REPUBLIC OF KENYA

ECONOMIC SURVEY 1983

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ECONOMIC SURVEY

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UNITS AND SYMBOLS USED

1. **K£ (Kenya pound) = 20 Kenya shillings**
2. **Tonnes are metric tons = 1,000 kg.**
3. **1 Hectare = 2.47 acres**
4. **Where figures are rounded off, totals may not add up**
5. **" — " means nil or negligible**
6. **" . . " means figures not available**

SUMMARY AND OUTLOOK

Overview

In common with most other African countries, the Kenyan economy has been experiencing considerable difficulties in the past few years, largely as a result of unfavourable developments in the world economy. There has been a slight decline in *per capita* incomes together with an acceleration in the rate of inflation and a fall in average real wages. Recorded wage employment showed a modest increase. Fixed capital formation fell sharply in real terms and there was a further worsening of the Government's budgetary position, with deficits on current account in 1981/82 and 1982/83 for the first time since Independence. Reflecting the adverse world conditions, the country's terms of trade deteriorated still further and the volume of exports declined. Import volumes were reduced even further, however, as a result of the exchange rate and licensing measures introduced. While there was a substantial rise in domestic credit largely due to Government borrowing, the growth of the money supply was more restrained because of a further reduction in the country's net external assets.

The most encouraging signs were a second year of good agricultural growth, albeit rather slower than in 1981; and some reduction in the balance of payments deficit on current account, as a result of reduced import volume and improved export prices.

Taking a long term view over 1976. 1982 as a whole, *per capita* GDP at constant prices continued to grow at a rate representing considerable achievement when viewed against the background of the high rate of population growth. In 1982, the average Kenyan was 10 per cent better off than in 1976. During the same period, per capita agricultural output expanded roughly in pace with population.

The International Environment

The international recession that already characterized 1980. 81 deepened further in 1982. There was a small decline in the real GNP of the OECD industrial countries taken as a group. Total demand in these countries ceased to grow, unemployment rates continued to go up, and new investment and business confidence remained at low levels. More positively, however, the priority which the governments of most of these countries had been placing on bringing inflation under control began to produce results, with substantially reduced inflation rates in most of the major economies. Nominal interest rates also began to fall, although they remained generally high in real terms.

The economic slow. down in the advanced economies inevitably had an adverse effect on world trade and hence upon the economic fortunes of developing countries like Kenya. The depressed state of demand in industrial countries meant continuing weakness on world commodity markets and the

terms of trade of non-oil developing countries remained at about 20 per cent below the 1977. 79 average. Although, overall, there was some reduction in the total size of the balance of payments deficits of these countries, the problem of financing the deficits became more acute in some cases. While commercial banks displayed growing reluctance to increase their exposure in non-oil developing countries, there were no compensating increases in the volume of development aid flows.

The Domestic Product and Investment

The improvement in the economy recorded in 1981, when the GDP is estimated to have grown by 5.5 per cent, could not be sustained in 1982, provisional data indicate a growth rate of 3.3 per cent. Since this is somewhat below the rate at which Kenya's population is expanding, there was a fractional decline in average income per capita of population. There was a fall in the real value of fixed capital formation particularly in machinery, transport and other equipment, and in the manufacturing, electricity and water sectors. The share of public investment in total capital formation rose from 46 per cent in 1981 to 50 per cent in 1982.

The growth recorded for 1982 would have been lower had it not been for a 4.4 per cent increase in the contribution of agriculture, even though this sector too was unable to sustain the strong recovery of the previous year. As the single most important sector, the performance of agriculture has a crucial impact on the overall growth of GDP. Other key sectors—manufacturing, construction, trade—all experienced more marked slow-downs; there was also a deceleration in the expansion of government services. These factors, together with the drop in real fixed investment and the squeeze on credit to the private sector, all tended to result in slack demand, and there was a 5 per cent fall in the real value of private consumption.

The Co-operative Movement

Co-operatives play an important role in the Kenya economy, with over 2,000 active societies and about 1.6 million members, implying that about one Kenyan in ten is a member of a co-operative. Chapter 3 therefore presents a special survey of the impact of this movement. This provides historical background, information on the number and membership of co-operative societies and unions, and a discussion of the role of co-operatives in marketing and the provision of rural credit. The chapter concludes by examining the probable future development of the movement.

Employment, Earnings and Consumer Prices

The last year was not a happy one for employment, earnings and consumer prices. Recorded wage employment in the modern part of the economy went up by only 14,000 or 1.3 per cent, with the increase largely concentrated in the parastatal organizations. There was virtually no increase in private sector employment.

Average earnings per wage employee went up by 6.7 per cent, with similar-sized changes in both the private and public sectors. On an activity- by activity basis, average earnings remained higher in the public sector, although this ceased to be true of manufacturing. As regards consumer prices, 1982 proved to be a year of record inflation rates, with an average increase in consumer prices of 22.3 per cent. The acceleration had began at the end of 1981 and there was some tendency for a slowing- down in the latter part of 1982. With inflation substantially outstripping the rise in money earnings, average real earnings possibly declined by more than 10 per cent, following a rise of 3.6 per cent in 1981.

Money, Banking and Finance

The main features of the financial scene in 1982 were the continued rapid expansion of domestic credit, especially credit to the Government, and a further deterioration in the country's external asset situation. There has been a more or less continuous decline in the country's net external assets from the end of 1979 to February 1983. Credit to the domestic economy increased by 29 per cent, including a 65 per cent increase in credit to the Government. Declining foreign assets partly offset the growth in domestic credit, so that the increase in the money supply was down to 16 per cent. The necessity to restrict imports because of the balance of payments situation and the consequential adverse effect on domestic economic activity have dampened government revenues and contributed to the budget deficit. Much of this deficit has been financed by borrowing from the Central and commercial banks, but this credit expansion has itself tended to further weaken the balance of payments.

The liquidity of the commercial banks, which largely determines their lending power, has been high and on a rising trend, suggesting that they have excess lending capacity even though minimum liquidity ratios have been raised. Although the nominal value of the assets and liabilities of the banking system grew appreciably during 1982 they rose less rapidly than the price level, so the real capacity of the banking system actually declined during the year. Over the medium-term period (1978. 82) the real capacity of the system has remained roughly constant. Non-bank financial institutions, on the other hand, have continued to expand both relative to the banks and in real terms, but as these come more under the supervision of the Central Bank it remains to he seen whether this expansion will be sustained. Nominal interest rates were again increased in December 1982.

Public Finance

On the basis of preliminary estimates, it appears that the 1982/83 fiscal year was a difficult one for the Government finances, although some progress was made in achieving a better balance between revenues and expenditures. While current revenues grew by under 6 per cent—well below the growth of

current-price GDP—current expenditures are estimated to have increased by nearly 15 per cent, leaving a large budget deficit on current account. Development and investment expenditures went down, however, which limited the size of the overall deficit. There was also a sharp increase in receipts from external grants and loans, so that the remaining uncovered deficit to be financed by domestic borrowing was actually smaller than in 1981/82. Much of the domestic financing needs was met by long-term rather than short-term borrowing and the figures record a substantial increase in the Treasury's cash balances. Government borrowing from the banking system is expected to be reduced.

It is apparent that in recent years budgetary trends have been mixed. Whereas even as recently as 1979/80 the Government was able to generate a current account surplus large enough to finance a sizeable proportion of its capital spending, the record since then has shown a sharp deterioration and for the first time in many years, 1981/82 and 1982/83 saw the emergence of current account deficits. This has forced the government to cut back on development spending, which has fallen from a level equivalent to 30 per cent of current spending in 1980/81 to an estimated 19 per cent in 1982/83.

External Trade and the Balance of Payments

Although 1982 was another difficult year for Kenya's balance of payments and the terms of trade worsened for the fifth successive year, there were also some positive features. The chief of these was a significant improvement in the balance of trade as a result of both improved export earnings and reduced import volumes. The volume of imports went down by an estimated 12.5 per cent. There was also a small decline in the volume of exports which was more than compensated, however, by improved export prices, so that total export earnings went up by 6 per cent. There were likewise improved receipts from services, so that the deficit on balance of payments current account was reduced by nearly K£47 million compared with the 1981 outcome—a genuine improvement in a year of difficult trading conditions.

Inflows of both public and private long-term capital declined rather sharply during the year so that taking the current account and long-term capital flows together, there was actually a small net worsening in the situation. While there was a modest re-building of the country's international reserves, this was only possible because of financial support from international bodies.

Agriculture

As a result of generally satisfactory weather conditions and producer price incentives in 1982, the agricultural recovery continued for the second year. Constant-price value added in agriculture went up by 4.4 per cent, as against 6.2 per cent in 1981. It is estimated that a total of 26 million bags of maize were produced in 1982, an increase of one fifth. Maize deliveries to

the Cereals and Produce Board were up by a similar proportion and the value of such sales rose by 30 per cent. There were also notable improvements in the production of whole milk, tea, sisal and pyrethrum, although declines were recorded for coffee, cotton and sugar cane. There was another large increase in the production of carcass beef by the Kenya Meat Commission, which by 1982 had increased by more than half over the 1980 level.

Average prices received by farmers for their marketed output went up by nearly a tenth. Unfortunately, the prices paid by them for inputs and consumer goods and services rose to a proportionally larger extent, so that the terms of trade of the agricultural sector recorded a further decline, continuing a long-term trend that was only interrupted by the coffee and tea boom of 1976. 77.

Natural Resources and Environment

There were a number of positive developments in the natural resources and environmental field during the period under review. The number of operational rural water supply projects is expected to increase to 130 during the course of 1983, with the largest projects located in the Central, Western and Nyanza provinces. The Rehabilitation of Water Supplies Programme has two projects under way and a third has been initiated, with a further 25 projects identified for eventual rehabilitation. Further progress was made in the development of ground water sources, with a major project in the North Eastern Province, which includes 31 boreholes and 140 pans.

Turning to forestry. 7,800 new hectares were planted in 1982, which was double the 1981 figure. An estimated 85 million seedlings were planted in 1982 as part of the conservation and afforestation programme and the target, set by Presidential Directive, for 1983 is 200 million seedlings. There was a large increase in recorded sales of timber—from 477,000 cubic metres in 1981 to 701,000 cubic metres in 1982. Fisheries recorded a more moderate expansion.

Based on incomplete information, the indications are that there was a slight expansion in the output of the mining sector during 1982, although there were small declines in the output of fluorspar and salt. The value of production rose sharply, however, because of higher prices and there were substantial rises in the value of export earnings from soda ash and fluorspar. Further progress was made in the harnessing of geothermal resources for the generation of electricity.

As regards the assessment and monitoring of natural resources, the Kenya Rangeland Ecological Monitoring Unit was active in covering both high and low potential areas. This work has yielded important new information on the country's forest cover and rates of depletion. It has also been mapping land-use patterns and the utilization of the rangelands. The information

suggests that the total livestock population has remained roughly constant in the recent years. The wildlife population is less stable because of large migratory movements.

Energy

A dominant feature of Kenya's energy sector over the past three years has been a shift to non-oil energy sources and a decline in energy consumption relative to total economic activity. Following the oil price rises of 1979-80, the overall demand for peroleum fuels has declined steadily in quantity and dropped in 1982 to more than 11 per cent below the 1980 level. A combination of factors contributed to this, including the higher prices for oil products passed on to domestic consumers, energy saving by the public and shifts to other sources of energy. The impact of the continuing world-wide recession on economic activity in Kenya also contributed to the reduced demand. During 1979-82, retail prices for petroleum products rose by 161 per cent, having been increased on ten occasions in that period. In consequence of these trends, consumption of petroleum products relative to total economic activity has declined by nearly a fifth in the last two years.

Part of this movement was due to increased consumption of hydro and geothermal electric power. Seventy additional megawatts of hydro and geothermal electricity capacity were brought on stream in 1981/82, leading to an increase in domestic production and consumption of electricity between 1980 and 1982 of 21 per cent. Nevertheless, there was a decline in the total consumption of all energy sources relative to total economic activity and over the past two years locally produced energy sources have risen as a proportion of total energy consumption from 12 to 17 per cent.

Manufacturing

The generally depressed level of domestic demand coupled with low prices received on world markets for some of the country's manufactured exports contributed to low growth in the manufacturing sector. As a result of these factors, manufacturing output grew in real terms by a modest 2.7 per cent, compared with 5.2 and 5 per cent in 1980 and 1981. The largest declines were registered for printing and publishing, rubber products, metal products, textiles, leather and footwear, and miscellaneous manufactures. The highest growth rates were achieved in the wood products and food processing industries.

Under-utilization of capacity due to lack of essential materials and stagnant domestic demand led to the closure of a number of firms, and gross fixed investment in the sector declined by over 30 per cent. There were further difficulties in securing adequate supplies of machinery and other equipment, imports of which were considerably reduced. Overall wage employment in

the sector remained static in 1982. Average productivity per worker went up by 2.4 per cent in real terms and wage costs as a percentage of gross output recorded a further fall.

Building and Construction

The slow-down reported earlier in the real value of fixed capital formation naturally found reflection in the building and construction sector. While construction sector GDP had increased in real terms in 1980 and 1981 by 6-8 per cent, largely under the influence of a number of important water projects, there was a real decline of 10.4 per cent in 1982, and the indications are that this recession will continue into 1983. Declines were registered in 1982 in two of the main indicators of the sector's activity: employment and cement consumption—by 1.4 and 11.2 per cent respectively. There was a particularly sharp fall in the real value of private sector building completions, reflecting the reduced number of major projects initiated in the immediately preceding years. The combined building and construction cost index rose in 1982 by 15 per cent, against 9 per cent in 1981, with a particularly large increase in labour casts.

Tourism

Notwithstanding a small overall decline in world tourism, Kenya's tourism performed better in 1982 than 1981. Incoming tourists increased by 5 per cent, although departing visitors showed only a marginal increase. Europe continues to be the major source of tourists to Kenya. The number of tourists from Europe, North America and Asia increased during the year, although there was a sharp drop in the number of holiday-makers from other African countries. The total number of days stayed in the country rose by 8 per cent but the average length of stay went up only marginally. Bed-nights and rooms occupied fell slightly despite an increase in availability. As a result, room and bed occupancy rates fell. Tourist earnings went up by nearly 30 per cent in money terms.

There was a 12 per cent increase in the number of visits to national parks during 1982. Judging from the data on the utilization of the Kenyatta International Conference Centre, conference visits were subject to mixed trends. On the one hand, there were declines in the number and length of conferences and in the utilization of the centre; on the other hand, the total number of participants doubled over the 1981 figure, implying that the 1982 conferences were, on average, much larger. Increased promotional efforts probably contributed to the growth of tourism during the year and the availability of hotels continued to expand. Hotels have recently been started in Western Kenya, and there has been a continued increase in the number of other up-country hotels.

Transport, Storage and Communications

As may be expected, there was no uniform performance among the various industries which comprise this sector in 1982. The overall growth of the sector, in real terms, is estimated at 4.6 per cent in 1982, a major improvement over the 1.5 per cent of 1981.

There had been a fall in the number of new registration of vehicles in 1981, as a result of import restrictions, and there was a further decline in 1982, when new registrations were 35 per cent below the 1980 level. There were significant declines in registrations of vans, pick-ups, lorries, tractors and motor cycles. The volume of freight handled by Kenya Railways has been virtually unchanged for the past three years, while there has been a slight decline in the number of passengers carried from the record level achieved in 1980. Shortages of rolling stock continue to hamper the railways. A reorganization of Kenya Airways commenced in 1982 and there were increases in both the number of passengers and freight carried during 1982, although the improvements were confined to international routes.

In the communications sector, an important development was the merger in June 1982 of the Kenya External Telecommunications Company with Kenya Posts and Telecommunications Corporation (KPTC), with all services now coming under KPTC. There were continued increases in most services during 1982. The number of post offices went up, as did the number of tele. phones and telephone calls. There was also a small increase in the number of letters handled from the depressed level of 1981, although the volume was still below the 1980 level. For the fourth successive year, there was a decline in the number of international cables but this was approximately matched by a further rise in the number of international telephone calls.

The Social Scene

Government spending on the social services is dominated by the cost of education, which accounts for two-thirds of the total; health takes up one quarter. Total spending on the social services by the central government during 1982/83 was 8 per cent higher than in the previous year, with a larger increase in education, and there was also a significant rise in local govern. ment spending in these areas.

There were further increases in the number of pupils enrolled in the school system. In the primary schools the number went up by 5 per cent to 4.2 million, approximately 93 per cent of the estimated total number of children of primary school age. Total enrolment in all types of secondary schools is estimated to have reached 438 thousand in 1982, a rise of 8 per cent. A further small increase in the total number of teachers and a continued decline in the proportion of untrained primary school teachers were also recorded. However, the increased number of teachers did not keep pace with the expanded enrolment of pupils at primary school level.

It was announced by the Government during the year that beginning 1984 the education system will switch to an 8-4-4 pattern, with eight years primary and four each of secondary and university education.

As regards health, the Government continued to expand facilities in order to improve the standard and scope of services provided. Fourteen additional health centres and 5 additional dispensaries were opened and the number of hospital beds went up by 936. There was a 5 per cent rise in the number of doctors in the country.

Outlook for 1983

There are glimmers of a recovery in the world economy during 1983 and 1984. Lower inflation and interest rates, more buoyant demand, lower crude petroleum prices and improving business confidence are expected to spark at least a minimum revival of activity in the industrialized countries. The demand for commodity exports from developing countries is likewise set to grow accompanied by a possible modest improvement in the terms of trade. However, the lag between an upturn in the economies of developed countries and the beneficial impact on developing countries means that the year 1983 will remain a difficult one for Kenya.

The balance of payments continues to be the major development constraint in 1983. Even though the first quarter of 1983 saw an improvement in the foreign reserves position, this could only be achieved by foregoing the importation of essential inputs for industry. The IMF has extended an 18. month credit, the drawing of which will have a favourable impact on the economy. The inflow of private foreign capital, however, is unlikely to improve until the upturn in the economies of industrialized countries becomes more discernible.

While agriculture exhibited continued good performance in 1982 following the strong recovery recorded in 1981, the first five months of 1983 have proved uncertain for most crops. The onset of the long rains was delayed, and apart from the coastal areas and Western Kenya where rains have fallen steadily, they have been patchy in most other areas. It is unlikely, therefore, that agriculture will perform any better than in 1982. Manufacturing too is expected to record growth similar to that in 1982. Tourism is expected to improve on the 1982 record, partly due to rising expectations in tourist generating countries and to the favourable effect of the December 1982 currency adjustment. The inflation rate, although still high, will drop appreciably from the 1982 peak level.

The Government's strict control over public expenditure will have a profound impact on the economy, especially on the money supply. The shift of emphasis to policies centred on the district level will also exert an influence.

All in all, the scenario in 1983 can be summed up as that of an economy "not yet out of the woods" but with promise of recovery in 1984 and 1985. Salient economic indicators and forecasts for 1983 are set out in Table 1.

Table 1

Key Economic Indicators 1979-1983

		1979	1980	1981	1982*	Forecast 1983		
1. Population	000	15,327	16,667	17,342	18,035	18,748		
2. Growth of GDP at constant prices	percent	4.3	3.3	5.5	3.3	3.3		
3. GDP at market prices	K£mn	2,271	2,632	3,039	3,420	3,762		
4. Net cost of petroleum imports..	K£mn	69	116	200	230	224		
5. Exports of merchandise	K£mn	413	516	537	569	550		
6. Imports of merchandise	K£mn	620	960	931	945	934		
7. Trade balance	K£mn	709	-444	-394	-376	-384		
8. Balance of current payments..	K£mn	186	-329	-326	-280	-260		
9. Coffee production	000 tonnes	75.1	91.3	90.7	88.4	91.0		
10. Tea production	000 tonnes	99.3	89.9	90.9	95.6	98.0		
11. Maize production	000 tonnes	1,800	1,620	1,971	2,349	2,400		
12. Wheat production	000 tonnes	201	216	214	235	240		
13. Sugar cane production	000 tonnes	3,148	3,987	3,822	3,108	3,388		
14. Milk sold	million litres	241	187	223	260	270		
15. Change in manufacturing output volume	percent	+8	+5	+5	+3	+3		
16. Construction output	K£mn	260	351	403	408	405		
17. Change in construction output volume	percent	+8	+6	+8	+10	+1		
18. Cement consumption	'000 tonnes	631	691	653	579	579		
19. Petroleum consumption	'000 tonnes	1,560	1,671	1,585	1,489	1,500		
20. Electricity consumption	million Kwh	1,479	1,538	1,663	1,701	1,740		
21. Tourism earnings	K£mn	62.0	82.5	90.0	116.0	127.6		
22. New registrations of vehicles	Number	20,883	23,246	18,115	15,061	13,660		
23. Rail freight	million ton/km	1,998	2,281	2,245	2,307	2,425		
24. Air-passengers handled	000	1,791	1,847	1,951	1,869	1,897		
25. Consumer price increase	percent	8.4	12.8	12.6	22.3	17.0		
26. Wage employment	000	972	1,006	1,024	1,038	1,054		
27. Education primary enrolment..	000	3,698	3.893	3,981	4,184	4,350		
28. Education secondary enrolment	000	384	399	411	438	455		
29. Education higher enrolment	000	20.5	20.9	23.3	21.7	22.1		
30. Hospital beds and cots	Number	26,922	27,691	28,108	29,044	29,292		
31. Registered doctors and dentists	Number	1,682	1,853	2.254	2,390	2,706		
Index Numbers (1976=100)							% Change 1981—82	Annual % rate of change 1976-82
1. GDP per capita, in constant prices		109	108	110	110		-0.6	+1.6
2. Agricultural value added per capita		103	97	100	100		+0.6	
3. Import volumes		116	133	104	91		.12.5	1.6
4. Export volumes		94	97	92	89		-3.3	.1.9
5. Terms of trade		97	89	77	73		.5.2	.5.0
6. Money supply		198	203	224	262		+16.1	+17.4
7. Total domestic credit		188	212	264	341		+29.2	+22.7
8. Consumer prices		138	155	175	214		+22.3	+13.5
9. Real wages		91	92	95	83		.12.6	.3.0
10. Recorded wage employment		112	116	118	120		+1.3	+3.2

*Provisional.

CHAPTER 1— THE INTERNATIONAL SCENE

Twelve months ago forecasts were that 1982 would be a year of uncertainty. In the event, the year proved to be one of stagnating output and depressed international trade. Although inflation and interest rates fell in the industrial countries, unemployment was high and still rising. Demand was weak and business confidence was low. Faced with such problems, countries became more inward-looking and resorted to domestic policies, including protectionist measures, which tended to further aggravate the world recession. This contributed to a further slowdown in world trade.

1.2. In the non-oil developing countries, exports were severely affected by the persistently low level of industrial-country demand. Their terms of trade remained very weak—about 20 per cent below the 1977. 79 average—and protectionism affected their exports of manufactures. High real rates of interest made the debt servicing of these countries more costly; while their demand for imported capital goods remained substantial. Their need for external financing thus increased while willingness to lend to them diminished. Many of these countries, therefore, not only found it increasingly difficult to meet their new financing needs but could not even service their existing debt. As a consequence, debt re-scheduling doubled and cuts in import volumes became unavoidable, with an inevitably adverse effect on the performance of their domestic economies, as in Kenya.

1.3. Table 1.1 sets out key economic indicators for the Organization of Economic Co-operation and Development (OECD), group of industrialized countries. Total Gross National Product (GNP) of the OECD countries fell by about half a per cent in 1982. Principally due to reduced investment arising from high interest rates, the U.S.A., which had registered a growth in GNP of nearly 2 per cent in 1981, recorded a fall of 1 3/4 per cent in 1982. Helped by domestic demand, Japan achieved continued growth, although much less rapid than in earlier years, despite growing restrictions against her exports. Taken together, the western European economies recorded only the slightest of expansion, with positive growth in the United Kingdom and France offset by declines in West Germany and Italy. Taking all industrial countries together, there was a 4 per cent decline in industrial production in 1982, led by a particularly severe fall in the United States.

1.4. The weak state of domestic demand was a major cause of the stagnation just reported. As can be seen from Table 1.1, there was a clear correlation between the growth of real GNP and of domestic demand, and for the OECD group as a whole demand did not grow at all. Partly because of the state of demand, business confidence has also been low, which has resulted in reduced levels of investment and inventory holdings. Continuing high real interest rates and restrictive monetary policies have also helped to depress investment. Finally, the adverse effect of the world recession on the

KEY ECONOMIC INDICATORS AND PROJECTIONS FOR WESTERN INDUSTRIAL COUNTRIES (OECD) (SEASONALLY ADJUSTED ANNUAL RATES)

Table 1. 1

	1981	1982	1983	1984 (1st half)
	(percentage changes from preceding period)			
Real GNP—				
United States	2	-1 3/4	2	3 1/2
Japan	3	2 1/2	3 1/2	4
OECD European members	-1/2	1/4	1/2	1 3/4
Total OECD membership	1 1/4	-1/2	1 1/2	2 3/4
Real total domestic demand—				
United States	2 1/2	-1	3	4
Japan	1/2	2 1/2	2 3/4	3
OECD European members	-1 3/4	1/2	1/2	1/2
Total OECD membership	1/2	0	1 3/4	2 3/4
Inflation (private cosumption deflator)—				
United States	10 1/2	6	5 1/4	5 1/2
Japan	5	2 3/4	3 1/4	3 3/4
Germany, Federal Republic of	6	5	3 3/4	4
France, United Kingdom, Italy, and Canada	–	11 1/2	9 1/4	8 1/4
High. inflation smaller countries[2]	–	14 1/2	13 1/2	13 1/4
Lower. inflation smaller countries[3]	–	6 1/2	5 1/4	5 1/2
Total OECD membership	10 1/2	7 1/2	6 3/4	6 1/2
Current balances.	(billion US dollars)			
United States	4 1/2	. 9	-31	-45
Japan	5	7	11	21
Smaller deficit countries[4]	–	.35	-33	-30
Total OECD membership	-31	-39	-54	-52
Unemployment—	(per cent of abour force)			
United States	7 1/2	9 1/2	10 1/2	10 1/4
Japan	2 1/2	2 1/4	2 1/4	2 1/4
OECD European members	8 1/2	10	11	11 1/4
Total OECD membership	7	8 1/2	9 1/2	9 1/2

Note. — The cut-off date for information used in the compilation of the forecasts was November 19, 1982.

Assumptions underlying the projections include no change in actual and announced policies; unchanged exchange rates from their average of the four weeks ended November 5, 1982; and unchanged dollar price for internationally traded oil to end of 1983 and, thereafter, rising in line with OECD export prices of manufactures.

[2]Australia, Denmark, Finland, Greece, Iceland, Ireland, New Zealand, Norway, Portugal, Spain, Sweden, and Turkey.

[3]Austria, Belgium, Luxemburg, the Netherlands, and Switzerland.

[4]Total OECD membership, less the seven major countries, the Netherlands, Norway, and Switzerland.

Source: OECD Economic Outlook, No. 31 and 32.

ability of developing countries to buy imports from the industrial world has also held back the recovery of the latter. This factor alone is thought to have held back economic growth by 0.5 percentage points in 1982 and is an apt illustration of the argument that it is in the self interest of the industrial countries to assist the Third World to achieve an economic recovery.

1.5. Further progress was made in bringing inflation down, assisted by lower oil prices. For 1982 as a whole, consumer prices rose by about per cent in OECD countries compared with 10 1/2 per cent in 1981. Substantial falls were registered in the U.S.A., West Germany and France achieved more modest declines. Even though inflation dropped in Italy from 19.5 per cent in 1981 to 16.6 per cent in 1982, it continued to experience among the highest rates experienced among all OECD members. As the battle against inflation continues, further modest reductions are expected in most OECD countries, with the OECD predicting an overall decline from 1 1/2 to 6 3/4 per cent.

1.6. As a consequence of inflation and resulting monetary restrictions, interest rates began to rise in 1980 and continued to do so until mid. 1981 by which time they were at un-precedentedly high levels. Nominal interest rates dropped substantially in 1982, however, with the most pronounced falls occurring in the U.S.A. and in the U.K., where long-term rates fell by about 6 and 4 percentage points respectively. However, taking into account the reduced rate of world inflation, real rates of interest remained high, especially for primary product exporters confronting depressed world prices. As governments have now shifted their emphasis to stimulating their respective economies through reduced interest rates, with some relaxation in controls on domestic money supply, some downward trend in nominal interest rates is expected to continue, which will also help to revive investment.

1.7. One of the disturbing features in the world economy in 1982 was the continued growth in unemployment. Having increased year by year from 5 per cent in 1979, the unemployment rate in the OECD area averaged 8 1/2 per cent in 1982. Rapid increases were seen in U.K., from 10.9 per cent in 1981 to 12.5 per cent in 1982. In U.S.A. unemployment rose from 7.5 to 9.5 per cent; in Germany from 4.4 to 6.4 per cent. Despite the more expansionary policies that several countries have now adopted, the unemployment rate is shown in Table 1.1 as likely to increase further in 1983 before levelling off.

1.8. The general world recession and shortfalls in international liquidity led to sluggish global trading conditions. According to the General Agreement on Tariffs and Trade (GATT), the value of world merchandise trade, excluding oil, declined by one per cent in 1981 while the volume expanded by 2.5 per cent. In 1982, the volume of world trade is estimated to have contracted by 2 per cent, with trade in oil declining substantially. To a certain extent, these problems were aggravated by protectionism as a result

of which GATT convened a ministerial meeting in November 1982, with the hope of reviving international co-operation. Ministers committed themselves to avoid and resist measures that would distort free conduct of international trade but there was little agreement on specifics and it remains to be seen whether the commitments will have any concrete results.

1.9. Between 1978 and 1982, prices of primary commodities (except petroleum) fell sharply. Although in 1982 coffee prices were 6.7 per cent above the 1981 level, they were still 16 per cent below the 1978 level. Tea prices fell another 4.7 per cent in 1982 while sugar in the free market dropped by 10.8 per cent. Worse price declines could have been experienced had it not been for international commodity agreements which not only prevented price declines for some crops but raised prices for others. Through the quota system, international Coffee Agreement assisted the rise in the price of coffee. Despite this, however, some countries, Kenya included, faced problems in selling the excess of production over their quotas, forcing them dispose of them in low-price non-quota markets, as the cost of stock building was unmanageable and they were in dire need of foreign exchange. Table 1.2 provides price indices of selected commodities.

1.10. World demand for oil continued to tumble, causing earnings of oil exporting countries to slump. As its share of the world oil market diminished, members of the Organization of Petroleum Exporting Countries (OPEC) found themselves with large excess production capacity. OPEC was therefore unable to enforce the $34 a barrel reference price which had previously been set. This precipitated an unprecedented price cut in March 1983, when the reference price was cut by 15 per cent from $34 to $29 a barrel, a move that will assist world economic recovery.

WORLD COMMODITY PRICE INDICES, 1978-1982

(1975 = 100)

***Table* 1.2**

Year	Coffee*	Tea**	Sisal***	Sugar	Petroleum
1978	248.9	159.1	84.4	58.6	118.5
1979	264.9	156.9	121.7	70.3	158.3
1980	238.6	162.5	131.8	86.5	267.4
1981	195.8	145.9	113.6	80.7	303.2
1982	209.0	139.0	107.7	72.0	311.6

Source: IMF, International Financial Statistics.

*Other milds (New York).

**Average Auction (London).

***East African (London).

E. E. C. Import Price.

Saudi Arabia (Ras Tanura).

Estimates.

1.11. Erosion of the previously very large balance of payments surpluses of the OPEC group, which began in 1981, continued in 1982, when they were estimated to have shown a small current deficit. By 1983 it is expected that even the major surplus OPEC countries (Saudi Arabia, Kuwait, Qatar and the U.A.E.) will show a current deficit. These trends have somewhat reduced the balance of payments pressures on the oil. importing developing countries, whose current deficit diminished somewhat during 1982. On the other hand, their remaining deficits were sometimes more difficult to finance because of the increased reluctance by commercial banks to further increase their exposure in Third World countries (especially after the Mexico debt crisis). Having fallen by 6 per cent in 1981, official development assistance (aid) was thought to have recovered only a little in 1982 and not sufficiently to offset the reduced flows of other forms of capital.

1.12. Fortunately, there are some signs of recovery in the world economy during 1983 and 1984. As is shown in Table 1.1, the OECD forecasts a return to real economic growth among its member. countries, albeit at a low rate. Less restrictive fiscal and monetary policies, lower inflation and nominal interest rates, more buoyant demand, lower crude petroleum prices and improving business confidence are expected to result in some recovery in most countries. The U.S.A. is likely to lead this but recovery in Europe is forecast to be only weak in 1983, perhaps gathering strength in 1984. In turn, recovery in the industrial world is likely to lead to at least some improvement in its demand for developing. country exports, and a modest improvement in the terms of trade may be in prospect. On the other hand, there is no general expectation of any major boom in world commodity markets. While the world environment in which countries like Kenya must manage their economies may show some improvement in 1983, it will still be markedly less favourable than ten years ago and the difficulties will remain extremely severe.

