exports of food products. These were mainly dairy products.

11.7. Output of meat products, after a long period of stagnation, rose sharply in 1976, registering the highest rate of growth in the past 17 years. But even so, output was still lower than in 1972 by about 6 per cent. Almost all the rise in output of 48 per cent was due to a large increase in factory slaughtering of low-grade cattle, as herds were reduced to mitigate the impact of the drought and poor grazing conditions in 1976. The beef was then mainly processed and canned for export. As shown in Table 8.16 in Chapter 8, exports of canned beef rose from 10,026 tonnes in 1975, to 16,501 tonnes in 1976, and of chilled and frozen beef from 3,335 to 4,457 tonnes.

11.8. Although the output of dairy products including baby foods increased by 9.9 per cent in 1976, the rise was solely due to a large increase in the production of the latter. Overall growth in this industry was held back by a decline in the deliveries of fresh milk to Kenya Co-operative Creameries, as stated in Chapter 8. Output of dairy products in the current year is expected to be substantially higher than last year as a result of the much heavier rainfall which will have a particularly favourable impact on pastures and milk production. Milk production will also be stimulated by the increases in producer prices noted in Chapter 8.

11.9. The output of canned fruit and vegetables continued to increase in 1976, although the rise was less than in 1975. The overall growth in output of 39.5 per cent in 1976 compares with one of 50.1 per cent recorded in 1975. The value of exports of canned pineapples rose to a record level in 1976 of K£7 million, an increase of 94.4 per cent over the 1975 figure.

11.10. The production of grain mill products rose in 1976, after falling in 1975. The growth in 1976 in the output of grain mill products of 15.9 per cent resulted from higher deliveries of home-grown maize and wheat. As noted in Chapter 8, deliveries of home-grown maize and wheat handled by the respective marketing boards rose from 633,285 to 751,522 tonnes between 1975 and 1976 while consumption of wheat flour increased from 112,057 to 136,488 tonnes. Details on the throughput of grain mill products are given in Table 11.3.

Table 11.3 Production of Grain Mill Products, 1972-1976 '000 tonnes

Year	Wheat Flour	Sifted Maizemeal	Rice	Broken Rice
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	111.9	199.3	21.0	1.7
1976*	137.8	219.2	24.2	1.5

*Provisional.

11.11. The growth of 7.3 per cent in the output of bakeries was low, because of a 40 per cent fall in the output of cakes, the demand for which was affected by high prices. But the production of bread, which accounts for 83.3 per cent of the output of the bakeries, rose by 11.4 per cent in 1976, and there was an increase in the output of biscuits of 14.9 per cent.

11.12. Although there was a marginal decline in the total deliveries of sugar-cane, as stated in Chapter 8, the production of sugar rose by 4.6 per cent. This rise was due to higher deliveries of better quality cane in the Mumias and Chemilil areas where the sugar content of the cane is higher. Imports of sugar rose from 12,709 tonnes in 1975 to 45,510 tonnes in 1976, and contributed to the increase in stocks at the end of 1976. Meanwhile domestic consumption of sugar, hit by the sharp price rises in 1975 and 1976, declined further to 179,230 tonnes in 1976, a fall of 8.2 per cent. This is the second annual consecutive fall in the consumption of sugar. At present local production of sugar accounts for about 80 per cent of the total domestic demand; but unless consumption continues to decline it is unlikely that the country's sugar supply will entirely be met in the near future from local production. However, there are some substantial projects in hand to develop local production and ensure self-sufficiency within a few years.

11.13. The processing of tea and coffee and the manufacture of animal feeds are included in the group on miscellaneous foods in Table 11.2. The output of products covered in this group accounts for 42.5 per cent of the total value of output of all food processing industries. The output of miscellaneous food products rose by 17.4 per cent in 1976 after a very indifferent growth record between 1972 and 1975. The two most important products in this group are tea and milled coffee. The output of manufactured tea increased from 56,730 tonnes in 1975 to 61,984 tonnes in 1976, a rise of nearly 10 per cent; and the quantity of milled coffee rose by as much as 36 per cent.

11.14. *Beverages and Tobacco.*—Growth in the production of beverages and tobacco was held back by the small increase in the output of tobacco and by a decline in the production of spirits. The increase in demand for cigarettes has been curtailed in the last two years by the steep rises in prices following increases in excise duty on cigarettes. The production in 1976 of soft drinks rose by 20.5 per cent, and that of beer by 6.8 per cent. The introduction of new manufacturing capacity should help to meet the rising domestic demand for soft drinks. Details on the output of individual items are set out in Table 11.4.

11.15. *Textiles.*—Overall production of textiles in 1976 rose by 3.5 per cent. The large growth in the output of spinning and weaving mills and cotton ginneries was offset by an equally large fall in the output of the rope and twine industry. The fall of 23.1 per cent in output of sisal, as well as the partial closure of one sisal products factory, adversely affected the output of the rope and twine industry.

Table 11.4

Production of Beverages and Tobacco, 1972-1976

	Spirits	Beer	Mineral waters	Cigarettes
	litres	'000 litres	'000 litres	Million
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
1976	356.838	164,195	79.684	3,703

11.16. The upward trend in the output of the spinning and weaving industry was maintained in 1976, although there was a slight drop in the rate of expansion. This branch of industry achieved a growth of 14.6 per cent in production in 1976, compared with one of 22.6 per cent in 1975. The rapid expansion in production of woven fabrics has been made possible by diversification of products and new capacity brought on stream in the last three years. Production is expected to rise further in the current year because of the increase in output from two new mills in Eldoret and in Nanyuki, which came into operation late last year.

11.17. In 1976 approximately 11.9 per cent of the total supply of raw cotton for the textile industry was imported from Tanzania. The recent closure of the Tanzania/Kenya border may affect this source of supply, but there is no shortage on world markets. Imports of synthetic and regenerated fibre fell from 5,484 tonnes in 1974 to 3,707 tonnes in 1976, a decline of 32.4 per cent in two years. This reflects a fall in the use of such materials in the local industry.

11.18. *Clothing.*—The output of the clothing industry has been declining steadily since 1968, owing to severe competition from imported products. This trend was reversed in 1976 and production registered a modest increase of 5.2 per cent. The level of production was, however, still lower than that of 1972. The rise was chiefly due to the increase in production of shirts, from 2.19 million in 1975 to 2.28 million in 1976. Imports of shirts, however, also continued to increase from 231,100 shirts, worth K£285.000 in 1975, to 377,500 shirts, worth K£430,000 in 1976.

11.19. Production by the clothing industry in 1976 was affected to some extent by the larger imports of second-hand clothing. Such imports nearly doubled in value, rising from K£1.1 million in 1975 to K£2.1 million in 1976. The latter figure was equal to 35.3 per cent of the total value of imports of new items of clothing in 1976.

11.20. *Leather Products and Footwear.*—The output of leather products and footwear in 1976 rose by 41.7 per cent, mainly due to a rise in the production of leather. The output of footwear fell by nearly 6 per cent, being affected by a rise in the prices of shoes and by an increase in imports. Imports of footwear rose from 373,743 pairs in 1975 to 484,960 pairs in 1976, an increase of 29.9 per cent.

11.21. *Paper and Paper Products.*—Although the overall index for paper and paper products shows an increase of 9.7 per cent, there were wide variations in the performance of the various components of this group of industries. The manufacture of paper rose appreciably, increasing by 27.2 per cent, owing partly to restrictions on imports of "other printing paper" and partly to an improvement in the export market. Imports of uncoated paper declined by 82.5 per cent from 2,515 tonnes in 1975 to 440 tonnes in 1976. Imports of newsprint paper, however, rose by 6.3 per cent. This type of paper is not yet being made locally. Exports of uncoated printing and writing paper, including exports to Uganda and Tanzania, rose tenfold both in quantity and value to 3,884 tonnes worth K£885,000 in 1976. There was an even sharper rise in the exports of kraft paper which increased from 754 tonnes, worth K£145,000 in 1975, to 11,626 tonnes, worth K£1.7 million in 1976. These increases illustrate the success that the paper mill at Webuye has had in moving into the intended export markets.

11.22. The output of paper products, after declining in the last two years, showed some slight recovery. The rise in production of 3.8 per cent was due entirely to an increase in the production of writing books and stationery to meet domestic demand. The overall increase in production of this industry was held back by a fall of 13 per cent in production of paper bags. Paper bags accounted for 64.6 per cent of the total output of paper products. The output of paper bags has been declining since 1973, owing to a fall in both domestic and export demand and to the competition from plastic containers. Exports of paper bags in 1976 fell by 51.6 and 58.5 per cent in volume and value, respectively. The quantity exported in 1976 amounted to 2,293 tonnes, valued at K£595,000 compared with 4,738 tonnes, valued at K£1.4 million in 1975.

11.23. *Printing.*—The output of this industry continued to expand. But the increase of 6 per cent in 1976 was small compared with that of 42.5 per cent in 1975.

11.24. *Basic Industrial Chemicals.*—The production of basic industrial chemicals in 1976 fell by 5.9 per cent due mainly to a decline of 47.5 per cent in the output of pyrethrum extract. In sharp contrast, the production of fertilizers and pesticides and that of industrial chemicals both increased by 13.5 per cent

11.25. *Petroleum and Other Chemicals.*—The overall growth of 15.3 per cent in this sector was due to a sharp recovery in the output of soap and cleansing preparations and of miscellaneous chemical products. However, growth in the group as a whole was held back by a fall of 7.2 per cent in the output of refined petroleum products, discussed in detail in Chapter 10. The rise in output of soap and cleansing preparations of 28.1 per cent was stimulated by an increase in both domestic and export demand. Exports of soap including those to Uganda and Tanzania rose from 1,135 tonnes worth K£515,000 in 1975, to 2,295 tonnes, worth K£1.2 million. The output of miscellaneous chemical products also registered a large increase of 43.1 per cent in 1976, the highest growth to be recorded by this industry for a number of years. This large increase was due to a new plant brought on stream for the production of matches, and to the rising demand for resin emulsions.

11.26. *Rubber Products.*—The sharp growth in the output of rubber products in 1976 reflected mainly the recovery in the manufacture of motor. vehicle tyres. Production of motor-vehicle tyres and tubes fell in 1975 owing to the steep rise in prices of tyres as well as to the then large existing stocks of imported tyres. The growth of 44.3 per cent in tyre and tube production in 1976 was achieved inspite of a rise in the level of imports from 38,688 tyres, worth K£600,000 in 1975, to 55,871 tyres, worth K£1.05 million in 1976. The bulk of this rise occurred in imports of tyres from Tanzania, whose share in the imports of tyres increased from 42.9 per cent of total value in 1975 to 77.1 per cent in 1976. It is possible, depending on the availability of capacity, that local production could be significantly increased in 1977 if the current closure of border between Tanzania and Kenya continues.

11.27. Because of the high prices of new tyres, the demand for re-treads has grown very rapidly. The number of tyres re-treaded has increased by over 70 per cent from 100,738 tyres in 1972, to 171,919 tyres in 1976.

11.28. *Plastic Products.*—This industry has achieved a rapid expansion since 1974, as plastic products are substituted for those metal products whose prices have risen very steeply. The growth of 15.5 per cent in 1976 may be compared with one of 32.3 per cent in 1975.

11.29. *Non-metallic Minerals including Clay and Glass Products*.—Expansion in the output of these products had slowed down between 1974 and 1975 because of the decline in building activity. The growth of 6.9 per cent in the output of non-metallic minerals in 1976 is accounted for partly by some recovery in construction activity but mainly by higher exports of cement. Several large Government projects, namely the Nairobi Airport, the oil pipeline project and the Gitaru Hydro-electric project account for the small rise in domestic consumption of cement. However, as shown in Table 11.5 there was a large increase in cement exports from 550,500 tonnes in 1975 to 628,400 tonnes in 1976. The output of clay and glass products fell by 19.2 per cent in 1976 because of lack of demand for these products for building.

Table 11.5 Cement Production and Utilization, 1972-1976 '000 tonnes

	Production	Imports		Exports		Consumption and Stocks
		From Uganda and Tanzania	From Overseas	To Uganda and Tanzania	To Overseas	
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
1976	986.9	—	—	27.4	601.0	358.5

11.30. *Metal Products.*—The large growth in the output of metal products of 44.2 per cent in 1976 was made possible by the new capacity brought on stream. The production of metal cans, which account for 22.7 per cent of total output, increased by 33.1 per cent due to higher demand in other pro. cessing industries and reduced imports. The production of reinforced mild steel rods also went up by 72.8 per cent in 1976 to meet the demand from the Gitaru Hydro-electric project.

11.31. *Transport Equipment.*—The growth in output of 7.0 per cent recorded by this industry in 1976 is likely to be surpassed in the current year when one of the motor vehicle assembly plants comes into full operation this year. A second larger plant being established in Nairobi is expected to commence production towards the end of the year, and will therefore have an influence on production next year.

New Investment

11.32. In 1976 expansion of new manufacturing capacity in the medium and large scale industries was mainly financed by three agencies: The Industrial and Commercial Development Corporation (ICDC); the Industrial Development Bank (IDB), and the Development Finance Company of Kenya (DFCK). The last mentioned during 1976 approved commitments amounting to K£1.6 million for seven new projects and K£350,000 for extension to four on-going projects. New projects approved by DFCK included plants for manufacture of rubber and metal products, textiles, chemicals, leather products and electrical appliances. In its third full year of operation IDB made fifteen commitments to invest in loans and equity amounting to K£3.9 million. IDB continued to diversify into different lines of production, the most prominent being textiles, clothing, metal products and food processing.

