

REPUBLIC OF KENYA

ECONOMIC SURVEY

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Ministry of Economic Planning
and Community Affairs

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ECONOMIC SURVEY

1979

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ECONOMIC SURVEY, 1979

CHAPTER 0—CURRENT APPRAISAL AND OUTLOOK

Given the various constraints which had to be contended with, the economy, under the circumstances achieved a relatively satisfactory rate of growth in 1978, though it was lower than the growth rate registered in the boom year of 1977. The growth rate of GDP at constant prices which has been revised to the high figure of 8.6 per cent in 1977 fell to 5.7 per cent in 1978. In 1978 the terms of trade deteriorated and the balance of payments exhibited substantial difficulties leading in the later part of the year to the tightening of credit restrictions in the domestic economy and the introduction of an import prepayment scheme. The foreign reserves of the monetary authorities which had risen sharply in 1977 fell almost as swiftly in 1978 and at the end of the year were down to K£133.3 million, a fall of K£75.3 million. A substantial rise in capital expenditure had been forecast in the budget of the Central Government for 1978/79 but difficulties arising from a lower than anticipated receipt of revenues and a decline in long-term borrowings meant that the actual capital expenditure although higher than in 1978/79 was substantially below the level of original estimates. Wage employment only rose by one per cent in 1978 due largely to a fall of 8.4 per cent in agricultural employment. The Presidential directive will result in a substantial advance in the numbers employed in 1979.

0.2. The attempts by the larger industrial countries to improve the world economic growth rate had a limited success in 1978. Total GDP in the OECD countries rose by only 3.8 per cent in 1978 and this was accompanied by some fall in the rate of inflation from 9 to 8 per cent. World trade increased by 5 per cent, a rate only a little higher than in 1977. While the impact of higher crude petroleum prices, changes in relative foreign exchange rates and a generally unsatisfactory overall situation is likely to lead to a lower overall GDP growth rate in 1979 compared to that achieved in 1978, inflation appears to be accelerating once again. Balance of payments difficulties will probably have the effect of reducing the growth rate in world trade too. The scheduled and unscheduled increases in the price of crude petroleum, the coming into effect of the European Monetary System, some greater stability in exchange rates with some recovery in both the US dollar and the pound sterling, higher inflation leading to steps to control growth in money supply and little growth in prices of primary commodities excluding petroleum are the major events which will influence the world economic scene in 1979. The overall impact of these events will probably make it difficult for the non-oil developing countries to achieve without further aid the growth rates they achieved in the period 1976 to 1978.

0.3. The movement in relative prices in international trade worked to Kenya's disadvantage in 1978 and a similar trend is likely in 1979. The terms of trade in 1978 fell back; from the favourable level of 120 achieved in 1977

to 103, very close to the level of the base year 1972. This index will almost certainly be below 100 for 1979.

0.4. In the domestic economy the feeling of recovery leading to buoyant economic conditions in 1977 and a relaxation of controls had its own impact which resulted in the import boom of 1978. Many building projects were started and stocks in shops, warehouses and manufacturing establishments rose to high levels. The ensuing fall in prices of coffee and tea in late 1977 and 1978 took its toll of total export earnings. These were reduced from K£502 million in 1977 to K£396 million in 1978 with coffee earnings falling from K£204 million to K£125 million and those of tea from K£72 million to K£63 million. The rest of the fall in export was due largely to lower sales of petroleum products. Exports to Tanzania and Uganda fell by K£21 million. Alongside the reduction of K£106 million in total exports there was a substantial rise in imports from K£531 million in 1977 to K£661 million in 1978. As a result the very small trade deficit of K£30 million in 1977 deteriorated in 1978 to a record level of K£266 million. This change had a major impact on the balance of payments. The current account surplus of K£24 million in 1977 turned into a deficit of K£252 million and this record deficit could only be covered, despite a very large capital inflow of K£171 million, by running down the country's foreign reserves.

0.5. While foreign reserves fell sharply, domestic credit both to the private sector and to the Government rose substantially, with the total reaching K£613 million in December, 1978, K£159 million or 35 per cent higher than the figure of K£454 million recorded for December, 1977. The combined impact of the fall in foreign reserves and the rise in domestic credit was to raise money supply by K£85 million or by 13.7 per cent. This much lower growth in money supply than in 1977 had a marked impact on reducing the inflationary pressure on the economy. The liquidity ratio of commercial banks fell from 28 per cent at the end of 1977 to 22.7 per cent in December, 1978, and their advances/deposits ratio rose from 68.8 per cent to 76.5 per cent over the same period. The growth in domestic credit in the second half of the year was indeed solely due to increased borrowing by the Central Government. The emerging problems over the balance of payments had led to increasing restrictions on credit to the private sector and were aimed at curtailing the propensity to import.

0.6. In 1978 consumer prices went up by an average of 12.5 per cent almost the same as in 1977 and construction costs rose by 8.3 per cent, somewhat more than the rise of 7.4 per cent recorded in 1977. Consumer prices will probably rise by 9 per cent in the financial year 1978/79 over 1977/78 indicating some slowing down of inflation. A low rate of price rises is essential if Kenya's attempts to move to an economy exporting substantial quantities of manufactured products are to have a chance of success.

0.7. The continued commitments entailing high levels of expenditure on defence and education in 1978/79 together with the normal rises in other

expenditures and the impact of price rises, increased the level of Central Government current expenditure by much more than its current revenue receipts. As a result the level of surplus on the Government's current operations fell from the high level of K£72.1 million recorded in 1977/78 to only K£21.4 million in 1978/79. Current revenue receipts from the major direct and indirect taxes have dropped below the level forecast and thus the current surplus realized could not make the contribution that had been expected towards the capital budget. Also the level of long-term borrowing dropped below the estimated forecast. As a result the budgeted capital expenditure of K£270.9 million has had to be reduced to an actual level of about K£215 million. This level of actual capital expenditure is, of course, higher than the capital spending of K£190.3 million achieved in 1977/78 but it means that the first year of the new development plan has got off to only an indifferent start.

0.8. The year 1978 was a poor one for agriculture, Current receipts from marketing boards fell by 20 per cent, while the contribution of agriculture to GDP at current prices fell by 4.2 per cent and there was a small rise of only 1.4 per cent in the value added when measured at constant prices. The fall in export earnings from coffee and tea has already been commented on. Volume of marketed coffee fell back from the peak level of 97,066 tonnes achieved in 1977 to 84,328 tonnes in 1978 while its value was reduced much more significantly from K£192.9 million to K£115.6 million. Also while the volume of marketed production of tea rose from 86,291 tonnes in 1977 to 93,373 tonnes in 1978 its value fell from K£92.7 million to K£71.3 million. There were fairly substantial rises in the value of marketed output of sugar cane and livestock products in particular but these did not compensate for the reduction in the two major products.

0.9. The manufacturing sector achieved a growth of 14 per cent in its volume of output in 1978. This is the third consecutive year of high growth, and has made manufacturing the fastest growing of the productive sectors in the economy. The high level of growth in 1978 was essentially induced by the expansion of domestic demand as higher incomes from the coffee and tea boom of 1977 continued to work their way through the economy. There were high increases in output in a substantial number of subgroups and production of transport equipment in particular was nearly three times as high as in 1977. There was much activity in developing new projects or expanding enterprises. Many of these projects will find their markets in Kenya but their surplus production must find its way to export markets so as to help remove the current bottleneck of balance of payments on the country's development. While there were 14,764 enterprises in the manufacturing sector in 1978 only a very limited number offered any current potential for exports.

0.10. There was a further rise in building and construction activity in 1978 and the level of building plans approved by the local authorities in the main

urban areas together with increasing level of Government activity on construction holds out hope of a continuation of the current level of output. Wage employment in the construction sector rose by 13 per cent in 1978 and there was a growth rate in its contribution to GDP at constant prices of 6.4 per cent. Projects initiated at the time of the coffee boom in 1977 were being developed at a substantial rate in 1978 while in 1978 itself the value of building plans approved by the Nairobi City Council rose by a further 37 per cent to K£58.2 million.

0.11. Imports and domestic production were both at record levels in 1978 and despite some restocking the commerce sector had a very good year with a substantial increase in its contribution to GDP. The increased average level of expenditure of tourists benefitted hotels and restaurants and other tourism associated services despite some fall in the number of visitor-days spent by foreigners in Kenya. Earnings from tourism are estimated at K£60 million in 1978 compared with K£48 million in 1977. While wage employment in wholesale and retail trade, restaurants and hotels was marginally reduced from 60,300 in 1977 to 59,600 in 1978 the level of wages and salaries paid in the sector rose from K£39.8 million to K£44.3 million.

0.12. An increase in the volume of goods handled, higher charges and better working of the domestic organizations set up to replace the corporations previously run by the ex-East African Community led to a substantial rise in output at current prices of the transport and communications sector equal to a satisfactory growth of 5.5 per cent at constant prices. The high imports of transport equipment in 1978 mean that the sector as a whole is now much better placed to serve the needs of a developing economy.

0.13. Consumption of energy rose by 6 per cent in 1978 to a level which is 35 per cent higher than in 1972. The growth in the use of oil products has been less rapid than for energy as a whole. The commissioning of the 145 MW hydro generating capacity at Gitaru in July, 1978, has helped reduce somewhat the country's dependence on imported energy but the cost of crude petroleum and refined oil products continues to impose a heavy burden on the balance of payments. In 1978 crude petroleum and product imports cost K£116 million and for 1979 the cost will be significantly higher. It is also significant to note that net cost of oil imports, i.e. after sales of products to neighbouring countries and to ships and aircraft has risen from K£1 million in 1973 to K£49 million in 1978 and will be even higher in 1979. Domestic production of energy excluding fuel-wood and charcoal accounted for only 13 per cent of total consumption in 1978. This is an improvement on the 8 per cent recorded in 1974 but reflects the need for the most urgent development of all available sources of domestic energy.

0.14. The social scene showed little change in the numbers of children attending primary school in 1978 but the enrolments in secondary schools rose from 319,982 to 362,525 with all the increase occurring in Harambee

secondary schools. Enrolments at the university also increased substantially. There was a rise in the number of hospital beds and cots related to population to an average of more than 1.6 for each 1,000 head of population but at the same time the ratios of doctors and nurses per 1,000 both fell slightly. Recent demographic enquiries appear to show a substantial rise of the birth rate in Kenya and fewer deaths so that the population growth rate may now be approaching 3.9 per cent a year. The population census to be held later this year will provide a confirmation of this trend towards an exceedingly high growth of the population. This will have a very significant impact on the resources which will have to be diverted from investment to consumption and planning for future growth in education and employment.

0.15. Numbers in paid employment rose by only 1 per cent in 1978 against the increase of 5.3 per cent recorded in 1977. It seems obvious that the economy was unable to sustain the growth momentum generated in 1977 and this had an impact on employment. Total wages and salaries paid in 1978 are estimated at K£483 million, an increase of 12 per cent on the 1977 total of K£431.4 million. The Presidential directive on employment calls for an increase in wage employment of 10 per cent in 1979. Achievement of this percentage growth in employment will help restore the total in employment to the level hoped for in the earlier development plan. There was a fall in employment in agriculture in the private sector of 17,400 in 1978 which had a particular impact on the low overall growth rate achieved. Excluding agriculture, growth in wage employment was 3.7 per cent. A quarter of a million persons have registered as job-seekers in the early months of 1979. This total excludes 1978 school-leavers. The number who will be able to find wage employment in 1979 seems unlikely to exceed 70,000.

0.16. Average wages rose by 10.9 per cent in 1978 while the average increase in consumer prices on a year to year basis was 12.5 per cent. There was thus a further fall in real average earnings in 1978 with the fall more accentuated for employees in the public sector than for those in the private sector. The rate of increase in consumer prices, however, appears to be declining.

Outlook for 1979

0.17. Balance of payments difficulties which have already caused the tightening of credit restrictions and an introduction of the import prepayment scheme seem likely to restrain growth in the domestic economy in 1979. Sales of coffee on world markets will be low in volume and at relatively poor prices. At the same time the events in Uganda will temporarily have a standstill effect on economic life of that country, leading to extreme difficulties for Kenyan merchants wishing to do business there. Possible shortage of imported supplies due to import restrictions could have a particular impact on manufacturing sector and will also adversely effect commerce. The possible further rise in crude petroleum prices due to supply shortages will aggravate the balance of payments constraints in 1979.

0.17. Output from agriculture at constant prices is expected to be higher than in 1978 while the manufacturing sector should continue to grow although at a lower rate than the rates achieved from 1977 to 1978. The construction industry should also achieve a further advance while the transport and communications sector seems likely to continue its recovery. Wholesale and retail trade, hotels and restaurants may not achieve much growth in 1979 while the service industries in the private sector will as usual be influenced by the general level of activity in the economy as a whole. Finally the level of Government activity will show some increase as a result of the Presidential directive on employment but difficulties over revenue and external receipts may act to restrain the increase in its capital spending. On balance 1979 looks like being a difficult year with a fall in the GDP growth rate from 5.7 per cent in 1978 to the overall growth rate of between 3 and 4 per cent in 1979.

CHAPTER 1—INTERNATIONAL SCENE

The overall world economic growth rate in 1978 was little changed from the 1977 levels. On an annual basis, industrial output and total GDP in 1978 grew by 4 per cent and 3.8 per cent respectively in the OECD countries. In 1978 there was some overall acceleration in growth in Europe. Further, the rate of inflation slowed down, from around 9 per cent in 1977 to 8 per cent in 1978. The most marked slowing down in price increases took place in the U.K., Italy, and Japan. Even though the rate of growth of GDP in OECD countries continues to be below past trends, unemployment was on average slightly lower in 1978 than it had been in the previous two years. However, reduction in unemployment was concentrated in the U.S.A. as change in other countries was fairly small and in some countries unemployment actually increased.

1.2. In the present exceptional circumstances it might be appropriate to discuss some of the developments in the evolving pattern of growth in OECD countries and in world GDP while not losing sight of its impact on countries such as Kenya. In June 1978 the OECD countries agreed to institute stabilization programmes and measures to revive the world economy. Despite this, 1979 is likely to see a fall in overall growth in GDP. Changes are taking place in the relationship of the larger industrial countries to each other; for example, after two years of fairly rapid increase, growth in domestic demand in the U.S.A. is declining while in certain other countries it is speeding up. Conversely, net exports from the U.S.A. are strengthening and weakening from Germany and Japan. As a result of these divergencies, significant changes in the relative cyclical positions of the countries concerned are expected to emerge in 1979. Over the year as a whole domestic growth in Japan is likely to slow down from 7.5 per cent in 1978 to 5 per cent in 1979, while in West Germany the rate of growth in 1979 is estimated to decline to 3.5 per cent, from 5 per cent in 1978, and in the U.S.A. the continuation of tight monetary conditions could reduce growth to 2 per cent in 1979. It is thus difficult to see any real increase in the role of growth in the world GDP. in 1979. Indeed it may be difficult to achieve even the moderate growth rate of 1978.

1.3. The volume of world trade rose slightly faster in 1978 than in 1977, the increase in real terms being about 5 per cent, while the terms of trade of the non.oil developing countries deteriorated. However, the deterioration in these terms of trade was cushioned to some extent by the 9 per cent depreciation of the US dollar—the currency in which oil imports are valued. Two major initiatives were taken in 1978 to manage international trade after a period of exchange rate instability. These consisted of measures to set up the European Monetary System and the active intervention by the U.S.A. to support the dollar from November, 1978 onwards. With a lower growth rate m world GDP in 1979 as seems likely the volume of world trade will probably show a lower rate of increase than the 5 per cent recorded in 1978. Reduction

in the size of the Japanese trade surplus accompanied by a fall in the U.S.A. deficit could help ease world trade from the second half of 1979 onwards but all major oil consuming countries are having to adjust to the price rises already made in 1979 and this will have its own impact on the growth of the volume of world trade.

1.4. The UNCTAD index of commodity export prices of primary producers is given in Table 1.1. After a generally weak first half year, prices of all major groups of commodities rose markedly in the last quarter of 1978. These price rises it seems were induced by purchases for stockbuilding, faster growth in consumption of industrial materials, and the effect of supply difficulties on particular products.

1.5. Prices of tropical beverages fluctuated round a much lower level in 1978 compared to 1977. If cocoa is excluded the reduction in prices would have been more accentuated. Concern in the coffee market over the effects of frost in Brazil subsided in the second half of the year. After their fall in 1978 average prices for coffee in 1979 are likely to be slightly lower than in 1978. Tea prices were fairly stable in 1978, but were below the high levels reached by mid.1977. Tea prices are likely to remain stable in 1979 at these lower levels. There are, however, special considerations which could result in commodity prices at least for some selected products being higher in 1979 than in 1978. These depend on the overall impact of the new higher oil prices on demand for other commodities. Also inflation in industrialized countries seems likely to be higher in 1979 and this will have its own impact on the prices of finished products imported into the developing countries. On balance, as a result, the terms of trade of the non-oil developing countries may deteriorate further in 1979.

1.6. The freeze on prices of crude petroleum which had been effective since January, 1977 ended in January, 1979, when OPEC countries raised the price of the benchmark crude by 5 per cent to USS13.3 per barrel. As agreed at a meeting of OPEC Ministers held in December 1978, the scheduled increases to take effect in 1979 were as follows: January 5 per cent; April 3.8 per cent; July 2.29 per cent and October 2.69 per cent leading to a price of USS14.54 per barrel. However, the political troubles in Iran had by early 1979 caused severe supply shortages. Subsequent developments led OPEC countries to raise the price of benchmark crude to USS14.54 per barrel in April 1979, a price that had originally been expected in October 1979. Further, the majority of OPEC countries will or have already imposed premium surcharges on the basic price, ranging from US$1 to US$4 per barrel. in addition several of the exporting countries have imposed policies of oil conservation, thereby causing supply constraints. On the demand side more and more countries are beginning to accept the inevitability of having to reduce consumption in order to save precious foreign exchange. The recent move in the U.S.A. to equalize import and domestic prices should have an impact in reducing the demand in that country.

PRICE INDICES OF PRIMARY PRODUCERS' COMMODITY EXPORTS

Table 1.1

1975 = 100

	FOOD PRODUCTS				Agricultural raw materials	Minerals and metals	Crude petroleum
	Cereals and Sugar	Tropical Beverages	Vegetable Oils	Total			
1976	69	180	98	107	119	98	107
1977	56	323	126	147	127	104	134
1978	61	233	142	123	141	110	124
1977—							
1st Quarter	59	333	130	152	130	106	138
2nd Quarter	58	370	152	166	130	102	145
3rd Quarter	52	311	112	140	126	100	129
4th Quarter	53	277	111	129	124	106	123
1978—							
1st Quarter	61	247	127	127	131	104	123
2nd Quarter	62	231	142	124	134	104	122
3rd Quarter	58	219	143	118	144	111	121
4th Quarter	62	233	155	126	153	120	130
1979—							
January	63	218	165	123	155	123	129

1.7. The dialogue on the New International Economic Order which was launched in 1974 has not yet yielded worthwhile results in context of the fund the developing nations are seeking to be set up, to facilitate trade in primary commodities, although some progress has been made in establishing individual commodity agreements. The reform of the international monetary system is also proceeding only slowly and unless the present trend towards protectionism is reversed, the world could risk slipping into a situation in which non-inflationary growth becomes more difficult to achieve.

1.8. Despite this trend to protectionism designed to prevent further declines in long-established industries, some progress has been achieved in external trade negotiations under the auspices of GATT. After six years of negotiations about forty countries have concluded a new trade pact in April 1979. This calls for significant reductions in customs tariffs by up to 35 per cent over the next seven years. These should lower the cost of imports, reduce barriers to export markets and generally facilitate global trade.

1.9. The scheduled and unscheduled increases in price of crude petroleum, the coming into effect of the European Monetary System, some greater stability in exchange rates with a strengthening of both the US dollar and the pound sterling, higher inflation leading to steps to control growth in money supply, and little growth in prices of primary commodities excluding petroleum, are the major events that have occurred on the world economic scene. The overall impact of all these events will probably make it more difficult for non-oil developing countries to achieve the growth rates that they achieved in 1976 to 1978. However, a continuation of the growth in the flow of funds to developing countries which has been a feature of the economic scene particularly since 1974 should enable higher growth rates to be achieved than would otherwise have been the case.

CHAPTER 2—THE DOMESTIC ECONOMY

The boom year of 1977 has been followed by a decline in the growth rate of the economy in 1978. Revised figures show that there was a rise of 8.6 per cent in GDP at constant prices in 1977, while in 1978 the growth rate slowed down to 5.7 per cent. At current prices total GDP rose by 29.7 per cent in 1977 but this rate dropped to 10.4 per cent in 1978, less than the average increase of 12.5 per cent in consumer prices. When allowance is made for a deterioration in the country's terms of trade of 14 per cent, the real increase in the GDP in 1978 is reduced substantially below the growth rate of 5.7 per cent recorded at constant prices. It is probable that real GDP per head was unchanged or slightly reduced betwen 1977 and 1978.

2.2. The level of gross fixed capital formation has risen rapidly in the last two years as a result of the acceleration in investment in both private and public sectors of the economy. Gross capital formation increased at current prices by 34 per cent in 1977 and 30 per cent in 1978. These increases will help provide the capital base required for the planned substantial growth of output in the economy in the future.

2.3. After the exceptional surplus in balance of payments in 1977 there was a swing round in 1978 to a deficit which when measured in terms of the fall in the country's foreign reserves amounted to K£75 million in 1978 despite the much higher level of net inflow of capital. The total expenditure on fixed capital formation at current prices by the public sector rose from K£165 million in 1977 to K£207.4 million in 1978 accounting for a substantial part of the rise in fixed capital formation as a whole. The private sector's share of a capital formation was 59.2 per cent of the total in 1978.

2.4. The contribution of agriculture to GDP fell by 4.2 per cent at current prices in 1978 but there were some substantial advances recorded by the other major sectors. However, given that agriculture accounted for more than one third of the total GDP at current prices in 1978, the fall in its contribution had a particular impact on the total. The level of manufacturing sector's contribution to GDP rose by 23.3 per cent at current prices, that of transport and communications sector by 25.9 per cent and of construction sector by 17.4 per cent. Producers of Government services also recorded on increase of 19.8 per cent. At constant prices there was a small rise of 1.4 per cent in the contribution of agriculture to GDP as compared to the more substantial rise of 5.5 per cent in the case of transport and communications sector; 6.4 per cent in the case of construction sector; and a high 14.4 per cent in the case of manufacturing sector.

2.5. Agriculture almost doubled its contribution to GDP at current prices between 1975 and 1977. The decline in 1978 is a cumulative effect of the drop in world prices of coffee and tea and of the weather which has adversely affected production of some crops. The fall in sales of agricultural products

to marketing boards in 1978 was 21.1 per cent but when account is taken both of the sales via other marketing channels and of the value of production for own consumption for a rapidly increasing population, the decline in value added for GDP at current prices is reduced to 4.2 per cent. Also the relative improvement in the agriculture sector's terms of trade with the rest of the economy in 1977 was followed by a fall in 1978 so that on the overall level agriculture sector's terms of trade was virtually the same in 1978 as in 1976.

2.6. This experience of a relative improvement in 1977 in farmers real incomes followed by a decline in 1978 was not repeated for wage earners in the economy. As shown in Chapter 5 real earnings of those in wage employment fell by 4.3 per cent in 1977 and a further 1.4 per cent in 1978.

2.7. Per capita GDP which was estimated at K£93.6 at current prices in 1976 rose to K£117.2 in 1977 and further to K£125 in 1978. Per capita GDP figures at 1972 prices are 1976 K£57.5; 1977 K£60.2; and 1978 K£61.5 as compared with K£56 in 1972. This is equivalent to a rise of 9.8 per cent over this 6.year period between 1972 and 1978 at an annual average rate of 1.5 per cent.

2.8. As already indicated fixed capital formation again increased substantially in 1978 and the rise at constant prices was 21.5 per cent. The proportion of GDP at current prices being expended on fixed capital formation has risen from 19.8 per cent in 1976 to 20.5 per cent in 1977 and to 23.9 per cent in 1978. There were also increases in stocks over the same period so that in 1978 the total investment, including increases in stocks, of K£597.3 million accounted for 28.1 per cent of GDP at market prices. The volume of investment in transport equipment rose by 28 per cent and in machinery and other equipment the increase was 47 per cent.

2.9. Although the total contribution of agriculture to GDP at current prices fell in 1978 it still accounted for a high proportion of 34.5 per cent of the GDP. Table 2.1 details a breakdown of GDP at both current and constant prices for the years 1975 to 1978 and the percentage rates of growth are noted in Table 2.2. In 1977 agriculture's share of GDP had risen to 39.7 per cent when measured at current prices and 30.9 per cent at constant 1972 prices. Its contribution at constant prices declined to 29.7 per cent in 1978.

2.10. Output of manufacturing sector has increased strongly in the last three years and its share of GDP in 1978 has grown to 13.2 per cent at current prices and 16.2 per cent at constant prices. Output of other productive sectors, electricity and water and building and construction has also advanced fairly rapidly in the last two years but the two sectors combined only produced 4.8 per cent of GDP at current prices in 1978. The increases in all the service sectors were fairly substantial in 1978 measured at constant prices. Value added by the distribution sector and hotels and restaurants rose by 7.2 per cent; transport and communications sector by 5.5 per cent; finance, insurance, and real estate sector by 7.6 per cent; and of other services by 6.6

GROSS DOMESTIC PRODUCT, 1975-1978

Table 2.1 *K£million*

	CURREN PRICES				CONSTANT PRICES			
	1975	1976	1977	1978*	1975	1976	1977	1978*
A. TRADITIONAL ECONOMY								
Forestry	7.30	9.40	10.77	12.92	5.33	5.50	5.78	5.87
Fishing	0.20	0.29	0.29	0.37	0.13	0.16	0.16	0.20
Building and Construction	19.35	21.86	25.99	27.15	11.54	11.86	12.32	12.78
Water Collection	6.78	8.90	11.11	12.66	5.25	5.32	5.51	5.71
Ownership of Dwellings	25.39	29.36	35.68	43.15	14.73	15.35	15.97	16.65
TOTAL TRADITIONAL ECONOMY	59.02	69.81	83.84	96.25	36.98	38.19	39.74	41.21
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	346.30	466.15	668.01	640.28	247.14	244.77	267.29	271.03
Forestry	5.93	6.24	6.89	7.62	4.46	4.41	4.70	4.76
Fishing	1.65	2.36	2.33	3.09	1.11	1.27	1.36	1.62
Mining and Quarrying	3.42	3.41	3.81	3.81	3.11	3.41	3.53	3.53
Manufacturing	127.39	159.70	199.31	245.75	94.31	111.92	129.69	148.40
Building and Construction	44.39	46.20	54.22	63.65	30.87	29.44	32.23	34.30
Electricity and Water	13.20	14.20	19.96	24.62	11.20	13.14	14.30	15.84
Trade, Restaurants and Hotels	121.86	144.46	199.54	239.03	66.24	71.72	79.65	85.38
Transport, Storage and Communications	60.25	69.15	74.05	93.22	40.67	44.91	46.13	48.69
Finance, Insurance .Real Estate and Business Services	54.67	68.03	82.98	96.22	40.10	4515	49.85	53.64
Ownership of Dwellings	42.31	49.84	60.68	75.13	30.84	32.83	34.35	36.44
Other Services	21.69	24.84	27.88	31.27	17.62	17.90	19.49	20.78
Less: Imputed Bank Service Charges	.20.37	.23.88	.31.80	.37.31	.14.68	.15.36	.18.27	.20.03
TOTAL	822.69	1,030.70	1,367.86	1,486.38	572.99	605.51	664.30	704.38
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	8.86	10.93	13.44	15.57	7.42	8.52	9.38	9.89
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration	38.30	43.08	48.52	..	32.39	32.66	33.42	..
Defence	8.51	9.63	11.73	..	6.08	6.57	7.25	..
Education	71.88	82.75	94.43	..	59.51	64.05	65.01	..
Health	15.24	17.43	21.90	..	13.29	13.41	14.96	..
Agricultural Services	9.60	11.36	13.78	..	8.98	9.90	11.78	..
Other Services	18.54	20.46	25.04	..	16.06	16.78	18.38	..
TOTAL	162.07	184.70	215.40	258.01	136.31	143.37	150.80	158.34
TOTAL MONETARY ECONOMY	993.62	1,226.33	1,596.70	1,759.96	716.72	757.40	824.48	872.61
TOTAL GROSS PRODUCT AT FACTOR COST	1,052.64	1,296.14	1,680.54	1,856.21	753.70	795.59	864.22	913.82
GROSS DOMESTIC PRODUCT PER CAPITA .. K£	78.56	93.60	117.22	124.95	56.25	57..46	60.28	61.51

*Provisional.

GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH AND THE PLAN TARGETS, 1972-1978

Table 2.2 *Percentage*

	CURRENT PRICES				CONSTANT (1972) PRICE				Plan
	1975-1976	1976-1977	1977-1978*	1972-1978* Cumulative	1975-1976	1976-1977	1977-1978	1972-1978* Cumulative	
A. TRADITIONAL ECONOMY									
Forestry	28.8	14.6	20.0	17.8	3.2	5.1	1.6	3.4	
Fishing	45.0		27.6	16.3	23.1		25.0	4.9	
Building and Construction	13.0	18.9	4.5	16.5	2.8	3.9	3.7	2.9	
Water Collection	31.3	24.8	14.0	16.7	1.3	3.6	3.6	2.2	
Ownership of Dwellings	15.6	21.5	20.9	22.1	4.2	4.0	4.3	4.2	
TOTAL TRADITIONAL ECONOMY	18.3	20.1	14.8	19.1	3.3	4 1	3.7	3.4	3 0
B. MONETARY ECONOMY									
1. Enterprices and Non-Profit Institutions									
Agriculture	34.6	43.3	-4.2	18.4	-1.0	9.2	1.4	2.6	
Forestry	5.2	10.4	10.6	13.6	-1.1	6.6	1.3	5 0	9.0
Fishing	43.0	1.3	32.6	16.1	14.4	7.1	19.1	4.3	5.0
Mining and Quarrying	-0.3	11.7		9.5	9.6	3.5		8.0	16.9
Manufacturing	25.4	24.8	23.3	21.1	18.7	15.9	14.4	11.3	10.2
Building and Construction	4.1	17.4	17.4	10.1	-4.6	9.5	6.4	-1.2	9.0
Electricity and Water ..	7.6	40.6	23.3	18.4	17.3	8.8	10.8	100	7.2
Trade, Restaurants and Hotels	18.5	38.1	19.8	23.9	8.3	11.1	7.2	4.3	7.2
Transport, Storage and Communications	14.8	7.1	25.9	11.8	10.4	2.7	5.5	4.1	7.2
Finance, Insurance, Real Estate and Business Services	24.4	22.0	160	20.5	12.6	10.4	7.6	9.4	
Ownership of Dwellings	17.8	21.7	23.8	19.2	6.5	4.6	6.1	5.6	7.2
Other Services ..	14.5	12.2	12.2	13.4	1.6	8.9	6.6	5.9	
TOTAL (Excluding Imputed bank service Charges)	25.3	32.7	8.7	18.9	5.7	9.7	60	50	
2. Private Households (Domestic Services)	23.4	23.0	15.8	20.4	14.8	101	5.4	11.6	7.2
3. Producers of Government Services									
Public Administration	12.5	12.6			0.8	2.3			
Defence	13.2	21.8			8.1	10.4			
Education	151	14.1			7.6	1.5			
Health	14.4	25.6			0.9	11.6			
Agricultural Services	18.3	21.3			10.2	19.0			
Other Services	10.4	22.4			4.5	9.5			
TOTAL	14.0	16.6	19.8	15.1	5.2	5.2	5.0	61	10.1
TOTAL MONETARY ECONOMY	23.4	30.2	10.2	18.3	5.7	8.9	5.8	5.3	8.4
TOTAL GROSS PRODUCT AT FACTOR COST	23.1	29.7	10.4	18.4	5.6	8.6	5.7	5.1	7.4
GROSS DOMESTIC PRODUCT PER CAPITA	19.1	25.2	6.6	14.3	2.2	4.9	2.0	1.6	

Table 2.3 PRODUCTION ACCOUNTS, 1977 AND 1978 *K£million*

	1977					1978*				
	Gross Output at approx. Basic Pricest	Inter-mediate Consump-tion	Gross Domestic Product a Factor Coit			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. TRADITIONAL ECONOMY	107.32	23.48	83.84	1.23	82.62	122.27	26.02	96.25	1.47	94.77
B. MONETARY ECONOMY										
1. Enterprices and Non-Profit Institutions										
Agriculture	755.32	87.31	668.01	53.70	614.31	732.41	92.14	640.28	61.11	579.17
Forestry	8.09	1.20	6.89	6.35	0.55	9.03	1.41	7.62	7.56	0.07
Fishing	2.57	0.24	2.33	0.64	1 .69	3.37	0.27	3.09	0.84	2.25
Mining and Quarrying	13.42	9.61	3.81	2.07	1.74	13.42	9.61	3.81	2.07	1.74
Manufacturing	1.091.72	892.41	199.31	87.52	111.79	1,342.74	1,096.99	245.75	107.86	137.89
Building and Construction	190.10	135.89	54.22	42.51	11.71	218.15	154.50	63.65	50.31	13.34
Electricity and Water	34.46	14.51	19.96	6.39	13.58	39.11	14.48	24.62	6.57	18.04
Trade, Restaurants and Hotels . .	339.78	140.24	199.54	89.26	110.28	413.06	174.02	239.03	105.46	133.57
Transport, Storage and Communi-cations	206.15	132.09	74.05	36.90	37.16	262.86	169.63	93.22	42.52	50.71
Finance, Insurance, Real Estate and Business Services	112.18	29.19	82.98	36.72	46.37	129.23	33.01	96.22	42.23	54.00
Ownership of Dwellings	66.81	6.12	60.68		60.68	82.73	7.59	75.13		75.13
Other Services	77.41	49.52	27.88	19.93	7.95	95.11	63.85	31.27	22.57	8.70
***Less:* Imputed Bank Service Charges**		31.80	.31.80		.31.80		37.31	.37.31		.37.31
TOTAL	2,898.03	1,530.13	1,367.86	381.99	985.91	3,341.71	1,854.81	1,486.40	449.10	1.037.30
2. Private Households (Domestic Services)	13.44	–	13.44	13.44	–	15.57	–	–	15.57	–
3. Producers of Government Services	338.39	122.99	215.40	211.83	3.58	424.43	166.42	258.01	252.26	5.75
TOTAL MONETARY ECONOMY	3,249.86	1,653.12	1,596.70	607.26	989.49	3,781.21	2,021.23	1,759.98	716.93	1,043.05
TOTAL MONETARY AND TRADITIONAL ECONOMY	3,357.18	1,676.60	1,680.54	608.49	1,072.11	3,903.48	2,047.25	1,856.23	718.40	1,137.82

*Provisional.

**Including consumption of fixed capital.

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

per cent. Contribution of producers of Government services also increased by 5 per cent. Taking services as a whole they contributed 46.4 per cent of GDP at constant prices in 1977 and 46.6 per cent in 1978. Table 2.3 details the production accounts of the entire economy for the years 1977 and 1978, while each sector's share of GDP is noted in Table 2.4.

GROSS DOMESTIC PRODUCT

SECTOR SHARES, AT CONSTANT (1972) PRICES, 1975-1978

Table 2.4 *Percentage*

	1975	1976	1977	1978*
A. TRADITIONAL ECONOMY				
Forestry	0.7	0.7	0.7	0.6
Fishing	–	–	–	–
Building and Construction	1.5	1.5	1.4	1.4
Water Collection	0.7	0.7	0.6	0.6
Ownership of Dwellings	2.0	1.9	1.8	1.8
TOTAL TRADITIONAL ECONOMY	4.9	4.8	4.5	4.4
MONETARY ECONOMY				
1. Enterprises and Non-Profit Institutions				
Agriculture	32.8	30.8	30.9	29.7
Forestry	0.6	0.6	0.5	0.5
Fishing	0.1	0.2	0.2	0.2
Mining and Quarrying	0.4	0.4	0.4	0.4
Manufacturing	12.5	14.1	15.0	16.2
Electricity and Water	1.5	1.7	1.7	1.7
Building and Construction	4.1	3.7	3.7	3.8
Trade, Restaurants and Hotels	8.8	9.0	9 2	9.3
Transport. Storage and Communications. .	5.4	5.6	5.3	5 3
Finance, Insurance, Real Estate and Business Services	5.3	5.7	5.8	5.9
Ownership of Dwellings	4.1	4.1	4.0	4.0
Other Services	2.3	2.2	2.2	2.3
Less: Imputed Bank Service Charges	-1.9	-1.9	-2.1	-2.2
TOTAL	76.0	76.2	76.8	77.1
Private Households (Domestic Services)	1.0	1.0	1.2	1.1
Producers of Government Services				
Public Administration	4.3	4.1	4.0	
Defence	0.8	0.8	0.8	
Education	7.9	8.1	7.5	
Health	1.8	1.7	1.7	
Agricultural Services	1.2	1.2	1.4	
Other Services	2.1	2.1	2.1	
TOTAL	18.1	18.0	17.5	17.4
TOTAL MONETARY ECONOMY	95.1	95.2	95.5	95.6
TOTAL MONETARY AND TRADITIONAL ECONOMY	100.0	100.0	100.0	100.0

*Provisional.

2.11. Production in the traditional sector of the economy was valued at K£96.25 million in 1978 or just over 5 per cent of the total GDP. At constant 1972 prices the proportion was only 4.4 per cent.

2.12. Parastatal bodies account for a significant proportion of the GDP of manufacturing, electricity and water, transport and communications and finance and other business services sectors. Also the Central Government and

local authorities made their contribution to GDP through the employees engaged in the field of public administration, defence and social services except for teachers who are mostly employees of a parastatal body.

Resources Allocation

2.13. The export surplus of the years 1976 and 1977 reverted to the more typical import surplus in 1978, at a record high level of K£220.6 million equal to 10.4 per cent of the GDP at market prices. This substantial addition to the domestically produced resources enabled a particularly high level of capital formation to be achieved despite a large rise in stocks and an increase in consumption of 25.7 per cent at current prices, well in excess of the rise in consumer prices. This increase in consumption is a result of the lagged effect of the coffee and tea boom in 1977. The distribution of resources and their uses is shown in Table 2.5. The share of consumption at current prices has risen from 73.2 per cent of total GDP in 1977 to 82.3 per cent in 1978.

TOTAL USE OF RESOURCES, AT CURRENT PRICES, 1975-1978

Table 2.5 *K£million*

	1975	1976	1977	1978*
G.D.P. at Factor Cost	1,052.64	1,296.14	1,680.54	1,856.21
Of which—				
Traditional	59.02	69.81	83.84	96.25
Monetary ..	993.62	1,226.33	1,596.70	1,759.96
+ Indirect Taxes	140.48	176.27	219.78	268.52
—Subsidies	0.81	0.77	0.55	0.47
=G.D.P. at Market Prices	1,192.31	1,471.64	1,899.77	2,124.26
+ Imports of goods and services ..	413.00	461.60	580.40	787.40
—Export of goods and services ..	356.90	471.70	64870	566.80
=Import Surplus	+ 56.10	—10 .10	—68.30	+ 20.60
Total Resources available for Domestic Investment and Consumption	1,248.41	1,461.54	1,831.47	2,344.86
Gross Fixed Capital Formation	241.89	290.43	390.01	508.67
Change in Stocks	—24.81	3.84	51.22	88.58
Gross Investment	217.08	294.27	441.23	597.25
Public Consumption	219.30	253.79	322.05	407.00
Private Consumption	812.03	913.48	1,068.19	1,340.61
TOTAL CONSUMPTION..	1,031.33	1,167.27	1,390.24	1,747.76

*Provisional.

14. The distribution of the gross national product at current prices is shown in Table 2.6. Remuneration of employees and operating surplus are the two significant components of gross national product. The relative share of remuneration of employees in gross national product has declined from

GROSS NATIONAL PRODUCTION AT CURRENT PRICES, 1975.1978

Table 2.6 *K£million*

	1975	1976	1977	1978*
FACTOR INCOMES—				
A. Traditional Economy	59.02	69.81	83.84	96.25
B. Monetary Economy—				
1. Remuneration of Employees:				
Enterprises	28190	329.80	381.97	449.09
Private Households	8.86	10.93	13.44	15.57
Producers of Government Services..	160.71	182.79	211.83	252.26
	451.47	523.52	607.24	716.92
2. Rental Surplus (including depreciation)	42.31	49.84	60.68	75.13
3. Other Operating Surplus (including depreciation)	499.83	652.94	928.81	967"92
TOTAL MONETARY ECONOMY	993.62	1,226.33	1,596.70	1,759.96
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT	1,052.64	1,296.14	1,680.54	1,856.21
Add: Indirect Taxes	140.48	176.27	219.78	268.52
Deduct: Subsidies	0.81	0.77	0.55	0.47
GROSS DOMESTIC PRODUCT AT MARKET PRICES	1,192.31	1,471.64	1,899.77	2,124.26
Add: FACTOR INCOMES RECEIVED FROM ABROAD	21.40	14.30	19.60	22.10
Deduct: FACTOR INCOMES PAID ABROAD	67.70	82.40	93.30	93.80
GROSS NATIONAL PRODUCT	1,146.01	1,403.54	1,826.07	2,052.56

*Provisional.

39.4 per cent in 1975 to 34.9 per cent in 1978, while that of operating surplus has risen from 47.3 per cent to 50.8 per cent over the same period. The share of operating surplus had been even higher in 1977 on account of the high level of receipts of the agriculture sector. The level of indirect taxes has risen from 13.3 per cent of factor incomes in 1975 to 14.4 per cent in 1978.

2.15. Table 2.7 sets out information on the financing of gross capital formation. While in 1977 domestic saving was equal to the total value of fixed capital formation and increases in stocks, net borrowing and grants from the rest of the world accounted for 46.9 per cent of gross capital formation in 1978, the remaining 53.1 per cent being covered by domestic saving.

FINANCING OF CAPITAL FORMATION, 1977-1978

Table 2.7 *K£million*

Gross Capital Formation		Financing of Gross Capital Formation	
1977			
Gross Fixed Capital Formation .	390.01	Net Borrowing from Rest of the World	-12.10
Change in Stocks	51.22	Grants from Rest of the World	12.00
		Domestic Savings (including consumption of fixed capital)	441.33
TOTAL ..	441.23	TOTAL	441.23
1978*			
Gross Fixed Capital Formation .	508.67	Net Borrowing from Rest of the World	26620
Change in Stocks	88.58	Grants from Rest of the World ..	13.70
		Domestic Savings (including consumption of fixed capital)	317.35
TOTAL	597.25	TOTAL	597.25

*Provisional.

2.16. Details on capital formation by type of asset are shown in Table 2.8. The private sector's share in capital formation at current prices has risen from 57.7 per cent in 1977 to 59.2 per cent in 1978, while that of public sector has declined from 42.3 per cent to 40.8 per cent over this period. In terms of asset breakdown machinery and equipment accounted for 41.6 per cent of fixed capital formation in 1978, followed by buildings—20.8 per cent, transport equipment—19.9 per cent and other construction and works—16.2 per cent. The relative shares in 1977 were 37.7 per cent and 17.6 per cent on machinery and transport equipment respectively, 23.3 per cent on buildings and 19.7 per cent on other construction works. The proportion of investment on transport equipment in 1977 and 1978 was very much higher than the comparable figures of 13.8 and 13.9 per cent for 1975 and 1976 and is accounted for by the heavy expenditure that has been incurred by the replacement of equipment for railways and road transport, as well as by the purchase of aircraft by Kenya Airways Corporation.

2.17. Accordingly as shown in Table 2.9, over 21 per cent of total capital formation in 1978 has been incurred by the transport and communications sector, followed by manufacturing sector with a share of 16.9 per cent, electricity and water 10 per cent and agriculture 9.8 per cent. When measured in constant prices the volume of fixed capital formation rose by a quarter in transport and communications sector, by a third in manufacturing sector, and by two fifths in electricity and water sector in 1978.

Table 2.8 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1975.1978 K£*million*

	CURRENT PRICES				CONSTANT (1972) PRICE			
	1975	1976	1977	1978*	1975	1976	1977	1978*
DWELLINGS—								
PRIVATE;								
Traditional	20.12	23.01	27.51	28.88	12.00	12.48	12.91	11.78
Modern	15.55	9.45	12.20	16.27	10.14	5.28	6.13	7.55
TOTAL	35.67	32.46	39.71	45.15	22.14	17.76	19.04	19.33
PUBLIC	6.80	6.75	9.70	9.06	4.43	3.77	4.88	4.20
TOTAL	42.47	39.21	49.41	54.21	26.57	21.53	23.92	23.53
NON-RESIDENTIAL BUILDINGS—								
PRIVATE	10.99	17.41	17.01	19.06	6.55	8.75	8.08	8.27
PUBLIC	20.43	19.34	24.42	32.45	12.18	9.73	11.61	14.08
TOTAL	31.42	36.75	41.43	51.51	18.72	18.48	19.69	22.35
OTHER CONSTRUCTION WORKS—								
PRIVATE	4.52	3.32	5.93	5.88	2.72	1.75	2.92	2.71
PUBLIC	52.62	62.44	70.74	76.61	31.62	32.88	34.86	35.34
TOTAL	57.14	65.76	76.67	82.49	34.34	34.63	37.78	38.05
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—								
PRIVATE	5.73	5.71	6.34	6.87	4.50	3.87	4.29	4.07
PUBLIC	0.09	0.10	0.97	1.01	0.09	0.07	0.75	0.65
TOTAL	5.82	5.81	7.31	7 .87	4.59	3.94	5.04	4.72
TRANSPORT EQUIPMENT—								
PRIVATE	27.66	33.45	43.78	64.04	15.10	17.05	19.83	25.18
PUBLIC	5.76	6.86	24.93	37.11	3.15	3.49	11.29	14.59
TOTAL	33.42	40.31	68.71	101.15	18.25	20.54	31.12	39.77

Table 2.8—iContd.) GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1975-1978 *K£million*

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1975	1976	1977	1978*	1975	1976	1977	1978*
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	57.14	75.66	112.72	160.49	32.25	32.99	42.92	62.30
PUBLIC	15.62	27.01	34.23	51.16	8.78	11.78	13.03	19.86
TOTAL	72.96	102.67	146.95	211.65	41.03	44.77	55.96	82.16
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE		-0.08	—0.47	—0.21	—0.96	0.02	—0.24	—0.10
TOTAL PRIVATE—								
Traditional Dwellings	20.12	23.01	27.51	28.88	12.00	12.48	12.91	11.78
Other_	120.45	144.91	197.51	272.40	70.30	69.70	83.95	109.98
TOTAL PRIVATE	140.57	167.93	225.02	301.28	82.30	82.18	96.86	121.76
TOTAL PUBLIC	101.32	122.50	164.99	207.39	60.25	61.72	76.42	88.72
TOTAL PRIVATE AND PUBLIC	241.89	290.43	390.01	508.67	142.54	143.91	173.28	210.48

*Provisional.

Table 2.9 GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1975-1978 *K*£million

	CURRENT PRICES				CONSTANT (1972) PRICES			
	1975	1976	1977	1978*	1975	1976	1977	1978*
A. TRADITIONAL ECONOMY								
Traditional Dwellings	20.12	23.01	27.51	28.88	12.00	12.48	12.91	11.78
B. MONETARY ECONOMY								
Enterprises and non-profit Institutions;								
Agriculture	22.54	24.94	42.93	50.08	13.92	12.86	19.42	21.53
Forestry	0.15	0.34	0.68	1.01	0.09	0.17	0.31	0.42
Mining and Quarrying	1.53	1.62	1.94	4.97	0.86	0.72	0.77	1.93
Manufacturing	31.23	45.96	63.27	85.86	17.68	20.92	25.25	33.76
Electricity and Water	17.19	33.15	33.72	50.86	10.26	16.76	16.44	23.05
Building and Construction	7.81	9.72	15.50	32.91	4.41	4.34	6.22	12.93
Trade, Restaurants and Hotels	14.47	20.61	21.42	23.16	8.20	9.25	8.79	9.17
Transport, Storage and Communications	50.39	50.41	79.41	110,69	28.64	25.35	35.08	44.29
Finance, Insurance Real Estate and Business Services ..	4.76	3.46	4.42	7.79	2.79	1.63	1.86	3.22
Ownership of Dwellings	23.09	17.12	23.12	26.92	14.99	9.45	11.47	12.37
Other Services	7.16	11.63	17.25	21.25	4.17	5.53	7.55	8.71
TOTAL	180.32	218.96	303.66	415.51	106.00	106.99	133.17	171.38
General Government								
Public Administration	5.35	4.00	7.95	9.54	3.13	1.97	3.58	3.89
Defence								
Education	4.89	5.10	7.23	9.03	2.87	2.49	3.18	3.79
Health	4.35	7.01	8.19	9.36	2.57	3.47	3.77	3.97
Agricultural Services	5.71	8.66	9.00	10.31	3.37	4.43	4.11	4.18
Other Services	21.15	23.69	26.46	26.04	12.62	12.07	12.55	11.49
TOTAL	41.45	48.46	58.84	64.28	24.55	24.43	27.20	27.32
TRADITIONAL ECONOMY	20.12	23.01	27.51	28.88	12.00	12.48	12.91	11.78
MONETARY ECONOMY	221.77	267.42	362.50	479.79	130.55	131.43	160.37	198.70
TOTAL	241.89	290.43	390.01	508.67	142.54	143.91	173.28	210.48
C. PERCENTAGE RATES OF GROWTH—								
Traditional Economy	32.6	14.4	19.6	5.0	3.4	4.0	3.4	.8.8
Monetary Economy	18.2	20.6	35.6	32.4	.2.5	. 0.7	1.0	23.9
TOTAL..	19.3	20.1	34.3	30.4	.2.1	1.0	19.5	21.5

*Provisional.

CHAPTER 3—THE DEMOGRAPHIC SCENE

The present demographic scene in developing countries is characterized by high birth rates of over 45 per thousand and death rates of about 19 per thousand leading to high rates of natural increase. While the global crude rate of natural increase is 1.8 per cent per annum that for Africa is 2.6 per cent, with the population in Kenya, on the basis of data now becoming available, growing at a rate of 3.9 per cent per annum. This rate for Kenya is one of the highest in the world.