CHAPTER 2—THE DOMESTIC PRODUCT AND INVESTMENT

Overview

The improvement in the economy recorded in 1981, when the Gross Domestic Product (GDP) at factor cost is now estimated to have grown by 5.5 per cent, could not be sustained in 1982 when provisional data indicate that the economy grew in real terms by a mere 3.3 per cent. Since this is a little below the rate at which Kenya's population is expanding, there was a fractional decline in average incomes per member of the population. When these figures on *per capita* incomes are adjusted for the effect of a further adverse move. ment in the terms of trade, average income is estimated to have fallen by 1.4 per cent. Another key feature was a sharp decline in the real value of fixed investment.

2.2. The outcome for 1982, even though unsatisfactory, would have been worse had it not been for a 4.4 per cent growth in the contribution of agri. culture, although this sector could not sustain the very strong recovery of the previous year. As the single most important sector, the performance of agriculture has a crucial impact on the overall growth of GDP. Other key sectors—manufacturing, construction, trade—all experienced a more marked slowing down, there was also a deceleration in the expansion of government services. These factors, the drop in real fixed investment and a squeeze on bank credit to the private sector, all tended to result in slack demand and there was a fall in the real value of private consumption.

2.3. Other key features of the domestic scene were a small reduction in the country's current account balance of payments deficit, as a result of improved export earnings and reduced import volumes; a 1.3 per cent increase in recorded wage employment, chiefly concentrated in parastatal organizations; a national inflation rate of consumer prices of around 20 per cent; and a sharp increase in the Government's budget deficit, resulting in a large rise in Government borrowing from the banking system.

Sectoral Contributions

2.4. Details of sectoral performance in the GDP are given in Tables 2.1 and 2.2. Owing to the good rains for the second year running, the major recovery of the agricultural sector realized in 1981 continued into 1982. The contribution of the sector to the GDP in real terms increased by 4.4 per cent in 1982, as against a rise of 6.2 per cent in 1981 and a fall of 1.3 per cent recorded in 1980. Except for paddy rice whose production remained static, deliveries of other food crops to marketing boards increased. Deliveries of maize, wheat and barley increased in 1982 by 20.8, 9.4 and 26.8 per cent respectively. Production of coffee and sugar. cane, however, declined by 2.6 and 18.7 per cent, whereas there were increases in production of tea and sisal of 5.1 and 21 per cent.

Table 2. 1 GROSS DOMESTIC PRODUCT, 1979-1982 *K£ million*

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1979	**1980**	**1981**	**1982***	**1979**	**1980**	**1981**	**1982***
A. TRADITIONAL ECONOMY								
Forestry	15.21	16.66	19.22	21.71	10.32	10.69	11.06	11.44
Fishing	0.46	0.55	0.82	0.93	0.35	0.37	0.43	0.45
Building and Construction	37.19	41.57	46.20	48.95	24.32	25.74	25.73	26.46
Water Collection	14.04	15.10	17.12	19.29	9.63	9.79	9.95	10.10
Ownership of Dwellings	52.06	57.79	67.41	73.59	33.17	34.54	35.95	37.42
TOTAL TRADITIONAL ECONOMY	118.96	131.67	150.77	164.47	77.79	81.13	83.12	85.87
B. MONETARY ECONOMY								
1. Enterprises and Non. Profit Institutions								
Agriculture**	648.78	688.13	791.74	907.16	529.05	522.03	554.39	578.88
Forestry	10.70	13.96	16.98	21.15	7.17	7.70	8.13	8.49
Fishing	3.70	4.37	6.56	7.44	2.89	2.97	3.43	3.62
Mining and Quarrying	5.04	5.73	5. 16	5.78	4.08	4.05	3.32	3.32
Manufacturing**	249.84	295.14	342.44	384.44	201.56	212.95	223.62	229.68
Electricity and Water	27.57	32.48	41.00	46.98	19.57	21.21	22.94	23.98
Building and Construction	82.26	105.17	121.00	122.40	59.38	63.21	68.37	61.23
Trade, Restaurants and Hotels	214.07	244.66	274.03	309.86	165.37	171.15	171.09	168.74
Transport, Storage and Communications**	114.65	127.81	143.39	164.10	87.26	93.46	94.86	99.22
Finance, Insurance, Real Estate and Business Services..	117.63	135.68	168.82	201.82	92.64	97.36	110.09	119.34
Ownership of Dwellings	87.20	103.41	127.42	145.90	66.62	69.97	76.57	82.23
Other Services	39.59	49.41	56.15	64.65	32.86	35. 82	38.26	40.51
Less: Imputed Bank Service Charges	-56.10	-62.86	-71.21	1.67	. 44.18	. 45.11	. 46.39	. 48.29
TOTAL	1, 544.93	1,743.09	2,023.48	2,300.01	1, 224.27	1,256.77	1,328.68	1,370.95
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	21.72	28.15	32.07	36.96	16.39	19.29	20.90	22.30
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration	61.44	71.30	87.22	96.83	..	..	..	..
Defence	14.19	14.90	14.35	24.28	..	..	..	..
Education	129.57	154.18	178.19	197.63				
Health	31.24	36.16	41.64	46.65	..	..	..	..
Agricultural Services	20.69	22.24	27.67	31.95				
Other Services	32.13	33.68	41.85	51.85	..	..	..	..
TOTAL	289.26	332.46	390.91	449.18	221.09	233. 47	245.84	254.20
TOTAL MONETARY ECONOMY	1,855.91	2,103.70	2,446.46	2, 786.15	1, 461.75	1.509.53	1,595.42	1,647.45
TOTAL TRADITIONAL AND MONETARY ECONOMY	1,974.87	2, 235.37	2,597.23	2, 950.62	1, 539.54	1,590.66	1,678.54	1,733.32
GROSS DOMESTIC PRODUCT PER CAPITA.. K£	128.85	140.51	157.27	172.14	100.45	99.98	101.64	101.12

*Provisional.

**Later data and observation indicate that these estimates need to be revised upwards. The revisions will however have a small impact on the annual growth rates.

Table 2.2 GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH, 1979-1982

Percentage

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1979-1980	1980-1981	1981-1982*	Cumulative 1976-1982*	1979-1980	1980-1981	1981-1982*	Cumulative 1976-1982*
TRADITIONAL ECONOMY								
Forestry	9. 5	15. 4	13. 0	14. 9	3. 6	3. 5	3. 4	3. 4
Fishing	19. 6	49. 1	13. 4	21. 4	5. 7	16. 2	4. 7	7. 6
Building and Construction	11. 8	11. 1	6. 0	14. 4	5. 8	—	2. 8	3. 2
Water Collection	7. 5	13. 4	12. 7	13. 7	1. 7	1. 6	1. 5	2. 1
Ownership of Dwellings	11. 0	16. 6	9. 2	16. 5	4. 1	4. 1	4. 1	4. 1
TOTAL TRADITIONAL ECONOMY	10. 7	14. 5	9. 1	15. 4	4. 3	2. 5	3. 3	3. 5
MONETARY ECONOMY								
1. Enterprises and non-profit institutions								
Agriculture	6. 1	15. 1	14. 6	11. 8	-1. 3	6. 2	4. 4	3. 7
Forestry	30. 5	21. 6	24. 6	22. 5	7. 4	5. 6	4. 4	5. 3
Fishing	18. 1	50. 1	13. 4	21. 0	2. 8	15. 5	5. 5	7. 4
Mining and Quarrying	13. 7	-9. 9	-1. 4	4. 1	-0. 7	18. 0	-10. 2	-0. 5
Manufacturing	18. 1	16. 0	12. 3	17. 7	5. 7	5. 0	2. 7	8. 0
Electricity and Water	17. 8	26. 2	14. 6	22. 1	8. 4	8. 2	4. 5	9. 1
Building and Construction	27. 9	15. 1	1. 2	18. 0	6. 4	8. 2	-10. 4	5. 1
Trade, Restaurants and Hotels	14. 3	12. 0	13. 1	15. 2	3. 5	—	-1. 4	4. 1
Transport, Storage and Communications	11. 5	12. 2	14. 4	15. 4	7. 1	1. 5	4. 6	6. 1
Finance. Insurance. Real Estate and Business Services..	15. 3	24. 4	19. 5	20. 2	5. 1	13. 1	8. 4	10. 1
Ownerships of Dwellings	18. 6	23. 2	14. 5	16. 5	5. 0	9. 4	7. 4	6. 0
Other Services	24. 8	13. 6	15. 1	15. 7	9. 0	6. 8	5. 9	7. 0
TOTAL (Including Imputed Bank Service Charges)..	12. 8	16. 1	13. 7	14. 7	2. 7	5. 7	3. 2	5. 3
2. Private Households (Domestic Services)	29. 6	13. 9	15. 2	22. 5	17. 7	8. 3	6. 7	12. 6
3. Producers of Government Services								
Public Administration	16. 0	22. 3	11. 0	14. 4	..	..	..	..
Defence	5. 0	-3. 7	69. 2	16. 6	..	..	..	..
Education	19. 0	15. 6	10. 9	15. 6	..	..	..	..
Health	15. 7	15. 2	12. 0	17. 9	..	..	..	..
Agricultural Services	7. 5	24. 4	15. 5	18. 7	..	..	..	..
Other Services	4. 8	24. 3	23. 9	16. 8	..	..	..	..
TOTAL	14. 9	17. 6	14. 9	15. 9	5. 6	5. 3	3. 4	5. 5
TOTAL MONETARY ECONOMY	13. 4	16. 3	13. 9	15. 1	3. 3	5. 7	3. 3	5. 5
TOTAL TRADITIONAL AND MONETARY ECONOMY	13. 2	16. 2	13. 6	15. 1	3. 3	5. 5	3. 3	5. 3
GROSS DOMESTIC PRODUCT PER CAPITA	9. 0	11. 9	9. 5	11. 0	-0. 4	1. 7	-0. 5	1. 6

*Provisional.

2.5. Due to the good rains and better pastures, increases were also recorded in the deliveries of whole milk to the Kenya Co-operative Creameries and cattle to the Kenya Meat Commission; the former increasing by 16.8 per cent and the latter by 16.4 per cent.

2.6. Depressed demand, the continuing import restrictions and the credit squeeze on the private sector prevailing since 1981 had further adverse effect on the manufacturing sector. This sector's growth declined to 2.7 per cent in 1982 as against an already moderate growth of 5 per cent recorded in 1981. The main industries affected include the production of sugar and confection. ery, textiles and clothing, non-electrical machinery, furniture and footwear.

2.7. The revised figures for the construction sector indicate a sharp fall in the growth of this sector in 1982 as compared with the fast expansion of the period 1977 to 1981, when the average annual growth amounted to 7.1 per cent. During these years the Central Government embarked on large water and "other construction" projects in the rural areas. But by the end of 1981 most of these projects were completed or nearing completion. In 1982 the government's ability to embark on new construction projects was greatly reduced and the already low investment by the private sector was further reduced. As a result, the overall performance of construction declined by 10.2 per cent, the last such fall being in 1974 when the sector's growth was minus 9.9 per cent. Even so, the overall GDP of this sector in real terms was still, at K£61 million, above the 1979 level of K£59 million.

2.8. The distribution sector, including hotels and restaurants, went through another difficult year in 1982 and its output declined further from nil in 1981 to minus 1.4 per cent in 1982, compared with 3.5 per cent growth in 1980. The growth of the other sectors, as detailed in Table 2.2, ranged from an increase of 3.3 per cent for government services to a relatively high growth of 8.4 per cent for finance, insurance, real estate and business services.

2.9. The basic aggregates of the production account for each activity for the years 1981 and 1982 are detailed in Table 2.3. The gross output is valued at approximate basic prices in that they exclude indirect taxes and subsidies. There was a very small, probably non-significant, variation in the aggregate ratio of GDP to output for 1981 of 48 per cent and for 1982 of 48.2 per cent. There are however, wide variations from this average for individual sectors. For ownership of dwellings the component of GDP to output for 1982 is 91 per cent, followed by agriculture of 86 per cent; 72 per cent for finance, insurance, real estate and business services; 58 per cent for trade, restaurants and hotels; 40 per cent for transport, storage and communications; 30 per cent for building and construction; and a relatively low 19 per cent for manufacturing, which uses a large volume of intermediate inputs. For 1982 labour cost as a ratio of GDP was 41.7 per cent, similar to that for 1981. The low proportion of labour costs for agriculture is misleading because the large entry for "operating surplus" contains a major component of returns to labour from self-employment.

Table 2.3 PRODUCTION ACCOUNTS, 1981 AND 1982 *K£ million*

	1981					1982*				
	Gross Output at approx. Basic Prices	Inter. mediate Con. sumption	Gross Domestic Product (at Factor Cost)			Gross Output at approx. Basic Prices+	Inter. mediate Con. sumption	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus**
A. **TRADITIONAL ECONOMY**	197.22	46.45	150.77	2.57	148.20	214.48	50.01	164.47	2.70	161.77
B. **MONETARY ECONOMY**										
1. Enterprises and Non-Profit Institutions										
Agriculture	917.48	125.74	791.74	86.50	705.24	1,048.83	141.66	907.16	89.22	817.95
Forestry	19.68	2.70	16.98	13.62	3.36	24. 9	3.04	21.15	14.49	6.65
Fishing	7.38	0.82	6.56	1.64	4.92	8.38	0.94	7.44	1.86	5.58
Mining and Quarrying	18.18	13.02	5.16	2.44	2.72	20.37	14.59	5.78	2.73	3.05
Manufacturing	1,764.64	1,422.20	342.44	116.74	225.70	2,044.88	1,660.44	384.44	156.55	227.89
Electricity and Water	84.20	43.20	41.00	14.27	26.73	96.18	49.20	46.98	16.82	30.17
Building and Construction	403.35	282.35	121.00	93.30	27.70	408.01	285.61	122.40	94.38	28.02
Trade, Restaurants and Hotels..	500.70	226.67	274.03	118.89	155.13	534.23	224.38	309.86	136.13	173.73
Transport, Storage and Communications	362.50	219.11	143.39	86.59	56.80	406.06	241.96	164.10	94.57	69.53
Finance, Insurance, Real Estate and Business Services	233.99	65.16	168.82	74.10	94.72	280.34	78.50	201.82	89.20	112.62
Ownership of Dwellings	140.36	12.94	127.42		127.42	160.82	14.92	145.90		145.90
Other Services	130 07	73.92	56.15	43.90	12.25	143.17	78.52	64.65	50.17	14.48
Less: **Imputed Bank Service Charges**	—	71.21	—71.21	—	—71.21	—	81.67	—81.67	—	—81.67
TOTAL	4,582.53	2,559.04	2,023.48	651.99	1,371.48	5, 175.46	2,875.43	2,300.01	746.12	1,553.90
2. Private Households (Domestic Services)	32.07	–	32.07	32.07	–	36.96	–	36.96	36.96	–
3. Producers of Government Services	596.83	205.92	390.91	386.13	4.78	682.60	233.42	449.18	447.30	1.88
TOTAL MONETARY ECONOMY	5,211.43	2,764.96	2,446.46	1,070.19	1,376.26	5,895.02	3,108.85	2,786.15	1,230.38	1,555.78
TOTAL MONETARY AND TRADITIONAL ECONOMY	5,408.65	2,811.41	2,597. 3	1,072.76	1,524.46	6,109.50	3,158.86	2,950.62	1,233.08	1,717.55

*Provisional.

**Including consumption of fixed capital,

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

2. 10. Since 1979 there has been little change in the sectoral shares in GDP, as detailed in Table 2. 4. Apart from a tendency for the finance, insurance, real estate and business services sector to increase as a proportion of GDP, the general structure of production has remained largely static. A slightly different picture emerges if a longer view is taken, however. This can partly be gauged by examining the final column of Table 2. 2, showing sectoral growth rates in 1976. 82. Over this period the total GDP grew at 5. 3 per cent p. a. but a number of important sectors did significantly better than that. Again, the finance, insurance, etc., sector emerges as the most dynamic, with a 10. 1 per cent growth rate; electricity and water have also been expand. ing fast, although they remain of limited aggregate importance; manufactur. ing has also shown quite dynamic growth, at 8 per cent p. a. since 1976. On the negative side, the traditional economy is recorded as lagging behind. This

GROSS DOMESTIC PRODUCT

SECTOR SHARES, AT CONSTANT (1976) PRICES 1979. 1982

Table 2. 4 *Percentage*

	1979	1980	1981	1982*
A. TRADITIONAL ECONOMY				
Forestry	0.7	0.7	0.7	0.7
Fishing	—	—	—	—
Building and Construction	1.6	1.6	1.5	1.5
Water Collection	0.6	0 .6	0.6	0.6
Ownership of Dwellings	2.2	2.2	2.1	2.2
TOTAL TRADITIONAL ECONOMY	5.0	5 .1	5.0	5.0
B. MONETARY ECONOMY				
1. Enterprises and Non-Profit Institutions				
Agriculture	34.4	32.8	33.0	33.4
Forestry..	0.5	0.5	0.5	0.5
Fishing	0.2	0.2	0.2	0.2
Mining and Quarrying	0.3	0.3	0.2	0.2
Manufacturing	13.1	13.4	13.3	13.3
Electricity and Water	1.3	1.3	1.4	1.4
Building and Construction	3.9	4.0	4 .1	3.5
Trade. Restaurants and Hotels	10.7	10.8	10.2	9.7
Transport, Storage and Communications	5.7	5.9	5.7	5.7
Finance, Insurance, Real Estate and Business Services	6.0	6 .1	6.6	6.9
Ownership of Dwellings	4.3	4.4	4.6	4.7
Other Services	2 .1	2.3	2.3	2.3
Less: Imputed Bank Services Charges	-2.9	-2.8	. -2.8	-2.8
TOTAL	79.5	79.0	79.2	79.1
2. Private Households (Domestic Services)	1.1	1.2	1.2	1.3
[3]. Producers of Government Services	..	..	..	..
Public Administration	..	..	..	..
Defence	..	..	..	..
Education	..	..	..	..
Health	..	..	..	..
Agricultural Services	..	..	..	..
Other Services	..	..	..	..
TOTAL	14.4	14.7	14.6	14.7
TOTAL MONETARY ECONOMY	94.9	94.9	95.0	95.0
TOTAL MONETARY AND TRADITIONAL ECONOMY	100.0	100.0	100.0	100.0

*Provisional.

may partly reflect the methods of estimation for this "sector" but a relative decline would be expected in a growing economy, as more and more activities become the subject of cash transactions. By far the most important laggard sector over this six-year period was agriculture, averaging only 3.7 per cent p.a.—a result which considerably retarded the overall growth of the economy. The growth of government services was at virtually the same rate as the GDP as a whole so that its share has remained roughly constant.

2.11. With some sectors growing faster than average and others growing more slowly, this results in changes in the proportionate composition of GDP. Over the same period, 1976. 82, the share of agriculture has declined from 36.5 to 33.4 per cent of GDP, whereas manufacturing has risen from 11.3 to 13.3 per cent, so that some degree of industrialization has been achieved. As already noted, the finance, insurance, real estate and business services sector has also shown relative expansion, reflecting the increased commercialization and sophistication of the modern sectors of the economy.

Terms of Trade

2.12. During the coffee and tea boom of 1976. 77, when world prices for these commodities reached record levels, there was a sharp improvement in Kenya's terms of trade *visa vis* the rest of the world and this had the effect of raising incomes in the country. Since 1977, however, the experience has been one of continuous deterioration in the terms of trade and 1982 was no exception. The terms of trade index, which is the ratio of export prices to import prices, has declined from a peak of 131 in 1977 (1976=100) to 77 in 1981 and 73 in 1982—a decline of 44 per cent over the whole period and 5 per cent in 1981/82. To obtain a more accurate idea of trends in average incomes it is necessary to adjust the constant price *per capita* GDP estimate for the influence of changes in the terms of trade and this is done in Table 2.5. Throughout the period displayed, the influence of the terms of trade has been negative. For 1982 the adjustment has the effect of worsening the decline in *per capita* incomes from 0.5 per cent to 1.4 per cent. Over the period 1976. 82 it has the effect of almost eliminating any increase in *per capita* incomes.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1979-1982

Table 2.5

	1979	1980	1981	1982	1976-82
1. Unadjusted GDP at constant Factor Cost (K£mn.)	1,539.5	1,590.7	1,678.5	1,733.3	—
2. Adjustment for changes in terms of trade (K£mn)..	-14.2	-53.7	-106.1	-123.3	—
3. Adjusted GDP (K£mn)..	1,525.3	1,536.9	1,572.4	1,610.0	
4. Growth in unadjusted per capita GDP per cent.	1.1	-0.4	1.7	-0.5	1.6
5. Growth in adjusted per capita GDP per cent..	-1.5	-2.9	-1.6	-1.4	0.3

Resource Allocation

2.13. The derivation of GDP at market prices, the total resources available and their uses are detailed in Table 2.6. As noted earlier, current. price GDP at factor cost grew by 13.6 per cent in 1982. However, due to a slower growth in indirect taxes, which increased by only 6.4 per cent, the GDP at current market prices increased from K£3,039 million in 1981 to K£3,420 million in 1982, or by 12.6 per cent. Imports of goods and services, on the other hand remained at more or less the same level as in 1981 due to import restrictions and exchange rate adjustments. In 1982 imports of goods and services amounted to K£l,041 million whereas exports increased by 10.7 per cent to K£857 million. As a result, the import surplus was reduced to K£185 million in 1982 as compared with K£272 million in 1981, giving the total resources available for domestic consumption and investment of K£3,605 million, an increase of only 8.9 per cent over 1981.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1979. 1982

Table* 2.6** ***K£million

	1979	1980	1981	1982*
G. D. P. at Factor Cost	1,974.87	2,235.37	2,597.23	2,950. 2
Of which—				
Traditional	118.96	131.67	150.77	164.47
Monetary	1,855.91	2, 103.70	2 446.46	2, 786.15
+Indirect Taxes	297.58	397.78	442.57	471.24
—Subsidies..	0.60	0.70	1.22	1.58
=G. D. P. at Market Prices	2,271.85	2,632.45	3,038. 8	3,420.28
+Imports of goods and services..	736.60	1, 052.70	1,045.70	1, 041. 0
—Export of goods and services..	600.10	753.30	773.70	856.80
=Import Surplus	136.50	299.40	272.00	184.60
Total Resources available for Domestic Investment and Consumption	2, 408.35	2,931.85	3,310.58	3,604. 88
Gross Fixed Capital Formation	540.45	622.53	725.41	686.96
Change in Stocks	-24.20	166.66	133.40	77.03
Gross Investment	516.25	789.19	858.81	763.99
Public Consumption	447.31	533.77	576.42	663.50
Private Consumption	1,444.79	1,608.89	1, 875.35	2,177.39
TOTAL CONSUMPTION	1,89210	2,142.66	2,451.77	2,840.89

*Provisional.

2.14. Due to slack demand in the domestic economy and despite the import reductions, there was a further stock accumulation, of K£77 million, in 1982. However, due to a fall in gross fixed capital formation of 5.3 per cent, from K£725 million in 1981 to K£687 million in 1982, total gross investment at current prices declined by 11 per cent from K£859 million in 1981 to K£764 million in 1982. The share of gross investment to total resources therefore declined from 25.9 per cent in 1981 to 21.2 per cent for 1982 leaving the balance of 78.8 per cent for total consumption. Private consumption increased in 1982 by 16.1 per cent and public consumption by 15.1 per cent.

2.15. Table 2.7 shows the financing of gross fixed capital formation for 1979 to 1982. For these years about 59 per cent of the gross capital formation was financed from domestic saving.

FINANCING OF CAPITAL FORMATION, 1979-1982

Table* 2.7** ***K£million

	1979	1980	1981	1982*
GROSS CAPITAL FORMATION—				
Gross Fixed Capital Formation	540.45	622.53	725.41	686.96
Changes in Stocks	-24.20	166.66	133.40	77.03
TOTAL	516.25	789.19	858.81	763.99
FINANCING—				
Grants from Abroad	15.40	21.90	20.70	25.50
Net borrowing from Abroad	186.30	328.70	326.20	279.60
Domestic Saving	314.55	438.59	511.91	458.89
TOTAL	516.25	789.19	858.81	763.99

*Provisional.

Factor Incomes and National Product

2. 16. The composition of the GDP by factor incomes is detailed in Table 2. 8. The renumeration of employees at current prices increased by 15 per cent from K£ 1, 070 million in 1981 to K£ 1, 230 million in 1982, as against increase of 22. 3 per cent in the index of consumer prices for Nairobi, 19. 7 per cent for Mombasa, 16 per cent for Nakuru, 18. 6 per cent for Kisumu and 20. 9 per cent for the rural areas. The rental surplus also increased in 1982 by 15. 2 per cent and the other operating surplus (which includes returns from self-employment and traditional non-wage employment) increased by 12. 5 per cent.

2. 17. The Gross National Product (GNP) is derived by subtracting from GDP the net factor incomes paid to the rest of the world, as is shown in Table 2. 8. In 1982 factor incomes received by Kenya amounted to K£25 million, whereas the outflow was K£157 million, mainly in the form of

dividend remittances and interest payments. As a result, GNP at current prices increased by 11.8 per cent in 1982 as against a growth in GDP at current market prices of 12.6 per cent.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1979-1982

Table 2. 8

K£million

	1979	1980	1981	1982*
FACTOR INCOMES—				
A. Traditional Economy	118.96	131.67	150.77	164.47
B. 1. Remuneration of Employees:				
Enterprises	498.39	582.45	651.99	746.12
Private Households	21.72	28.15	32.07	36.96
Producers of Government Services	283.09	325.27	386.13	447.30
TOTAL	803.20	935. 87	1,070.19	1,230.38
2. Rental Surplus (including depreciation)	87.20	103.41	127.42	145.90
3. Other Operating Surplus (including depreciation)	965.53	1,064.42	1,248.84	1,409.88
TOTAL MONETARY ECONOMY	1,855.91	2,103.70	2,446.46	2,786.15
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT	1,974.87	2,235.37	2,597.23	2,950.62
Add: Indirect Taxes	297.58	397.78	442.57	471.24
Deduct: Subsidies	0.60	0.70	1.22	1.58
GROSS DOMESTIC PRODUCT AT MARKET PRICES	2,271.85	2,632.45	3,038.58	3,420.28
Add: FACTOR INCOMES RECEIVED FROM ABROAD	22.60	20.00	25.10	25.70
Deduct: FACTOR INCOMES PAID ABROAD	106.50	104.00	122.20	157.50
GROSS NATIONAL PRODUCT	2,187.95	2,548.45	2,941.48	3,288.48

*Provisional.

Trends in Capital Formation

2. 18. As noted earlier, there was an 18 per cent decline in the real value of gross fixed capital formation between 1981 and 1982, with a particularly heavy fall in investment by the private sector. Information on capital formation is given in Table 2. 9 in current and constant prices and from this it can be calculated that total private investment in constant prices fell by 24 per cent, while public sector investment went down by 11 per cent. In consequence, the share of the public sector in total fixed capital formation rose to 50 per cent in 1982, from 46 per cent in 1981, with a corresponding decline in the share of private investment. Comparing the series in constant and current prices, the implict average price increase for capital goods in 1982 was 15. 4 per cent, against 12. 1 per cent in 1981.

Table 2.9 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1979-1982 *K£million*

	CURRENT PRICES				CONSTANT (976) PRICES			
	1979	1980	1981	1982*	1979	1980	1981	1982*
DWELLINGS—								
PRIVATE:								
Traditional	39.65	43.64	50.52	54.18	28.36	25.76	27.38	25.64
Modern	36.78	34.94	42.77	40.38	26.31	20.62	23.18	19.11
TOTAL	76.43	78.58	93.29	94.56	54.67	46.38	50.56	44.75
PUBLIC	16.66	27.28	26.26	27.48	11.91	16.11	14.23	13.01
TOTAL	93.08	105.86	119.55	122.40	66.58	62.49	64.79	57.76
NON-RESIDENTIAL BUILDINGS—								
PRIVATE	27.68	32.02	43.81	28.86	20.75	19.90	25.56	15.05
PUBLIC	41.68	57.32	58.00	70.15	31.24	35.62	33.34	36.60
TOTAL	69.35	89.34	101.81	99.01	51.99	55.52	59.40	51.65
OTHER CONSTRUCTION WORKS—								
PRIVATE	8.19	11.46	11.38	10.54	6.05	7.70	7.24	5.92
PUBLIC	76.48	102.93	127.32	133.25	56.48	69.13	80.99	74.82
TOTAL	84.67	114.39	138.70	143.79	62.53	76.83	88.23	80.74
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—								
PRIVATE	7.20	8.21	7.88	6.96	5.98	6.61	4.95	3.47
PUBLIC	1.65	2.16	1.75	2.60	1.44	1.21	1.03	1.60
TOTAL	8.85	10.37	9.63	9.56	7.43	7.82	5.98	5.07
TRANSPORT EQUIPMENT—								
PRIVATE	50.90	61.26	63.02	59.64	33.93	38.53	36.43	32.59
PUBLIC	63.44	43.91	39.17	27.22	42.30	27.61	22.64	14.87
TOTAL	114.34	105.17	102.19	86.86	76.23	66.14	59.07	47.46
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	119.74	151.51	183.54	160.65	84.33	97.12	96.60	67.50
PUBLIC	48.84	47.97	69.96	65.82	34.40	30.75	36.82	27.66
TOTAL	168.58	199.48	253.50	226.47	118.72	127.87	133.42	95.16
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE	+ 1.57	-2.07	+ 0.03	-0.78	+ 1.26	-1.51	+0.02	-0.46
TOTAL—								
Traditional Dwellings	39.65	43.64	50.52	54.18	28.36	25.76	27.38	25.64
Other	252.06	297.33	352.43	306.25	178.61	188.97	193.98	143.18
TOTAL PRIVATE	291.70	340.97	402.95	360.43	206.97	214.73	221.36	168.82
TOTAL PUBLIC	248.74	281.56	322.46	326.53	177.77	180.43	189.56	168.55
TOTAL PRIVATE AND PUBLIC	540.45	622.53	725.41	686.96	384.74	395.16	410.92	337.37

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1979-1982

Table 2. 10

K£ million

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1979	1980	1981	1982*	1979	1980	1981	1982*
TRADITIONAL ECONOMY								
Traditional Dwellings	19.65	43.64	50.52	54.18	28.36	25.76	27.38	25.64
MONETARY ECONOMY								
Enterprises and Non-profit Institutions;								
Agriculture	42.05	47.16	54.68	51.22	31.13	31.15	31.13	24.53
Forestry	0.69	1.03	0.75	0.95	0.48	0.66	0.44	0.48
Mining and Quarrying	4.10	5.02	4.84	4.05	2.88	3.22	2.56	1.72
Manufacturing	88.52	76.91	88.45	66.99	62.50	49.28	47.98	29.88
Electricity and Water..	31.99	41.26	65.47	56.53	23.45	27.61	39.60	30.05
Building and Construction	25.68	33.41	32.90	27.62	18.01	21.35	17.72	12.08
Trade, Restaurants and Hotels	17.30	28.29	21.44	20.67	12.21	17.99	11.73	9.48
Transport, Storage and Communications	101.65	102.80	113.94	110.18	69.26	65.16	63.82	55.15
Finance. Insurance, Real Estate and Business Services	8.25	10.19	24.29	13.24	5.98	6.37	13.97	6.57
Ownership of Dwellings	55.10	62.93	70.43	69.34	39.39	37.19	38.15	32.74
Other Services	31.76	41.25	49.39	50.84	22.71	26.09	27.32	23.95
TOTAL..	407.09	450.25	526.58	471.73	288.01	286.07	294.42	226.63
Producers of Government Services								
Public Administration	14.37	20.06	17.75	16.57	10.35	12.68	10.08	8.28
Defence								
Education	11.75	20.16	21.60	24.36	8.65	12.71	12.24	12.02
Health	10.91	14.06	12.57	12.23	8.01	8.84	7.22	6.10
Agricultural Services	8.95	13.08	12.31	12.19	6.34	8.40	7.12	6.14
Other Services..	47.73	61.28	84.08	95.70	35.02	40.70	52.46	52.56
TOTAL	93.70	128.64	148.31	161.05	68.38	83.33	89.12	85.10
TRADITIONAL ECONOMY	39.65	43.64	50.52	54.18	28.36	25.76	27.38	25.64
MONETARY ECONOMY	500.80	578.89	674.89	632.78	356.38	369.40	383.54	311.73
TOTAL	540.45	622.53	725.41	686.96	384.74	395.16	410.92	337.37
C. PERCENTAGE RATES *or* GROWTh.								
Traditional Economy..	19.5	10.1	15.8	7.2	4.1	-9.2	6.3	-6.4
Monetary Economy	4.2	15.6	16.6	-6.2	-7.2	3.7	3.8	-18. 7
TOTAL	5.1	15.6	16.5	-5.3	-6. 4	2.7	4.0	17. 9

*Provisional.