11.33. Investment in the undermentioned projects has either been announced or completed during 1976: —

(i) The new flour mill built in Nairobi at a cost of K£2.3 million.

(ii) The recently completed extension, to a biscuit factory, at a cost of K£800,000.

(iii) A plan to build two small-scale sugar factories at Kabras and Yala in western Kenya, the former under the auspices of Kenya Industrial Estates and latter by private enterprise.

(iv) A K£2 million plant to be built to freeze dry coffee and meat. The plant will have a capacity of 3,000 tonnes a year, and is scheduled to be in operation by 1979.

(v) The textile mill at Kisumu to be extended, at a cost of K£3.75 million, to produce polyester blended fabrics.

(vi) Plans to establish two new synthetic yarn factories at Thika and Nanyuki, respectively. The one at Thika is expected to cost K£6 million, and will produce annually 2,000 tonnes of nylon and polyester filament yarn and texturized yarn, providing employment to 700 people. The plant at Nanyuki will cost K£15.6 million and produce annually 5,000 tonnes of polyester staple fibre and 1,000 tonnes of texturized filament yarn, also providing employment to 700 people. The first factory is expected to be in operation by the end of 1977, and the second in 1979.

(vii) Extension to a footwear factory in Nairobi. The extension will raise its production of shoes from 300 to 1,000 pairs a day; and cost K£135,000.

(viii) A plant to manufacture 3,000 tonnes of tissue paper to be built, at a cost of K£945,000. The plant is scheduled to be in operation by the end of 1977.

(ix) A new chemical plant to manufacture furfural to be built at Eldoret. at a cost of K£10 million. On completion, the plant will use 65,000 tonnes of maize cobs to manufacture 5,000 tonnes of furfural—a chemical used in petroleum and metal foundry industries and also 2,500 tonnes of acetic acid and 250 tonnes of formic acid. The residue will be transformed into animal feeds.

(x) An extension to a tyre re-treading plant in Nairobi being undertaken currently. The extension will cost K£650,000.

(xi) A new plastic factory to be established in Nairobi, at a cost of K£1 million, to manufacture tooth-brushes, audio compact cassettes, medical disposable syringes, telephone shells, and suit-cases.

(xii) Plans to establish a brick and roof tile factory in Kakamega, at a cost of K£100.000. to produce 4 million bricks and tiles a year.

(xiii) Extensions to two factories in Nairobi to manufacture respectively, aluminium and metal products, and cranes. The two extensions will cost K£1.1 million.

(xiv) Work is proceeding on the building of the motor assembly plant in Mombasa, in addition to the two mentioned in paragraph 11.31 above, at an estimated cost of K£3.5 million. This plant will have a capacity

to assemble more than 5,000 vehicles a year and provide employment to 500 people. The plant is expected to become operational in 1978.

Manufacturing: The Medium-term View

11.34. Manufacturing industry in 1976 made an excellent recovery from its rather depressed state in 1975. Its prospects in 1977 appear to be good both because of new capacity coming on stream, and because of the expected buoyancy of the whole economy.

11.35. But the medium-term prospects need to be re-appraised. During the past decade, the feasible extensions of the manufacturing sector to effect import substitution basically in consumer goods and intermediate products have mostly been achieved. To maintain the growth momentum of the past decade, it seems that more effort now needs to be made to develop export. orientated industries which would place more emphasis on markets outside East Africa. At present about 13 per cent of the total value of manufactured products is exported. This percentage drops to about 8 percent if exports of oil products are excluded. Exports to Tanzania and Uganda constituted about 4 per cent of the value of the output of manufacturing sector in 1975; or about 2.5 per cent if oil is excluded. The industries which export more than 5 per cent of the value of their total output to Tanzania and Uganda are those making dairy products; furniture; cork, wood, paper and paper products; other chemicals; glass and pottery; metal products; transport equip. ment; and petroleum products. In the event of exports to Tanzania and Uganda continuing to decline, the need to expand exports of manufactured goods to other countries will become all the more urgent.

11.36. The depreciation of the Kenya shilling in October, 1975, and the fact that wage rates have risen slowly in Kenya compared with rises in many other countries, have helped to make Kenya's exports more competitive on world markets. However, every encouragement needs to be given to manufacturing industry to expand its exports. Otherwise there is a danger that the expansion of manufacturing sector—a key growth sector—may falter.

11.37. Activities to promote exports have been stimulated particularly in 1976 and the search for new markets in key growth areas, such as in the oil states in the Middle East, intensified. This will help to ensure that all potential growth points in Kenya's manufacturing sector can be developed. Competitively-priced products made to acceptable international standards can be sold on export markets but a strong initial effort needs to be made when establish. ing new markets. It is necessary to ensure that the right incentives now exist to motivate manufacturers and their agents to explore and develop their markets in new areas.

CHAPTER 12—BUILDING AND CONSTRUCTION

The value of output at constant prices of the building and construction sector which had fallen in 1974 and 1975, made a moderate recovery in 1976. While the output of building construction was reduced, that of "other" construction rose significantly, mainly due to work being undertaken on public projects such as the Nairobi Airport, Gitaru Hydro-electric Project, Nairobi.Mombasa Oil Pipeline and road and water development schemes. These projects had a significant impact on employment which rose by 16.3 per cent in the industry as a whole, having declined by 8.8 per cent in 1975.

12.2. The rise in construction costs moderated considerably in 1976, and this as well as better economic conditions helped the construction sector to increase its rate of activity. Present indications are that 1977 may be a poor year for building owing to the continuing declining trend in the volume of work in the pipeline as measured by building plans approved, but a more buoyant economy would change this prognosis. The construction sector will benefit from the strong upward trend in Central Government development expenditure which rose by 16.6 per cent in 1976/77 with part of the increase accounted for by larger expenditure on road construction and water projects. Larger construction expenditure was partially offset by a fall of about 8.7 per cent in expenditure by the Government sector on housing projects in 1975/76, and a further fall is in prospect for 1976/77.

Building and Construction Costs

12.3. Construction costs, as shown in Table 12.1, on the whole rose by only 3.5 per cent in 1976 compared with 13.0 per cent in 1975 and 30.4 per cent in 1974. The overall index for building costs increased by 3.2 per cent and that for "other" construction rose by 7.9 per cent. The rise in civil engineering costs was mainly due to increases in the prices of three materials: explosives, concrete products and hydrated lime. Construction costs for non-residential buildings went up by only 1.4 per cent in 1976. This low increase can partly be attributed to a fall of 10 per cent in the price of reinforcement mild steel rods.

*Tab*le 12.1 Percentage Increase in Building and Construction Cost Indices. 1974-1976

	Materials			Labour			Total		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Residential Buildings	33.7	17.0	3.7	12.9	11.6	10.2	28.9	15.9	4.9
Non-Residential Buildings	35 8	13.3	—1 2	12 9	11.6	10 2	29.4	12.9	1.4
All Buildings	34.7	15.2	1.3	12.9	11.6	10.2	29.1	14.4	3.2
"Other" Construction	47.3	10.5	6 6	12 9	11.6	10 2	32.3	10.9	7.9
Total Cost Index ..	38.8	13.6	1.5	12.9	11.6	10.2	30.4	13.0	3.5

12.4. The labour costs went up by 10.2 per cent in 1976. This was a higher increase than the rise in prices of materials in all the three indices referred to above. The impact of the increases in labour costs was most significant in the civil engineering index on "other" construction in which these costs

account for 47.3 per cent of the total weight, as compared to 24.4 and 32.0 per cent, respectively, of the total weight in indices for residential and non-residential building.

Completions

12.5. The value and number of all private building work completed in the main towns, including new buildings constructed and extensions to existing buildings are set out in Tables 12.2 and 12.3. Revised 1975 figures indicate that the value of private work completed in 1975 was higher than in 1974, both at current and constant prices. The figures for 1976 in the tables are known to be incomplete and, it is expected that when all outstanding returns on buildings completed have been received, the value of reported completions in 1976 will be at about the same level or slightly higher than in 1975.

The Value of All Reported Private Building** Work Completed in Main Towns, 1972-1976

Table 12.2 K£million

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Others	Total
	Total for Year								
1972	9.88	2.72	0.16	0.18	..	..	0.06	006	13.06
1973	5.86	1.76	0.38	002	003	0.90	0.26	006	9.27
1974	7.64	2.84	0.24	0.01	..	0.16	0.21	0.27	11.37
1975	9.47	2.64	0.25	..	002	0.14	0.13	0.68	13.33
	Returns received to date*								
1975	7.31	1.58	0.01	..	..	0.04	..	..	8.94
1976	7.04	1.24	0.35	0.08	..	0 08	0.80	0.14	9.73

*Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1975 figures for comparison only.
**Including the value of extensions.

12.6. The provisional figures on the value of reported completions of buildings in 1976 indicate that there was a notable revival of construction activity in the smaller municipalities, especially Nakuru and Thika. There have been a number of large industries developed in such municipalities in recent years. Data on reported completions of new public buildings as shown in Table 12.4 also indicate that some increase in the value of such completions probably occurred in 1976.

Reported Completions of New Private Buildings in Main Towns. 1972-1976

Table 12.3

	Number		Estimated Cost K£ million		
	Residential	Non. Residential	Residential	Non. Residential	Total
Total for Year					
1972	1,855	148	6.64	513	11.77
1973	1,478	98	4.93	2.46	7.39
1974	1,433	109	6.79	3.43	10.22
1975	1,691	98	8.98	317	12.15
Returns Received to date*					
1975	1,077	54	6 69	1.46	8.15
1976	674	84	4.33	4.29	8.62

*Provisionaland incomplete. The late receipt of returns adds significantly to the year's total. 1975 figures for comparison only.

Plans Approved

12.7. The value of plans approved by Nairobi City Council fell by 19.7 per cent in 1976. While this value was higher in current prices than the level prior to 1974. higher building costs would indicate a much lower level in real terms. The value of plans approved by Nairobi City Council in 1976 fell in the case of both residential and non-residential buildings. The fall in the value of the latter, however, is more significant. As shown in Table 12.5 the value of private non-residential plans fell by 15.6 per cent from K£10.47 million in 1975 to K£8.83 million in 1976 and that of public non-residential buildings by 30 per cent from K£4.76 million to K£3.40 million. Non-residential buildings accounted for 62 per cent of the total value of K£ 19.75 million of plans approved in 1976.

Reported Completions of New Public Buildings, 1972-1976

Table 12.4

	Number		Cost K£'000			
	Residential	Non. Residential	Residential	Non. Residential	Total	Total**
Total for Year						
1972	997	235	3.049.3	1,883.9	4,933.2	5,078.6
1973	722	101	1,834.5	1,964.5	3,798.9	3,898.2
1974	1,419	200	3,253.2	3,898.1	7,151.3	7,700.1
1975	1,017	171	2,917.5	4,099.7	7,016.6	7,385.9
Returns Received to Date*						
1975	491	76	2,353.3	1,461.3	3,814.6	3,982 6
1976	935	107	3,512.4	1,326.	4.838.4	4,934.3

*Provisional and complete. The late receipt of returns adds significantly to the year's total. 1975 figurefor comparison only.

**Including the value of extensions.

Private and Public Building Plans Approved by the Nairobi City Council, 1972-1976

Table 12.5 Estimated Cost K£'000

	Private			Public			All Buildings
	Residential	Non. Residential	Total	Residential	Non. Residential	Total	
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
1976*	6,927	8,832	15,759	598	3,397	3,995	19,754
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	3,307	2,723	6,031	353	1,699	2,052	8,083
2nd Qr	1,524	1,328	2,852	43	1,397	1,438	4,290
3rd Qr	1,591	4,422	6,013	31	683	714	6,727
4th Qr	1,537	1,990	3,527	988	981	1,969	5,496
1976*—							
1st Qr	1,748	1,012	2 760	205	2,045	2,250	5,010
2nd Qr	2,120	2,215	4,335	354	443	797	5,132
3rd Qr	1,742	4,297	6,034	24	149	173	6,212
4th Qr	1,317	1,307	2.624	16	760	776	3,400

*Provisional.

12.8. There was substantial rise, in the value of plans approved by other municipalities excluding Nairobi. This is indicated in Table 12.6. The value of plans approved for all buildings increased by 31.3 per cent, rising from K£9.33 million in 1975 to K£12.25 million in 1976. The value of plans approved by these other municipalities thus accounted for 38.3 per cent of the total value of all plans approved by municipalities in 1976 compared with 27.5 per cent in 1975. The growth in building plans in the other municipalities was concentrated in the private sector which in 1976 accounted for 85.3 per cent of the total value of approved plans. There was a significant increase in the value of private residential plans which went up by 40.6 per cent, rising from K£2.87 million in 1975 to K£4.04 million in 1976.