3.2. Demographic trends have relevance to socio-economic development. The effect of population dynamics on the size of population among which a given income has to be shared, on saving rates and on the composition of investment have been shown to have significant consequences on economic growth and on per capita incomes. Per capita income is not only affected by population size but more so by its rate of growth and age distribution. A higher rate of population growth implies a higher level of investment required to achieve a given increase in per capita income in the future. Countries such as Kenya with very high rates of population growth and a large population aged under 15 years need to divert more resources to consumption leaving less available for savings and investment. At the same time economic development has its own impact on fertility and mortality through the improvement of education and health services and on migration through the results of investment by creating regions with different levels of development.

3.3. In a country with a high population growth rate the increase in the the population aged under 15 is relatively large compared to the population aged 15 years and over. In such circumstances an improvement in the quality of education or an increase in school enrolment, an essential part of development objectives, will impose an increasing burden on the relatively small economically active population.

3.4. On finishing at school the child normally wishes to join the labour force and become economically active. The size of the labour force thus is a function of population size, its profile and its sex structure. It is also a function of age and sex specific occupational activity rates and the influence of social conventions although the latter may change with job availability. A high rate of population growth implies that development must create jobs at an adequate rate for the growing numbers wishing to join the labour force. The size of the population which needs to be catered for has thus to be reliably estimated and policy and planning measures taken accordingly.

3.5. Although Kenya's interest in family planning is not a recent phenomenon it was not until after the analysis of the 1962 census data that the need for a conscious population policy was acknowledged by the Government.

In 1974 a five year Family Planning Programme was established with the support of the World Bank aimed at reducing the then estimated rate of population growth from 3.3 per cent per annum to 3 per cent per annum during the programme period. Improvement of rural health and family welfare was also part of the objectives of the programme. Any new programme which may succeed the previous one will have to be more effective if the current development plan goal "to significantly reduce the current birth rate in order to have an impact on the rate of population growth" is to be achieved.

Demographic Changes and Fertility

3.6. The total fertility rate—defined as the number of children born by a mother by the end of her reproductive period, was estimated at 6.8 children per woman in 1962. This rate had risen to 7.6 by 1969 and it is now estimated to have further increased to 8.1 in 1977 indicating that fertility has been increasing by about 0.8 per cent per annum. A decline in the incidence of childlessness as a result of the improvement of health conditions and a greater awareness of the benefits of simple hygiene is one

AGE SPECIFIC FERTILITY RATES, 1977

Table 3.1

Age Group	*Annua! births per female in each age group*	*Births per female in period of age group*
12-14	0.0023	0.0069
15-19	0.1774	0.8870
20-24	0.3774	1.8870
25-29	0.3861	1.9305
30-34	0.3226	1.6130
35-39	0.2332	1.1660
40-44	0.1071	0.5355
45-49	0.0139	0.0695
Overall Fertility		8.0954

of the reasons for the increase in fertility. Using data from various demographic surveys it has been possible to construct a cross-sectional fertility distribution for women over 12 years of age. The results of this analysis set out in Table 3.1 show that the total fertility rate was 8.1 children per woman in 1977. The main reproductive period is between the ages of 15 and 39 with a particular concentration in age range 20 to 34 year.

3.7. A further reflection of the rising trend in fertility is indicated by the population's age distribution. Persistent high levels of fertility result in a population with a broad-based age distribution that tapers rapidly with age particularly in situations where infant mortality is high. On the other hand persistently low levels of fertility yield a population with a

narrow-based age distribution. Rates of mortality decline progressively with age. Mortality "changes that usually occur, therefore have a particular impact on the age distribution of the young. Beyond the age of 15, the age distribution is much less effected by such changes in mortality. Thus a change in the growth rate caused by a change in fertility will generally have associated with it a large change in the age profile. In the case of Kenya, sharply rising fertility during the period 1962 to 1977 has resulted in an increase in the proportion of the total population which is under 15

PROPORTION OF POPULATION UNDER 15 YEARS, 1962, 1969, 1980 AND 1990

Table 3.2 ***Percentage***

Age Group	1962 Census	1969 Census	REVISED PROJECTIONS	
			1980	1990
0.4	17.1	19.4	20.3	21.6
5.9	15.7	16.3	15.6	17.2
10.14	12.7	12.5	12.8	12.8
0.14	46.1	48.2	48.7	51.6

years of age and it will not be long before 50 per cent of Kenyas population will be under this age. As shown in Table 3.2 Kenya's population is becoming progressively younger. This has major implications on planning for the provision of basic needs for such a population.

3.8. Evidence from various demographic surveys shows that women with a few years of primary education are reporting higher total fertility rates than those with no education. However, the number of births to women with secondary education tends to be substantially lower. Thus exposure to primary education makes it possible for a woman to be more conscious

PERCENTAGE DISTRIBUTION OF WOMEN BY LEVEL OF EDUCATION, 1977

Table 3.3

Age Group	Total	No Schooling	Primary Education	Secondary Education	University
15.19	100	24.5	64.9	10.6	
20.24	100	40.2	44.6	15.1	0.1
25.29	100	53.7	39.4	6.7	0.2
30.34	100	66.9	29.6	3.2	0.3
35.39	100	76.7	21.4	1.7	0.2
40.44	100	83.7	14.9	1.3	0 1
45.49	100	89.0	9.6	1.3	0.1

of hygiene and better nutrition and this helps prevent pregnancy wastage while exposure to secondary education appears to be a prerequisite for a change in attitude towards family size. Table 3.3 illustrates the situation regarding education levels for women in 1977. It seems likely that for the

foreseable future the influence of primary education on increasing fertility will far outweigh any tendency to reduce the family size unless a significantly larger proportion of women can be given access to further education after primary school age, than is the case at the moment. Universal primary education for females will be an established fact within a few years, and if the current relationship between primary education and fertility prevails total fertility may rise even further from the present very high level.

3.9. As shown in Table 3.4 there are considerable differences in fertility rates between the urban and rural sectors and between different provinces. The total fertility rate reported by urban women is consistently lower than the rate for women in rural areas. Western Province has the highest fertility rate and Eastern Province the lowest. These differentials in fertility may

MEAN NUMBER OF LIVE BIRTHS PER WOMAN BY PROVINCE, URBAN.RURAL RESIDENCE AND AGE GROUP OF MOTHER, 1977

Table 3.4

Age Group	Central	Rift	Western	Nyanza	Eastern	Coast	Nairobi
	RURAL AREAS						
15-19	0.29	0.33	0.30	0.47	0.26	0.43	
20-24	1.77	1.81	1.84	2.10	1.62	2.01	
25-29	3.63	3.97	3.79	4.07	3.52	3.80	
30-34	5.55	5.90	6.01	5.77	5.17	5.6	
35-39	6.79	6.97	7.20	6.90	6.51	6.36	
40-44	7.18	7.60	8.40	7.59	6.63	7.14	
45-49	7.70	7.73	8.93	7.46	6.77	7.13	
	URBAN AREAS						
15-19	0.29	0.43	0.43	0.40	0.22	0.32	0.34
20-24	1.40	1.75	1.86	1.96	1.35	1.88	1.74
25-29	3.02	3.47	3.18	3.79	2.81	3.18	3.10
30-34	4.48	5.10	4.88	5.80	4.77	4.19	4.51
35-39	4.76	6.22	7.75	6.14		4.24	5.28
40-44	4.62	6.97	7.00	6.32		5.05	5.61
45-49	5.77	6.48	6.92	6.65		4.40	6.15

be attributed to variations in attitudes to fertility and to the impact of socio-economic development. The average for the country as a whole, is heavily weighted by the development in the rural areas where 85 per cent of the total population live. Although it is difficult to be specific, there probably have been greater relative improvements in health, education and other social services in these areas in the recent period, and these have had an impact on the average total fertility in the country as a whole.

Mortality

3.10. Evidence from the 1962 and 1969 censuses and from the 1977 Baseline Demographic Survey indicates that the mortality rate has been falling since 1962. The decline in mortality has been most significant for

PROPORTION OF CHILDREN DYING BY AGE OF MOTHER ,1962, 1969 AND 1977

Table 3.5

Age Group	1962	1969	1977	1977 as Percentage of 1962
15-19	0.146	0.128	0.113	77
20-24	1.170	0.147	0.109	64
25-29	0.205	0.174	0.125	71
30-34	0.238	0.202	0.158	66
35-39	0.269	0.231	0.177	66
40-44	0.308	0.263	0.209	68
45-49	0.338	0.304	0.247	73

infants, i.e. children of age one and under. Table 3.5 sets out the proportions of children who have died in the years 1962, 1969 and 1977 analysed by the age group of the mother. The decline in child mortality, i.e. of population under 15 years of age is a consistent one between 1962 and 1977, pertaining to mothers in all the listed age groups.

3.11. Infant mortality which was estimated at 119 per 1,000 in 1969 had declined to 83 by 1977. Adult mortality has also fallen though the improvement in the case of adults has been less spectacular. As a result, and as per the life tables derived from mortality rates in 1962, 1969 and 1977 the expectation of further years of life at age 15 has risen respectively for males and females from 46.7 and 49.7 years in 1969 to 47.7 and 51.1 years in 1977. More significantly the expectation of life at birth for males and females, has increased from 46.9 and 51.2 years in 1969 to 51.2 and 55.7 years in 1977.

3.12. Analysis of the proportion of children surviving by province indicates that the Central, Rift Valley and Nairobi provinces reported the lowest child mortality while Nyanza and Western provinces reported the highest. The data also reveal rural/urban differences with the rural areas reporting a higher level of mortality than the urban areas.

Population Growth

3.13. Fertility rates noted above when multiplied by the number of women in each age group result in a crude birth rate of 53.4 births per 1,000 population. Similarly the age specific mortality rates when multiplied by the graduated age distribution result in a crude death rate of 14.2 deaths per thousand population. The crude birth and death rates of 53.4 and 14.2 yield a rate of natural increase of 39.2 per thousand or 3.92 per cent per

annum. With no migration of any significance into or out of Kenya the rate of natural increase of 3.92 per cent per annum does represent the overall rate of population growth. This rate which would double the population in 18 years is the highest rate of population growth in Africa and has increased from the rates of 3.0 and 3.3 per cent per annum estimated for 1962 and 1969 respectively.

3.14. Population projections being used hitherto were computed on basis of a total fertility rate of 7.6 derived from the 1969 census data. These projections have now been revised reflecting a gradual rise in the total fertility rate to 8.1 by 1980 and a continuation of fertility at that level to 1990. The assumption on declining mortality in the revised projections

CURRENT AND REVISED PROJECTED POPULATION BY AGE AND SEX, 1980 AND 1990

Table 3.6 *'000*

Age Group	CURRENT ESTIMATE		REVISED ESTIMATE	
	Male	Female	Male	Female
	1980			
0-4	1,581.1	1,567.1	1,622.7	1,608.3
5-9	1,2444	1,236.1	1,244.4	1,236.1
10-14	1,022.0	1,006.3	1,022.0	1,006.3
15-19	835.9	828.4	835.9	828.4
20-24	685.9	678.6	685.9	678.5
25-29	564.8	557.8	564.8	557.8
30-34	461.2	453.2	461.2	453.2
35-39	374.7	366.2	374.7	366.2
40-44	304.6	298.6	304.6	298.6
45-49	240.6	240.3	240.6	240.3
50-54	189.7	194.8	189.7	194.8
55-59	143.8	151.9	143.8	151.9
60+	266.2	313.7	266.2	313.4
TOTAL	7,914.9	7,892.9	7,956.5	7,934.1
	1990			
0-4	2,336.8	2,309.1	2,613.9	2,583.0
5-9	1,851.7	1,837.7	2,070.5	2,054.8
10-14	1,498.7	1,488.6	1,538.1	1,527.7
15-19	1,211.4	1,203.5	1,211.4	1,203.5
20-24	988.0	974.4	988.0	974.4
25-29	799.2	794.8	799.2	794.8
30-34	650.9	646.2	650.9	646.2
35-39	531.8	527.5	531.8	527.5
40-44	428.8	425.1	428.8	425.1
45-49	341.5	339.7	341.5	339.7
50-54	269.4	272.0	269.4	272.0
55-59	203.3	212.1	203.3	212.1
60+	368.2	429.8	368.2	429.8
TOTAL	11,479.6	11,460.5	12,014.9	11,990.7

parallels the decline assumed in the current projections. The revised and current projections are set out in Table 3.6. As shown the total population as projected for 1990 is over one million higher than the total population as projected earlier.

3.15. In general, both increasing fertility and declining mortality rates raise the proportion of children in a society. Increased fertility boosts the child population because of the increase in the number of births each year while declining mortality increases the child population since the most significant declines in mortality occur in the infant and early childhood years. Therefore, though the revised projections have little effect on the adult population in the short term, the number of children in the population rises each year, by both an increase in the number of babies born and an increase in the number of these babies that survive. Thus the increase in population in 1980 as a result of the revision occurs primarily in the number under 5, and by 1990 the impact will affect numbers under 15. The consequences of these revised projections have far.reaching implications for social and economic development.

3.16. The estimate of population under 5 based on the revised projections of 3,231,000 in 1980 is 82,800 or 2.6 per cent higher than that of the previous projections. By 1990 the numbers under 5 using the revised projections will rise to 5,196,900, a figure 11.9 per cent higher than currently estimated and 60.8 per cent more than in 1980. The very large rise in the number of young children will call for a rise in the medical and nutritional services for this age group.

3.17. Revised assumptions on fertility have a similar bearing on the estimates on proportion of population under 15 years of age. As per current projections it was estimated that 48.4 per cent and 49.4 per cent of the population would be under 15 years of age in 1980, and 1990, respectively. In the revised projections, however, the proportion of total population aged under 15 rises from 48.7 per cent in 1980 to 51.6 per cent in 1990. The estimate of the population between 5 and 14 years, i.e. an approximation to the main school.going age group in the revised projections rises from 4.508.900 children in 1980 to 7,191.200 children in 1990; the estimate for 1990 is 514.600 or 7.7 per cent more than the current projections. Increases in the estimates of the school age population have an important bearing on the provision that will need to be made to cater for the increase in educational infrastructure required to accommodate this population. In the longer term these children will have to secure job training and will need to be able to find jobs. The pressure on the job market in the 1990s therefore will be greater. It could also further intensify rural to urban migration with resultant worsening in living conditions in urban areas unless additional measures are taken to accommodate this flow.

3.18. As revised projections result in an increase in the current estimate on population under 15, whilst leaving the adult population unchanged in the short term, there is a resulting change in the dependency ratio. The dependency ratio, i.e. population aged 0 to 14 years and aged 60 and over as a proportion of population aged 15 to 59 years was estimated at 109 and 112 in the current projections for 1980 and 1990, but as per revised projections it rises from 110 in 1980 to 122 in 1990. The revised projection will have a significant effect on the social and economic planning measures. The revised projections indicate that the same number of adults will have to provide for the needs of a much greater population of children than hitherto anticipated. More demands will be placed on mothers who on the average will be caring for more children spaced closer together, and will need greater assistance if

COMPARISON OF CURRENT AND REVISED PROJECTIONS IOR SELECTED AGE GROUPs, 1980 AND 1990

Table 3.7

Component	1980		1990	
	Current	Revised	Current	Revised
Population under 5	3,148.2	3,231.0	4,645.9	5,196. 9
Percentage of population under 15	48.4	48.7	49.4	51.6
School Age Population Age 5-14.	4,508.9	4.508.9	6,676.6	71,191.2
Working age population, 15-59 .-	7,571.0	7,571.0	10,819.7	10,819.7
Women of child bearing age, 15-49	3,423.1	3,423.1	4.911.3	4,911.3
Dependency Ratios-Population under 15 and 60 and over to Population 15 to 59..	109	110	112	122
TOTAL POPULATION	15,807.8	15,890.5	22.940.1	24.005.6

their children are not to suffer educationally, socially and in terms of their physical well-being. Table 3.7 details data on certain aggregates discussed above which will be effected by the revised projections.

3.19. Evidence presented above is consistent with the idea that in the years ahead, fertility in Kenya will continue at very high levels whereas mortality will continue to decline. In this regard, the demographic trends in Kenya parallel those in many other countries at similar stages of development. One important difference, however, between Kenya and most other developing societies lies in the fact that the combination of the current high level of fertility with rapidly declining mortality is virtually unprecedented in demographic history. At this rate Kenya's population could reach 30 million by about 1995 and 60 million by the year 2012. The capital resources of Kenya will, over the remaining years of this century be strained as the country attempts to develop as rapidly as possible against this background of rapid population growth. Decisions in the years ahead will need to be made on the allocation of limited financial resources between the consumption needs

of the population and on the investment to cater for such a growing population. The growth target of 3 per cent a year increase in per capita incomes will require an annual GDP growth rate of 7 per cent. Such a growth rate means that about 24 per cent of available resources need to be devoted to investment, while pressure on these resources for increased consumption will make it difficult to obtain domestic funds for investment.

CHAPTER 4—MONEY AND BANKING AND BALANCE OF PAYMENTS

The year 1978 was marked by instability in world exchange markets while the pressure on Kenya's balance of payments following the changes in the international coffee market led to an imposition of restrictions on domestic credit and the introduction of an import prepayment scheme. There was evidence of a reduction of domestic inflationary pressures as the year progressed and the rise in money supply was small compared with the large increase in 1977.

4.2. The US dollar had till recently acted as the reserve currency of most countries, and financed much of world trade outside the Communist block. Trade deficits incurred by the U.S.A. in 1977 and 1978 and the inflation differentials recorded against its major trading partners undermined the confidence in the dollar, precipitating a period of foreign exchange instability. Very many countries were affected as the value of their foreign reserves was reduced by the decline in the value of the US dollar. The formation of the European Monetary System was an attempt to create a zone of monetary stability among members of the European Economic Community in the hope that it would lead to a convergence of financial and economic policies in the participating countries. The European Currency Unit was to act as the unit of account to aid the operation of this system. The European Monetary System itself did not come into being until February 1979 and currently excludes the U.K.

4.3. The Second Amendment to the IMF's Articles of Agreement came into force on 1st April 1978. Under the new rules member countries have a relatively wide choice with regard to foreign exchange arrangements. Members can adopt freely floating exchange rates without margins or can peg their currencies to any major currency or group of currencies. SDR quotas were raised following the acceptance of the Second Amendment. Kenya received her increased allocation of SDR'S in January 1979.

4.4. The main monetary aggregate, in the domestic scene are detailed here below:—

	Foreign Assets K£*m.*	*Domestic Credit*		*Money Supply* K£*m.*	*Liquidity Ratio* *per cent*	*Advances/ Deposits Ratio* *per cent*
		*Private** K£*m.*	*Government* K£*m.*			
1976 Dec. ..	114	280	88	423	24 0	74.3
1977 Dec. ..	210	373	81	621	28.4	68.8
1978 Mar. ..	203	423	82	658	26.2	71.3
June	178	466	69	652	21 9	78.9
Sept. ..	152	466	107	664	22.6	77.1
Dec. ..	135	468	145	706	22.7	76.5

*Includes parastatal bodies.

4.5. The increase in the value of imports and fall in prices of coffee and tea exports led to a rapid rundown of the country's foreign reserves in 1978. This had an impact on the liquid assets of the commercial banks. Their

liquidity ratio which had risen to 28.4 per cent at the end of December 1977 dropped to 22.7 per cent by the end of December 1978. Their advances/ deposits ratio rose from 68.8 per cent to 76.5 per cent during the same period. This reflects the prevalence of liquidity squeeze in 1978. Nevertheless domestic credit rose by 35 per cent over the year as a whole and money supply over the same period rose by 13.7 per cent. Here the influence of the fall in foreign assets over the year was particularly strong, acting as a counter-weight to the increase in domestic credit. Between June and December 1978 there was little increase in private sector credit but claims on the Government rose from K£69 million to K£145 million. The rise in discount rate on Treasury bills from 1.52 per cent to 6.80 per cent, and the decline in the rate of inflation are a consequence of the tight monetary situation that prevailed in the later part of the year.

Foreign Exchange Rates

4.6. The external value of the Kenya shilling dropped by a further 6 percentage points in 1978 compared to a drop of 5 per cent in 1977. This was mainly due to large appreciations in the value of Deutsche mark, Swiss franc and Japanese yen which were only partially offset by depreciations in the values of the Italian lira, and the US, Canadian and Australian dollar. Instability of foreign exchange rates characterized the foreign exchange market for the whole of 1978. However extreme fluctuations in the value of the domestic currency vis-a-vis the major world currencies were averted by its being pegged to the SDR. The value of the shilling had declined by nearly 25 per cent between December 1973 and December 1978, adversely affecting Kenya's external debt obligations and the domestic prices paid for imported goods. Table 4.1 shows the changes in value of the Kenya shilling since 1973.

FOREIGN EXCHANGE RATES FOR SELECTED CURRENCIES, 1975-1978

Table 4.1

CURRENCY	MEAN RATES IN KENYA SHILLINGS			
	31st Dec. 1975	31st Dec. 1976	31st Dec.. 1977	31st Dec. 1978
1 U.S. Dollar	8.260	8.310	7.947	7.404
1 Pound Sterling	16.120	14.150	15.207	15 059
1 Deutsche Mark..	3.150	3.530	3.785	4 060
1 French Franc	1.850	1 .680	1.697	1.771
1 Swiss Franc	3150	3.400	3.967	4.565
100 Italian Lira	1.208	0.951	0.912	0.890
100 Japanese Yen	2.710	2.840	3.310	3.825
1 Indian Rupee	0.922	0 931	0.966	0.913
1 Zambian Kwacha	12.850	10 480	10.479	9.431
1 SDR	9.658	9 655	9.653	9.646
Overall Weighted Percentage Change from 1973	15.100	13.702	18.806	24.563
Overall Weighted Index*—31st Dec. 1973 =.100	84.900	86.298	81.194	75.437

*For twenty currencies

Interest Rates

4.7. Interest rates with the exception of Central Bank discount rales have remained unchanged since 1975. The minimum rate charged by commercial banks on loans and advances for periods less than three years was abandoned in 1976. but the maximum rate still stands at 10 per cent. However, the Central Bank discount rate on Treasury bills increased from 1.52 per cent in December 1977 to 6.80 per cent in December 1978, while comparative discount rates for other eligible paper increased from range 6 to 6.5 to range 7 to 7.5 per cent. Rates charged by various financial institutions are detailed in Table 4.2.

PRINCIPAL INTEREST RATES, 1976.1978

Table 4.2 *Per cent*

	31ST DECEMBER		
	1976	1977	1978
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	4.37	1.52	6.80
Advances against Treasury' Bills	6 50	6.50	7.50
Bills and Notes under Crop Finance Scheme:			
Discount	6.00	6.00	7.00
Advances	6.00	6.00	6.00
Other Bills and Notes:—			
Discounts	6.50	6.50	7.50
Advances	6.50	6.50	7.50
Advances against Kenya Government Securities	6.50	6.50	7.50
KENYA COMMERCIAL BANKS			
Time Deposits:—			
Minimum 30 days (7 days notice)	5.125	51.25	5.125
3 months—less than 6 months	5.125	5.125	5.125
6 months—less than 9 months	5.375	5.375	3.373
9 months .12 months (incl.)	5.625	5.625	5.625
12 months (K.Sh. 100,000 250,000)	5.875	3.873	5.875
Savings Deposits	5.00	3.00	5.00
Loans and Advances (Maximum)*		10.00	10.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits ..	5.00	5.00	5.00
Agricultural Finance Corporation, Loans ..	9.00	9.00	9 00
Hire.Purchase Companies and Merchant Banks:—			
Deposits (time)	5.00-8.00	5.00-8. 00	5.00-8.00
Loans	10.00-12.00	10.00-1200	10.00-12.00
Building Societies—			
Deposits	6.00- 8.50	6.00-8.50	6.00 -8.50
Loans	8.00-12 00	8.00-12.00	8.00-12.00

Source: Central Bank

*Loansand Advances for less than 3 years.

CENTRAL MONMAR\ AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1974 1979

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 I.M.F.)	Total Net Foreign Reserves of Central Bank**			Subscrip-tion	I M F . holding of Kenya Currency	Net use of Fund Credit*	
1974	802	66.373	473	66.702	1,733	68,435	20,989	35,002	—14,013	6,721
1975	1,818	69.129	806	70,141	414	70,555	23.184	56,293	—33,109	6,721
1976	1.388	112,944	1.134	113,198	799	113.997	23,184	64.254	—41.070	6,721
1977	5,988	240.408	3.019	207.377	1,214	208,591	23,184	46.199	—23,015	6,721
1978—										
January	6,953	200,638	3,016	204,575	910	205.485	23.184	46.199	—23,015	6.721
February	6,578	193,454	3.196	196.836	1,898	198.734	23,184	46.199	—23.015	6,721
March	6.578	196.795	3.010	200,363	3,346	203.709	23,184	46.199	—23,015	6.721
April	6,578	190.656	3.500	193,734	1,727	195,461	23,184	46,177	—22,993	6,721
May	6.206	189.415	3,378	192,243	4.543	196.786	23,184	46,199	—23.015	6,721
June	6,127	172,051	2,822	175.356	1,559	176,915	33.327	56,342	—23,015	6,721
July	6,127	175,498	3,332	178,293	1,277	179,570	33.327	56,342	—23,015	6,721
August	6.127	158.923	2,811	162,239	1,320	163,559	33.327	55,195	—21.868	6,72!
September	6,125	145,734	4.208	147,651	1,433	149,084	33.327	55,195	—21.868	6,721
October	5,726	138.380	3,487	140.619	1,302	141,921	33,327	55.195	—21.868	6,72!
November	5,293	127,069	3,577	128,785	1 441	130,226	33,227	55.195	—21.868	6,721
December	5.293	129.909	3,294	131.908	1,420	133.328	33,327	58,583	—25,256	6,721
1979-										
January	8.738	131,758	3,345	137,151	2,310	139,461	33,327	66,165	—32.838	10,181
February	8,303	132,651	3,610	137,344	2,064	139,408	33,327	66,165	—32.838	10,181

*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

Foreign Exchange Reserves

4.8. The rapid build-up of the country's foreign reserves in 1977 occasioned by the exceptionally high coffee and tea prices was completely reversed in 1978. Foreign reserves of the central monetary authorities declined by K£75.3 million in 1978, compared to an increase of K£94.6 million in the year before. Most of the decline took place between May and November 1978. With the Second Amendment to the IMF's Articles of Agreement becoming operational on 1st April 1978 Kenya's quota rose from SDRs. 48 million to SDRs. 69 million. In August 1978 Kenya repaid to the IMF the equivalent of SDRs. 2.4 million provided under the Fund's extended financing facility but in December 1978 an equivalent of SDRs. 6.7 million was purchased under the reserve tranche. This raised the IMF's holding of Kenya currency to K£58.6 million or 175.6 per cent of her quota, and by January 1979 this figure had risen further to K£66.2 million following drawings under the first credit tranche. Table 4.3 sets out the details of changes in the foreign assets and liabilities of the central monetary authorities. By the end of February 1979 net foreign reserves of the central monetary authorities stood at K£139.4 million, little changed from the level of K£141.9 million as at the end of October 1978.

Money Supply

4.9. The supply of money as shown in Table 4.4 increased from K£620.7 million at the end of December 1977 to K£705.9 million at the end of Decem-

MONEY AND QUASI MONEY SUPPLY, 1974-1979

Table 4.4 *K£'000*

As at end of	Money*	Quasi. Money**	Total
1974	200.801	90,163	290,964
1975	226,996	113,711	340,707
1976	283.715	139,018	422.733
1977	421,368	199,287	**620,655**
1978—			
January	412,658	207,236	619,894
February	420,260	223,351	643,611
March ..	433,484	224,640	658,124
April	424,522	223,097	647,619
May	419,832	226,879	646,711
June	421,583	230,198	651,781
July	430,543	235.320	665,863
August ..	409.348	241,425	650,773
September	430.852	233.441	664,293
October ..	423,938	239,186	663,124
November	429,386	242,580	671,966
December	**465.057**	240,833	**705,890**
1979..			
January	431,863	241,632	673,495
February	436,414	243,898	680,312

*Currency in circulation plus all demand deposits and 7 days notice Time Deposits, except those of Central Government and Non-Resident Banks.
**All other deposits except those of Central Government and Non-Resident Banks.

ber 1978. an increase of 13.7 per cent compared to a rise of 46.8 per cent in 1977. The respective increases in demand, time and savings deposits and in currency in circulation for 1978 were 7.7, 30.3, 13.9 and 9.0 per cent compared to 43.1. 63.3, 36.1 and 32.4 per cent respectively in 1977. As shown in Table 4.5 domestic credit, however, increased significantly by 35.2 per

CONSOLIDATED ACCOUNT OF BANKING SYSTEM

Table 4.5 K£*million*

	CHANGES DURING YIAR		CHANGE DURING EACH QUARTER			
	1977	1978	1st	2nd	3rd	4th
	CHANGES IN MONEY SUPPLY					
1. Money						
1.1 Demand Deposit	75.51	17.48	17.48	.15.30	.0.87	16.16
1.2 Deposit of 7 days notice . .	26.97	16.36	.4.11	15.96	. 1.98	6.49
1.3 Currency in circulation..	29.68	10.97	1.70	.0.79	1.97	8.09
1.4 Other Items	5.50	.1.18	.2.96	.11.76	10.15	3.40
2. Quasi-Money						
2.1 Savings Deposits	28.47	14.91	3.40	3.81	2.14	5.55
2.2 Time Deposits	31.80	26.70	21.95	1.72	1.10	1 .91
TOTAL*	197.93	85.23	37.47	.6.34	12.51	41.60
	EXPLANATORY CHAN					
3. Net Foreign Assets						
3.1 Monetary Authorities	112.44	.77.96	.4.97	.27.00	.26.74	.19.27
3.2 Commercial Banks	.3.66	3.16	8.69	.3.85	.1.54	.0.14
4. Domestic Credit						
4.1 Central Government	.7.21	64.63	1.50	.13.54	38.25	38.41
4.2 Private Sector	81.05	119.39	47.00	56.13	.7.31	23.57
4.3 Other Public Bodies	12.43	.24.34	2.83	.11.26	5.27	.21.18
5. Other Items (Net)	2.88	0.35	.17.60	.6.83	4.58	20.20
TOTAL*	197.93	85.23	37.47	.6.34	12.51	41.60

*The columns and rows may not add to the total because of rounding.

cent in 1978 compared to a rise of 23.5 per cent in 1977. Credit to the Government increased by 79.9 per cent from K£80.9 million at the end of December 1977 to K£145.5 million at the end of December 1978 while in 1977 there had been a fall in Government borrowing of K£7.2 million. Credit to the private sector including parastatal bodies increased by 25.3 per cent from K£373.1 million to K£467.8 million between December 1977 and December 1978. However, it is significant to note that in the second half of 1978, while credit to the private sector rose by only K£16.3 million and to the parastatals it fell by K£15.9 million in line with the credit squeeze in operation, domestic credit to the Central Government increased by K£76.7 million in this six. month period. The increase in money supply in the first half of 1978 was partly due to the lagged effects of the 1977 economic boom but in the second half of the year it was almost entirely due to credit extended to the Government.

4.10. In the early part of 1978, monetary policy was geared to reducing the growth in money supply and domestic credit. However, as the year progressed the economic forces that had generated the boom conditions in 1977, were completely reversed necessitating a relaxation of some of the monetary policies introduced at the beginning of the year. Effective from 1st January 1978, commercial banks had been subjected to a minimum liquidity ratio of 20 per cent. In May 1978, a further cash ratio of 4 per cent was imposed on commercial banks as their liquidity ratio was still above 20 per cent.

4.11. While these measures had sterilized the liquid reserves of the commercial banks substantially, the fall in net foreign assets of the monetary authorities helped reduce the impact of the large increase in domestic credit on money supply. The cost of borrowing rose and the discount rate on Treasury bills increased sharply to 6.8 per cent in December 1978. The minimum liquidity ratio was lowered from 20 to 18 per cent, in July to ease the liquidity squeeze that had emerged and maintain some growth in money supply. But banks were requested to maintain a cash ratio of 3 per cent and to restrict growth in credit to the private sector to 1.5 per cent per month from 1st July 1978.

4.12. The effects of the tighter money situation on the economy during 1978 are also reflected in the domestic prices. The increases in consumer prices in Nairobi for 1978, were somewhat lower than in 1977. The increases in price in 1978 were 13.7, 8.1 and 8.3 per cent for lower, middle and upper income groups compared to increases of 21.0. 13.5 and 14.5 per cent respectively in 1977. Indeed the rise between October 1978 and March 1979 was down to 1.9, 1.5, and 3.2 per cent for the lower, middle, and upper income groups.

Liquidity Ratio

4.13. Table 4.6 shows the changes in the liquidity ratio of the commercial banks over the last few years. The high coffee and tea prices in 1977 resulted in a large rise in the liquid assets of the commercial banks to a peak level of K£186 million and a liquidity ratio of 37 per cent in August of that year. The fall in realizations from coffee and tea had its own impact on these liquid assets. The legal minimum liquidity ratio which earlier had been raised from 18 to 20 per cent, was again lowered to 18 per cent in July. 1978 to relieve the banks of the liquidity squeeze that had emerged.

4.14. As indicated in Table 4.7 the deposits of commercial banks with the Central Bank fell by K£9.8 million compared to the large increase of K£29.8 million in 1977. The increase of K£4.3 million in the first quarter of 1978 proved to be the exception and there were falls in the subsequent periods. There was a large rise in Government borrowing from the Central Bank in 1978 as contrasted to the very substantial increase in its deposits in 1977. However, there was an almost comparable fall in foreign exchange reserves whereas in 1977 there had been a large rise.

COMMERCIAL BANKS—LIQUID ASSETS, 1975-1979

Table 4.6

	Deposit Liabilities*	Liquid Assets+*	Current Liquidity Ratio**
	K£m	*K£m*	Per cent
1975 December	271.0	51.5	19 0
1976 December	346.0	83.1	24.0
1977 December	510.0	144.7	28.0
1978—			
January	508.5	130.8	26.0
February	514.2	131.5	26.0
March	526.0	137.9	26.0
April	514.9	118.0	23.0
May	513.2	113.9	22.0
June	523.0	114.3	22.0
July	543.0	127.7	24.0
August	531.7	121.0	23.0
September	525.2	118.9	23.0
October	529.4	114.9	22.0
November	541.9	121.1	22 0
December	533.2	125.8	23.0
1979—			
January	537.9	110.7	21.0
February	554.4	129.9	23.0

*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 July 1978 the prescribed minimum was fixed at 18%.
+Deposits and Liquid Assets are calculated as an average of three days balances.

Commercial Banks, Bills, Loans and Advances

4.15. Table 4.8 sets out details on loans and advances of commercial banks and their holdings of Treasury and commercial bills. Their holdings of Treasury bills fell from K£68.5 million in December 1977 to K£62.6 million in December 1978. Despite the tight control on liquidity in the second half of 1978 credit to private enterprises including private households increased by 30.2 per cent over the year as a whole though this was lower than the rise of 37 per cent in 1977. Commerce, manufacturing, services and agricultural sectors were the main recipients of this credit. The commercial sector registered an increase of K£21.8 million in its borrowing in 1978 of which 61.2 per cent was used to finance imports and 34.5 per cent domestic trade. The manufacturing sector received increased credit facilities of K£31.1 million which is an increase of 50.7 per cent over the previous year. Although credit to the agriculture sector rose by a third from K£54.4 million to K£72.5 million, the total in 1978 amounted to only 14 per cent of total deposit liabilities and is below the target set out in the official pronouncement of 17 per cent. Credit to other sectors increased by varying amounts, except to financial institutions where there was a fall of 19.8 per cent from K£20.9 million to K£I6.8 million.

Table 4.7

Central Bank of Kenya: Changes in Assets and Liabilities, 1977-1978

*K£'*000

	Change During Year		Change During Each Quarter of 1978			
	1977	1978	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1. Deposits of Kenya commercial banks with the Central Bank	2J.838	-9,776	4,288	-465	-9048	-4.551
	Explanatory Changes					
2. Advances and Discounts	475	5,586	4.549	12,527	-3,774	-7,716
3. Net Advances to Government—						
3.1 Advtnces to Government. Treasury Bills and Government Securities	5633	6,694	-6,632	8,211	-6.716	11.831
3.2 Government deposits	-59.888	62,646	16,256	-12,739	45,640	13,489
3.3 Net Advances	-54255	69.340	9,624	-4,528	38,924	25,320
4. Other Securities	1,1.477	7,508	-25	7,639	10	-116
5. Foreign Exchange	96,064	-75,194	-7,023	-25,195	-26,319	-16,657
ft. Other Assets (net)	- 8,344	6,967	-1,323	5.040	-11.429	14,679
7. Deposit Liabilities—						
7.1 Non-Resident	16,196	-2,560	8	139	—230	—2.477
7.2 Resident	-2,100	— 10.455	182	3,124	—4.263	1.498
7.3 Total	14,096	— 13,015	190	3,263	4.493	— 11,975
8. Notes and Coins in Circulation	-29,675	— 10.968	-1.704	789	— 1.967	- 8,086
9. General Reserve Fund						
Gross Total	29,838	9.776	4,288	465	9.048	4.551

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1975-J979

Table 4.8 *K£'* 000

	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1979 Jan.	1979 Feb.
PUBLIC SECTOR—						
Central Government	210	870	114	44	12	38
Local Government	1,225	871	843	745	586	813
E.A. Community	4,228	2,705	4,311	–	–	–
Total.	5,663	4,446	5,268	789	598	851
Enterprises. Parastatal bodies and other Public entities ..	9,221	6,818	7,421	9,088	11,853	11,018
Treasury	24,917	50,792	68,546	62,594	63,519	69,577
PRIVATE ENTERPRISES—						
Agriculture*	36,848	40,658	54,395	72,517	74,960	77,563
Mining and Quarrying	5,382	6,754	7,087	7,726	7,422	7,159
Manufacturing	41,926	46,200	61,294	92,381	94,589	92,580
Building and Construction ..	10,865	14,832	17,086	23,474	24,610	24,540
Transport, Storage and Communication	7,159	8,933	13,466	19,450	19,684	20,947
Trade:						
Exports	15,161	15,725	17,446	18,392	16,487	20,855
Imports	13,276	14,480	16,900	30,272	25,400	26,465
Domestic	25,936	26,547	41,945	49,472	50.721	49,292
Financial Institutions	6,400	10,031	20,934	16,800	14,935	14,947
Other Businesses	34,295	42,428	61,397	76,326	81,359	81,226
TOTAL PRIVATE ENTERPRISES. .	197,248	226,588	31 1,950	406,810	410,167	415,574
PRIVATE HOUSEHOLDS— (including non profit making institutions)..	21,957	27,868	36,622	47,002	43,954	41,374
TOTAL BILLS, LOANS AND ADVANCES	259,006	316,512	429,807	526,283	530,091	538,394

* Including Forestry, Fishing and Wildlife.

Stock Market

4.16. The index of share prices on the Nairobi Stock Exchange reached its peak at 441.79 in August, 1978, although the level of activity in 1978 was much lower than in 1977. In 1977 the index had risen by 173 points compared to the rise of only 30 points in 1978 from 390.55 at the end of Decem. bre 1977 to 420.65 at the end of December 1978. There was a gradual decline in the index from August 1978 to January 1979, which was followed by a drop of 59.47 points In February 1979, to a level of 332.97. The decline reflects the monetary situation in the economy as well as general decline in the profitability especially of agricultural companies. The index recovered to some extent subsequently and reached 349.92 by mid-April 1979.

Balance of Payments

4.17. After the record surplus of K£l 12.7 million in 1977 due essentially to the very high prices on offer for coffee, the balance of payments registered a record deficit of K£77.6 million in 1978. This complete turn around in the balance of payments is accounted for by the fact that the high export earnings in 1977 were followed by a year in which while the sums earned from 1977 exports were being spent on a much higher level of imports there was a sharp fall in the level of exports. The central monetary authorities introduced measures to reduce the resultant outflow of funds and import licence approvals were suspended between October and December 1978. In December 1978, a premium levy was imposed on foreign travel, while applications for foreign exchange for imports were required to be accompanied by a cash deposit which in some cases amounted to 100 per cent of the c.i.f. value though some essential items continued to be let in with nil or low deposits. Further, commercial banks were requested to withhold credit if this were to be used for paying import deposits and a general restriction was also imposed on private credit. Although these measures were generally successful the decline in foreign reserves over the year as a whole amounted to K£74.6 million.

4.18. As shown in Table 4.9 payments to the rest of the world on merchandise account increased by 35.2 per cent from K£535.1 million in 1977 to K£723.3 million in 1978, while receipts declined by 22.2 per cent from K£470.9 million to K£366.5 million. As a result the trade deficit increased from K£64.2 million in 1977 to K£356.8 million in 1978, far surpassing the size of the deficit that resulted from the oil crisis in 1974. A substantial proportion of imports in 1978 consisted of machinery and transport equipment and defence equipment. The poor performance of exports in 1978 was due largely to decline in the prices of coffee and tea, and despite the emphasis in policy on the need to increase exports of manufactured products, no appreciable increases were registered in their exports during the year.

4.19. Net earnings on invisible transactions increased by K£16.0 million from K£88.3 million in 1977 to K£104.3 million in 1978. Transportation, travel and haulage of freight across Kenya, in that order, are the main sources of invisible receipts. Net receipts on transportation account amounted to K£57.1 million in 1978 while the respective amounts for foreign travel and freight shipments were K£48.5 million and K£26.6 million. The increase in transportation receipts in 1978 is attributed to wider operations of Kenya Airways, while the decline in cargo transported across Kenya as a result of border closure with Tanzania, and a decline in foreign trade of Uganda, adversely affected the earnings of Kenya Railways. The decision by Uganda to airlift part of its exports to Djibouti, also had some adverse effects.

4.20. Total payments on the investment income account, a substantial proportion of these being re-invested in Kenya, are estimated at K£74.3 million for 1978. Total dividends and profits declared, declined slightly in

Table 4.9 KENYA BALANCE OF PAYMENTS, 1976-1978 *K£ million*

	1976+			1977			1978*		
	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.) ..	389.4	312.1	*Dr.* 77.3	535.1	470.9	*Dr.* 64.2	723.3	366.5	*Dr.* 356.8
2. Freight and Insurance	1.9	29.9	28.0	4.0	28.3	24.3	2.2	28.8	26.6
3. Other Transportation	31.0	70.7	39.7	17.7	74.5	56.8	21.7	78.8	57.1
4. Foreign Travel	12.5	41.1	28.6	7.5	49.7	42.2	15.0	63.5	48.5
5. International Investment Income	70.0	12.5	*Dr.* 57.5	77.1	17.6	*Dr.* 59.5	74.3	19.3	*Dr.* 55.0
6. Government Transactions n.e.s.	14.9	4.0	*Dr.* 10.9	17.2	9.5	*Dr.* 7.7	20.1	12.5	*Dr* 7.6
7. Other Services	24.3	15.7	*Dr.* 8.6	15.1	17.8	2.7	24.6	19.5	*Dr.* 5.1
8. Private Transfers	13.2	6.9	*Dr.* 6.3	8.0	11.5	3.5	11.5	19.0	7.5
9. Government Transfers	10.5	22.9	12.4	3.5	29.5	26.0	1.5	33.8	32.3
TOTAL CURRENT ACCOUNT	567.7	515.8	*Dr.* 51.9	685.2	709.3	24.1	894.2	641.7	*Dr.* 252.5
of which ;Visible Balance ..	389.4	312.1	*Dr.* 77.3	535.1	470.9	*Dr.* 64.2	723.3	365.5	*Dr.* 356.8
Invisible Balance	178.3	203.7	25.4	150.1	238.4	88.3	170.9	275.2	104.3
B. CAPITAL MOVEMENTS									
10. Private Long-term++	0.8	63.1	62.3	0.6	55.1	54.5	*Cr.* 1.5	74.9	76.4
11. Government Long-term		29.7	29.7	0.7	33.9	33.2	*Cr.* 14.8	69.2	84.0
12. Government Corporations**..	8.1	6.8	*Dr* 1.3	*Cr.* 1.0	*Dr.* 1.5	*Dr.* 0.5	0.5	*Dr.* 2.5	*Dr.* 3.0
13. Short-term	5.9	3.8	*Dr.* 2.1	*Cr.* 3.0	0.2	3.2	5.2	18.8	13.6
TOTAL	14.8	103.4	88.6	*Cr.* 2.7	87.7	90.4	*Cr.* 10.6	160.4	171.0
C. MONETARY MOVEMENTS									
14. Transactions with IMF	*Cr.* 0.4	7.9	8.3	4.6	*Dr.* 18.1	*Dr.* 22.7	9.4	12.4	3.0
15. Other Changes in Assets and Liabilities	44.2	0.3	*Dr.* 43.9	91.9	1.9	*Dr.* 90.0	*Cr.* 74.3	0.3	74.6
TOTAL	43.8	8.2	*Dr.* 35.6	96.5	*Dr.* 16.2	*Dr.* 112.7	*Cr.* 64.9	12.7	77.6
D. Errors and Omissions			*Dr.* 1.1			*Dr.* 1.8			*Dr.* 3.9

*Provisional

**Former E.A. Community Corporations only.

+Revised

++Adjusted for 1977

the year, especially in the case of coffee and tea estate companies. The increase of nearly 35 per cent in net transfer receipts from K£29.5 to K£39.8 million is mainly due to increase in grants and technical assistance received by the Government. On the whole despite a net increase of 18.1 per cent in invisible receipts, the overall current account deficit deteriorated from K£24.1 million in 1977 to the extremely high figure of K£252.5 million in 1978.

4.21. The net capital inflow of K£ 171.0 million recorded in the public and private sector accounts partially offset the deficit on current account. This was an increase of nearly 89 per cent over 1977. Both public and private sectors registered large increases in capital inflows. The outflow of K£77.6 million from the foreign assets of the central monetary authorities and commercial banks was needed to bridge the gap between capital receipts and the current account deficit.

4.22. The increase in private long.term capital receipts would have been higher, were it not for heavy repayments of loans and credits by some enterprises. Much of the capital inflow was used to finance imports of industrial machinery and construction and electric power equipment. Nearly a quarter of the private capital inflow was in the form of reinvested earnings. The capital inflow into the public sector was partly used to equip and modernize the parastatals which have been set up to succeed the defunct East African Community corporations and partly to finance extensive expenditure on general development.

4.23. The increases in the subscriptions to the IMF and in the use of Fund's resources are the main features of the central monetary authorities account. The increase in the subscription to the IMF of K£10.1 million, followed the quota increases contained in the Second Amendment to the Fund's Articles of Agreement mentioned earlier. In August 1978 Kenya repaid SDRs. 2.4 million provided under the fund's extended financing facility programme but purchased the equivalent of K£12.4 million under the reserve tranche in December. As a result the net use of Fund resources increased by 10 per cent from K£23.0 million in December 1977 to K£25.3 million in December 1978.

Prospects for the Future

4.24. The preface to the Development Plan 1979.1983 clearly outlines the negative aspects of the balance of payments constraints on the implementation of the plan. The sharp decline in the prices of coffee and tea. and the increases or anticipated increases in prices of crude petroleum, capital equipment and supplies for industry underlines the difficulties with which the year 1979 and the whole plan period may have to contend.

4.25. Over.reliance on a few export commodities whose prices can fluctuate widely and a structure of industrial production developed mainly to serve domestic markets but based on a high proportion of imported raw materials is still creating too many balance of payments problems. The latter is highlighted by the fact that industrial output had imported inputs valued at K£178.3 million and K£204 million, in 1977 and 1978, respectively—excluding inputs of fuels, motor vehicle parts and spare parts. Diversification of exports and encouragement of industries based on locally available resources especially those that utilize the country's abundant labour supply will help resolve the balance of payments constraints on development.

CHAPTER 5—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

The plan period 1974.1978 has ended in a difficult year as far as wage employment is concerned. There was only 1 per cent increase in the numbers employed in 1978, well below the target rate of growth of 4.5 per cent set out in the plan. The low increase can mainly be attributed to the poor performance of agriculture sector. Good rainfall assisted the agricultural industry in the years 1976 and 1977 but in 1978 the rains were too heavy, a factor which had an adverse influence on agriculture. Industries using or selling agricultural produce were also affected. The fall in agricultural employment of some 17,400 had a particular impact on the growth of total employment. Excluding the agriculture sector, numbers in wage employment went up by 3.7 per cent in the rest of the economy in 1978. The Development Plan 1979.1983 has anticipated that about 225,000 persons will enter the labour market and that 50,000 would be able to find jobs in the modern sector each year. The performance against this target in 1978 when only about 9,000 could find jobs in the modern sector is a matter of concern. In the recent registration of job-seekers, about 246,000 persons have registered as being unemployed and this figure excludes the 1978 school leavers. The number of vacancies notified in April 1979 was 61,700 and it is expected that at least 70,000 persons will be able to find jobs in 1979 as a result of the Presidential directive for a 10 per cent growth in the numbers employed.

Employment

5.2. As shown in Table 5.1, the number in wage employment rose from 902.9 thousand in 1977 to 911.5 thousand in 1978, a rise of 8,600 which is equivalent to a growth rate of only 1 per cent. The problem of unemployment therefore continues to intensify as the number of job-seekers increases and more and more school leaves enter the labour market. The numbers engaged in the informal sector enterprises went up by a more significant margin of 10,000 or 9.6 per cent in 1978, while the number of self-employed

PERSONS ENgAgED: RECORDED TOTALS, JUNE, 1975-1978

Table 5.1 *'000's*

	1975	1976	1977	1978*
Modem Establishments—Urban and Rural Areas—				
Wage Employees	819.1	857.5	902.9	911.5
Self-employed and unpaid family workers	56.9	57.5	57.0	59.6
Informal Establishments—Urban Areas	74.1	94.9	103.9	113 9
TOTAL	950.0	1,009.8	1,063.8	1,085.0

and unpaid family workers in modern sector establishments increased by 2,600 or 4.6 per cent. The increase in informal sector employment is probably due in part to the limited number of openings in the formal sector. It does, however, indicate the possibility of the projected annual increase of 11,000 in the numbers engaged in the informal sector in the 1979.1983 Plan period being realized. Establishments engaged in grocery and textile retail trade, and eating and drinking places still account for over 50 per cent of employment in the informal sector in urban areas, concentrated mainly in three major towns—Nairobi, Mombasa and Kisumu.