2.19. As between the various types of asset, there was a particularly large decline in investment in machinery and other equipment, the constant-price total of which went down by nearly 29 per cent. This category was probably particularly badly affected by the import restrictions. There was also a considerable decline in real investment in transport equipment, presumably for the same reason. Investments in dwellings, non-residential buildings and other construction works went down by 12, 11 and 13 per cent respectively—substantial declines but less than the average for fixed investment as a whole.

2.20. Since investment in machinery and other equipment was the category most badly affected by the slump in capital formation, it is not surprising to find from the sectoral breakdown in Table 2.10 that manufacturing was the worst hit sector of production, with a decline in the real value of fixed capital formation of no less than 38 per cent. Electricity and water was another badly affected sector, with a decline of 24 per cent; investment in transport, storage and communications diminished in real terms by 14 per cent. Of the other major sectors, the least affected was investment in the various government services which, overall, declined by only 3.5 per cent.

2.21. The absence of a buoyant domestic demand, shortages of credit to the public sector, the increased difficulties of the government in raising adequate revenues, external grants and loans to finance its own capital formation, and the effect of import controls all contributed to the reduced volumes of investment just recorded. Optimistically, this outcome will prove to be purely temporary, in which case little permanent harm will have been done. It should also be remembered that the 1982 figures under discussion are only provisional and could differ considerably from the final figures. However, should the slump in investment recorded here continue in future years it could only make it more difficult to sustain adequate growth in the economy, particularly bearing in mind that a substantial amount of gross fixed capital formation is required simply to replace capital items that have worn out or become obsolete, i.e. the depreciation element, and the pressure of population and labour force growth on the resources available for net investment.

CHAPTER 3—IMPACT OF CO-OPERATIVE MOVEMENT

Background and Introduction

The history of the co-operative movement in Kenya goes back to the beginning of the century, when the first societies were established by European settler farmers mainly for the marketing of agricultural produce and the distribution of farm inputs. Some of these early societies later developed into country-wide associations which today form part of the national co. operative superstructure, e.g. the Kenya Farmers Association (Co-operative) Ltd., the Kenya Co-operative Creameries Ltd., and the Kenya Planters Co-operative Union Ltd.

3.2. Nevertheless, co-operation remained essentially non-African until 1945, when the Co-operative Societies Ordinance made it possible for African smallholder farmers to form co-operatives primarily for marketing substance crops such as maize, millet and beans. Present day co-operation in Kenya thus traces back to this date. However, it was not until the 1950's when African farmers were allowed to grow cash crops, that the co-operative movement began to gain momentum and exert an impact on the economy. Membership in co-operative societies became compulsory for all small-scale farmers wishing to qualify as coffee growers.

3.3. With the attainment of independence in December 1963, Kenya already boasted 693 registered societies with a combined membership of 200,000. These were concentrated almost exclusively in rural areas, with membership comprising smallholder farmers. By the early 1980's, the number of agricultural societies had almost doubled while membership increased five-fold. A contributory factor to this expansion was the post-independence acquisition on a co-operative basis of former European farms. The growth in the agricultural sector was accompanied by even more rapid expansion and diversification in other sectors, primarily in urban areas. Whereas in 1963 the number of non-agricultural societies was negligible, by 1982 they exceeded agricultural societies by 13 per cent. Some two-thirds of the non-agricultural societies were savings and credit co-operatives. In rural and urban areas combined, the total number of societies has risen since 1963 by more than three-and-a-half-fold, reaching 2,424 at the end of 1981 and 2,652 at the end of 1982. Total membership as of December 1981, exceeded 1.6 million, representing an eight-fold increase as compared with 1963. More than one half of the total population of Kenya is now estimated to be involved, in varying degree, in the co-operative movement.

3.4. The co-operative movement in Kenya incorporates three main strata—

(*a*) co-operative societies;

*(b)*co-operative unions;

(c) nation-wide and Apex co-operatives/organizations.

The co-operative societies are the primary units operating at the local level. The co-operative unions provide centralized services to affiliated societies and employ most of the key personnel engaged in running the local societies. Affiliation to the unions is voluntary. The nation-wide and Apex organizations, in turn, extend services to societies and unions, frequently on a commercial or fee basis, which it would be uneconomical to provide at the level of the individual society or union.

Co-operative Societies

3.5. The main contribution of the co-operative societies lies in their impact on rural development and on the welfare of workers in urban areas. In the rural sector, they provide small-scale farmers with basic inputs and with services such as marketing and transportation and primary processing which could not normally be secured on an individual basis. In addition, they engage in the administration of production credit and development loans, agricultural extension, farmer education and the creation of self-employment opportunities—thereby contributing to a raising of rural living standards. In urban areas, they mainly provide workers with savings and credit facilities, although societies are also active in fields such as fish marketing, distribution of consumer goods, handicraft production and marketing, housing development, and building and construction.

3.6. *Number of societies.*—The growth in the number of co-operative societies and unions from the late 1970's through December 1982, can be seen from Table 3.1.

NUMBER OF SOCIETIES AND UNIONS, 1979-1982

***Table* 3.1**

Status	1979	1980	1981	1982
Active	1,768	1,934	1,967	2,184
Dormant	247	234	290	340
In Liquidation	338	299	167	128
TOTAL	2,353	2,467	2,424	2,652

3.7. Although the number of societies in liquidation has decreased in absolute and relative terms since 1979, the cumulative total of liquidations through the end of 1981 reached approximately 1,350. The number of dormant societies appears to be steadily increasing. Despite these factors the total number of societies continues to grow, reflecting the increased participation of the people in the economic development of the country. For this participation to have optimum effect, however, efforts will need to be made to eradicate the root causes of dormancy and inactivity, a major contributing factor being the lack of qualified and experienced staff to run

the ever increasing number of societies. A serious attempt is currently being made to solve these problems by providing additional training facilities both for the personnel manning the societies and for members and their management committees, so as to equip them to steer their co-operatives properly.

3.8. Table 3.2 depicts the activity spectrum of the co-operative movement in Kenya. The role of co-operatives as tools for accelerating economic development is reflected in the changes that have occurred over the years. Up to and including 1981, more than half of the societies were agricultural; but by the end of 1982 non-agricultural societies accounted for 52 per cent of all societies and unions. A major factor underlying this change has been the rapid expansion of savings and credit societies from 20 in 1964 to more than 900 in 1982. Determined efforts have also been made to diversify co-operative activities into other areas of business, as evidenced by the roughly 30 per cent increase in "other non-agricultural societies" from 352 in 1979 to 454 in 1982. In contrast, the growth of agricultural societies has been retarded by the rapid decrease in the number of farm purchase societies, as a result of their conversion into multi produce marketing societies or their total liquidation—following completion of the farm purchase transaction.

NUMBER OF SOCIETIES AND UNIONS BY TYPE*, 1979-1982

***Table* 3.2**

Type of Society	1979	1980	1981	1982
Coffee	159	161	169	175
Cotton	38	39	40	54
Pyrethrum	51	51	54	59
Sugar-Cane	43	46	64	71
Dairy	116	103	103	109
Multi produce	269	275	335	337
Farm Purchase	319	305	219	212
Other	269	390	332	165
Total Agricultural Societies	1, 264	1,370	1, 316	1, 222
Savings and Credit	683	787	797	928
Other Non-Agricultural	352	257	263	454
Total Non-Agricultural Societies	1,035	1, 044	1, 060	1, 382
Unions	54	53	48	48
TOTAL	2, 353	2, 467	2, 424	2, 652

***Including dormant societies and societies in liquidation (*see* table 3.1).**

3.9. *Membership.*—The size of societies ranges from 10 members to more than 10,000 members per society, the latter being typical of savings and credit societies and coffee societies. As can be seen in Table 3.3, total membership in 1981 was 1.62 million, a growth of nearly 9 per cent over the

previous year. On. the assumption that most members were heads of house. holds, this would imply that about 52 per cent of. the estimated 3. 1 million households (and hence total population) in Kenya in 1981 were associated directly or indirectly with the co-operative movement. In some provinces such as Central and Eastern, the proportion was as high as 75 per cent.

3. 10. In the agricultural sector, the largest membership was in coffee societies, which form the backbone of agricultural co-operation in Kenya. Membership in savings and credit societies rose in 1981 by 15 per cent, i. e. at almost double the rate for membership as a whole, thereby contributing greatly to the overall growth.

3. 11. According to the Labour Enumeration Statistics, the number of wage earners in 1981 totalled about 1 million. Since the membership of savings and credit societies consists solely of wage earners located primarily in urban areas, this means that well over half of all wage employees were members of such associations. Due to their location in urban areas these societies are often well-managed, because of their ability to recruit qualified personnel. They have the added advantage that most members are educated and therefore able to participate more effectively in running the affairs of the societies.

Co-operative Unions

3. 12. Where properly managed, these unions have contributed greatly to the development of the co-operative movement. They co-ordinate the supply of farm inputs to affiliated societies and undertake the transportation of produce deliveries to the country-wide co-operatives or parastatal organizations for final processing and marketing. They likewise offer centralized book-keeping facilities and employ most of the key personnel directing the affairs of the societies. A number of unions have established savings schemes for members of affiliated societies through what are termed "union banking sections". In 1980 there were 13 such sections, rising to 15 in 1982. Pay-out to members is channelled through these sections, and they are allowed to leave on deposit amounts over and above immediate needs. This has led to the accumulation of considerable savings over the years.

3. 13. Affiliation to the unions is voluntary. But with the growing awareness of the benefits offered by unions, both the number of unions and the number of affiliated societies has risen steadily. There are currently 51 registered unions with an affiliation membership of 1, 065 societies, i. e. over 40 per cent of the total number of registered societies in 1982. This compares with 38 unions in 1979 with an affiliation membership of 456 societies, i. e. 19. 4 per cent of all registered societies. Developments in this field since 1979 are set out in Table 3. 4.

MEMBERSHIP IN CO-OPERATIVE SOCIETIES, BY TYPE OF SOCIETY, 1980-1981

Table **3.3** (*Number of members)*

Type of Society	1980	1981
Coffee	486,514	512,534
Cotton	115,078	119,699
Pyrethrum	75,110	75,675
Sugar. cane	28,409	30,129
Dairy	75,665	79,888
Multiproduce	93,406	109,954
Farm Purchase	37,563	40,384
Other Agricultural	57,510	58,211
Total Agricultural	969,255	1,026,474
Savings and Credit	457,688	526,317
Other Non-Agricultural	59,452	66,827
Total Non-Agricultural	517,140	593,144
TOTAL	1,486,395	1,619,618

NUMBER OF UNIONS AND AFFILIATED SOCIETIES, 1979-1982

Table **3.4**

Year	Number of Unions	Total Number of Societies	Affiliated Societies	
			Number	Percent of Total
1979..	38	2,353	456	19.4
1980	53	2,467	907	36.8
1981..	48	2,424	854	35.2
1982..	51	2,652	1,065	40.2

Co-operatives in Marketing

3.14. About half of the total marketed production of coffee, pyrethrum, sugar-cane, cotton and dairy products in Kenya continues to be produced on large farms, which sell either directly to the parastatal bodies or through country-wide co-operative organizations. Of the remaining half produced by smallholders, more than 50 per cent is estimated to be marketed through co-operatives. The increasing role of co-operatives in the marketing of the main cash crops is shown in Table 3.5.

3.15. As is apparent from the table, co-operatives are currently playing a major role in the marketing of the main agricultural products listed. A significant feature emerging is the steady growth of the aggregate market share of co-operatives from 48 per cent in 1979 to 54 per cent in 1981. Another is the marked growth of co-operative activity in the dairy industry, where the market share has grown from 32 per cent in 1979 to about 54 per cent in 1981.

SALES OF AGRICULTURAL PRODUCE BY CO-OPERATIVES AND THEIR SHARE OF GROSS FARM REVENUE, 1979-1981

Table 3.5

Type of Produce	1979		1980		1981	
	Coop-Sales Ksh. million	Market Share (%)	Coop-Sales Ksh. million	Market Share (%)	Coop-Sales Ksh. million	Market Share (%)
Coffee	1, 231	58	1, 402	58	1, 322	64
Dairy	113	32	129	43	274	54
Pyrethrum	66	59	99	60	144	60
Sugar-cane	31	7	41	7	38	6
Cotton	99	86	91	88	78	84
TOTAL	1, 540	48*	1, 762	51*	1, 856	54*

***Co-operative average share.**

3.16. *Turnover.* — The combined turnover for all co-operatives has been increasing over the years, as can be seen in Table 3.6. In 1979, almost 1.7 billion shillings was realized as income by co-operative societies and unions in Kenya, increasing to about 2.5 billion shillings in 1981, i.e. by more than 50 per cent.

TOTAL TURNOVER (= INCOME) OF CO-OPERATIVE SOCIETIES AND UNIONS, BY TYPE OF SOCIETY, 1979-1981

Table 3.6 *KSh.million*

Activity	1979	% of Total	1980	% of Total	1981	% of Total
Coffee Societies.	1, 122	67	1, 319	58	1, 492	59
Cotton Societies	76	4	76	3	56	2
Pyrethrum Societies	62	4	70	3	71	3
Sugar-cane Societies	3	2	80	4	77	3
Dairy Societies.	59	4	59	3	89	4
Other Agricultural	105	6	272	12	270	11
Total Agricultural Societies	1, 461	87	1, 876	83	2, 055	82
Savings and Credit Societies	17	1	59	3	76	3
Other	50	3	43	2	78	3
Total Societies	1, 528	91	1, 978	88	2, 209	87
Unions	146	9	277	12	331	13
TOTAL	1, 674	100	2, 255	100	2, 540	100

***N. B.* — Some of the figures do not agree with those given in table 3.5 because of differences in definitions and coverage.**

3.17. An important feature emerging is the significance of coffee societies in income generation, having contributed almost 60 per cent of total turnover in 1980 and in 1981, i.e. slightly less than in 1979. Another feature is the continued dominance of agricultural societies in the generation of income, as demonstrated by their contribution of more than 80 per cent of total co-operative income.

3.18. Although savings and credit societies have become increasingly important, their contribution to total turnover remains very small. In terms of share capital, however, their dominance is overwhelming—accounting for over 95 per cent of the share capital of co-operative societies and for about 79 per cent of the share capital of societies and unions combined. The relevant data are presented in Table 3.7.

SHARE CAPITAL IN CO-OPERATIVE SOCIETIES AND UNIONS BY TYPE OF SOCIETY, 1980 AND 1981

Table **3.7** *Ksh.million*

Type of Society	1980	1981
Coffee Societies	74	82
Other Agricultural Societies	109	126
Total Agricultural Societies.	183	208
Savings and Credit Societies	877	1,167
Other Societies	16	57
Total Societies	1,076	1,432
Unions	40	46
TOTAL	1,116	1,478

The Nation-wide and Apex Co-operatives

3.19. The nation-wide co-operatives include the Kenya Planters Co-operative Union (KPCU), which carries out the final processing of the entire coffee crop for both large and small farmers; the Kenya Co-operative Creameries (KCC) which processes most of the marketed dairy output; and the Kenya Farmers Association (Co-operatives) Ltd. (KFA), which is a major distributor of agricultural inputs and also markets farm produce. Other important country-wide co-operative organizations are the Co-operative Bank of Kenya and the Co-operative Insurance Services Ltd. The Kenya National Federation of Co-operatives is the apex body of the co-operative movement in Kenya.

3.20. *The Co-operative Bank of Kenya (CBK).*—The CBK, which was commissioned in 1965, is the central banking institution of the co-operative movement, with most societies, unions and country-wide co-operatives as members. Up to June 1981. the members had contributed 38.9 million shillings in share capital, compared to 37.9 million shillings a year previously and 30.9 million shillings as of June 1979.

3.21. One of the reasons for setting up the Co-operative Bank was to ensure that the savings and other deposits accruing within the co-operative sector were absorbed and re-invested within the same sector, so as to generate additional income for members. Table 3.8 shows the development of deposits over the last three financial years. Following a sharp increase of almost 42 per cent between 1978/79 and 1979/80, total deposits declined in 1980/81 by 18 per cent, due to a drastic reduction in short call deposits. The general downward trend in the economy and the shortage of capital for investment forced societies to withdraw their funds to finance their activities. More favourable interest rates in a number of other financial institutions also led to some re-investment of funds in those institutions. The recent adjustment of interest rates has made the bank more competitive; and this, coupled with the announcement by the Ministry of Co-operative Development requiring societies to deposit their funds with the Co-operative Bank, should lead to a renewed upward trend in 1981/82.

CURRENT DEPOSITS AND OTHER ACCOUNTS WITH THE CO-OPERATIVE BANK, 1978/79-1980/81

Table **3.8** *Ksh. million*

	1978/79	**1979/80**	**1980/81**
Current Accounts	167.7	221.2	233.6
Savings Accounts	27.9	28.2	42.8
Fixed Deposits	16.1	28.4	42.5
Short Call Deposits	113.8	194.9	62.3
Short Term Loans	8.0	–	4.8
TOTAL	333.5	472.7	386.0

3.22. The growth of Co-operative Bank lending to the co-operative movement between 1978/79 and 1980/81 is set out in Table 3.9. A considerable part of the lending went to finance agricultural credit schemes, the most important of which are the New Seasonal Credit Scheme and the Co-operative Production Credit Scheme, which utilized almost half of available lending facilities in 1980/81. The proportion was even higher in 1978/79 and 1979/80 (57 and 65 per cent, respectively).

3.23. The deposits accumulated by co-operative societies and unions have not, however, been sufficient to finance the total volume of necessary lending, and Government funds from both local and international sources have been channelled through the Co-operative Bank to provide the necessary supplementary financing. The volume of these funds has increased considerably from 97 million shillings in 1978/79 to 322 million shillings in 1980/81.

ADVANCES AND OTHER LOAN ACCOUNTS WITH THE CO-OPERATIVE BANK OF KENYA, 1978/79-1980/81

Table **3.9** *Ksh. million*

	1978/79	1979/80	1980/81
Crop advances*	109.0	118.3	140.3
Lorries and tractors	5.0	2.9	20.0
C. P. C. S. **	125.8	181.9	124.0
Loans for Farm Purchase	41.0	39.2	39.1
Buildings, ginneries and factories	41.2	61.3	36.0
Merchandise	10.5	6.9	6.2
Other	77.1	48.4	191.0
TOTAL	409.6	458.9	556.6

***New seasonal Credit Scheme.**

****CPCS=Co-operative Production Credit Scheme.**

3.24. *Kenya National Federation of Co-operatives (KNFC).*—The KNFC was formed in 1964 as the apex organization of the co-operative movement. Most co-operatives are members either directly or through their secondary organizations. It provides services in the fields of printing, office supplies, audit, information and education, and represents Kenyan co-operative interests nationally and internationally.

3.25. Due to its limited financial base the KNFC developed slowly during the sixties, but with the establishment and expansion of its commercial services agencies its financial position has improved. The insurance agency has since developed into the independent body "Co-operative Insurance Services Limited" (*see* below). Other commercial services have likewise continued to grow *(see* Table 3.10), and it is estimated that total turnover in 1981/82 will reach 8.6 million shillings, i.e. almost double the 1978/79 figure. Growth between 1979/80 and 1980/81 was particularly rapid. The most important source of income is the printing press, although its contribution to total turnover has decreased from 82 per cent in 1978/79 to an estimated 70 per cent in 1981/82. It produces and supplies at the present time about 50 per cent of all the stationery used by co-operatives.

TURNOVER OF KENYA NATIONAL FEDERATION OF CO-OPERATIVES, 1978/79-1980/81

Table **3.10** *Ksh.* **'000**

	1978/79	1979/80	1980/81	1981/82*
Printing press	3,733	4,025	5,380	6,000
Audit	585	820	1,729	2,400
Subscriptions	236	221	211	210
TOTAL	4,554	5,066	7,320	8,610

***Provisional.**

3.26. Another rapidly growing source of income is the audit section, revenue from which has risen almost five-fold from about 0.5 million shillings in 1978/79 to 2.4 million shillings in 1981/82. Moreover, there is still scope for expansion since KNFC currently carries out only 8 per cent of all audits in the co-operative movement.

3.27. The marked improvement in KNFC's financial position has enabled it to expand its non-commercial services and activities such as education, training and information. The education and information services have thus become important complements to the efforts of the Ministry of Co-operative Development in this field.

3.28. *The Co-operative Insurance Services (CIS).* — The CIS was established as an independent body in 1979. Prior to that date insurance services for the co-operative movement were provided by the KNFC on an agency basis. The extremely rapid growth of business in this field is evident from Table 3.11. In 1981 total gross premiums reached 10.6 million shillings, as compared with 8.1 million shillings in 1980 and 3.5 million shillings in 1979. Large additional potential for insurance business still exists within the co-operative movement, and a further steep increase in premium income may be expected in the near future.

GROSS PREMIUMS ACCRUING TO THE CO-OPERATIVE INSURANCE SERVICES, 1979-1981

Table 3.11 *Ksh,'000*

Class of Business	1979	1980	1981*
Accident	1,309	2,730	3,636
Fire	646	2,013	2,659
Motor	1.547	3,403	4,354
TOTAL	3,502	8,146	10,649

***Provisional.**

3.29. *The Co-operative College of Kenya.* — Although the college is not essentially a co-operative-owned institution, it is of great importance for the movement. It is responsible for implementing co-operative education and training programmes for staff members of co-operative organizations, for society committee members, and for Ministry of Co-operative Development staff who will eventually be assigned to work with societies. The educational level of co-operative staff constitutes a serious obstacle to improvement in the co-operative movement, since the number of participant-days has failed to respond to the constraint and has remained almost constant since 1979 *(see* Table 3.12). This is due to the fact that the college is currently utilized to full capacity and no substantial increase in the volume of training is thus to be expected until the planned expansion of the college is completed.

NUMBER OF COURSES, PARTICIPANTS AND PARTICIPANT—DAYS AT CO-OPERATIVE COLLEGE.

1979-1981

Table **3. 12**

	1979	**1980**	**1981**
Courses	72	66	44
Participants	1,531	1,345	953
Participant—Days	57.848	54,324	58,233

Rural Credit via Co-operatives

3.30. The history of rural credit through co-operatives dates back 18 years, when the first credit programme was introduced. Before that, small-scale farmers were virtually debarred from obtaining institutional credit. In the absence of security guarantees commercial bank loans were unobtainable, while the AFC restricted its lending to large-scale farmers only, then defined as farmers owning 20 acres or more of farm land.

3.31. An inquiry carried out in the early 1960's over a period of some two years indicated the feasibility of ex-tending credit to small-scale farmers via their co-operative societies, provided repayment was tied to the marketing of their produce and deductions made at source from the receipts accruing. The need also emerged to strengthen the institutions through which the credits would be channelled, particularly the co-operative unions and societies. Accounting standards and management performance were especially in need of improvement.

3.32. In the wake of this inquiry the Co-operative Production Credit Scheme (CPCS) was launched in 1965, mainly in high agricultural potential areas. The scheme was first restricted to coffee growing areas but has since been extended to other areas and crops, e.g. pyrethrum, dairy and sugar-cane.

3.33. Two years after the introduction of CPCS a twin and complementary scheme (Co-operative Savings Scheme) was introduced for farmers who were already benefiting from CPCS. Under this system farmers are encouraged to save through their co-operative societies, mainly by having their payments channelled through their union's banking section. They may also deposit cash directly in their accounts with the banking sections.

3.34. The growth of both the CPCS and CSS have been phenomenal *(see* Tables 3.13 and 3.14). The number of CPCS participants has soared from 100,000 in 1972 to 377,000 in 1978 and 470.000 in 1982. Parallel with this, the number of CSS savings accounts rose from 83,000 in 1972 to 283,000 in 1978 and 380,000 in 1982. The savings balances held by members increased even more spectacularly from KSh. 12 million in 1972 to KSh. 277 million in 1978 and KSh. 313 million in 1982.

CO-OPERATIVE SAVINGS SCHEME (CSS)

Table 3. 13

	1972	1978	1982
No. of Accounts	83,000	283,000	380,000
Savings Balance (Ksh. million)	12	277	313
Co-operative Societies involved	175	200	266

CO-OPERATIVE PRODUCTION CREDIT SCHEME (CPCS)

Table 3. 14

	1972	**1978**	**1982**
No. of Participants	100,000	377,000	470,000
Loans to Societies (Ksh. million)	6	222	252

3. 35. Initially, CPCS loans were extended to loanees by the Co-operative Bank. But with the growth of members' savings in the banking sections of the unions, loans were financed increasingly from this source too—the unions maintaining minimum balances only to cover members' current withdrawals. During and after the coffee boom of 1976-78 the large bulk of all CPCS loans came to be financed by the unions themselves. More recently, the percentage of CPCS loans financed by the unions is showing signs of decline, mainly because of falling commodity prices (particularly for coffee) and their negative impact on the propensity of farmers to save. Even so, it is estimated that the share of Co-operative Bank financing of all CPCS loans in 1982 did not exceed 35 per cent.

LOANS AND GRANTS EXTENDED TO THE CO-OPERATIVE SECTOR SINCE 1963 (EXCLUDING CPCS)*

***Table* 3. 15**

Project	Loans and Grants Extended (Ksh. '000)	Loan Balance Outstanding (Ksh. '000)	Number of Loanees
SPSCP	25,796	23,319	20,648
IADP	47,471	35,272	25,000
FISS	19,964	15,897	12,252
NPDP	2,146	1,924	300
MIDP	8,577	6,618	24,000
SCIP	21,699	21,688	7,000
NSCS	97,122	78,649	84,755
TOTAL	222,775	183,367	173,955

*CPCS loans are detailed in table 3. 14.

3.36. At the begining, CPCS loans were essentially short-term credits repayable after 18 months. Phase 11 of CPCS, introduced in response to the growing diversification of farmers needs, extended the repayment period to three years. In exceptional cases, and depending on the purpose of the loan and the farmer's qualifications, repayment may also stretch to five years.

3.37. The CPCS loans scheme was likewise restricted initially to a limited number of crops and, hence, regions. At the same time, participation was limited to the better-run societies only. It thus answered only partially to the needs of rural credit, and many farmers remained unable to obtain credit of any description. In a move to remedy the situation, supplementary credit schemes were later introduced which extended the scope of the credit facilities available to small-scale farmers and the crops and regions covered.

3.38. Apart from loans to farmers, funds also needed to be allocated for the improvement and expansion of the co-operative infrastructure, upon the functioning of which the success of the new schemes would in large part depend. Funding was specifically needed for the construction of new office and storage facilities, the purchase of lorries, and the recruitment and train. ing of key personnel. With this in mind, the Small-holder Production Services Credit Programme (SPSCP) was initiated in 1975 with a view—

> "to develop the capacity within the cooperative system, to organize and implement a programme which will provide comprehensive production and marketing services for food crop production to smallholders who have potential for increasing their production but have not previously benefited substantially from such services and to build the existing co-operative network into a fully integrated supply, marketing and credit system capable of supporting the typical subsistence-oriented producer so that he can improve his economic status and contribute to the food supply of the country-"

By the end of 1982, when the programme was officially terminated, the SPSCP has disbursed a total of KSh. 25.8 million in loans and had provided 17 produce stores and 12 transport pick-ups to 51 primary societies and 10 unions.

3.39. In 1976, the Integrated Agricultural Development Programme (IADP) was introduced under the joint sponsorship of the Government of Kenya and the World Bank. As with SPSCP, the IADP mainly focuses on food crop production, although some cash crops have also been included as "anchor" items. In addition, IADP covers regions which were excluded from former credit schemes. Phase I of IADP ended in 1981 and Phase II is due to end in the 1983/84 financial year. Since its inception, KSh. 47.5 million have been disbursed in both phases of the programme to an estimated 25,000 loanees. Grants totalling KSh. 6.4 million have been given to societies and unions for the purchase of items such as bicycles, motor-cycles, stores, etc., while loans to the amount of KSh. 737,200 have been extended to six societies for the purchase of lorries.

3.40. The Farm Input Supply Scheme (FISS) was introduced in 1976 as a joint venture of DANIDA and the Government of Kenya. Starting with a revolving fund of KSh. 6.7 million which later increased to KSh. 22.7 million, its main purpose is to encourage the establishment of stores for resale activities in a number of pre-selected co-operative societies and unions- Apart from catering for the supply of farm inputs, grants have been extended to societies and unions for strengthening their management and infrastructure. The scheme has assisted in the construction of 52 produce stores and the acquisition of 8 transport vehicles, 43 staff members were also recruited between 1979. 81 at a cost of KSh. 325,000. By the end of 1982, over 12,000 members had benefited from loans under the scheme.

3.41. The most recent of the major credit schemes is the New Seasonal Credit Scheme (NSCS), introduced in 1980 following the abolition of the Guaranteed Minimum Return (GMR) scheme in 1979. Its primary purpose is to enhance the production of food crops. To date, a total of KSh. 97 million has been released to co-operative societies and unions, as compared with KSh. 58 million at the inception of the scheme.

3.42. Apart from the major credit schemes, a number of smaller schemes cater for specific needs of farmers on either a country-wide or district basis. The Special Rural Development Programme (SRDP), which was introduced on pilot basis in the early seventies in some districts of Coast, Eastern and Nyanza Provinces, was the forerunner of the IADP referred to above. The Machakos Integrated Development Programme (MIDP) is confined to Machakos District and is of an experimental nature; to date, KSh. 8.6 million have been disbursed to 24,000 loanees. The Small-holder Coffee Improvement Programme (SCIP) has distributed KSh. 21.7 million in loans for the improvement of coffee factories and to 7,000 individual farmers, while the National Poultry Development Programme (NPDP) has similarly disbursed KSh. 2.1 million to 300 poultry-keepers.

3.43. Table 3.16 summarizes the volume of the credit that has so far been extended by the various programmes (excluding CPCS) to small-scale farmers through their co-operatives. As is evident, all of the programmes concerned have concentrated not only on extending direct credit to farmers but also on building up the support facilities necessary for enhancing the management performance of the societies and the benefit of members.

Worker-Based Savings and Credit Co-operatives

3.44. Co-operative savings and credit societies are financial institutions which operate for the benefit of their members. The first such societies were formed in rural areas in 1964 by people united by a common economic or social bond, such as farmers, traders, businessmen and parish communities. Members pooled their savings from which loans were extended among themselves at low interest rates. About 20 such societies were registered. They did not, however, prove successful and were subsequently liquidated.

SAVINGS AND CREDIT SOCIETIES, 1972 AND 1978—1982

Table 3. 16

Year	Number of Societies	Number of Members	Members' Shares (=Savings) (Ksh. '000)	Loans Outstanding to members (Ksh. '000)
1972	101	35,745	16,204	10,028
1978	630	387,519	375,005	357,005
1979	683	445,647	536,258	506,947
1980	787	457,668	898.000	742,000
1981	797	526,317	1,390,900	1,053,640
1982..	927	600,000	1,500,000	1,300,000

3.45. In the light of this experience, the emphasis has been shifted as from 1969 to the promotion of savings and credit societies among salary and wage earners. To ensure success, the common employer (i.e. the common bond) is required to undertake in writing to deduct members' contributions for shares, loan repayment and interest directly from the payroll and to remit the said amounts to the society. This is the so-called "check-off" system which is cardinal to the success of urban savings and credit societies- Loans are extended at very modest interest rates (12 per cent p.a. on declining balance), and the only security required is the member's undertaking to repay the loan together with interest through check-off, back-up by his savings with the society and two guaranteeing members. These easy terms have attracted many employees to join societies, which have in turn contributed significantly to worker welfare, especially in the low income groups.

3.46. *Growth and Expansion of Saving and Credit Societies.*—By 1975, savings and credit societies were operative in all government ministries and parastatals and in a considerable number of industrial firms, municipalities, county councils, commercial banks, voluntary organizations and hospitals. The majority of societies are located in cities such as Nairobi and Mombasa and to a lesser extent in smaller towns such as Kisumu, Nakuru, Thika and Eldoret, where most salary and wage earners work and reside. In rural areas, societies are generally restricted to rural industry locations and institutions employing hired labour.

3.47. From a mere 101 in 1972, the number of societies rose by the year 1982 to 927. Over the same period, membership increased from 36,000 to over 600,000, and paid-up share capital contributed by members from KSh.16 million to KSh. 1.5 billion. Loans to members rose from KSh. 10 million in 1972 to KSh. 1.3 billion in 1982 (*see* Table 3.16).

3.48. The size of each society is closely dependent on the size of the work force at the place of employment. The largest societies are in the Government ministries. The Harambee Savings and Credit Society which embraces several ministries has 29,000 members. Other large societies include the Afya

Savings and Credit Society catering for employees of the Ministry of Health, and the Posta and the Reli Savings and Credit Societies catering for employees of Kenya Posts and Telecommunications and the Kenya Railways Corporation, respectively. The smallest societies have as few as 40 members.

3.49. It may be mentioned that although most workers reside in cities their roots are in the country, so that the benefits accruing from the loans received filter through in part to the rural areas also. Most loans are given for purposes such as payment of school fees, purchase of houses, home improvement, payment of hospital bills, purchase of farms, and land development.