Housing

12.9. A drastic fall was recorded in the number of dwelling units completed by the National Housing Corporation in 1976. This is apparent in Table 12.7. The number of units fell from 1,651 in 1975 to 326 in 1976. The bulk of the units completed were in Coast Province where 216 units worth K£272.000 were constructed in Buxton estate, Mombasa. Actual Government expenditure on housing declined from K£4.86 million in the financial year 1974/75 to K£4.44 million in the financial year 1975/76. as shown in Table 12.8. with a further fall anticipated in 1976/77.

Private and Public Building Plans Approved by Other Municipalities, 1972-1976

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	5,164	4,373	9,537	3,094	217	3,311	12,848
1975	2,870	5,195	8,065	46	1,218	1,264	9,329
1976*	4,036	6,421	10,457	1,364	430	1,794	12,251
1974—							
1st Qr	2,173	1,166	3,339	—	159	159	3,498
2nd Or	1,010	1,014	2,024	—	4	4	2,028
3rd Qr	1,318	1,406	2,724	—	48	48	2,772
4th Qr.	663	787	1,450	3,094	5	3,099	4,548
1975—							
1st Qr	851	1,451	2,302	11	1,019	1,030	3,332
2nd Qr	740	2,585	3,325	35	17	52	3,377
3rd Qr	793	834	1,627	—	58	58	1,685
4th Qr	486	325	811	—	124	124	935
1976*—							
1st Qr	861	917	1,778	1,192	254	1,446	3,224
2nd Qr	832	1,523	2,355	11	76	87	2,442
3rd Qr	1,484	3,344	4,828	158	—	158	4,986
4th Qr	859	637	1.496	3	100	103	1,599

*Provisional.

12.10. The change of policy in favour of site and service tenant-purchase schemes means that the National Housing Corporation is unlikely to increase its rate of construction of new housing units. An indication of the effect of the policy change is apparent in Table 12.7. There was a significant increase in the number of site and service plots completed, the number rising from 363 in 1975 to 1,128 units in 1976. Figures for 1972 show that 2,100 site and service plots were completed in the year and this would indicate a much higher potential for this type of housing development.

12.11. The number of houses completed by the Ministry of Works was affected by the declining level of expenditure on housing. During 1975/76 the number of institutional and pool houses built by the Central Government for its staff fell by 63.4 per cent to only 230 units compared with 628 units completed in 1974/75.

Finance for Housing Development

12.12. It has been shown that direct Government expenditure on housing after increasing up to 1974/75 has since been declining. However, the emphasis on site and service plots is creating an increase in the housing stock at lower average cost to the Government.

Housing Units Completed by the National Housing Corporation, 1972-1976

Table 12.7

	1972	1973	1974	1975	1976
Units Completed					
Province—					
Central	6	12	168	232	49
Coast	589	267	300	20	216
Eastern	16	34	71	79	—
Nairobi	1,505	477	432	166	1
North Eastern	26	6	—	—	—
Nyanza	42	68	25	107	35
Western	—	226	32	350	25
Rift Valley	313	153	413	697	—
Total Number	2,497	1,243	1,441	1,651	326
Value of Units Completed K£'000					
Central	6	37	184	651	76
Coast	1,119	486	290	36	272
Eastern	16	44	88	118	—
Nairobi	3,042	899	1,396	582	3
North Eastern	29	13	—	—	—
Nyanza	44	77	41	273	49
Western	169	89	408	812	30
Rift Valley	—	500	47	410	—
Total Value	4,425	2,145	2,454	2,882	430
Site and Service Plots Completed *	2,100	96	—	363	1,128

*Mainly in Central Province and Nairobi.

Approved and Actual Government Expenditure on Housing, 1971/72-1976/77

Table 12.8 K£'000

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1971/72 ..	3,462.7	3,157.6	5.68
1972/73 ..	4,765.7	4,168.4	6.53
1973/74 ..	5,550.7	4,308.7	7.81
1974/75 ..	5,571.2	4,862.4	5.74
1975/76 ..	5,810 0	4,439.9	4.31
1976/77 ..	4,376 0	..	3.43

12.13. The data available on private and public sector housing development in the main municipal areas in Tables 12.3 and 12.4 show that total completions numbered 2,852 in 1972, fell sharply to 2,000 in 1973 and have been on a rising trend since then to reach 2,708 in 1975 and a possible similar total in 1976. These figures are very low in relation to actual demand. Given the decline in expenditure on housing by the Central Government and Municipalities in 1976 and 1977, the situation is likely to worsen, unless special measures are taken to increase expenditure. There is strong evidence that some part of the housing problem in areas such as Nairobi and Mombasa is being resolved by multiple occupation of the larger dwelling units. Such a solution can only be a temporary expedient and is in any event leading to even greater overcrowding.

12.14. Private individuals seem prepared to spend a substantial part of their income on better housing but unfortunately the present financial institutions lending money for house building and purchasing operate on a basis of high lending rates of interest and high initial deposits that makes it almost impossible for low and middle income groups to contemplate house ownership. The building societies in December, 1976, were offering interest rates of 6 to 8.5 per cent on deposits and lending for housing at 11 or 12 per cent. These rates were higher than in 1974 and 1975 and the high lending rates may have had some impact on borrowers' ability to raise money for house building. However, it seems more likely that lack of funds to pay the initial deposits is a much more relevant cause of the relatively small number of dwelling-unit completions particularly in the private sector. The more general lending conditions of the major building societies are an initial deposit by the borrower of 25 or 30 per cent of the house price with the maximum amount which can be lent varying between K£10,000 and K£15.000.

Ministry of Works Housing Construction, 1971/72-1975/76

Table 12.9

	Institutional Housing*			Pool Housing**		
	Units Built	Cost K£ '000	Cost per Unit K£	Units Built	Cost K£'000	Cost per Unit K£
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
1974/73	574	2,106.9	3,670	54	287.2	5,318
1975/76	199	747.2	3,755	31	164.8	5,316

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

Road Construction

12.15. Increases in construction costs necessitated a higher level of Gov. ernment expenditure on roads in 1976/77. It is expected that total expenditure by Ministry of Works on the construction of new roads and maintenance of existing roads will be 13.4 per cent higher than in 1975/76. This percentage increase should reflect a rise in the value of road work as construction costs went up by only 7.9 per cent in 1976. Details of Ministry of Works expenditure on roads from 1974/75 to 1976/77 are given in Table 12.10.

Total Expenditure on Roads, 1974/75-1976/77

Table 12.10 K£'000

	1974/75	1975/76	1976/77*
Development			
Trunk Roads	5,083.5	5,906.0	8,410.0
Primary Roads	3,961 .2	4,009.0	4,530.0
Secondary Roads	1,786.1	1,499 0	890.0
Minor Roads	390.3	30.0	—
Unclassified Roads	4,212.6	1,433.0	1,240 0
Miscellaneous Roads	1,657.1	4,024.0**	5,344.0
Implementation of road maintenance organization	1,355.0	500.0	440.0
Total	18,445.8	17,401.0	20,854.0
Recurrent (maintenance and repair)	7,299.6	8,955.0	9,020 9
Total	25,745.4	26,356.0	29,874.9

*Provisional.

**Includes expenditure on rural access roads and the fees paid to private consultants.

12.16. The bulk of the rise in the expenditure on new roads in 1976/77 is in the construction of trunk roads with an increase of 42.4 per cent to K£8.4 million from K£5.9 million in 1975/76. The Government's policy for roads is one of phased development aimed at bringing about a well balanced rate of national development both in rural and urban areas. Some road projects are linked to specific programmes such as tourism and rural area development.

12.17. Details of the growth of expenditure on water projects have been given in Chapter 9. This has been a particularly fast-developing sector over the last few years and has helped create higher activity in the construction industry. Data on the Nairobi and Mombasa airport projects and on the Nairobi-Mombasa oil pipeline are given in Chapter 14.

Development of Building and Construction Industry

12.18. In Kenya employment in building and construction and its contribution to the GDP, since 1972, have been as follows:

	1972	*1973*	*1974*	*1975*	*1976*
Employment, *WO*	37.6	41.2	44.4	40.5	47.1
Contribution to GDP at 1972 prices *KεM*	35.73	35.45	32.02	30.09	31.72

While employment has increased between 1972 and 1976, the value added by the sector to the GDP has fallen. The emphasis of policy on more labour —intensive methods in construction seems to have had some effect but part of the fall in the contribution to the GDP probably reflects a lower level of profitability in the industry over the last few years.

12.19. Some details on the use of locally produced building and construction materials have been given in Chapter 11. Cement consumption within Kenya has fallen from the peak level of 396,000 tonnes reached in 1972 to 358,500 tonnes in 1976. A similar fall is reflected in the value of output of clay and glass products. These figures indicate that the industry has been capable of a substantially higher level of output than its performance in 1976. The implications for the economy as a whole are that a recovery of capital expenditure in building and construction to the level of 1972 in real terms would help create additional employment, more domestic production of building and construction materials and a higher GDP growth rate.

12.20. A further important aspect of the economic contribution of the industry is its relative maturity as measured by the use made of local architects, construction and consulting engineers, quantity surveyors and other technical personnel; and also by the acceptance of the status of domestic construction firms in tendering for the more difficult large-scale projects. At the moment building contracts of all sizes can be handled by the domestic industry but certain large construction contracts have been awarded to international rather than domestic concerns. However, even with these international contractors there is evidence that a substantial amount of work on large contracts is being sub-contracted to domestic concerns. It may be that the methods of prefeasibility and feasibility surveys and the calling of tenders for projects financed by a combination of foreign and domestic loans and grants have the effect of favouring international rather than domestic concerns regardless of the relative status of the latter.

CHAPTER 13ð TOURISM

Tourism in Kenya, after a decline in 1974 and a sluggish recovery in 1975, showed a marked improvement in 1976. It is now the second largest foreign. exchange earner, coffee exports alone being larger. Both the start of recovery from recession in the industrially-developed countries and the depreciation of the Kenya shilling in October, 1975, contributed towards the favourable performance of tourism. However, despite this improvement in 1976, overall progress of the sector remains below the Development Plan target. The increase in hotel capacity which occurred during 1976 leaves Kenya well placed to cater for an expected further increase in 1977 of visitors from outside East Africa.

13.2. Table 13.1 details the planned and actual bed-occupancy figures. The number of bed-nights spent in hotels was 11.4 per cent higher in 1976 than in 1975. However, at 3.57 million bed-nights, this is only 79 per cent of the Plan target figure of 4.5 million bed-nights.

Bed Occupancy Planned and Achieved, 1972 and 1976

Table 13.1 '000 Bed-Nights

	Development Plan Projections		Actual Beds Occupied	
	1972	1976	1972	1976
E.A. Residents	958	1,184	757	1,068
Foreign Residents	1,557	3,316	1,718	2,506
Total	2,515	4,500	2,475	3,574

13.3. Arrival and departure statistics, by purpose of visits, are given in Table 13.2. The number of arrivals from outside Kenya of people on holiday and on business increased by 11.7 per cent and 5.7 per cent respectively, while the number of visitors in transit went up by 2.9 per cent. Departure statistics show a somewhat different pattern, chiefly because of timing factors, but also because visitors in many instances report the purpose of their visit differently on departure as compared to what they had reported on arrival. As per statistics on departures, the numbers of holiday visitors increased by 8.8 per cent, business visitors by 7.4 per cent, and that of visitors in transit by 25 per cent in 1976.

13.4. Figures for the first quarter of 1977 indicate a decline in tourism: Visitor arrivals and departures were 15.2 per cent and 6.9 per cent lower, respectively, than in the first quarter of 1976. Nevertheless increases were recorded in visitors from Western Europe and average length of stay was higher than in the corresponding period in 1976. The collapse of the East

African Airways Corporation in February will have caused a disruption in bookings and would partly explain the decline reflected in the figures for February and March, 1977. However, the Tanzania border closure has also been an important contributory factor. The number of visitors from that country fell by 5,719 in February, 1977, compared to February, 1976 and probably decreased further in March, 1977. With the resumption by Kenya Airways of international flights to Europe, the trend shown in early 1977 should be reversed during the rest of the year.

Table 13.2 ARRIVING AND DEPARTING VISITORS BY PURPOSE OF VISIT, 1975-1977 *'000*

Quarter/Purpose		Arrivals			Departures		
		1975	1976	1977*	1975	1976	1977*
1st Qr.	Holiday	85.6	94.1	83.3	97.6	103.9	102.1
	Business	13.5	18-1	10.3	10.0	12.4	4.6
	Transit	12.4	13.5	13.0	5.3	8.1	9.1
	TOTAL	111.5	125.7	106.6	112.9	124.4	115.8
2nd Qr.	Holiday	46.3	59.8		56.0	63.7	
	Business	13.8	18.5		10.6	15.1	
	Transit	12.5	12.6		6.8	9.0	
	TOTAL	72.7	90.9		73.4	87.8	
3rd Qr.	Holiday	80.9	84.1		83.1	86.8	
	Business	14.9	13.3		11.3	10.0	
	Transit	15.5	15.4		9.5	10.0	
	TOTAL	111.2	112.9		103.9	106.8	
4th Qr.	Holiday	78.2	86.8		73.5	83.0	
	Business	19.3	15.1		14.0	11.8	
	Transit	14.2	14.7		8.4	10.5	
	TOTAL	111.6	116.5		95.9	105.3	
Year	Holiday	290.9	324.8		310.2	337.4	
	Business	61.5	65.0		45.9	49.3	
	Transit	54.6	56.2		30.0	37.6	
	TOTAL	407.0	446.0		386.1	424.2	

*Provisional

13.5. Estimated tourist expenditure rose by 23 per cent, from K£33.4 million in 1975 to K£41.1 million in 1976. Estimated expenditure includes an element of pre-payments, but with the cost of air-fares excluded. In real terms, when allowance is made for the rise in prices and costs, expenditure by tourists, it is estimated, rose in line with the number of total visitors, by roughly 10 per cent.