5.3. Changes in the numbers in wage employment as shown in Tables 5.2 and 5.3 reflect the effect of the weather and the general economic conditions.

WAGE EMPLOYMENT BY MAJOR SECTOR, 1975-1978

Table 5.2 '000'.s

	1975	1976	1977	1978	Annual percentage Change 1976-77	Annual percentage Change 1977-78*
PRIVATE SECTOR—						
Agriculture and Forestry	195.8	197.7	206.4	189.0	4.4	—8.4
Rest of Private Sector	280.9	303.4	320.1	320.1	5.5	3.9
Total Private Sector ..	476.1	50.1	526.5	52.6	5.1	—0.9
PUBLIC SECTOR	342.4	356.4	376.4	390.0	5.6	3.6
TOTAL	819.1	857.5	902.9	911.5	5.3	1.0

*Provisional.

WAGE EMPLOYMENT IN NEW ESTABLISHMENTS BY INDUSTRY, 1975-1978

Table 5.3 '000's

	1975	1976	1977	1978*
Agriculture and Forestry	4.9	3.1	1.8	1.9
Mining and Quarrying	–	–	–	0.1
Manufacturing	1.5	1.3	0.9	1.4
Construction	2.3	3.1	0.8	2.0
Trade, Restaurants and Hotels	1.5	2.6	1.3	2.4
Trasnport and Communications	0.4	0.5	0.2	0.8
Finance, Insurance, Real Estate and Business Services	0.3	0.7	0.8	0.7
Community, Social and Personal Services	0.8	1.6	2.2	3.4
TOTAL	11.7	12.9	7.9	12.7
CHANGE IN OVERALL WAGE EMPLOYMENT.	.7.2	38.4	45.4	8.6

*Provisional.

As already stated employment in agriculture sector fell by 17,400 or 8.4 per cent in 1978 due to heavy rains which through a reduction in the level of activity caused the number of casual employees in particular to be significantly reduced. An increase of 3.7 per cent in total employment in the rest of the economy is, however, a satisfactory outcome. A total of 12,700 employees were absorbed by the new establishments which came into operation in 1978.

WAGE EMPLOYMENT IN THE PRIVATE SECTOR BY INDUSTRY, 1975 - 1978

Table 5.4 '000's

	1975	1976	1977	1978*	Percentage change 1977.78*
Agriculture and Forestry	195.8	197.7	206.4	189.0	—8.4
Mining and Quarrying	2.7	31	2.4	1.9	—20.8
Manufacturing	82.1	88	94.7	105.3	11.2
Construction	24.6	30.1	29.6	28.6	—3.4
Trade, Restaurants and Hotels	51.7	57.9	60.3	59.6	—1.2
Transport and Communications	16.5	18.0	19.6	20.6	5.1
Finance, Insurance, Real Estate and Business Services	20.2	20.9	24.2	25.9	7.0
Community, Social and Personal Services	82.9	85.4	89.3	90.6	1.5
TOTAL	476.6	501.1	526.5	521.6	—0.9

*Provisional.

5.4. Overall wage employment in the private sector, as shown in Table 5.4 fell by 0.9 per cent, largely due to the decline in numbers employed in agriculture sector, as stated above. The unfavourable weather conditions affected numbers in wage employment on coffee and sisal farms as well as in establishments engaged in mixed farming and ranching. The acreage under pyrethrum has also continued to decline and as a consequence employment in this labour intensive sub-section of the sector has been adversely affected too.

5.5. The decline in the numbers employed in the mining and quarrying industry which had first been set in 1976 has not been halted. Employment in this sector fell by a further 500 in 1978 reducing the already small number of 2,400 employees to only 1,900.

5.6. The drop in the numbers employed in the private sector would have been significantly larger but for the increase of 11.2 per cent in numbers employed in the manufacturing sector in 1978. This follows an increase of 7.5 per cent in employment in this sector in 1977. Increases of as much as 20 per cent were recorded in establishments engaged in manufacture of

tobacco and footwear; in spinning, weaving and finishing of textiles; as well as in knitting mills; and in cordage, rope and twine factories; and sawmills. The textile industry has been helped in its recovery by the relaxation of regulations regarding the importation of those raw materials which local sources have been unable to supply.

5.7. Despite the very large rise in the value of building plans approved in 1977, wage employment in 1978 in the private construction sector, according to the data available, fell by a further 3.4 per cent. This, however, may be a reflection of more use being made of sub-contractors whose wage employees are particularly difficult to enumerate. Employment rose significantly in public sector construction.

5.8. There was a rise of 5.1 per cent in employment in establishments engaged in transport in the private sector, while employment in establishments engaged in finance, insurance, real estate and business services increased by 7 per cent. Employment in distribution sectors and in restaurants and hotels went down by 1.2 per cent. The rate of growth in wage employment in the public sector also slowed down to 3.6 per cent in 1978 as compared with an increase of 5.6 per cent in 1977. Table 5.5 sets out the changes in employment in the public sector. Numbers employed in the Central Government went up by 11,700 or 7.4 per cent in 1978. The increase is accounted for by absorption of Kenya nationals who were previously working for the late East African Community and in addition in 1978 the Government increased the number of casuals engaged on Rural Access Roads Programme particularly in Trans-Nzoia District and on the construction of Kitale-Kapenguria road. There was a small fall in the numbers employed by parastatal bodies while there was a rise of 18.8 per cent or 3,200 in the numbers employed in the organizations where the public sector has a majority control. This was due mainly to the fact that once the public sector has acquired 50 per cent or more of the equity capital in any firm, the firm is reclassified from the private to the public sector. The largest of such establishments to be so reclassified in 1978 was Kenya Toray Mills Ltd.

5.9. Figures on numbers in wage employment by province are set out in Table 5.6. Nairobi continues to have the largest number of employees among the provinces, accounting for about 27 per cent of the overall total for the country as a whole. The drop in employment in Central, Western and Rift Valley provinces in 1978 was the most significant change in the geographical break down of employment in the country. These provinces are mainly agricultural and as noted above, poor weather conditions directly affected employment on coffee and sisal plantations and livestock farms in these provinces. The decline in employment in Western Province also resulted from the dismissal of 2,000 untrained primary school teachers as directed by the Teachers Service Commission in May 1978. These teachers, however, appear to have been replaced later in the year. Employment in other provinces increased on average by about 4.1 per cent in 1978.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1975-1978

Table 5.5 '000'S

	1975	1976	1977	1978*
Central Government	146.1	157.5	157.2	168.9
Parastatal Bodies**	154.8	161.6	170.0	168.0
Mojority Control by the Public Sector	15.3	11.8	17.0	20.2
Local Government	26.2	25.5	32.1	32.9
Others			0.1	
TOTAL	342.4	356.4	376.4	390.0

*Provisional.

**Includes Teachers Service Commission, Kenya Railways Corporation, Kenya Ports Authority, Kenya Posts and Telecommunication, Kenya Airways Limited, etc. + E.A. Development Bank and E.A. Examinations Council.

WAGE EMPLOYMENT BY PROVINCE, 1975-1978

Table 5.6 "000s

Province	1975	1976	1977	1978*	Percentage Change 1977/78*
Nairobi...	218.6	230.3	235.5	244.4	3.8
Central	124.0	133.6	143.7	137.6	.4.2
Nyanza	6 . 7	63.4	64.8	67.3	3.9
Western	36.7	36.2	44.5	42.5	—4.5
Coast	101.8	105.9	113.8	122.7	7.8
Rift Valley	209.8	216.9	225.8	221.1	—2.1
Eastern	62.2	66.5	70.1	71.0	1.3
North Eastern	4.2	4.8	4.7	4.9	4.3
TOTAL	819.1	875.5	902.9	911.5	1.0

*Provisional.

5.10. Details on wage employment in 1973 and 1978 in selected industries by major towns are given in Table 5.7. These major towns accounted for 47.4 per cent of the total numbers in wage employment in 1978. The remaining 52.6 per cent or more than one half of all wage employees, work in rural areas and the smaller towns. Wage employment in major towns has increased by 31.2 per cent over this five-year period. Employment in Nairobi itself has risen by 19.9 per cent while for all other towns covered in the table the increase was 47.4 per cent. The shift in favour of other towns other than Nairobi is due partly to the fact that the new large manufacturing enterprises have tended to be located in a number of towns in an effort to encourage more activity in the rural areas. In fact incentives are given to encourage this spread of manufacturing activity. Most of the growth in Nairobi was

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1973 AND 1978

Table 5.7

'000's

	Manufacturing		Construction		Trade, Restaurants and Hotels		Transport and Communi-cations		Finance, Insurances, Real Estate and Business services		Community Social and Personal Services	
	1973	1978*	1973	1978*	1973	1978*	1973	1978*	1973	1978*	1973	1978*
Nairobi	41.0	48.7	23.2	31.9	23.3	29.7	16.5	19.1	14.7	22.7	74.9	80.0
Mombasa	14.1	17 9	3 0	4.6	6 7	9.7	19.2	21 .9	2.2	4.4	17.2	25.0
Kisumu	2.4	3.4	0.5	1.0	1.4	1.6	2.2	2.2	0 6	0.8	5.1	6.6
Nakuru	3.4	5.4	1.2	1.4	1.9	2.3	1.8	1.0	0.3	0.7	5.3	5.4
Thika	5.5	9 4	0.5	0.2	0.5	0.6	0.1	0 1	0 1	0.4	0.6	1.5
Eldoret	2.1	4.8	0.2	0.8	0.8	1.1	1.2	0.7	0 3	0.3	2.1	2.9
Other Towns	4 1	10 1	2.7	4.3	3.8	8.4	1.7	4.7	1.0	2.1	19 .2	32.7
TOTAL	72.6	99.7	31 .3	44.2	38.4	53.4	42.7	49.7	19.2	31.4	125.4	154.1

*Provisional.

concentrated in establishments in the manufacturing sector, and in enterprises offering finance and business services while employment in other activities has grown at a much lower rate. Increase in employment in the establishments in transport and communications sector in the main towns has registered a particularly low growth rate of 16.4 per cent, between 1973 and 1978, compared with an increase of 37.3 per cent in manufacturing sector, 41.2 per cent in construction, 39.1 per cent in distribution sector including restaurants and hotels, and 63.5 per cent in business services.

5.11. The numbers in wage employment by industry, citizenship and sex are shown in Table 5.8. Females still account for only 17.1 per cent of the total wage employment, the total number of females in wage employment having increased by 0.8 per cent in 1978. The number of non.citizen employees has continued to fall in 1978 to 1.6 per cent of the total in wage

WAGE EMPLYOMENT BY CITIZENSHIP AND INDUSTRY, 1977 AND 1978

Table 5.8 '000'S

	CIT IZENS		NON-CITIZENS		TOTAL	
	1977	1978*	1977	1978*	1977	1978*
Agriculture and Forestry	259.3	242.0	1.0	1.0	260.3	243.0
Mining and Quarrying	3.3	2.4	0.1	0.1	3.4	2.5
Manufacturing	115.3	127.5	2.6	2.6	117.9	130.1
Electricity and Water	9.3	8.9	0.4	0.4	9.7	9.3
Construction	47.8	54.1	1.1	1.2	48.9	55.3
Trade, Restaurant and Hotels..	60.7	60.9	1.9	1.6	62.6	62.5
Transport and Communications	47.3	50.0	0.8	0.9	48.1	50.9
Finance, Insurance, Real Estate and Business Services	28.1	30.4	1.6	1.6	29.7	32.0
Community, Social and Personal Services						
Public Administration	87.1	91.5	0.3	0.2	87.4	91.7
Education Services	122.5	117.8	2.3	2.3	124.8	120.1
Domestic Services	53.9	55.7	1.6	0.8	55.5	56.5
Other Services	53.0	55.9	1.7	1.7	54.7	57.6
TOTAL	887.5	897.1	15.4	14.4	902.9	911.5
Of which: Males	736.2	744.0	12.4	12.0	748.6	756.0
Females	151.3	153.1	3.0	2.4	154.3	155.5

*Provisional.

employment. There were a total of 14,400 non-citizens in wage employment in 1978, which is 1,000 less than in 1977. Any substantial return of Ugandans to their own country following the developments there in 1979 will have its effect on the employment of non-citizens in 1979.

5.12. Table 5.9 details changes in the number of wage employees in selected occupation groups for the two years 1976 and 1978. There was a substantial rise of 4,800 or 5.9 per cent in the employment of skilled workers while persons classed as general managers or salaried directors increased

WAGE EMPLOYMENT BY SELECTED OCCUPATIONS, 1975 AND 1978

Table 5.9

	1976		1978*		TOTAL	
	Private	Public	Private	Public	1976	1978*
Skilled Workers	519	29.6	54.9	31.4	81.5	86.3
General Managers and Salaried Directors	7.5	3.9	8.0	4.0	11.4	12.0
Teachers	4.0	96.6	4.6	97.3	100.6	101.9
Architects, Engineers and Surveyors	1.3	1.3	1.3	1.3	2.6	2.8
Medical, Dental, Veterinary and Related Professionals	0.5	1.5	0.5	1.6	2.0	2.1
Agronomists and Related Scien-	–	0.6	—	0.6	0.6	. 0.6
Statisticians, Mathematicians, Systems Analysts and Related Professionals	0.1	0.1	0.1	0.2	0.2	0.3
Other Scientists	0.1	0.4	0.1	0.6	0.5	0.7
Lawyers and other Jurists	0.1	0.3	0.1	0.4	0.4	0.5
Professional Accountants	0.5	0.1	0.5	0.3	0.6	0.8
Economists	–	0.1	–	0.1	0.1	0.1
Professionals not Elsewhere Classified	0.9	0.8	1.0	0.9	1.7	1.9
TOTAL	67.0	135.3	71.1	138.7	202.2	209.8
of which.: Citizens	59.3	132.0	63.5	135.5	191.3	199.0
Non.Citizens	7.7	3.3	7.6	3.2	10.9	10.8

*Provisional.

from 11,400 to 12,000. The largest occupational group is that of teachers and their number rose from 100,600 in 1976 to 101,900 in 1978. The number of professionals excluding teachers rose from 8,700 in 1976 to 9,600 in 1978.

Earnings

5.13. Table 5.10 shows total earnings from wage employment. Earnings rose to K£483.0 million in 1978 compared with K£431.4 million in 1977, an increase of 12 per cent. Although wage employment in the private sector fell slightly betwen 1977 and 1978 there was an increase of 11.2 per cent in total wages and salaries paid out to employees engaged in enterprises in this sector. This increase in the private sector was mainly due to wage awards arising from negotiations with employers. The increase of 12.7 per cent in the earnings of employees in the public sector is accounted for by both an increase in numbers employed and increased average earnings often arising from the payment of annual increments. A salary review by the Kenya Posts and Telecommunications Corporation in May 1978 increased wages to its employees by between 4 per cent and 15 per cent while the Kenya Ports Authority raised wages of its employees by between 8 per cent and 20 per cent in February 1978.

EARNINGS BY MAJOR SECTOR, 1975-1978

Table 5.10 K£*million*

	1975	1976	1977	1978*
PRIVATE SECTOR—				
Agriculture and Forestry	22.6	26.8	27.8	30.2
Mining and Quarrying	1.1	1.3	0.8	0.6
Manufacturing	40.2	46.5	56.5	65.2
Construction	10.1	10.6	14.5	16.1
Trade, Restaurants and Hotels	2.8	35.0	39.8	44.3
Transport and Communications	10.2	11.5	13.9	16.5
Finance, Insurance, Real Estate and Business Services	19.4	22.0	27.5	29.4
Community, Social and Personal Services	22.0	26.7	29.3	31.2
TOTAL PRIVATE SECTOR	155.5	183.4	210.0	233.5
PUBLIC SECTOR—				
Central Government	63.8	86.0	99.6	122.9
Parastatal Bodies"	71.9	90.1	96.7	105.7
Majority Control by the Public Sector ..	8.4	8.1	10.0	13 5
Local Government	12.3	12.1	15.6	17.4
Others+.	–	–	0.1	–
TOTAL PUBLIC SECTOR	156.8	196.3	221.4	249.5
TOTAL	312.3	379.6	431.4	483.0

*Provisional.

** includes Teachers Service Commission, Kenya Railways Corporation, Kenya Ports Authority, Kenya Posts and Telecommunications Corporation, Kenya Airways Limited, etc.

+E.A. Development Bank and E.A. Examinations Council.

5.14. Changes in average wage earnings are detailed in Table 5.12. Average earnings in the public sector rose by 8.7 per cent while there was an increase of 12.2 per cent in the average earnings in the private sector. Average earnings of employees in private sector in agriculture and forestry rose by 18.6 per cent and in construction by 14.9 per cent, above the average for the private sector as a whole. A small fall was recorded for employees in finance, insurance, real estate and business services although the average earnings in these activities were two and a half times the private sector's overall average. Employees in mining also had a fall in average earnings of 5.3 per cent; while there were rises slightly above the overall average of 12.2 per cent for employees in distribution sector including restaurants and hotels and for employees in transport and communications sector.

5.15. In the public sector earnings of Central Government employees rose by 5.5 per cent in 1978 or substantially less than the increases of 11.2 per cent for employees in parastatal bodies including teachers, 13.6 per cent for employees in concerns where the public sector has a major control and 8.8 per cent for local government employees.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1975-1978

Table 5.11

	1975	19766	1977	1978*
PRIVATE SECTOR—				
Agriculture and Forestry	115.6	135.6	134.7	159.8
Mining and Quarrying	401.3	419.4	333.3	315.8
Manufacturing	489.8	527.8	596.6	619.1
Construction	411.0	451.8	490.0	562.9
Trade, Restaurants and Hotels	575.0	604.5	660.0	743.3
Transport and Communications	619.1	638.9	709.2	801.0
Finance, Insurance, Real Estate and Business Services	962.5	1,052.6	1,136 4	1,135.1
Community, Social and Personal Services	265.4	312.6	328.1	344.4
TOTAL PRIVATE SECTOR	326.2	366.0	398.9	447.7
PUBLIC SECTOR—				
Central Government	436.7	546.0	633.6	668.4
Parastatal Bodies"	464.5	557.5	565.9	629.2
Majority Control by the Public Sector ..	549.0	686.4	588.2	668.2
Local Government	484.7	474.5	486.0	528.9
Others+.	–	–	1,000.0	–
TOTAL PUBLIC SECTOR	457.9	550.7	588.3	539.7
TOTAL	381.3	442.7	477.8	529.9

*Provisional

"Includes Teachers Service Commission, Kenya Railways Corporation, Kenya Ports Authority, Kenya Posts and Telecommunications Corporation, Kenya Airways Limited ,etc.

+E.A.Development Bank and E.A. Excaminations Council.

5.16. Table 5.12 indicates that average nominal earnings in the economy as a whole rose by 10.9 per cent in 1978 which may be compared with the average increase of 12.5 per cent in consumer prices discussed below. Real average earnings thus declined by a further 1.4 per cent for the year 1978 as detailed in Table 5.14 and were on a par with those pertaining in 1975 before the substantial awards made in 1976. Table 5.14 shows the growth in average real wages from 1975 to 1978. The fall of 2.5 per cent in average real wage in 1975 was followed by a rise of 5.5 per cent in 1976 and subsequent falls of 4.3 and 1.4 per cent, respectively, in 1977 and 1978.

517. A comparison of average real earnings in private sector and public sector since 1974 shows that private sector earnings have fallen by 4.4 per cent while those in the public sector have fallen by 3.2 per cent. Industrial groups in the private sector to show particular falls in real earnings since 1974 include mining and quarrying with a reduction of 40 per cent, transport fall communications 23.4 per cent, and the services sectors with an average a of 19 percent generalization it seems to be the case that except

AVERAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1975-1978

Table 5.12 *Percent*

	EMPLOYMENT		AVERAGE EARNINGS	
	1975-78*	1977-78*	1975-78*	1977-78*
PRIVATE SECTOR—				
Agriculture and Forestry	—0.0	—8.4	11.7	18.6
Mining and Quarrying	.9.5	—20.8	—7.1	—5.3
Manufacturing	8.7	11.2	8.1	3.8
Construction	5.8	—3.4	11.1	14.9
Trade, Restaurants and Hotels	5 0	—1..2	9.0	12.6
Transport and Communications	7.7	5.1	9.0	12.9
Finance, Insurance, Real Estate and Business Services	8..8	7.0	5.8	—0.1
Community, Social and Personal Services	3.0	1.5	9.3	5.0
TOTAL PRIVATE SECTOR	3.1	.0.9	11.1	12.2
PUBLIC SECTOR—				
Central Government	5 0	7.4	15.5	5.5
Parastatal Bodies"	2.8	—2.2	10.9	11.2
Majority Control by the Public Sector ..	13.3	18.8	8.1	13.6
Local Government	8.6	2.5	3.0	8.8
TOTAL PUBLIC SECTOR	4.4	3.6	11.9	8.7
TOTAL	3.7	1.0	11.6	10.9

*Provisional.

**Includes Teachers Service Commission, Kenya Railways Corporation, Kenya Ports Authority, Kenya Posts and Telecommunications Corporation. Kenya Airways Limited, etc.

for particular groups such as mining the general movement in wages and salaries since 1974 has been in the direction of greater equality between different industrial groups. Despite this movement earnings of agricultural workers in real terms were still less than one-third of the national average in 1978.

Wage Awards

5.18. Basic statutory minimum wages have not ben revised since October 1977 when they were fixed at K.Sh. 350 per month for Nairobi. From October 1977 to March 1979 the consumer price index for the lower income group has risen by 15.5 per cent.

5.19. An analysis of wage increases in the private sector registered with the Ministry of Labour indicates that for a group of 259 firms increases for lower income employees i.e. those earning less than K£35 per month were 7.6 per cent in 1978 following rises of 8 per cent in 1977, while for employees in the middle income group the rises amounted to 4.6 per cent in 1978 and 9.9 per cent in 1977. There are substantial variations in the average increases

ESTIMATED REAL AVERAGE WAGE EARNINGS** PER EMPLOYEE, 1975-1978

Table 5.13 *K£*

	1975	1976	1977	1978*
PRIVATE SECTOR—				
Agriculture and Forestry	111.7	119.1	104.9	110.7
Mining and Quarrying	387.7	368.2	259.6	218.7
Manufacturing	473.2	463.4	464.6	428.7
Construction	397.1	396.7	381.6	389.6
Trade, Restaurants and Hotels	555.6	530.6	514.0	514.8
Transport and Communications	598.2	560.9	552.3	554.7
Finance, Insurance, Real Estate and Business Services	930.0	924.1	884.7	786.1
Community, Social and Personal Services	256.4	274.5	255.5	238.5
TOTAL PRIVATE SECTOR	315.2	321.3	310.7	310.0
PUBLIC SECTOR—				
Central Government	421.9	479.4	493.5	462.9
Parastatal Bodies+	448.8	489.5	440.7	435.7
Majority Control by the Public Sector..	530.4	602.6	458.1	462.8
Local Government	468.3	416.6	378.5	366.3
TOTAL PUBLIC SECTOR	442.4	483.5	458.2	443.0
TOTAL	368.4	388.7	372.1	367.0

*Provisional.

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

+Includes Teachers Service Commission, Kenya Railways Corporation, Kenya Ports Authority, Kenya Posts and Telecommunications Corporation, Kenya Airways Limited, etc.

for these different categories between various industrial sectors. For example wage increases in wholesale and retail trade in 1978 were 2.4 and 2.5 per cent for each of the two income groups, respectively, whereas for transport and communications the increase for employees in the middle income group was 17.9 per cent. In manufacturing sector wages in 1978 rose by 9.1 per cent for employees in the lower income group and by 7.8 per cent for employees in the middle income group.

Unemployment

5.20. A detailed enquiry conducted by the Ministry of Labour in May 1979 registered 246,081 job-seekers who declared themselves as unemployed while a total of 29,709 vacancies were reported by private firms. Of the total who had reported themselves unemployed 99,024 were registered in Nairobi, 43,377 in the Nyanza and Western Provinces, 40,304 in Rift Valley Province, 37,260 in the Coast Province and 26,116 in the Central and Eastern

CHANGES IN WAGE EMPLOYMENT, AVERAGE WAGES AND CONSUMER PRICES, 1975-1978

Table 5.14 *Percentage*

	1975	1976	1977	1978*
Wage employment	—0.9	4.7	5.3	1.0
Current prices average wages	14.8	16.1	7.9	10.9
Consumerprices**	17.8	10.0	12.7	12.5
Real average wages	—2.5	5.5	—4.3	—4-4

*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.

Provinces. A significant number of the vacancies were however for the skilled or professional and technical personnel, which might make them difficult to be filled by the persons registered as seeking employment. In addition to the vacancies in the private sector a total of 32,039 vacancies had also been identified in the public sector mainly in Central Government.

Consumer Prices

5.21. During 1978, inflation as measured by average changes in consumer prices for lower, middle and upper income groups rose by 17.0, 10.3 and 10.0 per cent, respectively, yielding an average rise in consumer prices of 12.5 per cent as compared with the rate of 12.7 per cent in 1977. Details of the rise in prices by groups of commodities show that in 1978 rises for the lower income group were most marked in the prices for clothing and footwear, rents and furniture and furnishings; for the middle income group in prices of food, drink and tobacco and rents; and for the upper income group in prices of drink and tobacco, furniture and furnishings and health care.

PERCENTAGE CHANGES IN NAIROBI CONSUMER PRICES: DECEMBER, 1975 - MARCH, 1979

Table 5.15

	Dec. 75 to Dec. 76	Dec. 76 to Dec. 77	Dec. 77 to Dec. 78	Dec. 78 to March 79	Dec. 75 to March 79
Nairobi Lower Income Index	9.1	21.0	13.7	0.2	50.3
Nairobi Middle Income Index	9.3	13.5	8.1	0.9	35.3
Nairobi Upper Income Index	7.7	14.4	7.6	2.7	36.3

5.22. Between December 1977 and December 1978 consumer prices went up by 13.7, 8.1 and 7.6 per cent, respectively, for lower, middle and upper groups. This is a moderate rise compared with increases of 21.0, 13.5 and T4.4 per cent in 1977. Food prices and rents rose less steeply in 1978 as compared with the increases in 1977. The food index rose by an average of 10.4 per cent between December 1977 and December 1978 while rents rose by 10.5 per cent, compared with rises of 16.4 and 23.6 per cent, respectively, between December 1976 and December 1977. For the period July 1978 to June 1979 prices are expected to rise by approximately 9 per cent compared with an increase of 13.7 per cent in the period July 1977 to June 1978, providing a further indication of the moderating rate of consumer price rises.

NAIROBI CONSUMER PRICES INDICES, 1975-1978

Table 5.16 *January-June,* 1975 = 100

	Food	Rent	Others	All Groups
LOWER INCOME—				
December—1975	106.6	114.0	96.1	108.2
December—1976	111.5	124.3	117.5	118.0
December—1977	130.7	164.0	142.9	142.8
December—1978	147.8	187.7	162.0	162.3
March—1979	148.0	188.3	182.9	162.6
MIDDLE INCOME—				
December—1975	104.8	111.1	94.8	105.1
December—1976	110.8	120.5	116.1	114.9
December—1977	127.1	146.3	127.7	130.4
December—1978	141.1	158.7	135.1	141.0
March—1979	141.8	160.1	136.6	142.2
UPPER INCOME—				
December—1975	109.7	109.3	100.9	109.3
December—1976	119.2	115.6	118.2	117.7
December—1977	139.8	135.7	131.9	134.8
December—1978	149.9	145.7	142.2	145.1
March—1979	152.9	149.4	146.8	149.0

5.23. A composite price index excluding rent for lower and middle income groups in Mombasa, Kisumu and Nakuru has been prepared. In 1978 average prices in Mombasa, Kisumu and Nakuru went up by 7.1, 9.4 and 10.9 per cent respectively. There were variations in the groups of commodities which registered high price increases. In Mombasa the largest increases were recorded in prices of furniture and furnishings and clothing and footwear; in Kisumu prices of furniture and furnishings; and in Nakuru in prices of clothing and footwear, fuel, light and water, furniture and furnishings and food

5.24. Indices have also been computed for purchased items of consumption in rural areas. Prices for basic food commodities were collected from the rural markets whereas prices for other commodity items were collected from the smaller urban centres in the provinces. The results indicate that consumer prices in the rural areas went up by 8.5 per cent during 1978. The largest rises were recorded in prices of drink and tobacco. Detailed studies in the rural areas are now being undertaken and it is expected that by the end of 1979 prices for all commodity items will be collected regularly from rural markets. The weighting of groups of commodities and the rises in prices of these groups varies between rural areas and the smaller towns and between these towns and Nairobi so that overall price rises can vary quite markedly.

CHAPTER 6—PUBLIC FINANCE

The financial policy adopted by a central government in a particular year influences the rate of inflation, the rate of growth and the level of employment in the economy concerned. In the budget speech in June 1978 it was stressed that inflation was the country's most difficult economic problem and that while the balance of payments was presenting problems leading in 1978 to a reduction in the country's foreign reserves the outlook for 1979 was even more serious.Restraints, it was noted, were necessary in formulating the budgetfor 1978/79 but that their imposition was not easy in view of the Government's commitments towards large development projects and increased current expenditure resulting from past investments. In the event 1978/79 has proved to be a year of particular constraints. Government capital expenditure has been reduced substantially below the level forecast due mainly to difficulties over financing as a result of the decline in current surplus and a drop in long-term borrowing.

6.2. The current revenue increased by only K£30.2 million, equivalent of 6.4 per cent in 1978/79, after a sharp rise of K£151.6 million or 47.3 per cent in 1977/78. At the same time current expenditure, which had risen by KX115.0 million or much less than the growth in revenue in 1977/78, is estimated to have increased by K£ 64 million or 16 per cent in 1978/79. As a result the current surplus available to help finance capital expenditure has declined from the high level of K£72.1 million recorded in 1977/78 to K£21.4 million in 1978/79. Capital expenditure both on development and on investment was earlier estimated to amount to K£270.9 million in 1978/ 79. It is now forecast that such expenditure as per the latest indications will be K£215 million, as compared to capital expenditure of K£190.3 million in 1977/78.

6.3. The overall deficit has risen from K£118.2 million in 1977/78 to K£177.2 million in 1978/79. Hence whilst external grants have trebled from K£9.0 million in 1977/78 to K£28.7 million in 1978/79, there was still a need to borrow K£148.5 million in 1978/79 compared with K£109.2 million in the previous year. As shown in Table 6.1 external loans have in 1978/79 yielded K£58.2 million and long-term domestic borrowing a further K£42.6 million leaving a deficit of K£47.7 million. This deficit has been covered by increasing the issue of Treasury Bills, direct local borrowing from the banking sector and to some extent running down the accumulated cash balances.

6.4 The rise in current expenditure has been continuous and at a relatively high level since 1974/75. To some extent this has been occasioned by the inflation prevalent in the economy but it is also accounted for by the need to spend substantial sums on defence; by the takeover of functions which were previously the responsibility of the late East African Community; and by the wider coverage of social services. Total Government expenditure in

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OUT.TURN* OF REVENUE AND EXPENDITURE, 1974/75 - 1978/79

Table 6.1 *K£000*

	1974/75	1975/76	1976.77	1977/78	1978/79**
Current Revenue	226,646	269,171	320,556	472,164	502,341
Current Expenditure	207.377	246,770	285,079	400,111	480,912t
Current Surplus	19,269	22,401	35,477	72,053	21,429
Development Expenditure	61,985	74,254	86,034	115,142	175,514+
External Grants	8,228	7,008	10,519	9,049	28,659
DEFICIT	.34,488	.44,845	.40,038	.34,040	.125,426
INVESTMENT EXPENDITURE—					
PURCHASE OF EQUITY ETC.					
Financial Enterprises	556	1,245	949	1,490	} 11,858
Non-Financial Enterprises	5,062	5,148	10.699	16,547	
LOANS TO;					
Financial Enterprises	13,369	14,121	3,871	19,204	
Non-Financial Enterprises	4,049	8,041	13,147	31,906	
General Government	7,519	21,696	8,038	3,782	}83,482
Other	1,665	1,834	1,947	2,208	
Increase in Investment Claims	32,220	52,085	38,651	75,137	95,340+
TOTAL DEFICIT	.66,708	.96,930	.78,689	.109,177	.220,766+
FINANCING OF THE DEFICIT—					
External Loans	20,065	43,673	29,773	43,231	58,210
Long-Term Domestic Borrowing	15,490	52,782	25,600	66.942	42,600
SHORT-TERM BORROWING—					
Cereals and Sugar Finance Corporation . .	.1,095	8,390	6,512	.4,248	.4.000
Tax Reserve Certificates	.684	82	2,601	.1,047	2,500
Treasury Bills	4.400	24,000	25,000	.24,050	
IMF Counterpart Facilities	5,700				8,550
Advance from Central Bank	4,400		.4,400		
NET SHORT-TERM BORROWING	12,721	32,472	29,713	.29,345	
CHANGES IN CASH BALANCES; INCREASE™ +	.18,432	+ 31,997	+ 5,797	.28,349	
MEMORADUM ITEMS—					
(i) Loans to University Students on Recurrent Account included with other loans	1.665	1,823	1,935	2,198	2,710
(ii) Development Project Earnings on Development Account included with Current Revenue	347		6,433	766	911

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

1. Current revenue as shown in this table plus short-term borrowing, minus memorandum item (ii) equals revenue on the Recurrent Account as shown in Table 6.2.
2. Current expenditure plus development expenditure and investment expenditure as shown in this table equal total expenditure shown in Table 6.6.

**Provisional.

+*See* the Chapter text. It is suggested that total spending may be K£72 million less than these estimates.

1978/79 was 122 per cent more than in 1974/75 while current revenue over the same period has also risen by 122 per cent. There has been a similar proportionate growth in the spending on development.

6.5. The revenue estimates for 1978/79 had anticipated receipts from income tax to yield K£172 million, import and excise duties K£158 million and the sales tax K£120 million. The estimated out-turn under each head is K£147 million from income tax, K£149 million from imports and excise

duties and K£100 million from the sales tax, amounting to an overall shortfall of 12.0 per cent between the revenue collection as forecast and actual receipts. This inability to reach the budget estimates is the result to some extent of the difficulties the economy was faced with in the latter part of 1978. These difficulties arose from the balance of payments constraints which as seen in Chapter 4 had resulted in imposition of restrictions on both domestic credit and imports.

Scope of Government in the Economy

6.6. One measure of the importance of the Central Government in the economy is the numbers it employs and expenditure on their wages and salaries. The numbers employed by the Central Government rose from 157,200 in 1977 to 168,900 in 1978, an increase of 7.4 per cent and their earnings rose from K£99.6 million to K£112.9 million, a growth of 13.3 per cent. There will be a further substantial rise in the numbers employed in 1979 in line with the Presidential directive on employment. Direct expenditure by the Government on capital formation rose from K£71.4 million in 1976/77 to K£90.7 million in 1977/78 and the total was probably a little higher in 1978/79.

6.7. Total current and capital expenditure by the Government at constant prices is estimated to have risen by 13.7 per cent in 1978 after an increase of 13.3 per cent in 1977. These growth rates are significantly above those recorded in 1975 and 1976 and may be compared with overall growth rates in GDP of 8.6 per cent and 5.7 per cent, respectively, in 1977 and 1978.

Summary of Government Revenues and Expenditure

6.8. The current revenue increased by an average of 22 per cent per year between 1974/75 and 1978/79. However, in 1977/78 the rise was 47.3 per cent while in 19787/9 the rate of increase has declined to only 6.4 per cent. The latter decline in growth in current revenue has occurred in a year of an increase in consumer prices of about 9 per cent. As a result revenue available to the Central Government fell by about 2.4 per cent in real terms. Current expenditure in 1978/79 has on the other hand risen by about 16 per cent over the level in 1977/78. This growth is in real terms equal to an approximate increase of 7 per cent. Thus in real terms, current revenue has fallen by 2 per cent in 1978/79 against a rise in expenditure of 7 per cent.

6.9. Total development expenditure in 1978/79 as indicated above is expected to be substantially below the level estimated earlier but will nevertheless show a small rise on the 1977/78 figure of K£115.1 million. At around K£115 to K£120 million the Central Government outlays on develop. menthave moved to a new plateau of expenditure in the last two years compared with the average of K£74 million in the three years 1974/75 to 1976/77. Investment expenditure mainly as loans to parastatals amounted

to about K£90 million in 1978/79 compared with K£75 million in 1977/78; the average expenditure in the last two years being very much higher than the average for the three preceding years. The disparity between the forecast and actual out-turn of capital expenditure in the last two financial years is accounted for by combined influence of constraints on external finance and by lack of effective capacity in the economy to absorb greater capital expenditure.

6.10. The overall deficit, that is the difference between total expenditure and total receipts less borrowing has risen from K£78.7 million in 1976/77 to K£109.2 million in 1977/78 and to approximately K£149 million in 1978/79. The deficit in 1978/79 is by far the highest ever recorded but is substantially below the earlier forecast of K£220.8 million.

6.11. The excess of capital expenditure over the current surplus indicates the level of additional demand created by the Government in the domestic economy. In 1977/78 this excess amounted to K£118.2 million but in 1978/79 is estimated to have risen to K£177 million. Part of this excess in 1977/78 and 1978/79 was covered by long-term domestic borrowing. In 1977/78 such borrowing reached a record level of K£66.9 million but in 1978/79 they were reduced to K£42.6 million so that the net gap created by the excess expenditure has increased from K£51.3 million in 1977/78 to K£134.4 million in 1978/79. External grants and loans are used to help cover the imports of foreign resources required to supplement what is available domestically and in 1977/78 such grants and loans were valued at K£52.3 million, just about covering the net gap in Kenya's domestic expenditure arising from operations of the Central Government. In 1978/79, however, despite a rise in the total of external grants and loans to K£86.9 million, there is still a net gap of K£47.4 million to be funded.

Recurrent Revenue

6.12. Direct taxes have been falling in their relative importance as a source of revenue while indirect taxes have been raised progressively and their coverage extended. In 1974/75 direct taxes delivered current revenue amounting to K£77.2 million and indirect taxes K£119.9 million. By 1978/79 as shown in Table 6.2, the receipts from direct taxes had risen to K£147.5 million and from indirect taxes to K£272.5 million, respectively, the proportion of receipts accounted for by indirect taxes having risen from 61 per cent to 65 per cent over the period. This tendency is in line with the policies being followed in most countries to increase the importance of indirect taxation both to raise revenue at a faster rate and to reduce inequalities arising from the application of direct taxes to the employed and the self. employed.

6.13. Budget changes in 1978/79 had the effect of further raising duty levels on beer, tobacco, spirits and wines, increasing the sales tax on petrol and diesel oil, and raising the sales tax on passenger vehicles other than the

GROSS RECEIPTS ON RECURRENT ACCOUNT, 1975/76-1978/79

Table 6.2 *K£million*

	1975/76	1976/77	1977/78	1978/79*
DIRECT TAXATION—				
Income Tax	88.60	107.47	142 34	147.00
Other	1.64	0.56	0.68	0.50
TOTAL	90.24	108.03	143.01	147.50
INDIRECT TAXATION—				
Sales Tax	59.27	65.42	92.76	100.00
Import Duties	49.18	52.86	104.20	110.00
Excise Duties	20 63	28.22	38.47	48.00
Export Duties	–	–	8.27	2.50
Licences and Fees Under Trafic Act	2.86	3.32	3.64	4.26
Other	6.37	8.04	9.42	7.71
TOTAL	138.31	157.87	256.76	272.46
Compulsory Fees, Fines and Penalties	3.59	5.20	4.77	5.82
Income From Property	11.90	15.28	26.25	27.66
Current Transfers	3.59	1.78	0.55	0.10
Charges for Goods and Services	17.01	19.39	23.57	38.92
Internal Borrowing	32.47	29.73	—29.34	53.87
Loan Repayments	2.19	3.49	2.95	4.85
Other	2.31	2.09	13.52	4.11
GRAND TOTAL	301.60	343.80	442.05	555.30

*Provisional.

**This is the name of the account used to cover current receipts but includes internal borrowing and loan repayment receipts.

larger buses from 15 to 20 per cent. The new Customs and Excise Bill was introduced as part of the budget and subsequently ratified. There were a number of changes introduced, some reducing, others increasing duty levels but on the whole having a very small impact on total collection of import duties. A large number of small manufacturers were exempted from sales tax by the raising of the limit of sales at which sales tax applies to an enterprise from K£5,000 to K£10,000 a year.

6.14. Import duty collections as shown in Table 6.3 rose from K£81.8 million in 1977 to K£106.4 million in 1978. Receipts from duties on imports of fuels went up from K£16.8 million in 1977 to K£22.9 million in 1978, on transport equipment from K£13.3 million to K£16.9 million and on machinery from K£12.3 million to K£18.4 million. Revenue from excise duties, as per Table 6.4 increased from K£33.8 million in 1978 to K£44.7 million in 1978. Collections from excise duty on beer and spirits went up from K£14.3 million to K£16.1 million, on cigarettes from K£12.5 million

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IMPORT DUTY COLLECTIONS, 1974-1978

Table 6.3 K£*'000*

END USE CATEGORY	1974	1975	1976	1977	1978*
Food, drink and tobacco	2,999	3,588	3,938	6,256	6,378
Basic materials	1,756	1,706	2,371	2,459	2,868
Fuels	10,522	13,170	19,160	16,768	22,850
Chemicals	1,316	1,764	3,722	5,575	6,620
Textiles	6,006	5,015	4,726	4,972	6,518
Semi-manufactures	4,206	2,307	2,814	3,866	5,960
Metals	2,907	2,514	6,432	8,248	10,324
Transport Equipment	8,524	8,411	9,512	13,302	16,878
Machinery	3,762	4,286	7,149	12,325	18,402
Miscellaneous commodities	4,573	4,606	6,648	8,067	9,622
TOTAL	46,572	47,368	66,472	81,838	108,420

*Provisional.

to K£17.2 million and on sugar from K£9.1 million to K£11.4 million. Lastly changes in sales tax yielded an increase of K£7.2 million from K£92.8 million in 1977/78 to KX100 million in 1978/79, an increase of 7.8 per cent. The rise in 1977/78 was, however, of much larger magnitude of 41.8 per cent.

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EXCISE REVENUE BY COMMODITIES, 1974-1975

Table 6.4 K£*'000*

	1974	1975	1976	1977	1978*
Beer and sprits	11,432	10,890	12,541	14,319	16,122
Sugar	3,556	3,636	5,668	9,091	11,420
Cigarettes	6,776	7,788	8,580	12,553	17,175
Othercommodities**	2,868	2,580	1,861	1,860	24
TOTAL	24,632	24,894	28,623	37,803	44,741

*Provisional.
**Includes transfer adjustments not allocated by commodity.

Development Account

6.15. The possible level of Government expenditure on development and investment in 1978/79 is now assessed at K£215 million substantially below the amount originally estimated but still K£24.7 million above the revised out-turn for 1977/78 and more than 72 per cent higher than the expenditure incurred in 1976/77. As indicated earlier development expenditure in 1978/79 had originally been forecast at K£175.5 million and investment expenditure including loans at K£95.3 million. Loans were to account for K£83.5 million of investment expenditure with the bulk of loans as in earlier

FINANCING OF DEVELOPMENT ACCOUNT, 1975/76—1978/79

Table 6.5 *K£million*

	1975/76	1976/77	1977/78	1978/79*
EXPENDITURE				
Development Expenditure	74.3	86.0	115.2	175.5
Investment Expenditure	52.1	38.7	75.1	93.3
TOTAL	126 4	124.7	190.3	270.8**
FINANCING				
Surplus on Current Account	22.4	35.5	72.1	21.4
External Loans	43.7	29.8	43.2	58.2
External Grants	7.0	10 5	9.0	28.7
Long Term Domestic Borrowing	52.8	25.0	66.9	42.6
Treasury Bills	24.0	25.0	—24.0	
Other Short Term Borrowing	8.5	4.7	—5.3	6.9
From Cash Balances	32 0	.3.8	28.3	
TOTAL	126.4	124.7	190.3	

*Provisional.

**Actual expenditure is unlikely to exceed K.£215 million.

years being given to the parastatals and public financial organizations. Expenditure on such projects as the Upper Tana reservoir, on successor corporations which have been set up to take over from the late corporations of the East African Community, and on a variety of purposes ranging from electricity to housing was financed by such loans. The two principle parastatals responsible for loans to farmers were also amongst major recipients of these loans.

6.16. Details on financing of expenditure are set out in Table 6.5. Receipts of surplus from the current account have dropped from K£72.1 million in 1977/78 to K£21.4 million in 1978/79, while external loans and grants account for K£86.9 million of the total capital expenditure in 1978/79 compared with K£52.2 million in 1977/78. Other receipts from long term domestic borrowing have fallen from K£66.9 million in 1977/78 to K£42.6 million in 1978/79. Short-term borrowing has financed most of the remainder of the capital expenditure. In 1977/78 a net repayment of short-term borrowing of K£29.3 million had been effected while cash balances were rundown by K£28.3 million.

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EXPENDITURE ON MAIN SERVICES 1975/76-1978/79

Table 6.6 *K£million*

	1975/76			1976/77			1977/78			1978/79"		
	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total	Recur-rent Account	Deve-lopment Account	Total
GENERAL PUBLIC ADMINISTRATION												
General Administration	20.80	24.87	45.67	22.39	13.85	36.24	31.80	21.41	53.21	41.64	19.24	60.89
External Affairs	2.52	0.16	2.68	2.62	0.34	2.97	4.04	0.69	4.73	6.37	0.67	7.04
Public Order and Safety	22.57	2.00	24.57	22.19	1.49	23.68	31.26	3.00	34.26	33.45	3.17	36.62
TOTAL	45.89	27.03	72.92	47.20	15.69	62.89	67.10	25.10	92.20	81.47	23.08	104.55
DEFENCE	19.42	1.19	20.62	41.12	1.79	42.91	73.74	5.66	79.40	99.18	8.99	108.18
EDUCATION	68.93	3.31	72.24	76.25	4.57	80.82	89.11	5.39	94.50	104.59	9.29	113.88
HEALTH	19.52	4.77	24.29	21.26	8.30	29.56	29.20	7.69	36.90	30.90	9.92	40.82
HOUSING AND COMMUNITY WELFARE	1.25	4.84	6.09	1.18	4.24	5.42	1.74	8.74	10.47	2.08	9.66	11.74
SOCIAL WELFARE	5.70	2.06	7.76	6.42	2.40	8.82	7.38	3.14	10.52	11.51	7.59	19.10
ECONOMIC SERVICES												
General Administration	2.05	9.54	11.59	3.19	5.97	9.16	5.20	7.19	12.38	6.89	11.55	18.44
Agriculture, Forestry and Fishing	20.54	21.52	42.06	19.08	23.98	43.06	22.26	32.66	54.91	25.01	50.93	75.94
Mining, Manufacturing and Construction	5.57	1.52	7.09	5.58	1.71	7.29	8.14	5.46	13.60	10.39	5.11	15.50
Electricity, Gas, Steam and Water	3.70	12.61	16.31	4.62	11.21	15.83	5.47	30.21	35.68	6.70	41.58	48.28
Roads	8.39	17.90	26.29	8.80	20.55	29.34	9.68	24.32	34.00	10.37	34.62	44.99
Transport and Communications	1.60	13.59	15.19	1.92	16.20	18.12	5.01	26.50	31.51	6.00	4127	47.28
Other Economic Service	4.20	1.53	5.73	4.61	2.16	6.77	6.68	2.24	8.92	10.07	655	16.61
TOTAL ECONOMIC SERVICES	46.05	78.21	124.26	47.80	81.78	129.57	62.43	128.57	191.00	75.43	191.61	267.04
OTHER SERVICES; INCLUDING PUBLIC DEBT	41.83	3.11	44.94	45.80	3.99	49.79	71.60	3.78	75.39	78.46	8.00	86.46
TOTAL	248.59	124.52	373.11	287.01	122.75	409.76	402.31	188.08	590.39	483.62	268.14	751.77

Functional and Economic Classification of Expenditure

6.17. Table 6.6 details data on the functional classification of recurrent and development expenditure. Expenditure on defence has risen from K£79.4 million in 1977/78 to a total of K£108.2 million in 1978/79. Education on which K£113.9 million was spent in 1978/79 and defence accounted between them for 30 per cent of total expenditure based on the overall total of KX751.8 million. However, as this total will effectively be reduced to

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ECONOMIC ANALYSIS OF EXPENDITURE, 1975/76 - 1978/79

Table 6.7 *K£million*

	1975/76	1976/77	1977/78	1978/79*
CURRENT EXPENDITURE				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES				
Labour Costs	81.52	84.49	111.90	139.92
Other Goods and Services	73.70	96.90	150.53	192.88
TOTAL	155.22	181.40	262.43	332.80
SUBSIDIES	0.80	0.74	0.37	0.57
INTEREST	19.53	23.95	32.80	40.20
TRANSFERS TO:				
Households and Un-incorporated Enterprises Including Private Non-profit Institutions	7.80	9.50	8 41	
Financial and Non-Financial Enterprises	0.21	0.17	3.64	
General Government	63.40	67.45	81.14	125.54
Rest of the World	0.98	1.26	1.52	
Funds	1 .98	0.36	1.76	
TOTAL TRANSFERS	74.37	78.75	96 48	125.54
OTHERS	0.16	0.12	0.07	0.63
TOTAL CURRENT EXPENDITURE	250.09	284.96	392.16	499.74
CAPITAL EXPENDITURE				
Gross Fixed Capital Formation	55.27	71.35	90.69	130.27
purchase of Equity in Enterprises	6.39	11.65	18.04	11.86
Loans	45.69	27.00	57.10	83.48
Transfers	2.85	2.45	4.52	6.35
Loan Repayments	11.51	12.34	27.82	20.06
Transfer of Funds	1.30	0.01	0.06	
TOTAL CAPITAL EXPENDITURE	123.02	124.81	198 23	252.02
TOTAL EXPENDITURE	373.11	409.76	590 39	751.77

*Provisional.

about K£690 million the proportionate expenditure on defence and education could rise further. Economic services accounted for another 36 per cent of total expenditure in 1978/79 with most spending on economic services being incurred on agriculture, forestry and fishing, electricity and water, roads and other transport and communication services.