The Future Development of the Co-operative Movement

3.50. Because the economy of Kenya is largely agricultural, the co-operatives have traditionally concentrated on the processing and marketing of agricultural produce. In view of their proven usefulness as tools of agricultural development and their grassroot connections with the target group in the development process, the government has used them extensively in order to reach small-scale producers through the various rural development projects. The bulk of government resources for agricultural development and most of the credit extended to small-scale farmers has thus been channelled through the co-operative movement.

3.51. Recent years have seen a diversification of co-operative activity into urban areas, and Urban Savings and Credit Co-operatives in particular are now only second in significance to the agricultural co-operatives- This development has been very meaningful for those wage and salary earners who would not otherwise have had the possibility of acquiring credit- The agricultural societies will doubtless continue to play a dominant role- But the co-operative movement as a whole may be expected to continue to expand and diversify, thereby assisting in the mobilization of the human and material resources requisite to the implementation of the national development projects and programmes- Among the areas of anticipated expansion and diversification are the following:

3.52. *Savings and Credit Co-operatives.* —Fast expansion is expected as the industrial labour force grows and workers realize the benefits that can be reap. ed by organizing into this type of co-operative. Government assistance will be necessary to help improve management and operational capabilities, so as to ensure fast and efficient service to members.

3.53. *Housing Co-operatives.* —Despite the considerable progress made since independence in the provision of improved housing in urban and rural areas, much remains to be done particularly with regard to low-cost housing for low income workers. Co-operatives can contribute significantly towards closing this gap. Currently there are only about 50 active housing co-opera-

tives, but their number is expected to increase over the next few years and provide a considerable number of additional housing units especially for low-income groups. A national co-operative body, the National Co-operative Housing Union, has been registered and is currently being activated to spear-head developments in this regard.

3.54. *Fishing Co-operatives.* —Fishing is a very important activity along the Kenya Coast and in the Lake Victoria region, and a large part of the population in these areas is dependent upon it both for consumption and as a source of income. For fishermen to reap optimum benefits, however, 6fishing methods and marketing arrangements need improving. The govern-ment has embarked therefore on a project designed to achieve these ends and to ensure fair return to fishermen and an adequate supply of fish at reasonable prices.

3.55. The next few years will see efforts towards improving co-operative management and marketing, establishing fish storage and handling facilities, and introducing improved fishing boats and fishing gear. Fishermen will thus be enabled to increase the quantity and quality of their catch in the knowledge that they will be adequately recompensed.

3.56. *Building and Construction Co-operatives.* —Building and Construc-tion Co-operatives are formed by artisans with skills in masonry, carpentry and other building trades. They have hitherto been established in rural areas by graduates of village polytechnics, and have contributed to the opening up of employment opportunities in these areas. Such co-operatives are currently operational in Nyanza and Western provinces and may be expected to spread in the coming years to other parts of the country where village polytechnics are operating. Admission will also be open to artisans who have acquired their skills through practical experience or other types of training.

3.57. *Industrial Co-operatives.* —While co-operatives have been deeply involved in the production and primary processing of agricultural products, their role in agro-industrial development has been marginal. This is partly explained by the limited need till recently for secondary processing. But an additional factor has undoubtedly been the lack of financial and managerial capacity within the movement. Today, the need is growing for agro-based industries to facilitate both vertical and horizontal integration of agricultural production and processing. Such a development would hold significant poten-tial for agricultural co-operatives, which in any case already handle a large part of basic agricultural output and can readily tap the growing volume of investment funds accumulating within the co-operative sector.

3.58. Co-operatives also provide a tested institutional framework for the development of cottage industries, which may be expected to expand in pace with rural economic growth. This will contribute to the generation of jobs and income in rural areas.

3.59. *Co-operatives and Horticulture.* — Horticultural production is basically carried out by small-scale farmers. However, its potential as a source of income for the rural poor and as a foreign exchange earner has not been realized, mainly because of the disorganized marketing system which leaves producers unsure of a market and at the mercy of traders and middlemen. The government is currently formulating a horticultural policy aimed at streamlining both domestic and export marketing. This will offer scope for the formation of horticultural co-operatives in existing and potential production areas, through which small-scale farmers will be organized for the production and marketing of their produce.

CHAPTER 4—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

The last year was not a happy one for employment, earnings and consumer prices. Wage employment in the modern sector of the economy went up by only 1.3 per cent in 1982, with most of the increase concentrated in the parastatal organizations. There was virtually no increase in modern private sector employment, although the numbers engaged in the informal sector increased by an estimated 10 per cent. Average earnings per worker in the modern sector went up by 6.7 per cent during 1982 but with an average inflation rate of 22.3 per cent the real value of earnings dropped rather sharply. The inflation rate was the highest ever recorded for a calendar year.

4.2. The total number working for wages in the modern sector of the economy was recorded as 1.038.000 in June. This was 65,700 more than recorded in June 1979, giving an average increase in wage employment of approximately 22,000 per year in 1979. 82. There has, in addition, been a relatively rapid growth in the numbers engaged in urban informal enterprises, approximately estimated to have expanded by about 17,000 workers per year. By comparison, the fourth development plan, for 1979. 83, set a target of 50,000 new employees in the modern sector alone. It is apparent that at the rates of the last few years modern sector employment has not expanded nearly as rapidly as the labour force, leaving most new entrants to be absorbed into informal activities and smallholder agriculture.

Employment

4.3. From the figures in Table 4.1 it can be calculated that total wage employment in the modern sector went up by 1.3 per cent in 1982 as compared with the 1.8 per cent increase recorded in 1981. In absolute numbers, persons in wage employment increased by only 13,700. Over the past three years the number of self-employed and unpaid family workers has tended to grow only marginally. On the other hand, self-employed persons engaged in the urban informal sector increased by an estimated 9.1 per cent in 1982, compared with the sharp rise of 27.8 per cent in 1981.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1979-1982

Table 4.1 '000's

	1979	1980	1981	1982*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	972.3	1,005.8	1,024.3	1,038.0
Self-employed and unpaid family workers	63.0	61.9	62.1	62.7
Informal Establishments—Urban Areas	121.6	123.1	157.3	6
TOTAL	1,156.9	1,190.8	1,243.7	1,272.9

*Provisional

4.4. During 1982 there was no change in total wage employment in the private sector, as shown in Table 4.2. The effect of lower investment continued to dampen employment in the productive sectors. Since there is a time lag for this factor to be felt in service activities, employment in these industries increased. Thus these effects cancelled each other out and total wage employment in the private sector in 1982 remained at the 1981 level. Decreases were manifested in agriculture and forestry, which went down by 3.6 per cent, while manufacturing and construction dropped by 0.6 per cent and 1.5 per cent respectively. On the other hand, some increases were recorded in commerce (2.4 per cent) and transport and communications (4.2 per cent). There was an increase of 11.6 per cent in finance, insurance, real estate and other services.

4.5. Details of the changes in wage employment in the public sector are also shown in Table 4.2 as well as in Table 4.3. Sectors which showed decreases in employment are agriculture and forestry, showing a fall of 9 per cent, building and construction, with a fall of 1.4 per cent, and trans.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1979-1982

***Table* 4.2** **000's**

	1979	1980	1981	1982*
PRIVATE SECTOR—				
Agriculture and Forestry	193.9	172.5	173.7	167.5
Mining and Quarrying	2.0	1.7	1.5	1.8
Manufacturing	112.0	111.4	116.7	116.0
Electricity and Water	0.1	0.1	0.2	0.2
Construction	32.5	31.7	32.6	32.1
Wholesale and Retail Trade, Restaurants and Hotels	64.4	66.0	67.7	69.3
Transport and Communications	23.3**	23.0**	18.9	19.7
Finance, Insurance, Real Estate and Business Services	28.1	31.9	31.1	34.7
Community, Social and Personal Services	91.3	95.9	97.9	99.1
TOTAL	547.6	534.3	540.2	540.4
PUBLIC SECTOR—				
Agriculture and Forestry	60.7	58.9	61.9	56.3
Mining and Quarrying	0.6	0.6	0.7	1.2
Manufacturing	26.4	29.9	29.7	30.8
Electricity and Water	9.8	10.0	10.0	13.8
Construction	28.8	***31.5***	28.7	28.3
Wholesale and Retail Trade, Restaurants and Hotels	4.3	4.5	4.9	5.6
Transport and Communications	31.5	32.2	36.5	33.1
Finance, Insurance, Real Estate and Business Services	7.5	7.8	8.4	9.0
Community, Social and Personal Services	255.1	296.2	303.4	319.5
TOTAL	424.8	471.5	484.1	497.6

*Provisional

**This figure is thought to have been overstated.

port and communications, showing a fall of 9.3 per cent. Increases in employment, on the other hand, were recorded in electricity and water, with a sharp rise of 38 per cent, and in financial institutions, with a rise of 7.1 per cent. Total wage employment in the public sector rose by 2.8 per cent in 1982 about the same rate as in 1981. Employment in central government rose by only 1 per cent while the other components of the public sector recorded increases of around 4 per cent each.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1979-1982

***Table* 4.3** **'000's**

	1979	1980	1981	1982*	Annual Percentage Change 1981/82*
Central Government	197.3	214.8	214.5	216.7	1.0
Parastatal Bodies**	170.1	187.0	198.3	206.7	4.2
Majority Control by the Public Sector	23.4	30.0	31.6	32.9	4.1
Local Government	33.8	39.6	39.7	41.3	4.0
Others+	0.1	0.1			
TOTAL	424.7	471.5	484.1	497.6	2.8

*Provisional.

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

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

4.6. Although information on the urban informal sector is necessarily less reliable than for the modern sector, indications are of continued fairly rapid expansion in the numbers engaged in informal activities—partly, no doubt, because of the shortage of new modern sector jobs. Survey data show about 71 per cent of this to be involved in trading activities, about 16 per cent in manufacturing and 11 per cent in personal and other services. In the major cities, particular large increases were recorded during 1982 in trading activities in Kisumu and Nakuru, and there was also an estimated 10 per cent increase in this type of activity in the smaller towns. Out of the total estimated employment in the urban informal sector in 1982 Nairobi accounted for 25 per cent, as it also did in 1981.

4.7. With the exception of the Rift Valley province, wage employment has grown significantly over the past three years in all provinces, as Table 4.4 reveals. Although in absolute numbers Nairobi has experienced the largest growth, the percentage increase in employment in North-Eastern province continued to be the largest, having expanded by 75.5 per cent in 1979-82. The next largest proportionate increase was recorded for Western province, with employment in 1982 up by 15.9 per cent over 1979. As indicated earlier, the only province which has suffered a decrease is the Rift

Valley which had fewer employees in 1982 than in 1979—a drop of 3.5 per cent. This apparent decline is rather misleading. In this province a process of sub-dividing large farms for smallholder cultivation has continued. This has displaced former agricultural wage workers but, overall, has led to a net increase in the number of people engaged in cultivating the land. There has been a substitution of family labour for wage labour.

WAGE EMPLOYMENT BY PROVINCE, 1979-1982

***Table* 4.4** **'000's**

Province	1979*	1980	1981	1982*	Percentage Change 1981/82*
Nairobi	260.8	274.2	284.5	291.3	2.4
Central	145.8	149.6	152.6	153.5	0.6
Nyanza	72.0	74.5	77.0	80.4	4.4
Western	46.0	49.5	52.3	53.3	1.9
Coast	132.0	139.3	139.5	140.6	0.8
Rift Valley	234.4	232.6	230.2	226.1	1.8
Eastern	76.0	80.6	80.5	83.5	3.7
North Eastern	5.3	5.5	7.7	9.3	20.8
TOTAL	972.3	1,005.8	1,024.3	1,038.0	1.3

***Provisional.**

4.8. In 1982 wage employment in urban areas accounted for 55.4 per cent of total recorded wage employment in the country. Between 1977 and 1982 employment in all urban areas went up by 33.6 per cent, from 430,300 in 1977 to 575,000 in 1982. For Nairobi alone wage employment went up by 23.7 per cent over the same period—from 236,500 in 1977 to 292,500 in 1982. Also for the same period wage employment in all other towns went up by 45.8 per cent from 193,800 in 1977 to 282,500 in 1982. It is envisaged that wage employment in towns other than Nairobi will grow faster since emphasis on planning and implementing development projects is moving away from the major towns towards the districts.

4.9. Table 4.5 shows changes in wage employment for six selected sectors in the major towns between 1977 and 1982. Wage employment in the six sectors in 1982 represented 51.6 per cent of the total recorded wage employment. Between 1977 and 1982 wage employment in manufacturing increased by 23.6 per cent, while employment in construction; in trade, restaurants and hotels; and in transport and communication grew by 16.1, 22 and 6.4 per cent respectively. Employment in finance, insurance, real estate and business services; and in community, social and personal services increased at faster rates, recording growths of 42.2 and 47.1 per cent respectively between 1977 and 1982. As can be observed in Table 4.5, other than in transport and communications, Nairobi has generally commanded a 50 per cent or more share in the selected sectors in urban areas. There has been no significant change in this concentration since 1977.

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1977AND 1982

Table **4.5** **'000's**

	Manufacturing		Construction		Trade, Restaurants and Hotels		Transport and Communica-tions		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services	
	1977	1982*	1977	1982*	1977	1982*	1977	1982*	1977	1982*	1977	1982*
Nairobi	47.2	56.1	31.0	32.3	29.3	35.4	17.7	19.9	21.0	29.7	78.2	105.1
Mombasa	16.3	19.3	3.9	4.9	9.4	12.4	20.8	24.1	4.0	5.2	24.2	25.9
Kisumu	2.9	3.9	1.0	1.2	1.6	**1.8**	2.2	1.3	0.8	0.9	6.5	7.9
Nakuru	4.9	5.8	1.3	1.5	2.4	2.7	0.9	0.9	0.6	0.9	5.4	7.9
Thika	8.2	9.5	0.3	0.5	0.6	1.0	0.1	0.1	0.4	0.4	2.4	3.3
Eldoret	2.8	7.6	0.4	1.3	1.1	1.4	0.8	0.5	0.3	0.6	2.8	4.2
Others	**10.0**	12.0	3.2	5.9	8.7	10.1	3.9	2.7	1.8	3.4	29.1	64.4
TOTAL	92.4	114.2	41.0	47.6	53.1	64.8	46.5	49. 5	28.9	41. 1	148.7	218.7

*Provisional.

4.10. Table 4.6 details wage employment by industry, citizenship and sex. In 1982 only 1.3 per cent of jobs in the modern sector were filled by non. citizens, the same share as in 1981. Against a drop in non-citizens engaged in agriculture and public administration, non-citizen employment went up slightly in education, perhaps as a result of increased emphasis on technical and practical education. Apart from these changes, the distribution of non. citizen employment remained largely unchanged. Relatively more women are being employed in the modern sector, as can be seen from the bottom lines of the table. The share of females in wage employment rose to 18.6 per cent in 1982 compared to 18 per cent in 1981 and 17.6 per cent in 1980.

WAGE EMPLOYMENT BY CITIZENSHIP AND INDUSTRY, 1981 AND 1982

***Table* 4.6** **'000's**

	CITIZENS		NON-CITIZENS		Total	
	1981	1982*	1981	1982*	1981	1982*
Agriculture and Forestry	234.4	223.0	1.1	0.9	235.5	223.9
Mining and Quarrying	2.1	2.9	**	0.1	2.1	3.0
Manufacturing	144.2	144.8	2.1	2.0	146.3	146.8
Electricity and Water	10.1	13.9	0.1	0.1	10.2	14.0
Construction	60.1		1.3	1.3	61.4	60.4
Trade, Restaurants and Hotels	71.9	74.2	0.7	0.7	72.6	74.9
Transport and Communications	54.9	52.4	0.4	0.4	55.3	52.8
Finance, Insurance, Real Estate and Business Services	38.1	42.3	1.4	1.4	39.5	43.7
Community, Social and Personal Services—						
Public Administration	121.6	128.3	0.2	0.1	121.8	128.4
Education Services	149.1	152.2	2.5	2.8	151.6	155.0
Domestic Services	54.3	54.2	2.4	2.4	56.7	56.6
Other Services	69.7	76.9	1.6	1.6	71.3	78.5
TOTAL	1,010.5	1,024.2	13.8	13.8	1,024.3	1,038.0
Of which: Males	829.1	834.0	10.8	11.0	839.9	845.0
Females	181.4	190.2	3.0	2.8	184.4	192.0

*Provisional.

**Less than 50.

Earnings

4.11. Details of total wage payments are shown in Table 4.7. In 1982 the total wage bill went up by 8.2 per cent, compared to 18.8 per cent in 1981. In the public sector there was a 9.7 per cent rise, whereas the wage bill of the private sector went up by 6.5 per cent—a proportionately lower increase than in the past few years. Total wage payments went up in most activities, the main exceptions being private sector construction and public sector agriculture.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1979-1982

Table **4.7** *K£'000*

	1979	1980	1981	1982*
PRIVATE SECTOR—				
Agriculture and Forestry	33,989.5	37,000.7	41,309.0	41,586.9
Mining and Quarrying..	653.5	565.7	607.7	753.2
Manufacturing	72,099.9	82,620.1	97,375.6	10,938.4
Electricity and Water	41.9	92.2	156.1	170.1
Construction	18,722.8	22,453.1	26,446.9	23,277.2
Wholesale and Retail Trade. Restaurants and Hotels	53,855.0	67,025.5	75,462.8	79,221.6
Transport and Communications	20,895.4	22,469.0	21,383.4	25,390.5
Finance, Insurance, Real Estate and Business Services	36,903.3	47,639.8	55,392.9	59,962.4
Community, Social and Personal Services	37,092.4	46,912.0	53,640.1	56,120.0
TOTAL	274,253.7	326,778.1	371,774.5	395,871.3
PUBLIC SECTOR—				
Agriculture and Forestry	28,854.9	23,309.0	26,954.2	25,875.3
Mining and Quarrying..	942.6	1,039.0	1,197.0	2,569.4
Manufacturing	17,982.3	23,534.3	23,838.9	26,735.9
Electricity and Water	6,958.2	7,816.8	10,230.0	13,363.1
Construction	17,235.0	15,014.0	18,054.7	20,400.3
Wholesale and Retail Trade, Resturants and Hotels	3,471.4	4,590.6	6,243.6	7,870.0
Transport and Communications	31,865.4	35,665.6	45,171.9	46,487.2
Finance, Insurance, Real Estate and Business Services	10,874.9	14,309.4	18,334.4	20,602.3
Community, Social and Personal Services	171,070.8	212,063.8	265,893.1	293,268.9
TOTAL	289,255.5	337,342.5	416,917.4	457,172.4

*Provisional

4.12. Table 4.8 shows the wage payments to employees in the various divisions of the public sector. With the exception of local government, total wage payments by the public sector in 1982 were about 60 per cent more than those paid in 1979. The combined wage bill for the central government and parastatal bodies has continued to account for more than 85 per cent of the total since 1979. However, the spate of large rises in wage payments by these divisions incurred in 1980-81, particularly as a result of the Waruhiu Commission report, has now ended. Increases in wage payments in 1982 over 1981 can be summarized as follows: central government wage payments went up by 7.4 per cent, parastatal bodies by 9 per cent, companies in which the state has majority control by 11.4 per cent, while the wage bill for local government continued to rise sharply, going up by 27.3 per cent in 1982, following a 25.4 per cent rise in 1981.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1979-1982

Table 4. 8 ***K£Million***

	1979	**1980**	**1931**	**1982***
Central Government	137.1	153.6	193.3	207.7
Parastatal Bodies**	116.1	133. 6	169.1	184.3
Majority Control by the Public Sector..	16. 8	22.5	26.3	29.3
Local Government..	19.1	27.5	28.2	35.9
TOTAL	289.2	337.3	416.9	457.2

*Provisional.

**Includes Teachers Service Commission, Kenya Railways Corporation, Kenya Airways Ltd. etc.

Includes E. A. Development Bank, and Kenya Examinations Council, whose payments vary around K£50, 000 a year.

4. 13. Turning to earnings *per employee,* the overall average increased from K£770 in 1981 to K£822 in 1982 or by 6. 7 per cent. Table 4. 9 sets out the details. The pattern of increase was very similar for public and private employees, with rises of 6. 7 and 6. 4 per cent respectively.

4. 14. Overall, there were only slight changes between 1981 and 1982 in average earnings by industry in the private sector. The only noticeable exceptions were an increase of 13. 7 per cent for employees in transport and communications and a drop of 3 per cent in finance, insurance, real estate and business services. The increases recorded in the public sector were only fractionally higher than those in the private sector and in absolute terms the increases in 1982 were considerably lower than in previous years. By contrast, the average earnings of employees in local government rose sharply by 22. 4 per cent, an increase nearly equal to that recorded in 1981.

4. 15. Table 4. 9 also shows that, on an activity-by-activity basis, average earnings in the public sector are higher than in the private sector, although this ceased to be true of manufacturing during 1982. A number of factors contribute to this tendency. First, while the public sector generally pays above the statutory minima this is less commonly the practice among private employers. Secondly, the figures in Table 4. 9 conceal differences in the occupational structure of employment in the private and public sectors, which also help to explain the differences. On the other hand, average salaries in the private sector of professional, skilled and managerial workers are appreciably higher than in much of the public sector. What is also apparent from the table is that earnings in agriculture remain far below the average. Combining both public and private employment, average earnings in agriculture in 1982 were only K£301, which was less than two-fifths of the national average.

Table **4.9** AVERAGE WAGE EARNINGS PER EMPLOYEE, 1979-1982 *K£*

	1979	1980	1981	1982*
PRIVATE SECTOR—				
Agriculture and Forestry	175.4	214.5	237.9	248.2
Mining and Quarrying	350.0	352.9	412.0	425.8
Manufacturing	643.8	741.5	834.5	943.4
Electricity and Water	460.4	653.9	772.8	885.9
Construction	575.4	709.8	810.8	724.1
Trade, Restaurants and Hotels	837.0	1, 015.2	1, 114.7	1, 143.8
Transport and Communications	897.0	978.3	1, 132.9	1, 287.6
Finance, Insurance, Real Estate and Business Services	1, 313.1	1, 487.5	1, 781.7	1, 727.9
Community, Social and Personal Services	406.4	489.1	547.9	566.1
TOTAL PRIVATE SECTOR	501.0	611.6	688.2	732.5
PUBLIC SECTOR—				
Agriculture and Forestry	475.7	396.0	435.6	459.4
Mining and Quarrying	1, 457.1	1, 646.0	1, 808.2	2, 045.7
Manufacturing	642.8	788.4	837.7	867.3
Electricity and Water	707.7	779.3	1, 024.3	967.8
Construction	599.0	477.3	628.1	721.0
Trade, Restaurants and Hotels	804.0	1, 025.1	1, 273.7	1, 399.9
Transport and Communications	1, 012.7	1, 081.9	1, 238.5	1, 406.1
Finance, Insurance, Real Estate and Business Services	1, 441.3	1, 829.6	2, 174.3	2, 301.4
Community, Social and Personal Services	670.6	716.0	876.4	918.0
TOTAL PUBLIC SECTOR	681.0	715.5	861.2	918.7
TOTAL	579.6	660.3	770.0	821.8
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	694.9	715.1	901.2	958.5
Parastatal Bodies**	682.5	714.4	852.8	891.6
Majority Control by the Public Sector	717.9	750.0	832.3	890.6
Local Government	565.1	694.4	710.3	869.2
TOTAL PUBLIC SECTOR	681.0	715.4	861.2	918.7

*Provisional.

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

4. 16. Table 4. 10 summarises percentage changes in employment and average earnings in recent years. Perhaps the most striking feature of these statistics is the large differences in trends in both variables across the various activities, in both public and private sectors. Particularly on the earnings side, a greater degree of uniformity might have been expected. The employment figures for 1977-82 also re-emphasise that the private sector, taken as a whole, has almost ceased to be a source of new employment, with an overall expansion of only 2. 6 per cent in 1977-82. This inevitably creates pressure for the central government and other parts of the public sector to become the "employers of last resort", and the table shows the extent to which public employment has grown relative to the private sector.

PERCENTAGE. CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1977-1982

Table **4. 10**

	EMPLOYMENT		AVERAGE EARNINGS	
	1977-1982*	1981-82*	1977-82*	1981-82*
PRIVATE SECTOR—				
Agriculture and Forestry	-18.9	-3.5	84.3	4.3
Mining and Quarrying	-25.0	19.9	27.8	3.3
Manufacturing	22.5	-0.6	58.1	13.0
Electricity and Water	–	-5.0		14.6
Construction	8.4	-1.5	47.8	-10.7
Trade, Restaurants and Hotels	14.9	2.3	73.3	2.6
Transport and Communications	0.5	4.5	81.6	13.7
Finance, Insurance, Real Estate and Business Services	43.4	11.6	52.1	-3. 0
Community, Social and Personal Services	11.0	1.3	72.5	3.3
TOTAL PRIVATE SECTOR	2.6	0.0 4	83.6	6.4
PUBLIC SECTOR—				
Agriculture and Forestry	4.5	-9.0	27.6	5.5
Mining and Quarrying	20.0	89.7	118.0	291.8
Manufacturing	32.2	4.0	58.5	3.5
Electricity and Water	43.8	38.2	70.7	-5.5
Construction	46.6	-1.4	37.9	14.8
Trade, Restaurants and Hotels	143.5	147	97.7	9.9
Transport and Communications	16.5	-9.4	82.4	13.5
Finance, Insurance, Real Estate and Business Services	63.6	6.2	80.1	5.8
Community, Social and Personal Services	37.1	5.3	54.7	4.7
TOTAL PUBLIC SECTOR..	32.2	2.8	56.2	6.7
TOTAL PRIVATE AND PUBLIC	15.0	1.3	72.0	6.7
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	37.8	0.1	51.3	6.4
Parastatal Bodies**	21.6	4.2	57.6	4.5
Majority Control by the Public Sector	93.5	4.1	51.4	7.0
Local Government	28.7	4.0	78.8	22.4
TOTAL PUBLIC SECTOR..	32.3	2.8	56.2	6.7

***Provisional.**

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

4.17. The average earnings so far discussed have been only money earnings, i.e. have not been adjusted for the effects of inflation. Such adjustments are presented in Tables 4.11 and 4.12. From 4.11 it can be seen that during 1982 the increase in money earnings failed to keep pace with price rises, so that average real wages fell by 12.6 per cent, following a 3.6 per cent improvement in 1981.

CHANGES IN WAGE EMPLOYMENT, AVERAGE WAGES AND CONSUMER PRICES, 1979-1982

Table **4.11** *Percentage*

	1979	1980	1981	1982*
Wage employment	6.7	3.4	1.8	1.3
Current prices average wages	9.4	13.9	16.6	6.7
Consumer prices**	8.4	12.8	12.6	22.3
Real average wages	0.9	0.9	3.6	-12.6

*Provisional.

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

4.18. Details of changes in average real earnings are laid out in Table 4.12. With the exception of a small rise of 2.4 per cent in finance, insurance, real estate and business services of the private sector, real average earnings dropped considerably across the board. The largest drop was recorded in building and construction by the private sector, a drop of 26.9 per cent, followed by a drop of 22.6 per cent in public sector-electricity and water. However, real average earnings for employees in local government remained constant at 1981 levels. Falls in real earnings of the magnitude shown in the tables have never been recorded before. They reflect the generally difficult economic situation and the particular vulnerability of the urban wage labour force to this situation.

Wage Awards

4.19. New wage guidelines for the private sector came into force in August 1982, superseding those announced in May 1980. Consolidated monthly minimum wages went up from KSh. 215 to KSh. 255 for agricultural workers aged 18 years and over, while for those aged under 18 years the wages rose from KSh. 154 to KSh. 183. Minimum wages for stockmen, herdsmen and watchmen increased to KSh. 295 for employees over 18 years of age and KSh. 211 for those under 18. For the Nairobi area and Mombasa municipality, minimum wages for unskilled workers went up from KSh. 456 to KSh. 480 while for other municipalities and urban councils minimum wages were set at KSh. 442. For all other areas minimum wages were to be KSh. 270 per month. Other than agricultural workers, stockmen, herdsmen and watchmen, where deconsolidation of wages is deemed necessary, the house allowance element was set to be no more than 15 per cent of the prevailing minimum wage.

ESTIMATED REAL AVERAGE WAGE EARNINGS PER EMPLOYEE, 1979-1982**

Table **4.12** *K£*

	1979	1980	1981	1982*
PRIVATE SECTOR—				
Agriculture and Forestry.	112.0	131.4	119. 6	102.2
Mining and Quarrying	223.6	199.7	207.1	175.3
Manufacturing	411.4	419.6	419.6	388.4
Electricity and Water	294.2	370.1	388.5	364.7
Construction	367.7	401.7	407.6	298.1
Trade, Restaurants and Hotels	534.8	574.5	560.4	470.9
Transport and Communications	573.2	553.7	569.6	530.1
Finance, Insurance. Real Estate and Business Services	839.1	841.8	695.8	712.2
Community, Social and Personal Services	295.5	276.8	275.5	233.1
TOTAL PRIVATE SECTOR	320.1	346.1	346.0	301.6
PUBLIC SECTOR—				
Agriculture and Forestry	304.0	224.1	219.0	189.1
Mining and Quarrying	931.1	931.5	909.1	842.2
Manufacturin	410.7	446.2	421.2	357.1
Electricity and Water	452.2	441.0	515.0	398.4
Construction	382.7	270.1	315.8	296.8
Trade, Restaurants and Hotels	513.7	580.1	640.4	576.3
Transport and Communications	647.1	627.6	622.7	578.9
Finance, Insurance, Real Estate and Business Services	921.0	1,035.4	1,093.2	947.9
Community, Social and Personal Services	428.5	405.2	440.6	377.5
TOTAL PUBLIC SECTOR	345.1	404.9	433.0	378.2
TOTAL	370.3	373.7	387.1	338.3
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	444.0	404.7	453.1	394.6
Parastatal Bodies* 436. 1	404.3	428. 8	367.1	
Majority Control by the Public Sector..	458.7	424. 4	418.5	366.7
Local Government	361.1	393.0	357.1	357.8
TOTAL PUBLIC SECTOR	435.1	404.9	433.0	378.2

*Provisional.

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

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

4.20. An analysis of collective wage agreements in 1982 indicates that 187 agreements lasting for an average duration of 25 months were reached and registered with the Ministry of Labour compared with 174 such agreements in 1981. The number of unionisable employees affected was much higher—82,772 employees in 1982 against 46,589 in 1981. As in past years, more than half the agreements were in manufacturing establishments. Arising from these agreements, the average minimum monthly wages rose to KSh. 587, KSh. 1,166 and KSh. 3,187 for lower, middle and upper income groups respectively.

Consumer Prices

4.21. Nairobi consumer prices during 1982 increased by 20.6, 25.9 and 20.3 per cent for the lower, middle and upper income groups respectively, as shown in Table 4.13. Taking an unweighted average, this resulted in an increase of 22.3 per cent for 1982 as compared with 12.6 per cent for 1981. This was the highest increase in consumer prices over the past decade, the previous high having been recorded as 17.1 per cent in 1975. Among the factors contributing to the inflationary pressures in 1982 were the sharp increase in food prices in December 1981, the lagged effect of the devaluation of the Kenya shilling in September 1981, and the recurring fuel price increases during 1981 and 1982. In fact, study of monthly data shows that the acceleration of inflation had begun by the end of 1981 and then continued during 1982, with some tendency to slow down towards the end of the year. The effect of the devaluation of the Kenya shilling in December 1982, is expected to be felt during 1983.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES, 1978-MARCH, 1983

Table **4.13**

	1979/78	1980/79	1981/80	1982/81	March 1982 to March, 1983
Nairobi Lower Income Index	8.0	13.8	11.7	20.6	12.5
Nairobi Middle Income Index	7.2	11.6	13.8	25.9	17.3
Nairobi Upper Income Index	10.1	13.0	12.3	20.3	18.7
Average Increases	8.4	12.8	12.6	22.3	16.2

4.22. During 1982 as a whole the largest price increases were recorded for health and personal care (39.9 per cent) and fuel and power (33.9 per cent). The transport and communications index rose by 29.9 per cent and the drinks and tobacco index by 23.7 per cent. Food prices increased by 18.9 per cent and rents by 22.2 per cent.

4.23. Comparing March 1982 and March 1983, Nairobi consumer prices increased by 12.5, 17.3 and 18.7 per cent for the lower, middle and upper income groups respectively, resulting in an average increase of 16.2 per cent. This was somewhat lower than the 22.3 per cent increase during the twelve months ending December 1982, indicating a possible slackening of inflationary pressure. As suggested, however, the effect of the December 1982, devaluation had probably yet to be fully felt. The largest increases between March 1982, and March 1983, were recorded for drinks and tobacco, fuel and power and household operations. The first quarter of 1983 has seen a number of basic changes. Prices of items such as soap, detergents, tooth-paste and squashes were reduced in February l983, by Government order; and although the prices

of soap and detergents have since been increased again, they are still lower than in December 1982, and remain subject to control. On the other hand, the prices of milk, meat, bread and sugar were increased during the first quarter of 1983.