Visitors and Visitor Days

13.6. Table 13.3 details visitor departures by visitors' country of residence. The number of persons from Europe increased by 16.8 per cent, but the largest increase amongst the European countries was registered by West Germany, with a rise of 17.3 per cent. Visitors from Europe accounted for 47.5 per cent of all visitors in 1976, compared with 44.7 per cent in 1975. Visitors from Tanzania also registered a particularly large increase of 17.5 per cent in 1976 having fallen by 7.2 per cent in 1975—but the border closure in 1977 will have influenced this movement. All other regions except North America registered modest increases, such increases being largely in numbers of business and transit visitors. The total number of visitors from North America continued to decline, falling from 51,300 in 1975 to 51,000 in 1976. The impact of the decline of visitors from North America is more pronounced than these figures indicate; for the number of days stayed by these visitors declined from 702,000 in 1975 to 640,000 in 1976.

Visitor Departures by Country of Residence, 1974-1976

Table 13.3 '000

	Holiday Visitors			All Visitors*		
	1974	1975	1976	1974	1975	1976
United Kingdom	36.8	39.3	41.2	45.8	49.6	51.7
West Germany	31.6	36.8	43.3	34.9	40.4	47.4
Italy	16.2	16.2	180	18.4	18.1	20.5
France	9.2	9.6	15.8	10.5	11.2	18.5
Switzerland	19.7	19.1	20.5	21.0	20.8	22.4
Other Europe	27.9	27.7	34.7	31.9	32.6	41.2
Total Europe	141.4	148.7	173.4	162.5	172.6	201.6
United States	41.5	39.0	38.8	46.4	44.1	44.5
Canada	5.5	6.1	5.4	6.4	7.2	6.5
Total N. America ..	47.0	45.1	44.2	52.8	51.3	51.0
Total Asia	16.3	16.8	17.9	21.9	23.2	26.5
Uganda	185	18.2	15.2	27.6	27.5	23.9
Tanzania	51.4	47.5	56.3	65.3	60.6	71.2
Zambia	8.6	6.8	5.2	12.8	11.2	9.2
Other Africa	20.8	20.8	18.3	29.3	31.8	32.3
Total Africa	99.3	93.2	95.0	135.0	131.1	136.6
Total Other	6.3	6.5	6.9	7.4	7.9	8.6
Grand Total	310.3	310.2	337.4	379.6	386.1	424.2

*Includes business visitors and persons in transit.

13.7. Visitor departures by method of travel are given in Table 13.4. Departures by air accounted for 79.6 per cent of total visitor-departures in 1976, compared with 80.7 per cent in 1975. The continuing dominance of air travel is chiefly due to the long distances European and American visitors have to travel. The number of visitors departing by road increased in 1976 from 71,800 to 84,900—the latter accounting for 20 per cent of the total. Most of these came from neighbouring African countries.

Table 13.4 Visitor Departures by Method of Travel, 1972-1976 '000

	1972	1973	1974	1975	1976
Air	285.9	297.6	301.5	311.6	337.7
Sea	7.9	4.2	2.6	2.0	1.6
Road	128.7	84.0	72.7	71.8	84.9
Lake	1.7	1.8	1.8	0.6	—
Rail	4.2	0.6	1.0	0.1	0.1
Total	428.4	388.1	379.6	386.1	424.2

Table 13.5 Total Stay of Departing Visitors and Average Length of Visit 1972-1976

Length of Stay	1972	1973	1974	1975	1976
	Total Stay—'000 Days				
0.14 Days	1,940	1,763	1,966	1,864	1,942
15.28 Days	1,001	1,033	1,057	1,229	1,458
Over 28 Days	1,827	1,639	1,383	1,871	1,908
Total	4,768	4,435	4,406	4,963	5,308
	Average Length of Stay—Days				
0.14 Days	5.5	5.6	6.5	6.3	6.0
15.28 Days	19.8	19.9	19.9	20.2	20.3
Over 28 Days	71.1	64.2	61.7	68.2	61.2
Total	11.1	11.4	11.6	12.9	12.5
	Total Stay by Originating Areas—'000 Days				
East Africa	1,350	991	961	893	944
Other Africa	341	411	411	425	421
United Kingdom	793	762	679	850	860
West Germany	493	442	444	585	700
Other Europe	738	803	975	1,081	1,284
North America	715	690	594	702	640
Asia	262	262	256	328	335
All Other	75	74	86	99	123
Total	4,768	4,435	4,406	4,963	5,308
	Total Stay by Purpose of Visit—"000 Days				
Holiday	4,287	3,951	3,918	4,383	4,688
Business	409	423	440	530	561
Transit	72	61	48	49	59

13.8. Table 13.5 gives details of the total visitor-days and average length of stay. Total visitor-days increased by 6.9 per cent, from 4.96 million in 1975 to 5.31 million in 1976. The overall average length of stay, however, decreased, from 12.9 days in 1975 to 12.5 days in 1976 but was still well above the averages from 1972 to 1974. Non-East African residents stayed on average 13.3 days. Amongst them, the residents of UK and West Germany stayed the longest, 16.6 and 14.8 days, respectively. East Africans stayed on average 9.9 days. Holiday-makers generally stayed for a slightly shorter period than in 1975.

13.9. Conference tourism has become an established facet of tourism in Kenya. In 1976 the Kenyatta Conference Centre catered for a total of 32 conferences which were attended by approximately 12,000 delegates. Conference tourism, coupled with suitable off-season rates of accommodation in hotels and lodges, has enabled Kenya to improve the low-season tourist traffic. Consequently, the degree of seasonal variation in hotel occupancy rates was less in 1976 than in previous years. In 1976, the ratio for the whole country of hotel guest-nights in the second quarter of the year to that in the first was 100 : 145; for Nairobi 100 : 118; and for Mombasa 100 : 190. The corresponding figures for 1975 were 100 : 157, 100 : 153, and 100 : 208.

Hotel Occupancy

13.10. Table 13.6 details hotel occupancy statistics for the last five years. Although the number of hotel beds available expanded more rapidly in 1976 than in 1975, the increase in bed-nights occupied was higher and consequently the bed-occupancy rate rose from 48.8 per cent in 1975 to 51.2 per cent in 1976. The bed-nights occupied by the non-East African residents went up by 16.6 per cent, their share of total bed-nights rising to 70 per cent. There was no increase in hotel bed-nights spent by Kenya residents in 1976, but this group accounted for 16.1 per cent of the total in the hotels covered by the tourism statistics. It is particularly revealing that residents of Uganda and Tanzania accounted for only 3.6 per cent of the nights spent at the tourist hotels in 1976. This, despite the fact that they made up 22.4 per cent of all visitors to Kenya.

Table 13.6 Hotel Bed Occupancy, 1972-1976 '000 Bed-Nights

	1972	1973	1974	1975	1976
Permanent occupants*	190	347	333	339	364
Kenya Residents	469	505	353	579	577
Residents of Uganda and Tanzania	98	136	141	142	127
Foreign Residents	1,718	1,795	1,952	2,149	2,506
Total Beds Occupied	2,475	2,784	2,979	3,209	3,574
Total Beds Available	4,980	5,854	6,414	6,584	6,983
Bed Occupancy Rate per cent	49.7	47.6	46.5	48.8	51.2

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

13.11. Tables 13.7 and 13.8 detail the distribution of hotel nights spent in tourist zones at different categories of hotels. The figures include the bed. nights spent by both Kenya residents and foreign residents. Hotels in all the zones recorded useful increases, with coastal beach hotels registering the highest increase of 17.8 per cent. The coastal circuit continued to increase its lead in hotel bed-nights; and in 1976 all coastal hotels accounted for 44 per cent of total occupancy. This lead by the Coast is expected to increase with the opening in March, 1977, of Mombasa Airport to wide bodied jets on direct flights from overseas.

HOTEL BEDS OCCUPIED BY AREA, 1972-1976

Table 13.7 '000 *Bed-Nights*

	1972	1973	1974	1975	1976
Nairobi—High Class	481.6	543.2	557.4	572.1	586.2
Other	625.6	759.7	746.7	753.9	847.2
Coastal—Beach	763.2	812.5	950.9	1,149.4	1,354.4
Other	169.7	195.9	222.7	222.2	220.7
Coast Hinterland	96.7	100.6	102.6	104.8	118.8
Masailand	100.1	116.9	123.6	130.0	151.6
Central	179.9	191.1	210.8	207.4	217.7
Other	58.5	64.0	64.4	69.1	77.2
Total	2,475.0	2,783.8	2,979.0	3,208.8	3,573.7
Of which:—					
Foreigners	1,717.7	1,795.5	1,952.0	2,148.9	2,505.5
E.A. Residents*	757.3	988.4	1,027.1	1,060.0	1,068.2
Total Beds Available	4,979.6	5,853.6	6,414.2	6,584.3	6,983.1
Occupancy rate per cent	49.7	47.6	46.5	48.8	51.2

*Includesall persons staying one month or more in one hotel.

13.12. With the exception of the Coast hinterland, hotels in all tourist zones recorded increases in total hotel bed-capacity. The capacities in West. ern and Nairobi—"other" hotels grew fastest, by 15.8 per cent and 13.7 per cent, respectively. Capacity figures, however, need to be carefully interpreted. Owing to a disproportionate provision of multiple-occupancy rooms, hotels can be fully occupied and still have surplus beds. This phenomenon is quite pronounced in high-class hotels in Nairobi and Mombasa Island. Development of Conference tourism, for which Nairobi now is particularly suitable, seems to call for the provision of more single rooms.

Table 13.8

Hotel Room and Bed Availability and Occupancy Rates, by Area, 1972-1976

	Nairobi		Coastal		Other						All Hotels
	High Class	Other	Beach	Mombasa Island	Coast Hinter-land	Masai land	Nyanza Basin	Western	Central	Northern	
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	5,854
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
1976—											
Rooms available—'000 nights	592	994	1,119	275	129	141	74	62	319	22	3,728
Occupancy rate—per cent	75	63	67	61	47	60	55	25	43	22	62
Beds available—'000 nights	1,119	1,778	2,202	507	274	286	127	66	579	44	6,983
Occupancy rate—per cent	52	48	62	44	43	53	40	29	38	18	51

13.13. Hotel-nights by visitors' country of residence are shown in Table 13.9. In 1976, out of a total of 5.3 million days stayed by visitors in Kenya, approximately two-thirds were spent in hotels. For the second year running, residents from "Other" Europe, which includes Switzerland and Italy, occupied the largest number of hotel bed-nights, followed by residents of West Germany, and Kenya. The stay of both the West Germans and visitors from "Other" Europe was about evenly distributed between the Coast and Nairobi hotels. Despite an overall decline in the number of tourists from North America, the number of bed-nights spent by them in game lodges rose by 11.1 per cent. Domestic and East African residents spent fewer nights in hotels than in 1975.

HOTEL GUEST-NIGHTS BY COUNTRY OF RESIDENCE, 1976

TABLE 13.9 '000 BED-NIGHTS

COUNTRY OF RESIDENCE	NAIROBI	COAST	GAME LODGES	OTHER	TOTAL
KENYA	181.3	237.9	48.7	109.5	577.4
UGANDA	53.8	10.6	0.1	2.2	66.6
TANZANIA	41.8	16.1	0.4	1.5	59.9
OTHER AFRICA	89.9	26.5	2.1	2.8	121.3
UNITED KINGDOM	174.2	173.3	31.8	25.4	404.7
WEST GERMANY	80.4	487.0	38.9	16.1	622.5
SCANDINAVIA	40.8	50.7	10.6	7.4	109.6
OTHER EUROPE	177.5	457.5	78.9	36.4	750.3
NORTH AMERICA	167.9	36.3	64.4	39.4	308.1
ASIA	59.3	8.2	4.6	3.5	75.6
ALL OTHER	82.7	19.4	3.5	7.9	113.5
PERMANENT OCCUPANTS	283.7	51.4	2.6	26.4	364.2
TOTAL	1,433.3	1,575.1	286.7	278.6	3,573.7

13.14. Table 13.10 details separately the occupancy statistics for game lodges. The number of bed-nights spent in these lodges went up by 13.4 per cent, despite a decline of 13.6 per cent in the number of bed-nights spent in them by East Africans. The ratio of nights spent in lodges in game reserves to those spent in lodges in national parks was higher in 1976 than in the previous year.

13.15. Tables 13.11 and 13.12 set out visits to national parks and museums, respectively. Only 4 per cent more persons visited the national parks and wildlife areas in 1976 than in 1975. The most popular were the Tsavo, Amboseli and Nairobi National Parks. Lake Nakuru, which has been losing visitors since 1974, recorded a further decline of 13.2 per cent in 1976. In contrast, visitors to museums and historic sites rose by 21 per cent.