6.18. The economic classification of Central Government expenditure is given in Table 6.7. Current expenditure accounts for 66 per cent of the total in 1978/79, the same as in 1977/78. Expenditure on goods and services including labour costs accounts for two-thirds of current expenditure in 1978/79. Current expenditure on goods and services has risen from K£155 million in 1975/76 to K£332.8 million in 1978/79, an increase of 114 per cent.

6.19. Gross fixed capital formation from direct Government capital expenditure was originally estimated to amount to K£130.3 million in 1978/79. It may, however, be substantially lower when the actual figures become available, though it should still be higher than the total of K£90.7 million in 1977/78. The level of loan repayments has fallen from K£27.8 million in 1977/78 to K£20.1 million in 1978/79.

Public Debt

6.20. Kenya's public debt has nearly doubled in the last four years from K£265.5 million at June 1974 to K£526.2 million at June 1978. Table 6.8 refers. There is likely to have been a further substantial rise in the year to June 1979. At June 1978 the funded and unfunded debts constituted respectively 52.5 per cent and 47.5 per cent of the total debt of which external debt accounted for 46.1 per cent and internal debt 53.9 per cent. Since 1974 the relative importance of external debt has declined. Table 6.9 sets out details on the holdings of unfunded debt. At June 1978 the U.K., West Germany, U.S.A. and Japan in that order were the major bilateral holders of external unfunded debt, while the World Bank and its subsidiary the IDA

CENTRAL GOVERNMENT

PUBLIC DEBT, 1973-1978

Table 6.8 *K£million*

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1973	21.21	99.42	120.42	105.29	10.73	116.01	126.50	109.95	236.43
1974	21.21	118.52	139.73	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	108.44	201.64	188.66	10.43	199.09	209.87	190.87	400.73
1977	19.64	203.29	222.93	209.30	10.17	219.47	228.94	213.46	442.40
1978	3.08	273.46	276.54	239.54	10.11	249.86	242.62	283.57	526.20

*Excluding Short.Term Borrowings.

CENTRAL GOVERNMENT

Table 6.9 SOURCES OF UNFUNDED DEBT, 1973-1978 k£'000

Outstanding as at June, 30th	1973	1974	1975	1976	1977	1978
EXTERNAL DEBT						
Lending Countries						
United Kingdom	48,014	47,098	43,825	40,786	37,164	36,997
U.S.A	13,611	13,476	15,902	18,380	19,868	14,618
West Germany	4,869	6,319	14,223	16.122	20,530	29,660
Japan	690	1,058	2,738	6,710	11,384	14,274
Sweden	2,954	6,678	10,004	11,981	12,245	
Netherlands	1,245	1,674	5,157	4,491	6,134	9,320
Denmark	1,131	798	2,035	2,788	3,948	7,210
Finland					6,766	1,061
Other	4,091	3,999	5,124	7,006	3,722	20.910
TOTAL	76,605	81,100	99,009	108,264	121,761	134,060
International Organizations—						
I B R D	9,122	11,143	16,296	39.101	42,423	45,819
I.D.A	18,674	21,371	27,739	37,531	40,946	46,825
African Development Bank	885	1.508	1,970	2,243	2,672	3,211
O.P.E.C						1,952
E.E.C						2,443
1.M.F						3,837
Arab League			1,286	1,517	1,494	1,405
TOTAL	28,681	34,022	47,291	80,392	87,535	105,491
TOTAL EXTERNAL	105,286	115,123	146,300	188,656	209,296	239,541
INTERNAL DEBT						
Central Bank of Kenya	10,000	10,000	10,000	10,000	10,000	10,000
Other	728	614	497	434	174	115
TOTAL INTERNAL	10,728	10,614	10,497	10,434	10,174	10,115
TOTAL UNFUNDED DEBT ..	116,013	125,737	156,796	199,091	219,470	249,655

CENTRAL GOVERNMENT

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

Table 6.10 K£'000

	1973	1974	1975	1976	1977	1978*
INTERNAL—						
PUBLIC BODIES:—						
National Social Security Fund	30,427	48,181	62,185	76,220	100,478	130,294
Central Government.	25,260	19,448	20,581	23,921	16,812	22,740
Local Government	778	780	721	838	734	675
Kenya Post Office Savings Bank . .	5,644	4,851	6,186	7,320	7,832	13,718
East Africa Community Institutions	3,809	5,191	6,562	6,388	8,152	6,346
Central Bank	4,234	8,311	7,156	36,349	37,730	44,297
Public Sector	423	1,437	382	564	1,375	1,409
Other INTERNAL:—Commercial Banks.	10,836	10,184	9,732	8,888	8,697	30,988
Insurance Companies	6,106	6.357	5,964	7,082	9,718	11,925
Other Companies . .	10,314	12,236	13,192	11,943	11,263	10.584
Private Individuals	317	450	282	270	296	382
EXTERNAL. .	1,068	1,090	661	654	203	101
	99,216	118,516	133,604	180,438	203,290	273,457

were by far the most prominent holders of debt amongst international organizations. The EEC, IMF and OPEC featured as holders of unfunded debt for the first time in 1978. The National Security Fund as shown in Table 6.10 is the most important holder of funded debt followed by the Central Bank. Holdings by these two institutions have risen from K£100.5 million and K£37.7 million, respectively, at June 1977 to K£130.3 million and K£44.3 million at June 1978. The commercial banks held K£31.0 million of funded debt at June 1978 and the insurance companies K£11.9 million.

6.21. The annual public debt servicing charges and their relationship to earnings from goods and services are set out in Tables 6.11 and 6.12. Despite the substantial rise in the annual net debt servicing charge from K£26.6 million at June 1977 to K£56.0 million at June 1978, the debt service charge

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1973-1978

Table 6.11 K£*million*

Year 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
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
1977 ..	14.77	21.52	36.29		9.72	9.72	14.77	11.80	26.57	23.50
1978 ..	31.17	29.45	60.62	–	4.61	4.61	31.17	24.84	56.01	14.42

*Includes interest payments of *K£ million:—*
1973—10.64; 1974.11.98: 1975.14.53: 1976—19.54: 1977—23.95: 1978—32.80

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1972-1978

Table 6.12

	Debt Service Charges on External Debt*	Exports of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	K£million	*K£ million*	
1972	7.2	204.5	3.5
1973	8.9	253.6	3.5
1974	8.6	357.2	2.4
1975	10.1	356.9	2.8
1976	12.0	471.7	2 5
1977	14.8	648.7	2.3
1978	31.2	566.8	5.5

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

for external debt accounted for only 2.3 per cent of earnings front exports of goods and services in 1977. The year 1977 was exceptional, however, and a rise in debt service charges related to a fall in earnings from exports of goods and services in 1978 raised the external debt servicing ratio to 5.5 per cent. A further fall in exports in 1979 accompanied by greater debt service payments will probably raise the debt service ratio to more than 7 per cent.

Local Authorities

6.22. Total expenditure by local authorities as shown in Table 6.13 has risen at a fairly fast rate by a total of 78 per cent between 1974 and 1978. In 1978 Nairobi City Council accounted for just under half the total expenditure of all local authorities.

EXPENDITURE OF LOCAL AUTHORITIES, 1974-1978

Table 6.13 *K£million*

	MUNICIPALITIES			TOWN AND COUNTY COUNCILS	TOTAL
	Nairobi City Council	Other Municipal Councils	Total		
1974 .	13.80	7.92	21.72	3.96	25.68
1975 ..	15.35	8.53	23.89	5.25	29.14
1976	17.23	9.34	26.57	5.53	32.10
1977	20.54	10.98	3.52	7.15	38.67
1978* ..	22.56	12.96	35.52	10.13	45.65

*As shown in Council's Estimates.

6.23. Expenditure by municipal councils by function is given in Table 6.14. About 29 per cent of the total in 1978 was incurred on community services, 31 per cent on social services and a further 31 per cent on trading services. The more important individual items of expenditure consist of sanitary services, education, water undertakings and housing estates. However, while expenditure on sanitary services and water undertakings has virtually doubled since 1974 that on education and housing estates has increased by only 49 per cent and 30 per cent, respectively. As shown in Table 6.15, excluding capital Projects and loan charges, the bulk of expenditure by municipal councils has been incurred on wages and salaries. These accounted for 60 per cent of current expenditure of municipalities in 1978 while 37 per cent of the remainder was incurred on other goods and services. Capital projects undertaken by municipalities cost K£8.9 million in 1978, an increase of 22 per cent over 1977 and 74 per cent over the level of 1976. Loan charges of the Municipalities have increased to K£4.8 million and accounted for 13 per cent of total expenditure in 1978.

MUNICIPAL COUNCILS: RECURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1974-1978

Table 6.14 *K£million*

	1974	1975	1976	1977	1978*
ADMINISTRATION	1,517	1,840	1,991	2,120	2,876
COMMUNITY SERVICES—					
Roads	1,858	1,869	2,158	1,852	2,891
Sanitary Services	2,793	2,741	3,340	5,060	6,258
Other	700	695	922	1,011	1,248
TOTAL	5,351	5,305	6,420	7,923	10,397
SOCIAL SERVICES—					
Health	1.375	1,733	2,350	2,510	2,871
Education	3,866	4,389	4,761	5,189	5,750
Other	2,254	2,126	1,920	2,003	2,319
TOTAL	7,495	8,247	9,031	9,703	10,940
TRADING SERVICES—					
Water Undertakings	2,226	2,649	3,274	4,796	4,250
Markets and Slaughter Houses	381	410	535	629	750
Breweries and Beer.shops	128	35	40	142	199
Housing Estates (including Staff Housing)	4,213	4,715	4,720	5,460	5,458
Hostels	14	24	25	27	29
Other	238	194	280	342	451
TOTAL	7,200	8,027	8,875	11,396	11,137
UNALLOCABLE EXPENDITURE	153	467	248	376	176
TOTAL	21,716	23,886	26,565	31,518	35,524

*Asshown in Councils' Estimates.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1974-1978

Table 6.15 *K£'000*

	1974	1975	1976	1977	1978*
EXPENDITURE ON:					
Wages, Salaries and Allowances	9,075	11,220	12,263	12,806	14,537
Other Goods and Services	5,238	6,052	6,460	7,362	9,048
Loan Charges	3,372	3,470	4,040	4,456	4,793
Transfers (Excluding Compensation and Gratuities)	558	389	618	561	633
Capital Projects	3,823	3,706	5,100	7,296	8,888
Net Inter.Departmental Transfers	.350	.950	—1,916	.963	.2,375
TOTAL	21,716	23,886	26,565	31,518	35,524

*Provisional.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1974-1978

Table 6.16 — *K£'000*

	1974	1975	1976	1977	1978*
Graduated Personal Tax	24	–	–	–	–
Indirect Taxes (Licences, Cesses and Rates)	5,004	6,006	7,098	7,521	7,440
Income from Property (Building and Land Rents)	2,714	3,239	3,400	3,568	**4,036**
Interest on Investments	203	350	452	570	339
Sale of Goods and Services.					
School Fees	578	581	608	606	648
Sale of Water	2,386	3,685	4,385	5,042	5,531
Sale of Beer	75	32	39	142	194
Markets and Slaughter Charges	104	106	131	184	139
Sewerage and Refuse Removal Charges	1,542	1,934	2,243	2,969	2,840
Other Sales	1,164	1,420	1,226	1,053	1,466
Government Grants	4,335	4,874	5,435	5,237	5,490
Loans Raised	3,886	3,016	5,657	5,698	7,170
Miscellaneous (including court fines, sale of capital assets, loan repayments, and non.government grants)	294	229	284	232	**211**
TOTAL	22,309	25,472	30,960	32,824	35,558

*Provisional.

TOWN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1974-1978

Table 6.17 — *K£000*

	1974	1975	1976	1977	1978*
EXPENDITURE:—					
Wages, Salaries and Allowances	1,948	2,259	2,854	3,196	4,265
Other Goods and Services	1,045	1,213	1,477	2,063	2,708
Loan Charges	224	272	310	486	538
Transfers (including Compensation and Gratuities)	113	501	238	223	630
Capital Projects	686	1,005	752	1,274	2,033
Net Inter.Departmental Transfers	-54	q2	-98	-98	-45
TOTAL	3,962	5,249	5,533	7,145	10,129
REVENUE :—					
Indirect Taxes (Licenses, Cesses and Rates)	2,161	2,338	3,698	3,714	5,735
Income from Property (Building and Land Rent)	689	792	844	1,069	1,049
Interest on Investment ..	101	165	238	224	571
Sale of Goods and Services	1,126	1,333	1,481	1,898	2,039
Government Grants	24	37	177	150	168
Loans Raised	8	385	345	464	667
Miscellaneous (including court fines sale of capital assets and non-government grants)	84	91	137	154	540
TOTAL	4,193	5,141	6,920	7,672	10,769

*Provisional.

6.24. Licences, cesses and rates are the largest sources of revenue for municipalities followed by income from property, water sales and sewerage and refuse removal charges. As per details in Table 6.16, Central Government grants accounted for 15 per cent of total receipts of municipalities in 1978 while loans at K£7.2 million in 1978 provided a further 20 per cent.

6.25. Table 6.17 sets out an economic analysis of expenditure and revenue of town and county councils. Expenditure by the authorities has been rising rapidly since 1974 having risen to two and one half times by 1978. Receipts from indirect taxes levied by the councils have risen sharply especially in 1978 to a proportion of 53 per cent of total revenue. A further 10 per cent was derived from property income and 19 per cent from sales of goods and services. Total revenue receipts in 1978 amounted to K£10.8 million as compared to the total expenditure of K£10.1 million. The latter includes expenditure of K£4.3 million on wages and salaries, K£2.7 million on other goods and services and K£2.0 million on capital projects.

CHAPTER 7—TRADE

The balance of external trade moved from a position of a small deficit in 1977 to one in which export earnings only covered 60 per cent of the cost of imports in 1978. This situation was similar to that of 1974 which was a year of crisis. While exports fell by 21.1 per cent in value, there was a rise of 24.4 per cent in value of imports. The visible trade deficit as a result rose to K£265.5 million in 1978 from K£29.6 million in 1977. This deficit, however, is expected to fall in 1979 due to the various import restriction measures taken in late 1978, coupled with the effects of the decline in domestic demand which was induced by the reduction in earnings from coffee and tea. Imports totalled K£661.2 million in 1978 whereas exports earned only K£395.7 million. The volume of imports rose by 25.0 per cent and there was a fall in unit prices of 0.7 per cent, while volume of exports declined by 7.2 per cent and unit prices by 14.8 per cent. The terms of trade as a result worsened by 14.2 per cent.

7.2. As shown in Table 7.1 there was a very large increase in the trade deficit with markets outside East Africa; this grew from K£89.3 million in 1977 to a record of K£304.3 million in 1978. Due to the continued border closure with Tanzania and the sharp decline in exports to Uganda, the surplus on the East African markets fell from K£59.7 million in 1977 to K£38.9 million in 1978.

BALANCE OF TRADE, 1974-1978

Table 7.1 *K£million*

	1974	1975	1976	1977	1978
IMPORTS—					
From outside East Africa*	369.4	352.1	393.8	529.2	658.8
Commercial	350.3	319.5	364.1	493.3	628.9
Government	19.1	32.6	29.7	35.9	29.9
From Uganda and Tanzania	14.5	10.4	13.1	2.2	2.3
TOTAL	383.9	362.6	407.0	531.4	661.2
EXPORTS—					
To Markets outside Africa**	163.0	169.0	268.8	428.9	336.7
Re-exports	7.1	7.5	9.7	11.0	17.8
To Uganda and Tanzania ..	65.6	61.5	66.6	61 9	41.2
TOTAL	235.7	238.0	345.1	501.8	395.7
BALANCE OF TRADE—					
With Markets outside E.Africa	.199.3	— 175.7	— 115.3	—89.3	.304.3
With Uganda and Tanzania..	+ 51.1	+ 51.1	+ 53.5	+ 59.7	+ 38.9
TOTAL	—148.2	.124.6	—61.8	.29.6	.265.5

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

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

1.7. The five years from 1974 to 1979 have been a rather unstable period for Kenya's external trade. The large increases in the prices of crude petroleum in 1974 were followed by particularly heavy importation with the result that Kenya had to contend with a large trade deficit at a time when its foreign reserves were at a very low level. Although 1975 was another year of substantial deficit, the boom in coffee and tea prices in 1976 and 1977 led to the foreign reserves being built-up to record levels. These reserves were depleted in 1978 when imports rose and exports fell markedly in both value and volume to yield a record deficit. The situation in 1979 is not satisfactory either and as already indicated steps have been taken to control imports.

Price changes

7.4. Table 7.2 contains information on the price indices of imports and exports for the years 1975 to 1978. The average import price declined by 0.7 per cent in 1978, after an increase of 7.7 per cent in 1977. While import prices of non-oil commodities increased by 1.2 per cent, the average price of petroleum imports fell by one per cent due largely to the effects of the decline in the value of the US dollar of 6.8 per cent in terms of the domestic currency. The same thing happened with respect to some other commodities as well, especially where these products are traditionally priced in US dollars. The

PRICE INDICES, 1975-1978

Table 7.2

1972 = 100

Imports	1975	1976	1977	1978
Food and live animals	238	238	208	205
Beverages and Tobacco	147	168	193	219
Crude materials, inedible	137	178	177	219
Minerals fuels	452	534	575	568
Animal and vegetable oils and fats .	212	198	270	259
Chemicals	276	342	341	346
Manufactured goods	192	205	223	243
Machinery and transport equipment	172	219	250	238
Miscellaneous manufactured articles	189	195	214	237
All Imports	225	261	281	279
Non-oil Imports	194	225	245	248
EXPORTS				
Food and live animals	137	224	375	276
Beverages and tobacco	116	145	139	165
Crude materials, inedible	160	180	202	220
Mineral fuels	322	387	434	436
Animal and vegetable oils and fats .	227	262	272	332
Chemicals	163	205	216	197
Manufactured goods	183	219	280	305
Machinery and transport equipment	166	211	253	269
Miscellaneous manufactured articles	148	208	258	261
All Exports	175	238	337	287
Non-oil Exports	150	214	321	264

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1974-1978

K£'000

	1974	1975	1976	1977	1978*
Graduated Personal Tax	24	–	–	–	–
Indirect Taxes (Licences, Cesses and Rates)	5,004	6,006	7,098	7,521	7,440
Income from Property (Building and Land Rents)	2,714	3,239	3,400	3,568	**4,036**
Interest on Investments	203	350	452	570	339
Sale of Goods and Services.					
School Fees	578	581	608	606	648
Sale of Water	2,386	3,685	4,385	5,042	5,531
Sale of Beer	75	32	39	142	194
Markets and Slaughter Charges	104	106	131	184	139
Sewerage and Refuse Removal Charges	1,542	1,934	2,243	2,969	2,840
Other Sales	1,164	1,420	1,226	1,053	1,466
Government Grants	4,335	4,874	5,435	5,237	5,490
Loans Raised	3,886	3,016	5,657	5,698	7,170
Miscellaneous (including court fines, sale of capital assets, loan repayments, and non.government grants)	294	229	284	232	**211**
TOTAL	22,309	25,472	30,960	32,824	35,558

*Provisional.

TOWN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1974-1978

Table 6.17 *K£000*

	1974	1975	1976	1977	1978*
EXPENDITURE:—					
Wages, Salaries and Allowances	1,948	2,259	2,854	3,196	4,265
Other Goods and Services	1,045	1,213	1,477	2,063	2,708
Loan Charges	224	272	310	486	538
Transfers (including Compensation and Gratuities)	113	501	238	223	630
Capital Projects	686	1,005	752	1,274	2,033
Net Inter.Departmental Transfers	-54	q2	-98	-98	-45
TOTAL	3,962	5,249	5,533	7,145	10,129
REVENUE :—					
Indirect Taxes (Licenses, Cesses and Rates)	2,161	2,338	3,698	3,714	5,735
Income from Property (Building and Land Rent)	689	792	844	1,069	1,049
Interest on Investment ..	101	165	238	224	571
Sale of Goods and Services	1,126	1,333	1,481	1,898	2,039
Government Grants	24	37	177	150	168
Loans Raised	8	385	345	464	667
Miscellaneous (including court fines sale of capital assets and non-government grants)	84	91	137	154	540
TOTAL	4,193	_5,141	6,920	7,672	10,769

*Provisional.

Volume Changes

7.6. Table 7.3 sets out the quantum indices for imports and exports for the years 1975 to 1978. The volume of imports was 25 per cent higher than in 1977. This is the highest level recorded for the volume of imports into Kenya, 10.1 per cent higher than in 1974 which marked the last peak level for imports. The extent of the increase in 1978 indicates a very high propensity in the economy to import and when controls are relaxed as they were in early 1978 then imports are made in increasing quantities.

7.7. Imports of non-oil products increased by 29.2 per cent in 1978. Imports of machinery and transport equipment rose by 55.5 per cent, beverages and tobacco by 72.5 per cent and animal and vegetable oils and fats by 22.0 per cent. There was a decrease of 31.5 per cent in the quantities of imported basic raw materials mainly due to the decline in imports of cotton and synthetic rubber.

7.8. Overall, the volume of exports declined by 7.2 per cent with a large decline of 14.0 per cent being recorded in exports of mineral fuels. This was brought about by the fall in sales of motor spirits, jet fuel and kerosene to Uganda. Overall exports of non-oil products declined by 5.3 per cent while exports of beverages and tobacco fell by 22.6 per cent.

Terms of Trade

7.9. Table 7.4 shows Kenya's terms of trade for the years 1975 to 1978. In 1978 there was an overall reduction of 14.2 per cent in Kenya's terms of trade and for non-oil items the reduction was 19.1 per cent. The lowest level in these trade terms was recorded in 1975 with a decline of 22 points from the 1972 level.

TERMS OF TRADE, 1975.1978

Table7.4 1972 = 100

	1975	1976	1977	1978
All Items	78	91	120	103
Non-Oil Items	77	95	131	106

Analysis by Broad Economic Categories

7.10. *Imports.*—Analysis of imports by broad economic categories is shown in Table 7.5 while Table 7.6 details import values of some selected items. Since 1974 there has been an upward trend in the relative share of machinery and transport equipment in the total value of imports. These items accounted for 40.5 per cent of the total in 1978 compared to 22.8 per cent in 1974. After the sharp rise in prices of oil products in 1974 the share of mineral fuels in total imports has since declined to 17.8 per cent of the total in 1978, compared to 21.3 per cent in 1974. Imports of non-food industrial supplies, which

TOTAL IMPORTS, 1974-1978

Table 7.5 By Broad Economic Category K£*'000*

	1974	1975	1976	1977	1978
1. Food and Beverages	25,395	21,393	26,310	27,459	38,503
Primary	4,675	6,609	2,786	4,977	11,729
For Industry	2,654	4,712	393	2,894	7,245
For Household Consumption	2,021	1,879	2,393	2,083	4,484
Processed	20,720	14,784	23,534	22,482	26,774
For Industry	7,806	8,925	11,379	14,575	16,937
For Household Consumption	12,914	5,859	12,145	7,907	9,837
2. Industrial Supplies (Non-Food)	153,094	105,007	124,011	160,780	179,812
Primary	9,281	7,734	11,488	13,147	13,350
Processed	143,813	97,273	112,523	147,633	166,462
3. Fuels and Lubricants	81,565	95,805	103,884	117,147	117,778
Primary	67,465	87,242	94,159	101,007	93,861
Processed	14,100	8,563	9,725	16,140	23,917
Motor Spirit	2,200	1,006	796	2,652	5,000
Other	11,900	7,557	8,929	13,488	18,917
4. Machinery and other Capital Equipment	43,028	61,660	75,521	103,006	141,074
Machinery and other Capital Equipment	38,918	56,307	64,259	91,439	126,052
Parts ana Accessories	4,110	5,353	8,262	11,567	15,022
5. **Transport Equipment**	44,373	46,789	44,116	76,054	126,652
Passenger Motor Vehicles	9,495	6.230	8,410	12,412	20,182
Other	12,652	19,072	16,955	38,502	63,706
Industrial	12,393	18,836	16,618	38,059	62,735
Non-Industrial	259	236	337	443	971
Parts and Accessories	22,226	21,487	18,751	25,140	42,764
6. Consumer Goods not elsewhere specified	35,304	31,273	35,219	46,355	55,329
Durable	7,179	5,277	7,009	9,034	12,365
Semi- Durable	15,657	12,989	16,578	21,431	21,232
Non-Durable	12,468	13,007	11,632	15,890	21,732
7. Goods not elsewhere specified	1,116	659	936	644	2,007
TOTAL	383,875	362,586	406,997	531,446	661,156

	PERCENTAGE SHARES				
1. Food and Beverages	6.6	5.9	6.5	5.2	5.8
2. Industrial Supplies (Non-Food)	39.9	29.0	30.5	30.3	27.2
3. Fuels and Lubricants	21.2	26.4	25.5	22.0	17.8
4. Machinery and other Capital Equipment	11.2	17.0	17.8	19.4	21.3
5. Transport Equipment	11.6	12.9	10.8	14.3	19.2
6. Consumer Goods not elsewhere specified	9.2	8.6	8.7	8.7	8.4
Goods not elsewhere specified	0.3	0.2	0.2	0.1	0.3
TOTAL	100.0	100.0	**100.0**	100.0	100.0

Table 7.6 SELECTED IMPORTS, 1974-1978 *K£million*

	1974	1975	1976	1977	1978
Crude Petroleum	67.02	86.82	93.47	100.6	92.34
Motor Vehicles and Chassis	22.38	22.96	23.63	40.80	68.80
agricultural Machinery and Tractors	5.59	6.56	7.06	16.60	18.58
Industrial Machinery (including Electrical)	45.44	61.13	69.89	92.13	130.18
Iron and Steel	28.44	15.56	28.17	32.64	41.82
Cotton Fabrics	2.30	1.38	0.97	0.44	0.44
Synthetic Fabrics	8.76	5.98	3.30	3.20	2.38
Paper and Paper Products	19.94	11.13	7.60	9.03	10.26
Pharmaceuticals	7.42	7.60	6.74	10.18	13.19
fertilizers	13.36	11.23	5.22	9.47	10.01

included a large proportion of processed goods, accounted for 27.7 per cent of imports in 1978. In addition to K£179.8 million worth of imports of non-food industrial supplies, imports of K£24.2 million of food and beverage supplies for industry were also made in 1978 adding to an overall total of K£204 million. This total is 14.4 per cent higher than that of K£178.3 million for 1977 and 26.6 per cent more than the total of K£161.2 million recorded in 1974. These figures reflect the requirements of imports of raw materials for industry to keep a reasonable level of capacity working on the present production methods used in the manufacturing sector, they exclude imports of motor vehicle kits, chassis, etc., for the vehicle assembly plants.

7.11. The largest increase in value terms in 1978 occurred in imports of transport equipment from K£76.1 million in 1977 to K£126.6 million in 1978, a rise of 66.5 per cent. Of these, the value of passenger motor-vehicles went up from K£12.4 million in 1977 to K£20.2 million in 1978, an increase of 62.9 per cent whereas the value of imports of industrial transport equipment consisting

per cent, from K£38.5 million in 1977 to K£63.7 million in 1978. The value of imports of parts and accessories for transport equipment reached the high figure of K£42.8 million in 1978, an increase of 70 per cent above, the level recorded in 1977.

7.12. Imports of food and beverages rose by 40.2 per cent from K£27.5 million in 1977 to K£38.5 million in 1978. Imports of processed foods and beverages both for industry and domestic consumption accounted for K£26.8 million of the total in 1978.

7.13. A rise of 37.0 per cent was recorded in the value of imports of machinery and other capital equipment. The total increased from K£103.0 million in 1977 to K£141.1 million in 1978. Imports in 1978 consisted mainly of machinery for sugar factories and other industries, and general construction and earth moving equipment. Imports of parts and accessories for machinery rose from K£11.6 to K£15.0 million between 1977 and 1978.

7.14. There was an increase of 19.4 per cent in the value of imports of other consumer goods too, from K£46.4 million in 1977 to K£55.3 million in 1978. The level of imports of consumer goods including food and beverages for household consumption and passenger motor vehicles has risen from K£59.7 million in 1974 to K£89.9 million in 1978, an increase of just over 50 per cent in value terms. This is essentially a price increase and represents no real increase in volume terms. The level of consumer goods in value terms as a proportion of total imports, has declined from 15.6 per cent in 1974 to 13.6 per cent in 1978.

7.15. The value of imports of primary fuels in 1978 decreased by 7.1 per cent from K£ 101.0 million to K£93.9 million whereas that of processed fuels increased by 48.2 per cent from K£16.1 million to K£23.9 million. To some extent the changes in the relative distribution of petroleum and product imports in 1978 was due to technical problems at the oil refinery.

7.16. *Exports.*—Table 7.7 provides an analysis of exports by broad economic categories. The overall pattern of the relative shares of the various groups of exports changed in 1978, because the share of food and beverages fell from 65.6 per cent in 1977 to 58.8 per cent in 1978, prompting increases in the proportions of the other categories. The share of non-food industrial supplies rose from 13.5 per cent to 17.9 per cent in total exports while the shares of fuel and lubricants and consumer goods other than foods increased from 17.3 and 3.0 per cent to 18.6 and 4.0 per cent, respectively.

TOTAL EXPORTS*, 1974-1978

By Broad Economic Category

Table 7.7 K£'*000*

	1974	1975	1976	1977	1978
1. Food and Beverages	83,028	82,417	159,586	315,102	217,759
Primary	67,328	67,676	135,873	289,158	198,372
For Industry		36,278	95,926	206,258	126,018
For Household Consumption	40,532	31,398	39,947	82,901	72,354
Processed	26,796	14,741	23,713	25,943	19,387
For Industry	15,700	2,395	2,805	2,117	727
For Household Consumption	2,275	12,346	20,908	23,826	18,660
2. Industrial Supplies (Non-Food)	75,415	65,196	78,480	64,790	66,281
Primary	36,888	30,617	34,836	27,911	30,181
Processed	38,527	34,579	43,644	36,879	36,100
3. Fuel and Lubricants	46,035	58,957	69,730	83,198	68,928
Primary	98	268	323	220	215
Processed	45,937	58,689	69,407	82,978	68,713
Motor Spirit	6,027	8,246	8,966	13,578	10,386
Other	39,910	50,443	60,441	69,400	58,327
4. Machinery and other Capital equipment	5,390	5,303	6,589	1,228	1,392
Machinery and other Capital Equipment. .	4,710	4,398	5,319	1,162	1,348
Parts and Accessories	680	905	1,270	66	44
5- Transport Equipment	4,199	4,190	4,005	999	893
Passenger Motor Vehicles	196	460	484		
Other	1,057	1,570	1,283	492	372
Industrial	1,053	1,467	1,269	488	367
Non-Industrial	4	103	14	4	5
Parts and Accessories	2,946	2,160	2,238	507	521
Consumer Goods not elsewhere specified.	14,473	14,092	16,712	14,627	14,637
Durable	595	528	762	346	517
Semi-Durable	4,400	3,279	3,925	4,113	5,418
Hon-Durable	9,478	10,285	12,025	10,168	8,702
7-Goods not elsewhere specified	223	200	293	314	247
TOTAL	228,763	230,356	335,395	480,259	370,137
	PERCENTAGE SHARES				
1.food and Beverages	36.3	35.8	47.6	65.6	58.8
2. industrial Supplies (Non-Food)	33.0	28.3	23-4	13.5	17.9
3.Fuel and Lubricants	20.1	25.6	20.8	17.3	18.6
4. Machinery and other Capital Equipment	2.4	2.3	2.0	0.3	0.4
5. Transport Equipment	1.8	1.8	1.1	0.2	0.2
6. Consumer goods elsewhere specified . .	6.3	6.1	5.0	3.0	4.0
7.Goods not elsewhere specified	0.1	0.1	0.1	0.1	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0

*Excluding Re-exports.

7.17. Tables 7.8 and 7.9 show details on quantities and prices of principal exports for 1974 to 1978 while Table 7.10 sets out the respective change in prices, quantities and values of these selected commodities, for the years 1977 and 1978. The volume of exports of tea, sisal, soda ash, fluorspar, cement

QUANTITIES OF PRINCIPAL EXPORTS, 1974-1978

Table 7.8

	Unit	1975	1975	1976	1977	1978
Coffee	Tonnes	71,680	67,728	77,586	94,344	85,405
Tea		49,600	52,450	59,285	70,220	84,659
Petroleum Products	Million Litres	1,368	1,528	1,564	1,634	1,398
Pyrethrum products	Tonnes	4,569	4,907	4,170	3,694	1,667
Meat Products		6,780	8,167	9,768	9,344	2,856
Sisal		72,074	43,986	29,368	24,925	26,648
Hides and skins		9,082	11,940	14,158	11,389	10,876
Soda ash		139,867	81,009	101.131	101,787	154,440
Fluorsper		37,857	49,684	91,371	100,208	102,899
Cement		530,025	549,130	628,436	662,132	610,028
Maize (raw)		60,465	120,812	113,231	8,136	23,431
Canned pineaples		8,678	20,399	29,905	45,329	42,028
Butter and ghee		2,028	1,105	1,182	1,063	1,557
Beans and peas		11,646	19,050	11,470	22,000	14,768
Cotton (raw)		3,318	3,005	2,073	763	2,108
Wool		1,343	1,223	1,288	1,360	1,163
Animal feeds		15,288	16,046	27,223	17,730	21,704
Cashew nuts		20,363	14,327	11,543	1,100	24

EXPORT PRICES, 1974-1978

***Table* 7.9** *K.Sh./Unit*

	Unit of Quantity	1974	1975	1976	1977	1978
Coffee unroasted	Kg.	10.71	10.40	24.06	43.33	29.22
Tea	Kg.	7.82	8.74	10.72	20.44	14.93
Petroleum products	1,000 Lt.	497.14	636.84	736.62	866.22	860.53
Maize	100 Kg.	81.36	79.50	99.70	162.11	60.91
Meat and products	Kg.	11.45	12.57	17.17	16.26	18.96
Pyrethrum extract	Kg.	192.00	223.33	225.91	238.17	300.27
Sisal	100 Kg.	470.54	333.69	285.45	315.65	303.05
Hides and skins, undressed	Kg.	9.78	9.07	12.09	14.09	18.06
Wattle extract	Kg.	2.12	2.46	2.78	3.13	3.16
Soda ash	100 Kg.	38.74	60.13	59.98	52.80	47.71
Fluorspar	100 Kg.	28.36	40.25	48.92	49.69	49.89
Cement	100 Kg.	17.13	21.87	25.68	25.88	29.53
Beans, peas, etc	Kg.	2.88	2.42	2.89	2.49	2.90
Cashew nuts, raw	Kg.	1.58	1 .59	1.73	2.29	10.69
Wool	Kg.	10.31	6.97	8.18	11.46	12.00
Animal feed	100 Kg.	75.36	79.58	99.97	134.55	91.12
Cotton, raw	Kg.	6.85	8.53	11.02	11.39	13.44
Pineaples, canned	Kg.	3.26	3.54	4.67	4.64	4.56
Butter and ghee	Kg.	8.90	9.68	9.69	12.25	12.21
Wattle bark	100 Kg.	66.42	79.61	100.52	108.74	105.16

EXPORTS CHANGES IN VALUE, QUANTITY AND PRICE, 1977-1978*

*Table7.*10

	VALUE K£'000			PERCEIMTAOE CHANGE IN		
	1977	1978	Change	Value	Quantity	Price
Coffee, unroasted	204,366.2	124,765.5	-79,600.7	-39.0	-9.5	-32.6
Tea	71,779.3	63,193.1	-8,586.2	-12.0	20.5	-27.0
Petroleum products	72,398.2	60.158.0	-12,240.2	-16.9	-14.5	-0.1
Meat and products	7,597.0	2,707.3	-4,889.7	-64.4	-69.5	16.6
Pyrethrum extract	4,975.3	4,084.2	-891.1	-17.9	-34.9	26.0
Sisal	4,113.9	4.037.8	-76.1	1.9	6.9	-4.0
Hides and skins, undressed	8,023.3	9,816.4	1,793.1	22.3	-4.6	28.1
Wattle extract	1,832.5	1,486.7	-345.8	-18.9	-19.6	0.9
Soda ash	2,687.0	3,684.3	997.3	37.1	51.7	-9.6
Flouorspar	2,489.5	2,566.8	77.3	3.1	2.6	0.4
Cement	8,566.4	9.007.0	440.6	5.1	-7.9	14.0
Beans, peas etc.	2,755.7	2,141.6	-614.1	-22.3	-32.9	16.5
Cashew nuts, raw	126.2	12.8	-113.4	-89.9	-97.8	366.8
Wool	779.2	698.0	81.2	-10.4	-14.4	4.7
Animal feed	1,192.8	988.8	-204.0	-17.1	22.4	-32.3
Cotton, raw	434.8	1,389.0	954.2	219.5	176.3	18.0
Pineaples, canned	10,512.8	9,583.1	-929.7	-8.8	-7.3	-1.7
Butter and ghee	650.8	950.6	299.8	46.1	46.5	-0.3
Wood carvings	560.0	636.4	76.4	13.6	14.5	-0.8
Metal scrap	385.6	291.1	-94.5	-24.5	66.1	-54.6
Wattle bark	63.7	17.3	-46.4	-72.9	-71.9	-3.3
All other items	73,968.7	67,968.7	-6,047.6	-8.8		
TOTAL	480,258.9	370,136.9	110,122.0	-22.9		

*Excluding Re.Exports.

and animal feeds increased from 1977 to 1978 whereas that of other commodities declined. In the case of coffee the quantity exported fell from the record level of 94,344 tonnes in 1977 to 85,405 tonnes in 1978 though at this level it was still well above the average of 78,677 tonnes of the last six years. The quantity of tea exported has risen regularly since 1974 and the total in 1978 at 84,659 tonnes was 71 per cent higher than the 49,600 tonnes recorded for 1974. Exports of fluorspar have also risen throughout this period from 37,857 to 102,899 tonnes. Substantial declines were recorded m exports of pyrethrum, meat products, maize, cotton and cashewnuts.

Direction of Trade

7.18. The pattern of Kenya's supplies of imports, as per figures in Table 7.11 did not change much in 1978. The EEC countries continued to be the dominant suppliers, accounting for 51.1 per cent of total imports in 1978 with the U.K. accounting for 43 per cent of the EEC share—an equivalent of 22.1 per cent of the overall total. Of other suppliers, the U.S.A. provided Per cent of total imports in 1978, Japan 10.3 per cent and Iran 6.8 per cent. Imports from the EEC countries increased by 47.4 per cent in value terms in 1978 while those from U.S.A. increased by 34.9 per cent and from Japan by 3.5 per cent. Imports from Africa increased by 12.5 per cent while those from the Middle East declined by 18.5 per cent. Kenya is continuously increasing the range of its trading partners and imports from other countries and regions not indicated separately above rose from K£ 107.7 million to K£131 million between 1977 and 1978.

Table 7.11 ORIGIN OF TOTAL IMPORTS, 1974-1978

K£'000

	1974	1975	1976	1977	1978
E.E.C.—					
United Kingdom	71,123	75,707	77,043	95,218	145,977
West Germany	38,515	29,186	40,974	57,852	87,771
Italy	13,117	13,284	12,914	22,006	33,489
France	12,849	9,968	10,820	26,316	30,832
Netherlands	14,587	7,429	9,601	10,901	15.096
Other	8,995	9,441	11,645	16,859	25,578
TOTAL	159,186	145,015	162,997	229,152	337,743
Other Western Europe Total	20,501	17,978	19,621	27,969	29,512
Eastern Europe Total	10,903	3,496	3,742	4.246	5,340
U.S.A	21,376	25,556	23,672	30,482	41,108
CANADA	2,814	5,799	6,270	5,276	3,877
AFRICA—					
Tanzania	10,686	9,166	12,406	1,622	353
Uganda	3,843	1,486	818	581	1,977
Zambia	1,996	549	824	1,030	1,575
Other	2,206	1,461	2,546	4,923	5,271
TOTAL	18,731	12,662	16,594	8,156	9,176
MIDDLE EAST—					
Iran	36,528	51,355	68,381	45,506	44.816
Other	34,971	32,261	28,997	44,860	28,843
TOTAL	71,499	83,616	97,378	90,366	73,659
FAR EAST AND AUSTRALIA—					
Australia	2,187	5,666	2,211	5,291	10,291
Japan	41,954	31,384	45,034	65.603	67,912
India	6,763	6,379	7,922	11,720	15,818
China (Mainland)	4.627	1.471	3,055	5,814	5,093
Other	17,185	11,906	17,492	25,552	23,836
TOTAL	72,716	56,806	75,714	113,980	122,950
All other countries	5,879	11,435	353	21,260	37,238
Parcel Post and Special Transactions	270	223	656	559	553
TOTAL	383,875	362,586	406,997	531,446	661,156

7.19. Kenya's exports by areas and principal countries of destination are set out in Table 7.12. The EEC countries and Africa continued to account for most of Kenya's exports taking 43.5 and 23.7 per cent respectively of the total in 1978. North America, the Far East and Australia, other western European countries and the Middle East were the other important trading areas. Ships stores and supplies to aircraft also accounted for a significant proportion of exports.

7.20. Details on trade with individual African countries are shown in Table 7.13. Overall exports to African countries dropped in value, from K£110.3 million in 1977 to K£93.9 million in 1978, a fall of 14.9 per cent while imports from Africa increased from K£8.2 million to K£9.2 million. Uganda continued to be the most important African market for Kenya's exports taking 40.9 per cent of the total though there was a decline in value of exports to Uganda which fell from K£52.0 million in 1977 to K£38.4

DESTINATION OF TOTAL EXPORTS*, 1974-1978

Table 7.12 K£000

	1974	1975	1976	1977	1978
E.E.C _					
United Kingdom	18,700	22,691	36,072	63,594	57,273
West Germany	17,874	19,189	42,123	85,951	56,935
Italy	4,440	5,771	13,874	13,442	18,874
France	1,863	1,459	3,415	6,074	5,685
Netherlands	11,445	7,477	17,052	51,345	24,296
Other	10.582	4,407	6,349	11,761	9,192
TOTAL	64.904	60,994	118,885	232,167	172,255
Other Western Europe Total	11,637	11,287	21,012	26,273	21,494
Eastern Europe Total	2,968	2,301	3,301	14,891	6,995
U.S.A	8,028	8,409	18,378	27,592	18,473
CANADA	3,239	5,039	6,096	8,458	5,378
AFRICA—					
Tanzania	25,949	28,540	33,442	9,822	2,757
Uganda	39,676	32,910	33,162	51,992	38,429
Zambia	10,913	8,218	9,018	6,897	5,702
Other	19,345	25.360	32,227	41,550	46,990
TOTAL	95,883	95,028	107,849	110,261	93,877
MIDDLE EAST—					
Iran	331	964	955	2,065	1,566
Other	4,297	4,619	5,040	10,561	9,043
TOTAL	4,628	5,583	5.995	12,626	10,609
FAR EAST AND AUSTRALIA—					
Australia	1,140	1,740	1.393	1,848	1,450
—Japan	5,364	6,333	4,551	5,233	3,810
India	2.820	2,862	2,545	1,623	1,702
China (Mainland)	1,787	1.402	413	1,463	2,705
Other	10,874	7,503	17,295	16,612	16,905
TOTAL	21.985	19,840	26,197	26,779	26,572
ALL OTHER COUNTRIES	8,200	10,884	13,653	11,833	10,773
AIRCRAFT AND SHIPS STORES	14.135	18,617	23,696	30,939	29,314
ALL EXPORTS	235,697	237,982	345,062	501,819	395,740

*Excluding gold and currency but including Re-exports.

million in 1978. In 1976 value of exports to Tanzania at K£33.4 million had been virtually the same as to Uganda. Successive drastic declines following the border closure have, however, reduced the total to K£2.8 million in 1978. Thus in 1978, Rwanda became the second most important African market for Kenya products followed by the Sudan, Zambia and Egypt in that order. Excluding Uganda and Tanzania, exports to other African destinations have risen from K£30.3 million in 1974 to K£52.7 million in 1978. This diversification in export market in Africa seems likely to continue.

7.21. Imports into Kenya from other African countries were dominated by supplies from Tanzania up to 1976 but in the last two years the very sharp fall in supplies from Tanzania has had the effect of reducing total imports

TRADE WITH AFRICAN COUNTRIES, 1974-1978

Table7.13 *K£'000*

	EXPORTS*					IMPORTS				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
MAINLAND—										
Uganda	39,676	32,910	33,163	51,992	38,429	3,843	1,486	818	581	1,977
Tanzania	25,949	28,540	33,442	9,822	2,757	10,686	9,166	12,406	1,622	353
Zambia	10913	8,219	9,018	6,897	5,702	1,996	549	824	1,030	1,575
Ethiopia	2,315	1,189	1,701	1,923	2,702	158	104	56	245	616
Burundi	593	809	1,306	1,855	3,396	22	32	5		
Somalia	1,502	3,061	2,373	2,397	3.611	245	126	103	105	20
Sudan	924	1,818	4,165	5,035	7,027	6		136	1,161	23
Rwanda	2,978	4.922	6,269	6,241	8,016	300		765	1,259	2,333
Zaire	1,105	1.920	2,184	3,445	2,534	367	462	410	606	467
Malawi	494	310	415	376	407	15	15	8	104	228
Mozambique	92	366	243	577	489	15	81	11	484	1,016
Egypt	1,924	2,631	2,669	7.309	5,090	53	59	21	58	73
Algeria and Libya	551	533	124	51	2,887					
Ghana and Nigeria	644	1,022	655	884	1,352	445	10	30	20	20
Other	2,052	1,733	2,935	4,819	2,468	541	544	977	865	330
TOTAL	91,712	89,983	100,661	103,623	86,867	18,692	12,634	16,570	8,140	9,031
INDIAN OCEAN ISLAND— ..										
Mauritius	984	1,463	2,474	3,286	2,995	6	21	8	10	135
Reunion	854	984	1,524	772	697					
Other**	2,333	2,597	3,190	2,580	3.318	33		16	6	10
TOTAL	95,883	95,028	107,849	110,261	93,877	18,731	12,662	16,594	8,156	9,176
Percentage of all Exports Imports	40.7	39.9	31.2	22.0	23.7	4.9	3.5	4 1	1.5	1.4

*Including Re-exports.

**Madagascar and Seychelles.

from Africa by half. Of total imports from African countries of K£9.2 million in 1978, Rwanda was the largest suppliers, followed by Uganda, Zambia and then Mozambique.

Exports of Manufactured Products

7.22. The details given in Table 7.7 show that exports of processed products together with machinery, transport equipment and residual consumer goods increased in total value from K£ 124.2 million in 1974 to K£162.7 million in 1977 followed by a reduction to K£141.1 million in 1978. If processed petroleum products are excluded the totals are reduced to K£78.3 million in 1974, K£79.9 million in 1977 and K£72.4 million in 1978. There is a high proportion of processed products in Kenya's exports to other African countries while sales for bunkering of ships and aircraft are important in respect of exports of petroleum products. As stated in Chapter 10 exports of petroleum fuels fell in volume from 1,588,700 tonnes in 1974 to 1,173.300 tonnes in 1978, and in view of the increase in unit prices of other non. processed exports, the volume of these processed exports other than petroleum products has also fallen over this period. Thus it is difficult to see any evidence of an increase in the volume of exports of processed products from Kenya in the recent period. To a substantial extent this is due to the closure of the Tanzania border in 1977 and the disruption of normal trade flows following events in Uganda.

Outlook for 1979

7.23. In the last three years, imports have risen considerably, and the share of machinery and capital equipment in these imports has been rising steadily. The higher level of imports has been financed largely from additional revenues accruing from higher coffee and tea prices and a higher level of capital inflow into the country. With the fall in coffee production and the decline in average prices, export earnings from coffee and tea are expected to fall significantly in 1979. At the same time the net cost of imports of petroleum products is continuing to increase not only because of increases in prices of crude oil and falling export sales of petroleum products but also due to the fact that the substantial import of machinery and transport equipment in recent years is raising fuel consumption in the domestic economy. The resultant limitations in foreign currency will call for the continuation of import controls to reduce the level of imports which can be dispensed with compared with the peak levels of such imports in 1978.

7.24. The import and credit controls imposed in 1978 will, it is hoped, have a combined impact in 1979. Also since the high level of imports in 1978 contained an element of restocking the probability is that there will be a substantial reduction in 1979 in the record trade deficit experienced in 1978. The actual deficit recorded will depend particularly on the effectiveness of the controls operated, the inflow of foreign resources and also on whether some further reduction in the country's foreign reserves can be tolerated.

Kenya External Trade Authority

7.25. During 1978, Kenya External Trade Authority undertook a number of ventures aimed at expanding Kenya's export markets and attracting investors. The most ambitious among them was the New York trade fair where various Kenyan manufactures were exhibited followed by a work-shop to bring Kenyan and American financiers and industrialists together in order to discuss potential ventures.

7.26. The Authority also rendered advisory services to a wide range of industries including the formation of joint marketing groups for a number of small handicraft producers. Work was also undertaken to reduce the documentation connected with external trade in the relevant Government departments. In addition, the authority continued its work of assisting the Government in shaping the policies for export incentives.

CHAPTER 8—AGRICULTURE

After the very large rise in the contribution of agriculture at current prices to GDP in 1977, there was a substantial reaction in 1978 and a fall of 4.2 per cent was recorded.

8.2. This fall was basically a result of the reduction in realized prices of coffee and tea. Volume of marketed coffee fell back from the peak level of 97,066 tonnes achieved in 1977 to 84,328 tonnes while its value was reduced much more significantly from K£192.9 million to K£115.6 million. As for tea, while its marketed production went up from 86,291 tonnes in 1977 to 93,373 tonnes in 1978, receipts from sales of tea fell from K£92.7 million in 1977 to K£71.3 million in 1978. There were increases in value of marketed output of sugar cane and livestock products in particular but these did not compensate for the reductions in the two major products.