NAIROBI CONSUMER PRICE INDICES, 1979—1983

***Table* 4. 14** **Base: *January-June,* 1975=100**

	Food	Rent	Others	All Groups
LOWER INCOME—				
December—1979	159.5	205.1	168.3	177.1
December—1980	185.3	232.0	184.6	200.3
December—1981	219.7	277.6	224.1	239.0
December—1982	243.5	315.8	264.9	271.8
March—1983	251.5	323.9	267.5	278.9
MIDDLE INCOME—				
December—1979	154.8	175.3	148.6	155.7
December—1980	178.0	195.2	160.4	173.3
December—1981	211.0	243.5	210.1	216.3
December—1982	228.6	288.3	264.8	255.9
March—1983	243.7	299.4	269.6	265.7
UPPER INCOME—				
December—1979	162.0	164.1	160.5	163.7
December—1980	185.1	186.1	181.3	185.4
December—1981	214.1	221.0	221.5	220.5
December—1982	231.6	259.4	273.4	259.0
March—1983	255.9	272.2	281.7	271.9

4. 24. Table 4. 15 shows consumer price indices for Mombasa, Kisumu and Nakuru. During 1982 these towns recorded lower increases than Nairobi, with increases of 19. 7, 18. 6 and 16 per cent, respectively. Between June 1977 and June 1982, however, Nairobi prices rose on average by 90 per cent as against 99, 86 and 88 per cent for Mombasa, Kisumu and Nakuru, respectively. In other words, there was a broad similarity in the inflation experiences of the major cities.

CONSUMER PRICE INDICES FOR MOMBASA, KISUMU AND NAKURU*

Table* 4. 15** ***Base: **1976 = 100**

	Mombasa	Kisumu	Nakuru
1978 June	119.0	118.6	119.5
December	123.4	121.1	124.8
1979 June	143.4	126.6	140.0
December	151.6	131.7	146.2
1980 June	159.5	145.1	152.1
December	167.7	156.4	158.1
1981 June	179.9	165.2	170.4
December	208.8	192.2	187.
1982 June	218.7	202. 9	199.4
December	236.1	212.8	210.6

***The above consumer price indices exclude rent.**

4.25. During 1982, the largest increases in the Mombasa index were for health and personal care (26.8 per cent) and household operations (25.6 per cent). The transport and communications index rose by 21.2 per cent and food prices by 14.4 per cent. In Kisumu, the health and personal care index increased by 33.8 per cent, clothing and footwear by 26.2 per cent, drinks and tobacco by 25.4 per cent and food by 16.2 per cent. For Nakuru, the indices for fuel and power, drinks and tobacco, health and personal care, and food rose by 34.9, 25.4, 25.3 and 12.6 per cent, respectively.

4.26. Consumer price indices for rural areas are now being calculated on a quarterly basis for all provinces except North-Eastern. The rural inflation rate for 1982 is estimated to have been 20.9 per cent as compared with 16.3 per cent in 1981. In general, the indices for all product groups rose more steeply than in the previous year. Most rural areas recorded large increases for health and personal care, clothing and footwear, household operations and drinks and tobacco.

CHAPTER 5—MONEY, BANKING AND FINANCE

Overall Trends

There has, in effect, been a mutual interaction of cause and effect. The curtailment of imports occasioned by the balance of payments situation had a dampening effect on economic activity, resulting in a lower rate of GDP growth than in previous years. Government revenues were also affected, necessitating recourse to bank borrowing. This tended, again, to impact unfavourably on the balance of payments. Policy measures designed to arrest these developments were, however, instituted by the Government in early 1983, including stringent restrictions on budgetary expenditure.

5.2. Table 5.1 sets out key monetary indicators and illustrates some of the trends just referred to. It shows a continuous decline in the net foreign assets situation from end. 1979 through to February 1983. Since the beginning of 1982 foreign assets have been negative, with liabilities exceeding gross assets. The table also shows total credit to the domestic economy to have increased from K£969 million at end. 1981 to K£l,252 million twelve months later, or by 29 per cent. The greater part of this rise was attributable to a 65 per cent increase in credit to the Government (following an even larger increase in 1981), with a more modest 14 per cent growth in credit to the private sector (including parastatal bodies).

MONETARY INDICATORS, 1979-1983

Table **5.1**

Date	Net Foreign Assets K£m.	Domestic Credit			Money** Supply K£m.	Commercial Bank Liquidity Ratio per cent	Advances Deposits Ratio per cent
		Private* K£m.	Government K£m.	Total K£m.			
1979 December	179	536	156	692	820	23	77.6
1980 December	113	614	166	780	810	18	87.3
1981 December	15	675	294	969	918	21	84.1
1982 March	-17	700	371	1,071	937	22	83.7
June	-40	729	345	1,074	916	18	88.6
September	-92	743	473	1,216	988	22	82.2
December	-101	768	484	1,252	1,066	25	79.6
1983 January	-112	773	504	1,277	1,064	28	77.9
February	-126	757	506	1,263	1,046	28	80.7

Source: Central Bank of Kenya

*Includes parastatal bodies.

**See Table 5.2 for Coverage.

5.3. With declining foreign assets partially offsetting this growth in domestic credit, the overall expansion in the money supply was held down to 16 per cent during 1982, which at least helped to limit the rate of inflation. Bank liquidity rose sharply, while the ratio of bank advances to deposits fell modestly.

5.4. Table 5.2 provides further information about trends in the money supply, with the various concepts of money defined in the notes to the table. Taking the narrow definition of money supply, there was a 10.1 per cent expansion between December 1981 and December 1982, with a slight fall thereafter. The table reveals that most of the increase occurred in the closing months of the year, with an increase of nearly a fifth between August and December. This was the period of the heaviest borrowings by the Government. Quasi-money expanded in a somewhat more regular manner, although the overall increase, at 13.5 per cent, was rather larger. In sum, as already noted, total money supply expanded by 16 per cent during the year.

MONEY AND QUASI- MONEY SUPPLY, 1979-1983

***Tab*le 5.2** **K£'000**

As at end of	Money*	Quasi. Money**	Total
1979	531,847	287,964	819,811
1980	494,977	315,424	810,401
1981	556,277	362,944	918,221
1982 January	527,627	348,575	876,202
February	551,974	351,642	903,616
March	570,916	365,692	936,608
April	573,938	364,937	938,875
May	564,086	366,165	930,251
June	558,187	357,971	916,158
July	577,876	375,833	953,709
August	564,585	390,172	954,757
September	590,333	398,110	988,443
October	632,649	396,752	1,029,401
November	612,552	411,920	1,024,472
December	667,608	398,605	1,066,213
1983—			
January	655,251	408,312	1,063,563
F e b r u a r y	645,332	400,607	1,045,939

*****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.

Source: Central Bank of Kenya.

5.5. The total liabilities and assets of the banking system, recorded in Table 5.3, amounted to K£1,151 million at the end of 1982, a 17 per cent increase over the end. 1981 and 60 per cent greater than four years earlier. While the composition of liabilities has remained fairly constant in recent years, although demand deposits have diminished as a proportion of total

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1978-1982

Table 5.3 — K£'000

	As at the end of							
	1978	1979	1980	1981	1982			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES—								
1. Money:								
1. 1 Demand Deposits	272,230	316,363	290,694	318,718	321,397	307,049	303,797	339,885
Other	71,089	50,134	67,106	79,013	90,467	109,789	125,517	141,376
1. 2 Currency in Circulation: —								
Notes	127,978	147,398	167,232	194,042	176,642	170,630	178,957	202,063
Coins	4,163	4,779	4,970	5,473	5,417	5,630	5,557	5,923
SUB-TOTAL	475,460	518,674	530,002	594,246	593,923	593,098	613,828	689,247
2. Quasi-Money:								
2. 1 Savings Deposits	119,065	132,461	147,381	175,040	177,274	183,940	183,723	196,626
2. 2 Time Deposits	121,834	155,834	168,044	187,904	188,418	174,031	214,387	201,979
3. Other Items (Net)	3,687	64,531	47,732	23,716	94,484	82,812	112,919	63,558
SUB. TOTAL	244,586	352,495	363,157	386,660	460,176	440,783	511,029	462,163
TOTAL	720 046	871,169	893,159	983,906	1,054,099	1,033,881	1,124,857	1,151,410
ASSETS—								
4. Net Foreign Assets	106,435	179,395	113,226	15,021	-16,530	- 40,410	-91,542	-100,951
5. Domestic Credit:								
5. 1 Central Government (Net)	145,459	156,133	165,974	293,911	371,130	345.285	473,164	484,124
5. 2 Private Sector	445,037	488,718	587,936	651,262	680,588	697,286	713,541	717,830
5. 3 Other Public Bodies	23,115	46,923	26,023	23,712	-18,911	31,720	29,694	50,409
TOTAL	720,046	871,169	893,159	983,906	1,054,099	1,033,881	1,124,857	1,151,410

Source: Central Bank of Kenya.

liabilities, there have been striking changes in the structure of assets. Thus in 1978 the debt obligations of the central government made up only 20.2 per cent of the total but this percentage had grown to 42 by the end of 1982. With the debt obligations of the private sector remaining fairly constant at just over three fifths of the total, the other big change was the movement of the net foreign assets item from 14.8 per cent of total assets in 1978 to *minus* 8.8 per cent in 1982.

5.6. Since it is Government policy to encourage — saving, interest rates have been increased on a number of occasions in recent years. It is interesting to examine trends in savings and time deposits. What is revealed is that savings deposits grew by 11.3 per cent in both 1979 and 1980, by 18.8 per cent in 1981 and by 12.3 per cent in 1982. Time deposits expanded by 27.9 per cent in 1979, 7.8 per cent in 1980, 11.8 per cent in 1981 and by 7.5 per cent in 1982. This suggests that savers responded positively to increased interest rates in 1981, when the inflationary pressure was quite low, but not in 1982 when the rate of price increase considerably exceeded nominal interest rates as shown in Table 5.7.

5.7. Table 5.4 provides an analysis of the changes in the money supply and the sources of these changes. A clear pattern emerges with recard to the sources of monetary expansion in recent years. The last three years have seen a consistent decline in net foreign assets, with marked falls in 1981 and 1982. However, the effects of this decline have been more than offset in the past two years by the expansion of domestic credit to the central government, which has been a major factor underlying the increase in the money

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1978—1982

Table **5.4** ***(K£million comparing year-end values)***

	1978	1979	1980	1981	1982
MONEY SUPPLY—					
1. Currency plus demand deposits	**+44.81**	**+43.21**	**+11.33**	**+64.24**	**+95.00**
2. Quasi money and other items	**+40.08**	**+107.91**	**+10.66**	**+23.50**	**+75.50**
3. Total money supply*..	**+ 84.89**	**+151.12**	**+21.99**	**+90.75**	**+167.50**
SOURCES OF CHANGES—					
4. Net foreign assets	**-74.80**	**+73.96**	**-66.17**	**-98.21**	**-115.97**
5. Domestic credit—					
***(a)* to Central Government (net)**	**+64.63**	**+10.67**	**+9.84**	**+12.94**	**+190.21**
***(b)* to other public sector**	+24.34	**+23.81**	**+20.90**	**-2.31**	**+26.70**
(c) **to private sector**	**+119.39**	**+43.68**	**+99.22**	**+63.33**	**+66.57**
(d) **all domestic credit..**	+ 159.68	**+78.16**	**+88.16**	**+188.96**	**+283.48**
6. **Total sources of changes**	**+ 84.88**	**+151.12**	**+21.99**	**+90.75**	**+167.50**

*Other items are included so coverage bot the same as in Table 5.2.

supply. At the same time, credit availabilities for the private sector have apparently become progressively tighter. This trend has given rise for concern in government circles not only because of the decline in international reserves, but because it is in marked contrast to the situation prevailing until recently, when the Government generally succeeded in maintaining a healthy budgetary balance and rarely needed to resort to large-scale deficit financing. The recent measures to restrain government spending should be seen in this context.

5.8. The figures presented in this chapter are naturally affected by the inflation that is troubling the economy and which accelerated in 1982. It is interesting to enquire whether the financial system is expanding in real terms, i.e. faster than the rate of inflation. Information on the real value of certain financial aggregates is presented in Table 5.5, although it should be noted that the index of Nairobi consumer prices which has been used as the deflator is not ideal for the purpose. Three general features emerge from this table. First, the real value of almost all the variables fell during 1982, i.e. did not expand as fast as the exceptional inflation of that year. Second, taking the whole period, 1978. 82, the banking system appears to have been static in real terms. This, no doubt, partly reflects the more general problems of the economy but at Kenya's stage of development a greater real expansion might be expected, not least because of the interest rate reforms introduced in recent years. Third, the dynamic part of the financial system is shown in lines 6 and 7 of the table as being the non. bank institutions, the real value of whose assets and liabilities has gone up by 61 per cent since 1978. As can be seen, they are becoming increasingly important relative to the commercial banks proper.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*

***Table* 5.5** *K£million in constant* (1977) *prices*

	1978	1979	1980	1981	1982
1. Money	414.2	437.0	360.5	359.2	352.1
2. Quasi — money	214.4	236.6	229.7	234.7	210.2
3. Total liabilities of banking system	641.1	715.9	650.5	636.4	607.3
4. Commercial bank credit to private sector	362.2	399.3	406.0	386.0	352.7
5. Total commercial bank credit	468.7	504.8	479.2	475.9	446.0
6. Total liabilities of non-bank financial institutions	168.1	202.8	232.7	251.7	270.5
Memorandum Item					
7. Line 6 as per cent of line 3	26.2	28.3	35.8	39.6	44.5

*Deflated by average price increases given in Table 4. 11.

Interest Rates

5.9. In order to encourage saving and inflows of foreign capital, and above all ensure that resources are directed to the most productive sectors of the economy, interest rates were again increased in 1982 as shown in Table 5.6. Early in 1981, saving deposits were earning interest at the rate of 8 per cent and later in the year the rate had risen to 10 per cent. Since the increase in December 1982, savers have earned interest at the rate of 12.5 per cent on their deposits while borrowers pay interest at the maximum rate of 16 per cent, compared with 14 per cent previously. The operative domestic interest rates are at this level higher than in a majority of the industrial countries. This gives companies and others an incentive to borrow abroad, which would be beneficial to the balance of payments.

PRINCIPAL INTEREST RATES, 1980-1982

Table* 5.6** ***Per cent

	31ST DECEMBER		
	1980	1981	1982
CENTRAL BANK or KENYA			
Discount Rate for Treasury Bills	6.03	10.12	13.48
Advances against Treasury Bills	8.00	10.00	14.50
Bills and Notes under Crop Finance Scheme—			
Discounts	8.50	10.25	13.75
Advances	8.00	11.50	14.00
Other Bills and Notes:—			
Discounts	8.50	11.50	14.50
Advances	8.00	11.50	15.00
KENYA COMMERCIAL BANKS			
Time Deposits:—			
12 months (K.Sh. 250,000 1,000,000)	6.50	8.87	12.50
Savings Deposits	6.00	8.00	12.50
Loans and Advances (Maximum)*	11.00	14.00	16.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	6.00	8.00	10.00
Agricultural Finance Corporation, Loans			
(a) Land Purchase	9.00	12.00	12.00
(b) Seasonal Crop Loan	11.00	12.00	14.00
(c) Other	10.00	13.00	13.00
hire-purchase Companies and Merchant Banks:—			
Deposits (time)	8.00-11.00	8.00-12.00	13.25-16.25
Loans	10.00-14.00	Up to 14. 00	Up to 16.00
Buildings Societies:—			
Deposits	6.00-9.0	8.00-11.50	15.25
Loans	11.00-14.00	13.00-14.00	16.00

Source: Central Bank of Kenya.

*Loans and advances for less than 3 years.

5.10. However, despite the substantial increases that have occurred in nominal interest rates they remained well below the rate of inflation in 1982. Table 5.7 provides information on trends in selected "real" interest rates, i.e. nominal rates adjusted for the rate of inflation. The first colum of this table demonstrates the large nominal increases that have occurred, showing, for example, that the rate on savings deposits has risen from 5 per cent in 1978 to 12.5 per cent in 1982. The third column shows, however, that at all times the savings deposit rate has remained below the pace of inflation, which means that the purchasing power value of deposits when withdrawn is generally less than when deposited. There was a particularly large negative real rate in 1982 in line with other rates. For borrowers the position has been more mixed, with positive real costs of borrowing in 1979 and 1981. In 1982, however, they were substantially negative, providing a strong incentive to borrow. Overall, it appears that the objectives of the interest rate reforms that have been introduced have so far been undermined by the continuing problem of inflation—a factor which is only partly under the control of the Government. The pattern of real rates still tends to discourage saving and encourage borrowing, and fails to discriminate adequately between more and less productive investment possibilities.

TRENDS IN SELECTED REAL INTEREST RATES, 1978-1982

Table **5.7** *Percentages*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposit	1978	5.0	12.6	-7.6
	1979	5.0	8.4	-3.4
	1980	6.0	12.8	-6.8
	1981	10.0	12.6	-2.6
	1982	12.5	22.3	-9.8
2. Commercial bank loans and advances (max)	1978	10.0	12.6	-2.6
	1979	10.0	8.4	+ 1.6
	1980	11.0	12.8	-1.8
	1981	14.0	12.6	+ 1.4
	1982	16.0	22.3	- 6.3
3. POSB deposits	1978	5.0	12.6	-7.6
	1979	5.0	8.4	-3.4
	1980	6.0	12.8	-6.8
	1981	10.0	12.6	-2.6
	1982	10.0	22.3	-12.3
4. Building society loans (max)	1978	12.0	12.6	-0.6
	1979	12.0	8.4	+ 3.6
	1980	14.0	12.8	-1.2
	1981	14.0	12.6	+ 1.4
	1982	16.0	22.3	-6.3

***Taken from Table 4.11.**

****Nominal interest rate minus inflation rate.**

CENTRAL BANK OF KENYA—ASSETS AND LIABITIES, 1978-1982

Table **5.8** K£'000

	As at the end of							
	1978	1979	1980	1981	1982			
					1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
ASSETS								
1. Foreign Exchange -								
1.1 Balances with External Banks	99,095	163,294	136,586	70,768	61,771	95,428	67,045	57,028
1.2 Treasury Bills		2,330	13,436	17,861	18,861	16,859	4,677	54,201
1.3 Other Investments	30,814	32,142	26,340	30,560	27,547	25,402	18,496	24,033
1.4 Serial Drawing Rights	5,293	39,821	9,730	5,615	7,533	5,544	4,842	9,604
TOTAL	135,202	237,587	186,092	124,795	115,712	143,233	95,060	144,866
2. Securities Guranteed by Kenya Government								
Advances and Discounts	50,317	43,847	52,940	48,775	45,387	58,017	44,166	25, 05
3. Advances to Kenya Government	23,326	15,908	57,089	10,000	110,149	83,561	382,117	375,780
4. Other Assets including Kenya Treasury Bills	11,012	23,226	4,432	218,110	189,394	205,088	27,886	24,524
TOTAL ASSETS	219,857	320,568	336, 53	401,680	460,642	489,899	549,229	570,875
LIABILITIES								
1. Capital and General Resources Fund	2,600	4,600	7,189	8,521	8,521	10,866	10,538	10,538
2. Currency in Circulation—								
2.1 Notes	127,978	147,398	167,232	194,042	176,642	170,630	178,957	202,063
2.2 Coins	4,163	4,779	4,970	5,473	5,417	5,630	5,557	5,923
TOTAL CURRENCY	132,141	152,177	172,202	199,515	182,059	176,260	184,514	207,986
3. Deposits—								
3.1 Kenya Government				5,149				
3.2 Kenya Banks	26,721	40,575	40,023	28,034	61,880	31,951	79,282	69,805
3.3 External Banks	28,672	57,997	80,118	112,389	146,886	199,571	197,875	227,050
3.4 Other	14,450	46,357	15,109	9,040	15,288	10,203	10,562	12,106
TOTAL	69,843	144,929	135,250	154,612	224,054	241,725	287,719	308,961
4. Revaluation Accoun	4,113	9,326	11,065	24,534	24,476	24,561	24,561	12,474
5. Other Liabilities	11,160	9,536	10,847	14,498	21,532	36,487	41,897	30,916
TOTAL LIABILITIES	219,857	320,568	336,553	401,680	460,642	489,899	549,229	570,875

Source: Central Bank of Kenya.

Central Bank of Kenya—Assets and Liabilities

5.11. The assets and liabilities of the Central Bank are given in Table 5.8. The salient feature here is the decline in the bank's balance with external banks which had risen to K£163.3 million at the end of 1979 but dropped annually to K£57 million at December 1982. The Bank's investment in foreign treasury bills had been persistently low but this type of investment had risen to K£54.2 million at the end of 1982 compared with K£17.9 million at the end of 1981. This reflects the Bank's determination to earn additional foreign exchange through interest bearing instruments. Other foreign investments by the bank fell to K£24 million by the end of 1982 while Special Drawing Rights increased from K£5.6 million at the end of 1981 to K£9.6 million. With these changes, the Bank's holdings of foreign exchange increased from K£124.8 million at end of 1981 to K£144.9 million a year later.

5.12. The table further shows the large increase in the Bank's direct advances to the Government and a parallel decrease in its holding of government paper. Over the year, direct advances to the Government rose by more than 35. fold to stand at K£375.8 million. Holdings of Treasury Bills dropped from K£218.1 million to K£24.5 million at the year-end. The increase in advances to the Government from the Bank was partly matched on the liabilities side of the balance sheet by increased deposits by foreign banks, which rose from K£112.4 million in 1981 to K£227.1 million in 1982.

Commercial Bank Credit Liquidity

5.13. Total commercial bank credit, as recorded in Table 5.9 increased by 15 per cent during 1982. The most important source of this increase was additional lending to the Government in the form of increased holdings of Treasury Bills, which went up from K£76 million to K£114 million. There was also a large proportionate rise in lending to parastatal bodies—which went up by 62 per cent—although the sums involved remained fairly modest, totalling only K£27 million at end of 1982.

5.14. Lending to the private sector also expanded, although more slowly than to the public sector, i.e., by 9.5 per cent. Of the major productive sectors, the largest proportionate increase was in credit for building and construction, which went up by 26.5 per cent. Manufacturing experienced a 9.9 per cent rise but lending to agriculture went up by only 2.1 per cent, and it actually diminished by 3.8 per cent in the case of transport and com. munications. In the trading sector, there were modest increases for exports and domestic trade but credits to finance imports rose a full 26 per cent—an example of the connection between domestic credit and the balance of payments problem.

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1978-1982

Table 5. 9 K£'000

	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1982 Dec.
PUBLIC SECTOR—					
Central Government	44	131	232	24	111
Local Government	745	917	349	424	895
Enterprises, Parastatal bodies and other Public entities	9,088	10,348	16,871	16,651	27,000
Treasury Bills	62,594	82,524	46,660	76,068	114,192
TOTAL PUBLIC SECTOR	72,471	93,920	64,112	93,167	142,201
PRIVATE ENTERPRISES—					
Agriculture	72,517	89,999	102,361	110,592	112,892
Mining and Quarrying	7,726	8,694	10,543	10,392	9,779
Manufacturing	92,381	106,244	128,280	159,330	175,071
Building and Construction	23,474	36,013	36,224	33,905	42,092
Transport, Storage and Communication	19,450	23,698	28,231	34,297	33,010
Trade:					
Exports	18,392	24,455	24,520	29,732	30,853
Imports	30,272	23,334	32,393	28,132	35,382
Domestic	49,472	52,952	62,387	70,459	74,846
Financial Institutions	16,800	34,971	16,288	11,834	29,915
Other Business	76,326	85,634	116,232	108,114	124,026
TOTAL PRIVATE ENTERPRISES	406,810	485,995	557,459	596,787	668,676
PRIVATE HOUSEHOLDS— (including non-profit making institutions)	47,002	34,486	36,360	45,804	34,827
TOTAL BILLS, LOANS AND ADVANCES	526,283	614,401	657,931	735,758	845,704

Source: Central Bank of Kenya Data.

5.15. The liquid assets of the commercial banks went up by 54.8 per cent during 1982, largely as a result of their larger holdings of Treasury Bills. At the same time deposit liabilities rose by 20.4 per cent, so that the ratio of liquid assets to deposit liabilities also experienced an increase. Details of this are set out in Table 5.10. As can be seen there, liquidity remained only a little above the statutory minimum of 16 per cent for the first eight months of the year but then, coincident with the period of large-scale Government borrowings from the banking system, it began to rise fairly steeply, reaching 25 per cent at the end of the year and 28 per cent by February 1983. In that month the Government announced a number of measures aimed at reducing inflation, including an increase in the minimum liquidity ratio of the commercial banks to 20 per cent. Even so, actual liquidity remained well above the new minimum so the new measure will probably not have any immediate impact.

Table **5. 10** COMMERCIAL BANKS—LIQUID ASSETS, 1979-1983

	Deposit Liabilities* *K£m*	Liquid Assets+ *K£m*	Current Liquidity Ratio** *Per cent*
1979 December	627.1	146.9	23
1980 December	605.2	110.3	18
1981 December	686.1	138.0	21
1982—			
January	665.2	103.6	18
February	692.3	139.5	20
March	714.4	165.3	22
April	700.9	128.0	19
May	718.6	131.0	19
June	723.2	124.9	18
July	53.2	134.4	18
August	760.3	144.0	19
September	788.3	181.8	22
October	810.4	190.0	23
November	803.1	201.9	25
December	826.0	213.6	25
1983—			
January	862.8	246.0	28
February	837.4	230.0	28

Source: Data provided by the Central Bank of Kenya.

***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 16%.**

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

Non-Banking Financial Institutions

5. 16. During 1982 the recorded number of non-bank financial institutions went up from 23 to 32. As is shown in Table 5. 11, their total liabilities and assets rose from K£390. 1 million to K£512. 8 million during the year, an increase of 31. 5 per cent. Over the whole four years recorded in the table, the assets of the non-bank institutions have grown at an average compound rate of 28. 4 per cent annually, which is much faster than that of the banking system. As a result, investments, loans and advances by these institutions are assuming increasing relative importance. In 1978 they were equivalent to 24. 5 per cent of commercial bank credit, which figure had risen to 46. 8 per cent by 1982. Line 7 of Table 5. 5 also shows the relative growth of this part of the financial system.

5. 17. These latter stipulations augmented the credit facilities normally available to the Government from the banking system proper. The impact of more effective central regulation on the continued growth of the non-bank agencies remains to be seen.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1978-1982

Table **5. 11**

LIABILITIES	AS AT END OF				1982			
	1978	1979	1980	1981	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
Deposits: —								
Central and Local Government	24.3	22.6	25.0	27.5	48.0	52.2	28.2	32.2
Other Public Sector	26.6	52.3	67.5	85.9	85.1	95.4	130.1	138.9
Other Depositors	90.5	111.8	150.2	171.2	158.2	158.5	167.8	187.8
Other Liabilities	47.4	60.1	76.9	105.5	115.9	116.3	135.9	153.9
TOTAL LIABILITIES	188.8	246.8	319.5	390.1	407.2	422.4	462.0	512.8
ASSETS								
Cash and Banks	26.4	34.1	42.4	32.1	30.6	29.7	54.1	69.5
Other Financial Institutions	7.7	8.5	8.9	16.0	17.2	17.5	20.3	35.7
Associated Companies	25.8	43.0	37.5	40.4	20.0	15.5	10.8	12.1
Investments, Loans, Advances, etc. —								
Public Sector	2.7	3.6	13.3	22.9	34.0	34.1	32.5	34.9
Private Sector	120.3	146.8	206.8	260.5	285.3	300.6	314.3	335.5
Other Assets	6.0	9.7	11.1	18.2	20.1	25.0	30.0	25.1
TOTAL ASSETS	188.8	246.8	319.5	390.1	407.2	422.4	462.0	512.8

Source: Central Bank of Kenya.

CHAPTER 6—PUBLIC FINANCE

On the basis of preliminary estimates, the 1982/83 financial year was a difficult one for Government finances but one in which progress was made towards the long. term objective of achieving a better balance between revenues and expenditures. While current revenues grew by under 6 per cent—well below the growth of current price GDP—current expenditures are estimated to have increased by nearly 15 per cent, leaving a large budget deficit on current account. Development and investment expenditures went down, however, which limited the size of the overall deficit, and there was a sharp increase in receipts of external grants and loans, so that the remaining uncovered deficit to be financed by domestic borrowing was actually smaller than in 1981/82. Much of the domestic financing needs was met by long-term borrowing, rather than short-term borrowing, as a result of a funding operation with the Central Bank. Indeed, the preliminary figures record a substantial increase in the Treasury's cash balances.

6. 2. Taking long-term view, it appears that the budgetary trends have been rather mixed. Whereas even as recently as 1979/80 the Government was able to generate a current account surplus large enough to finance a sizeable proportion of its capital spending, the record since then has been one of a sharp deterioration so that in the last two years, and for the first time for many years, there have been current account deficit. This and the need to limit the overall deficit has forced the Government to cut back on development spending, which has fallen from a level equivalent to 30 per cent of current spending in 1980/81 to only an estimated 20 per cent in 1982/83. Another feature to emerge from the evidence presented below is the large discrepancies between original budget forecasts as presented to Parliament and the final out-turn. There is a particularly strong tendency for current expenditures to exceed the original budget estimates by a large proportion. However, these discrepancies are partly due to a greater flexibility in fiscal policy, with additional measures being introduced during the fiscal year in response to changing needs and information. Having shown a tendency to rise in earlier years, the overall deficit in relation to current price GDP fell during 1982/83, in line with Government objectives.

Overall results

6. 3. Table 6. 1 presents an overview of the budgetary out-turn for the past five fiscal years and should be read in conjunction with Table 6. 2, which analyses certain key fiscal variables. The statistics for 1982/83 are only preliminary estimates and are liable to differ substantially from the final figures. Comparison of the preliminary figures in the *Economic Survey,* 1982 for 1981/82 with the revised data reveals major changes. Current revenues were below while current expenditures were above the levels presented in the

CENTRAL GOVERNMENT

OUT-TURN* OF REVENUE AND EXPENDITURE, 1978/79-1982/43

Table 6.1 K£'000

	1978/79	1979/80	1980/81	1981/82**	1982/83**	%lncrease 1978/79-1982/83
Current Revenue	510, 637	610, 980	701, 523	756, 035	800, 843	57
Current Expenditure	475, 104	546, 350	685, 082	825, 495	947, 978	99
Current Surplus	35, 533	64, 630	16, 441	-69, 460	-147, 135	—
Development Expenditure	146, 547	171, 916	205, 204	217, 151	182, 248	24
External Grants	13, 296	19, 148	19, 604	19, 792	60, 250	353
DEFICIT	-97, 718	-88, 138	-169, 159	-266, 819	-269, 133	175
INVESTMENT EXPENDITURE—						
PURCHASE OP EQUITY ETC.						
Financial Enterprises	2, 890	3, 990	980	500		
Non-Financial Enterprises..	9, 699	5, 489	4, 241	6, 621		
LOANS TO—						
Financial Enterprises	16, 881	24, 158	13, 991	19, 907		
Non-Financial Enterprises	37, 911	14, 538	46, 965	34, 501	61, 118	
General Government	6, 117	11, 219	11, 038	14, 629		
Other	2, 462	3, 644	4, 561	5, 505		
Increase in Investment Claims	75, 960	63, 038	81, 776	81, 663	61, 118	—20
TOTAL DEFICIT	-173, 678	-151, 176	-250, 935	-348, 482	-330, 251	80
FINANCINg Of THE DEFICIT—						
External Loans	61, 328	74, 709	126, 788	163, 389	189, 350	209
long-term Domestic Borrowing	88, 543	48, 626	66, 380	177, 000	285, 000	222
Short-Term BORROWING—						
Cereals and Sugar Finance Corporation	-10, 655	+14, 358	-17, 850	-47, 824	+ 3, 300	
Tax Reserve Certificates	+ 834	-181	-604	+452	-2, 180	
Treasury Bills	+ 66, 250	-47, 740	+ 16, 140	+ 171, 705	+ 57, 310	
IMF Trust Fund	12, 110	8, 870	3, 399	—	—	
Advance from Central Bank..	—	—	—	—	—	—
NET SHORT-TERM BORROWING	+ 68, 539	-24, 693	+ 1, 085	+ 124, 333	+ 58, 340	
CHANGES IN CASH BALANCES; INCREASE = +	+44, 729	-52, 534	-56, 682	+116, 239	+202,529	
MEMORANDUM ITEMS—						
(i) Loans to University Students on Recurrent Account included with other loans	2, 415	2, 910	4, 061	4, 453	4, 986	
(ii) Development Project Earnings on Development Account included with Current Revenue	1, 121	304	786	1, 246	570	
(iii) External loans included in Recurrent Account	—	—	—	40, 017	50, 000	

*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 consist 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 plus memorandum item (iii) minus memorandum item (ii) equals revenue on the Recurrent Account as shown in Table 6.4.

2. Current expenditure plus development expenditure and investment expenditure as shown in this table equals total expenditure shown in Table 6.8.