TOTAL NUMBER OF VISITORS TO NATIONAL PARKS, 1972-1976

TABLE 13.11 NUMBERS

	1972	1973	1974	1975	1976
ABERDARE	40,926	42,222	39,973	43,798	44,904
AMBOSELI	—	—	—	82,641	100,339
KISITE MPUNGUTI	—	—	—	596	1,463
LAKE NAKURU	79,563	98,447	95,067	78,470	68,098
MARINE	33,369	30,160	35,777	34,609	37,764
MARSABIT	—	—	—	4,413	3,238
MERU	7,957	15,671	21,418	22,393	25,826
MT. ELGON	3,792	4,216	3,989	2,414	2,455
MT. KENYA	6,064	6,924	8,151	8,600	9,790
NAIROBI	197,013	277,359	159,263	132,387	134,790
SAIWA SWAMP	—	—	—	—	830
SHIMBA HILLS	10,237	10,018	11,119	9,999	9,882
TSAVO (EAST)	57,598	64,280	64,758	68,133	61,588
TSAVO (WEST)	85,691	92,018	91,627	79,567	89,882
TOTAL	522,210	641,315	531,142	568,020	590,849

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1972.1976

TABLE 13.12 NUMBERS

	1972	1973	1974	1975	1976
NATIONAL MUSEUM	146,490	151,819	140,670	124,545	154,053
LAMU MUSEUM	3,835	5,502	5,545	6,066	6,169
SNAKE PARK	86,187	89,991	86,681	93,168	131,500
FORT JESUS	69,184	71,306	77,759	93,186	100,160
GEDI	23,726	24,570	28,444	30,876	29,396
OLORGESAILIE	6,157	3,597	2,593	4,487	3,465
KARIANDUSI	2,963	1,967	2,554	3,240	2,959
HYRAX HILL	3,249	1,640	2,022	1,284	1,020
JUMBA LA MTWANA	—	79	1,588	2,339	4,412
TOTAL	341,791	350,471	347,856	359,191	433,134

Development of Tourism

13.16. Government financial participation in the tourist industry is channelled through the Kenya Tourist Development Corporation (KTDC). In the financial year ending June, 1976, the corporation invested a further

K£764,800—thereby raising its total level of investment since its incorporation to K£4.2 million. During the year, two KTDC-sponsored hotels—the Sunset in Kisumu and Mount Elgon Lodge, were opened and construction work on further extensions to the Inter-Continental Hotel in Nairobi and Mount Elgon Lodge initiated. The corporation also acquired controlling shares in African Tours and Hotels, a hotel management company handling international class hotels and lodges in Kenya. Another facet of the corporation's activities concerns active sponsorship of indigenous entreprenaurs to enable them to either establish or acquire enterprises associated with tourism. In this respect, the corporation invested a further K£198,200 in loans, thereby raising the total level of its investment in the Kenyanization programme to K£1.2 million.

13.17. The development of the tourist infrastructure continued in 1976. Prominent amongst developments are the extensions to the Mombasa Airport already referred to above, and to the Nairobi Airport. The Government has also maintained a continuous programme of improvement of tourist roads. Three phases of the programme have been completed and fourth phase is in the tendering stage. It includes development of roads connecting Samburu and Maralal; access to Lake Bogoria; the eastern access route to Masai Mara: and improvement of the Chyulu Hills road.

13.18. The Government signed a loan agreement in 1976 with the IBRD for a further K£6.9 million in addition to an earlier loan of K£5.4 million secured in 1975. This loan is to be spent mainly on wildlife based tourism activities in the next five years. Such expenditures will cover anti-poaching units, road construction, training and wildlife management.

13.19. In April, 1976, the consultants who had been appointed by the Government to undertake a feasibility study and formulate a master plan on the Diani Resort Tourist Complex, completed their work. As soon as the plan has been accepted by the Government, finance will be sought for the construction of the infrastructure of the first phase of the complex. Further, the Government will also in the near future appoint consultants to study prices in the tourist based activities in Kenya and recommend policies best suited to maximizing the earnings of the industry.

13.20. Promotional efforts by the Ministry of Tourism have been concentrated on three aims: creating a more accurate image of Kenya for holiday. makers; encouraging airlines and tour operators to sell Kenya as an all the year round tourist attraction; and tapping new markets. The latter two endeavours have had some impact; the improvement in low-season traffic has already been noted in paragraph 13.9; and the number of visitors from some "non-traditional" European countries is increasing.

13.21 The recent relative decrease in American visitors has possibly been due to their lack of knowledge of the diversity and vastness of the African Continent and Kenya's place in it The Ministry of Tourism has launched in

the USA a city-to-city campaign to educate the Americans on Kenya's geographical position and stability to counteract effects of adverse publicity associated with any other country in the continent. Concerted efforts are also being made to increase tourism from Australia.

Recent Developments in East Africa

13.22. In early February, 1977, two events occurred that will have implications on tourism in East Africa as a region; the East African Airways Corporation collapsed; and Tanzania closed its border with Kenya. The immediate effects for tourism in 1977 were threefold: Kenya lost tourists from Tanzania; air services were disrupted; and there may have been a loss of overseas visitors who were to come to Kenya as part of an East African package tour.

13.23. The long-term loss of tourism from this situation is not readily quantifiable. In 1976 the total number of departures from Kenya to Tanzania was 112.954. Of these departures, overseas visitors numbered 47,014. The impact of the recent developments in the East African Community will depend very much on whether such visitors continue to visit Kenya, and what is more, on whether Kenya can offer these tourists alternative attractions to substitute those attractions, which in the past have been made available by Tanzania.

13.24. As far as residents of Tanzania are concerned, while they constituted 16.8 per cent of the total visitors to this country in 1976; their expenditure was less than 1 per cent of the total tourist revenues. A study of bed-nights spent by Tanzanians in Kenya for the period January-February. 1977, reveals that 76 per cent of these were spent in lower-class category of the tourist hotels.

13.25. A prerequisite for development of long-haul tourism is a highly flexible policy on civil aviation matters. Hitherto East Africa's restrictive air-traffic policy has not been conducive to promotion of international tourism in Kenya. With the formation of Kenya's own national airline and acquisition of sole control over civil aviation policy, Kenya should be able to cater more closely for the needs of its tourists and tour operators.

CHAPTER 14—TRANSPORT AND COMMUNICATIONS

The value of output of the transport and communications sector in 1976 increased by 17.1 per cent, as shown in Table 14.1. The growth in real terms, after allowance is made for rising prices was, however, 6.0 per cent. The high increase in the real output of road transportation was accompanied by a small gain in the remainder of the sector. Real growth would have been higher but for the reduced activity caused by the financial problems of the East African Community corporations running the country's railways, air. ways and the harbour.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1972-1976

TABLE 14.1 K£'000

	1972	1973	1974	1975	1976*
RAILWAY TRANSPORT	19,945	21,240	23,805	25,385	27,500
ROAD TRANSPORT	18,992	29,660	30,611	35,953	52,593
WATER TRANSPORT	19,034	20,912	32,196	38,553	40,537
AIR TRANSPORT	26,387	26,765	35,065	39,852	41,416
SERVICES INCIDENTAL TO TRANSPORT	4,998	5,674	8,278	8,168	13,276
TOTAL TRANSPORT	89,356	104,251	129,955	147,911	175,322
COMMUNICATIONS	11,094	13,651	14,110	22,478	24,187
GRAND TOTAL	100,450	117,902	144,065	170,389	199,509

*PROVISIONAL.

14.2. High increases at current prices were recorded in the output of road transportation—46.3 per cent, and services incidental to transport—62.5 per cent. Much of this rise was due to higher prices. The increasing importance of road transport can, however, be also attributed to the failure by the railways to provide adequate carrying capacity and to some extent to the increase in the level of transit trade passing through Kenya. The rise in the value of output of services incidental to transport—mainly forwarding, clearing and warehousing, was mainly the result of the boom in commodity prices. Higher imports and exports of merchandise, greater economic activity within Kenya and some growth in transit trade, were the additional contributory factors.

Road Transport

14.3. Table 14.2 details receipts from road and rail transport. The table highlights the very significant increase in earnings from road freight transport which went up by 71 per cent from K£22.3 million in 1975 to K£38.1 million in 1976. As a result road transportation increased its share of total output

of transport and communications sector from 21.1 per cent in 1975 to 26.4 per cent in 1976. Railway receipts increased only moderately despite the higher tariffs introduced in 1975.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1972-1976

TABLE 14.2 K£'000

	1972	1973	1974	1975	1976*
PASSENGER TRAFFIC					
RAIL	1,396	1,487	911	455	495
ROAD	7,643	10,752	9,336	13,653	14,491
TOTAL	9,039	12,239	10,247	14,108	14,986
FREIGHT TRAFFIC					
RAIL	18,549	19,753	22,894	24,930	27,005
ROAD	11,349	18,908	21,275	22,300	38,102
	29,898	38,661	44,169	47,230	65,107
TOTAL RAIL TRAFFIC	19,945	21,240	23,805	25,385	27,500
TOTAL ROAD TRAFFIC	18,992	29,660	30,611	35,953	52,593

*PROVISIONAL.

14.4. Tables 14.3 and 14.4 set out, respectively, details on the number of new road vehicles registered and licences issued for vehicles on hire. The number of new vehicles registered went up by 2.2 per cent in 1976 over that in 1975. While the number of new cars and station wagons registered declined by 11.2 per cent and 4.6 per cent, respectively, between 1975 and 1976, there was an increase in this period in the registration of panel vans and pick-ups of 6 per cent and more significantly of trucks and buses of 13.1 per cent and 15.6 per cent, respectively. The number of new saloon cars and station wagons registered has steadily declined by 29 per cent, and 14.7 per cent, respectively, between 1972 and 1976. The number of vehicles licensed for passenger service went up by 10.5 per cent, and of vehicles licensed for freight transport by 20.5 per cent, between 1975 and 1976. One feature of the development of passenger transport has been the growth of *matatu* operations. In June, 1974, public carriers below 3 tons in tareweight were exempted from licensing and as a result the number of vehicles engaged in *matatu* passenger transport has increased significantly.

14.5. The Government has continued its efforts to enlarge the share of Kenyan operators engaged in road transportation, and except for the large firms, licences for passenger service vehicles are now granted to citizens only. Greater attention is also being paid to the rationalization of road traffic. Accordingly, the Government has appointed a team of consultants to carry out a road transport study, with the aim of evolving strategies and policies to provide a better service for the public.

NEW REGISTRATIONS OF ROAD VEHICLES. 1972-1976

TABLE 14.3

BODY TYPE	1972	1973	1974	1975	1976
SALOON CARS	7,054	5,778	6,469	5,575	5,008
STATION WAGONS	2,291	2,058	2,112	2,047	1,953
PANEL VANS, PICK-UPS, ETC.	2,997	3,067	3,528	3,878	4,169
LORRIES/TRUCKS	1,809	1,953	1,402	1,262	1,427
BUSES AND COACHES	321	328	263	186	215
MINI BUSES	100	251	322	218	202
SPECIAL PURPOSES VEHICLES	44	93	104	79	121
TRAILERS	623	589	670	587	678
ROLLERS, GRADERS, CRANES	173	56	232	108	90
WHEELED TRACTORS	1,193	1,096	957	1,042	1,138
CRAWLER TRACTORS	66	12	13	7	3
MOTOR AND AUTO CYCLES	1,490	1,182	1,137	986	1,321
THREE WHEELERS	8	11	16	13	7
ALL VEHICLES	18,169	16,474	17,225	15,988	16,332

LICENCES ISSUED FOR VEHICLES ON HIRE, 1972-1976

TABLE 14.4 NUMBERS

	1972	1973	1974	1975	1976
PASSENGER SERVICE VEHICLES	3,447	3,380	3,583	2,711	2,996
FREIGHT TRANSPORT VEHICLES	3,418	3,767	4,096	3,641	4,388
TOTAL	6,865	7,147	7,679	6,352	7,384

14.6. *Kenatco.*—Inspite of the ban imposed in 1974 by Tanzania on heavy duty vehicles, Kenatco continued to transport the bulk of Kenya's exports to Zambia during 1976. However, with the Tazara Railways now in operation and the diversion of most of Zambia's export and import traffic to Dar es Salaam, the transportation of goods by road in Tanzania, by Kenatco, for Zambia, declined during the year. Kenatco's operations in Tanzania were halted altogether in February, 1977, after Tanzania closed its borders with Kenya. During the year, however, the company, transported nearly half of Rwanda's trade through Mombasa and a sizeable portion of coffee from Zaire to Mombasa via Uganda. The volume of traffic to southern Sudan handled by Kenatco also increased in 1976.

14.7. The prospects for Kenatco in 1977 are not particularly encouraging. When Tanzania closed its border with Kenya, nearly one-third of the com. pany's fleet of long-haul vehicles was held up by the Tanzanian Government.

This situation has adversely affected the company's total capacity to transport goods as well as cutting its operations to Zambia. However, the company has started bulk transportation for Uganda of its merchandise trade passing through Mombasa. To date over 12,000 tonnes of coffee have been moved, and a contract for the transport of a further 22,000 tonnes has been awarded to the company. Traffic to and from southern Sudan and Rwanda is expected to improve further in 1977.