8.3. The value of sales other than through the marketing boards or directly to such bodies as the Kenya Meat Commission appears to have increased significantly in 1978. Maize sales through other commercial channels and animals slaughtered in private slaughter-house were probably at very high levels.

Value of Output and Contribution to GDP

8.4 The contribution of monetary agriculture to GDP as shown in Table 8.1 fell by 4.2 per cent in 1978 but at constant prices there was a rise of 1.4 per cent.

AGRICULTURAL OUTPUT LESS RECORDED INPUT

Table 8.1 *K£million*

	1974	1975	1976	1977	1978*
AT CURRENT PRICES—					
Total Output	376.04	405.44	532.85	755.32	732.41
Less Inputs	56.67	59.14	66.70	87.31	92.13
Value Added	319.37	346.30	466.15	668.01	640.28
AT CONSTANT (1972) PRICES—					
Total Output	276.81	283.15	283.82	310.22	315.11
Less Inputs	36.72	36.01	39.05	42.93	44.08
Value Added	240.09	247.14	244.77	267.29	271.03
Quantum Indices (1972 = 100)					
Output	104.00	106.40	106.64	116.56	118.40
Input	109.57	107.44	116.50	128.09	131.52
price Indices (1972 = 100)					
Output	135.85	143.19	187.74	243.48	232.43
Input	154.33	164.23	170.81	203.38	209.01

*Provisional.

Marketed Production

8.5. The recorded volume of marketed production of agricultural output fell, as shown in Table 8.2, by 4.7 per cent, in 1978. The volume index numbers in the table, however, exclude maize sales other than to the Maize and Produce Board. The addition of such maize sales would have had a marked impact on the estimate of total marketed production in 1978. The purchases made by the Board were constrained by its storage problems. Output of temporary industrial crops rose by 14.4 per cent on account of a significant improvement in the production of sugarcane. Also the prices of temporary industrial crops rose by 12.8 per cent, and prices of livestock products went up by 31.4 per cent. Never-the-less due to a drop of 30.7 per cent in the prices of permanent crops, mainly coffee and tea, the overall price index fell by 17.2 per cent in 1978.

AGRICULTURAL MARKETED PRODUCTION INDICES, 1975-1978

Table 8.2 1972 = 100

	1975	1976	1977	1978*
QUANTUM INDICES—				
Cereals"	119.9	145.0	115.1	86.0
Temporary Industrial Crops	132.7	125.1	129.5	148.2
Permanent Crops	106.0	121.2	150.7	1439
TOTAL	113.6	126.8	138.9	130.8
Livestock and Products	86.3	81.4	94.3	91.2
TOTAL GROSS MARKETED PRO. DEDUCTION	104.5	111.1	122.5	116.7
PRICE INDICES—				
Cereals	186.2	209.5	238.2	246.7
Temporary Industrial Crops	143.4	167.2	208.8	235.5
Permanent Crops	144.2	260.1	433.7	300.7
TOTAL CROPS	150.7	231.7	366.1	279.4
Livestock and Products	133.1	145.0	165.7	217.8
TOTAL GROSS MARKETED PRO-DUCTION	146.2	212.4	319.5	264.7

*Provisional.

**Based on sale to Marketing Boards only.

8.6. As a result of these movements the value of gross marketed production as per details in Table 8.3 declined from K£415 million in 1977 to K£327 million in 1978. The 1978 figure was, however, still substantially above the value of gross marketed production of K£250 million recorded in 1976. The share of coffee and tea in the total marketed output fell from 69 per cent in 1977 to 57 per cent in 1978 while that of sugarcane and livestock products increased from 3 to 5 per cent and 12 to 19 per cent, respectively.

RECORD MARKETED PRODUCTION, AT CURRENT PRICES, 1974-1978

Table 8.3 K£'000

	1974	1975	1976	1977	1978*
CEREALS					
Wheat	6,625	8,275	12,047	11,877	11,675
Maize	8,482	17,022	21,628	18,843	10,501
Others	2,251	3,626	5,658	4,807	5,302
TOTAL	17,658	28,923	39,333	35,527	27,478
TEMPORARY INDUSTRIAL CROPS					
Pyrethrum	4,206	4,551	4,089	3,662	3,665
Sugar Cane	5,916	8,230	9,618	13,364	17,392
Others	2,080	3,041	3,670	5,440	7,941
TOTAL	12,202	15,822	17,377	22,466	28,998
OTHER TEMPORARY CROPS	5,356	7,123	8,626	6,604	6,548
PERMANENT CROPS—					
Coffee	35,326	35,345	101,333	192,919	115,586
Sisal	18,350	7,038	3,920	4,800	4,260
Tea	19,255	22,914	32,757	92,729	71,328
Others	3,117	3,274	3,477	2,945	3,034
TOTAL	76,108	68,571	141,487	293,393	194,208
TOTAL CROPS	111,324	120,439	206,823	357,991	257,232
LIVESTOCK AND PRODUCTS					
Cattle and Calves	17,610	19,827	19,056	23,437	34,941
Dairy Products	10,100	10,781	12,050	18,836	19,587
Others	4,747	5,515	6,003	6,831	7,892
TOTAL	32,457	36,123	37,109	49,104	62,420
UNRECORDED MARKETED PRODUCTION	4,668	5,404	6,115	7,489	7,501
TOTAL	148,449	161,966	250,047	414,584	327,153

*Provisional.

8.7. Table 8.4 sets out details on prices on individual products. The average Prices for coffee and tea, the most important export crops, declined considerably by 31 per cent and 29 per cent respectively, between 1977 and 1978. Prices of most other commodities, however, increased while the prices of maize and wheat remained unchanged. The steepest rise of 31 per cent occurred in the price of beef.

AVERAGE GROSS COMMODITY PRICES TO FARMERS, 1974-1978*

Table 8.4 *KSh. per stated Unit*

	Unit	1974	1975	1976	1977	1978
Coffee	100 kg.	1,008	1,069	2,524	3,975	2,741
Tea	"	721	808	1,057	2,149	1,528
Sisal		424	323	234	298	271
Pyrethrum (extract equivalent)	kg.	430	447	492	559	643
Seed Cotton	100 kg.	155	192	209	288	315
Maize	"	46	70	77	89	89
Sugar Cane	tonne	62	89	105	127	133
Rice Paddy	100 kg.	59	104	137	136	145
Wheat	"	80	105	120	133	133
Beef (third grade)	"	413	474	479	519	676
Becon Pigs		567	636	655	684	764
Milk	100 Litres	77	85	105	132	132

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

8.8. The proportionate share of the large and small-scale farmers in the marketed production moved in favour of the small farmers whose share rose from 50.3 per cent of the total in 1977 to 56 per cent in 1978. The decline in coffee and tea sales affected the receipts of large farmers more significantly than those of the small farmers. Also small farmers accounted for a large proportion of the increase in sales of other agricultural products, e.g. sugar-cane.

GROSS MARKETED PRODUCTION FROM LARGE AND SMALL FARMS, 1974-1978

Table 8.5

	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	K£million	Annual Per cent change	*K£million*	Annual Per cent change	*K£million*	Annual Per cent change	*Per cent*
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	122.1	70.1	128.0	42.1	250 0	54.3	51 .2
1977	205.0	68.7	208.5	62.9	414.6	65.8	50.3
1978*	143.8	.30.2	183.3	.12.1	327.2	—211	56.0

*Provisional.

8.9. Indices on quantities and prices of agricultural inputs increased by 1.3 and 4.2 per cent respectively in 1978 as shown in Table 8.6. Inputs of fuel and power declined in volume by 2.8 per cent while the amount of purchased service inputs went up by 7.2 per cent. Otherwise there was no real change in the relative shares of different inputs. The rise of 12.1 per

AGRICULTURAL INPUT INDICES, 1975-1978

Table 8.6 — 1972 = 100

	1975	1976	1977	1978*
QUANTUM INDICES—				
Fertilizers	88.8	89.3	97.8	99.6
Fuel and Power	106.3	96.3	132.9	129.2
Bags	102.0	107.2	107.8	115.4
Manufactured Feeds	131.3	233.2	210.6	213.7
Purchased Seeds	239.7	229.8	291.4	292.0
Other Material Inputs	96.5	105.1	128.6	127.1
TOTAL MATERIAL INPUTS	106.8	119.9	136.7	136.9
Service Inputs	105.8	122.5	132.0	141.5
TOTAL INPUTS	106.7	120.3	135.9	137.7
PRICE INDICES—				
Fertilizers	266.0	256.2	333.2	341.1
Fuel and Power	183.7	212.1	210.4	235.8
Bags	191.3	187.9	211.0	215.0
Manufactured Feeds	158.4	130.3	205.5	209.3
Purchased Seeds	136.4	154.6	203.7	204.8
Other Material Inputs	131.4	145.6	209.0	212.5
TOTAL MATERIAL INPUT	176.0	175.0	217.1	226.9
Service Inputs	125.0	121.0	130.5	1379
TOTAL INPUTS	167.5	165.8	203.0	211.5

*Provisional

AGRICULTURAL INPUTS", 1974-1978

Table 8.7 — K£'*000*

	1974	1975	1976	1977	1978*
MATERIAL INPUTS—					
Fertilizers	12,876	9,974	9,664	13,765	14,350
Other Agricultural Chemicals	4,090	3,719	4,277	7,197	7,500
Livestock, Drugs and Medicines	1,762	2,321	2,848	3,261	3,291
Fuel and Power	5.328	6,754	7,063	9,668	10,529
Bags	2,328	2,858	2,952	3,331	3,636
Manufactured Feeds	4,606	4,417	6,456	9,193	9,500
Purchased Seeds	1,475	2,407	2,615	4,370	4,400
Other Material Inputs	1,756	1,904	2,460	3,429	3,529
TOTAL	34,221	34,354	38,335	54,214	56,735
SERVICE INPUTS TOTAL	4,314	4,871	5,455	6,338	7,179
TOTAL INPUTS	38,535	39,225	43,790	60,552	63,914

*Provisional.

**Except Labour.

cent in the price of fuel and power accounts for much of the increase in the overall index. The value of inputs is given in Table 8.7. Three items—fertilizers, fuel and power and manufactured feeds accounted for 54 per cent of total inputs in 1978 and between them they were responsible for more than half the increase in the value of purchased inputs between 1977 and 1978. The value of inputs went up from K£60.55 million in 1977 to K£63.91 million in 1978, an increase of 5.6 per cent. The most significant increase in consumption of purchased inputs since 1974, however, occurred in 1977 when the value of these inputs went up by 38.3 per cent. The sharp increase was induced by the buoyant conditions in the industry and the large rise in output in that year.

Terms of Trade—Agriculture Sector

8.10. The terms of trade had moved strongly in favour of the agriculture sector in 1976 and 1977 following continued deterioration in the previous three years. The improvement resulted from substantial rises in prices of export crops, especially tea and coffee. Also 1977 was the peak year for these crops. However, the year 1977 was followed by declines in export prices in 1978. The rise in prices of domestically consumed crops and livestock products was more than outweighed by the slump in prices of export crops, resulting in an overall decline of 1.8 per cent in the index of prices of items sold by the agriculture sector in 1978. The index of prices of inputs purchased by the sector on the other hand rose by 7.5 per cent in 1978. This combined effect of a rise in prices paid, and a fall in prices received brought about an 8.5 fall in the sector's terms of trade in 1978. The details are noted in Table 8.8.

PROVISIONAL TERMS OF TRADE INDICES FOR AGRICULTURE

Table 8.8 1976=100

	1977	1978
PRICES RECEIVED		
Total Crops	119.5	115.9
Domestic	112.5	114.4
Export	153.3	123.5
Livestock and Products	123.4	130.0
INDEX OF PRICES RECEIVED	120.1	118.0
PRICES PAID		
Purchased Inputs	114.1	119.2
Index of Purchased Consumer Goods—Rural Areas	107.8	117.0
INDEX OF PRICES PAID.	109.4	117.6
Agriculture Sector Terms of Trade	109.8	100.4

8.11. In comparing Table 8.8 with Tables 8.2 and 8.6, it must be pointed **out** that the price indices given in Table 8.2 for marketed production related only to sales effected through marketing boards and similar agencies whereas the price index numbers for sales given in Table 8.8 cover all sales including those through other commercial channels. Thus while recorded marketed production was valued at K£250 million, in 1976 it excludes sales of about K£50 million which had been effected through other unrecorded commercial channels. The index on prices of inputs in Table 8.6 is based on the year 1972 whereas that in Table 8.8 is based on 1976. The increase in prices of fuel and lubricants between these two years had a varying impact on the respective weights of the two indices. As a result the index based on 1976 shows a lower overall increase between 1976 and 1978 than the index based on 1972.

Agricultural Credit

8.12. As indicated in Table 8.9 the amount of new credit made available to the agriculture sector by the major lending institutions—excluding the commercial banks, increased by 31 per cent from K£20.96 million in 1976/77 to K£27.47 million in 1977/78. The increase occurred largely in the loans provided by the Agricultural Finance Corporation under the Guaranteed Minimum Return Programme, mainly as a result of an increase in the provision of credit from K.Sh. 350 to K.Sh. 500 per acre. There was also some increase in the acreage covered under the programme. Credit provided by the Co-operative Bank increased only slightly. Large-scale farmers followed by co.operative unions and societies, were the main beneficiaries of the new credit in 1977/78. Their shares of total credit amounted to 49.3 per cent and 38.5 per cent respectively. Short-term loans accounted for about 71.4 per cent and 52 per cent of the total credit provided to the co-operative and large.scale farmers, respectively.

8.13. Commercial banks also increased their new lending to farmers by a further K£4.4 million from an increase of K£13.7 million between 1976 and 1977 to an increase of K£18.1 million between 1977 and 1978. Total credit to the agriculture sector by the commercial banks as shown in Chapter 4 had risen to K£72.5 million by the end of December 1978. However, it was still equal to only 14 per cent of their deposit liabilities compared to the target of 17 per cent set by the Government.

Crop Production

8.14. *Maize.*—Despite favourable weather conditions in the major maize growing areas, total maize production in 1978 fell below the level of output in the previous two years. The shortage of effective storage capacity of the Maize and Produce Board first observed in 1977 forced farmers to hold back maize from the 1977 crop up to the early months of 1978. This had a dis-

couraging effect on maize growers who curtailed the areas planted. Infact the sales of hybrid seed to large-scale farmers declined by 50 per cent between 1977 and 1978.

NEW AGRICULTURAL CREDIT ISSUED BY TYPE OF FARMER, 1974/75-1977/78*

Table 8.9 *K£'000*

	1974/75	1975/76	1976/77	1977/78
SMALL SCALE FARMERS—				
Short term loans	1,223	2,137	1,817	1,013
Medium term loans	1,287	599	585	1,905
Long term loans		50	29	135
Other loans	22	26	22	66
TOTAL	2,531	2,813	2,462	3,119
LARGE SCALE FARMERS—				
Short term loans	2,223	4,266	5,671	7,117
Medium term loans		407		
Long term loans	1,695	2,321	2,632	5,883
Other loans			348	890
TOTAL	3,918	6,994	8,651	13,690
CO-OPERATIVESOCIETIES				
Short term loans	5,579	10,926	7,963	7,552
Medium term loans	4,063	4,281	1,883	3,019
Long term loans	10	21		12
Other loans				
TOTAL	9,651	15,228	9,846	10,583
OTHER FARMERS—				
Short term loans	663			
Medium term loans	673			75
Long term loans	40			
TOTAL	1,377	-		75
ALL RECEIPTS—				
Short term loans	9,687	17,330	15,451	15,682
Medium term loans	6,023	5,287	2,477	4,999
Long term loans	1,745	2,392	2,661	5,830
Other loans	22	26	370	956
TOTAL	17,477	25,035	20,959	27,467

*Revised series.

8.15. Due to the lack of profitable export markets, purchases by the Maize and Produce Board during 1978 declined to the lowest level for many years. At 236,262 tonnes, the total was 44.3 per cent below the level of purchases in 1977 and 58.1 per cent below the level in 1976. As a result of the low prices in the world markets the Board could not export the surpluses which

were not required for domestic consumption. The cumulative stock of maize had increased to 3.7 million tonnes at the end of 1978. This amount was more than double the minimum strategic reserve level of 1.8 million tonnes.

8.16. Domestic sales by the Board dropped to 221,670 tonnes in 1978 some 19 per cent below the level of sales in 1977. It seems evident that farmers disposed of some of their production through market channels other than the Maize and Produce Board—mostly at prices below the price set by the Board for its purchases—the price at which sales were made being influenced by the local market conditions in the area concerned.

8.17. Purchases by the Maize and Produce Board should not be constrained by storage problems in 1979 as the Board's storage capacity has now been increased. The Board has plans to export some 100,000 tonnes of maize during the first half of 1979 and if these sales are made it would be able to purchase more maize from farmers than would otherwise have been possible. However, the recent reduction in the maize price to producers although justified in terms of the 1978 situation of very high level of stocks in storage and the low level of prices available on export markets, may have the effect of causing a further fall in maize production in 1979. This is by no means certain though, since farmers dependent to a large extent for their incomes on their maize sales, may seek to maintain total income by even higher offerings on the market.

8.18. ***Wheat.***—As shown in Table 8.10, wheat production achieved a record yield in 1976. Since then output has declined to 165,941 tonnes in 1978, about 2.3 per cent below the level of deliveries in 1977. A decline in the area under wheat cultivation especially in the major wheat production districts of Nyandarua, Uasin Gishu and Trans Nzoia and a reduction in the average yield per hectare due to an increasing incidence of wild oats in wheat fields account for the fall in total output of wheat. Higher than average rainfall especially during the last two years which rendered the crop less resistant to disease has also been a contributory factor in the drop in average yield.

Table 8.10 MARKETED* PRODUCTION OF SOME MAJOR CROPS 1974 - 1978 *Tonnes*

Crop \ Year	1974	1975	1976	1977	1978
Wheat	159,462	145,459	186,774	169,880	165,941
Maize	365,354	487,826	564,748	423,964	236,268
Rice Paddy	33,210	32,113	39,299	41,415	35,816
Pyrethrum (Extract Equivalent)	195.6	203.9	166.1	131.1	114.0
Sugar-Cane	1,719,083	1,654,583	1,652,597	1,888,140	2,349,206
Cotton	15,024	16,121	15,803	16,257	27,190
Coffee	70,103	66,152	80,303	97,066	84,328
Sisal	86,526	43,639	33,555	33,196	31.456
Tea	53,440	56,730	61,984	86,291	93,373

*Sales to Marketing Boards.

8.19. Domestic consumption of wheat flour has been increasing in the recent years as can be observed from the following series. As a result Kenya has had to import larger quantities of wheat to meet the deficits. A total of 90,000 tonnes of wheat were imported into Kenya during 1978 as compared to only 33,000 tonnes in 1977.

WHEAT FLOUR CONSUMPTION

Year	*Tonnes*
1974	128,669
1975	112,057
1976	136,488
1977	158,400
1978	184,733

8.20. It is currently estimated that wheat production would be increasing at an annual rate of one per cent in the next five years. During the same period consumption of wheat flour is expected to increase at a much higher rate of 7 per cent. Therefore, Kenya is likely to become increasingly a wheat importing country. The Government has already announced an increase in the producer price for the next wheat harvest with the aim of inducing farmers to plant more wheat. The recent decrease in producer price for maize is also likely to influence some maize producers to shift to wheat production in those areas capable of producing both crops.

8.21. *Coffee.*—The two year coffee boom which had reached its peak in early 1977, faded out in 1978. The combined effect of higher production and consumer resistance to the very high prices then prevailing, caused the boom to subside. The fall in prices between 1977 and 1978 was very substantial and the price received by farmers dropped from an average of K£1,938 in 1977 to K£1,370 in 1978. Production in 1978 at 84,328 tonnes was probably on par with that of 1977. The exceptional figure for deliveries of 97,066 tonnes in 1977 had included coffee grown in neighbouring countries. Coffee deliveries from co-operatives improved slightly to account for 56.6 per cent of total deliveries in 1978, while deliveries from estates decreased slightly.

8.22. The quality of Kenya coffee was much improved in 1978 and was infact better than in the previous three years. Total coffee exports declined to 85,405 tonnes in 1978 from the level of 94,344 tonnes in 1977. The reduced figure, however, is still above the average for the last five years. Coffee exports earned K£ 124.8 million in 1978 as compared with K£204.4 million in 1977. West Germany continued to be the largest importer of Kenya coffee accounting for 30 per cent of the total coffee export sales. Other important customers included the Netherlands, U.S.A., Sweden and the U.K. Plans to increase coffee plantations especially on smallholdings are at an

advanced level. Some 33,000 to 35,000 hectares are to be planted with coffee, most Of it during 1979, to mature ready for production towards the end of the current development plan period. As a result total area under coffee plantation would increase by 37 per cent.

8.23. *Tea.*—Production of tea has continued to increase since 1975. A total of 93,373 tonnes of manufactured tea was produced in 1978 compared to 86,291 tonnes in 1977 and 53,440 tonnes in 1974. Production over the last three years has benefited markedly from the higher than average rainfall in the major tea growing districts while prices have been sufficiently attractive to encourage maximum picking. Cash receipts to growers, however, fell by K£21.4 million from K£92.7 million in 1977 to K£71.3 million in 1978. The U.K. continued to be the largest importer of Kenya tea. Total export earnings from tea amounted to K£63.2 million in 1978 compared to K£71.8 million in 1977 and K£31.8 million in 1976. Smallholder tea production made a further advance in 1978. As shown in Table 8.11 the total area under small.

THE DEVELOPMENT OF SMALL-HOLDER TEA—TO 1977/78

Table 8.11

	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*
1973/74	34,384	90,135	0.38	14,658
1974/75	37,205	97,337	0.38	16,118
1975/76	39,740	105,949	0.38	19,442
1976/77	43,636	115,648	0.38	27,720
1977/78	46,861	122,348	0.38	31,867

holder tea plantations rose by 3,225 hectares to 46,861 hectares while the number of smallholder growers also went up from 115,648 in 1977 to 122,348 in 1978. Smallholders produced 31,867 tonnes of made tea in 1978 as compared to 27,720 tonnes in 1977 and their output accounted for 39.55 per cent of total output of made tea in 1978. Smallholder tea production should rise substantially during the next few years. The target in the current development plan is an average increase of 8.4 per cent a year.

8.24. *Cotton.*—After some years of stagnation cotton production jumped to a record level in 1978. Total marketed production rose from 16,257 tonnes in 1977 to 27,190 tonnes in 1978. an increase of 67 per cent. This impressive achievement was the result of more extensive cultivation and the good weather conditions in the major producing areas. It is estimated that some 119,780 hectares were planted with cotton in 1978 as compared to 87,634 hectares in 1977. Kitui, Meru and South Nyanza districts accounted for the bulk of the crop.

8.25. Seed cotton prices have been increasing annually. The average price in 1978 had risen to K.Sh. 315 per 100 kg, an increase of K.Sh. 27 or 9 per cent over the 1977 price. The more attractive price together with a producer credit scheme for the purchase of seed, insecticides, spray pumps, etc., has helped boost cotton production substantially. The introduction of tractor hire services in cotton growing areas has also had a marked impact.

8.26. *Sugarcane.*—The very favourable weather conditions in the major cane growing zones in western Kenya and at the coast and attractive producer prices have helped to boost the sugarcane production during the last two years. As shown in Table 8.12 cane deliveries reached a new record level

SUGAR CANE PRODUCTION BY TYPE OF GROWERS, 1975-1978

Table 8.12 *Tonnes*

	1975	1976	1977	1978
Factory Estates ..	551,752	487,328	584,248	626,467
Large Farms	124,721	138,353	239,649	282,260
Small-holders	443,654	500,479	630,374	848,854
Co-operative Societies	326,562	332,603	278,345	351,079
Settlement Schemes	207,894	193,834	155,524	242,548
TOTAL	1,654,583	1,652,597	1,888,140	2,349,206

of 2.35 million tonnes in 1978, an increase of 24 per cent over the total for 1977. The increase occurred in deliveries from all sources, though the highest rise was registered in deliveries from settlement schemes which went up by 56 per cent. Deliveries from smallholders increased by 34 per cent and from co-operatives by 26 per cent. Factory nucleus estates recorded a relatively low increase of 7 per cent. However, they remained second to smallholders as the main source of cane in 1978.

8.27. Work is still underway on the major investment projects which were initiated in 1976 to expand the sugar industry. Construction of the Nzoia sugar factory in Bungoma District was completed and the mill started production during the fourth quarter of 1978. Construction of the sugar factory in south Nyanza is in progress and is expected to be completed before the end of 1979. while expansion of the sugar factory in Mumias is nearing completion.

8.28. Total production of mill-white sugar rose to 238,145 tonnes in 1978. With the substantial addition in capacity now being installed, Kenya will soon attain the level of self-sufficiency in meeting its demand for sugar. A total of 250,555 tonnes of sugar was consumed during 1978 including consumption of 27,000 tonnes for industrial use. It is estimated that the output of sugar will rise to 480,000 tonnes to be extracted from 4.5 million tonnes of cane by the year 1983. At this projected level surpluses will be available for export.

8.29. *Pyrethrum.*—The downward trend in production which set in in 1976 continued through 1977 well into 1978. A total of 114 tonnes of pyrethrum extract equivalent was marketed in 1978, a drop of 14 per cent below the 1977 level of 131.1 tonnes and 44 per cent below the record level of 203.9 tonnes in 1975. Measures taken by the Pyrethrum Marketing Board to encourage a recovery in production by the provison of high yielding seed varieties, more extension services and increased producer prices in the last few years seem to have had little effect. Deliveries of extract during November and December, 1978 have, however, shown a considerable improvement over the same period in 1977.

8.30. Producer price was increased by 30 per cent in the fourth quarter of 1978 and a guaranteed minimum price was also introduced. The average price paid to growers in 1978 for flowers amounted to K.Sh. 643 per kg of extract, 15 per cent more than the price of K.Sh. 559 per kg in 1977. The factory in Nakuru has been renovated and expanded to be able to process a much higher level of pyrethrum and the industry is now ready for a substantial recovery. Export prices rose by 26 per cent from K.Sh. 238.2 in 1977 to K.Sh. 300.3 in 1978 per kg of diluted extract. However, the lower level of sales meant that pyrethrum earned the country K£4.08 million in 1978 compared with K£4.98 million in 1977.

8.31. *Sisal.*—The Kenya sisal industry has been going through a stagnant period over the last three years. Production has fallen and world market prices have been deteriorating mainly as a result of stiff competition posed by synthetic fibres. Kenya's sisal production declined by 5.2 per cent from 33,196 tonnes in 1977 to 31,456 tonnes in 1978 while the producer price fell from K£149 per tonne in 1977 to K£136 per tonne in 1978. Sisal exports which had reached the high level of 72,074 tonnes in 1974 have fallen progressively and despite a small recovery amounted to only 26,648 tonnes in 1978. The realised export price was K.Sh. 303 per 100 kg in 1978, as compared to the price of K.Sh. 470.50 in 1974.

8.32. *Horticulture.*—Exports of horticultural products as shown in Table 8.13 rose to 21,007 tonnes in 1978, an increase of 11.5 per cent over the

EXPORT OF FRESH HORTICULTURAL PRODUCE, 1974-1978

Table 8.13

	Tonnes	*K£*
1974 .	11,335	1,692.475
1975 .	13,115	4,163,700
1976 .	17,963	5,117,040
1977 .	18,844	6,435,815
1978 .	21,007	7.987,850

1977 level. Total earnings as a result went up by 24 per cent to reach a record level of nearly K£8 million. There were substantial increases in exports of avocado pears and cut flowers. The previous fast growth in sales of fresh pineapples and brinjals was affected adversely by the increases in air freight charges. The U.K. continued to be the major market for horticultural products accounting for 46.2 per cent of the total exports. West Germany which had a share of 20.8 per cent of exports was second. These two countries increased their imports of horticultural products from Kenya by 16 per cent and 18 per cent, respectively in 1978. Lack of cargo space continues to hinder the more rapid expansion of horticultural exports.

Livestock Production

8.33. Most parts of Kenya have benefited from the above-average rainfall in 1978. Grazing condition for livestock improved considerably and water supplies were generally abundant. Such conditions were extremely favourable for the improvement in production of livestock. As shown in Table 8.14, total

Table 8.14 DAIRY AND LIVESTOCK PRODUCTS, 1974-1978

	Unit	1974	1975	1976	1977	1978
KENYA CO.OPERATIVE CREAMERIES						
RecordeProductiond Milk *	'000 litres	249,843	230,607	208,658	259,450	269,796
Milk Processed:						
Wholemilk and cream .	"000 litres	160,009	157,956	150,422	157,880	185.557
Butter and ghee	Tonnes	4.366	4,191	3,067	4,342	3.871
Cheese		558	462	177	445	253
Evaporated milk		3.249	1,626	2,099	1,321	489
Dried Wholemilk powder		2,592	2.289	3,009	5,262	4,236
Dried skim.milk powder		3,019	2,772	1,489	3,440	2,956
Other Products		71	1	2	1	
KENYA MEAT COMMISSION						
Intake of':						
Cattle and calves	000 Head	160	134	228	158	68
Sheep		7	15	12	8	11
Lambs .		5	11	1	3	
Goats		6	7	5	6	10
TOTAL PRODUCTION OF CARCASS BEEF	Tonnes	19,770	16,600	26,865	20,637	8,890
UPLANDS BACON FACTORY						
Intake of pigs for:						
Bacon	000 Head	30	33	34	36	34
Pork		3	2	2	3	4
Manufactures	»	2	2	2	2	2

'Including sales licensed by the Kenya Dairy Board.

recorded milk production reached its highest ever level of 269.8 million litres. This was 10.3 million litres or 4 per cent above the 1977 record production of 259.5 million litres. The Kenya Co-operative Creameries processed 185.6 million litres of wholemilk and cream, 28 million litres or 18 per cent above the level processed in 1977. Sales of liquid milk especially increased substantially by 76 per cent in 1978 and accounted for 24 per cent of total liquid milk sales. Nanyuki, Kisumu and Machakos continue to be

the main market areas for this product. It is anticipated that wholemilk sales will increase rapidly as a result of the recent introduction of a school milk programme by the Government.

8.34. Total deliveries of cattle to the Kenya Meat Commission dropped to the lowest level ever in 1978. The 1978 intake was only 68,000 head which was less than half the number delivered in 1977 and one third of the 1976 total. This fall is the result of the competition the Commission has been facing from the mushrooming number of private slaughter houses in the country. There is no indication, however, of total combined intake both by the Commission and private sector having fallen. Indeed given the rise in total consumer incomes there is likely to have been an increase. The Commission has not been able to pay competitive producer prices partly because of cash flow difficulties. As a result many producers have accepted the more attractive prices paid by the private abattoirs.

8.35. Despite the fall in cattle deliveries, there was a marked improvement in intake of small-stock, i.e. sheep, lambs, goats by the Commission during 1978 as compared to 1977. The total intake of such stock rose to 21,068 head an increase of 23 per cent above the 1977 level. The increase in deliveries occurred mainly in the chief small-stock grazing areas of Samburu, Marsabit, Laikipia and Garissa districts.

8.36. There was no change in the total intake of pigs by Uplands Bacon Factory in 1978 as compared to the intake in 1977. Almost 40,000 pigs were delivered for slaughter in 1978. Nyeri District continued to be the major supplier accounting for over 40 per cent of the total deliveries. About 60 per cent of the supply originated from private farmers with the remainder shared between the farms run by Agricultural Development Corporation and establishments owned by the Uplands Bacon Factory. Some 10,727 pigs were also slaughtered by licenced private butchers other than Uplands Bacon Factory.

Agricultural Development Services

8.37. *Training.*—The number of personnel trained in agriculture has been progressively increasing in recent years. As shown in Table 8.15 the total number of students enrolled for degree courses at the University of Nairobi increased by 69 in 1978. It is expected that 154 students will graduate during the current academic year, 86 with a degree in the agricultural science and 68 with a degree in veterinary medicine. Enrolment of students at the agricultural training institutes is also indicated in Table 8.15. The intake for Egerton College which trains students for diploma courses was unchanged in 1978 while the intake of the Animal Health and Industrial Training Institute went up by 9 per cent in 1978. There was a drop, however, in the number of students admitted by the agricultural institutes at both Bukura and Embu as well as the Naivasha Dairy Training School.

TOTAl ENROLMENTS AT AGRICULTURAL TRAINING INSTITUTIONS, 1974-1978

Table 8.15 K£*000*

	1974	1975	1976	1977	1978
DEGREE LEVEL—					
University of Nairobi. Faculty of Agriculture	163	185	202	284	353
Faculty of Veterinary Medicine	304	312	313	329	317
DIPLOMA LEVEL—					
Egerton College	624	643	682	687	683
CERTIFICATE LEVEL—					
Bukura Institute of Agriculture..			187	176	142
Embu Institute of Agriculture	153	161	190	169	150
Narosura Farm Mechanization Training Scheme	100*	100*			
Naivasha Dairy Training School	402**	454**	490	405	356

*Includesshort courses of 1—2 weeks.

**Includesshortcourseseminars.

8.38. A survey conducted by the Ministry of Agriculture during 1978 revealed acute shortages of manpower skills in agriculture at all levels. As a result the Government is to embark on plans to improve the quality and the volume of training facilities. These plans include construction of a new agricultural institute, capable of taking 600 students, at the coast, and expansion of existing agricultural institutes, the Egerton College and the two faculties at the University of Nairobi. These latter intend to offer degree courses in agricultural education and range management.

8.39. *Irrigation.*—Two types of irrigation schemes are being operated at the moment; the large-scale schemes planned, developed and managed by the National Irrigation Board; and the small-scale schemes which are managed by the Land and Farm Management Division of the Ministry of Agriculture.

8.40. Details on the performance of the large schemes are set out in Table 8.16. There was a decline in the overall performance of the six large schemes during 1978 as compared to 1977. The total area cropped decreased from 8,728 hectares in 1977 to 8,607 hectares although the number of plot. holders increased by 160. The receipts of large schemes also declined from K£2.88 million in 1977 to K£2.66 million in 1978, a fall of 7.6 per cent. This was mainly because of the poor harvest of paddy from the Ahero, Bunyala and West Kano scheme areas. These schemes were hit by pests and diseases resulting in an extremely low per hectare paddy yield of only half the amount obtained by the farmers in the Mwea scheme area. As a result paddy production fell from 43,638 tonnes in 1977 to 38,039 tonnes in 1978, a decline of 12.8 per cent.

8.41. Further development of small-scale schemes has continued in 1978. The establishment of two new schemes at Kibirigwi and Ishiara was completed during 1978. The two schemes cover 100 and 32 hectares respectively and are together expected to accomodate 300 families. Feasibility study on the development of a scheme in Muka Mukuu in Machakos District is nearing

PROGRESS AND PRODUCTION AT SIX IRRIGATION SCHEME AREAS, 1973/74-1977/78

Table 8.16 K£*'000*

	1973/74	1974/75	1975/76	1976/77	1977/78
MWEA—					
Area Cropped—*Hectares*	5,534	5,379	5,609	5,616	5,648
Plot.holders—*Number*	3,001	2,917	2,972	2,973	3,003
Gross value of output—K£'000	919	1,349	1,851	2,088	2,054
Payments to plot.holders—*K£,000*	620	903	1,346	1,083	1,566
ALL (6) SCHEME AREAS—					
Area cropped—*Hectares*	8,517	8,471	8,285	8,728	8,607
Plot.holders—*Number*	4,604	4,405	4,554	4,744	4,904
Gross value of output—*K£*'000	1,282	1,874	2,450	2,880	2,659
Payments to plot.holders—*K£*'000	768	1,180	1,652	1,553	1,825
CROPS PRODUCED—*Tonnes*					
Mwea—Paddy	30,819	28,423	32,060	35,960	32,289
Ahero—Paddy	2,273	2,467	3,747	5,127	3,985
West Kano—Paddy	–	–	–	1,477	1,009
Bunyala—Paddy	471	674	1,189	1,074	756
Tana—Cotton	2,272	2,288	2,209	2,507	1,309
Perkerra—Onions	1,644	1,267	775	1,083	418
Chillies	186	188	178	172	132

completion. This scheme is planned to cover 500 hectares and will help build up rural incomes in the area. In addition, studies have also been initiated to establish the feasibility of developing a scheme at Mitingu in Meru District, to cover 218 hectares and also of expanding the Bura Scheme in the lower Tana region, the first phase of which is to cover nearly 900 hectares. In fact, the Bura Scheme is expected to become the largest in the country covering nearly 20,000 hectares out of 40,000 hectares in the lower Tana River area which have already been identified for the project. Plans are also under consideration to drain the Yala Swamp to turn the area into an irrigation scheme and the multipurpose Masinga Dam project will eventually irrigate some 40,000 hectares in Upper Tana River area.

8.42. *Agricultural Research.*—Most of the research activities in agriculture in 1978 were centred on ongoing programmes. Work continued on the research in dryland farming being conducted at Katumani Station. This programme which is dealing with a wide range of problems now incorporates pre. extension trials. Progress was also reported on the research being conducted on sorghum and millet. This project was originally conceived as a means of contributing to development of forage in high dry areas of the Rift Valley but is now primarily concerned with research into grain production for human consumption in the dryland farming areas and in western Kenya. The research project on cropping systems is investigating crop relationships in dryland farming areas and is expected to produce data on conditions most

suited to different crops and varieties. The grain legume projects has expanded the scope of its work to cover different zones during 1978. Substantial progress was also likewise reported on horticultural crop research and pasture improvement, range management, etc. The Ministry of Agriculture now directly finances research undertaken at the University of Nairobi and Egerton College. This is to ensure that research priorities and designs are directly related to the needs of small farmers and that research recommendations are adequately tested. The organization of different research services was also reviewed during 1978 with a view to incorporating the research services run by the late East African Community into a single research organization to be known as the Kenya Agricultural Research Institute. The institute is to be established in 1979.

Land Adjudication

8.43. A total of 276,000 hectares were registered during 1978. As per figures in Table 8.17 the total of registered land now adds up to 5.22 million hectares. The Rift Valley Province continues to be the major centre of

PROGRAMME OF LAND REGISTRATION AND ADJUDICATION BY PROVINCE AS AT 31ST DECEMBER, 1978

Table 8.17

	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
Western	254.5	593.2			8.7	601.9	93.9
Nyanza	295.3	605.6	13.3	22.7	357.4	985.7	87.8
Central	238.0	412.7				412.7	
Rift Valley	102.5	2,858.1	4.0	310.1	1,180.0	4,348.7	67.7
Eastern	145.9	433.3	1.5	4.3	261.8	699.4	21.9
Coast	29.6	313.9	7.4	26.6	212.0	552.5	39.0
ALL PROVINCES	1,065.8	5,216.8	26.2	363.7	2,019.9	7.600.4	57.6

adjudication activities. Adjudication work in Western Province is almost finished and is expected to be finalized during the first half of 1979, making it the second rural province after Central Province, to have achieved complete adjudication.

8.44. As shown in Table 8.18 over 89,000 hectares of additional land was registered in Narok District during 1978. Kajiado, Kwale and South Nyanza districts followed with 35,000 hectares, 31,700 hectares and 23,200 hectares respectively. Adjudication work has also been resumed in Laikipia District, an area of predominantly large scale ranch land. Adjudication work is expected to commence in Tana River, Garissa, Wajir, Mandera, Isiolo and Marsabit districts during the current plan period. The target is to register 8.41 million hectares by 1983.

AREA OF HOLDINGS ADDED TO THE LAND REGISTER, 1974-1978

Table 8.18

'000 *Hectares*

	1974	1975	1976	1977	1978
Kisumu	6.3	9.2	8.8	0.9	1.1
Siaya	—	23.0	23.0	2.6	13.8
Kisii	4.1	13.0	2.8		
South Nyanza	45.5	15.4	15.8	9.3	23.2
Kakamega	15.1	8.1	7.6		–
Bungoma		—	4.7		4.5
Busia	3.5	—	2.5		4.9
Nakuru	—	—	—	12.0	––
Kericho	16.6	34.6	20.7	20.2	14.0
Nandi	6.2	11.8	8.7	2.9	1 .4
Elgeyo Marakwet	4.2	—	3.0		
Baringo	17.1	0.5	2.5	12.2	8.8
Kajiado	96.5	202.3	161.7	88.1	35.0
Narok	37.4	11.7	34.6	79.8	89.4
West Pokot	—	42.9	10.6	7.5	4.5
Samburu	—	65.7	—	236.2	
Kirinyaga	—	4.2			
Embu	4.1	12.7	5.8	14.0	
Meru	17.4	4.9	5.6		4.3
Machakos	11.7	16.6	24.2	8.3	11.3
Kitui	4.8	15.0	4.9	4.4	19.3
Taita	—	2.5	0.6	1.5	
Kwale	49.7	2.3	65.1	3.0	30.7
Kilifi	4.6	1.7	76.9	23.3	2.1
Laikipia	—		—		7.5
TOTAL	344.8	498.1	490.1	526.2	275.9

CHAPTER 9—NATURAL RESOURCES

Kenya is endeavouring to secure maximum benefits through controlled development and exploitation of its natural resources. This objective is to be attained through careful exploitation of mineral resources, better management of water resources, controlled cutting and replanting of forests and optimum exploitation of fishery resources. All these resources if properly exploited will contribute to long term development, the creation of employment and directly or indirectly to enhanced foreign exchange earnings of the country. The discussion in this chapter lays emphasis on development in 1978 and also details the plans for the period 1979 to 1983.

Water

9.2. The 1979.1983 Development Plan has adopted "Alleviation of Poverty" as its main theme and since it is recognized that in Kenya, adequate water supplies are a major constraint to national development and higher production from agriculture, water has been given priority in the whole field of development. The Ministry of Water Development is expected to play a significant role by making piped water more readily available in the rural areas and in harnessing more of the country's water resources to increase their availability for agriculture. The Government over the current plan period has allocated K£200.1 million for water development, two and a half times the total of K£80.3 million allocated in the previous plan period 1974.1978. Bulk of the expenditure is earmarked for rural water supplies, the Tana River Development Authority and Mombasa and coastal water supplies. However, a further K£97 million has been earmarked for development of a whole range of other water based projects.

9.3. Phase 1 of the National Master Water Plan for Kenya which was expected to provide detailed information on the availability and reliability of the country's water resources and an assessment of the country's irrigation and hydropower potential was completed in March. 1979. Phase II will provide the Government with a comprehensive report on orderly phased river basin water development programmes and contain information on all major water projects which have been assessed to the prefeasibility levels. Work on Phase II is expected to begin shortly. Planning will cover ten, twenty and thirty year periods. Large scale multipurpose water projects already identified will be examined to assess their viability and to ensure that they yield lasting benefits to the nation.

9.4. The programme targets to 1983 include—

(i) the expansion of the coverage of improved water supplies in areas to serve 4 million people by 1983;

(ii) serving approximately the same number of people in urban areas;

(iii) increasing substantially the effort applied to water conservation;

(iv) expanding activities in areas prone to floods and drainage of swamps and river valleys;

(v) expanding the use of water in irrigation schemes throughout the country.

9.5. Table 9.1 details the total public expenditure on water development and related services incurred by the Central Government and other public authorities during the period 1974/75 to 1978/79. There was an increase in 1978/79 of nearly K£1.2 million or 3 per cent and total expenditure rose to K£41.1 million. Growth in 1978/79 could not match the threefold rise in expenditure on water development in the preceeding year. Water development expenditure now seems to be settling down to the figure of an average of K£40 million or more a year earmarked in the current development plan. The expenditure on rural water supplies in 1978/79 will amount to K£6 million compared with K£4 million in 1977/78, while expenditure on Sabaki River project will fall from the peak level of K£12.2 million in 1977/78 to K£8.6 million in 1978/79. Expenditures on Tana River development are more or less constant with K£11 million spent in 1977/78 compared to K£10.8 million scheduled to be expended in 1978/79.

DEVELOPMENT EXPENDITURES ON WATER SUPPLIES AND RELATED SERVICES, 1974/75-1978/79

Table 9.1 *K£*'000

	1974/75	1975/76	1976/77	1977/78	1978/79*
Ministry of Water Development ..					
Urban water supplies	375	1,240	728	2,228	2,288
Rural water supplies	1,685	3,855	2,922	3,961	6,031
Sabaki River Project	309	785	3,186	12,225	8,583
Miscellaneous programmes	839	2,353	2,755	5,973	8,041
Mombasa Pipeline Board	746	547	399	650	600
Tana River Development Authority	473	417	732	10,983	10,805
Other Ministries	155	123	125	130	140
Local Authorities	1,831	2,188	2418	3,754	4,598
TOTAL ..	6,413	11,508	13,265	39,914	41,086

*Provisional.

9.6. As at March, 1979 nearly K£23 million had been spent on the Sabaki River project with an additional K£2.5 million to be spent between March and June, 1979. The construction of tanks and reservoirs is already completed and most of the main pipeline is now in place. This project is now expected to be ready by early 1980. When finished it will have cost more than K£30 million. The Sabaki River water supply will considerably alleviate water shortage in Mombasa and the adjacent areas.

9.7. The Tana River basin occupies 20 per cent of the land mass of Kenya and optimal utilization of its water resources is essential for the development of the whole country. The Tana River Development Authority

established in 1974 has the responsibility for developing long-range plans for effective utilization of the basin's water resources. The authority's major achievement to date has been the construction of the Upper Reservoir. It has been designed to regulate the water flow which can vary very substantially from year to year. The entire project is expected to be completed in 1981 at a total cost of K£52 million.

9.8. Attention is now being focused on the ways in which the controlled water resources of the Tana River basin can be tapped and developed. Large scale hydro. electric projects such as Kindaruma, Kamburu and Gitaru are to be complemented by other developments. The large-scale Phase I irrigation project—another development taking place in the Tana River basin is reported separately in Chapter 8. The Massinga Dam built for the Upper Reservoir will have a direct bearing on the scheme of the same name to provide water for irrigation of 40,000 hectares and offering employment opportunities and enhanced incomes to thousands of local inhabitants.

9.9. The rural water supply development programme covers both the development of rural water supplies by the Government and by the people themselves through self-help efforts. Table 9.2 shows by province the physical distribution of rural water projects which are operational or expected to be operational by June, 1979. The capital expenditures so far committed for the development of rural water schemes are also indicated. As can be seen six more schemes are expected to be operational by June, 1979 as compared to the number which were operational in June 1978. The total cost of 108 schemes by June 1979 will, it is estimated be K£12 million compared with K£9.6 million for the 102 schemes in June 1978. It is intended that all rural dwellers will in the long run be provided with clean potable water by the year 2,000. Increasing annual subventions have been earmarked for this purpose in the current development plan.

RURAL WATER SUPPLY PROJECT SCHEMES OPERATIONAL OR EXPECTED TO BE OPERATIONAL AT JUNE, 1977,1978 AND 1979

Table 9.2

Province	June 1977		June 1978		June 1979*	
	No.	Cost k€'000	No.	Cost k£'000	No.	Cost *K£'* 000
Central	9	1,600	10	2,850	11	4,525
Coast	9	249	9	249	10	399
Eastern	16	1,246	18	1,980	19	2,180
North-Eastern	15	157	15	157	15	157
Nyanza	14	3,128	14	3,128	15	3,198
Rift Valley	30	622	30	622	32	917
Western	6	585	6	585	6	585
TOTAL	99	7.587	102	9,571	108	11,961

*Provisional.

9.10. For a long time, ground water in the country has been explored on a localized basis with the object of drilling successful boreholes. It is now intended to broaden the field of study so that different and various aquifers may be identified. A total of 94 boreholes were drilled in 1978 out of which 84 boreholes were successful. The highest yields were realized in areas with volcanic formations. Thus at Naivasha yields were 112 cubic metres an hour as compared to 23 cubic metres in the metamorphic areas. The Ministry of Water Development and the Range Division of the Ministry of Agriculture are currently involved in exploring the ground water potential of the North. Eastern Province as part of range water development.

9.11. Activities on water conservation during 1978 were concentrated in the range districts of Wajir and Garissa as well as in the Garba-Tula grazing block in Isiolo District. During the year, 9 dams were constructed with a total water storage capacity of 108,960 cubic metres. Three of these dams were constructed in Isiolo District with approximately 60,000 cubic metres capacity. Three other earth dams were constructed in Kitui and two in Machakos districts and in addition three spring protections with pipelines and reservoirs were erected in the Taita/Taveta District at the Coast.

9.12. The Ministry of Water Development has a Water Quality Laboratory which undertakes 20,000 determinations per annum. In 1978 the laboratory was chosen as the training venue for the first FAO/SIDA training course on aquatic pollution on the African continent. As a result of the efforts made by the Ministry's staff, several new industrial complexes have installed high quality waste.water treatment plants. However, it has not yet been possible to enforce the laid down standards because of lack of adequate trained personnel.

9.13. The Water Development Training School which trains sub. professional level staff has increased its yearly intake from 115 trainees in 1978 to 185 in 1979. By April, 1979 the cummulative number of students had risen to 800. The training school has now reached a point where it cannot absorb any further increase in the number of students. Funds have therefore been made available for the construction of a new school with a capacity intake of 500 students per year. The World Health Organization has also worked on a plan for the establishment of a Water Engineering Institute for Africa in Nairobi. These developments will ensure an adequate supply of trained and specialized manpower for the Ministry of Water Development to help it develop, maintain and operate the proposed numerous water projects.

9.14. As part of the 1979.1983 Development Plan, the Ministry of Water Development is to embark on rehabilitation and eventual takeover of all schemes operated by the county councils. The programme involves replanning and reconstruction of water schemes that no longer function at their full Potential level. The Government has allocated K£7 million for this purpose

to be spent during the current development plan period. Over 40 such schemes will have been rehabilitated during 1978/79. Majority of these schemes are in the Rift Valley Province.

9.15. The very comprehensive Government programme for water development is supplemented to some extent by private activities. Many private applications to the Water Apportionment Board for supplies list domestic use as one of the reasons for wishing to abstract water. Minor irrigation, is, however, also stated as a secondary cause on 80 per cent of the applications, It is now intended that private sector efforts should be better integrated into the development programme of the public sector.