**Provisional.

preliminary statistics, so that there was a substantial current deficit in 1981/82 instead of the surplus shown in last year's *Survey.* Development expenditures were overstated in the preliminary data, while receipts of external loans and long-term domestic borrowing were understated.

ANALYSIS OF KEY FISCAL TRENDS, 1978/79-1982/83

Table 6.2

	1978/79	1979/80	1980/81	1981/82	1982/83**
1. Current surplus as % of current revenue	7.0	10.7	2.3	-9.2	-18.4
2. Current surplus as % of development plus investment expenditure	16.0	27.6	5.7	-23.2	-60.5
3. Ratio of development expenditure to current expenditure	30.8	31.5	30.0	26.3	19.2
4. Total deficit as % of current revenue*	-36.6	-27.9	-35.7	-46.1	-41.2
5. Total deficit as % of total expenditures*	-26.8	-21.6	-25.8	-30.9	-27.7
6. External grants and loans as % of development plus investment expenditures	33.5	39.9	50.8	61.3	102.5
7. Net short-term borrowing as development plus investment expenditure	10.7	11.8	2.8	2.7	-59.2
8. Current revenue as % of G.D.P. at current market prices	28.6	30.9	31.3	29.1	27.1
9. Total Government expenditure as % of G.D.P. at current market prices	39.1	39.6	43.4	43.3	40.4

*External grants are excluded from revenue in these calculations.

**Provisional.

Net short-term borrowing less increases in cash balances.

Fiscal year data have been related to the G.D.P. of the year during which the fiscal year commenced, eg. 1982/83 has been related to 1982 G.D.P.

6.4. Key features of the 1982/83 outcome appear to be an only small increase in current revenues of 6 per cent, implying a fall in revenues relative to total current-price economic activity, which went up by nearly 14 per cent during 1982. Current expenditure, on the other hand, expanded roughly in line with economic activity, by 14.8 per cent, not withstanding the economies introduced by the Government. With current expenditures rising more rapidly than revenues, the inevitable outcome was a sharp increase in the size of the current deficit, as already mentioned. Revenues would have been increased by nearly a fifth in order simply to eliminate the current deficit. With the prospect of an overall deficit so large as to both weaken the balance of payments and generate further inflation in the economy, the Government responded in a variety of ways.

6.5. First, it scaled down the level of development spending, which is estimated to have fallen by 16 per cent over the 1981/82 level. Investment expenditures were also held below the previous year's levels. Second, it sought additional support from friendly governments abroad, as a result of which receipts of external grants and loans increased from K£183 million in

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1979/80-1982/83

Table 6.3 K£'000

	1979/80			1980/81		
	Budget	Actual	Difference	Budget	Actual	Difference
Current revenue	590, 858	610, 980	+20, 122	671, 765	701, 523	+29, 758
Current expenditure	497. 316	546, 350	+49, 034	578, 183	685, 082	+ 106, 899
Current balance	93, 542	64, 630	-28, 912	93, 582	16, 441	. 77, 141
Capital expenditure	245, 676	234, 954	-10, 722	258, 122	286, 980	+28, 858
External financing	123, 563	93, 857	-29, 706	106, 334	146, 392	+40, 058
Balance for domestic financing	28, 571	76, 467	+47, 896	58, 206	124, 147	+65, 941

	1981/82			1982/83		
	Budget	Actual	Difference	Budget	Actual*	Difference
Current revenue	763, 799	756, 035	-7, 764	903, 715	800, 843	-102, 872
Current expenditure	694, 715	825, 495	+130, 780	946, 414	947, 978	+ 1, 564
Current balance	69, 083	-69, 460	-138, 543	-42, 699	-147, 135	-189, 834
Capital expenditure	286, 490	298, 814	+ 12, 324	361, 824	243, 366	-118, 458
External financing	165, 511	183, 181	+ 17, 670	303, 854	249, 600	-54, 254
Balance for domestic financing	51, 896	185, 093	+ 133, 197	100, 669	149, 901	+40, 232

*Preliminary forecast only.

1981/82 to K£250 million in 1982/83, or by more than a third. In consequence of these actions, it is expected to be able to limit the volume of borrowing from the banking system to about K£50 million, equivalent to around 5 per cent of money supply. This was a major improvement over borrowing in 1981/82, which amounted to K£125 million.

6.6. Examination of the final column of Table 6.1 reveals some interesting Long-Term trends. It can be seen that current expenditures have doubled over the five years, whereas current revenues have increased by little more than half. As a point of comparison, the current price GDP went up by 65 per cent in 1978. 82. Current expenditures are thus tending to increase relative to GDP whereas revenues are lagging a little behind. Development spending is lagging even further behind, having gone up by only a quarter over the period. It is the universal experience in all countries that when budgetary stringency enforces the need for spending cuts it is far easier to cut back on development projects than it is on current expenditures, which are dominated by the personal emoluments of civil servants. Nevertheless, a relative decline in development spending is bound in the long run to be harmful to the overall expansion of the economy, especially if it coincides with a period of sluggish private investment. On the more positive side, the table also shows large absolute and relative increases in receipts of external grants and loans. Further evidence for some of the trends discussed above is presented in Table 6.2. The following emerge: a fairly sharp decline over the last three years in the ratio of development spending to current expenditures; an increase in the last two years in the total deficit relative to current revenues; the rise in external support relative to development spending, although this ratio is partly influenced by the relative decline in development spending; total Government spending relative to GDP in 1982/83 was about the same as in 1978/79 and 1979/80; and a decline in current revenues relative to GDP.

6.7. Table 6.3 presents comparisons between the budget forecasts presented to Parliament at the commencement of each financial year and the final outcome. This provides an indication of the predictability of the various budgetary items but it should be interpreted with caution because it has become increasingly common for the Government to introduce supplementary measures during the course of a fiscal year. When actual results are com. pared with the original budget forecasts, however, large differences are noted. The table reveals reasonable accuracy in the forecasting of current revenues: between 1979/80 and 1981/82 these forecasts were, on average, within plus or minus 3 per cent of budget forecasts, although the situation was worse in 1982/83, when there was a 13.8 per cent shortfall. Forecasts of current expenditures were much less accurate: during 1979/80 to 1981/82 actuals differed from forecasts by an average of around 17 per cent and always exceeded the forecast, but a high degree of agreement between the budget and the actual forecast is shown for 1982/83.

6.8. In consequence of the above, the actual balance on current account has borne little relation to the figure presented in the budget and an optimistic bias is apparent. Every budget has forecast a current balance considerably more favourable than the eventual out. turn. No consistent pattern emerges from comparisons of budgeted and actual capital spending and external financing, although in 1980/81 and 1981/82 the Government was successful in attracting larger amounts of external financing than anticipated in the budget. Finally, the balance remaining for financing by domestic borrowing has consistently been larger than the budget estimates, with the difference increasing over time.

Tax Revenues and Other Receipts

6.9. Sources of current revenue are set out in Table 6.4. Income tax receipts are shown to have risen by about 10 per cent during 1982/83, rather less than the increase in aggregate current. price incomes. In fact, since

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GROSS RECEIPTS ON RECURRENT ACCOUNT**, 1978/79-1982/83

Table 6.4 *K£million*

	1978/79	1979/80	1980/81	1981/82	1982/83*
DIRECT TAXATION—					
Income Tax	151.07	171.85	197.58	199.67	220.0
Other	0.66	1.78	0.68	1.45	
TOTAL	151.73	173.63	198.26	201.12	220.0
INDIRECT TAXATION—					
Sales Tax	99.77	154.91	179.91	194.80	198.70
Import Duties	101.27	102.48	145.97	183.71	240.00
Excise Duties	49.02	59.45	60.24	63.96	
Export Duties	2.80	7.03	3.13	5.29	4.80
Licences and Fees Under Traffic Act	3.80	5.74	6.50	5.92	9.20
Other	11.31	11.88	15.10	19.44	25.90
TOTAL	267.97	341.49	410.33	473.12	478.60
Compulsory Fees, Fines and Penalties	7.16	11.32	11.33	5.16	10.17
Income From Property	30.29	26.78	36.68	31.05	47.77
Current Transfers	1.18	1.04	1.21	1.60	1.42
Charges for Goods and Services	39.87	46. 21	32.72	33.28	35.64
Internal Borrowing	56.43	-33.56	-2.32	124.33	58.43
Loan Repayments	4.27	3.48	3.36	3.56	3.68
Other	7.10	7.49	4. 6	45.91+	53.77
GRAND TOTAL..	565.94	577.88	698.40	919.13	909.49

***Provisional.**

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

Includes K£40 million for 1981/82 and K£50 million for 1982/83 as credit purchase receipts for Ministry of Defence.

1980/81 income tax revenue have gone up by only 11 per cent whereas current. price GDP increased by 32 per cent in 1980. 82. This suggests that there might have been some falling. off in the efficiency of tax collection but company profitability was also down in this period, which would have an adverse effect on income tax collections.

6. 10. An even slower growth is recorded in indirect tax receipts, and the increase was negligible in 1982/83. The three major taxes in this category all failed to show any much expansion during the year. This was partly due to the necessity, for balance of payments reasons, to cut back on the volume of imports and, more generally, to the absence of strong growth in the economy. As recorded elsewhere, the real value of private consumption declined by 5 per cent in 1982 and this was bound to have an effect on receipts from taxes on consumption goods.

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IMPORT DUTY COLLECTIONS, 1978-1982

Table 6.5 K£'000

END USE CATEGORY	1978	1979	1980	1981	1982*
Food, drink and tobacco	6,378	5,734	6,386	4,279	4,303
Basic materials	2,868	2,595	4,999	11,552	10,535
Fuels	22,850	18,287	23,604	24,851	21,794
Chemicals	8,620	8,770	15,439	19,557	22,762
Textiles	6,518	5,616	6,761	5,554	4,795
Semi. manufactures	5,960	4,850	8,921	9,378	9,951
Metals	10,324	8,666	17,083	18,311	20,782
Transport Equipment	16,878	13,683	22,426	18,256	19,536
Machinery	18,402	14,973	26,137	30, 85	36,180
Miscellaneous commodities..	9,622	7,130	10,065	7,381	6,552
TOTAL	108,420	90,304	141,821	149,405	157,190

***Provisional.**

6. 11. Table 6. 5 provides details of import duty collections by end. use categories and shows an increase in total collections during 1982 of 5. 2 per cent. The rather flat trend in the last two years, is due to the reduced import volumes of this period. Among the various categories of goods, it can be observed that there have been rather large increases in duty receipts from imports of basic fuels, chemicals, metals and machinery (despite a particularly large fall in the volume of the latter in 1982), reflecting changes in the tariff structure. In earlier years, consumer goods bore the brunt of import taxation but it is government policy to reduce the tariff discrimination in favour of intermediate and capital goods, so as to reduce the resulting economic distortions and encourage the local production of such items.

6.12. Excise revenues, i.e taxes on locally produced goods, are recorded in Table 6.6, although only up to 1981. In that year total revenue from these sources increased by 10.6 per cent, with collections from the cigarette duty accounting for nearly half. Between 1978 and 1981 revenue from this source has increased by 85 per cent, despite the tendency for real ***per capita*** incomes to diminish in these years.

6.13. As reported above, there was a substantial overall budget deficit, of K£390 million (inclusive of the deficit on current account) to be financed in 1982/83 and Table 6.7 provides further details on how the financing gap was filled. As can be seen, external loans and grants made a major contri.

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EXCISE REVENUE BY COMMODITIES, 1977-1981

Table 6.6 K£'000

	1977	1978	1979	1980	1981
Beer and spirits	14,319	16,122	15,884	17,649	19,030
Sugar	9,091	11,420	14,371	17,326	15,817
Cigarettes	12,553	17,175	23,327	25,251	31,824
Other commodities* ..	1,840	24	32	31	38
.. TOTAL	37,803	44,741	53,614	60,257	66,709

*Includes transfer adjustments not allocaged by commodity.

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FINANCING OF DEVELOPMENT AND INVESTMENT ACCOUNT, 1978/79—1982/83

Table 6.7 *K£ million*

	1978/79	1979/80	1980/81	1981/82	1982/83*
EXPENDITURE—					
Development Expenditure..	146.5	171.9	205.2	217.2	243.4
Investment Expenditure ..	76.0	63.0	81.8	81.7	
TOTAL	222.5	234.9	287.0	298.8	243.4
FINANCING—					
Surplus on Current Account	35.5	64.6	16.4	-69.5	-147.1
External Loans	61.3	74.7	126.8	163.4	189.4
External Grants	13.3	19.1	19.6	19.8	60.3
Long Term Domestic Borrowing!	88.5	48.6	66.4	177.0	285.0
Treasury Bills	66.3	-47.7	16.1	171.7	57.3
Other Short.Term Borrowing	2.3	23.0	.-15.0	-47.4	1.1
From Cash Balances	-44.7	52.6	56.7-	-116.2	.202.5
TOTAL	222.5	234.9	287.0	298.8	243.4

*Provisional.

EXPENDITURE ON MAIN SERVICES, 1979/80-1982/83

Table 6.8 — *K£ million*

	1979/80			1980/81			1981/82			1982/83*		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development	Total	Recurrent Account	Development Account	Total
GENERAL PUBLIC ADMINISTRATION—												
General Administration	44.94	34.76	79.70	50.72	45.03	95.75	66.07	41.88	107.95			
External Affairs	6.85	0.83	7.68	8.75	0.12	8.87	10.26	0.47	10.73			
Public Order and Safety	34.99	4.60	39.59	51.56	7.64	59.20	53.96	7.85	61 82			
TOTAL	86.78	40 19	126.97	111.03	52.79	163 82	130.29	50.20	180.50			
Defence	104.61	7.23	111.84	81.93	7.81	89.74	122.37	8.76	131.13			
Education	122.57	14.47	137.04	162.35	13.97	176.32	180.39	17.49	197.87			
Health	43.72	10.75	54.47	52.60	12.68	65.28	59.83	11.30	71.12			
Housing and Community Welfare	2.17	8.92	11.09	2.64	12.12	14.76	2.77	11.84	14.61			
Social Welfare	10.64	6.38	17.02	13.92	7.76	21.67	15.12	9.62	24.75			
ECONOMIC SERVICES												
General Administration	7.61	10.32	17.93	14.79	12.67	27.46	11.65	14.63	26.28			
Agriculture, Forestry and Fishing	27.53	40.05	67.58	51.99	56.71	108.69	45.03	57.47	103.51			
Mining, Manufacturing and Construction	10.81	9.52	20.33	13.63	21.23	34.87	13.99	15.50	29.49			
Electricity, Gas, Steam and Water	8.97	24.56	33.53	13.19	27.90	41.10	13.69	30.17	43.86			
Road	14.74	41.74	56.48	16.79	40.65	57.44	19.80	58.39	77.18			
Transport and Communications	4.88	4.28	9.16	6.18	2.99	9.18	7.28	5.29	12.57			
Other Economic Services	10.47	2.43	12.90	13.45	3.76	17.20	15.40	3.70	19.10			
TOTAL ECONOMIC SERVICES ..	85.02	132.89	217.91	130.02	165.91	295.94	126.84	185.15	311.99			
OTHER SERVICES; INCLUDING PUBLIC DEBT ..	93.76	11.22	104.98	134.82	9.69	144.51	192.34		192.34			
TOTAL	549.26	232.05	781.32	689.33	282.74	972.06	829.96	294.36	1,124.31			1,191.34

*Provisional.

bution and were well above the 1981/82 levels. These two items together went up by 36 per cent during the year. There was a large increase in long. term domestic borrowing but the Government's cash balances also went up considerably. If the increase in cash balances is netted out against long. term borrowing then the resulting figures for 1981/82 and 1982/83 are K£60. 8 million and K£82. 5 million respectively, with an increase in the latter year of 36 per cent. Sales of Treasury Bills (chiefly held by the banking system) amounted to K£57 million—a substantial sum but far below the very large figure for 1981/82.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1979/80-1982/83

Table* 6.9** ***K£million

	1979/80	1980/81	1981/82	1982/83*
CURRENT EXPENDITURE—				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—				
Labour Costs	136.81	172.75	224.19	..
Other Goods and Services	229.45	246.95	314.63	
TOTAL	366.26	419.70	538.82	..
SUBSIDIES	0.98	0.88	1.56	
INTEREST	48.05	68.08	118.54	
TRANSFERS TO—				
Households and Unincorporated Enterprises including Private Non. profit Institutions	13.33	11.08	16.97	..
Financial and Non. Financial Enterprises	4.38	19.51	8.33	
General Government	101.28	140.08	151.60	
Rest of the World	1.23	1.32	2.34	
Funds	0.84	0.98	0.47	
TOTAL TRANSFERS	121.06	172.97	179.71	..
OTHERS	0.03	0.02	0.03	..
TOTAL CURRENT EXPENDITURE	536.38	661.62	838.65	..
CAPITAL EXPENDITURE—				
Gross Fixed Capital Formation	143.47	166.94	128.28	
Purchase of Equity in Enterprises	9.48	5.22	7.12	
Loans	55.61	65.60	58.41	
Transfers	5.60	21.84	14.37	
Loan Repayments	30.72	50.84	66.26	
Transfer to Funds	0.06		1.20	
TOTAL CAPITAL EXPENDITURE	244.94	310.44	285.64	..
TOTAL EXPENDITURE	781.32	972.06	1, 124. 31	1, 191. 34

*Provisional.

Analysis of Government Expenditures

6.14. Tables 6.8 and 6.9 present analyses of government expenditures by main service and by economic category. However, provisional figures for 1982/83 were not available at the time of going to press but the tables provide revised estimates for earlier years.

The Public Debt

6.15. In response to both the increased pressure on Government finances and the need to finance large balance of payments deficits, there has been a rapid growth in the public debt in recent years. Table 6.10 provides details of the public debt, breaking it down as between funded and unfunded debt, and external and internal. From this it can be seen that the total of all types of debt increased two. and. a. half fold in the last four years alone. There was an increase of 21.5 per cent in 1982, against an average growth rate for the whole period shown of 25.8 per cent p.a. Most of this increase was due to the rapid escalation in the size of the external debt, which in 1982 was 3 1/2 times as large as in 1978—implying a growth rate of 27.7 per cent p.a. There was a 33.5 per cent increase in external indebtedness during 1982 alone. As at 1982, total recorded external public debt was equal to 29 per cent of GDP. The growth of internal public debt has been much more moderate, with an increase of only 3.8 per cent in 1982 and a growth rate of 11.4 per cent p.a. over the period as a whole.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1978-1982

Table 6.10 K£'000

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	Ex. ternal	In. ternal	Total	Ex. ternal	In. ternal	Total	Ex. ternal	In. ternal	Total
1978	3.08	273.46	276.54	239.54	10.11	249.65	242.26	283.57	526.20
1979	3.08	308.86	311.94	487.93	10.08	498.01	491.01	318.94	809.95
1980	3.08	347.13	350.21	497.34	10.07	507.41	500.42	357.20	857.62
1981	4.12	427.86	431.98	644.29	10.00	654.29	648.41	437.86	1, 086.27
1982		444.35	444.35	865.81	10.00	875.81	865.81	454.35	1, 320.16

*Excluding Short. Term Borrowings.

6.16. The sources of Kenya's external support are shown in Table 6.11. So far as loans are concerned, West Germany, the USA and Japan are revealed as the chief bilateral sources, in that order. Among the international organizations, the position is dominated by the World Bank family (IBRD and IDA), which in 1982 accounted for four. fifths of all loans from inter. national bodies. However, the International Monetary Fund (IMF) is emerg. ing as of increasing importance, net credit from which has expanded dramatically in the last three years. The European Economic Community (EEC)provides substantial but varying support; OPEC and the Arab League remain small. scale creditors, although for the former the trend has been strongly upward.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1978-1982

Table 6.11 K£'000

Outstanding as at June, 30th	1978	1979	1980	1981	1982
EXTERNAL DEBT—					
Lending Countries—					
United Kingdom	36,997				
U. S. A	14,618	21,361	17,278	30,043	50,053
West Germany	29,660	62,854	52,085	50,865	76,465
Japan	14,274	17,990	19,450	28,982	35,891
Netherlands	9,320	9,305	9,854	9,305	23,805
Denmark	7,210	7,269	8,718	7,904	9,525
Finland	1,061	1,630			
Other	20,910	204, 657*	237, 759*	285,253*	347,919*
TOTAL	134,050	325,066	345,144	412,352	543,658
International Organizations—					
I. B. R. D	45,819	77,599	60,360	78,961	118,398
I. D. A	46,825	64,102	58,244	105,397	141,127
African Development Bank	3,211	4,329	5,475	9,471	10,388
O. P. E. C	1,952	1,869	1,826	2,502	4,941
E. E. C	2,443	12,669	6,545	8,460	11,813
I. M. F.	3,887	951	17,940	24,936	32,780
Arab League	1,405	1,346	1,807	2,212	2,699
TOTAL	105,491	162,865	152,197	231,939	322,146
TOTAL EXTERNAL	239,541	487,931	497,341	644,291	865,804
INTERNAL DEBT					
Central Bank of Kenya	10,000	10,000	10,000	10,000	10,000
Other	115	80	69		1
TOTAL INTERNAL	10,115	10,080	10,069	10,000	10,001
TOTAL UNFUNDED DEBT	249,655	498,011	507,410	654,291	875,805

*Includes defence loans amounting to K£137. l million in 1979, K£I32.5 million in 1980 K£127.9 million in 1981, and K£108.5 million in 1982.

6.17. With regard to the internal funded debt, as set out in Table 6.12, the National Social Security Fund remains overwhelmingly the largest single source of finance, with a 17 per cent increase during 1982. The Post Office Savings Bank (POSB), and the Central Bank are among the other major public sources, while the commercial banks remain the most important private source. However, few of these have shown much increase in recent years.

6.18. As can be judged from the data in Table 6.13, the cost of servicing the public debt (i.e. the interest and amortization payments) have not only been rising rapidly but have tended to go up rather faster than the size of the public debt itself. Thus, while the total public debt went up by 151 per cent in 1978. 82, total debt servicing payments rose by 198 per cent. This trend was particularly apparent with respect to the internal public debt for which comparable increases were 60 and 251 per cent respectively. According to the figures in Tables 6.10 and 6.13 the size of the external debt and of the costs of servicing it have risen at about the same pace over the past four

years. The reasons for the proportionate growth in the cost of servicing the internal debt have been the successive increases in interest rates, which now stands well above the levels of a few years ago.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER, AS AT 30TH JUNE 1978-1982

Table 6. 12 — *K£* '000

	1978	1979	1980	1981	1982
INTERNAL					
PUBLIC BODIES—					
National Social Security Fund	130,294	150,268	182,554	214,609	250,775
Central Government	22,740	27,671	26,910	34,996	40,166
Local Government	675	709	572	546	562
Kenya Post Office Savings Bank	13,718	15,719	17,519	20,797	16,066
East African Community Institutions**..	6,346	13,523	11,181	17,961	30,404
Central Bank	44,297	44,881	42,358	43,593	43,593
Other Public Sector	1,409	1,399	8,608	8,608	1,547
OTHER INTERNAL—					
Commercial Banks	30,988	30,452	31,904	31,367	30,839
Insurance Companies	11,925	12,774	13,508	13,823	13,772
Other Companies	10,584	11,053	10,431	16,636	16,481
Private Individuals	382	317	1,569	306	140
EXTERNAL	101	101	17	17	2
TOTAL	273,457	308,864	347,131	403, 259+	444,347

*Provisional.

**And their successors.

The total as shown here and the one in Table 6'10 differ. At the time of going to the press this inconsistency could not be resolved.

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1978. 1982

Table 6. 13 — *K£million*

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	Ex. ternal	In. ternal	Total*	Ex. ternal	In. ternal	Total	Ex. ternal	In. ternal	Total
1978	31.17	29.45	60.62		12.26	12.26	31.17	17.19	48.36
1979	31.25	34.18	65.43	–	14.41	14.41	31.25	19.77	51.02
1980	41.94	36.84	78.78	–	10.65	10.65	41.94	26.19	68.13
1981	70.68	51.23	121.91	–	12.96	12.96	70.68	38.27	108.95
1982	107.57	73.12	180.69		12.84	12.84	107.57	60.28	167.85

•Includes interest payments of *K£ million.*—

1978—32. 80; 1979. 42. 50; 1980—48. 05; 1981—68. 68; 1982—118. 54;

6. 19. The cost of servicing the external public debt is a call upon the country's foreign exchange resources. Table 6. 14 provides an indication of the extent to this resources use by relating external debt servicing costs to the value of exports. As can be seen from this, the external debt servicing ratio has increased sharply in the last two years, having been relatively stable in 1978. 80.

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES 1978-1982

Table 6.14

	Debt Service Charges on External Debt*	Export of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	K£ million	*K£ million*	
1978	31.2	593.1	5.3
1979	31.2	600.1	5.2
1980	41.9	753.3	5.6
1981	70.7	773.7	9.1
1982	107.6	856.8	12.6

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

Local Authorities

6.20. Total expenditure of the Local Authorities, comprising municipal, town, urban and county councils, is shown in Table 6.15. Data **for** both 1981 and 1982 are provisional. Expenditures of the authorities increased by 33 per cent from K£78.30 million in 1981 to K£103.75 million in 1982. The expenditure of the urban and county councils, declined however, from K£18.39 million in 1981 to K£17.57 million in 1982. This is due to some town councils having been upgraded to municipal council levels. In 1981 there were only eleven municipal councils, compared with sixteen in 1982.

EXPENDITURE ON LOCAL AUTHORITIES, 1978—1982

Table 6.15 *K£ million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1978	24.24	11.39	35.63	9.44	45.07
1979	26.69	12.72	39.41	9.63	49.04
1980	35.36	17.93	53.29	11.05	64.34
1981*	41.40	18.51	59.91	18.39	78.30
1982*	59.03	27.15	86.18	17.57	103.75

*Provisional.

6.21. Expenditure of the municipal councils on main services is shown in Table 6.16. Total expenditure rose by 45 per cent from K£59.91 million in 1981 to K£86.18 million in 1982. Significant increases in expenditures are recorded on sanitary services and also on water undertakings. The expendi. ture on sanitary services rose from K£5.25 million in 1981 to K£9.29 million in 1982, an increase of 76.6 per cent. This rise is attributable mainly to the Dandora construction undertaken by the Nairobi City Council in 1982. Expenditure on water undertakings, on the other hand, increased more than three. fold from K£6.43 million in 1981 to K£21.58 million in 1982. This was mainly accounted for by the Nairobi City Council in respect of a new water pipe system which would improve supplies to its residents. Expenditure under this head increased from K£1.37 million in 1981 to K£14.06 million in 1982.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES 1978-1982

Table 6.16 K£'000

	1978	1979	1980	1981*	1982*
Administration	4,350	5,178	9,408	8,909	8,918
COMMUNITY SERVICES:					
Roads	2,314	2,298	3,055	2,351	4,452
Sanitary Services	5,074	5,453	6,407	5,257	9,292
Other	1,264	1,478	2,375	2,364	2,692
TOTAL	8,652	9,229	11,837	9,972	16,436
SOCIAL SERVICES:					
Health	3,856	4,336	5,120	7,629	7,859
Education	6,126	6,692	7,767	10,818	12,955
Other	400	490	510	1,599	1,926
TOTAL	10,382	11,518	13,397	20,046	22,740
ECONOMIC SERVICES:					
General Administration..	1,154	989	1,237	1,414	1,636
Water Undertakings	4,279	4,710	5,230	6,428	21,576
Housing Estates (including Staff Housing)	5,322	5,881	5,983	6,063	7,250
Other	1,489	1,904	6,196	7,082	7,628
TOTAL	12,244	13,484	18,646	20,987	38,090
TOTAL EXPENDITURE	35,628	39,409	53,288	59,914	86,184

*Provisional.

6.22. Details of municipal council expenditures by economic categories are laid out in Table 6.17. Current expenditure rose by 31 per cent to K£48.61 million in 1982. In 1981, current expenditure accounted for nearly 61 per cent of the total compared with 56 per cent in 1982. Municipal council

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1978-1982

Table 6. 17 K£'000

	1978	1979	1980	1981*	1982*
CURRENT EXPENDITURE—					
Labour Costs	14,318	15,282	18,989	21, 225	30,264
Other Goods and Services	7,230	9,055	10,818	14, 368	16,923
Transfer to Households and Enterprises	628	552	685	879	925
Transfer to Funds (current)	578	298	323	365	494
Interest					
TOTAL	22,754	25,187	30,815	36, 837	48,606
CAPITAL EXPENDITURE—					
Gross Fixed Capital For. mation	7,982	9,235	16,593	16, 423	29,351
Loan Repayment**	4,495	4,930	5,378	5, 906	7,288
Transfer to Funds (capital)	397	55	502	748	939
TOTAL	12,874	14,220	22,473	23,077	37,578
TOTAL EXPENDITURE	35,628	39,407	53,288	59,914	86,184

*Provisional.

**Includes Interest.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1978-1982

Table 6. 18 K£'000

	1978	1979	1980	1981*	1982*
CURRENT REVENUE—					
Direct Taxes (Rates**) . .	7,272	7,883	3,861	13, 976	15,286
Indirect Taxes (Licences and cesses)	489	589	1,028	846	1, 596
Income from Property	758	783	544	997	728
Current Transfers	6,420	6,954	2,681	2,284	5,338
Sales of Goods and Services	14,815	15,522	19,605	21,297	24,355
TOTAL	29,754	31,731	32,219	39,400	47,303
CAPITAL REVENUE—					
Loans Raised	5,767	5,833	7,684	12,107	13,481
Grants					
Loan Repayments	22	38	40	47	37
TOTAL	5,789	5,871	7,724	12,154	13,518
TOTAL REVENUE	35,453	37,062	39,943	51,554	60,821

*Provisional.

**Paid by households and enterprises.

labour costs totalled K£30.26 million in 1982. Of this, Nairobi City Council labour costs amounted to K£17.20 million because of labour hired for the installation of water, street lights and demarcations undertaken in Huruma Estate, Mathare North and in Dandora Phases I to V.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE
1978-1982

***Table* 6.19** **K£'000**

	1978	1979	1980	1981*	1982*
CURRENT EXPENDITURE—					
Labour Costs	4,598	5,397	5,555	8,415	8,667
Other Goods and Services	1,865	1,789	1,989	3,473	3,470
Transfers to Households and and Enterprises	324	471	249	554	450
Transfer to Funds (current)	100	139	178	396	316
Interest					
TOTAL	6,887	7,796	7,971	12,838	12,903
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	2,121	1,463	2,624	4,649	3,733
Loan Repayments**	318	339	343	712	626
Transfer to Funds (capital)	112	33	109	187	308
TOTAL	2,551	1,835	3,076	5,548	4,667
TOTAL EXPENDITURE	9,438	9,631	11,047	18,386	17,570
CAPITAL REVENUE—					
Direct Taxes (Rates+)	915	1,000	910	1,237	1,443
Indirect Taxes (Licences and cesses)	4.123	3,770	4,569	5,478	5,562
Income from Property	1,117	1,026	834	1,289	821
Current Transfers	449	450	711	699	876
Sale of Goods and Services	2,650	2,792	3,425	4,676	5,090
TOTAL	9,254	9,038	10,449	13,319	13,792
CAPITAL REVENUE—					
Loans Raised	458	630	781	3,116	3,228
Grants					
Loans Repayments	21	16	25	34	42
TOTAL	479	646	806	3,150	3,270
TOTAL REVENUE	9,733	9,684	11,255	16,489	17,062

*Provisional.

**Includes Interest.

+Paid by households and enterprises.

6.23. The capital expenditures of the municipalities on the other hand, rose by 62 per cent from K£23.07 million in 1981 to K£37.58 million in 1982. The bulk of this was on gross fixed capital formation, which increased by 78.6 per cent from K£16.43 million in 1981 to K£29.35 million in 1982. Nairobi City Council contributed K£21.21 million of total capital formation.

6.24. As detailed in Table 6.18, the major sources of the municipal council revenues are direct taxes, sale of goods and services, and loans. These three sources in 1982 accounts for 87 per cent of the total revenue of the municipalities. Total revenue increased by 26 per cent in 1982 as compared to 20 per cent in 1981.

CHAPTER 7—EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

Although 1982 was another difficult year on Kenya's balance of payments and the terms of trade deteriorated for the fifth successive year, there were some positive features. The chief of these was a significant improvement in the balance of trade as a result of both improved export earnings and reduced import volumes. There were also improved receipts from services, so that the current account of the balance of payments improved by nearly K£47 million on the 1981 outcome—a genuine achievement in a year of difficult trading conditions. Unfortunately, inflows of both public and private long-term capital declined rather sharply during the year so that taking the current account and long-term capital flows together there was a modest re-building of the country's international reserves, this was only possible because of large-scale financial support from the International Monetary Fund, to which indebtedness increased by K£112 million.

Balance of Trade

7.2. As is recorded in Table 7.1, there was some improvement in the balance of trade during 1982. There was an increase in export earnings and the import bill rose only slightly, as a result of the effect of the 1981 devaluations and quantitative restrictions imposed by the government.