Railways

14.8. The East African Railways Corporation continued to be beset in 1976 by the financial crises caused by non remittance of corporation funds between the Partner States. Kenya region was consequently obliged to require payments in Kenya currency for movement of goods to and from the other two Partner States and passing through Kenya; and to discontinue the transfer of rolling stock between the States. Kenya ultimately took the inevitable final step of taking over the sole responsibility for railway operations within Kenya.

14.9. During the year, the carrying capacity of the railways was lower than it need have been because rolling stock and locomotives were laid up for lack of spares. Efforts continued throughout the year to restore the facilities. Although the situation gradually improved, capacity was not back to normal by the end of the year,

14.10. The corporation made capital investments during the year on the purchase of more rolling stock and locomotives; for expanding facilities for maintenance of diesel locomotives; and for improving the permanent way. A sum of K£9.2 million was committed for the purchase of locomotives and rolling stock. Some of the locomotives arrived in February, 1977, and 25 passenger coaches have been ordered. The first stage of conversion of Nairobi workshops to undertake the maintenance of diesel locomotives was completed during the year, and plans for stage two are in hand. The new Changamwe marshalling yard is expected to be in operation in 1977. Phase one of the Konza/Sultan Hamud realignment programme was completed during 1976, and materials ordered for the realignment of the Mazeras/Mariakani section of the main line.

Harbours and Shipping

14.11. As shown in Table 14.5, the total throughput at the port of Mombasa in 1976 declined to 5.5 million tonnes—a fall of 7.5 per cent over the 1975 figure. The decline was due to lower imports of crude petroleum as well as to a lesser volume of exports of fuel and bunker oils. Substantial increases were recorded in landings of iron and steel, sugar, rice, and palm oil. There were also increases in exports of cement and clinker, maize, coffee, soda ash and fluorspar. In 1976 the volume of dry cargo landed rose by 12 per cent and of that loaded by 8.3 per cent over the depressed levels of 1975.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1972-1976

TABLE 14.5 '000 TONS

	1972	1973	1974	1975	1976*
LANDED:					
DRY CARGO	1,237	1,175	1,292	856	1,031
BULK LIQUIDS	2,564	2,998	2,762	3,303	2,618
TOTAL	3,801	4,173	4,054	4,159	3,649
LOADED:					
DRY CARGO	1,418	1,820	1,724	1,366	1,480
BULK LIQUIDS	703	731	744	423	375
TOTAL	2,121	2,551	2,468	1,789	1,855
TOTAL FREIGHT HANDLED	5,922	6,724	6,522	5,948	5,504

*PROVISIONAL.

14.12. A total of 1,352 ships called at Mombasa in 1976, compared with 1,601 ships in 1975. The decline in traffic meant the port was operating below capacity. Nevertheless slow clearance of imports by importers did on occasion cause a shortage of storage space.

14.13. Significant progress was achieved in port development during the year. Berths 16 and 17 and the new tug berth were completed and work on berth 18, designed specifically for container handling, commenced. Work on the new cold store was well underway by the end of the year, and most of the new services area is now in use. New handling equipment was also received and made operational during the year.

14.14. The East African National Shipping Line jointly owned by Kenya, Tanzania, Uganda and Zambia, plies a fleet of four vessels between East Africa and North-West Europe. In 1976 the fleet made 24 voyages, carried 181,000 tonnes of cargo and had gross earnings of K£4.5 million. Operations out of Mombasa accounted for 89,400 tonnes and revenue of K£1.8 million.

14.15. The Kilindini dry dock, which has been under construction since 1974, is due for completion in 1977. It has a length of 180 metres, a width of 29 metres, and handling capacity of 18,000 gross tonnes. It will be the only dry dock on the Eastern African seaboard between Durban and Suez, and will attract additional ship repair work to Mombasa.

Pipeline Transportation

14.16. The Kenya Pipeline Company was formed in 1974 by the Government to construct and manage the Nairobi-Mombasa petroleum products pipeline. The financing arrangements for the pipeline have been completed

and engineering design is now nearly finished; contracts for materials have been placed and some construction work initiated. To date the piping required for the line has been received, and other materials are arriving steadily.

14.17. Four pumping stations each of 4,500 hp will be completed in the first phase and the Nairobi terminal will have a storage capacity of nearly 87,000 cubic metres. A spur pipeline will serve Embakasi Airport where a further 40,000 cubic metre storage capacity is being installed. Initially the line will be commissioned using two stations and the Nairobi terminal. The first flow through the pipeline is expected to reach Nairobi in the first quarter of 1978.

Civil Aviation

14.18. The financial crisis that plagued the East African Community corporations in 1976 particularly affected the operations of the East African Airways Corporation. The problems of under-capitalization and non-transfer of funds to the headquarters from the Partner States finally caused the collapse of the airline in February, 1977. As a result and in order to safeguard the tourist industry, and continue to provide essential services, Kenya launched its national airline—Kenya Airways.

14.19. In the short period since its launching, Kenya Airways has reopened the international routes to Western Europe as well as domestic routes. By May, 1977, it had extended its operations to the Indian sub-continent and destinations in Africa. A rapid build-up of traffic is expected during 1977.

14.20. Civil aviation traffic control had been the responsibility of the East African Directorate of Civil Aviation. Along with the sister Meteorological Services, the Directorate of Civil Aviation ran into financial crisis in early 1977. This prompted the Kenya Government to assume responsibility for the provision of these services in April, 1977.

Airport Development

14.21. *Nairobi Airport.*—The major development to expand the Nairobi Airport, which has been underway for sometime, is nearing completion. The development includes the construction of a new runway, now complete, and a passenger terminal complex comprising separate arrival and departure buildings and four airbridges for direct passenger access to aircraft. Other developments include an air traffic control block, a cargo terminal and ancillary buildings. Construction of the airport buildings has been delayed owing to the effects of world inflation and escalating costs. However, the major part of the works will be ready in 1977. The total project is estimated to cost some K£28 million. A dual carriage-way road linking the new facilities with the city centre is also under construction; and is due for completion at the same lime as the airport complex.

14.22. *Mombasa Airport.*—The improvement of Mombasa airport up to international standards commenced in 1974. The work entails large-scale civil engineering and building construction. The runway was completed in

October, 1976, and was opened for use by wide-bodied aircraft in March. 1977. Construction is continuing on the new passenger terminal and is scheduled to open for partial use in December, 1977, with completion planned for early 1978. The final cost of the project is estimated to amount to K£11 million.

14.23. Other developments include Kisumu Airport where improvements to the runway, the traffic control block and the fire station have already been completed. Provision of engineering services will be finished in 1977. Lamu airstrip has also undergone expansion to allow its use by twin-engined air. craft; and its further development to receive larger planes used on internal routes by Kenya Airways is planned for 1977.79.

Airport Traffic

14.24. Table 14.6 details passenger and freight traffic at Nairobi Airport. The increase in activity at the airport was small compared with that in the previous year. The only category of passenger traffic to increase in 1976 was transit traffic, which rose by 10.1 per cent while the number of landing and embarking passengers fell by 1.5 per cent. The volume of cargo landed declined for the second year running, this time by 9.5 per cent, but the volume of cargo loaded increased by 5.8 per cent, mainly owing to increased airlifting of Kenya's exports of fruit and flowers. Total handling of cargo and mail increased marginally.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1972-1976

Table 14.6

	1972	1973	1974	1975	1976*
PASSENGERS—000'S					
LANDED	409.8	418.4	430.3	463.4	459.1
EMBARKED	438.9	415.3	437.0	479.1	469.1
IN TRANSIT	283.1	315.2	352.0	448.0	493.4
TOTAL	1.131.8	1,148.9	1,219.3	1,309.5	1,421.6
FREIGHT—TONS					
CARGO: LANDED	7,314.8	8,459.7	9,455.0	8,662.2	7,836.4
LOADED	16,373.6	17,890.2	19,382.0	22,537.6	23,843.2
MAIL: LANDED	1,057.7	917.0	1,026.3	1,197.6	977.0
LOADED	1,186.8	1,035.4	1,077.8	1,200.9	1,035.1
TOTAL	25,932.9	28,302.3	30,941.1	33,598.3	33,691.7

*PROVISIONAL.

14.25. As shown in Table 14.7, passenger traffic at Mombasa airport rose by 20.7 per cent in 1976, largely because of a dramatic rise in transit traffic. The volume of cargo handled declined slightly by 1.2 per cent.

TABLE 14.7 COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1972-1976

	1972	1973	1974	1975	1976*
PASSENGERS—000'S					
LANDED	75.1	87.4	115.9	130.5	135.9
EMBARKED	76.5	87.3	117.3	133.9	133.6
IN TRANSIT	40.5	41.2	57.1	20.9	74.8
TOTAL	192.1	215.9	290.3	285.3	344.3
FREIGHT—TONS					
CARGO: LANDED	227.6	254.9	309.0	237.1	227.2
LOADED	326.1	349.6	437.1	309.6	316.8
MAIL: LANDED	64.6	64.5	69.8	55.5	55.0
LOADED	52.6	47.0	48.2	44.7	40.1
TOTAL	670.9	716.0	864.1	646.9	639.1

*Provisional

Posts and Telecommunications

14.26. *Postal Services.*—The African Posts and Telecommunications Corporation, and its subsidiary, East African External Telecommunications Ltd., continued to expand the provision of their services further, as shown in Tables 14.8 and 14.9. During the year five sub-post offices were upgraded to departmental status and a further 21 sub-offices were established in different parts of the country. A total of 550 post offices were in operation in 1976. The number of private letter boxes increased by 13 per cent to 91,321 in 1976; while the number of ordinary letters handled increased by 18.8 per cent to 139 million. There was a marginal increase in the number of registered and insured articles handled but the number of parcels handled declined slightly.

TABLE 14.8 POSTAL AND TELECOMMUNICATION SERVICES, 1972-1976 NUMBERS

	1972	1973	1974	1975	1976
POST OFFICES	433	460	506	535	550
POST OFFICE PRIVATE BOXES	58,175	64,960	72,141	80,831	91,321
TELEPHONE SUBSCRIBERS' LINES	43,775	46,903	49,654	53,028	57,050
PUBLIC CALL OFFICES	295	315	335	354	396
TELEGRAMS HANDLED—000'S	603	528	532	541	609
PARCELS HANDLED—000'S	695	661	657	608	543
MANUAL TELEPHONE CALLS MADE —000'S	7,566	8,215	9,354	9,760	10,018
REGISTERED AND INSURED ITEMS —000'S	4,388	4,047	4,304	4,498	4,535
TELEX SUBSCRIBERS	270	451	556	516	757
ORDINARY LETTERS HANDLED MILLION	107	116	96	117	139

14.27. *Telecommunications.*—The number of subscriber telephone lines installed increased by 7.6 per cent to 57,050, and the number of extensions rose by 7.9 per cent to 74,793. Forty-two additional public call boxes were installed and another 241 telex lines added. Effective manual telephone calls were only 2.6 per cent higher in 1976 than in 1975. As shown in Table 14.9, international telecommunications services expanded appreciably, but telegraph services remained almost static. The large increase in overseas telephone and telex services reflects the effects of increased economic activity in Kenya in 1976.

TABLE 14.9 EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1972-1976

	1972	1973	1974	1975	1976**
TELEGRAPH SERVICE '000 CABLES	482.3	487.0	306.5	403.1	409.6
TELEPHONE SERVICE '000 PAID MINUTES	1,097.5	1,712.5	1,963.0	2,497.8	3,934.6
TELEX SERVICE '000 PAID MINUTES	420.8	560.0	874.1	1,511.2	1,824.0
*LEASED CIRCUITS REVENUE £'000	396.1	398.1	325.8	371.4	445.5

*INCLUDES LEASED CIRCUITS, PRESS RECEPTION AND TRANSMISSION EQUIPMENT, HIRE AND MAINTENANCE.

**PROVISIONAL

14.28. Six new exchanges were opened in 1976, increasing the total to 223; and their capacity went up by 14.3 per cent to 78,000 channels. Both radio telephone and telegraph multiplex capacity was also increased.

Information and Mass Communications

14.29. The Department of Information opened four new information offices during 1976. All districts in the country except West Pokot are now covered. As reported in last year's Economic Survey, installation of VHF facilities in various district offices is continuing.

14.30. Radio services cover over 80 per cent of the country. There was no major expansion in television during the year. In 1976 a total of 97,971 new radios and 3,458 TV sets were sold, as shown in Table 14.10. These figures are significantly higher than those for the past four years.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1972-1976

TABLE 14.10 NUMBERS

	1972	1973	1974	1975	1976
RADIOS	84,650	85,243	77,869	87,997	97,971
TELEVISION SETS	2,658	2,575	2,647	2,847	3,458

14.31. Training requirements of the Ministry of Information and Broad. casting are being catered for by the Institute of Mass Communications. During the year 46 trainees ranging from technicians to information assistants completed training courses successfully and a further 62 trainees have joined the institute this year. The institute also hosted several international conferences and seminars.

14.32. *Newspapers.*—Table 14.11 details daily/weekly average circulation for the main newspapers in the country. Both English and Swahili dailies and weeklies increased their circulation. Swahili weeklies, the most popular of all newspapers, increased their circulation by 11.6 per cent. The effective readership is much higher then is indicated by the figures given in the table.