Forestry

9.16. The establishment and maintenance of vegetative cover on both private and public land especially in the more arid parts of the country is the main objective of forest development during the current development plan period. Such a measure would ensure the ultimate goal of satisfying the growing demand for timber for domestic and industrial needs as well as controlling soil erosion and protecting water catchment areas.

9.17. A further 6,317 hectares were planted to trees during 1978 thus bringing the total area under forest plantation to 158,900 hectares. This progress though short of the planned annual target of 7,600 hectares, was better than the results achieved in 1976 and 1977. Turbo Afforestation Scheme to feed the pulp and paper mill at Webuye and the Rural Afforestation Scheme currently covering 36 administrative districts accounted for a large portion of the new areas planted with trees during the year. Table 9.3 gives details on progress of forest plantation since 1974.

FOREST PLANTATION AREA, 1973-1978

Table 9.3 000*Hectares*

	1973	1974	1975	1976	1977	1978*
Indigenous softwoods ..	4.7	4.7	4.7	4.7	4.7	4.7
Indigenous hardwoods ..	4.8	5.0	5.3	5.4	5.4	5.4
Exotic Softwoods.						
Cypress	50.0	53.2	56.7	59.5	62.8	66.5
Pines	58.5	61.4	64.9	67.1	68.4	70.4
Exotic hardwoods.						
Timber..	1.7	1.8	1.8	1.8	1.8	2.2
Fuel	8.3	8.8	9 1	9.3	9 5	9.7
TOTAL AREA	128.0	134.9	142.5	147.8	152.6	158.9

*Provisional.

9.18. The relatively wet weather conditions in the last two years have helped minimise forest losses arising from fires. Only 607 hectares—11 hectares of plantation forests and 596 hectares of natural forests were destroyed in 1978 as compared to a total of 2.688 hectares which were destroyed in 1977.

9.19. Details of sales of forest products during 1978 together with figures for the previous years are shown in Table 9.4. Despite difficult weather conditions in the last two years, total timber sales have been on the increase since the fall recorded in 1976. The volume of timber sales in 1978 increased to 475,000 cubic metres, 41,000 cubic metres above the 1977 figure rates of 434,000 cubic metres. While hardwood sales declined, sales of softwood recorded impressive increases reflecting the high domestic demand. There was also a slight improvement in sales of fuelwood but charcoal sales dropped further to 38,000 stacked cubic metres. It seems certain that the Government's measures to curb indiscriminate felling of forests for charcoal burning are having their desired effect.

SALES OF FOREST PRODUCTS, 1973-1978

Table 9.4

	1973	1974	1975	1976	1977	1978*
Timber '000 *true cu. metres*—						
Softwood	254	290	352	350	350	420
Hardwood	54	51	59	54	84	55
TOTAL	308	341	411	404	434	475
Fuel '000 *stacked cu. metres*—						
Fuelwood	42	73	84	64	90	104
Charcoal	163	139	121	115	58	38
Power and Telegraph Poles.. *numbers*	13,414	12,000	15,352	15,221	6,193	8,684

*Provisional.

9.20. Performance of the forest-based industries in 1978 reflects the growing industrial utilization of timber. Some 1.1 million square metres of fibreboard, 6,000 tonnes of chipboard and 5.1 million metres of plywood were produced in 1978. The pulp and paper mill at Webuye manufactured 49,934 tonnes of paper, board and pulp in the year. This mill is by far the largest consumer of raw forest products in the country.

Fisheries

9.21. Fish landings from both fresh waters and marine waters registered an increase in 1978 as compared to 1977 landings. The total volume of fish landed from fresh waters rose to 41,760 tonnes an increase of 14 per cent. Most of the increase occurred in the amount of landings from Lake Victoria. The yield from Lake Turkana the other significant source of fresh water fish was almost unchanged. After the large increase in 1976, fish landings from lake Turkana have remained constant in the last two years. The volume of yield from marine waters went up more modestly by 6.7 per cent in 1978 as compared to 1977. The total value of fish landed increased from K£2.9 million in 1977 to K£4.3 million in 1978.

QUANTITY AND VALUE OF FISH LANDED, 1974-1978

Tabic 9.5

	1974	1975	1976	1977	1978*
Quantities *Tonnes:*					
Freshwater fish—					
Lake Victoria	17,175	16,581	18,680	19,332	23,856
Lake Turkana	5,731	4,236	17,044	15,473	15,560
Other areas	2,259	1,993	1,148	1,820	2,344
TOTAL	25,165	22,810	36,872	36,625	41,760
Marinefish	3,116	4,220	3,889	4,046	4,178
Crustaceans	121	124	159	208	365
Other marine products	179	187	101	82	19
GRAND TOTAL ..	28,581	27,341	41,021	40,961	46,394
Value K£'000:—					
Freshwater fish	1,332	1,348	2,200	2,020	3,282
Marine fish	371	538	541	679	796
Crustaceans	40	50	70	103	216
Other marine products ..	16	81	89	58	47
TOTAL	1,759	2,017	2,900	2,859	4,341

*Provisional.

9.22. The recent extension of the economic zone to 322 kilometres or 200 nautical miles into the Indian Ocean has enhanced the potential of deep fish resources significantly. The Government is planning to encourage joint fishing ventures in partnership with enterprises from abroad. The Government has also acquired a vessel to be used for assessment of fish stocks. A joint research programme is also to be sponsored by the FAO with the other governments participating to undertake investigation of the Indian Ocean covering the area from Madagascar to the Gulf of Aden.

Mining

9.23. The value of total mineral production in Kenya was virtually unchanged in 1978 at around K£8.8 million. Production of soda ash went up and its sales value rose from the low 1977 figure of K£2.64 million to K£3.68 million in 1978. Production of fluorspar appears to have declined in 1978 although this was compensated for by an improved yield from export sales as a result of an increase in its price of K£5.1 per tonne to K£29.9 per tonne. Output of limestone products and salt slightly declined in value compared with 1977. Both local and foreign companies and individuals have shown a keen interest in mineral exploitation.

9.24. The total output of gemstones was valued at K£495,740 in 1978. Most of these gemstones were found in the gemstone belt in the Taita/Taveta District while a small amount originated in the West Pokot District. These two areas provide 75 per cent of all gemstones produced in Kenya.

VALUE OF MINERAL PRODUCTION, 1974 -1978

***Table* 9.6** K£*'000*

	1974	1975	1976	1976	1978*
Soda Ash	2,243	2,670	3,019	2,643	3,684**
Fluorspar	515	1,569	1,788	2,832	2,802
Salt	476	170	669	719	450
Limestone Products	295	382	433	532	462
Other	2,032	762	1,807	2,088	1,483
TOTAL	5,561	5,553	7,716	8,814	8,881

*Provisional. **Export value.

9.25. There was very little activity in the field of oil exploration in 1978 due to the withdrawal of the companies which were exploring for oil in Eastern, North.Eastern and Coast provinces. However, an airborne geophysical survey was completed in the early part of 1978. The survey covered 34,000 square kilometres both in the Coast and certain selected parts of western Kenya. Follow.up activities to this survey have been initiated with the aim of locating areas which may have base metal deposits as well as uranium. The Mines and Geology Department of the Ministry of Natural Resources is also carrying out a detailed geological survey and evaluation of non-metallic deposits that constitute 90 per cent of the country's mineral wealth. Work on a project to undertake regional geological mapping with multi-purpose objectives commenced in 1978.

9.26. The geological survey work will in the current plan period be followed up by further exploration activity concentrated on possible location of base metal deposits especially iron ore, gold and silver in western Kenya, and known mineral occurrences in the coast area. Also increased emphasis is being placed on the exploration of energy materials such as coal and uranium. This latter will be closely related to the geothermal exploration programme.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1976 - 1978

Table 9.7 K£'per tonne

	1976	1977	1978*
Fluorspar	24.5	24.8	29 9
Soda Ash	30 0	26.4	23.9
Corundum—Ruby	59.5	96 0	68.5

*Provisional.

CHAPTER 10—ENERGY

Overall consumption of energy in the country rose by a further 6 per cent in 1978 as compared to an increase of 4 per cent in 1977. The increase in 1978 can be attributed to the expansion of existing industries and construction of new ones as well as to general economic growth. The increase has occurred mainly in consumption of electric energy while consumption of oil products, the other main source of energy, went up marginally. On a per capita basis consumption of energy was 2 to 3 per cent higher in 1978 as compared to 1977. The comparison below shows, in index number form, the growth in monetary GDP and consumption of energy with consumption of oil separately identified.

1972 = 100

	Growth in Monetary GDP	*Increase in Consumption of Conventional energy**	*Increase in Consumption of Oil*
1973 ..	107	107	105
1974 ..	109	108	105
1975	112	111	108
1976 ..	118	122	121
1977 ..	128	127	125
1978 ..	136	135	129

*Oil, electricity and coal and coke.

10.2. The figures above indicate that the increase in monetary GDP and the growth in consumption of energy appear to have a one to one relationship. This relationship can be attributed to the close ties which the modern economy has with the use of conventional sources of energy. GDP has, however, increased at a faster rate than the growth in consumption of oil products. This is due to the lagged effected of price rises, that have occurred since 1973, on the consumption of oil. Without a structural change of any significance the critical relationship between oil consumption and growth in GDP does never.the.less continue to have a crucial impact on the country's balance of payments.

Oil

10.3. Oil is the major source of conventional energy in the country. Despite the lower growth rate in its consumption in relation to monetary GDP and to total consumption of energy, it accounted for more than 80 per cent of total energy consumed in 1978. Its share of total consumption in 1977 was 85 per cent. The decline can be attributed to the installation of additional capacity for generation of hydro.electric power which was added to the system in 1978. As a result the share of hydro and thermal electricity in the total consumption of energy has increased from 12 per cent in 1977 to 5 per cent in 1978. Coal and coke account for about 2 per cent of the

remainder. The non.conventional sources of energy, i.e. fuelwood and charcoal, which serve 90 per cent of the total population are excluded from this comparison. If they were included the relative share of oil in total consumption of energy would be significantly reduced.

10.4. The modern sector of the economy in Kenya, however, relies very heavily on oil as a major source of energy, and it has been adversely affected by price increases and an insecure supply position for the last few years. The troubles in Iran in 1978 and 1979 led to shortages of aviation spirit early this year which affected the tourist industry as many light aircraft used by tourists for travel within Kenya were effectively grounded. The recent fare increases on international air routes have been forced on the operating airlines by the oil price rises already announced this year. Such fare increases will further hit the Kenya tourist industry.

10.5. Table 10.1 shows that total imports of crude petroleum fell by 7 per cent, from 2.55 million tonnes in 1977 to 2.37 million tonnes in 1978 while their value decreased by 8 per cent from K£100.16 million in 1977 to K£92.34 million in 1978 indicating a fall in the unit price of K£0.3 per tonne from K£39.3 per tonne in 1977 to K£39 per tonne in 1978. As a result of technical problems at the Mombasa oil refinery in the first part of 1978 imports of refined fuels increased from 105,000 tonnes valued at K£8.27 million in 1977 to 258.000 tonnes worth K£16.90 million in 1978. On the whole the total bill for imports of oil products went up from K£115.42 million in 1977 to K£115.95 million in 1978.

10.6. The fall in coffee prices on the international market affected the foreign exchange position of Kenya's export markets for its oil products. The share of exports to Uganda which suffered a critical shortage of foreign exchange, dropped significantly from 28 per cent of the total of Kenya's exports of oil products in 1977, to 22 per cent in 1978. There was also decline, though of a lesser significance, in exports to Rwanda, Burundi and Zaire. Sales for ships bunkering too fell. As a result both the total quantity and value of petroleum products exported to all destinations declined by 14 per cent from 1,365,000 tonnes in 1977 to only 1,173.300 tonnes in 1978. There was a corresponding drop of 17 per cent in value of exports of all oil products from K£83 million in 1977 to about K£69 million in 1978. There has been a consistent decline in the value of exports of oil products from Kenya since 1973. The net cost of oil products has as a result risen from K£1.1 million in 1973, to K£48.9 million in 1978. It seems likely that the net deficit will rise further in 1979.

10.7. The trade in oil products is not the only major cause of instability in Kenya's balance of payments on its external merchandise account. It is, however, a contributory factor to the widening of the deficit in the current account of its balance of payments since 1973. Kenya has had an average

Table 10.1

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1974 - 1978

	1974		1975		1976		1977		1978	
	Quantity '000 tonnes	Value K£'000	Quantity '000 tonnes	Value K£'000	Quantity '000 tonnes	Value K£'000	Quantity '000 tonnes	Value K£'000	Quantity '000 tonnes	Value K£'000
IMPORTS—										
Crude Petroleum	2.902.9	67,027.0	2,824.9	86,822.4	2,496.7	93,469.5	2,551.5	100,158.4	2,369.2	92,337.6
Petroleum Fuels	129.9	6,279.7	16.7	1.249.1	47.7	3,345.7	104.7	8,269.9	258.3	16,899.4
Lubricating oils	100.5	6.885.4	77.6	6,1581	53.0	5,678.9	73.9	6,927.7	65.4	6,636.1
Lubricating greases	0.4	95.9	0.3	73.7	0.1	41.5	0.2	65.1	0.2	75.2
TOTAL	3,133.7	80.288.0	2,919.5	94,343.3	2,597.5	102,535.6	2,730.0	115,421.1	2,693.1	115,948.3
EXPORTS—										
Petroleum Fuels	1,588.7	37,981.3	1,318.1	45,988.4	1,372.0	57,603.4	1,365.0	72,398.3	1,173.3	60,372.6
Lubricating oils	60.4	6,728.5	57.3	8,670.7	57.3	10,584.7	50.0	10,253.8	38.9	8,172.2
Lubricating greases	2.7	469.8	2.2	478.7	1.5	372.2	1.5	350.3	1.3	378.7
TOTAL	1.651.8	45,178.8	1,377.9	55,137.4	1,430.8	68.560.3	1.416.5	83,002.4	1,213.5	68,923.5

deficit of K£39 million per annum, on trade in oil products, between 1974 and 1978. This is an equivalent of 31 per cent of the total annual average deficit of K£126 million on merchandise account.

10.8. Prior to 1973 the refinery at Mombasa exported about 55 per cent of its output at prices which helped cover the production costs of the refinery. The relative decline in importance of the export markets is only partly due to higher domestic demand and can mainly be attributed to changed trading conditions in these export markets. As a result exports in 1978 were down to 41.4 per cent of the output of the refinery. This has had a big impact on the net cost of consumption of oil products in Kenya. The decline in exports of the oil refinery products as shown below has been a consistent one and it seems that this trend of a decline in the relative proportion of exports is likely to continue, as a result of the 15 per cent rise in oil prices announced by OPEC in the first part of 1979.

Sales of Mombasa Oil Refinery Products

	Domestic Demand	*Exports*	*Per cent Total*
1973 ..	45.7	54.3	100.0
1974	46.0	54.0	100.0
1975 ..	51.4	48.6	100.0
1976 ..	53.3	46.7	100.0
1977	54.1	45.9	100.0
1978 ..	58.6	41.4	100.0

10.9. Table 10.2 details the changes in wholesale prices of petroleum products at Mombasa from September 1973 to April, 1979. As noted the price of industrial diesel oil in 1979 at K.Sh. 1,585 per tonne was 3.4 times higher than the price of K.Sh. 471 in 1973. With the exception of liquified

WHOLESALE PRICES OF PETROLEUM PRODUCTS AT MOMBASA, ON 30TH SEPTEMBER, 1973, 3 1ST DECEMBER, 1976 3RD SEPTEMBER, 1977, 16TH JUNE, 1978 AND 8TH APRIL, 1979

Table 10.2 *KSh. per tonne*

	30-9-1973	31-12-1976	3-9-1977	16-6-1978	8-4-1979	Ratio 1979/73
L.P.G.*	2,060	2,980	3,100	3,120	3,374	163,8
Premium motor gasoline	1,551	3,198	3,569	3,729	4,180	269,5
Regular motor gasoline	1,468	3,311	3,515	3,679	4,001	272.5
Illuminating kerosene	736	1,584	1.689	1,711	1,902	258,4
Power kerosene: blended	763	1,902	2.206	2,268	2,496	327.1
Light diesel oil	892	1,873	2,079	2,219	2,433	272.8
Industrial diesel oil	471	1,295	1,395	1,415	1,585	336.5
Fuel oil	334	796	875	891	1,045	312.9

***Liquified petroleum gas**

petroleum gas, whose price in 1978 was about 1.6 times that of 1973, the prices of rest of the major oil products, power kerosene, fuel oil, light diesel oil, motor gasoline, illuminating kerosene have risen by 2.6 to 3.3 times between 1973 and 1979.

10.10. As shown below retail prices of petroleum products rose only once during 1978 by 5 per cent as compared to a total rise of 13 per cent in 1977. There were further increases of 8.6 to 11.5 per cent in April 1979. The world market for crude petroleum continues to be influenced by political events and while it is difficult to be precise about the immediate outlook, the long-term trend in prices seems likely to continue upwards. Many countries have already adopted policies to economise on consumption of petroleum products and it is hoped that these measures can begin to have some impact on total demand thus reducing the effect of market influences as a factor leading to increased prices.

Nairobi retail price since 1974

Ksh. per tonne

Date	*Premium Motor Spirit*	*Regular Motor Spirit*	*Gas Oil*
12-4-74	2,211.30	2,104.50	1,381.56
12-5-74	2,347.80	2,244.80	1,500.66
16-6-74	2,620.80	2,525.40	1,500.66
20-3-75	2,770.95	2,679.73	1,619.76
13-6-75	3,098.55	3,016.45	1,750.77
6-12-75	3,371.55	3,297.05	1,988.97
10-3-76	3,508.05	3,437.35	2,108.07
14-4-77	3,603.60	3,535.56	2,191 44
19-6-77	3,876.60	3,816.16	2,310.54
3-9-77	3,944.85	3,886.31	2,393.91
16-6-78	4,135.95	4,082.73	2,51301
8-4-79	4,613.70	4,433.48	2,751.21

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS*, 1974-1978

Table 10.3 *'000 tonnes*

	1974	1975	1976	1977	1978
Crude petroleum throughput	2,840.5	2,837.5	2,574.8	2,570.2	2,584.7
OUTPUT—					
L.P.G.**	17.3	17.7	19.2	19.4	19.3
Motor gasoline: premium	196.9	211.4	228.9	221.3	241.8
Motor gasoline; regular	160.0	140.0	122.5	144.8	136.0
Illuminating kerosene	72.4	47.2			
Jet/turbo fuel	302.8	424.7	422.0	376.6	286.0
Light diesel oil	406.6	396.1	395.5	446.9	468.5
Heavy diesel oil	56.6	51.2			
Marine diesel oil	100.2	90.6	104.0	106.2	81.7
Fuel oil..	900.4	896.7	852.9	832.9	746.1
Export residues	476.6	411.9	283.8	276.4	366.5
Bitumen	36.6	40.7	42.2	34.0	22.1
Intermediates		.5.1	.3.3		.5.3
Refinery usage	114.1	114.3	107.0	111.6	122.0
TOTAL OUTPUT	2,840.5	2,837.5	2,574.8	2,570.2	2,584.7

*Excludes lubricants.

**Liquified petroleum gas.

10.11. Table 10.3 indicates that the total volume of refinery throughput has fallen by 9 per cent since 1974. The fall actually occurred in 1976 but since then the throughput has been stable and the Mombasa refinery has been working at 65 per cent of its operational capacity. Present plans do not envisage any increase in capacity but yields should be improved as a computerised process supervisory system and a secondary processing unit become operational. The largest fall in production since 1974 has occurred in the output of fuel oil and export residues which are the cheaper products. Output of motor gasoline and lighter Diesel oil has increased while production of illuminating kerosene and jet fuel, has risen slightly despite the substantial falls in 1976 and 1977.

10.12. Sales of petroleum products for domestic consumption, as shown in Table 10.4 rose by 2 per cent from 1,502,900 tonnes in 1977 to 1,537,900 tonnes in 1978. There has been a consistent upward trend in domestic

PETROLEUM SUPPLY AND DEMAND BALANCE, 1974-1978

Table 10.4 '000 *tonnes*

	1974	1975	1976	1977	1978
DEMAND—					
L.P.G.	12.4	13.7	14.7	16.1	17.3
Motor spirit premium and regular	225.7	234.8	241.0	270.5	290.5
Aviation spirit	5.6	6.0	5.7	6.2	6.5
Jet turbo fuel*	238.9	282.4	305.2	290.0	328.0
Illuminating kerosene	53.1	55.4	53.2	64.3	78.0
Power kerosene	1.5	0.2	0.2	0.2	0.2
Light diesel oil	250.1	255.0	288.3	305.4	244.2
Heavy diesel oil	40.4	32.8	44.7	32.6	29.0
Fuel oil	412.0	398.2	503.3	517.6	463.9
TOTAL	1,238.6	1,278.5	1,456.5	1,502.9	1,537.9
Refinery usage..	114.1	114.3	107.0	103.0	122.0
TOTAL DOMESTIC DEMAND ..	1,352.7	1,392.8	1,563.5	1,605.9	1,659 9
Exports of Petroleum fuels ..	1,588.7	1,318.1	1,472.0	1,171.8	1,173.3
TOTAL DEMAND	2,941.4	2,710.9	2,935.5	2,970.9	2,832.2
SUPPLY—					
Imports:					
Crude oil	2,902.9	2,824.9	2,496.7	2,551.5	2,369.2
Petroleum fuels	129.9	16.7	47.7	104.7	258.3
TOTAL	3,032.8	2,841.6	2,544.4	2,656.2	2,627.5
Adjustment**	—91 .4	-130.7	391.1	314.7	205.7
TOTAL SUPPLY	2,941.4	2,710.9	2,935.5	2,970 9	2,833.2

*Includes sales to foreign airlines at airports in Kenya.

**Adjustment for inventory changes and losses in production.

consumption of petroleum products since 1974. The total domestic sales of petroleum products in 1978 was 24 per cent higher than in 1974. Total sales will be influenced in the current plan period by the Government's intention to introduce ways and means of conserving energy. This should have a particular impact on the growth in the use of petroleum products which as already indicated is a potent source of balance of payments problems.

10.13. Most of the increase in consumption in 1978 occurred in sales of motor spirit, jet fuel, illuminating kerosene and light diesel oil, while there was a decline of nearly 10 per cent in sales of fuel oil reversing the trend of increased sales which had been prevalent since 1975. The most significant increases were recorded in sales of lighting kerosene and jet fuel. The volume of sales of these two products rose by 21 and 13 per cent respectively. The shortage of charcoal which had occurred in 1977 and led to rises in its prices continued into 1978. This accounts for the increase in sales of kerosene which has been adopted as substitute fuel especially by low income householders. The rise in sales of jet fuel can be accounted for by the opening of Mombasa airport to international airlines on direct flights from other areas of the world. Sales of motor spirit have risen by 29 per cent since 1974 with particular significant rises of 12.2 and 7.5 per cent being recorded in 1977 and 1978 respectively. Sales of light diesel fuel have similarly increased by nearly 30 per cent since 1974 with substantial rises being also recorded between 1976 and 1978. The overall petroleum supply and demand balance sheet given in Table 10.4 illustrates the trends in domestic consumption and exports of petroleum products and their net effect on total demand, which in 1978 was reduced by 4.6 per cent.

Electricity

10.14. Hydro-electricity together with fuelwood and charcoal are the only primary domestic sources of energy. The geothermal plant, now under construction, when commissioned in mid.1981 will be the other major source.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1974 - 1978

Table 10.5

	INSTALLED CAPACITY* MW**			GENERATION*GWH+		
	Hydro	Thermal	Total	Hydro	Thermal	Total
1974	139.1	145.1	284.1	547.1	322.6	869.7
1975	139.1	144.0	283.1	649.1	322.2	971.2
1976	171.4	181.7	353.1	583.2	574.7	1,157.9
1977	173.5	182.9	356.4	749.3	364.0	1,113.3
1978	311.5	171.6	483.1	1,072.8	308.9	1,381.7

*Includes estimates for industrial establishments with generation capacity.

**1 megawatt = 1 million watts = 1,000 Kilowatts,

+ 1 gigawatt hour = 1.000,000 kilowatt hours.

Table 10.5 indicates that the total installed generating capacity for hydro and thermal electricity rose by 35 per cent from 356.4 MW in 1977 to 483.1 MW in 1978. The bulk of the increase in 1978 is accounted for by the commissioning of 145 MW hydro generation capacity at Gitaru in July, 1978. Additional capacity to generate a further 40 MW of hydro and 30 MW of geothermal electricity—raising the level of total capacity to 550 MW, is expected to be commissioned in 1982 and 1983, respectively. In the long run, as per the figures detailed below the increase in supply of electricity to meet the anticipated high growth in demand is scheduled to be secured by harnessing the country's potential for hydro electricity and thereafter increasingly by making use of the geothermal resources.

Projected Supply Potential and Demand, 1983-*2000(Megawatts)*

	1983	1988	1993	2000
Hydro	600	600	600	600
Geothermal	30	170	500	500
Total supply potential	630	770	1.000	1,100
Projected demand	362	517	747	1,267
Surplus/deficit ..	268	253	353	—167

10.15. Although variations in rainfall have had some impact on hydro. electricity generated, the growth in output since 1974 has generally been related to the additions to capacity. The amount of hydro-electricity generated, rose from 407.7 Gwh in 1973 to 649.1 Gwh in 1975 and then dropped to 583.2 Gwh in 1976 due to drought during that year. Good rainfall in 1977 and the additional capacity installed in 1976 raised output to 749.3 Kwh in 1977 to be boosted still further in 1978 by the additional capacity that came on stream in the middle of that year. As a result while the total of electricity generated rose by 24 per cent from 1,113.3 Gwh in 1977 to 1,381.9 Gwh in 1978, the volume of hydro power generated increased by 43 per cent as compared to a rise of 28 per cent between 1976 and 1977. Consequently despite the drop in generation of the thermal power, the proportion of electricity generated domestically has risen from 82 per cent in 1976 to 86 percent in 1978.

10.16. Table 10.6 indicates that total consumption of electricity rose from 995 million Kwh in 1974 to 1.370.5 million Kwh in 1978. an increase of 37.7 per cent, at an average rate of 7.6 per cent per annum. The highest percentage increase was recorded in consumption of electricity for domestic use which rose by 60 per cent from 205.6 million Kwh in 1974 to 328.5 million Kwh in 1978. Demand for industrial use rose by 33 per cent from 532.7 million to 710.4 million Kwh during this period while consumption by commercial and light industrial enterprises increased by 30 per cent from 246.6 million Kwh in 1974 to 321.2 million Kwh in 1978.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE 1974-1978

Table 10.6 *C.WH*

	1974	1975	1976	1977	1978
DEMAND—					
Residential	205.6	300.9	300.1	303.5	328.5
Commercial and light Industrial	246.6	263.3	272.9	301.2	321.2
Industrial	532.7	496.6	568.9	658.1	710.4
Street Lighting	10.1	10.7	10.6	10.8	10.4
TOTAL	995.0	1,071.5	1,152.5	1,273.6	1,370.5
Transmission losses and unallocated demand	144.7	121.1	196.6	83.7	203.2
TOTAL DEMAND TOTAL SUPPLY	1,139.7	1,192.6	1,322.1	1,357.3	1,573.7
Of which imports*	296.0	260.8	241.9	271.8	217.0
Net generation	843.8	931.8	1,080.2	1,085.5	1,356.7

*Imports from Uganda.

10.17. The development in generating capacity for electricity has been undertaken in anticipation of the potential demand which is expected to be high. A new power station was commissioned at Marsabit in 1978 and the power station in Mandera was nearing completion. In addition work on extension of supply to Isiolo and Vihiga is nearing completion. The Government plans to spend an estimated K£4.2 million on rural electrification during the current plan period.

Energy Balance

10.18. Table 10.7 gives figures on usage of energy in the modern sector of the economy in terms of oil equivalent. As shown Kenya's modern sector relies heavily on imported energy. The proportion of energy production from hydro power has been increasing but in 1978 it still accounted for only 12.8 per cent of total consumption although this is a substantial rise from the 8.2 per cent recorded in 1974. The proportion of energy generated from domestic resources is, however, expected to rise substatially in future years as both hydro and geothermal energy sources are tapped.

Energy Policy

10.19. The National Council of Science and Technology has set up a committee to advise the Government on a suitable energy policy for the country. Since the oil crisis of December. 1973, high prices of oil have continued to impede economic development. A satisfactory energy policy will, it is hoped, play a part in resolving the problems which dependence on imported sources of energy create. Meanwhile the modern sector of economy

will continue to rely heavily on oil. Various interim measures are being taken to curtail some of the adverse effects which reliance on oil has had on the country's balance of payments position. The refinery at Mombasa is being made more efficient to improve its output/input ratios. Further measures are being considered to make the distribution of oil products more efficient and economise in their use. Production of power alcohol from sugar cane for blending with motor gasoline is being initiated, and this could result in some reduction in imports of crude oil from abroad although it has been projected that demand for oil products will grow at a rate of 5.8 per cent per annum during the current plan period. The greater use of common transport services such as the railways, the oil pipeline and other means of public transport as distinct from private transport should also yield economies in consumption of oil products.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY EXPRESSED IN TERMS OF THE PRIMARY SOURCES, 1974-1978

Table 10.7 '000 Tonnes Oil Equivalent

	1974	1975	1976	1977	1978
COAL AND COKE IMPORTS	46.6	32.1	44.9	43.8	34.8
OIL—					
Imports of crude oil	2,902.9	2,824.9	2,496.7	2,551.5	2,369.2
Net exports of petroleum fuels	-1,458.8	-1,301.4	-1,324.3	-1,260.3	-1,195.9
Stock changes and balancing item	-914	-130.7	391.1	314.7	486.6
TOTAL CONSUMPTION OF LIQUID FUELS	1,352.7	1,392.8	1,563.5	1,6059	1,6599
HYDRO ENERGY—					
Local production of hydro. power	131.3	155.8	1400	167.4	275.5
Imports of hydro-power	71.0	62.6	58.1	65.2	52.1
TOTAL CONSUMPTION OF HYDRO. ENERGY	202.3	218.4	198.1	232.6	309.8
TOTAL LOCAL ENERGY PRODUCTION	131.3	155.8	140.0	167.4	257.5
TOTAL IMPORTS	1,561.7	1,618.2	1,275.5	1,400.2	1,260.3
Use of stock and balancing item	—91.4	—130.7	391.1	314.7	486.6
TOTAL ENERGY CONSUMPTION	1,601.6	1,643.3	1,806.5	1,882.3	2,004.4
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	8.2	9.5	7.7	8.9	12.8
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAM OF OIL EQUIVALENT	123	125	130	131	135

*Modern sector only: fuelwood and charcoal are excluded.

CHAPTER 11—MANUFACTURING

The manufacturing sector achieved further substantial growth in 1978. Its contribution to GDP at constant prices rose by 14 per cent compared with increases of 16 per cent in 1977 and 13 per cent in 1976. Increases in production were registered by all groups within the sector apart from enterprises engaged in production of meat products, furniture and fixtures, and rubber products which all showed negative growth rates. The largest increases were recorded in output of transport equipment, plastic products, electrical machinery, leather and footwear, clothing, paper and paper products, basic industrial chemicals, printing and publishing, tobacco products, sugar and confectionery, canned vegetables, fish and oils and fats, in descending order of significance. The increases in output of bakery products, beverages, textiles, clay and glass products and wood and cork products were more moderate. This overall increase of 14 per cent, well above the 9 per cent target annual average growth rate for the current plan period, was induced largely by the expansion in domestic demand as higher incomes from the coffee and tea boom of 1977 continued to work their way through the economy.

11.2. The total volume of exports of manufactured products, as noted in Chapter 7 declined in 1978. Wage employment in this sector has continued to grow and rose by a further 10.3 per cent in 1978 while wage earnings of employees in the sector increased by 15.8 per cent. The high level of investment in the sector in 1978 should help increase production in later years. However, it is possible that the recent 15 per cent increase in prices of crude petroleum with further increases anticipated before the end of the year together with continuing problems in the previously important East African market for Kenya's manufactured goods, may reduce the rate of growth of manufacturing industry in 1979 despite the current efforts being made to develop other export markets.

11.3. The values of output, and intermediate consumption, and the contribution to value added by the manufacturing sector at current prices are noted in Table 11.1. The value of output and value added rose by

MANUFACTURING SECTOR: OUTPUT AND PRODUCT*, 1976—1978

Tabic 11.1 K£million

	Value of Output	Intermediate Consumption	Value Added
	At Current Prices		
1976	870.24	678.07	192.17
1977	1,181.28	957.64	223.64
1978**	1.466.33	1,187.44	278.89

Includes tea processing.
**Provisional.

24.1 and 24.7 per cent respectively in 1978. The proportion of output represented by value added had declined from 22.1 per cent in 1976 to 18.9 per cent in 1977 but showed little sign of recovery in 1978.

Output

11.4. The indices on output of manufacturing sector are shown in Table 11.2. There has been a continuous growth in the output of the sector since 1975. This can be attributed to the encouraging impact that the high level of domestic demand has had on activity in the sector. The output of enterprises engaged in manufacture of food products went up by a moderate 6.8 per cent in 1978. following an increase of 9 per cent in 1977. This increase in 1978 is mainly due to increases in the output of dairy products, particularly milk and butter, canned fruit and vegetables, edible fats, bakery products, sugar, and miscellaneous foods. Indeed the output of all types of processed food products except that of meat and grain mill products registered increases of a magnitude above 8.8 per cent. The food industry continues to account for about one third of total gross output of manufacturing sector. Its contribution to GDP during the current plan period is estimated to grow at an annual rate of 10.6 per cent. The expansion of processing units of the Kenya Co-operative Creameries at Nairobi and Mombasa, the setting-up of a second cashewnut factory at the Coast and construction of a new factory to manufacture fats and edible oils in Nairobi will contribute to this increase.

11.5. Output of meat products, after a sharp rise in 1976 when it registered its highest rate of growth in the past 17 years declined in 1977 and 1978. thereby reducing the overall rate of growth in the food industry substantially. The fall of 36 per cent in output of meat products in 1978 can be attributed to the sharp drop in the number of cattle delivered to the Kenya Meat Commission. Most of the cattle lost to the Commission were diverted to private slaughter houses which were offering more attractive prices. As a result the quantity of beef processed and canned for export declined and the volume of exports of meat products fell by 69 per cent from 9.344 tonnes in 1977 to 2,856 tonnes in 1978. Nevertheless strong consumer demand for meat products has been forecast particularly in other African countries and the Middle East and the contribution of this sub-group to GDP is projected to grow at a rate of 12.3 per cent per annum during 1978.1983 plan period. A total of K£4.9 million is to be invested to enhance the capacity to meet the target for the planned increase in production of this sub-group.

11.6. The rise in domestic and export demand of dairy products including baby foods in 1978 helped utilize the increased production of milk. The output of manufactured dairy products as a result rose by 3.2 per cent. The heavy rains during 1978 improved pastures and raised the level of milk delivered to Kenya Co-operative Creameries as noted in Chapter 8. The output in the current year is expected to be substantially higher than last year as a result of additional processing capacity that has been initiated in

QUANTITY INDEX OF MANUFACTURING PRODUCTION, 1975-1978

Table 11.2 1972=100

	1975**	1976	1977	1978*	Percentage Change 1977 to 1978*
Meat and Dairy Products	82.1	125.5	128.3	81.6	—36.4
Canned Vegetables, Fish and Oils and Fats	168.3	220.9	287.2	322.5	12.3
Grain Mill Products	122.4	145.0	142.4	146.8	3.1
Bakery Products	121.0	174.7	179.8	198.3	10 3
Sugar and Confectionery	180.9	196.1	213.0	245.4	15.2
Miscellaneous Foods	106.0	128.4	147.5	160.5	8.8
Food Manufacturing	122.8	157.9	172.7	184.4	6.8
Beverages	140.1	145.9	173.0	190.6	10.2
Tobacco	129.2	134.4	143.1	168.1	17.7
Beverages and Tobacco	136.9	142.6	160.7	182.6	13.6
Textiles	140.6	124.1	160.5	175.3	9.2
Clothing	84.6	104.9	172.1	234.1	36.0
Leather and Footwear	146.0	254.6	242.4	330.6	36.4
Wood and Cork Products	141.2	134.7	152.6	163.3	7.0
Furniture and Fixtures	95.2	93.1	105.0	87.5	—13.7
Paper and Paper Products	104.1	174.1	204.2	260.2	27.4
Printing and Publishing	148.5	146.2	187.1	233.3	24.7
Basic Industrial Chemicals	96.4	90.5	93.3	107.8	24.9
Petroleum and Other Chemicals	111.3	127.3	150.2	162.5	8.2
Rubber Products	102.3	157.0	187.5	I86.0	—0.8
Plastic Products	228.4	259.4	350.2	501.1	43.1
Clay and Glass Products	95.7	77.0	169.8	184.1	8.4
Non-Metallic Minerals ..	97.5	89.1	104.7	102.2	2.2
Metal Products	117.6	167.8	186.4	203.9	9.4
Non-Electrical Machinery	61.2	44.7	43.9	44.7	1.8
Electrical Machinery	136.5	155.4	185.1	255.6	38.0
Transport Equipment	101.0	108.0	224.5	656.4	192.0
Miscellaneous Manufactures	106.8	130.2	68.7	103.7	31 .3
TOTAL MANUFACTURING	120. 5	143.6	166.4	190.4	14.4

*Provisional.

**1975 Index is binary while 1976—1978 are laspeyres chained taking 1975 as base.

Mombasa while the good rains are expected to have a favourable impact on pastures and milk production. The local consumption of milk is expected to increase appreciably in 1979 especially following the recently announced milk programme for primary schools. The total planned investment of K£6.9 million during the period 1979.1983 will help provide the processing facilities required to meet the anticipated increase in demand for processed dairy products.

11.7. Although the export sales of canned pineapples declined by 7 per cent from 45,329 tonnes in 1977 to 42,028 tonnes in 1978, the output of canned fruits and vegetables as a whole increased further by 12.3 per cent. This rate of increase was significantly lower than the increases of 50 per cent in 1975 and 39.5 per cent and 30 per cent in 1976 and 1977 respectively. The proposed investment of K£10 million during the period 1979.1983 will enhance the processing capacity in this sub-group to meet the anticipated increases in demand.

11.8. The production of grain mill products rose moderately in 1978 after two years of decline. The 3.1 per cent increase in output is accounted for by the greater utilization of imported wheat. As noted in Chapter 8, deliveries of home-grown maize and wheat handled by marketing boards declined between 1977 and 1978, while consumption of wheat flour increased from 158,400 tonnes in 1977 to 185,000 tonnes in 1978 and imports of wheat rose from 33,000 tonnes to 91,000 tonnes over the same period. Table 11.3 gives some details on the output of grain mill products.

PRODUCTION OF GRAIN MILL PRODUCTS, 1974-1978

Table 11.3 '000*tonne's*

Year	Wheat Flour	Sifted Maize meal	Rice	Broken Rice
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
1977 ..	149.4	190.9	20.1	1.8
1978*	156.9	195.3	18.3	4.5

*Provisional.

11.9. The output of bakery products went up by 10.3 per cent in 1978 while bread production increased by 7.4 per cent. There was a 56 per cent increase in output of biscuits, which was accompanied by a 29 per cent increase in their exports.

11.10. The output of sugar and confectionery increased by 15.2 per cent in 1978. Total production of sugar increased by 11.0 per cent from 181,000 tonnes in 1977 to 201,000 tonnes in 1978. This increase is lower than the increase in output of cane due to a reduction in sugar content caused by heavy rains. Local production now caters for over 80 per cent of domestic demand and the gap between demand and production is being continuously reduced. In the meantime, however, imports of sugar have risen from 35,000 tonnes in 1977 to 46.000 tonnes in 1978. Such imports will be reduced significantly by the current programme for expansion of sugar cane processing capacity. The factory at Mumias is being extended and two new sugar factories are being built in Bungoma and South Nyanza districts.

11.11. The output of miscellaneous foods including processed tea and coffee and the manufacture of animal feeds accounts for over 40 per cent of the total value of output of all food processing industries. The output of miscellaneous food products rose by 8.8 per cent in 1978 compared with a rise of 15 per cent in 1977. In spite of a decline in the price of tea the output of manufactured tea increased from 66,000) tonnes in 1977 to 91,000 tonnes in 1978, a rise of 27 per cent compared with a rise of 7.2 per cent in 1977. The quantity of milled coffee on the other hand increased only slightly. An increase of 22 per cent in the exports of animal feeds in 1978 helped raise the output of this sub-group significantly.

11.12. The 13.6 per cent rise in the production of beverages and tobacco in 1978 was mainly accounted for by a sharp increase in the output of mineral waters and cigarettes accompanied by a moderate increase in the output of beer, while there was a decline in the output of tobacco largely due to 30 per cent drop in its export sales. The introduction of new manufacturing capacity during the current plan period is anticipated to cope with the rising demand for soft drinks and beer. Details on the output of individual items are set out in Table 11.4.

11.13. There was an overall increase of 9.2 per cent in production of textiles in 1978. The large growth in the output of spinning and weaving mills and cotton ginneries was offset by a fall in the output of the rope and twine industry. The continuous fall in the output of sisal products since 1974 has adversely affected the output of rope, twine, and related sisal products. The increase in the output of spinning and weaving mills and cotton ginneries was mainly effected by making fuller use of the capacity in existing factories.

PRODUCTION OF BEVERAGES AND TOBACCO, 1974-1978

Table 11.4

	Spirits	Beer	Mineral waters	Cigarettes
	litres	*"000 litres*	*"000 litres*	*Million*
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
1977	420,180	195,160	99.409	3,944
1978	407,796	215,390	122,776	4,546

11.14. In spite of the substantial level of imports, output of clothing industry registered a record increase of 36.0 per cent in 1978. The increase was accounted for by the rise in production of trousers, dresses and under-wear garments of 56, 70 and 82 per cent respectively. Production is expected to rise further in 1979.

11.15. The output of leather products and footwear in 1978 rose by 36.4 per cent mainly due to an increase of 56 per cent in output of sports goods and of 8 per cent in shoe production. The value of imported footwear in absolute terms, however, has also risen from K£ 1.5 million in 1977 to K£2.5 million in 1978. New projects to be promoted during the current plan period include the manufacture of travel bags, handbags, small leather cases, and similar other articles using locally available finished leather and skins.

11.16. The overall increase of 27.4 per cent in output of paper and paper products does not reflect the wide variation in the performance of various components of this group of industries. There was an increase of 25 per cent in the output of locally manufactured paper. The increase was made possible by the addition of new capacity during the year. Despite this rise, the imports of paper and paper products, increased by 14 per cent in value from K£9.03 million in 1977 to K£10.26 million, in 1978. The imports of newsprint paper rose from 4,775 tonnes in 1977 to 5,714 tonnes in 1978. With the plan to manufacture newsprint from sisal waste and residue from sawmills, another way of recycling industrial waste, the contribution of this branch to CIDP is projected to grow at an annual rate of 8.1 per cent during the current plan period.

11.17. The production of basic industrial chemicals rose by 24.9 per cent in 1978 despite a fall in the output of certain products. A further investment of K£9.4 million is to be undertaken in this branch of industry during the current plan period to increase the production of caustic soda, fertilizers and low density polyethelene.

11.18. The overall growth of 8.2 per cent in output of other chemicals in 1978 is accounted for by the sharp rise in the output of soap and cleansing preparations, pharmaceuticals, drugs—both tablets and liquid, and of miscellaneous chemical products. An increase in the export demand for paints and varnishes and for soap helped their production to increase by 60 and 55 per cent respectively. The value of paints and varnishes and soap exported rose by 46 and 17 per cent. Output of miscellaneous chemicals which includes the production of matches, rose by 8 per cent.

11.19. Details on production of petroleum products and the performance of the oil refinery are noted in Chapter 10.

11.20. The slight drop in the output of rubber products in 1978 is accounted for mainly by the decline in the manufacture of retread vehicle tyres, bicycle tyres and tubes and rubber soles. Production of new tyres increased by 13 per cent while output of retread tyres declined by 26 per cent while output of retreaded tyres declined by 26 per cent. The number of imported tyres required to satisfy the rising domestic demand increased from 39,547 in 1977 to 166,599 in 1978. In addition to the plan to expand the existing tyre factory in the country so as to produce about 422,000 tyres, another tyre plant is also scheduled to be built during the current plan period 1979.1983.

11.21. The output of plastic products went up by 43.1 per cent in 1978 mainly because of the increase in the production of plastic shoes, containers and plastic crates and an expansion of the capacity to meet rising domestic demand for bottles.

11.22. The output of non-metallic products went up moderately by 2.2 per cent in 1978. This modest growth rate is accounted for by the one month shut down of one cement factory for repairs. However, the rise in exports of soda ash from 101,787 tonnes in 1977 to 154,440 tonnes in 1978, an increase of 52 per cent, helped raise local production.

CEMENT PRODUCTION AND UTILIZATION. 1974-1978

Table 11.5 '000 *tonnes*

	PRODUCTION	IMPORTS		EXPORTS		CONSUMPTION AND STOCKS
		From Uganda and Tanzania	From Overseas	To Uganda and Tanzania	To Overseas	
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
1977 ..	1,144.4			5.8	656.3	482.5
1978* ..	1,133.3		0.2	12.8	597.3	523.4

*Provisional.

11.23. A 9.4 per cent growth in the output of metal products in 1978 was made possible by an increase in the production to satisfy domestic demand for products ranging from water pipes to roofing materials. There was a significant increase in the output of galvanized corrugated iron sheets, iron rods and bars, wires and welded mesh, while the growth of 192 per cent in the output of transport equipment is accounted for by the increase in the output from the three major motor vehicle assembly plants. The number of assembled vehicles increased by 77 per cent while the number of coaches and buses and lorry bodies built increased by 58 and 34 per cent respectively.

Exports of Manufactured Products

11.24. As noted in Chapter 7, the total volume of exports declined in 1978 and this was accompanied by a fall in the volume of exports of most manufactured goods. The closure of the border by Tanzania continued to have an adverse impact on exports of manufactured products from Kenya to Tanzania and on supplies of raw materials for such production. However, production of raw cotton as an input to the domestic textile industries has increased significantly as a side effect of this restriction on trade between

Tanzania and Kenya. There was a switch to more expensive supplies of tobacco and the export sales of manufactured tobacco declined. During the period of the East African Common Market, tyres used to be imported from Tanzania, but since the border closure, local production of new tyres has risen by 30 per cent between 1976 and 1977 followed by a further rise of 13 per cent between 1977 and 1978. The conditions in the export market for Kenya's manufactured products have also worsened because of the decline in world market coffee and tea prices which affected import demand in neighbouring countries. As a result exports to Uganda, Rwanda, Burundi and Zaire were reduced significantly in 1978 though some part of this fall was due to the problems associated with the civil unrest in Uganda. Exports of petroleum products, a major constituent of Kenya's exports of manufactured products fell by 14.3 per cent in volume in 1978. Among other principal items, declines were also recorded in exports of meat products, pyrethrum extract, wattle extract, canned pineapples, and cashewnuts but there were rises in exports of butter, cotton, animal feeds and soda ash.

Development of the Manufacturing Sector

11.25. Kenya Industrial Estates, a state corporation has continued to play a major role in providing loan capital for machinery and equipment to enable smaller entrepreneurs to set up in industry. By the end of 1978 it had approved a total of 201 small and medium scale projects involving an investment of K£4.15 million. Meanwhile, expansion of new manufacturing capacity in the medium and large scale industries in 1978 continued to be financed by the three other parastatal organizations the Industrial and Commercial Development Corporation; the Industrial Development Bank; and the Development Finance Company of Kenya. The Development Finance Company of Kenya approved investments amounting to K£3.56 million in 28 projects as compared to an investment of K£1.82 million in 11 projects in 1977. Existing projects being financed by the Corporation include plants for processing agricultural products and manufacture of food products and beverages, assembly of vehicles and their components, and manufacture of textiles, wood and wood products and leather and leather goods. Industrial Development Bank also continued to diversify its field of operations and its major new interests in 1978 were in processing of agriculture and metal products.

11.26. New projects proposed, announced or completed during 1978 which involve participation by the listed parastatals include a chipboard plant in Nyeri District to cost K£3.3 million, a machine tool complex costing K£1.6 million, a plywood factory near Kericho entailing an investment of K£1.3 million, an animal feed plant worth K£1.1 million, the expansion of a motor vehicle assembly plant costing K£1 million, expansion of a ceramics plant at a cost of K£1 million and a steel casting plant worth K£2.8 million. There is a long list of other projects concerned with production of items ranging

from chemicals and pharmaceuticals to metal products, paper bags and leather goods. Two large ventures are concerned with production of power alcohol and industrial alcohol and yeast from sugar cane mollases entailing an estimated investment of K£9.75 million. A proposal for expansion of the paper mill at Webuye at an estimated cost of k£8 million is under consideration, while work on the K£1.7 million extension to the steel rolling mill at Kikuyu is nearing completion in 1979.

11.27. Many of these industrial enterprises will find markets for the output in Kenya. However, the current activity to promote exports of manufactured products needs to be pushed as far and as hard as possible to ensure the country achieves an early break through in this field. The main current handicap to the country's development is the balance of payments constraint and this can only be resolved by promoting exports on the one hand and curtailing imports on the other. Industrial development has a significant role to play in this respect.