BALANCE OF TRADE, 1978-1982

Table 7.1 — *K£million*

	1978	1979	1980	1981*	1982*
EXPORTS—					
To Markets outside E. Africa	336.6	351.9	428.6	462.4	485.4
Re-exports	17.9	19.1	15.5	15.8	18.6
To Uganda and Tanzania..	41.2	41.8	71.6	58.9	65.5
TOTAL	395.7	412.8	515.7	537.1	569.5
IMPORTS—					
From outside E. Africa	658.8	619.3	957.5	930.7	943.8
Commercial	628.8	581.8	887.6	847.7	886.8
Government	30.0	37.5	69.9	83.0	57.0
From Uganda and Tanzania	2.3	0.9	1.5	1.1	1.4
TOTAL	661.1	620.2	959.0	931.8	945.2
BALANCE OF TRADE—					
With Markets outside E. Africa	-304.3	-248.3	-513.4	-452.5	-439.8
With Uganda and Tanzania	+38.9	+40.9	+70.1	+57.8	+64.1
TOTAL	-265.4	-207.4	-443.3	-394.7	-375.7

*Provisional.

7.3. As a result there was a modest decline in the trade deficit with countries outside East Africa, while trade with Tanzania and Uganda continued to show a healthy surplus. With indications that the Ugandan economy is beginning to recover from the devastation of earlier years, there is a reasonable prospect of increased net earnings in trade with this country.

Price Changes

7.4. The export and import price indices for the period 1978.82 are detailed in Table 7.2. The average prices for all exports in 1982 rose by 9.4 per cent. The index for non-oil exports rose by 8 per cent, as a result of the general improvement in commodity prices shown in Table 7.7. The largest increases occurred in the prices of chemicals, 30.6 per cent; mineral fuels, 24.5 per cent; animal and vegetable oils and fats, 25.6 per cent.

PRICE INDICES, 1978-1982

Table 7.2 — 1976=100

EXPORTS	1978	1979	1980	1981	1982
EXPORTS-					
Food and live animals	123	117	124	123	130
Beverages and tobacco	114	108	107	117	119
Crude materials, inedible	122	127	177	192	201
Mineral fuels	113	145	223	307	381
Animal and vegetable oils and fats	127	135	149	176	221
Chemicals	96	134	139	147	193
Manufactured goods	140	149	147	166	183
Machinery and transport equipment ..	127	144	144	157	181
Miscellaneous manufactured articles ..	125	130	155	123	161
All Exports	120	128	154	170	186
Non-oil Exports	123	124	135	138	149
IMPORTS—					
Food and live animals	86	76	150	185	154
Beverages and tobacco	130	125	148	168	207
Crude materials, inedible	123	120	154	145	164
Mineral fuels	106	130	220	319	376
Animal and vegetable oils and fats	131	140	133	116	106
Chemicals	101	133	178	205	231
Manufactured goods	118	126	151	293	232
Machinery and transport equipment ..	130	144	158	185	221
Miscellaneous manufactured articles ..	122	123	148	200	233
All Imports	114	132	173	220	254
Non-oil Imports	119	132	157	186	210

7.5. The average prices of all imports also rose, by 15.5 per cent, with non-oil import prices rising by 12.9 per cent. Although price of mineral fuels continued to lead the general level of prices, its influence has abated some-

what; it rose by 18 per cent in 1982 compared with rises of 69 and 45 per cent in 1980 and 1981, respectively. Prices of imported food and live animals fell by 16.3 per cent; as also did those of oils and fats.

Volume Changes

7.6. The overall volume index for exports fell from 92 in 1981 to 89 in 1982, as shown in Table.3. However, due largely to increased volumes of food, beverages and tobacco, the volume of non. oil exports rose by 6.2 per cent and was above the 1976 level. The volume of mineral fuels fell sharply, by 28.6 per cent. There was an even larger fall in the volume of imports, by 12.5 per cent, in response to exchange rate changes and quantitative restrictions. There was a 6.7 per cent decline in the volume of mineral fuels. In contrast, the volume of food imports rose by nearly 12 per cent, as also did those of beverages and tobacco, and manufactured goods. Taken as a whole the volume of non. oil imports went down by 14.1 per cent.

QUANTUM. INDICES, 1978-1982

Table 7.3 — 1976 = 100

	1978	1979	1980	1981	1982
EXPORTS—					
Food and live animals	112	115	105	117	131
Beverages and tobacco	120	129	319	192	236
Crude materials, inedible	81	93	90	89	77
Mineral fuels	89	80	102	77	55
Animal and vegetable oils and fats	13	18	16	19	9
Chemicals	89	75	66	65	52
Manufactured goods	68	66	82	66	74
Machinery and transport equipment	46	41	68	45	44
Miscellaneous manufactured articles	77	81	103	93	86
All Exports	96	94	97	92	89
Non-oil Exports	96	97	95	97	103
IMPORTS—					
Food and live animals	172	139	219	113	179
Beverages and tobacco	99	107	44	27	23
Crude materials, inedible	103	94	91	116	94
Mineral Fuels	107	108	126	104	97
Animal and vegetable oils and fats	110	101	151	184	221
Chemicals	155	121	128	113	95
Manufactured goods	128	110	118	74	62
Machinery and transport equipment..	176	126	150	117	94
Miscellaneous manufactured articles..	112	111	121	96	56
All Imports	142	116	133	104	91
Non-oil Imports	151	118	136	104	89

TERMS OF TRADE, 1978-1982

Table 7.4 1976 = 100

	1978	1979	1980	1981	1982
All Items	105	97	89	77	73
Non-oil Items	103	94	86	74	71

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1978-1982

Table 7.5 K£ '000

	1978	1979	1980	1981**	1982**
1. Food and Beverages	217,688	211,282	212,547	234,249	278,932
Primary	198,338	186,246	181,459	191,865	246,472
For Industry	126,025	112,859	109,901	112,715	147,871
For Household Consumption	72,313	73,387	71,558	79,150	98,601
Processed	19,350	25,036	31,088	42,384	32,460
For Industry	711	3,348	13,866	20,428	5,583
For Household Consumption	18,639	21,688	17,222	21,956	26,876
2. Industrial Supplies (Non-Food)	65,973	79,151	89,668	92,700	95,043
Primary	30,182	38,675	48,386	52,376	46,950
Processed	35,792	40,476	41,283	40,324	48,093
3. Fuel and Lubricants	68,985	77,179	162,533	163,743	149,434
Primary	215	14	19	21	17
Processed	68,771	77,165	162,514	163,722	149,417
Motor Spirit	10,390	10,815	19,651	21,927	22,965
Other	58,381	66,350	142,863	141,795	126,452
4. Machinery and other Capital Equipment	1,489	1,510	2,481	1,967	1,590
Machinery and Other Capital Equipment	1,450	1,286	2,135	1,717	1,381
Parts and Accessories	39	224	347	250	208
5. Transport Equipment	965	928	1,661	2,159	1,357
Passanger Motor Vehicles			9		11
Other	448	479	692	348	444
Industrial	443	453	518	311	425
Non-Industrial	5	26	175	38	19
Parts and Accessories	518	449	960	1,811	902
6. Consumer Goods not elsewhere specified	14,615	15,211	18,385	18,677	19,863
Durable	510	555	898	649	654
Semi-Durable	5,414	4,197	4,062	4,216	4,192
Son-Durable	8,691	10,459	13,425	13,812	15,017
7. Goods not elsewhere Specified	250	272	368	209	96
TOTAL	369,965	385,533	487,644	513,705	546,316
PERCENTAGE SHARES:					
1. Food and Beverages	58.8	54.8	43.6	45.6	51.1
2. Industrial Supplies (Non-Food)	17.8	20.5	18.4	18.1	17.4
3. Fuel and lubricants	18.6	20.0	33.3	31.9	27.4
4. Machinery and other Capital Equipment	0.4	0.4	0.5	0.4	0.3
5. Transport Equipment	0.3	0.2	0.3	0.4	0.2
6. Consumer Goods not elsewhere specified	4.0	4.0	3.8	3.6	3.6
7. Goods not elsewhere specified	0.1	0.1	0.1		
TOTAL	100.0	100.0	100.0	100.0	100.0

*Excluding Re-exports.

**Provisional.

Terms of Trade

7.7. Kenya's terms of trade worsened further in 1982 despite the improvements in commodity export prices. Table 7.4 indicates that the terms of trade for all items moved from 77 in 1981 to 73 in 1982, a negative shift of 5.2 per cent. Excluding oil, there was a slightly smaller deterioration of 4.1 per cent. Although the rate of deterioration was more moderate in 1982 than in preceding years, 1982 was the fifth successive year in which the terms of trade had worsened. Set against the background of an already serious balance of payments situation, the adverse effect of relative world prices continue to constitute a major problem for the country.

Composition and Prices of Exports

7.8. Details of the country's exports by broad economic category are given in Table 7.5. Exports of food and beverages—chiefly coffee and tea. and of fuels and lubricants remain the principal sources of export earnings. Between them, these two groups accounted for 78.5 per cent of total exports in 1982, a modest increase on the previous year. In value terms, earnings in the food and beverages group rose by 19 per cent, whereas there was an 8.7 per cent decline in earnings from fuels and lubricants.

QUANTITIES OF PRINCIPAL EXPORTS, 1978-1982

Table 7. 6

	Unit	1978	1979	1980	1981	1982*
Coffee	Tonnes	85,434	77,259	80,086	86,171	107,763
Tea	99	84,968	94,023	74,799	75,350	80,371
Petroleum Products	Million Litres	1,399	1,174	1,825	1,411	1,204
Pyrethrum products	Tonnes	1,656	955	759	570	838
Meat Products	99	3,033	2,643	1,253	1,890	2,828
Sisal	"	26,870	25,959	40,415	36,397	40,491
Hides and skins		10,893	13,081	8,485	12,964	11,118
Soda Ash	99	160,625	215,669	192,821	113,659	119,353
Fluorspar	99	102,900	59,352	100,674	59,303	74,889
Cement	99	610,100	510,206	530,393	668,037	737,422
Maize (raw)	99	23,432	120,475	20	991	949
Canned pineapples..	99	42,082	41,048	38,453	40,884	40,189
Butter and ghee	99	1,581	1,206	230	565	878
Beans and peas	99	14,777	9,735	10,137	6,960	37,723
Cotton (raw)	99	2,110	1,886	4,020	2,557	-
Wool	99	1,165	1,080	1,706	1, 113	1,453
Animal feeds	99	22,626	23,030	5,201	7,794	11,706
Cashew nuts	99		73	10,700	4,222	3,372

*Provisional.

7.9. The statistics in Table 7.6 provide further information on export volume trends. In addition to the changes already noted, there were noteworthy increases in the volume of fluorspar, cement, beans and peas, and animal feeds (although the latter remained well below 1978. 79 levels). There

were no recorded exports at all of raw cotton, the first time this has happened for many years, and there were declines in the quantities of hides and skins, and wattle extract.

EXPORT PRICES, 1978-1982

Table 7.7 *K. Sh. /Unit*

	Unit of Quantity	1978	1979	1980	1981	1982*
Coffee unroasted	Kg.	29. 20	28. 63	27. 01	25. 40	36. 85
Tea	Kg.	14. 87	13. 37	15. 51	16. 22	19. 40
Petroleum products	1, 000 Lt.	860. 86	1. 159. 51	1, 663. 94	2, 233. 20	2, 352. 72
Maize (raw)	100 Kg.	60. 91	88. 40	406. 42	136. 44	689. 46**
Meat and meat products	Kg.	17. 95	20. 34	25. 25	27. 61	32. 08
Pyrethrum extract	Kg.	312. 73	281. 84	633. 82	802. 98	896. 06
Sisal	100 Kg.	303. 33	372. 87	438. 08	483. 38	536. 29
Hides and skins (undressed)	Kg.	18. 04	21. 05	22. 50	14. 20	14. 34
Wattle extract	Kg.	3. 16	3. 50	3. 56	5. 17	7. 24
Soda ash	100 Kg.	45 90	51. 53	81. 07	126. 83	99. 68
Fluorspar	100 Kg.	49. 89	66. 85	64. 50	121. 08	125. 68
Cement	100 Kg.	29. 53	32. 72	38. 29	42. 96	52. 36
Beans, peas, etc.	Kg.	2 90	3. 06	2. 99	5. 55	3. 32
Cashew nuts, (raw)	Kg.	–	15. 54	3. 12	7. 92	9. 87
Wool	Kg.	11. 98	12. 92	11. 15	17. 52	16. 78
Animal feed	100 Kg.	89. 94	94. 33	121. 56	98. 87	124. 75
Cotton (raw)	Kg.	13. 16	9. 81	12. 96	12. 80	–
Pineapples (canned)	Kg.	4. 55	4. 54	4. 60	5. 87	7. 22
Butter and ghee	Kg.	12. 03	14 04	15. 89	20 66	23. 24
Wattle bark	100 Kg.	105. 16	_	95. 21	146. 78	128. 56

*Provisional.

**Seed Maize Price.

7. 10. Table 7. 7 details unit prices of selected exports. The export prices of most of the country's primary and manufactured commodities experienced significant increases in 1982. Coffee export prices were favourable, especially in the quota market where the average price was KSh. 30 per kg. This price was, however, reduced by the influence of lower prices in the non. quota market with the consequence that overall unit prices averaged. out at KSh. 26. 85 per kg. This price, though 5. 7 per cent higher than that of 1981, was still considerably lower than the prices experienced before 1981. The export price of tea was the highest recorded in the last five years, from KSh. 16. 22 per kg. in 1981 to KSh. 19. 40 per kg. in 1982, but price of petro. leum products increased by a smaller margin of 5. 4 per cent. Other exports experienced appreciable price rises, including sisal, pyrethrum extract, cement, canned pineapples, and hides and skins.

7. 11. The total value of individual export items is given in Table 7. 8. There were, as can be seen, considerable increases in the total value of coffee and tea earnings, reflecting both better prices and larger quantities. The table also shows that the reduction in earnings from petroleum products was due entirely to reduced volumes, with a small improvement in the average price received. The value of both meat and pyrethrum exports rose very sharply, due chiefly, in both cases, to much enlarged quantities of exports, dependence

on the three chief export products continued to be heavy. In 1982 coffee and tea alone accounted for 40.7 per cent of total exports, against 33.2 per cent in 1981 and 33.4 per cent in 1972; these two including petroleum products accounted for 66.7 per cent, against 63.9 per cent in 1981 and 45.9 per cent in 1972.

EXPORT CHANGE IN VALUE.QUANTITY AND PRICE,* 1981-1982

Table 7.8

	VALUE K£ '000			PERCENTAGE CHANGE IN		
	1981	1982**	Change	Value	Quantity	Price
Coffee, unroasted	109,369.7	144,647.8	35,278.1	32.3	25.1	5.7
Tea	61,103.7	77,978.3	16,874.6	27.6	6.7	19.6
Petroleum products	157,563.5	141,628.6	. 15,934.9	. 10.1	. 14.7	5.4
Meat and meat products	2,609.2	4.535.8	1,926.6	73.8	49.7	16.2
Pyrethrum extract	5,971.7	9,623.4	3,651.7	61.1	44.4	11.6
Sisal	8,790.2	10,857.4	2,067.2	23.5	11.3	10.9
Hides and skins (undressed)	9,206.2	7,970.5	. 1,235.7	. 13.4	. 14.2	1.0
Wattle extract	2,743.1	3,518.6	775.5	28.3	. 8.4	40.0
Soda ash	7,207.7	5,948.7	. 1,259.0	. 17.5	. 5.0	—21.4
Flourspar	3,590.3	4,706.1	1,115.8	31.1	26.3	3.8
Cement	14,349.8	19,305.1	4,955.3	34.5	10.4	21.9
Beans, peas etc.	1,930.9	6,264.6	4,333.7	224.4	442.0	. 40.2
Cashew nuts (raw)	1,671.6	1,664.0	. 7.6	. 0.5	. 20.1	24.6
Wool	974.5	1,218.6	244.1	25.0	30.6	. 4.2
Animal feed	385.3	730.2	344.9	89.5	50.2	26.2
Cotton, (raw)	1,636.7		. 1,636.7	—		—
Pineapples (canned)	11,997.8	14,499.7	2,501.9	20.9	. 1.7	23.0
Butter and ghee	583.3	1,019.7	436.4	74.8	55.4	12.5
Wood carvings	580.1	648.7	68.6	11.8	. 19.7	39.2
Metal scrap	503.8	315.1	. 188.7	37.5	. 35.5	. 3 . 0
Wattle bark	56.1	113.7	57.6	102.7	131.4	. 12.4
All other items	110,880.1	89,121.3	. 21,758.	. 19.6	—	—
TOTAL	513,705.3	546, 315.9	32,610.6	6.3		

*Excluding Re. exports

**Provisional

7.12. Price decreases were recorded for a small number of export com. modities, including soda ash, beans, wool, metal scrap and wattle extract. Table 7.8 shows the percentage changes in price, as well as quantity and total value,

7.13. The government's efforts to boost the export sector as a strategy for overall economic development are outlined in the fourth development plan for 1979. 1983. Kenya External Trade Authority (KETA) which is a depart. ment of the Ministry of Commerce has had a direct administrative respon. sibility of generating such efforts geared towards the expansion and diversi. fication of Kenya's export markets. During 1982, KETA organized and participated in various trade promotion activities including exhibitions and trade fairs in Sudan, Egypt, Zambia, Zimbabwe, Mozambique, France and West Germany. Those promotional activities, coupled with the existing export incentives like the export compensation scheme have made a signi. ficant contribution to the expansion of Kenya's external sales.

The Composition of Imports

7.14. The figures in Table 7.9 reveal some interesting shifts in the com. position of imports in recent years. The most striking of these, of course, has been the sharp rice in the share of fuels and lubricants in the total (although it should be remembered that some of this forms the basis of substantial export earnings from refined fuels). As the lower part of Table 7.9 shows, there was a further rise in the share of this item during 1982, to 40.2 per cent, which may be compared with 17.8 per cent in 1978, before the second "oil shock", and only 10 per cent in 1973.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1978-1982

Table 7.9 K£'000

	1978	1979	1980	1981*	1982*
1. Food and Beverages.	38,503	32,884	41,261	44,096	52,658
Primary	11,729	9,861	11,842	12,203	20,328
For Industry	7,245	3,006	7,230	6,326	16,024
For Household Consumption	4,484	6,855	4,612	5,877	4,304
Processed	26,774	23,022	29,419	31,893	32,330
For Industry	16,937	14,253	20,490	23,711	25,363
For Household Consumption	9,837	8,769	8,929	8,181	6,967
2. Industrial Supplies (Non. Food)	179,812	179,736	261,570	239,476	224,363
Primary	13,350	8,915	33,951	15,328	19,218
Processed	166,462	170,821	227,619	224,148	205,145
3. Fuels and Lubricants	117,778	147,285	322,403	345,008	379,532
Primary	93,861	120,934	282,698	315,824	350,106
Processed	23,917	26,351	39,705	29,184	29,427
Motor Spirit	5,000	5,334	4,661	1,673	9,665
Other	18,917	21,016	35,043	27,511	19,761
4. Machinery and other Capital Equipment..	141,074	125,107	154,613	165,312	158,800
Machinery and other Capital Equipment	126,052	93,751	109,398	116,319	107,774
Parts and Accessories	15,022	31,356	45,215	48,993	51,025
5. Transport Equipment	126,652	94,877	121,146	88,086	85,379
Passenger Motor Vehicles	20,182	11,173	18,718	8,137	8,888
Other	63,706	57,852	59,752	48,937	36,327
Industrial	62,735	56,760	58,158	45,575	35,270
Non. Industria	971	1,092	1,594	3,362	1,057
Parts and Accessories	42,764	25,852	42,676	31,012	40,163
6. Consumer Goods not elsewhere specified.	55,299	39,621	57,740	47,554	43,333
Durable	12,365	7,667	13,380	10,542	9,082
Semi. Durable	21,202	12,623	16,577	11,915	9,561
Non. Durable	21,732	19,330	27,782	25,097	24,690
7. Goods not elsewhere specified	2,007	647	297	2,310	1, 142
TOTAL	661,125	620,156	959,030	931,842	945,207
PERCENTAGE SHARES:					
1. Food and Beverages	5.8	5.3	4.3	4.7	5.6
2. Industrial Supplies (Non. Food)	27.2	29.0	27.3	25.7	23.7
3. Fuels and lubricants	17.8	23.7	33.6	37.0	40.2
4. Machinery and other Capital Equipment.	21.3	20.2	16.1	17.7	16.8
5. Transport Equipment	19.2	15.3	12.7	9.5	9.0
6. Consumer Goods not elsewhere specified	8.4	6.4	6.0	5.1	4.6
7. Goods not elsewhere specified	0.3	0.1		0.3	0.1
T O T A L ..	100.0	100.0	100.0	100.0	100.0

*Provisional.

7.15. To accommodate this increase, other categories of imports have had to go down in proportionate terms and the table shows that the main burden has fallen on imports of transport equipment—down to 9 per cent in 1982, against 19.2 per cent in 1978. Other categories to have experienced significant falls in this period include industrial supplies, machinery and other capital equipment, and "other" consumer goods. Imports of food and beverages have about held their share. There was a considerable increase in this category of imports during 1982, chiefly due to large imports of wheat.

SELECTED IMPORTS, 1978-1982

Table 7.10 *K£million*

	1978	1979	1980	1981	1982*
Crude Petroleum	92.34	120.09	281.72	312.77	347.94
Motor Vehicles and Chassis	68.80	45.12	67.56	44.91	38.41
Agricultural Machinery and Tractors	18.58	7.57	10.16	11.59	10.97
Industrial Machinery (including Electrical)	130.18	113.25	145.42	152.04	149.28
Iron and Steel	41.82	37.63	50.47	36.94	40.64
Cotton Fabrics	0.44	0.41	1.16	0.29	0.09
Synthetic Fabrics	2.38	1.88	2.25	2.71	1.61
Paper and Paper Products	10.26	12.30	12.91	14.35	11.95
Pharmaceuticals	13.19	11.23	15.90	17.69	18.34
Fertilizers	10.01	5.34	15.84	24.07	15.61

*Provisional.

7.16. Table 7.10 provides further information on the value of specific imported items. This confirms the large burden of payments for crude petro. leum. The cost of pharmaceuticals also seems to be on a rather steeply rising trend. Allowing for the effect of inflation, most of the other items listed in Table 7.10 have probably been declining in real terms. This is certainly the case with motor vehicles and chassis, the total cost of which has fallen steeply in the last two years, no doubt largely as a result of import restrictions. Agricultural and industrial machinery, and iron and steel are probably also on a declining real trend. In 1982 there was also a steep fall in the paper and paper products item.

Direction of Trade

7.17. Table 7.11 shows the destinations of Kenya's total exports from 1978 to 1982. The European Economic Community (EEC) has remained the principal destination of Kenya's exports, with UK and West Germany taking the largest share of this trade. In 1982, nearly 35 per cent of Kenya's total exports found their way into the Community markets, compared with 33.1 per cent in 1981.

DESTINATION OF TOTAL EXPORTS*, 1978-1982

Table 7.11 K£'000

	1978	1979	1980	1981	1982**
E. E. C. —					
United Kingdom	57,197	58,791	58,846	59,812	72,202
West Germany	56,813	60,836	56,017	58,422	60,925
Italy	18,891	23,804	23,733	20,122	15,228
France	5,685	5,119	6,349	5,883	5,993
Netherlands	24,351	17,702	17,692	21,047	28,132
Other	9,248	11,311	12,470	12,623	15,122
TOTAL	172,185	177,563	175,107	177,909	197,602
Other Western Europe, Total	21,585	21,657	23,550	18,924	21,531
Eastern Europe, Total	6,930	4,801	4,942	6,949	8,106
U. S. A	18,519	16,737	16,929	19,519	35,351
CANADA	5,336	5,715	5,070	4,024	4,670
AFRICA—					
Tanzania	2,756	4,075	5,216	6,307	6,861
Uganda	38,443	37,747	66,378	52,608	58,596
Zambia	5,702	5,847	4,948	2,160	1,937
Other	47,083	51,287	64,463	96,094	92,756
TOTAL	93,984	98,956	141,005	157,169	160,150
MIDDLE EAST—					
Iran	1,769		1,191	1,779	246
Other	8,885	14,847	18,159	23,602	27,848
TOTAL	10,654	14,847	19,350	25,381	28,094
FAR EAST AND AUSTRALIA—					
Australia....	1,450	1,238	1,621	2,380	1,220
Japan	3,807	5,100	3,828	3,739	3,469
India	1,559	2,197	4,077	4,532	4,530
China (Mainland)	2,702	1,959	1,956	633	310
Other	16,949	21,043	56,498	61,009	44,385
TOTAL	26,467	31,537	67,980	72,293	53,914
ALL OTHER COUNTRIES	10,851	8,451	3,549	2,959	1,140
AIRCRAFT AND SHIPS STORES	29,201	32,523	58,222	51,928	58,987
ALL EXPORTS	395,712	412,787	515,704	537,055	569,545

*Excluding gold and currency but including Re. Exports.

**Provisional.

7.18. Africa has maintained its position as the second principal consumer of Kenya exports. The value of Kenyan exports to African countries increased by a small margin of around 2 per cent, but the proportion of those exports to total exports dropped from 29.3 per cent in 1981 to 28.1 per cent in 1982. However, there are good prospects that Kenya will increase its sales of a wide range of exports to neighbouring countries. Exports to Uganda alone accounted for 10.3 per cent of Kenya's total exports.

7.19. Australia and the Far East constitute the third principal destination of Kenya exports. The market for Kenyan goods in that region has however experienced acute problems. The value of exports to that region fell by 25.4 per cent in 1982, with China and Australia recording the largest percentage declines. The proportion of exports entering that region fell from 13.5 per cent in 1981 to 9.5 per cent in 1982.

7.20. The USA and the Middle East markets are comparatively small but growing for Kenyan goods. The value of Kenyan exports to the USA market increased sharply by 81.7 per cent. The rise was due to increased exports of coffee and pyrethrum extract. Middle East consumption of Kenyan goods accounted for only 5 per cent in 1982 and it remains a modest but stable market for a limited number of Kenya exports, including live animals and horticultural products.

ORIGIN OF TOTAL IMPORTS, 1978-1982

Table 7.12 K£'000

	1978	1979	1980	1981*	1982*
EEC.—					
United Kingdom	145,933	141,311	162,369	156,676	135,381
West Germany	87,755	68,809	77,659	75,090	75,506
Italy	33,490	23,743	37,682	25,170	22,934
France	30,831	17,627	32,690	31,143	28,040
Netherlands	15,096	14,112	22,879	21,102	23,187
Other. .	24,578	18,669	21,052	20,084	17,004
TOTAL	337,683	284,273	354,331	329,265	302,052
Other Western Europe Total	29,553	35,377	39,067	44,941	36,080
Eastern Europe Total	5,340	4,737	6,606	6,209	5,284
U.S.A.	41,096	34,925	60,964	63,658	54,358
CANADA	3,877	5,589	5,116	11,730	13,403
AFRICA—					
Tanzania	353	102	309	273	846
Uganda	1,977	804	1,206	800	547
Zambia	1,575	1,243	1,518	1,592	1,372
Other	5,270	9,804	26,414	14,522	60,858
TOTAL	9,175	11,953	29,447	17,187	63,623
MIDDLE EAST—					
Iran	44,816	26,289	20,577	15,634	25,018
Other	28,844	109,932	281,592	306,528	308,082
TOTAL	73,660	136,221	302,169	322,162	333,100
FAR EAST AND AUSTRALIA—					
Australia	10,291	8,078	6,130	8,403	3,311
Japan	67,912	49,927	88,409	73,429	69,567
India	15,818	10,154	13,006	10,136	12,068
China (Mainland)	5,103	4,805	7,192	8,179	6,594
Other	23,832	25,583	36,347	33,058	40,038
TOTAL	122,956	98,546	151,084	133,205	131,578
All other Countries	37,234	8,535	10,244	3,485	5,729
Parcel Post and Special Transactions	551		2		
TOTAL	661,125	620,156	959,030	931,842	945,207

*Provisional.

7.21. Turning to the origin of Kenya's imports, the influence of crude petroleum import prices has been so remarkable that the Middle East has emerged as the leading supplier of imports. Table 7.12 shows that imports from the Middle East rose to K£333.1 million in 1982, an increase of 3.4 per cent over 1981, and accounted for 35.2 per cent of total imports.

TRADE WITH AFRICAN COUNTRIES, 1978-1982

Table 7.13

K£'000

	EXPORTS*					IMPORTS				
	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
MAINLAND—										
Uganda	38,443	37,747	66,378	52,608	58,596	1,977	804	1,206	800	547
Tanzania	2,756	4,075	5,216	6,307	6,861	353	102	309	273	846
Zambia	5,702	5,847	4,948	2,160	1,937	1,575	1,243	1,518	1,592	1,372
Ethiopia	2,705	2,346	2,365	1,580	2,319	616	2,241	2,526	4,259	14,019
Burundi	3,412	4,552	7,329	12,903	13,311	-	1,158	115	274	189
Somalia	3,574	2,678	4,738	1,916	4,116	20	71	44	30	33
Sudan	7,027	7,665	9,949	12,426	19,166	23	210	8	22	18
Rwanda	7,999	8,551	12,638	21,564	21,694	2,333	3,289	2,623	3,690	2,260
Zaire	2,535	3,142	3,909	5,538	5,284	467	533	157	720	035
Malawi	407	348	285	519	760	228	211	554	587	371
Mozambique	493	443	570	10,541	742	1,016	527	18,916	2,547	9,919
Egypt	5,141	6,061	3,074	3,271	6,416	73	39	129	49	29,404
Algeria and Libya	2,887	331	2,588	228	204		6			1,009
Ghana and Nigeria	1,352	675	1,713	2,138	1,387	20	12	12	29	2
Other	2,470	5,298	9,438	14,726	9,956	329	1,486	1,172	2,118	2,600
TOTAL	86,903	89,759	135,138	148,470	152,749	9,030	11,932	29,289	16,990	63,524
INDIAN OCEAN ISLAND—										
Mauritius	3,067	4,832	3,605	5,231	4,192	135	9	137	192	91
Reunion	717	1,377	1,090	1,871	2,212			7		3
Others**	3,297	2,988	1,172	1,597	997	10	12	14	5	5
GRAND TOTAL	93,984	98,956	141,005	157,169	160,150	9,175	11,953	29,447	17,187	63,623
Percentage of all Exports/Imports	23.8	24.0	27.3	29.3	28.1	1.4	1.9	3.1	1.8	6.7

*Including Re-exporters.

**Madagascar and Seychelles.

7.22. The European Economic Community (EEC) in general and the United Kingdom and West Germany in particular have been the traditional sources of many of the country's imports. Owing to global recession, the value of imports from the Community has declined by 14.7 per cent since 1980. However, the Community remains the main source of machinery and capital equipment, chemical and pharmaceutical products.

7.23. The USA and Japan constitute the remaining major source of imports. Imports from USA declined from K£63.6 million in 1981 to K£54.3 million in 1982, or by 14.6 per cent. Imports from Japan decreased by the smaller proportion of 5.3 per cent, due to a sustained inflow of parts and accessories for the country's large stock of Japanese motor vehicles and machinery.

7.24. Kenya's trade with African countries is shown in Table 7.13. Lack of reliable transport and communications systems in the continent has led to highly localized patterns of continental trade and Uganda remains Kenya's chief trading partner in Africa. Exports to Uganda in 1982 were K£58.5 million, or 36.6 per cent of total exports to Africa. The other principal purchasers of Kenyan exports include Rwanda, Burundi, Tanzania, the Sudan, Egypt and Zaire. Owing to the current recession, total exports to the continent increased only marginally from K£157.2 million in 1981 to K£160.2 million in 1982. Imports from the rest of Africa, although tradition. ally small, increased nearly four times from K£17 million in 1981 to K£63.5 million in 1982. The increase was, however, largely due to a consignment of Egyptian crude oil.

The Balance of Payments

7.25. As noted at the beginning of this chapter, there were a number of conflicting trends on the country's balance of payments. On the one hand, the current account improved significantly, both because of the improvement on the balance of trade discussed earlier and because of increased net receipts on services. On the other hand, there was a decline in inflows of capital from the rest of the world, which reduced the country's ability to finance the current account deficit. In consequence, it became necessary to undertake new borrowings from the International Monetary Fund (IMF) and to take a variety of measures to encourage exports and reduce imports, including import restrictions and another devaluation.