DAILY/WEEKLY AVERAGE NEWSPAPER CIRCULATION*. 1974-1976

TABLE 14.11 NUMBERS

	1974	1975	1976
MORNING NEWSPAPERS			
ENGLISH	95,979	97,883	103,771
SWAHILI	25,252	31,625	32,208
OTHER NEWSPAPERS			
ENGLISH WEEKLIES	62,798	63,947	81,837
SWAHILI WEEKLIES	100,527	114,831	128,169

*A SMALL FRACTION CIRCULATES OUTSIDE KENYA.

CHAPTER 15—EDUCATION, HEALTH AND OTHER SOCIAL SERVICES

Total Central Government expenditure on education, health and other social services rose by about K£17 million in 1976/77, against a rise of K£13 million in 1975/76. These increases underline the Government's con. tinued drive to improve and expand the social services. The need to improve such services and in particular to increase their availability in rural areas—a major Government policy objective—is demonstrated by the social indicators given at the end of this chapter. Development expenditure on education, health and other social services, which had fallen from K£13.4 million in 1974/75 to K£12.1 million in 1975/76, rose to K£17.7 million in the Estimates for 1976/77. Details on expenditure on social services by the Central Government and local authorities are noted in Tables 15.1 and 15.2.

Table 15.1 CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1972/73-1976/77 K£ '000

	1972/73	1973/74	1974/75	1975/76	1976/77
RECURRENT EXPENDITURE—					
Ministry of Education	37,033	41,901	55,283	66,587	72,430
Ministry of Health	10,617	12,145	16,903	19,522	24,454
Ministry of Labour	1,610	1,928	2,653	2,813	3,289
Ministry of Housing and Social Services**	635	727	1,216	1,655	1,514
DEVELOPMENT EXPENDITURE—					
Ministry of Education	2,809	2,738	4,392	2,403	5,684
Ministry of Health	2,183	2,321	3,499	4,445	6,495
Ministry of Labour+	53	34	16	50	40
Ministry of Housing and Social Services**	4,639	4,721	5,550	5,212	5,443
TOTAL EXPENDITURE	59,579	66,515	89,512	102,687	119,349

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

Education

15.2. As laid down in the KANU Manifestoes of 1963 and 1970, free primary education is a major objective. An important step in attaining this goal was taken in 1974 when free primary education was introduced in Standards I to IV. Recurrent expenditure on education has continued to account for more than 50 per cent of the total Government expenditure on all social services. It has almost doubled from K£37 million in 1972/73 to an estimated K£72 million in 1976/77. Expenditure by the Ministry of Education is set out in detail in Table 15.3

Table 15.2 LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1972-1976 K£'000

	1972	1973	1974	1975	1976*
Education	3,356	4,131	4,503	4,702	4,883
Health	1,509	1,864	2.207	2,641	2.093
Housing	3,401	3.325	5.374	5.797	2.995
Other Social Services	2,209	1,789	2,849	3,074	2,774
TOTAL	10.475	11,108	14,933	16,214	12,745

* Provisional.

Table MINISTRY OF EDUCATION EXPENDITURE*, 1972/73-1976/77 15.3 K£'000

	1972/73	1973/74	1974.75	1975/76	1976/77*
RECURRENT EXPENDITURE					
ADMINISTRATION AND GENERAL	2,033.7	2,364.9	1,705.4	2,075.2	2,845.9
PRIMARY EDUCATION	20,300.9	24,795.5	33,911.8	43,526.2	47,486.6
SECONDARY EDUCATION	6,269.7	7,005.7	8,296.2	9,523.3	9,935.8
TECHNICAL EDUCATION	997.5	1,074.0	1,653.1	793.2	898.8
TEACHERS TRAINING	1,499.8	1.596 3	1,717.1	2,214.6	2,575.6
SPECIAL SCHOOLS	137.5	149.4	211.2	249.8	284.2
TEACHERS SERVICE COMMISSION	116.0	133.6	237.4	298.3	441.7
HIGHER EDUCATION	4.620.3	4.740 3	7,041.9	6,491.0	6,343.3
OTHER SCHEMES AND SERVICE	1,058.0	41 .7	509.2	1,415.0	1,617.5
TOTAL ..	37,033.3	41.901 4	55,283.2	66,586.7	72.429 7
DEVELOPMENT EXPENDITURE					
PRIMARY EDUCATION	16.4	21.0	34.3	82.5	253.4
SECONDARY EDUCATION	1,011.0	1,358.7	2,889.3	1,016.0	1,073.2
TEACHER TRAINING	70.5	36.7	233.6	137.1	1,911.2
KENYATTA COLLEGE	55.2	102.4	114.2	31 6	46 0
TECHNICAL EDUCATION	44 8	238.0	212.9	682.6	1,046.0
HIGHER EDUCATION	558.9	313.7	281.7	162.6	227.3
IDA PROJECT	1,006 8	614 0	—	65.4	161.6
SPECIAL SCHOOLS	37.5	41 .7	441.7	48.9	60.0
SITE SURVEY AND PLANNING	7.4	12.3	184.5	176.2	905.4
TOTAL	2,808.5	2,738.5	4,392.2	2,402.8	5,684.0

*ESTIMATES

15.3. The increase in enrolments in the primary schools, which had risen by 51 per cent in 1974 when free primary education was introduced in Standards I to IV, dropped to 5.4 per cent in 1975 and 0.5 per cent in 1976. The very low increase in 1976 seems to indicate a saturation of demand for education after the initial rush to take advantage of free primary education. Details on primary school enrolment are noted in Table 15.4. The total primary school enrolment had risen to 2,894,617 in 1976 and of this number, 2,388,270 were in the 6.12 year age group. This amounts to 86.7 per cent of the total estimated population in the age group. Comparisons by province indicate that some provinces had over 100 per cent enrolment. This is accounted for mainly by the fact that children in provinces with insufficient vacancies are sent to schools in other provinces.

Table 15.4 PRIMARY SCHOOL ENROLMENT BY PROVINCE, 1974-1976 *Numbers'000*

PROVINCE	1974	1975	1976			PERCENTAGE INCREASE	
			TOTAL ENROLMENT	PUPILS AGED 13 +			
				NO.	PER CENT OF TOTAL	1974/75	1975/76
CENTRAL	540.8	558.1	571.6	118.0	20.6	3.2	2.4
COAST	152.0	156.9	160.2	32.0	20.0	3.2	2.1
EASTERN	521.8	545.9	543.2	77.0	14.2	4.6	—0.5
NAIROBI	81.4	83.4	84.7	12.0	14.2	2.5	1.6
NORTH EASTERN	8.7	7.0	7.5	2.8	24.0	—19.5	7.1
NYANZA	573.0	602.9	550.6	63 4	11.5	5.2	—8.7
RIFT VALLEY	456.7	495.7	530.6	78.1	14.7	8.5	7.0
WESTERN	400.0	431.3	446.2	59.7	13.4	7.8	3.4
TOTAL	2,734.4	2,881.1	2.894.6	442.9	15.3	5.4	0.5
NO. OF SCHOOLS	7,668	8,161	8,544	—	—	10.6	4.7

15.4. Total enrolment in secondary schools, including that in technical secondary schools, increased from 226,800 in 1975 to 280,400 in 1976, a rise of 24 per cent. Enrolment went up most significantly in Nyanza with an increase of 45 per cent, followed by Western with 36 per cent, Nairobi 22 per cent, Central 20 per cent, Rift Valley 18 per cent, and Eastern 17 per cent. Increases in enrolments in the Coast and North-Eastern Provinces were how. ever nominal. At the national level 42 per cent of the total enrolment in Standard VII in 1975, entered Form I in 1976—a significant increase over the 34 per cent recorded the previous year. Secondary schools in Nairobi in 1976 absorbed 90 per cent of the total enrolment in Standard VII in Nairobi in 1975. The increase in numbers enrolled in secondary schools in 1976 was made possible mainly by an increase of 120 secondary schools in the country.

Secondary School Enrolment by Province and Sex, 1974-1976

Table 15.5

	Enrolments '000.s			Form 1 enrolment as percentage of previous year's Standard		
	1974	1975	1976*	1974	1975	1976*
Central	51 .4	55.6	66.7	39	36	47
Coast	17.4	16.4	16.5	45	39	40
Eastern	35.4	38.5	45.1	31	33	36
Nairobi	21.1	22.9	28.0	71	70	90
North-Eastern	0 .4	0.5	0.6	33	28	33
Nyanza	28.8	31.8	46.1	23	26	36
Rift Valley	21.4	29.2	34.5	29	29	35
Western	20.2	31.9	42.8	26	36	50
Total	195.8	226.8	280.4	33	34	42
Girls	68.6	81.5	103.7	35	36	43
Boys	127.2	145.3	176.7	33	34	40
No. of Schools	971	1,160	1,280	—	—	—

*Provisional

15.5. *Technical and Vocational Education.—To* help avoid a surplus of job-seekers for white-collar employment and to meet the country's require. ments for manpower with technical skills, the Government has introduced teaching of technical subjects in four secondary schools in addition to the Kenya and Mombasa Polytechnics. Specialized courses are also offered at the Railway and Post Office Training Schools, a school run by East African Power and Lighting Company, Utalii College and the Kenya Institute of Mass Communication. The development of various Harambee institutes of technology also continued in 1976. Kiambu Institute of Technology passed out its first graduates and Murang'a and Kirinyaga Institutes admitted their first intakes of students, during the year.

15.6. The fall in enrolment at primary teacher training colleges, which was first observed in 1975, continued into 1976, with the total number of trainees falling slightly from 8,630 to 8,537. Table 15.6 refers. The drop is in line with the long-term objective of providing improved quality of teachers in the primary schools, by training them at the institutes such as the Kenya Science Teachers' College, and phasing out the cadre of P3 teachers who have a more limited basic qualification.

Table 15.6 Enrolment in Teacher's Training Colleges, 1975 and 1976

	Academic Year	1975			1976		
		Male	Female	Total	Male	Female	Total
Secondary School Teachers*—							
St	1st	134	56	190	126	54	180
	2nd	132	41	173	116	49	165
	3rd	98	27	125	133	41	174
Total ..	—	364	124	488	375	144	519
Primary School Teachers—							
PI	1st	1,792	1,087	2,879	422	198	620
	2nd	1,641	833	2,474	1,802	1,084	2,886
P2	1st	939	654	1,593	937	482	1,419
	2nd	930	587	1,517	920	635	1,555
P3	1st	45	38	83	1,239	707	1,946
	2nd	53	31	84	49	62	111
Total		5,400	3,230	8,630	5,369	3,168	8,537
Special Education		13	23	36	64	67	131
Grand Total		5,777	1 3,377	9,154	5,808	3,379	9,187

*Kenya Science Teachers College only.

15.7. Distribution of undergraduate and post-graduate students enrolled at the University of Nairobi by type of course is shown in Table 15.7. The drop in the total number of students enrolled in 1975 was reversed in 1976 with increases being recorded in the faculties of Architecture, Science, Engineering, Veterinary Science, Medicine and Agriculture. However, enrolment in the faculties of Arts and Education dropped significantly. Enrolments at the Kenyatta University College continued to decrease, falling from 1,219 in 1975 to 1,127 in 1976. There was a particular increase in 1976/77 from 418 to 578 in the number of persons registered for post-graduate studies. Five years earlier the number was only 234.

University of Nairobi—Kenya Students by Faculty, 1972/73-1976/77

Table 15.7 Numbers

	1972/73	1973/74	1974/75	1975/76	1976/77
Undergraduate Courses					
Arts	802	785	577	514	448
Science	299	298	417	324	447
Commerce	253	351	374	421	443
Architecture	88	123	92	79	132
Engineering	266	389	366	411	470
Veterinary Science	117	155	187	191	229
Medicine	323	396	469	537	585
Building and Land Economics**	149	200	216	216	209
Agriculture	122	146	160	185	211
Law	139	161	177	182	186
Home Economics				—	—
Education	204	583	941	916	830
Total	2,762	3,587	3,976	3,976	3,990
Postgraduate Courses	234	358	471	418	578
Diploma Courses.					
Domestic Science	—	—	—		—
Art/Design	—	—	—	—	—
Diplomacy	—	7	14	7	7
Land Development and Survey	—	—	—	—	—
Advanced Nursing	29	31	37	38	35
Journalism	13	19	30	18	30
Adult Education	14	14	12	12	20
Total	56	71	93	75	92
Other Courses	—	—	29	9	16
All Kenya Students	3,052	4,016	4,569	4,478	4,676
Students from Other Countries	190*	604	665	528	574
Total	3,842	4,620	5,234	5,006	5,250

*Including 24 postgraduate vacation students not classified by faculty or citizeship.

**Including B.A. Design.

15.8. The Government is striving to enhance literacy amongst those who lack formal education. This is being done at literacy training centres. There were 1,634 such centres operating in 1976 with a total enrolment of 32,778. The programme also offers opportunities to adults to obtain formal training which would qualify them to sit for the examination leading to a Certificate in Primary Education. In 1976, there were 131 centres offering formal education to 1,508 adults, of which 954 sat for the Certificate of Primary Education examination and 582 secured a pass.