11.28. The number of enterprises in the manufacturing sector is set out in Table 11.6. The total has risen from 13,416 in 1974 to 14,764 in 1978. In terms of production they can be grouped into enterprises engaged in grain

ENTERPRISES IN THE MANUFACTURING SECTOR, 1974 - 1978

Table 11.6 *number*

Activity	1974	1976	1978*
Meat and dairy products	18	20	35
Canned vegetables, fish, oils and fats	28	30	21
Grain products	2,541	2,735	2,914
Bakery products	322	345	327
Sugar and confectionery	50	58	55
Miscellaneous food	97	95	88
Beverages and tobacco	17	13	17
Textiles	83	63	87
Clothing	4,171	4,394	4,620
Leather products and footwear	907	955	1.027
Wood and cork products	241	230	212
Furniture and fixtures	1,140	1,204	1,256
Paper and paper products	36	31	46
Printing and publishing	165	145	158
Industrial chemicals	50	198	40
Petroleum and other chemicals	113	133	77
Rubber products	24	27	25
Plastic products	58	25	33
Pottery and glass products	7	9	7
Non-metallic mineral products	61	82	61
Metal products	339	380	383
Non-electrical machinery	108	82	54
Electrical machinery	56	57	64
Transport equipment	2,495	2,674	2,907
Miscellaneous manufactures	288	281	250
TOTAL	13,416	14,267	14,764

*Provisional.

milling and manufacture of clothing, leather products and footwear, furniture and fixtures and transport equipment. These groupings are of mainly small. scale manufacturers whose output is at present having little impact on the country's export trade. Only a few of the grain product manufacturers have a limited interest in export markets with scope for further development of exports of animal feedstuffs. The five groups above consisted of 12,724 firms in 1978. Excluding these firms there were 2,040 other firms in the 20 other groups shown in the table. It is among these 2,040 firms that the potential for export is at present the greatest.

CHAPTER 12—BUILDING AND CONSTRUCTION

The contribution of building and construction activity to the GDP increased by 6.4 per cent in 1978. Projects initiated at the time of the coffee boom in 1977 were being developed at a substantial rate in 1978. Purchases of property with the receipts from high agricultural sales have helped to push up the prices of these properties. Sales made in 1977 induced new construction in 1978. Figures on building plans approved by Nairobi City Council in 1978 indicate that continuously higher spending on new building should have an impact on the level of activity in this sector in 1979 onwards although attitudes could change if the economic scene were to worsen further. The total value of building plans approved by Nairobi City Council rose by 37 per cent to K£58.2 million in 1978 and in other towns increased by 78 per cent.

12.2. In spite of completion of several public buildings and construction projects in 1977, the number of people directly employed in construction activity in the public sector that is working for the Central Government and local authorities rose by about 38 per cent in 1978, whilst wage employment in this activity in the private sector declined slightly. It seems likely that the private sector is using more subcontractors in its work and this has some impact on recorded employment. The overall rise in numbers in wage employment in construction both public and private in 1978 is currently estimated at 13 per cent.

12.3. As noted in Table 12.1 the combined building and construction costs index rose by 8.3 per cent in 1978 as compared to increases of 7.4 per cent and 5.5 per cent in 1977 and 1976, respectively. These increases in building and construction costs in the last three years have been relatively moderate compared to increases of 30.4 per cent in 1974 and 13.8 per cent in 1975.

PERCENTAGE INCREASE* IN BUILDING AND CONSTRUCTION COST INDICES, 1976-1978

Table 12.1

	MATERIALS			LABOUR			TOTAL		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Residential Buildings	3.7	11.2	10.4	10.2	4.5		4.9	9.9	8.4
Non-Residential Buildings	-1.2	7.7	11.3	10.2	4.5		1.4	6.9	9.6
All Buildings	1.4	9.6	10.9	10.2	4.5		3.2	8.4	9.0
"Other" Construction	6.5	7.9	10.9	10.2	4.5		7.9	6.6	6.8
TOTAL COST INDEX	3.0	8.8	10.9	10.2	4.5	-	5.5	7.4	8.3

*From December to December.

The continuous rise in building costs in the last five years has pushed the house prices above the reach of low and medium income families who have been particularly affected by shortages of adequate housing in urban areas. The rises in building costs have also had an impact on Government development projects. The tower block of the Kenyatta National Hospital was for example originally estimated to have cost K.Sh. 117 million when the tender

was first awarded in 1975. The costs have now escalated to K.Sh. 159 million with the project scheduled for completion in 1980. The rise in building and construction costs in 1977 and 1978, can be attributed mainly to increases in prices of building materials. Labour costs over the two.year period rose by only 4.5 per cent. The most significant increases in 1978 were registered for aggregate, blocks, sand, windows and glass. Essentially as a result of the rise in the cost of input materials, the building cost index for residential and non.residential buildings and other construction rose respectively by 8.4, 9.6 and 6.8 per cent in 1978 as compared to increases of 9.9, 6.9 and 6.6 per cent in 1977.

Buildings

12.4. Tables 12.2 and 12.3 detail the value and number of all reported private building work completed in the main towns both on new buildings constructed and on extensions effected to existing buildings. Figures in Table 12.2 show that the value of work completed at current prices has been on a rising trend since 1974 and the total value of work completed of K£13.92 million in 1977 may be compared with K£7.39 million in 1973 and K£ 11.37

THE VALUE OF ALL REPORTED PRIVATE BUILDING** WORK COMPLETED IN MAIN TOWNS 1974-1978

Table 12.2 K£*million*

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Others	Total
	Total for Year								
1974	7.64	2.84	0.24	0.01		0.16	0.21	0.27	11.37
1975	9. 47	2.64	0.25		0.02	0.14	0.13	0.68	13.33
1976	9. 02	1.80	0 42	0.15		0 1 0	0 83	0.19	12.51
1977	8.86	2.53	0 1 0	0.02		1.55	0.71	0 15	13.92
	Returns received to date*								
1977	6.55	2.43	0.09	0 0 2		1 .55	0.25	0.15	11.04
1978	6.61	2.57	0.23				0.26		9.67

*Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1977 figures for comparison only.

**Including the value of extensions.

million in 1974. Between 1976 and 1977 the value of private building work completed rose by 11 per cent at current prices which is equal to a rise of about 2 to 3 per cent at constant prices. It is estimated that when the out-standing returns have been received for 1978 the value of all private building work completed in 1978 will have recorded a rise of about 9 per cent, which in real terms is equal to a further increase of 2 to 3 per cent.

12.5. Nairobi, being the capital city continues to record high figures on completions of private building work. In 1977 it accounted for 64 per cent of the private building work completed in the main urban areas. Also both

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS** IN MAIN TOWNS. 1974-1978

Table 12.3

	NUMBER		ESTIMATED COST K£*million*		
	Residential	Non. Residential	Residential	Non. Residential	Total
TOTAL FOR YEAR					
1974	1,433	109	6.79	3.43	10.22
1975	1,691	98	8.98	3.17	12.15
1976 ..	791	114	4.88	6.25	11.13
1977	815	68	5.08	5.51	10.59
RETURNS RECEIVED TO DATE*					
1977 ..	742	58	4.62	3.51	8.13
1978 ..	835	74	6.04	2.26	8.30

*Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1977 figures for comparison only.

**Excluding the value of extensions.

in 1976 and 1977 more than half the total value of private building work was accounted for by non-residential buildings while in 1978 there was a reversal of the trend of earlier years and the value of private residential buildings completed rose to over 73 per cent of the total value of private building work completed in the year.

12.6. Figures on the number of reported completions of public buildings noted in Table 12.4 show a record value for such completions in 1977 despite a substantial fall in the number of new units. The increase is mainly accounted for by completion of five major public building projects in Nairobi. These include Kencom House—the headquarters building of Kenya Com.

RFPORTED COMPLETIONS OF NFW PUBLIC BUILDINGS 1974 - 1978

Table 12.4

	NUMBER		COST k£'000			
	Residential	Non-Residential	Residential	Non-Residential	Total	Total**
TOTAL FOR YEAR						
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
1976	1.068	149	4.004.1	2,166.9	6.171.0	6.308.5
1977	475	131	1.944.4	8.991.5	10,935.9	10.983.9
RETURN RECEIVED TO DATE*						
1977	193	43	976.5	6,749.0	7,725.5	7,751.9
1978	257	85	1,043.0	1,183.0	2.226.0	2.268.7

*Provisional and incomplete. The late receipt of returns adds significantly to the sear's total.1997 figures for comparison only.

**Including the value of extensions.

commercial Bank, the headquarters building of the National Bank, a motor vehicle assembly plant and two other building projects for two parastatal organizations, all at a total cost of K£8 million. The total value including

extensions reached K£10.98 million in 1977 compared with K£6.31 million in 1976 and K£7.39 million in 1975. The provisional figures for completions in 1978 show a very substantial fall in value of completion of public buildings. There are, however, a number of large on. going projects, and these add substantially to the net output of the sector in 1978. These projects include the headquarters building of the State Re-insurance Corporation and the Co-operative Bank of Kenya, and the Kenya Technical Teachers College. The total cost of these three projects will be in the region of K£10 million.

12.7. The value of direct expenditure by Central Government on housing is shown in Table 12.5. After the decline in 1975/76 and 1976/77, the total value of actual expenditure by the Central Government on housing more than doubled from K£3.42 million in 1976/77 to K£7.10 million in 1977/78.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1973/74-1978/79

Table 12.5 *K£' 000*

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1973/74	5,550.7	4,308.7	7.81
1974/75	5,571.2	4,862.4	5.74
1975/76	4,721.5	4,439.9	4.31
1976/77	3,451.0	3,416.6	2.7
1977/78	7,686.1	7,098.9	3.9
1978/79	8,052.8		

The bulk of this expenditure is accounted for by loans of about K£5.3 million to the National Housing Corporation and K£1.45 million to the Housing Finance Company of Kenya. A further increase is anticipated in 1978/79 as a result of additional loans to the National Housing Corporation.

12.8. The National Housing Corporation is the agency set up by the Government to execute its objectives on provision of housing for middle and lower income groups. As shown in Table 12.6 the number of housing units completed by the Corporation rose to 1,544 in 1978 from 916 in 1977 and 317 in 1976. Despite the increase the figure for 1978 is well below the number of 2,237 units completed in 1974. Of the total 862 units completed in Nairobi in 1978 valued at K£2.62 million 512 were built in Kibera and the remainder in Langata as a second development of Ngei Estate. A further 300, 159 and 121 units, worth K£277,000, K£284,000 and K£295,000 were respectively erected in Nyanza. Central and Rift Valley Provinces. These include extension work on the Arina/Shaurimoyo Estate in Kisumu, housing estates in Nyeri Municipality and Nyahururu and Karatina townships in Central Province and in Eldoret in Rift Valley Province. The Corporation also made available 1.077 site and service plots in 1978. The increase from

the number of 355 such plots which were made available in 1977, reflects the Government's emphasis on promotion of site and service schemes as a method for provision of housing for the majority of families in urban areas.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1974-1978

Table 12.6

	1974	1975	1976	1977	1978
Units Completed					
PROVINCE—					
Central	216	326	49	15	159
Coast	308	20	216	300	51
Eastern	121	60	–		51
Nairobi	432	172	1	586	862
North Eastern	6	–	–	–	–
Nyanza	47	105	26	9	300
Western	528	181	25	6	–
Rift Valley	579	572			121
TOTAL NUMBER	2,237	1,436	317	916	1,544
Value of Units Completed K£'000					
Central	244	733	76	30	284
Coast	297	35	272	488	74
Eastern	137	86	–	–	99
Nairobi	1,354	616	3	1,406	2,622
North Eastern	12	–	–	–	–
Nyanza	82	285	41	14	277
Western	839	326	30	9	–
Rift Valley	538	957	–		295
TOTAL VALUE	3,503	3,038	422	1,947	3,651
Site and Service Plots Completed: No.	1,057	363	1,128	355	1,077

12.9. Figures of building plans approved continue to indicate an encouraging trend for the building industry. Tables 12.7 and 12.8 refer. The value of private and public building plans approved by Nairobi City Council after a decline in 1976, rose by 115 per cent to K£42.45 million in 1977 and K£58.24 million in 1978. The value reported in 1978 was more than twice as high as in 1975. The value of plans approved for residential and non-residential buildings for the private sector rose by 73 and 61 per cent to K£26.2 million and K£25.2 million respectively in 1978. The overall value of private building plans of K£51.41 million was more than three times the average for the years 1974 to 1976. Total value of public building plans approved on the other hand declined by 42 per cent from K£11.67 million in 1977 to K£6.83 million in 1978. The particularly high figure in 1977 is accounted for by a few major projects. The total of K£6.83 million in 1978 is more in line with the long term trend for public sector building. Total

value of plans approved for residential buildings in Nairobi in 1978 reached the very high figure of K£30.31 million; this is 67 per cent higher than the figure for 1977 and four times the particularly depressed figure of K£7.5 million for 1976.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY THE NAIROBI CITY COUNCIL, 1974-1978

Table 12.7 *Estimated Cost* K£'000

	PRIVATE			PUBLIC			All Buildings
	Residential	Non. Residential	Total	Residential	Non. Residential	Total	
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	24,498
1976	6,927	8,832	15,759	598	3,397	3,995	19,754
1977	15,177	15,608	30,786	2,964	8,705	11,668	42,454
1978	26,202	25,206	51,408	4,115	2,716	8,831	58,239
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	6,039	24	149	173	6,212
4th Qr	1,317	1,307	2,624	16	760	776	3,400
1977—							
1st Qr	3,089	2,717	5,805	134	151	285	6,090
2nd Qr	4,010	3,761	7,771	1,704	2,879	4,582	12,353
3rd Qr	4.244	4,558	8,802	419	5,356	5,775	14,577
4th Qr	3,834	4,573	8,407	708	319	1,027	9,434
1978—							
1st Qr	6,870	7,399	14,269	14	226	240	14,509
2nd Qr	4.970	3,818	8,788	3	1,748	1,751	10,539
3rd Qr	6,107	4,563	10,670	2,186	170	2,356	13,026
4th Qr	8,255	9,426	17,681	1,912	572	2,484	20,165

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY OTHER MUNICIPALITIES, 1974-1978

Table 12.8 *Estimated Cost* K£'000

	PRIVATE			PUBLIC			All Buildings
	Residential	Non. Residential	Total	Residential	Non. Residential	Total	
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	4,440	7,709	12,149	1,364	430	1,794	13,943
1977	4.072	8,432	12,504	125	2,058	2,183	14,687
1978*	8,266	16,132	24,398	540	1,260	1,800	26,198
1976—							
1st Qr	1,074	932	2,006	1,192	254	1,446	3,452
2nd Qr	952	2,344	3,296	11	76	87	3,383
3rd Qr	1,510	3,414	4,924	158		158	5,082
4th Qr	904	1,019	1,923	3	100	103	2,025
1977—							
1st Qr	981	3,246	4,227	.	658	658	4,884
2nd Qr	1,083	2,636	3,719	50	242	292	4,011
3rd Qr	1,488	1,596	3,084	75	1,159	1,234	4,318
4th Qr	520	954	1,474	–	–	–	1,474
1978*—							
1st Qr	2,113	3,320	5,433	30	8	38	5,471
2nd Qr	2,123	2,123	4,246	–	2	2	4,248
3rd Qr	2,687	9,283	11,970	265	1,250	1,515	13,485
4th Qr	1,343	1,406	2,749	245		245	2,994

*Provisional.

12.10. Although the figures on building plans approved by other municipalities are not final for 1978, the high increase in total value suggests that there will also be a record increase in building activity in these other areas particularly in Mombasa and Kisumu where the demand for dwellings is running at high levels. The private sector has continued to play a dominant role in these towns and private building plans accounted for over 90 per cent of the total value in 1978. Total value of plans passed in these other municipalities rose to K£26.2 million in 1978 compared with K£14.69 million in 1977 and K£13.94 million in 1976.

12.11. The public sector is assigned a catalytic role in the provision of housing. However, this sector will, it is hoped, directly provide nearly 28,000 dwelling units and a further 28,000 site and service plots in urban areas during the plan period 1979.1983. The total national housing requirement is estimated at some 290,000 housing units in urban areas, including a current shortfall estimated at 140,000 units. For the rural areas the estimated requirement is 1,075,000 housing units including 725,000 to replace existing houses which are beyond repair. The Government intends to take several measures to attain the above targets. These include control of urban land to ensure an adequate supply of land at reasonable prices for housing development as well as a review of building by.laws, and a study of additional measures to further enhance the effectiveness of the National Housing Corporation. The Government's own direct expenditure on housing is expected to reach a total of K£53.3 million at 1978/79 prices in the plan period 1978/79 to 1982/83.

Roads and Other Construction

12.12. Government expenditures on the construction and maintenance of roads have been increasing consistently in part due to higher costs but mainly as a result of economic development. The total appropriations earmarked for development of roads amount to K£40.25 million in 1977/78. As indicated on Table 12.9 expenditure on all types of roads is anticipated to rise in 1978/79 above the 1977/78 level. The Government is also currently involved in the construction of bridges at Nyali and Mtwapa. Construction work on these in the 1978/79 was estimated to cost K£2.5 million and K£1.0 million respectively. Total project cost for both the bridges when finished will amount to K£8 million. During the current plan period the Government is targetting to have about 51 per cent of rural small holders within 2 km. of a bus route. This entails substantial development of rural access roads.

12.13. Government is endeavouring to extend the supply of water to towns and rural areas and has set aside K£38 million for water development purposes during the financial year 1978/79. Additional information on the construction work on water development projects is provided in Chapter 9. The major projects include the Sabaki River water supply scheme for Mombasa and the construction of the Upper Tana Reservoir. Water projects will contribute significantly to the level of construction activity in 1979.

TOTAL EXPENDITURE ON ROADS, 1976/77-1978/79

Table 12.9 K£'000

	1976/77	1977/78	1978/79*
DEVELOPMENT			
Trunk Roads	8,410.0	9,920.0	10,900.0
Primary Roads	4,530.0	3,035.0	4,550.0
Secondary	990.0	900.0	1,610.0
Unclassified Roads	1,240.0	895.0	1,320.0
Miscellaneous Roads	4,169.0	9,574.4	10,834.0
Implementation of road maintenance organization	3400	200.0	6000
TOTAL	19,6790	24,524.4	29,8140
RECURRENT (maintenance and repair)	9,020.9	9,724.3	10,548.3
TOTAL	28,699.9	34,248.7	40,362.3

*Provisional.

12.14. The proportion of materials required for the building and construction industry produced locally is constantly increasing. The domestic consumption of cement increased by 6 per cent to 512,000 tonnes in 1978. The Government plans to increase the range of locally produced building materials during the current plan period and about K£5 million is being invested in glass sheet manufacturing industry. A number of other materials are also scheduled to be domestically produced, while output of those in production will rise in line with the increase in building and construction activity.

CHAPTER 13—TOURISM

In the final reckoning 1978 was an indifferent year for tourism. While the total of receipts from tourism went up from K£48.3 million in 1977 to K£60 million in 1978, the number of visitors arriving in Kenya increased only moderately and indeed the total of visitor days spent in Kenya declined in 1978. The increase in receipts is therefore essentially accounted for by price rises rather than by a real increase in tourism activity in the country. Political upheavals in eastern and central Africa, reports of outbreaks of tropical diseases, and the competition of the low air fares on the north Atlantic routes as compared to destinations in Africa are the main factors which contributed adversely to the final outcome noted above.

13.2. The last development plan terminated at the end of 1978. As foreseen earlier, the targets set in the last plan have not been achieved. The actual number of visitors to Kenya in 1978 came to only 44 per cent of the target figure of 816,000 visitors shown in the plan. These visitors spent a total of 4.75 million days in Kenya which was 58 per cent of the planned length of stay. As a result total receipts were substantially below the target

BED OCCUPANCY PLANNED AND ACHIEVED, 1973 AND 1978

Table 13.1 '000 *Bed.Nights*

	DEVELOPMENT PLAN PROJECTIONS		ACTUAL BEDS OCCUPIED	
	1973	1978	1973	1978
E.A. Residents	994	1,410	988	1,154
Foreign Residents	1,884	4,534	1,795	2,829
TOTAL	2,878	5,944	2,783	3,983

figure. Table 13.1 gives the number of planned and actual bednights occupied for 1973 and 1978. The number of actual beds occupied in 1978 was 67 per cent of the figures planned for the year.

13.3. In Table 13.2 statistics of visitor arrivals and departures by purpose of visit are shown. The total of arrivals in Kenya rose by 4.1 per cent between 1977 and 1978. The highest increase of 23 per cent was recorded in arrivals of business visitors while the number of arrivals of visitors in transit and on holiday went up by 7 per cent and 1 per cent, respectively. Holiday makers accounted for 73 per cent of the total arrivals and the balance of 27 per cent was shared equally by business and transit visitors, a pattern very close to that for 1977. The number of departures, on the other hand, declined by 3 per cent. As per figures in Table 13.2 the tourist statistics continue to exhibit a wide discrepancy between figures on visitor arrivals and departures. To some extent the disparity is due to differing declarations made by visitors at the time of entry into and exit from Kenya.

ARRIVING AND DEPARTING VISITORS BY PURPOSE OF VISIT, 1977 - 1979

Table 13.2 '000

Quarter/Purpose		ARRIVALS			DEPARTURES		
		1977	1978	1979*	1977	1978	1979*
1st Qr.	Holiday	82.4	79.9	80.2	98.8	84.3	88.4
	Business	10.1	10.6	11.2	4.8	5.1	5.1
	Transit	12.5	10.0	10.2	9.1	7.8	8.1
	TOTAL	10.0	100.5	101.6	112.7	97.2	101.6
2nd Qr.	Holiday	44.9	45.1		51.1	46.9	
	Business	8.8	12.3		4.4	7.7	
	Transit	12.1	11.7		9.2	10.1	
	TOTAL	65.8	69.1		64.7	64.8	
3rd Qr.	Holiday	63.1	62.8		68.8	70.6	
	Business	7.4	13.2		5.1	5.1	
	Transit	9.7	14.4		9.8	10.3	
	TOTAL	80.1	90.3		83.6	86.0	
4th Qr.	Holiday	70.7	75.1		69.2	27.6	
	Business	13.5	12.7		5.3	28.3	
	Transit	11.4	12.8		8.7	29.5	
	TOTAL	95.6	100.7		83.3	85.3	
Year	Holiday	261.1	263.0		288.0	268.4	
	Business	39.7	48.9		19*7	26.1	
	Transit	45.7	48.8		36.8	38.8	
	TOTAL	346.5	360.6		344.4	333.3	

*Provisional.

13.4. Information available for the first quarter of 1979 suggests that figures for both arrivals and departures will each be a little higher in 1979 than in 1978. The number of bed-nights occupied in hotels increased by 3 per cent during the quarter over the same period in 1978. Bed-nights spent at hotels by foreigners rose by 2 per cent and those by Kenya residents increased by 8 per cent.

13.5. Table 13.3 sets out statistics on visitor departures by country of residence. The overall number of holiday visitors as per departure figures declined by 7 per cent between 1977 and 1978. The only continent showing some increase in holiday visitors was Asia. However, among individual countries increases of 8 per cent, 6 per cent and 3 per cent, were respectively recorded in the number of holiday visitors from West Germany, the United

Kingdom and Switzerland, while the number of holiday visitors who are residents of Tanzania, the U.S.A. and Italy declined in 1978 by 48 per cent, 27 per cent and 21 per cent, in that order.

VISITOR DEPARTURES BY COUNTRY OF RESIDENCE, 1976-1978

Table 13.3 '000

	HOLIDAY VISITORS			ALL VISITORS*		
	1976	1977	1978	1976	1977	1978
United Kingdom	41.2	36.0	38.3	51.7	43.0	48.1
West Germany	43.3	48.9	53.0	47.4	51.0	55..9
Italy	18.0	20.7	16.3	20.5	22.3	18.1
France	15.8	13.8	13.7	18.5	15.1	15.7
Switzerland	20.5	24.1	24.8	22.4	25.0	36.0
Other Europe	34.7	35.1	32.1	41.2	39.0	26.4
TOTAL EUROPE	173.4	178.7	178.3	201.6	195.4	200.3
United States	38.8	29.1	22.4	44.5	33.0	26.9
Canada	5.4	4.4	3.8	6.5	5.2	4.6
TOTAL N. AMERICA ..	44.2	33.5	26.2	51.0	38.1	31.4
TOTAL ASIA	17.9	16.2	16.8	26.5	24.3	25.5
Uganda	15.2	6.7	5.2	23.9	9.5	8.5
Tanzania	56.3	22.7	11.8	71.2	27.3	15.0
Zambia	5.2	5.7	4.4	9.2	10.2	8.7
Other Africa	18.3	19.6	21.2	32.3	33.5	38.3
TOTAL AFRICA	95.0	54.6	42.6	136.6	80.6	70.5
TOTAL OTHER	6.9	4.9	4.6	8.6	6.0	5.7
GRAND TOTAL	337.4	288.0	268.4	424.2	344.4	333.3

*Includes business visitors and persons in transit.

13.6. This overall decrease in number of holiday visitors as per departure figures was mainly due to a decline of 42 per cent in the number of tourists resident in Uganda and Tanzania, accentuated by a drop of 22 per cent in the number of tourists from North America. If North America and Uganda and Tanzania are excluded, the number of holiday visitors from the rest of the world rose slightly from 225,100 in 1977 to 225,300 in 1978.

13.7. The number of all visitors as per departure figures declined by only 3 per cent in 1978 compared to a drop of 7 per cent in the number of holiday visitors. Again this was due to a decline in the number of visitors resident in Tanzania, and in the number of visitors from Italy and the U.S.A. The total number of visitors from these three countries fell in 1978 by 45 per cent, 19 per cent and 18 per cent, respectively. Because of increases in the

number of business and in-transit visitors from the United Kingdom, the total number of visitors from that country rose by 12 per cent while the corresponding increase in the number of visitors from West Germany was 10 per cent—leading to an overall rise in the number of visitors from Europe of 2.5 per cent from 195,400 in 1977 to 200,300 in 1978.

13.8. The low fares on the North Atlantic routes continued to deprive Kenya of tourists from North America. The new low air fare structure between Europe and North America made tourism much cheaper between the destinations in these two continents, while travel to African countries with the exception of South Africa continued to be a more expensive proposition. The closure of the border by Tanzania aggravated the situation as it discouraged the American tourists who have been accustomed to buying tourist packages which include the major game areas in East Africa from visiting this region.

13.9. Information on visitor departures by mode of travel is given in Table 13.4. The proportion of visitors departing by air in 1978 rose to 93 per cent of the total. This is as expected given the declining importance of

VISITOR DEPARTURES BY METHOD OF TRAVEL, 1974-1978

Table 13.4 '000

	1974	1975	1976	1977	1978
Air	301.5	311.6	337.7	315.8	309.6
Sea	2.6	2.0	1.6	0.8	1.5
Road	72.7	71.8	84.9	27.8	22.2
Lake	1.8	0.6	–		–
Rail	1.0	0.1	0.1		
TOTAL	379.6	386.1	424.2	344.4	333.3

road travel in interterritorial movements within East Africa. In 1976 air travel had accounted for 80 per cent of visitor departures while persons travelling by road made up for virtually all of the balance of 20 per cent of the remaining visitor departures.

13.10. Table 13.5 gives information on length of stay of visitors and includes details on the length of stay by the regions of residence of the visitors. The total number of days spent by visitors in Kenya fell by 7 per cent from 5.10 million in 1977 to 4.75 million in 1978. A significant feature of the decline was the drop of 17 per cent in the number of days spent in Kenya by visitors staying more than 28 days. It is thought that the ban on hunting and trade in game trophies is the main reason for the decline in the number of days spent in Kenya by this category of visitors. As a result the average length of stay per visitor fell by 6 per cent from 14.8 days per visitor in 1977 to 14.2 days in 1978. The 7 per cent decline in the total number of days spent by visitors in Kenya was made up of a decrease of 36 per cent in the

TOTAL STAY OF DEPARTING VISITORS AND AVERAGE LENGTH OF VISIT, 1974-1978

Table 15.18

Length of Stay	1974	1975	1976	1977	1978
	Total Stay—''000 *Days*				
0.14 Days	1,966	1 864	1,942	1,569	1,547
15.28 Days	1,057	1,229	1,458	1,459	1,478
Over 28 days	1,383	1,871	1,908	2,072	1,720
TOTAL	4,406	4,963	5,308	5,101	4,745
	Average Length of Stay—*Days*				
0.14 Days	6.5	6.3	6.0	6.5	6.6
15.28 Days	19.9	20.2	20.3	20.2	20.2
Over 28 days	61.7	68.2	61.2	65.4	64.2
TOTAL	11 .6	12.9	12.5	14.8	14.2
	Total Stay by Originating Areas—'000 *Days*				
East Africa	961	893	944	541	348
Other Africa	411	425	421	469	443
United Kingdom	679	850	860	819	840
West Germany	444	585	700	846	893
Other Europe	975	1,081	1,284	1,417	1,323
North America	594	702	640	591	478
Asia	256	328	335	323	329
All Other	86	99	123	94	91
TOTAL	4,406	4,963	5,308	5,101	4,745
	Total Stay by Purpose of Visit—'000 *Days*				
Holiday	3,918	4,383	4,688	4,800	4,382
Business	440	530	561	243	307
Transit	48	48	59	58	57

number of days spent in Kenya by residents of the other two East African countries followed by another decline of 19 per cent in the number of days stayed by persons from North America. The number of days stayed by residents of West Germany and the United Kingdom, however, increased by 6 per cent and 3 per cent, respectively. Residents of Europe stayed a total of 3.08 million days in 1977 and 3.06 million days in 1978 thus accounting for a proportion of over 60 per cent of the total number of days spent by all visitors to Kenya in 1977 and 1978.

Tourist Receipts

13.11. As noted above tourist receipts rose from K£48.3 million in 1977 to K£60 million in 1978—an increase of 24.2 per cent. This increase contrasts with the decline in number of visitor days spent in Kenya and in the number of visitor departures. Residents of Europe alone accounted for

about 75 per cent of the total receipts. Estimated shares for individual countries were West Germany 25 per cent, the U.K. 13 per cent and U.S.A. and Canada 9 per cent. Proportions accounted for by holiday, business and in. transit visitors were estimated to be 85 per cent, 13 per cent and 2 per cent, respectively. Visitors staying up to two weeks contributed almost 50 per cent of the total receipts compared with 35 per cent and 15 per cent from visitors staying for a period of two to four weeks and over one month, respectively.

Hotel Occupancy

13.12. Details on hotel bed occupancy by type of occupant are given in Table 13.6. Hotel capacity rose by 4.7 per cent from 7.03 million bednights in 1977 to 7.36 million bednights in 1978 while the actual number of bed. nights occupied went up at a lower rate of 3.8 per cent. As a result the occupancy rate fell slightly from 54.6 per cent in 1977 to 54.1 per cent in 1978. The absolute increase in the number of bednights spent in hotels from

HOTEL BED OCCUPANCY, 1974-1978

Table 13.6 "000 *Bed.Nights*

	1974	1975	1976	1977	1978
Permanent occupants*	333	339	364	356	368
Kenya Residents	553	579	577	642	701
Residents of—					
Uganda and Tanzania	141	142	127	98	84
Foreign Residents	1,952	2,149	2,506	2,741	2,829
TOTAL BEDS OCCUPIED	2,979	3,209	3,574	3,838	3,982
TOTAL BEDS AVAILABLE ..	6,414	6,584	6,983	7,028	7,258
Bed Occupancy Rate *per cent*	46 .5	48.8	51.2	54.6	54 .1

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

3.84 million to 3.98 million was accounted for by a 3.2 per cent rise in the number of bednights occupied by foreign residents and an increase of 9.2 per cent in domestic tourism. As in the preceeding two years, the share of bednights occupied by foreign visitors in 1978 remained at just over 70 per cent of the total, while the proportion of bednights occupied by Kenya residents rose from 16.7 per cent in 1977 to 17.6 per cent in 1978.

13.13. Table 13.7 sets out figures on hotel occupancy by major tourist zones. The increase of 3.3 per cent in the number of bednights occupied in 'high class" hotels in Nairobi was due to the arrival of more business visitors. The number of bednights stayed at all Nairobi hotels in 1978 was, however, little changed from 1977. In 1978 Nairobi hotels accommodated 35 per cent

HOTEL BEDS OCCUPIED BY AREA, 1974-1978

Table 13.7 000 *Bed.Nights*

	1974	1975	1976	1977	1978
Nairobi—High Class	557.4	572.1	586.2	552.7	570.9
Other	746.7	753.9	847.2	854.7	839.1
Coastal—Beach	950.9	1,149.4	1.354.4	1,543.6	1654.0
Other	222.7	222.2	220.7	234.6	254.5
Coast Hinterland	102.6	104.8	118.8	137.7	121.0
Masai land	123.6	130.0	151.6	156.4	152.2
Central	210.8	207.4	217.7	250.2	269.0
Other	64.4	69.1	77.2	107.7	121.6
TOTAL	2,979.0	3,208.8	3,573.7	3,837.9	3,982.3
Of which:—					
Foreigners	1,952.0	2,148.9	2,505.5	2,740.8	2,828.6
E.A. Residents*	1,027.1	1,060.0	1,068.2	1,097.1	1,153.7
TOTAL BEDS AVAILABLE ..	6,414.2	6,584.3	6,983.1	7,028.3	7,358.0
Occupancy rate *per cent*	46.5	48.8	51.2	54.6	54.1

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

of total visitors compared to 37 per cent in 1977. Because of the decline in the number of American visitors whose interest normally lies in the game areas, guest bednights occupied in the Coastal hinterland and Masailand hotels dropped by 12 per cent and 3 per cent in 1978 compared to 1977. The share of bednights spent in coastal hotels on the other hand rose to 48 per cent of the total in 1978 from 46 per cent in 1977. The occupancy rate at the coast rose by 7 per cent, largely as a result of an increase of 10 per cent in the number of tourists from West Germany.

13.14. Information on hotel capacity by all tourist zones is given in Table 13.8. Coastal beach hotels continued to lead other areas in the average bed occupancy rate, followed by hotels in Nairobi and Masailand zones. The present efforts to expand hotel capacity in the beach areas at the Coast thus appear to be justified. In 1978 coastal beach hotels had 34 per cent of the total tourist class hotel capacity of 7.4 million bednights in the country while Nairobi had 37 per cent. Hotel capacity increased in 1978 in all zones except Nairobi. The highest increase of 50 per cent over the 1977 capacity occurred in tourist hotels in western Kenya. The capacity of hotels in the Lake Basin increased by over a fifth from 157,000 to 196,000 bednights in 1978. Utilization of beds in these areas, however, did not rise as fast. This resulted in a decline in the occupancy rates between 1977 and 1978. Increases also occurred in bed capacity in hotels on Mombasa Island and in northern Kenya. The latter, however, as in the previous years had an occupancy rate of only 18 per cent in 1978.

Table 13.8

HOTEL ROOM AND BED AVAILABILITY AND OCCUPANCY RATES, BY AREA, 1974-1978

	NAIROBI		COASTAL		OTHER						All Hotels
	High Class	Other	Beach	Mombasa Island	Coast Hinter-land	Masai land	Nyanza Basin	Western	Central	Nothern	
1974—											
Rooms available—'000 *nights*	581	861	1,008	270	129	137	68	43	317	16	3,430
Occupancy rate—*per cent*	71	81	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	42	42	52	54	36	41	21	59
Beds available—'000 *nights*	1,092	1,564	2.093	473	284	283	120	57	578		6.584
ccupancy 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	25	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	53	53	40	29	38	18	51
1977—											
Rooms available—'000 *nights*	613	962	1,154	284	128	148	89	41	313	26	3,758
Occupancy rate—*per cent*	66	63	75	63	58	58	63	44	49	26	65
Beds available—'000 *nights*	1,124	1,723	2.268	510	265	298	157	68	565	51	7,028
Occupancy rate—*per cent*	49	50	68	46	52	53	47	34	44	22	55
1978—											
Rooms available—'000 *nights*	665	906	1.262	290	132	150	114	61	358	27	3,964
Occupancy rate—*per cent*	68	64	72	64	49	56	56	39	48	21	64
Beds available—'000 *nights*	1,118	1,621	2,523	531	271	302	196	102	641	53	7.358
Occupancy rate—*per cent*	51	52	66	48	45	50	42	30	42	18	54

13.15. There was a small decline of 2 per cent in nights spent in hotels in Nairobi. This is accounted for partly by the decline in visitors from Tanzania and Uganda and partly by the decline in "conference" tourism in 1978. In 1977 the Kenyatta Conference Centre had hosted 13 international conferences with a total of 8,000 delegates; while in 1978 although the number of conferences increased to 24 the number of delegates participating in them declined to 6,785.

13.16. More effort is needed to try and market Kenya tourism particularly in long-haul generating countries so that a steady bed occupancy rate may be achieved throughout the year. Despite the reduced rates charged by coastal hotels during off-peak periods, occupancy rates still remain very low during these months. In May, 1978, for example, bed occupancy rate for beach hotels was only 34 per cent whereas in January and December of the same year the occupancy rates had risen to 89 per cent and 80 per cent, respectively. Some areas in which tourist class hotels have consistently low occupancy rates with the exception of hotels in Nairobi and the coastal belt need to be looked at very carefully before further capacity is developed.

13.17. Figures on hotel bed nights by country of residence of the occupants and location of accommodation are shown in Table 13.9. From the details in this table it can be seen that 61.3 per cent of the 4.7 million days stayed by visitors in Kenya was in hotels. There are substantial variations in the

HOTEL GUEST-NIGHTS BY COUNTRY OF RESIDENCE, 1978

Table 13.9 '000 *Bed.Nights*

Country of Residence	Nairobi	Coast	Lodges	Other	Total
Kenya	239.1	257.3	37.1	167.8	701.3
Uganda	46.8	11.7	0.1	3.5	62.1
Tanzania	16.1	5.6	–	0.6	22.3
Other Africa	103.9	22.4	2.3	3.6	132.1
United Kingdom	167.5	185.2	28.1	21.9	402.8
West Germany	87.1	634.2	46.6	15.0	782.9
Scandinavia	36.1	46.9	12.2	5.4	100.6
Other Europe	172.6	654.9	96.8	34.3	958.6
North America	138.8	44.5	54.2	35.4	272.9
Asia	61.1	12.8	7.7	5.0	86.6
All Other	47.3	25.5	12.6	6.7	92.1
Permanent Occupants	293.6	52.4	0.7	21.2	368.0
TOTAL	1,410.0	1,953.5	298.5	320.3	3,982.3

visitors from Asia to 88 per cent for those from West Germany. Visitors proportion of visitor days spent at hotels ranging from only 26 per cent for also vary according to their country of residence in their preferences for areas in Kenya. United Kingdom residents prefer Nairobi and the game areas nearby. Those from West Germany prefer the coast while those from

North America have a preference for the game lodges. Table 13.10 details figures on occupancy rates in the game lodges. The number of bednights spent at the game lodges declined by 19 per cent as a result of the decline in the number of visitors from the U.S.A., Scandinavia and "other" Europe which includes Switzerland, Italy and France.

GAME LODGE* OCCUPANCY, 1976-1978

Table 13.10

LODGE LOCATION/ TYPE	BEDS OCCUPIED *'000 Nights*						BED OCCUPANCY RATE *Percentage*		
	E.A. Residents			Foreign Residents					
	1976	1977	1978	1976	1977	1978	1976	1977	1978
National Parks. .	32.6	33.1	21.4	87.6	157.4	98.3	43.3	51.6	48.8
Game Reserves..	19.3	17.1	16.6	147.3	158.7	162.2	60.4	64.1	60.0
TOTAL	51.9	50.2	38.0	234.8	316.1	260.5	51.8	56.1	54.9
Full.Catering . .	37.9	38.1	28.2	232.7	313.0	254.0	52.7	57.8	57.1
Self.Service	14.0	12.0	9.8	2.1	3.1	6.5	40.9	42.0	33.3

*Lodgesin National Parks and Game Reserves only.

13.18. Figures on visits to the National Parks are set out in Table 13.11. The number of visitors to these parks declined by 3 per cent in 1978. Particular declines were recorded in number of visitors to Aberdare, Amboseli, Meru and the Tsavo national parks, a trend that is reflected in the low occu.

TOTAL NUMBER OF VISITORS TO NATIONAL PARKS, 197-1978

Table 13.11 *Numbers*

	1974	1975	1976	1977	1978
Aberdare	39,973	43,798	44,904	46,050	39,891
Amboseli	–	82,641	100,339	82,233	67,379
Kisite Mpunguni	–	596	1,463	851	852
Lake Nakuru	95,067	78,470	68,098	80,635	94,805
Marine	35,777	34,609	37,764	37,245	41,424
Marsabit	–	4,413	3,238	3,781	2,673
Meru	21,418	22,826	25,826	36,945	32,296
Mt. Elgon	3,989	2,414	2,455	2,782	2,634
Mt. Kenya	8,151	8,600	9,790	9,484	8,919
Nairobi	159,263	132,387	134,790	141,861	145,012
Saiwa Swamp	–	–	830	1,853	1,719
Simba Hills	11,119	9,999	9,882	12,112	12,124
Tsavo (East)	64,758	68,133	61,588	65,530	57,001
Tsavo (West)	91,627	79,567	89,882	82,537	80,336
TOTAL	531,142	568,453	590,849	603,899	587,071

pany rates in the game lodges. Nairobi National Park remained the most popular choice for visitors followed by Lake Nakuru Park. The number of visitors to museums, the Snake Park, Fort Jesus and Gedi Historic Site, rose by 3 per cent as shown in Table 13.12.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1974-1978

Table 13.12 *Numbers*

	1974	1975	1976	1977	1978
National Museum	140,670	124,545	154,053	182,293	172,491
Lamu Museum	5.545	6,066	6,169	8,216	7,163
Snake Park	89,681	93,168	131,500	135,139	141,774
Fort Jesus	77,759	93,186	100,160	107,107	121,595
Gedi	28,444	30,876	29,396	25,801	29,747
Olorgesailie	2,593	4,487	3,465	3,991	5,717
Kariandusi	2,554	3,240	2,959	4,539	2,721
Hyrax Hill	2,022	1,284	1,020	1,413	1,285
Jumba la Mtwana	1,588	2,339	4,412	3,009	3,347
TOTAL	350,856	359,191	433,134	471,508	485,840

Development of Tourism

13.19. The Kenya Tourist Development Corporation, as at June 1978 had invested a total of K£3.8 million in equity capital and K£2.7 million in loans to enterprises engaged in tourist industry. Of the latter K£1.04 million was specifically loaned to facilitate Kenyanization of the tourist industry. As at 30th June 1977 the Corporation had invested K£3.5 million in equity capital and K£2.48 million in loans. During the period under review extensions were effected to the lodge on Mt. Elgon, while construction of a new hotel at Homa Bay was nearing completion. A new lodge was also opened on Lion Hill at Lake Nakuru and the capacity at Maralal Safari Lodge further expanded. New hotels at Eldoret, Kakamega and Busia are in the final planning stages. They form part of the Corporation's aim of developing the Western Circuit and spreading the benefits of tourism to other areas of the country.

13.20. The Government imposed a ban on trade in wildlife trophies last year in an endeavour to conserve the wildlife resources which are critical to the maximization of revenue from tourism. The Government's capability to control poaching was also enhanced by strengthening the four anti-poaching units in the country. This together with the ban on hunting and dealing in trophies has reduced poaching though it also appears to have had some impact on certain types of tourists and their length of stay in Kenya.

13.21. Plans are at an advanced stage for the Government to assume responsibility for management and operation of reserves on behalf of the respective local authorities in whom the land involved is vested. These authorities are to be guaranteed a minimum return from such resources. Infrastructure in these reserves is to be developed to cope with the increasing tourist traffic subject to the ecological constraints. Also in order to transfer

the economic benefits from wildlife to the local residents in the dispersal areas adjacent to the parks and reserves from which the animals migrate during wet seasons, agreements have been entered into with land-owners in Mara and Amboseli to receive a grant from the Government. Camping and game viewing facilities are being developed in these dispersal areas to supplement the grant.

13.22. The Government has sponsored three studies which are being undertaken, each with a view to aiding development in certain specific aspects of tourism. The tourism pricing policy study continued throughout last year and its report will be submitted to the Government soon. Consultants have also been commissioned to conduct a study on movement of very large herbivores designed to maximize their economic benefit to the country as a whole. Thirdly the Kenya Tourist Development Corporation is encouraging the provision of additional bed capacity at the coast where accommodation shortages during the tourist seasons have been critical.

13.23. Efforts in the promotional field are designed amongst other things to attempt to attract more foreign visitors in the off-peak months while also at the same time concentrating the publicity in those markets which indicate a potential for a further flow of tourists. Field operations are being streamlined in various overseas countries to make the publicity campaign more effective.

13.24. The objective of the Development Plan, 1979.1983 is to achieve an orderly and manageable growth of tourism in the country. It is acknowledged that although the funds invested in tourism need to be used to generate the highest possible net return, such investments should neither result in an over-exploitation of the various natural resources nor bear any adverse effect on the way of life of the people in the areas concerned. The Plan target is to attract 508,000 visitors to Kenya by 1983. Some increase in the average stay of visitors has also been projected. Both these projections yield a target figure of 6.3 million bednights for visitor occupancy in 1983 at an average annual growth rate of 9 per cent. This latter target may prove to be difficult to achieve in view of the continued escalation of petroleum prices and its impact on cost of air travel and on incomes in tourist generating countries.

CHAPTER 14—TRANSPORT AND COMMUNICATIONS

The output of transport and communications sector rose by 25.5 per cent in 1978 as shown in Table 14.1. The contribution of the sector to GDP rose by 25.9 per cent at current prices and 5.5 per cent at constant prices. This is a very satisfactory outcome after the indifferent experience of the years to 1977 when the problems of the corporations previously operated by the ex East African Community were coming to a head.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1974-1978

Table 14.1 K£*'000*

	1974	1975	1976	1977	1978*
Railway Transport	23,805	25,385	26,700	27,480	27,970
Road Transport	30,611	35,953	52,593	53,004	70,649
Water Transport	32,196	38,553	40,537	43,104	53,713
Air Transport	35,065	39,852	41,416	23,494	38,078
Services Incidental to Transport	8,278	8,168	22,877	36,615	39,724
TOTAL TRANSPORT	129,955	147,911	184,123	183,687	230,134
Communications	14,110	22,478	24,187	30,440	38,685
GRAND TOTAL	144.065	170,389	208,310	214,137	268,819

* Provisional.

14.2. Increased activity and higher profits were reported in all subgroups of the sector. The most significant increases in output value were achieved in air transport with an increase in output at current prices of 62 per cent, followed by road transport with a growth of 33 per cent, water transport 25 per cent and communications 27 per cent. In 1978 the Kenya Airways was more fully operational than in 1977 and had taken over most of the routes of the defunct East African Airways Corporation. Though the recovery in the value of output from air transport was sharp, the total of output was still below the level recorded in 1976. Higher charges at Mombasa port led to a higher level of profitability from water transport operations while greater activity helped the Posts and Telecommunications Corporation and its subsidiary Kenya External Telecommunications Company, to increase their output and profitability.

14.3. Receipts from road and rail transport are detailed in Table 14.2. Road transport benefited in 1978 from a higher overall level of activity and there were more trucks and lorries in operation. Haulage receipts from road freight transportation activity increased by 30 per cent from K£34.3 million in 1977 **to** K£44.7 million in 1978 and earnings from road passenger traffic rose to K£26.0 million. Total receipts from rail traffic increased only marginally from K£27.5 million to K£28.0 million. The tariff revisions of October. 1977, helped recoup for the loss of petroleum traffic to the oil pipeline in 1978.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1974-1978

Table 14.2 *K£'000*

	1974	1975	1976	1977	1978*
Passenger Traffic—					
Rail	911	455	1,100	1,200	1,669
Road	9,336	13,653	14,491	18,662	25,950
TOTAL	10,247	14,108	15,591	19,862	27,619
Freight Traffic—					
Rail	22,894	24,930	25,600	26,280	26,301
Road	21,275	22,300	38,102	34,342	44,699
TOTAL	44,169	47,230	63,702	60,622	71,000
TOTAL RAIL TRAFFIC	23,805	25,385	26,700	27,480	27,970
TOTAL ROAD TRAFFIC .	30,611	35,953	52,593	53,004	70,649

*Provisional.

Road Transport

14.4. Details on new registrations of motor road vehicles are given in Table 14.3. The total number of registered vehicles declined in 1978, by 3.6 per cent, but these were still 23.476 in all a high figure compared with the years 1974 to 1976. There was a substantial fall of 2,097 in the number of vans and pick-ups registered but registrations of saloon cars and station wagons increased by 3.7 per cent and 4.3 per cent, respectively. The most

NEW REGISTRATIONS OF ROAD VEHICLES, 1974-1978

Table 14.3

	1974	1975	1976	1977	1978*
Saloon Cars	6,469	5,575	4,981	7,296	7,565
Station Wagons	2,112	2,047	1,942	2,517	2,626
Panel Vans, Pick-ups, etc.	3,528	3,878	4,156	7,354	5,257
Lorries/Trucks	1,402	1,262	1,417	1,857	2,745
Buses and Coaches	263	186	215	171	190
Mini Buses	322	218	202	214	140
Special Purposes Vehicles	104	79	120	100	72
Trailers	670	587	669	827	1,062
Rollers, Graders, Cranes	232	108	89	73	93
Wheeled Tractors	957	1042	1,129	1,916	1,894
Crawler Tractors	13	7	3	46	105
Motor and Auto Cycles	1,137	986	1,316	1,707	1,714
Three Wheelers	16	13	7	27	13
ALL VEHICLES	17,225	15,988	16,246	24,105	23,476

*Provisional.

significant increase occurred in registrations of lorries and trucks, rising from 1,857 in 1977 to 2,745 in 1978. The increase is probably related to the economic boom of 1977 with orders placed in that year being delivered in 1978. The country's road transport fleet has been strengthened at the same time as the railways have received substantial new equipment and the oil pipeline has come into operation.

14.5. Table 14.4 details the number of licences issued for vehicles on hire for passenger and freight transport. The number of licences in 1978 increased by 8.8 per cent for passenger vehicles and 20.4 per cent for freight vehicles, over 1977. The substantial increase in freight licences is partly a reflection of revival of the trucking industry.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1974-1978

Table 14.4 *Numbers*

	1974	1975	1976	1977	1978
Passenger Service Vehicles	3,583	2,711	2,996	2,720	2,959
Freight Transport Vehicles ..	4,096	3,641	4,388	4,150	4,996
TOTAL	7,679	6,352	7,384	6,870	7,955

14.6. The public owned Kenya Transport Company—Kenatco performed better in 1978 than in 1977, making a profit of K£ 157,000 compared to a loss of K£257,500 incurred in 1977. There was improvement in every aspect of the company's operations except the clearing and forwarding department which has now been closed. The company continued to move freight to Uganda, Rwanda, Burundi, Zaire and Sudan. Uganda and Rwanda freight traffic accounted for 55 per cent and 27 per cent, respectively, of total freight hauled in 1978.

Railways

14.7. The transfer of the movement of white oil traffic from Mombasa to Nairobi to oil pipeline during 1978 had a very significant effect on railway operations. The loss of this traffic however occurred at a time when new locomotives and rolling stock had entered into service. This enabled the railways to attract other traffic with the result that the loss in terms of freight carried has virtually been made up.

14.8. There was only a small fall of less than one per cent in the total tonnage of freight carried between 1977 and 1978. Revenue receipts of the railways, on the other hand, amounted to some K£28.7 million, a rise of 4 per cent. The rise is mainly accounted for by the adjustments that were effected to the tariff in October 1977. Goods traffic earned K£25 million while passenger traffic and other coaching operations earned another K£2 million. The rest of the revenue was derived from livestock traffic, catering and other miscellaneous receipts.

14.9. The railways benefited from an unprecedented injection of new rolling stock into the system in 1978. The delivery of twenty-six 93 class diesel electric locomotives from U.S.A. was completed during the year. Twenty-two out of a total order of twenty-six 62 class diesel hydraulic locomotives were also received from West Germany. These new locomotives were part of an order worth K£19.95 million which was placed to achieve full dieselization of the Kenya Railways. The railways took delivery of the first of 1,200 wagons worth some K£23.6 million which have been ordered from the U.K. The first lot comprised of 440 low-sided wagons and 100 high-sided wagons with sliding roofs. Later the first batch of a new generation of third class coaches with many modern amenities was also received from Sweden. Twelve such coaches offered as a grant by the Swedish International Development Agency and built to the Kenya Railways specifications were delivered during the year.

14.10. The major works on the K£1.5 million Changamwe marshalling yard were completed in 1978. This modern rail services complex will become fully operational as soon as work on regrading the main line is completed. In the meantime work on the provision of diesel locomotive maintenance facilities has continued at Nakuru and Eldoret. This constitutes the final phase of the programme which was designed to provide relevant facilities for the eventual full dieselization of the system. The other major aspect of civil engineering work included track renewal and line improvement programmes and the provision of sidings to enterprises in industral areas in the major towns and other industrial sites. Such work was in progress throughout the year.

Harbours and Shipping

14.11. Mombasa port which serves Kenya, Uganda, Burundi, eastern Zaire and Sudan recorded some expansion in its activities. However, the tonnage of freight handled at the port which as shown in Table 14.5 increased by 3.3 per cent overall in 1978 was still below the level achieved in 1974. Volume of dry cargo landed in 1978 rose by 13.9 per cent while that of bulk liquids increased by 6.5 per cent, giving an overall increase of 8.9 per cent in the volume of landed cargo which was handled by the port in 1978. Particular increases were recorded in import landings of motor vehicle spares, petroleum products, sugar, wheat and salt, while the volume of sulphur and fertilizers handled declined. Volume of dry cargo loaded fell slightly by 0.8 per cent, while that of bulk liquids fell by 31.9 per cent, yielding an overall decrease of 8.3 per cent in the volume of loaded cargo in 1978. Substantial rises were however recorded in soda ash and tea, two ofKenya's major export commodities. Loaded volume of the former rose by 51 per cent to 148.300 tonnes and of the latter by 6.6 per cent to 101,300 tonnes in 1978. The number of ships calling at Mombasa also rose from 1.447 in 1977 to 1,613 in 1978.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1974-1978

Table 14.5 '000 *tonnes*

	1974	1975	1976	1977	1978*
Landed:					
Dry Cargo	1,292	856	1,355	1,301	1,482
Bulk Liquids	2,762	3,303	2,618	2,618	2,787
TOTAL	4,054	4,159	3,973	3,919	4,269
Loaded:					
Dry Cargo	1,724	1,366	1,565	1,465	1,453
Bulk Liquids	744	423	375	461	314
TOTAL	2,468	1,789	1,940	1,926	1,767
TOTAL FREIGHT HANDED	6,522	5,948	5,913	5,845	6,036

* Provisional.

14.12. Good progress was made during the year, on the development project aimed at expansion and modernization of facilities at the port. A new deepwater berth. No. 18, came into partial use in August. Work on this new berth had started in 1976 and is due for completion in June, 1979, when a stacking area, electrical and mechanical installations as well as handling equipment will have been provided. The new berth will provide an additional 180 metres of berth space for containers, increasing the total length of wharfage for such special use in berths 16. 17 and 18 to a total length of 540 metres. The port has also acquired a heavy duty 40 tonne forklift truck for handling containers.

14.13. During 1978. the Eastern African National Shipping Line handled a total of 80,784 freight tonnes compared to 67,156 freight tonnes in 1977 and earned K£2.47 million. The line has acquired two more vessels which were delivered in the last quarter of the year.

Pipeline Transportation

14.14. The Mombasa-Nairobi white petroleum products pipeline operated by the Kenya Pipeline Company was commissioned in February, 1978. Initially only motor spirit was pumped up the pipeline. Thereafter, other petroleum products have progressively been introduced. Kerosene was added to this list in April, followed later by jet fuel. Until July, 1978, jet fuel was transported by road bridgers. Although the pipeline attained a peak throughput of all products in January, 1979, total deliveries in the first quarter of 1979 at 335,700 cubic metres were lower than in the last quarter of 1978. This decline is attributed to the upheavals in Uganda which occassioned lower forward traffic from the pipeline terminal in Nairobi. Details on the pipeline throughput are given in Table 14.6.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1978-1979

Table 14.6 *litres*

	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumi-nating Oil	Light Diesel Oil	Industrial Diesel Oil	Autur Jet Fuel	Total
1978 Year ..	277,028	125.902	56,602	275.448	4.990	276.806	1,016,776
1st Quarter	27,531	11.274	—	.1,700	—	19,074	61.579
2nd Quarter	72.255	28.911	11.204	77,125	1,621	77.551	268.667
3rd Quarter	87,212	43,679	22.868	99,166	3,133	95,381	351.439
4th Quarter	90,030	42,038	22,530	95,457	236	84.800	355.091
1979—							
1st Quarter	77,115	44,218	22,953	98,198	_	93,253	335,737

Air Transport

14.15. Kenya Airways now in its second year of operations extended its services to Jeddah via Khartoum, and is now in effect covering virtually all destinations previously served by the defunct East African Airways Corporation except for the destinations in Uganda and Tanzania. The performance of the flag carrier as indicated in Table 14.7 improved considerably during 1978. The rate of utilization of the passenger capacity available on domestic flights improved from 59 per cent in 1977 to 66 per cent in 1978, while for international traffic the ratio rose from 48 per cent to 52 per cent. The respective freight capacity utilization for domestic and international traffic were 54.7 and 47.3 per cent in 1978 as compared to 49.1 and 39.9 per cent, respectively in 1978. At various times last year the airline leased aircraft from other operators to supplement its fleet. The main

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1977-1978

Table 14.7

	DOMESTIC		INTERNATIONAL		TOTAL	
	1977	1978	1977	1978	1097	1078
PASSENGER						
Passenger—Kilometers Millions	56.8	74.6	542.6	811.6	599.4	886.2
Seat—Kilometers						
Available: Million	96.2	113.1	1,130.4	1,226.4	1,226.6	1,667.1
Utilisation: Per cent	59.0	66.0	48.0	52.2	48.9	53.2
FREIGHT						
Total Carried: Million Kg/Km	5.3	7.0	65.8	98.7	71.1	105.7
Capacity Available: Million Kg/Km	10.8	12.8	164.8	208.9	175.6	221.6
Utilisation: Per cent	49.1	54.7	39.9	47.3	40.5	47.7

developments so far in 1979 include the opening of the Nairobi-Lagos-Accra route in January, and the introduction of reduced fares schemes, APEX, on the Nairobi-London route.

14.16. Flamingo, a subsidiary of the Kenya Airways, is charged with the operation of cargo and passenger charters, although so far it has largely concentrated on cargo charters. In 1978 it operated 172 cargo flights at an equivalent of 88 per cent load factor performance. It, however, still faces fierce competition from companies established in the developed world.

14.17. Kenya Airfreight Handling Company is another subsidiary of the Kenya Airways. It started operations in June 1978 and now handles all cargo to and from Nairobi Airport, leaving Kenya Airways to handle the passenger services. In 1978 the company handled 41.000 tonnes of freight of which half were horticultural exports.

Airport Development

14.18. *Jomo Kenyatta Airport, Nairobi.*—The major development works at the new national airport were completed in early 1978 and the airport commissioned on 14th March, 1978. These works included a new passenger terminal complex providing direct passenger access to aircraft through four airbridges, a separate cargo terminal, an air traffic control block and other ancillary buildings, a new aircraft taxiway parallel to the runway, aircraft parking aprons, and service roads and engineering facilities. The development has cost in all a total of K£28 million. A dual carriageway road to provide an uninterrupted connexion between the airport and the city centre is now practically completed. Planning is already in hand to extend the existing freight handling facility, and provide further office accommodation for airport users.

14.19. *Mombasa Airport.*—The final works involved in upgrading this airport to international standards with the provision of a new runway, taxiway, aircraft parking apron, a new passenger terminal, an air traffic control block and other buildings were completed during 1978 at a total cost of K£11 million. Wide.bodied jets operating direct to Mombasa from Europe and carrying charter traffic commenced using the new airport in time for the peak tourist season in November 1978.

14.20. Table 14.8 details passenger and freight traffic handled at Nairobi Airport. After the decline in 1977, the number of passengers passing through this airport recovered only slightly in 1978. This small increase in passengers handled was not matched by any rise in the volume of cargo handled. The direct access of international flights to Mombasa by larger aircraft obviously had its impact on freight handled at Nairobi which declined by 9.5 per cent despite a 9.3 per cent increase in arriving cargo. Table 14.9 sets out figures on numbers of passengers and volume of freight handled at Mombasa Airport. The new facilities increased the level of activity at Mombasa airport

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1974-1978

Table 14.8

	1974	1975	1976	1977	1978*
PASSANGERS—000's					
Landed	430.5	463.4	459.4	407.3	437.4
Embarked	437.0	479.1	469.1	420.7	431.0
In Transit	352.0	448.0	493.4	521.8	484.3
TOTAL	1,219.3	1,390.5	1,421.9	1,349.8	1,352.7
FREIGHT—*tonnes*					
Cargo: Landed	9,455.0	8,662.2	7,837.2	8,585.5	9,380.7
Loaded	19,382.0	22,537.6	23,843.1	24,592.7	20.883.3
Mail: Landed	1,026.3	1,197.6	976.9	855.1	596.8
Loaded	1,077.8	1,200.9	1,035.1	801.3	787.7
TOTAL	30,941.1	33,598.3	33,692.3	34,834.6	31,648.5

*Provisional.

in 1978 at the expense of Nairobi Airport. The number of passengers handled at Mombasa Airport rose by 3 per cent, being mainly tourists from Europe flying directly to enjoy the beaches. The haulage of coffee from Kigali, however, went up significantlly and helped raise the volume of freight by 325 per cent from 6,188 tonnes in 1977 to 26,269 tonnes in 1978. Indeed the volume *of* freight handled at Mombasa Airport virtually reached the level of freight hauled by Nairobi Airport but passenger traffic was still only about one-quarter of the traffic that is handled by Jomo Kenyatta Airport.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1974-1978

Table 14.9

	1974	1975	1976	1977	1978*
PASSENGERS—000's					
Landed	115.9	130.5	140.9	131.5	137.5
Embarked	117.3	133.9	138.5	136.3	141.4
In Transit	57.1	20.9	75.0	20.3	18.2
TOTAL	290.3	285.3	354.4	288.2	297.1
FREIGHT—*tonnes*					
Cargo: Landed	309.0	237.1	227.4	4,912.2	16,435.2
Loaded	437.1	309.6	316.8	1,161.6	9,722.0
Mail: Landed	69.8	55.5	55.0	77.7	75.7
Loaded	48.2	44.7	40.1	36.1	364
TOTAL	864.1	646.9	639.3	6,187.6	26,269.3

*Provisional

14.21. Wilson airport is the centre for general aviation in Kenya. Plans are currently being formulated for the provision of a new air traffic control building and other facilities at this airport. A programme for the improvement of the up-country airfields which serve the important administrative, strategic and tourist centres of the country is being implemented. It is estimated that a total of K£6 million will be spent during the current plan period on improvement of aviation facilities.

Posts and Telecommunications

14.22. The overall performance of Kenya Posts and Telecommunications Corporation continued to improve in 1978 despite some decline in certain activities. The number of post offices opened in 1978 increased by 5.7 per cent compared to an increase of 9.1 per cent the year before, while the number of private boxes rose by 10.6 per cent against an increase of 22.9 per cent in 1977. The number of manual telephone calls made rose by 8 per cent to 11.4 million and the number of ordinary letters handled went up by 20 per cent to 168 million. There was a varying rate of increase in other activities ranging from 7.9 per cent in the value of public telephone call boxes to 19.9 per cent in the volume of telex subscribers. Declines were, however, recorded in the number of parcels and registered articles that were handled during 1978. The details are set out in Table 14.10.

POSTAL AND TELECOMMUNICATIONS SERVICES, 1974-1978

Table 14.10 *Number*

	1974	1975	1976	1977	1978*
Post Offices	506	535	550	600	634
Post Office Private Boxes	72,141	80,831	91,321	112,254	124,131
Telephone Subscriber's tines	49,654	53,028	57,050	62,408	65,344
Public Call Offices	335	354	396	439	474
Telegrams Handled—'000'S	532	541	609	718	753
Parcels Handled—000'S	657	608	543	548	379
Manual Telephone Calls Made —000'S	9,354	9,760	10,018	10,555	11,403
Registered and Insured Items —*000's*	4,304	4,498	4,535	4,530	2,294
Telex Subscribers	556	516	757	848	1,017
Ordinary letters handled *Million*	96	117	139	140	168

*Provisional.

14.23. As shown in Table 14.11 the services of Kenya External Telecommunication Company increased substantially in 1978 despite the fall in telegraph services. The number of paid external telephone call minutes increased by 9.8 per cent from 2.67 million in 1977 to 2.94 million in 1978, while there was a rise of 19.6 per cent in utilization of telex service from

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1974-1978

Table 14.11

	1974	1975	1976	1977	1978*
Telegraph Service '000 *cables*..	306.5	403.1	259.8	253.5	226.0
Telephone Service '000 *paid minutes*	1,963.0	2,497.6	2,560.6	2,674.5	2,937.3
Telex Service '000 *paid minutes*	874.1	1,511.2	1,319.0	1,625.0	1,944.3

*Provisional.

1.63 million minutes in 1977 to 1.94 million in 1978. The cable traffic handled by the company, however, has declined from 401.1 thousand cables in 1975 to 226.0 thousand cables in 1978. The decline in the use of telegraph service may be attributed to the increase in the use of telephone and telex services.

Information and Mass Media

14.24. The Department of Information made considerable progress in 1978 in the setting up of information centres in the country. Two new sub. offices were opened at Thika and Mwingi while construction work was started on offices for Machakos and Kitale. New SSB/VHF facilities have been installed at Busia, and Kapenguria while others are to be installed in Kitui and Wundanyi in 1979. The monthly newsletter "HABARI" is now being printed for distribution by the Ministry's mobile printing unit at Meru.

14.25. Details on the number of radio and TV sets bought are set out in Table 14.12. The number of new radio sets bought was 10 per cent below that for 1977, but was still at the very high level of 131,355. Purchases of TV sets increased by 49 per cent, from 4.901 in 1977 to 7,309 in 1978. The operations of the Voice of Kenya were boosted by the installation of a 100 KW shortwave transmitter and two 10 KW VHF/FM transmitters. Further the Nairobi, Timboroa and Ma/eras TV transmitters were modified so that they were able to transmit in colour from November, 1978.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1974-1978

Table 14.12 *Numbers*

	1974	1975	1976	1977	1978
Radios	77,869	87,997	97,971	145,959	131,355
Television Sets	2,647	2,847	3,458	4,901	7,309

14.26. Two major development projects aimed at providing additional training facilities were started at the Kenya Institute of Mass Communications in 1978. The first project will raise training capacity by 90 trainees. The second project is concerned with setting up of a film production complex, which when completed will enable colour film processing to be done locally.

14.27. Table 14.13 details average daily/weekly newspaper circulation. Morning newspapers recorded considerable increases in their sales with the circulation of both English and Swahili dailies increasing by 18 per cent Weekly newspapers too increased their circulation although such increases were more marked for the English language papers.

DAILY/WEEKLY AVERAGE NEWSPAPER CIRCULATION, 1976-1978

Table 14.13 *Numbers*

	1976	1977	1978
MORNING NEWSPAPERS			
English	103,771	118,494	140,061
Swahili	32,208	32,334	38,165
OTHER NEWSPAPERS			
English Weeklies	81,837	81,123	95,165
Swahili Weeklies	128,169	87,651	88912

CHAPTER 15—THE SOCIAL SCENE

The Government, which attaches great importance to the development of human resources and the well-being of the people, has always allocated a substantial part of its expenditure to social services. As shown in Table 15.1, Central Government is estimated to have spent K£133 million on recurrent

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1975/76-1978/79

Table 15.1 *K£'000*

	1975/76	1976/77	1977/78	1978/79*
RECURRENT EXPENDITURE—				
Ministry of Education	66,586.7	73,478.9	88,425.2	94,551.0
Ministry of Health	19,522.4	21,259.7	26,874.4	30,126.3
Ministry of Labour	2,812.7	3,163.1	3,991.5	5,168.4
Ministry of Housing and Social Services	1,655.9	2,003.2	2,252.9	3,152.2
DEVELOPMENT EXPENDITURE—				
Ministry of Education	2,402.8	3,975.3	5,100.6	5,644.9
Ministry of Health	4,455.2	8,092.9	10,740.2	10,338.7
Ministry of Labour	424.7	267.9	1,030.2	1,335.6
Ministry of Housing and Social Services	5,212.4	4,385.9	9,171.9	9,690.7
TOTAL EXPENDITURE	103,072.8	116,627.0	145,877.0	160,007.8

***Estimates.**

expenditure on social services in 1978/79. This represents an increase of nearly 10 per cent over the expenditure in 1977/78 and accounts for approximately 28 per cent of the Government's current expenditure in 1978/79. In addition the local authorities also incurred an expenditure of K£18 million, on social services in 1978/79. Table 15.2 refers.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1974-1978

Table 15.2 *K£'000*

	1974	1975	1976	1977	1978
Education	4,503	4,702	4,761	5,189	5,750
Health	2,207	2,641	2,350	2,510	2,871
Housing	5,374	5,797	4,917	5,715	6,021
Other Social Services	2,849	3,074	2,507	2,916	3,620
TOTAL	14,933	16,414	14,535	16,330	18,262

*Provisional.

15.2. This chapter seeks to describe developments in the main social services except housing and employment. The former is dealt with in Chapter 12 and the latter in Chapter 5.

Education

15.3. Education continued to account for preponderant share of the total expenditure on social services in 1978/79. Recurrent expenditure on education rose to K£94.6 million in 1978/79 while an additional expenditure of K£5.6 million was incurred on education on development account. Both figures are approximately 10 per cent higher than the level in 1977/78. As detailed in Table 15.3 primary education has the largest allocation, accounting for 62 per cent of the total recurrent expenditure on education.

MINISTRY OF EDUC ATION EXPENDITURE, 1975/76-1978/79

Table 15.3 *K£'000*

	1975/76	1976/77	1977/78	1978/79*
RECURRENT EXPENDITURE—				
General Administration and Planning..	2,373.5	3,303.4	3,977.8	4,394.6
Primary Education	45,526.2	46,595.1	55,421.6	58,728.8
Secondary Education	9,523.3	9,934.2	11,455.0	12,963.0
Technical Education	793.1	845.7	1,036.6	1,119.8
Teachers' Training	2,214.7	2,557.4	3,027.7	3,288.0
Special	249.8	295.9	358.9	402.9
Polytechnic Education	842.6	974.5	1,285.8	1,445.1
Higher Education"	6,491.0	8,285.3	8,929.4	10.917.4
Miscellaneous	572.4	687.2	932.4	1,291.4
TOTAL	66,586.7	73,478.9	86,425.3	94,551.0
DEVELOPMENT EXPENDITURE—				
General Administration and Planning..	8.6	44.4	152.2	195.2
Primary Education	82.5	106.3	308.2	147.8
Secondary Education	1,016.0	1,101.2	916.1	1,205.4
Technical Education	682.6	777.5	639.5	910.0
Teacher's Training	137.1	359.7	2,002.9	1,212.0
Special Education	48.9	60.0	55.0	80.0
Polytechnic Education	167.6	156.9	728.5	1,454.5
HigherEducation**	194.2	305.5	251.1	440.0
Miscellaneous	65.4	63.7	47.1	–
TOTAL	2,402.8	3,975.3	5,100.6	5,644.9

*Estimates.

**Includes expenditure on University of Nairobi, Kenyatta University College and other institutions of the education not specified above.

15'4. The Government's commitment to expand educational opportunities is reflected in the recent decision to eliminate the tuition fees for Standard 6 making education free from Standard 1 to Standard 6. It was further directed that no more collection of building and other school funds in primary schools is to be effected from the pupils as from the beginning of the 1979 school year. Parents' associations, which will be formed in each aided primary school throughout the country, will be responsible for organizing meetings in the community for the purpose of collecting funds for the construction of school

buildings and furnishing them as well as raising other funds required by the school for extra. curricular activities. Finally starting in the month of May 1979 the Government is also distributing free milk to all schools to improve children's nutrition and thus their capacity to learn.

15.5. The Development Plan, 1979.1983, lays emphasis on securing improvement in the quality and relevance of education while ensuring a wider distribution of educational opportunities, particularly to remote areas. The Government hopes to extend provision of free education to cover Standard 7 in the primary school and to enhance the quality of this seven year primary education through provision of qualified teachers, suitable instructional materials and changes in the curriculum. This objective is to be attained through construction of boarding schools in arid districts to cater for an additional 3,600 primary school boarders; review of the primary school curriculum to improve the teaching of mathematics, science, and pre-vocational subjects; gradually phasing out untrained primary school teachers; and strengthening of the primary school supervisory services.

15.6. The aims and programmes of secondary education are to be oriented during the plan period primarily to suit the patterns of employment opportunities. In view of the difficulties experienced in absorbing all secondary school leavers into formal sector employment, the curriculum in secondary schools is to be revised to emphasize the teaching of relevant practical skills among other subjects. It is hoped this will enable larger numbers of secondary school leavers to be absorbed into employment, self-employment, and employment in the informal urban and rural sectors of the economy. The Government hopes to attain this objective by—

(i) allowing modest expansion in secondary education to correct imbalances that exist among districts and between boys and girls;

(ii) continuing with the Harambee Package Programme started during the last plan period offering limited assistance to Harambee schools to upgrade the quality of their teaching;

(iii) integrating education with rural development through diversification of the curriculum, particularly by emphasis upon the teaching of the agricultural sciences;

(iv) promoting personal qualities of creativity and innovativeness as well as promoting awareness of ethics and social obligations which will uphold the values of traditional African society while preparing students to face the challenges of modern society; and

(v) establishing a programme of out-of-school education through extra-mural and correspondence studies and by radio and television for those not selected for secondary or post-secondary education. The Government will also review the fee structure of secondary schools to ensure that parents contribute more towards the costs of secondary education.

PRIMARY SCHOOL ENROLMENT BY PROVINCE AND SEX, 1977 AND 1978

Table 15.4 *Numbers* '000

	1977				1978*			
	Male	Female	%Cohort Aged 6-12	%Pupils Aged 13+	Male	Female	Cohort Aged 6-12	°/„Pupils Aged 13+
Central	294.9	289.8	101.6	20.3	310.8	305.1	102.5	21.5
Coast	99.7	63.5	57.0	21.6	103.2	67.4	57.0	22.7
Eastern	297.3	275.3	99.0	13.8	313.1	288.7	101.0	14.5
Nairobi	44.6	41.7	72.5	13.4	45.9	45.8	75.5	13.0
North Eastern	6.9	2.3	11.2	29.1	7.1	2.4	11.7	28.1
Nyanza	305.5	248.9	80.4	11.5	278.0	224.9	71.0	14.0
Rift Valley	299.0	254.3	77.2	14.2	308.4	262.1	78.4	15.6
Western	236.7	210.6	102.3	12.8	217.8	197.3	93.0	14.0
TOTAL	1,584.8	1,386.4	85.6	15.0	1,584.1	1,393.6	83.2	16.5
No. of Schools	8,873				9,237			

•Provisional.

15.7. The University of Nairobi including Kenyatta University College is also expected to train manpower which will have motivation, skills, and knowledge necessary to enhance Kenya's technological progress. It will also engage in research relevant to the country's needs, and impart knowledge of the development problems of rural Kenya through a University Student's Service Scheme. The Government will also establish a second university in the country in order to expand the supply of high-level manpower. The new university will complement the work of the University of Nairobi by catering for learning in such areas as marine science and engineering, chemical engineering, mining engineering, water engineering, and studies of the arid and coastal zones.

15.8. There was only a modest increase in enrolment in primary schools in 1978. As shown in Table 15.4 these enrolments approximated 83 per cent of the estimated population aged 6 to 12 on the basis of population projections made by the Central Bureau of Statistics in 1972. However, more recent population estimates, based on the results of the National Demographic Survey of 1977, which are discussed in Chapter 3, suggest that the size of the potential school age population is larger than originally estimated. The present national enrolment ratio of the 6 to 12 year old could therefore be lower than 83 per cent. The Central and Eastern provinces continue to have the highest enrolment rates even exceeding the estimated numbers in the relevant age group in the two provinces.

15.9. Table 15.5 details enrolment in primary school by standard. The distribution of students reflects the large initial influx of students into Standard 1 in 1974 when fees were first eliminated for the initial four years of primary schooling. Entrants in 1974, who had remained in school and not repeated a class, would have reached Standard 5 in 1978. A comparison of the enrolment figures for Standard 5 in 1978 with the figures on enrolment in Standard 1 in 1974 indicates that 55 per cent of the pupils who began primary school in 1974 did not reach Standard 5. This suggests that the

ENROLMENT IN PRIMARY SCHOOLS BY STANDARD, 1974-1978

Table 15.5 *Numbers*

	1974	1975	1976	1977	1978*
Standard 1	958,940	66,8166	571,872	602,076	597,577
Standard 2	437,375	722,333	545,406	489,222	475,728
Standard 3	360,386	419,638	597,690	512,296	453,005
Standard 4	301,884	341,927	382,735	510,825	463,008
Standard 5	233,003	264,690	300,670	338,509	430,309
Standard 6	223,260	237,002	253,030	281,386	301,192
Standard 7	219,550	227,439	243,214	236,925	256,860
TOTAL	2,734,398	2,881,195	2,994,617	2,971,239	2,977,679

**Provisional.

sudden expansion of enrolments produced either a very high rate of wastage and/or a high rate of unreported repetition. Wastage rates among entrants to the educational system from 1975 onwards, although lower than the wastage rate for entrants in 1974, continue to be above the rates calculated for the period prior to 1974.

15.10. Details on total enrolment in secondary schools are noted in Tables 15.6 and 15.7. Enrolments in secondary schools have increased from 195,674 in 1974 to 319,982 in 1977 and 362,025 in 1978. This yields an increase of 85 per cent in enrolments between 1974 and 1978, while there was an increase of 13 per cent between 1977 and 1978. The shift in enrolments in favour of the unaided schools is another feature in the expansion of secondary schooling

SECONDARY SCHOOLS ENROLMENT IN AIDED SCHOOLS BY PROVINCE AND SEX, 1976-1978

Table 15.6 *Numbers*

	1976		1977		1978*	
	Boys	Girls	Boys	Girls	Boys	Girls
Coast	6,262	2,804	6,456	3,000	4,973	2,321
Central	17,691	8,892	18,865	9,218	19,364	9,458
Eastern	12,495	5,443	12,286	5,684	12,893	6,636
Nairobi	10,098	5,363	10,567	5,619	9,135	5,009
North.Eastern	531	107	590	146	327	158
Nyanza	13,347	4,703	15,743	5,921	13,918	5,421
Rift Valley	11,568	5,521	11,512	5,812	12,092	6,079
Western	10,297	3,513	11,792	4,785	9,719	3,907
TOTAL	81,289	36,346	87,811	40,185	82,421	38,989

•Provisional.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1976-78

Table 15.7 *Numbers*

	1976		1977		1978*	
	Aided	Un-aided	Aided	Un-aided	Aided	Un-aided
Form I	27,715	67,119	30,587	75,826	28,433	76,480
Form 11	27,849	47,469	30,144	59,748	28,190	81,701
Form III	28,279	26,509	29,583	31,112	28,393	46,238
Form IV	25,908	19,709	28,355	24,213	27,020	33,000
Form V	4,659	549	4,565	584	4,989	2,050
Form VI	4,225	398	4,671	503	4,385	1,145
TOTAL	118,635	161,753	127,996	191,986	121,410	240,615
Boys	82,289	94,434	87,811	109,415	82,421	133,864
Girls	36,346	67,319	40,185	82,571	38,989	106,751

**Provisional.

and is apparent from the fact that the proportion of students in unaided schools has increased from 48 per cent in 1974 to 66 per cent in 1978. Girls constituted 40 per cent of total enrolment in secondary schools. Some 44 per cent of students in Standard 7 in 1977 found places in Form 1 in 1978, 12 per cent in aided schools and 32 per cent in unaided institutions.

15.11. The extent of the movement into unaided schools is particularly evident when enrolments by form are considered. The proportion of Form 1 entrants in the unaided sector rose from 60 per cent in 1974 to 71 per cent in 1977 and 73 per cent in 1978. Thus whilst the increase in the number of pupils enrolled in Form 1 in aided schools between 1974 and 1978 was 9 per cent, the increase in registrations in Form 1 in unaided schools amounted to 97 per cent. Rapid growth of the unaided secondary school sector between 1974 and 1978 increased educational opportunities but delayed reconsideration and reform of the structure and curriculum of secondary education. Despite large-scale community financial investment in Harambee schools, they continue to have poorer facilities and a far higher proportion of untrained teachers and offer more limited courses than aided schools.

QUALIFICATIONS OF TEACHERS IN EDUCATIONAL INSTITUTIONS, 1976-1978

Table 15.8 *Numbers*

	PRIMARY			SECONDARY		
	1976	1977	1978	1976	1977	1978
TRAINED						
Graduate	50	47	421	2,129	2,634	2,740
Approved				628	626	650
SI	1,456	1,163	2,436	2,710	2,471	2,445
PI	13,649	16,466	19,224	222	226	244
P2	21,764	22,572	23,648			
P3	16,869	16,200	15,376			
P4	1,871	1,687	1,557			
Other	486	424	87	771	757	727
TOTAL	56,145	59,559	62,729	6,460	6,714	6,806
UNTRAINED						
Graduate	32	10	23	531	559	455
E.A.A.C.E	607	541	605	2,538	3,389	4,085
E.A.C.E	19,621	18,706	17,310	1,574	1,647	1,888
K.J.S.E	9,755	8,337	7,606			
C.P.E	2,706	2,352	2,003			
Other	208	151	115	335	372	311
TOTAL	32,929	30,097	27,662	4,978	5,967	6,739
Citizens	88,079	88,766	89,619	8,345	9,686	10,841
Non-Citizens	995	890	772	3,093	2,995	2,704
TOTAL	89,074	89,656	90,391	11,438	12,681	13,545

*Anapproved teacher, has completed the equivalent of a University education.

15.12. As outlined in Table 15.8, the teaching force was composed of 103,936 teachers in 1978, of whom 87 per cent were teaching in primary schools and 13 per cent in secondary schools. Of the primary school teachers, 69 per cent were trained and 99.1 per cent were Kenya citizens. The reliance on untrained teachers in primary schools decreases slightly in 1978 with the percentage of untrained teachers declining from 34 per cent to 31 per cent of the primary school teaching force. The majority of trained primary school teachers have completed some seconday schooling with an additional two years of further training at a training college. Most of the untrained primary school teachers also have finished at least two years of secondary schooling. Nearly all secondary school teachers in aided schools have had four to six years of secondary schooling and an additional two or three years of teacher training in education. These qualifications are considerably better than those of teachers in unaided secondary schools, most of whom are untrained secondary school leavers. In 1978 almost 80 per cent of all secondary school teachers were citizens as compared with 58 per cent in 1973.

15.13. Enrolments in training colleges for primary school teachers increased from 8,407 in 1977 to 9,011 in 1978 consonant with the Government policy of increasing the number of trained teachers in order to phase out gradually the employment of untrained teachers in primary schools. Of the total enrolment, 5,580 were males and 3.431 femals. Individual performance in the final examination is the determining factor in the certification of candidates into PI, P2 and P3 categories of teachers. Table 15.9 details enrolment in primary training colleges in 1978 by qualification of entrants. Most students have the East African Certificate of Education.

STUDENTS ENROLMENT IN ALL PRIMARY TEACHERS COLLEGES BY QUALIFICATION, 1978

Table 15.9

	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
E.A.A.C.E	4	6	5	2	9	8
E.A.C.E	2,492	1,438	2,383	1,397	4,875	2,835
K.J.S.E	321	211	287	291	608	502
C.P.E	41	51	47	36	88	86
TOTAL	2,858	1,706	2,722	1,725	5,580	3,431

15.14. In addition to the enrolment at Kenyatta University College and in the Faculty of Education of the University of Nairobi, students were also being trained to teach in secondary schools in other institutions in 1978. These included 496 students at the Kenya Science Teachers' College, 49 students at the Kenya Polytechnic, and 142 students at Kenya Technical Teachers College as well as the students at Egerton College who were being prepared to teach agriculture and home economics.

15.15. Expansion and diversification of the scope of teaching in technical and vocational subjects continued in 1977. Technical subjects are taught in four technical secondary schools for males and also at the Kenya and Mombasa polytechnics, which in 1978 had an enrolment of 2,787. Courses offered at the polytechnics include mechanical, electrical and civil engineering, printing, and business studies. A total of 931 students were enrolled in the ten operating Harambee institutions of technology. The Kaimosi institute had 168 students, Kiambu 252, Murang'a 168, Meru 85, RIAT 36, Gusii 24, Sangalo 50, Kirinyaga 120, Kimathi 132, and Rift Valley 36. The Harambee institutes of technology provide courses in such fields as building trades, mechanical engineering, agriculture, garment manufacture, home science, and secretarial studies. The basic Government grant to these institutes was raised from K£80 per student to K£130 per student per annum in 1978. The Ministry of Education continues to guide the institutes in their planning and development. Four more institutes of technology are expected to open in the near future.

15.16. In addition to the training offered in technical institutions various bodies also undertake specialized training for their own needs. Recruitment into technical training programmes in the public sector continues to be effected through a national selection process whereby all students in Form IV are offered the opportunity to apply for entrance into Form V or for selection into career training courses in seven fields; primary and secondary school teaching; agriculture and water development; health; technical work; craft work; tourism and hotels; and skilled office work. The various career training programmes attracted a very large number of applications for entrance in 1978/79. A total of 14.403 applications were received in 1978/79 indicating first preference for the 699 places in agriculture and water development, 11,384 for the 412 places in health, 3,529 for an intake of 209 trainees in technical work, and 6,443 for the 164 places at Kenya Utalii College and Kenya Polytechnic for courses in tourism, travel, and catering and hotel services.

15.17. There was an increase in total enrolments at the University of Nairobi from 5,283 in 1977/78 to 5,942 in 1978/79. Distribution of students into undergraduate, diplomate, and postgraduate categories is shown in Table 15.10. While there was a slight decrease in the numbers taking diploma courses, there was a marked increase in enrolments for several undergraduate courses including arts, commerce, agriculture, science, and medicine. Total enrolment in postgraduate courses also rose, particularly in faculties of science and medicine. Women accounted for 23 per cent of the total enrolment in 1978/79 and students from other countries constituted less than 6 per cent of the total.

15.18. The trend of declining enrolment at Kenyatta University College was reversed in 1978/79. Total enrolments, as shown in Table 15.11, increased from 1,210 in 1977/78 to 1,553 in 1978/79, as a result of the transfer of

UNIVERSITY OF NAIROBI—STUDENTS BY FACULTY AND SEX, 1977/78-1978/79

Table 15.10

	1977/78			1978/79		
	Males	Females	Total	Males	Females	Total
Undergraduate Courses						
Agricultural	206	53	259	225	81	306
Architecture and Design	175	37	212	146	45	191
Building Economics and Land Economics	125	9	134	113	6	119
Arts	373	198	571	562	420	982
Commerce	400	100	500	599	137	736
Education	357	125	482		-	-
Engineering	466	8	474	484	12	496
Law	132	56	188	137	64	201
Medicine	431	55	486	428	105	533
Science	454	53	507	712	113	825
Veterinary Medicine	295	25	320	273	40	313
Dental Surgery	76	12	88	64	32	96
Pharmacy	93	30	123	79	40	119
TOTAL	3,583	761	4,344	3,822	1,095	4,917
of which Kenya Students ..	3,375	729	4,104	3,731	1,093	4,824
Diploma Courses **Total	50	64	114	44	47	91
of which Kenya Students	28	52	80	43	45	88
Postgraduate Courses						
Agriculture	143	22	165	132	21	153
Architecture and Design	39	2	41	54	4	58
Arts	105	56	161	120	40	160
Commerce	35	3	38	37	7	44
Education	84	37	121	87	41	128
Engineering	35	-	35	45	-	45
Law	12	3	15	20	3	23
Medicine	56	11	67	75	19	94
Science	148	15	163	197	14	211
Veterinary Medicine	15	4	19	14	4	18
TOTAL	672	153	825	781	153	934
of which Kenya Students	496	116	612	576	113	689
Total Enrolments						
All Kenya Students	3,899	897	4,796	4,350	1,251	5,601
Students from other countries	406	81	487	297	44	341
TOTAL	4,305	978	5,283	4,647	1,295	5,942

*Includescourses on Food Science and Technology and Forestry.

**Diploma courses are offered in Journalism, Advanced Nursing and Adult Studies.

Kenyatta University College—Students by Courses and Sex, 1976/77-1978/79

Table 15.11

	1976/77			1977/78			1978/79		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
Diploma in Education..	186	112	298	114	57	171	4	6	10
Bachelor of Education	536	281	817	674	345	4,019	929	466	1,395
Postgraduate	8	1		17	3	20	107	41	148
Total	730	394	1,124	805	405	1,210	1,040	513	1,553

the Faculty of Education from the main campus of the University of Nairobi to Kenyatta University College.

15.19. The Educational Media Service continued broadcasting programmes to primary schools, secondary schools and to teachers in primary schools. Broadcasts to primary schools normally lasted 20 minutes each 35 times per week, and cover subjects such as English, music, history, Kiswahili, science, geography, and health education. Broadcasts to secondary schools also are of 20 minutes duration 20 times a week and cover science and industry, Kiswahili, history, geography, religious education, and agriculture. Some time also is allocated to broadcasts aimed at improving the primary school teachers knowledge of modern mathematics and Kiswahili.

15.20. Table 15.12 details the sharply rising costs of schooling per student to the Government with ascending levels of education. Estimated recurrent costs per student in 1978/79 ranged from K£18 in a primary school to K£l,780 at the University of Nairobi. The cost to the Government of one year of secondary schooling in an aided institution amounts to nearly five

ESTIMATED RECURRENT COST PER STUDENT BY TYPE OF INSTITUTION, 1978/79

Table 15.12	*K£*
Primary School	18
Primary School for the handcapped	90
Secondary Aided School	85
Primary Teacher Training College	270
Harambee Institutes of Technology	150
Kenya Science Teachers' College	902
Kenyatta University College	1,730
University of Nairobi	1,780

times the expense of educating a primary school pupil, whilst the average cost of one student at the University of Nairobi is nearly 100 times the cost of a student in a primary school. The estimated recurrent cost per student rose in all types of institutions between 1976/77 and 1978/79 with the University of Nairobi registering the smaller proportional increase per student while Kenyatta University College recorded the largest increase. An examination of these figures underscores the problem the Government will confront in financing continued expansion of the educational system. Even relatively modest rises in per student costs, such as the 12.5 per cent increase in per pupil expenditures in primary schools, when combined with large-scale growth in enrolments, require considerable increases in the education budget.

Health

15.21. Improvement of health services continues to be one of the major preoccupations of the Government. Health services are being improved through additions to physical facilities and personnel to dispense health services and through education in personal hygiene. Table 15.13 shows the number of health units and beds and cots in 1978. Rapid population growth indicates that the growth in the provision of services will have to continue at a fast rate if the average for the number of units per 100,000 population is to be increased to the level which is adequate to serve the population effectively.

HEALTH INSTITUTIONS AND HOSPITALS BEDS AND COTS BY PROVINCE, 1978

Table 15.13 *Numbers*

	HEALTH INSTITUTIONS				HOSPITAL BEDS AND COTS	
	Hospitals	Health Centres	Health Sub. Centres and Dispensaries	Total	No. of Beds and Cots	No. per 100,000 Population
Nairobi	26	2	113	141	3,919	479
Central	45	31	158	234	3,758	168
Coast	23	18	129	170	2,420	188
Eastern	27	20	201	248	3,177	127
North-Eastern ..	3	3	16	22	313	115
Nyanza	33	30	144	207	4,065	137
Rift Valley	50	66	311	427	4,679	160
Western	18	31	31	80	2,377	127
TOTAL	225	201	1,103	1,529	24,708	166

15.22. The work on extension of facilities at a number of district, provincial and the Kenyatta National Hospital continued through 1978. Also four new rural health training centres at Misoriot, Karurumo, Tiwi and Mbale were completed and are now functional. In addition about 75 other centres and dispensaries were identified for further development. Construction work is to start on new hospitals at Mkowe, Nairobi, Mombasa, Migori, Iten and Webuye during the current plan period while some of the self.help health projects will also be brought into the public health network.

15.23. Table 15.14 details the number of registered medical personnel including those in training institutions. Figures for trainee doctors, pharmacists and dentists refer to all years of training. Registered nurse trainees include also those at the School of Advanced Nursing. Apart from the number of nurses shown in the table a further 793 and 943 were being trained as Community Nurses in 1977/78 and 1978/79, respectively. While

REGISTERED MEDICAL PERSONNEL, 1976-1978

Table 15.14 *Number*

	1976	1977	1978		IN TRAINING	
			Number	No. per 100,000 Population	1977/78	1978/79
Doctors	1,567	1,479	1,466	9.50	486	510
Dentists		112	130	0.84	88	94
Clinical Officers*		1,002	1,459	9.46	287	337
Pharmacists	208	197	245	1.59	123	118
RegisteredNurses	6,237	6,173	6,388	41.41	615	798
Enrolled Nurses..	7,199	7,426	7,908	51.26	648	504

*Datarefer to registered clinical officers in Government Services.

the numbers of all other registered medical personnel show increases in 1978, the number of registered doctors dropped slightly from 1,479 to 1,466. This is due to the recent revisions in the registration of doctors. In addition to the 1,459 clinical officers in the public service, it is estimated that there are about 200 clinical officers in the private sector.

15.24. The Government is particularly vigilant in the control of communicable and vector-borne diseases. An outbreak of plague in 1978 was quickly detected and brought under control. Surveillance has continued to indicate a drop in deaths resulting from communicable and vector-borne diseases.

15.25. The Government was preoccupied during the previous plan period with building up an efficient infrastructure for the delivery of family planning services. In the current plan period emphasis will be shifted to implementation of the programme aimed at reducing the rate of population growth from the current estimated level of 3.9 per cent per annum. An additional 1,175 field staff are to be recruited and a further 315 service delivery points established to attend 900.000 acceptors during the plan period.

15.26. Some of the data from the Kenya Fertility Survey conducted in 1977/78 are set out in Table 15.15. These data show that 85 per cent of the 8,085 eligible female respondents aged 1549 year covered in the survey have some knowledge of birth control methods. However only 12 per cent had used an efficient method in the period and only 5.2 per cent were currently using a family planning method when the survey was being conducted. If pregnant women and those not currently married and not fecund are excluded, the proportion of exposed women who are current users of family planning methods is reduced to 10 per cent. These are very low percentages and the objectives of the current programme must be further intensified if a larger number of families are to be made aware of the benefits of family planning.

KNOWLEDGE AND USE OF FAMILY PLANNING METHODS REPORTED BY KENYA FERTILITY SURVEY, 1977/78

Table 15.15 *Percentage*

Category of use or knowledge	Knowledge of Family Planning Methods	USE OF METHODS	
		In Past	Currently
No Method	120	71.0	46.3
Only Inefficient	3.1	170	1.7
Some Efficient	84.9	120	3.5
Not Exposed	–	–	48.5

15.27. Table 15.16 shows that both the contribution received and benefits paid by the National Hospital Insurance Fund rose above the K£2 million figure in 1977/78. Also the fund had a positive net balance of K£33,281 compared to the negative balance of K£355,387 reported in 1976/77.

NATIONAL HOSPITAL INSURANCE FUND, 1967/68-1977/78

Table 15.16 *K£*

	Receipts*	Benefits*	Contribution Net of Benefits
1967/72 Annual Average	917,521	644,593	272,929
1972/73 Annual Average	1,189,255	883,152	306,103
1973/74 Annual Average	1,166,705	1,072,758	93,947
1974/75 Annual Average	1,420,338	1,311,911	108,427
1975/76 Annual Average	1,741,671	1,649,669	92,002
1976/77 Annual Average	1,629,411	1,984,798	.355,387
1977/78 Annual Average	2,166,762	2,133,481	33,281

*Includes both compulsory and voluntary contributions and other receipts.

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

Other Social Services

15.28. *Youth Development.*—The number of village polytechnics rose from 194 in 1977 to 220 in 1978 with about 22.000 trainees and 1,200 instructors. This represents an increase in enrolment of about 10,000. The number of village polytechnics will be increased to 370 with an enrolment of 40,000 by the end of the current plan period.

15.29. *Social Welfare.*—There were about 5,000 day care centres operating in 1978 compared to 4,712 in 1977. Enrolment in day care centres rose from 169,000 in 1977 to about 300,000 in 1978. This programme will be strengthened during the current plan period through extended courses for teachers, construction of additional training centres and training of additional trainers and supervisors.

15.30. *National Social Security Fund.*—The number of employees registered with the fund rose from 62,960 in 1977 to 66,616 in 1978. The number of employers registered in 1978 was 1,017 compared to 1,227 in 1977. Contributions to the fund increased from K£16.55 million in 1977 to K£19.55 million in 1978, while the total value of investments of the fund rose by K£28.11 million to reach K£139.05 million in 1978. These details are set out in Table 15.17.

NATIONAL SOCIAL SECURITY FUND CONTRIBUTIONS AND BENEFITS, 1967-1978

Table 15.17 **K£million**

	Contributions Received	Benefits Paid	Contributions Net of Benefits	Investments* During the year
1967	4.46	0.02	0.44	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	110	8.73	7.75
1975	12.43	116	11.27	11.33
1976	12.05	1. 01	11.05	18.75
1977	16.55	1.79	14.76	23.40
1978	19.55	1.76	17.79	28.11
TOTAL	116.41	10 00	106.42	139 05

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

15.31. *Community Development.*—Community development programmes are geared to mobilize people to cooperate in national-building activities. These activities consist of Harambee self-help projects, family life training centres, craft development and women's programmes. A total of 14,410 projects were undertaken in 1977 compared to 8,495 in 1976, while the value of self-help projects rose from K£6.5 million in 1976 to K£8.7 million in 1977. A total of 1,671 projects were completed during 1977 and 753 projects abandoned. The distribution of self-help projects by type shows that educational projects dominated the self-help movement with a value of K£5.5 million—over 65 per cent of the total contribution. These details are shown in Table 15.18. A total of 7 Family Life Training Centres with an enrolment of 1,291 mothers and 2,479 children were in use in 1977. The programme aims at educating mothers on nutrition and other subjects related to child health in an attempt to eradicate malnutrition.

VALUE OF SELF-HELP PROJECTS*, 1976-1977

Table 15.18

Category	1976		1977	
	No. of Projects	Value £'000	No. of Projects	Value £'000
Education:				
Primary Schools	3,415	2,005	5,146	3,101
Secondary Schools	454	1,473	717	1,981
Teachers Houses	167	260	316	221
Nurseries	673	166	1,395	163
TOTAL	4,709	3,904	7,574	5,466
Health	260	420	320	325
Social Welfare and Recreation	956	735	1,574	1,063
Domestic				
Latrines	522	29	100	41
Kitchen	47	19	32	16
Others	18	35	75	17
TOTAL	587	83	207	74
Water Supply	721	733	1,100	869
Transport and Communications	115	29	180	75
Agriculture	936	363	2,916	352
Fish Ponds	–	1	–	2
Miscellaneous	211	247	539	425
TOTAL	8,495	6,515	14,410	8,651

•Number of projects continued from the previous year plus the number started less numbers abandoned and completed.

15.32. *Vocational Rehabilitation.*—The vocational rehabilitation programme aims to restore persons suffering from physical or mental impairements to useful employment and economic independence. Eight vocational rehabilitation centres at Bura, Embu, Nyandarua, Kericho, Kisii, Kakamega, Itandu and the Nairobi Industrial Rehabilitation Centre were operational in 1977.

15.33. *National Youth Service.*—The service had 2,011 men and 136 women enrolled in 1978. A total of 815 youths who had graduated from the service were placed in direct employment in 1978. During the year the service established the Hindi Development Project Unit in Lamu District, Lambwe Valley Farm Demonstration Sub-unit in South Nyanza District, and stone crushing project at the Naivasha Women's Training Unit in Nakuru District. A total of K.Sh. 273,850 was realized by sales of farm products from all the units run by the service.

15.34. *Adult Education.*—A total of 2,186 education centres were in existence in 1977 with an enrolment of 41,811. Of the total number of centres, 957 being run by the Government had an enrolment of 20,191. A total of 749 candidates from the centres registered for the CPE examination but only 446 passed. Eradication of illiteracy among the adults in Kenya is to be given priority in the plan objectives and it is anticipated that by the end of the plan period, a majority should have learnt how to read and write.

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