Health Services

15.9. Total Central Government and local authority expenditures on the provision of health services are set out in Tables 15.1 and 15.2. Central Government expenditure has risen from K£12.8 million in 1972/73 to K£30.9 million in 1976/77 with a particularly sharp rise of K£7.0 million in 1976/77 itself. An important aspect of this development is the increase in expenditure on expansion of facilities for training of medical and para. medical staff. An increase in enrolments of students at the School of Medicine in the University of Nairobi from 169 in 1970/71 to 585 in 1976/77 high. lights this development.

15.10. Table 15.8 sets out the numbers of hospital beds available in 1974 and 1975 in Government hospitals, excluding those run by local authorities, e.g. Pumwani Maternity Hospital. The table shows there was growth in the number of hospital beds in all provinces except Nairobi and NORTH-EASTERN Province. Additionally health institutes run by the Catholic Church have been reported to operate 5,144 beds and cots in 1975.

Hospital Beds and Cots by Province. 1974-1975

Table 15.8 — Numbers

	1974	1975
Central	1,506	1,924
Coast	1,334	1,377
Eastern	1,255	1.566
North Eastern	241	241
Nyanza	954	1,425
Rift Valley	1,574	2,355
Western	654	929
Nairobi	2,767	2,767
Total	10,285	12,584

15.11. The increases in hospital facilities have been due to the construction of new hospitals and health centres and also to extensions to existing ones. A major development in 1976 was the continued extension to the Kenyatta National Hospital. Other important projects were the construction of various health centres to provide health services to the rural public as a part of the overall objective to provide a health centre for each group of 50,000 people. This will help reduce the distances travelled to secure health and medical care services. The recent Integrated Rural Survey conducted by the Central Bureau of Statistics indicated that 80 per cent of the rural population had to travel more than two miles to obtain medical facilities in 1974/75. For many, the journey would have been substantially longer and such distances would seem intolerable to a sick person.

15.12. The total number of doctors and dentists, pharmacists, nurses and midwives is shown in Table 15.9. The number of doctors, dentists and pharmacists rose from 1,444 in 1974 to 1,775 in 1976. This is equivalent to about one doctor per 8,000 population—a very inadequate supply by international standards. Moreover, the concentration of doctors in major urban areas increases the number of population per doctor in rural areas disproportion. ately. Between 1975 and 1976 the number of nurses and midwives rose from 17,688 to 19,172. There were similar increases in the numbers of other para. medical personnel not shown in the table. These rises are attributable to an increase in training facilities in the country.

REGISTERED MEDICAL PERSONNEL, 1973-1976

TABLE 15.9 NUMBERS

	1973	1974	1975	1976
DOCTORS AND DENTISTS	892	1,242		1,567
PHARMACISTS	141	202		208
NURSES				
REGISTERED	4,490	4,876	5,911	6,237
ENROLLED	5,783		6,421	7,199
MIDWIVES				
REGISTERED	1,980	2,171	2,369	2,529
ENROLLED	2,502	2,764	2,987	3,207

15.13. The outbreak of cholera in the last quarter of 1974 continued into 1975 and 1976 with 1,120 and 1,291 cases, and 31 and 20 deaths reported, respectively, in these years. The spread of the disease is now under control. Table 15.10 shows that there were also significant increases in deaths from tetanus and cerebro-spinal meningitis in 1976.

REPORTED CASES OK SOME INFECTIOUS DISEASES. 1973.1976

Table 1510 Number

	1973		1974		1975		1976	
	Cases	Deaths	Cases	Deaths	Cases	Deaths	Cases	Deaths
Acute Poliomyelitis	190	7	583	30	197	11	210	6
Anthrax	282	2	212	2	194	1	338	1
Brucellosis	94	2	65	—	256	4	244	—
Carebro-Spinal Maningitis	97	37	153	36	511	81	947	169
Dysentry	19,208	77	28.866	65	17,726	120	14,532	87
Encephalitis (Primary)	3	—	5	1	27	2	10	1
Infectious Hepatitis	819	21	1,483	33	891	40	714	32
Kala-Azar	197	8	174	4	226	10	184	4
Leprosy	262	9	326	13	340	3	449	2
Schistosomiasis	2,847	—	1,792	—	8,800	6	9.567	1
Tetenus	663	272	815	215	604	204	691	250
Trypanosomiasis	13	2	9	—	19	—	7	—
Typhoid Fever	196	11	241	14	273	12	164	26
Cholera*	—	—	413	43	1,120	31	1,291	20
SMALL POX	—	—	—	—	—	—	—	—

*INCLUDES LABORATORY CONFIRMED CASES ONLY.

15.14. The total number of contributors to the National Hospital Insurance Fund rose by 15,000 to 170,000 in 1975/76, with a consequential rise in total contributions from K£1.42 million to K£1.74 million. Table 15.11 refers. Benefit outlays rose by a slightly larger margin than contributions from K£1.31 million in 1974/75 to K£1.65 million in 1975/76 and as a result net contributions to the fund declined from K£108,427 to K£92,002. Owing to inflation most hospitals increased their daily charges.

NATIONAL HOSPITAL INSURANCE FUND, 1966/67—1975/76

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
1975/76	1,741,671	1,649,669	92,002

*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.

15.15. The population of Kenya was estimated at 13,847,000 in 1976 and is increasing at slightly more than 3.3 per cent a year. The estimated number of females aged 15 to 49 years is 3 million, or about 25 per cent of the total population. The total number of revisitors to family planning clinics and acceptors of family planning measures in 1976 was only 303,210, i.e. about 12 per cent of mothers of child-bearing age. It is therefore evident that greater efforts will have to be made if the five-year family planning programme is to attain its goal of recruiting 640,000 new acceptors. The objective of the programme had been to reduce the rate of population growth to about 3 per cent by 1978 but this now seems to be impossible to achieve.

Other Social Services

15.16. *Community Development.*—Self.help projects in rural areas are an important aspect of the drive to harness resources for development. The value of self-help projects, excluding contributions to institutes of technology, is set out in Table 15.12. Although the total number of projects dropped from 14,858 in 1975 to 13,286 in 1976, the cost of these projects over this period in terms of value of contributions rose from K£4.81 million to K£5.14 million.

15.17. *Youth Development.*—The number of village polytechnics in operation rose from 130 in 1975/76 to 160 in 1976/77, and the total number of trainees from 9.750 to 12,000. The employment record of the graduates in one or other of the 20 different skills offered in these polytechnics has so far been very good.

15.18. *National Youth Service.*—During 1975 and 1976 the Service enrolled, respectively, 3,496 and 3,706 persons. Training is offered in such various skills as motor engineering, masonry, carpentry, plumbing, driving, etc. The service also helps its graduates to obtain jobs, and secured 588 and 686 direct job placements in 1975 and 1976, respectively. Over the last two years the service built among others roads in settlement schemes in the Rift Valley and Western Provinces, it built dams and continued to operate its farms and ranches.

VALUE OF SELF-HELP PROJECTS, 1975-1976

TABLE 1512

	1975		1976	
	NO. OF PROJECTS	VALUE K£'000	NO. OF PROJECTS	VALUE K£'000
EDUCATION—				
PRIMARY SCHOOLS	5,722	1,993	4,440	2,200
SECONDARY SCHOOLS	621	671	540	701
TEACHERS' HOMES	959	194	805	200
NURSERIES	1,818	170	1,570	254
TOTAL	9,120	3,028	7,355	3,355
HEALTH	459	192	440	189
SOCIAL WELFARE AND RECREATION	1,304	683	1,350	710
DOMESTIC—				
LATRINES	316	19	450	20
KITCHENS	29	19	85	11
OTHERS	377	75	380	72
TOTAL	722	113	915	103
WATER SUPLIES	1,025	297	900	300
TRANSPORT AND COMMUNICATION	256	40	260	42
AGRICULTURE	1,397	277	1,400	306
FISH PONDS	4	1	6	1
MISCELLANEOUS	571	179	660	136
TOTAL	14,858	4,810	13,286	5,141

15.19. *National Social Security Fund.*—The number of employers registered with the fund rose by 863 in 1976, compared with a rise of 1,530 in 1975. At the end of 1976 the total number of employers registered with the fund was 25,681. The number of employees covered by the fund increased

by 49,804 in 1976, compared with an increase of 75,191 in 1975. There was a decrease in the contributions received, which fell from K£2.43 million in 1975 to K£12.05 million in 1976 but the fund continued to operate at a high level of net receipts with the total invested by the fund rising to K£88.7 million at the end of 1976.

NATIONAL SOCIAL SECURITY FUND CONTRIBUTIONS AND BENEFITS, 1966-1976

TABLE 15.13 K£MILLION

	CONTRIBUTIONS RECEIVED	BENEFITS PAID	CONTRIBUTIONS NET OF BENEFITS	INVESTMENTS* DURING THE YEAR
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
1976	12.05			18.75
TOTAL ..	81.48	..	..	88.70

*ANNUAL INVESTMENTS ARE MADE UP OF NET CONTRIBUTIONS PLUS INVESTMENT INCOME AND BANK INTEREST.

Some Social Indicators

15.20. To conclude the chapter, some social indicators obtained from the Integrated Rural Survey are detailed in Table 15.14. These indicators detail average distances to a selected list of social amenities. There is a wide range shown in the table with the Eastern, Nyanza and Coastal Provinces in general much worse served than the other three. The Western Province has the highest proportion of its population served by these social amenities near to the home.

15.21. What is perhaps most surprising is that a dry season water supply less than two miles from the household is only available to 66 per cent of the rural dwellers in Coast Province. Similarly 30 per cent of primary school students in that province have to walk more than two miles to school. As for health care everywhere there are 80 per cent or more of the rural dwellers more than two miles from a health centre and a similar percentage have to travel at least as far as that to get to a post office. Bus services have obviously been expanded in the rural areas but for 73 per cent of the persons in Rift Valley Province it is necessary to travel two miles or more to reach the nearest bus route. There is still a very long way to go before these social amenities can be considered to be at all reasonable for a majority of the persons in the rural areas.

PERCENTAGE OF HOUSEHOLDS IN RURAL AREAS WITHIN SPECIFIED DISTANCE OF SOCIAL AMENITIES

Table 15.14

	Central Province	Coast Province	Eastern Province	Nyanza Province	Rift Valley Province	Western Province	National Average
SOURCE OF SUPPLY FOR DRINKING WATER:							
DRY SEASON							
Percentage of Households:							
Within 1 mile	83.06	43.33	60.80	69.48	69.86	86.57	72.15
1-1.9 miles	14.96	22.36	18.83	26.00	25.44	13-00	19.41
PRIMARY SCHOOL—							
Percentage of Households:							
Within 1 mile	42.60	32.95	39.68	44.61	31.86	51.51	42.85
1-1.9 miles	42.99	37.12	41.94	41.23	36.37	35.36	40.29
HEALTH CENTRE—							
Percentage of Housholds:							
Within 1 mile	3.97	4.36	3.30	2.14	8.52	6.68	4.10
1-1 .9 miles	13.87	16.13	11.03	13.76	9.63	7.00	11.83
MARKET—							
Percentage of Households:							
Within 1 mile	17.42	13.06	6.47	13.33	16.58	14.87	13.05
1-1 .9 miles	24.29	9.32	18.76	33.01	18.32	23.49	24.04
POST OFFICE—							
Percentage of Households:							
Within 1 mile	5.05	7.16	0.84	3.44	10.86	8.87	4.73
1-1.9 miles	18.34	13.01	2.70	6.57	5.38	9.28	8.96
BUSE ROUTE—							
Percentage of Households:							
Within 1 mile	30.84	44.02	14.41	45.08	17.18	32.78	30.76
1-1.9 miles	34.11	24.10	20.57	25.85	9.57	21.08	24.54

PERCENTAGE OF HOUSEHOLDS IN RURAL AREAS WITHIN SPECIFIED DISTANCE OF SOCIAL AMENITIES

Table 15.14

	Central Province	Coast Province	Eastern Province	Nyanza Province	Rift Valley Province	Western Province	National Average
SOURCE OF SUPPLY FOR DRINKING WATER:							
DRY SEASON							
Percentage of Households:							
Within 1 mile	83.06	43.33	60.80	69.48	69.86	86.57	72.15
1-1.9 miles	14.96	22.36	18.83	26.00	25.44	13-00	19.41
PRIMARY SCHOOL—							
Percentage of Households:							
Within 1 mile	42.60	32.95	39.68	44.61	31.86	51.51	42.85
1-1.9 miles	42.99	37.12	41.94	41.23	36.37	35.36	40.29
HEALTH CENTRE—							
Percentage of Housholds:							
Within 1 mile	3.97	4.36	3.30	2.14	8.52	6.68	4.10
1-1 .9 miles	13.87	16.13	11.03	13.76	9.63	7.00	11.83
MARKET—							
Percentage of Households:							
Within 1 mile	17.42	13.06	6.47	13.33	16.58	14.87	13.05
1-1 .9 miles	24.29	9.32	18.76	33.01	18.32	23.49	24.04
POST OFFICE—							
Percentage of Households:							
Within 1 mile	5.05	7.16	0.84	3.44	10.86	8.87	4.73
1-1.9 miles	18.34	13.01	2.70	6.57	5.38	9.28	8.96
BUSE ROUTE—							
Percentage of Households:							
Within 1 mile	30.84	44.02	14.41	45.08	17.18	32.78	30.76
1-1.9 miles	34.11	24.10	20.57	25.85	9.57	21.08	24.54

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