7.26. Tables 7.14 and 7.15 set out details of the balance of payments out. turn. With import values virtually unchanged and export earnings increased by K£34 million, plus a K£14 million improvement in net earnings on services, the current account showed an improvement of K£46.6 million, notwithstanding a slight decline in net transfer receipts. Helped by a more

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES. 1978-1982

Table 7.16

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.			Counterpart 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**			Sub-scription	I.M.F. holding of Kenya Currency	Net use of Fund Credit*	
1978	5,293	129,909	3,294	131,908	1,420	133,328	33,327	58,583	-25,256	6,721
1979	39,821	197,766	4,877	232,710	1,829	234,538	33,327	85,636	-52,309	10,781
1980	9,730	176,362	2,224	183,868	3,097	186,965	49,991	123,565	-73,574	14,467
1981	5,615	119,180	2,297	122,498	3,933	126,431	61,842	166,494	-104,652	22,102
1982										
January	21,246	106,293	1,958	125,581	5,314	130,895	61,841	201,033	-139,192	22,102
February	7,545	99,357	1,598	105,304	3,874	109,178	61,841	200,917	-139,076	22,102
March	7,533	108,179	2,382	113,330	4,014	117,344	61,841	200,905	-139,064	22,102
April	6,606	111,164	1,815	115,955	3,729	119,684	61,841	143,383	-81,542	22,102
May	5,068	91,103	1,809	94,362	3,747	98,109	61,841	199,862	-138,021	22,102
June	5,544	137,689	2,111	141,112	4,069	145,191	61,84	253,861	-192,020	22,102
July	1,279	112,675	2,430	111,524	4,251	115,775	61,841	252,551	-190,710	22,102
August	4,843	86,329	2,128	89,044	4,051	93,095	61,841	252,435	-190,594	22,102
September	4,842	90,218	1,842	93,218	2,765	95,983	61,841	252,435	-190,594	22,102
October	3,915	98,256	2,061	100,110	2,589	102,699	61,841	251,508	-189,667	22,102
November	8,355	86,907	2,165	93,095	1,904	94,999	61,841	246,238	-184,397	22,102
December	9,604	135,262	8,778	136,088	1,731	137,819	61.841	283,123	-216,960	26,005

Source: Central Bank of Kenya.

*Figures with 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.

Table 7. 14

	1980 +			1981*			1982*		
	Debits/ Assets	Credits/ Liabili. ties	Net Credits	Debits/ Assets	Credits/ Liabili. ties	Net Credits	Debits/ Assets	Credits/ Liabili. ties	Net Credits
A. CURRENT ACCOUNT									
1. Merchandise transactions: Imports (c. i. f.): Exports (f. o. b.) . .	994.6	468.0	*Dr.* 526.6	980.5	485.1	*Dr.* 495.4	976.3	519.5	*Dr.* 456.8
2. Freight and Insurance	0.5	25.6	25.1	7.1	29.2	22.1		28.8	28.0
3. Other Transportation	18.3	128.8	110.5	19.6	120.1	100.5	20.2	136.6	116.4
4. Foreign Travel	8.6	88.5	79.9	5.1	96.2	91.1	4.9	122.9	118.0
5. International Investment income	91.6	16.1	*Dr.* 75.5	109.3	20.6	*Dr.* 88.7	143.9	22.2	*Dr.* 121.7
6. Government Transactions n. e. s.	14.9	24.2	9.3	15.7	23.6	7. 9	15.7	26.6	10.9
7. Other Services	28.2	22.1	*Dr.* 6.1	30.6	24.0	*Dr.* 6.6	37.1	25.9	*Dr.* 11.2
8. Private Transfer	6.2	16.3	10.1	9.2	17.1	7.9	19.3	14.8	*Dr.* 4.5
9. Government Transfer	1.0	45.6	44.6	2.3	37.3	35.0	2.5	43.8	41.3
TOTAL CURRENT ACCOUNT	1,163.9	835.2	*Dr.* 328.7	1, 179.4	853.2	*Dr.* 326.2	1, 220.7	941.1	*Dr.* 279.6
of which: Visible Balance	994.6	468.0	*Dr.* 526.6	980.5	485.1	*Dr.* 495.4	976.3	519.5	*Dr.* 456.8
Invisible Balance	169.3	367.2	197.9	198.9	368.1	169.2	244.4	421.6	177.2
B. CAPITAL MOVEMENTS									
10. Private Long-term	6.3	61.7	55.4	3.2	76.1	72.9	4.1	58.6	54.5
11. Government Long-term	—	146.4	146.4	—	92.6	92.6	—	57.1	57.1
12. Government Corporations**	—	1.3	1.3	—	16.2	16.2	—	15.0	15.0
13. Short-term	5.2	54.9	49.7	16.5	59.8	43.3	9.4	53.7	44.3
TOTAL	11.5	264.3	252.8	19.7	244.7	225.0	13.5	184.4	170.9
C. MONETARY MOVEMENTS									
14. Transactions with I. M. F	*Cr.* 13.4	41.4	54.8	7.8	50.5	42.7	4.0	116.2	112.2
15. Other Changes in Assets and Liabilities	*Cr.* 20.1	*Dr.* 2.7	17.4	*Cr.* 56.3	0.1	56.4	13.9	6.5	*Dr.* 7.4
TOTAL	*Cr.* 33.5	38.7	72.2	*Cr.* 48.5	50.6	99.1	17.9	122.7	104.8
D. ERRORS AND OMISSIONS			3.7			2.1			3.9

*Provisional.

**Former E. A. Community Corporations only,

+ includes capital grants.

‡Revised.

attractive exchange rate, net tourist earnings increased by nearly 30 per cent, while net earnings from transport were 16 per cent higher. There was a substantial increase in net outflow of international investment income. Debt servicing payments continued to rise.

CHANGES IN KEY BALANCE OF PAYMENTS MAGNITUDES, * 1980-1982

Table 7. 15 *K£million*

	1980	1981	1982
1. Exports (f.o.b)	+82. 5	+17.1	+34.4
2. Imports (c.i.f)	-309.7	+14.1	+4.2
3. Services (net)	+64.2	-16.9	+14.1
4. Transfers	+20.6	-11.8	-6.1
5. Change on Current Account	-142.4	+2.5	+46.6
6. Private long-term capital (net)	-22.1	+17.5	-18.4
7. Public long-term capital (net)	+35.7	-38.9	-36.7
8. Change on basic balance (net balance on lines 5.7)	-128.8	-18.9	-8.5
9. Short-term capital and errors and omissions (net)	-14.0	-8.0	-2.8
10. Net change on all above items (monetary movements)	-142.8	-26.9	-5.7

*A plus sign indicates a change that improves the balance of payment outcome; a negative sign indicates a change worsening the outcome. Thus, an increase in imports or reduction in exports are marked as negative entries.

7.27. The total deficit on current account to be financed by capital inflows and monetary movements is estimated at K£279.6 million in 1982, against K£326.2 million in the previous year. There was another large fall in government receipts of long. term capital, which, at K£57 million was below the K£146 million of 1981; there was also a decline in receipts of private long. term capital. These two factors reduced the government's ability to finance the current deficit and the basic balance (current account plus net receipts of long. term capital) actually worsened by K£8.5 million. The deficit on basic balance was K£153 million (against K£144.5 million in 1981) and, after allowing for private capital receipts and errors and omissions, this left an overall deficit of K£104.8 million to be met by monetary movements.

7.28. The previous two years had seen substantial declines in the country's international reserves. It was possible to avoid a further reduction in 1982 by drawing down a stand. by credit that had been negotiated with the IMF. As can be seen in Table 7.14, net receipts from the IMF were K£112.2 million and there was actually a small increase in reserves. However, net liabilities to the fund reserves not only went down but were actually negative, as also shown in Chapter 5.

International Liquidity

7.29. As can be observed from Table 7.16 the foreign exchange reserves of the monetary authorities had declined sharply between end of 1979 and end of 1981 and this decline continued during much of 1982. However, the table records a considerable boost in December so that the level of reserves finished somewhat above the level twelve months earlier. This is rather misleading, however, since it is partly the result of a re. valuation following the devaluation in that month, which increased the shilling value of the country's foreign assets. It also increased the shilling cost of its liabilities and it will be noted from the table that liabilities to the IMF record a substantial jump in December, again partly because of revaluation to take account of the new exchange rate. As at the end of 1982 reserves minus net use of IMF credit stood at a negative K£79 million.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1978-1982

Table 7. 17

Currency	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1978	31st Dec. 1979	31st Dec. 1980	31st Dec. 1981	31st Dec. 1982
1 US Dollar	7.404	7.328	7.568	10.286	12.725
1 Pound Sterling	15.059	16.355	18.081	19.677	20.627
1 Deutsche Mark	4.060	4.249	3.859	4.576	5.344
1 French Franc	1.771	1.823	1.672	1.788	1.889
1 Swiss Franc	4.565	4.600	4.258	5.727	6.356
1 Dutch Guilder	3.754	3.857	3.549	4.169	4.844
1 Swedish Kroner	1.730	1.767	1.728	1.854	1.741
1 Norwegian Kroner	1.478	1.488	1.469	1.770	1.806
1 Zambian Kwacha	9.431	9.431	9.431	11.667	13.727
1 Austrian Schilling	0.556	0.590	0.548	0.648	0.763
1 Belgian Franc	0.253	0.262	0.241	0.266	0.264
1 Danish Kroner	1.457	1.368	1.263	1.406	1.516
1 Canadian Dollar	6.245	6.253	6.356	8.667	10.325
1 Finish Marka	1.893	1.980	1.971	2.351	2.412
1 Austrialian Dollar	8.529	8.119	8.934	11.618	12.489
100 Japanese Yen	3.825	3.046	3.737	4.685	5.440
100 Italian Lire	0.890	0.911	0.816	0.856	0.930
1 Indian Rupee	0.913	0.919	0.977	1.141	1.235
1 Pakistan Rupee	0.747	0.740	0.767	1.038	0.990
100 Burundi Francs	8.226	8.142	8.440	11.429	14.139
100 Rwanda Francs	7.973	7.894	8.183	11.080	13.706
Overall Weighted Index* 1976 = 100	104.68	107.56	115.89	133.43	147.20

*Trade weighted Fisher's Ideal.

Exchange Rates

7.30. The shilling was devalued for the third time in two years on 10th December, 1982, from Ksh. 11.95 = SDR 1 to KSh. 14.06 = SDR 1, an adjustment of 17.7 per cent. Since the beginning of 1981 the par value

of the shilling has depreciated against the SDR by 45.5 per cent. The intention of these adjustments is to strengthen the balance of payments. Incentives to export and for the domestic production of import. substitutes have thus been strengthened; tourism and capital inflows have been encouraged.

7.31. Since there have been considerable movements in the exchange rates of leading world currencies against one another, the precise magnitude of the depreciation of the Kenyan shilling against these currencies varies from case to case. Table 7.17 sets out the details for some major currencies. It records a particularly substantial depreciation against the dollar, which was strengthening on world currency markets, and rather small depreciations against sterling and the French franc, which were weakening. The overall weighted index shows a fall of 10 per cent during the year, and of 27 per cent two years previously.

CHAPTER 8— AGRICULTURE

As a result of generally satisfactory weather conditions and producer price incentives in 1982, the recovery in the agricultural sector continued for the second year in succession after the set. back of 1979. 80. It was estimated that a total of 26. 1 million bags of maize were produced; an increase of 19. 4 per cent over the 1981 estimate. Maize deliveries to the National Cereals and Produce Board were up by a similar proportion and the value of such sales rose by 30 per cent. There were notable improvements in the production of whole milk, tea, sisal and pyrethrum, although declines were recorded for coffee, cotton and sugar. cane. Table 8. 1 sets out details on output and inputs as well as quantum and price indices for the last five years. Total agricultural output at current prices rose by 14. 3 per cent in 1982; at constant prices the increase was 4. 5 per cent, compared with 5. 8 per cent between 1980 and 1981. Value added at current and constant prices grew by 14. 6 per cent and 4. 3 per cent respectively in 1982. These compare with growth rates of 15. 1 and 6. 3 per cent for value added at current and constant prices in 1981. Output prices rose by an average of 9. 4 per cent and input prices by 6. 3 per cent but because of higher inflation in rural consumer prices there was a further deterioration in the agricultural terms of trade.

AGRICULTURAL OUTPUT AND INPUT, 1978-1982

Table 8. 1 — *K£million*

	1978	1979	1980	1981	1982*
AT CURRENT PRICES—					
Total Output	732.93	747.58	791.19	917. 48	1, 048. 82
Less Inputs	101.21	98.80	103.05	125.74	141.66
Value Added	631.73	648.78	688.13	791.74	907.16
AT CONSTANT (1976) PRICES—					
Total Output	614.99	607.55	594.27	629.12	657.58
Less Inputs	81.68	78.50	72.25	74.23	78.69
Value Added	533.31	529.05	522.03	554.89	578.88
Quantum Indices (1976 = 100)					
Output	115.4	114.0	111.5	118.1	123.4
Input	122.5	117.7	108.3	111.3	118.0
Price Indices (1976=100)					
Output	119.2	123.1	133.1	145.8	159.5
Input	123.9	125.9	142.6	169.4	180.0

*Provisional

Marketed Production

8. 2. Table 8. 2 gives details of the current price value of recorded agricultural production between 1978 and 1982. Total sales of agricultural produce handled by the marketing boards rose from K£386. 9 million in 1981 to K£448. 9 million, a rise of 16 per cent. The increases mainly came from maize, coffee and sisal sales. On the whole there was a substantial expansion in the value of cereals, while industrial crops like sugar. cane and pyrethrum

showed no increase in value. Cereals which form an important component of agricultural food produce registered an increase in value of 24 per cent between 1981 and 1982.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1978-1982

Table 8.2 K£'000

	1978	1979	1980	1981	1982*
CEREALS—					
Maize	10,501	9,363	10,390	23,643	30,777
Wheat	11,675	14,886	17,670	17,869	22,017
Others	5,301	6,271	7,192	6,644	6,905
TOTAL	27,477	30,520	35,252	48,158	59,699
TEMPORARY INDUSTRIAL CROPS.					
Sugar Cane	17,392	23,302	29, 520	30,877	29,408
Pyrethrum	4,106	5,721	9, 735	13,398	14,777
Others	7,941	8,755	9, 966	8,777	9,764
TOTAL	29,439	37,778	49,221	53,052	53,949
OTHER TEMPORARY CROPS..	6,640	8,466	8,075	9,837	10,643
PERMANENT CROPS—					
Coffee	118,822	105,684	118,856	102,471	122,866
Tea	73,914	67,343	71,515	80,590	93,190
Sisal	4,278	6,577	9,714	8,512	12,589
Others	3,185	3,105	4,422	4,057	4,253
TOTAL	200,199	182,709	204,507	195,630	232,898
TOTAL CROPS	263,755	259,473	297,055	306,677	357,189
LIVESTOCK AND PRODUCTS—					
Cattle and Calves	34,941	29,091	33,709	47,495	52,260
Dairy Products	19,587	17,465	15,007	22,802	28,510
Others	7,574	7,724	7,338	9,935	10,965
TOTAL	62,102	54,280	56,054	80,232	91,735
GRAND TOTAL	325,857	313,753	353,109	386,909	448,924

*Provisional

8.3. Table 8.3 sets out volume and price indices of the sales of agricultural products to marketing boards. While the volume of sales has been increasing every year, the growth has been rather slow. In 1981 the overall volume index went up by 4.1 per cent and there was a similar expansion in 1982, when the index rose by 4.2 per cent. This overall rate of growth was affected by quantity declines in sugar. cane, wattle bark and cotton which partly offset increases in most other commodities, particularly cereals. The price (indices presented in the same table show that the overall price index for all the commodities rose by 10.1 per cent in 1982. This increase was due to higher prices for most of the commodities, further details of which are given in Table 8.4.

PRICE AND VOLUME INDICES OF SALES TO MARKETING BOARDS, 1978-1982

Table 8.3 1976 = 100

	1978	1979	1980	1981	1982*
QUANTUM INDICES—					
Cereals	61.6	68.9	68.7	92.2	106.4
Temporary Industrial Crops	125.7	153.3	192.2	194.8	176.4
Permanent Crops	114.6	108.8	121.1	121.2	121.5
TOTAL	103.5	104.1	115.3	121.9	123.2
Livestock and Products	132.3	113.4	104.5	109.5	120.0
TOTAL GROSS MARKETED PRODUCTION	107.8	102.9	113.4	118.1	123.1
PRICE INDICES—					
Cereals	113.3	112.6	130.5	134.4	143.2
Temporary Industrial Crops	134.8	141.8	147.4	166.1	186.3
Permanent Crops	123.5	118.7	119.4	110.6	125.5
TOTAL CROPS	123.2	120.5	124.5	120.0	134.4
Livestock and Products	139.8	129.0	145.0	185.4	204.0
TOTAL GROSS MARKETED PRODUCTION	126.1	121.9	127.4	125.8	138.5

*Provisional.

8.4. As a result of Government intervention to boost agricultural production, Table 8.4 shows marked price increases in 1982 for most of the commodities tabulated. Notable increases between 1981 and 1982 are observed for coffee, which went up by 23.1 per cent, and sisal which rose by 22.1 per cent. Cereals, tea, livestock and livestock products registered significant price rises but cotton increased by only 3.2 per cent. The generally rising trend in farmer incentives is in line with the strategies articulated to make the National Food Policy a reality.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1978-1982

Table 8.4 *KSh. per stated Unit*

	Unit	1978	1979	1980	1981	1982
Coffee	100kg.	2,818	2,815	2,634	2,258	2,780
Tea	"	1,583	1,357	1,591	1,774	1,941
Sisal		272	361	414	412	503
Sugar Cane	tonne	133	133	133	145	170
Pyrethrum (extract equivalent)	kg	720	1,006	1,200	1,150	1,150
Seed Cotton	100 kg.	315	328	331	341	352
Maize	"	89	77	95	100	107
Wheat	"	133	144	164	167	188
Rice Paddy	"	145	151	151	150	150
Beef (third grade)		676	689	795	960	1,100
Bacon Pigs	"	764	778	859	975	1,373
Milk	100 litre	132	132	146	186	215

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

8.5. In 1982 the share of marketed production through the marketing boards from smallholder farmers declined from 53.8 per cent in 1981 to 51.7 per cent in 1982, even though there was an 11.5 per cent increase in smallholder sales. The value of sales from large farms in 1982 increased by 21.3 per cent—a much larger increase than in 1981, when sales rose by only 5.8 per cent. There remains a large potential for increasing the share of commodity production from the small farms providing the necessary incentives are provided. Increasing input prices and delayed payments for crop deliveries seem to be having a disproportionate adverse effect on smallholder production as compared with the commercially run large farms.

SALES TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1978-1982

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
1978.	147.2	-26.8	178.6	-13.3	325.8	-20.0	54.8
1979.	148.2	0.9	165.2	-7.5	313.4	-3.8	52.7
1980.	168.8	13.6	184.5	11.7	353.	12.7	52.2
1981.	178.6	5.7	208.3	12.9	386.9	9.5	53.8
1982*	216.7	21.3	232.2	11.5	448.9	16.0	51.7

*Provisional.

8.6. Quantum and price indices for agricultural inputs are shown in Table 8.6. There was a general decline in the quantities of inputs purchased in 1982, and the overall volume index dropped by 13.5 per cent. This was wholly due to decreases in material inputs as there was a 10.8 per cent increase in the index for services inputs. Particularly large falls were recorded in the use of fuel and power, foodstuffs and "other" inputs. The overall input price index rose by 18.8 per cent from 153.3 in 1981 to 182.1 in 1982. For material inputs purchased by farmers the price index rose by 21.2 per cent while that of service inputs rose by only 10.1 per cent. There were increases in the prices of most inputs, particularly fertilizers, fuel and power and "other" inputs, whose prices rose by 21.7, 23.2 and 26 per cent respectively. The current. price value of purchases of various agricultural inputs are presented in Table 8.7.

AGRICULTURAL INPUT INDICES**, 1978-1982

Table 8.6 — 1976 = 100

	1978	1979	1980	1981	1982*
QUANTUM INDICES—					
Fertilizers	155.6	101.8	109.9	137.6	132.0
Fuel and Power..	126.8	138.6	90.1	102.5	90.4
Bags	105.8	91.6	102.1	114.3	111.0
Manufactured Feeds	142.1	113.2	113.5	129.4	116.3
Purchased Seeds	94.9	83.9	82.6	92.1	87.5
Other Material Inputs. . . .	153.5	153.8	161.9	181.6	144.8
TOTAL MATERIAL INPUT	139.5	121.5	122.3	149.4	118.6
Service Inputs	106.7	107.7	107.5	110.7	122.7
TOTAL INPUTS.	135.4	119.8	120.4	137.6	119.0
PRICES INDICES—					
Fertilizers	98.3	128.9	128.9	131.3	159.8
Fuel and Power	120.2	131.0	161.2	221.6	273.1
Bags	116.4	128.3	146.8	159.3	180.0
Manufactured Feeds	132.5	121.4	137.0	142.7	157.0
Purchased Seeds	182.2	170.2	170.2	173.6	178.8
Other Material Inputs	118.1	104.8	120.4	124.5	156.9
TOTAL MATERIAL INPUT..	118.2	122.5	136.4	153.2	185.7
NON-FACTOR SERVICE INPUTS	127.4	140.7	149.5	154.0	169.6
TOTAL NON-FACTOR INPUTS	119.1	124.5	137.9	153.3	182.1

*Provisional.

**Coverage is more limited than for Table 8.1 because labour and other factor inputs are excluded.

PURCHASED AGRICULTURAL INPUTS**, 1978-1982

Table 8.7 — K£000'

	1978	1979	1980	1981	1982*
MATERIAL INPUTS—					
Fertilizers	14.781	12,678	13,692	14,787	14.685
Other Agricultural Chemicals..	10,626	8,494	9,858	11,902	12,273
Livestock Drugs and Medicines	3,306	3,196	4.599	5,053	5.804
Fuel and Power	10,762	12,825	14,726	16,754	15.261
Bags	3,636	3,469	3,704	5.548	5,851
Manufactured Feeds	12,154	8 872	9,492	13,753	10,529
Purchased Seeds	4,522	3.732	3,677	4,088	4,456
Other Material Inputs	3,446	3,770	4,222	4,275	4,660
TOTAL	63,233	57,036	63,970	76,160	73,519
SERVICE INPUTS TOTAL	7,416	8,265	8,765	9,028	9.841
TOTAL INPUTS	70.649	65,301	72,735	85,188	83,360

*Provisional.

**Except Labour.

8.7. A summary of the terms of trade for the agricultural sector is given in Table 8.8. This provides a measure of the prices received by farmers for their products relative to the prices they pay for their inputs and for their consumption needs. The worsening terms of trade for agriculture, which has been a long. term trend, except for 1976-77, continued in 1982. The overall terms of trade index dropped from 87.9 in 1981 to 80 in 1982 or by 9 per cent despite optimistic forecasts in the 1982 *Economic Survey.* The index for prices paid by farmers for inputs and consumer goods rose by 20.4 per cent in 1982 while the general index for prices received for products registered only a 9.4 per cent increase. The main causes of this unfavourable situation are the continuing domestic inflation, which affects inputs and the rural cost of living, as well as a general stagnation of world prices for primary agricultural products. While little can be done with regard to low commodity prices, it is hoped that domestic policies on producer prices and control of inflation will help to halt the declining trend in the terms of trade of the agricultural sector.

8.8. An interesting but rather disturbing contrast can be observed between the trend in prices received by farmers for food crops recorded in Table 8.8 and in the Nairobi indices for consumer food prices. Table 8.8 shows a 47.8 per cent rise for "domestic" (i.e. largely food) crops since 1976, whereas the Nairobi indices show an average increase for food of 106.1 per cent between end of 1976 and end of 1982. While the two categories are not directly com. parable, the contrast between them is strikingly large and at least suggests a considerable widening in the spread between farm. gate prices and final prices, presumably because of higher transport and other distribution costs, and mark. ups.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1978-1982

Table 8. 8 1976 = 100

	1978	1979	1980	1981	1982
PRICES RECEIVED—					
Total Crops	119.1	116.4	122.3	129.7	138. 0
Domestic	116.1	115.9	130.7	141.3	147. 8
Export	120.9	116.8	117.4	112.3	134. 6
Livestock and Products	129.3	135.6	140.6	151.2	166. 7
WEIGHTED AVERAGE OF ABOVE	121.0	120.0	126.2	134.4	145.0
General index of agricultural output prices*	119.2	123.1	133.1	145.8	159.5
PRICES PAID—					
Purchased Inputs	119.3	124.5	137.9	153.3	182.1
Index of Purchased Consumer Goods—					
Rural Areas	117.0	130.1	146.1	169.9	205.5
INDEX OF PRICES PAID	117.6	128.7	144.1	165.8	199.7
Agricultural Sector Terms of Trade..	101.4	95.6	92.4	87.9	80.0

*From Table 8.1. This is the output price index used in calculating the terms of trade.

Agricultural Credit

8.9. There was a marked decline in the amount of credit available to farmers in 1982. At K£14.2 million the farming community received only 63 per cent of the total credit extended to them in 1981. Short-term loans, which make up the biggest proportion, decreased by 30 per cent. However, even with this overall drop in credit there was a 25 per cent increase in credit to small. scale farmers, from K£1.8 million in 1981 to K£2.3 million in 1982. These farmers received 16 per cent of total credit disbursements, compared with 42 per cent and 10 per cent for co-operative societies and large-scale farmers respectively. Short and medium term loans continued to dominate the credit available to small-scale farmers and co-operatives while the large. scale farmers tend to favour long-term loans.

NEW AGRICULTURAL CREDIT ISSUED BY TYPE OF FARMER, 1978/79-1981/82

Table 8.9 K£'000

	1978/79	1979/80	1980/81	1981/82
SMALL SCALE FARMERS—				
Short term loans	2,389	362	455	1,998
Medium term loans	188	60	938	219
Long term loans	64	150	85	
Other loans	34	809	336	59
TOTAL	2,675	1,381	1,814	2,276
LARGE SCALE FARMERS—				
Short term loans	13	2		
Medium term loans		95		
Long term loans	3,020	1,430	2,119	1,359
Other loans	1,534	1,222	1,071	33
TOTAL	4,567	2,749	3,190	1,392
CO. OPERATIVE SOCIETIES—				
Short term loans	6,926	5,855	9,507	4,657
Medium term loans	3,676	3,353	1,453	967
Long term loans			469	268
Other loans		302	23	
TOTAL	10,602	9,510	11,452	5,892
OTHER FARMERS—				
Short term loans	817	3,211	6, 114	4,610
Medium term loans				
Long term loans	267			
Other loans				
TOTAL	1,084	3,211	6,114	4,610
ALL RECEIPTS—				
Short term loans	10,144	9,430	16,077	11,265
Medium term loans	3,864	3,507	2,391	1,186
Long term loans	3,351	1,580	2,673	1,627
Other loans	1,569	2,334	1,429	92
TOTAL	18,928	16,851	22,570	14,170

8.10. The seasonal credit scheme continued to be of benefit particularly to small. scale farmers, but due to widespread delays in repayment, it is apparent that less money was consequently available for lending to other farmers. It is hoped that the measures the Government is taking to ensure prompt repayment will improve the situation. Lending to agriculture by the commercial banks did not improve significantly in 1982 due to continued credit restrictions in the entire economy. In 1982 the proportion of the banks' loans which went to agriculture was only 13 per cent compared with government's minimum target of 17 per cent. Total bank lending to agriculture increased marginally from K£110 million in 1981 to K£113 million in 1982.

8.11. With increased prices for most of the inputs essential for agricultural production, it is clear that more credit is in demand by the farmers. In particular, small. scale farmers are the ones most likely to increase produc. tivity if they have access to more credit to purchase inputs.

Crop Forecast Surveys

8.12. The March/April rains of 1982 were heavy throughout the country but certain districts experienced drought during the months of June and July that led to downward revisions in the expected bumper harvests. Similarly, the prolonged short rains in November/ December adversely affected maize, beans and potatoes causing rotting, water. logging and sprouting of the crop during the harvesting period. Despite these adverse conditions, the general level of production in 1982/83 agricultural year resulted in satisfactory harvests for most major food crops. Table 8.10 gives estimates of production for selected agricultural commodities from the bi. annual crop forecast surveys. Maize output for the 1982/83 agricultural year was estimated to be 26.1 million bags from an area of 2.22 million hectares. This output represents an increase of nearly 20 per cent over the previous year. Allowing for a five per cent error margin, production during the year would be in the region of 25.27 million bags. Maize sales over the period were 11.5 million bags or 44 per cent of estimated production.

ESTIMATED PRODUCTION FOR SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1979/80-1982/83

(Based on Crop Forecast Surveys)

Table 8.10 — *million bags*

Crop	1979/80	1980/81	1981/82	1982/83*
Maize	19.50	17.60	21.86	26.10
Beans	1.73	1.34	2.22	2.50
Potatoes	-	2.40	4.24	5.10

*Provisional

8.13. Beans production for 1982/83 is estimated to be 2.5 million bags from an area of 1.21 million hectares. This is an increase of 12.6 per cent over the previous year's production figure. Favourable producer prices announced in December 1981, led to an additional 110,000 hectares being put under beans. Despite this encouraging response, drought and excessive rains at later stages led to a loss in overall anticipated production. Beans sales were estimated to be 700,000 bags or 28 per cent of estimated production. As in the case of maize and beans, potato harvest was affected by unseasonal weather. The net result was an estimated overall production of 5.1 million bags from an area of 178,800 hectares an increase of 20.3 per cent over the previous year. Potato sales were estimated at 3.2 million bags or 63 per cent of estimated production. A rise in potato prices is anticipated as a result of the poor short rains harvest.

SALES OF SOME MAJOR CROPS TO MARKETING BOARDS, 1978-1982

Table 8. 11 tonnes

CROP	YEAR				
	1978	1979	1980	1981	1982*
Maize	236,268	241,717	217,887	472,909	571,308
Wheat	165,941	200,968	215,674	214,437	234,748
Rice Paddy	35,816	37,466	36,408	38,686	38,640
Sugar-Cane	2,349,206	3,147,580	3,987,428	3,821,980	3,107,736
Pyrethrum (Extract Equivalent)	114.0	113.7	162.2	240.5	257.6
Cotton	27,190	27,597	38,129	25,484	24,357
Coffee	84,328	75,082	91,334	90,746	88,393
Tea. . .	93,373	99,275	89,893	90,941	95,576
Sisal	31,456	36,457	46,910	41,326	50,029

***Provisional.**

8.14. In 1982 sorghum production was estimated to be 1.46 million bags out of which 310,000 bags, or 21.2 per cent, were recorded as sales. A total of 730,000 bags of millet were recorded in 1982 with sales amounting to 87,600 bags, or 12 per cent of production. These crops are particularly important as they are hardy and resistant to drought.

Production by Crop

8.15. *Maize.*—Estimates of maize production in the country are made by the Central Bureau of Statistics in collaboration with the Ministry of Agriculture and the National Cereals and Produce Board through crop forecast surveys as well as field reports. Due to the favourable weather in 1982, maize production was estimated to be 26 million bags as compared to 22 million bags in 1981. The increase of 4 million bags was, however, lower than that registered in 1981 which was 5 million bags more than the 1980 estimate.

The 1982 estimate consisted of 22 million bags from the long rains crop and 4 million bags from the short rains crop. The increase in production already noted was made possible by favourable weather conditions, producer price incentives and availability of credit, particularly for large. scale farmers.

8. 16. Maize purchases by the National Cereals and Produce Board in 1982 increased to 571, 300 tonnes compared to 472, 900 tonnes in 1981—a rise of 21 per cent. In 1982 the maize delivered to the board earned farmers K£30. 7 million compared to K£23. 6 million in 1981.

8. 17. Efforts to step up maize production to meet national requirements and surplus for export include better credit arrangements, expansion of maize buying centres, availability of fertilizers and timely payments to farmers. Efforts continue to be made to increase maize production even further. These include the use of field extension officers to advise farmers on better crop husbandry methods and an increase in maize prices for the 1983/84 crop from KSh. 135 to KSh. 158 per 90 kilogramme bag. Subject to weather conditions, this incentive is expected to lead to increased production.

8. 18. *Wheat.* — Table 8. 12 gives details on wheat production, importation and consumption for the last 5 years. In 1982 total wheat produced, excluding the quantity retained for seed, was 222, 660 tonnes which was an improvement of 9. 5 per cent over the 1981 figure. During the same period the area under wheat was virtually unchanged and was estimated at 103, 800 hectares in 1982. Imports of wheat increased by 10. 7 per cent to 154, 300 tonnes in 1982. From these figures it is evident that wheat production in Kenya is well below demand, and the proportion of wheat imports in the total has increased rapidly in recent years.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1978-1982

Table 8. 12 *Tonnes*

YEAR	Wheat Production*	Wheat Imports	Flour Consumption
1978	156,761	90,980	184,733
1979	194,668	25,500	158,387
1980	204,568	92,386	224,200
1981	203,395	139,437	216,700
1982	222,660	154,300	242,800

*Excludes retentions, for seed.

8. 19. The demand for wheat flour and wheat products continue to increase as consumption habits change. Wheat consumption has been increasing by an average of nearly 10 per cent per year since 1977 while production has been growing at below 7 per cent. The net effect has been increased importa.

tion to satisfy demand. To avert this trend, efforts will continue to be made to increase wheat production. The wheat flour consumption figure of 242,800 tonnes is equivalent to about 323,700 tonnes of wheat at the production relationship of 100 tonnes of wheat to 75 tonnes of flour.

8.20. The Government continues to undertake research to improve wheat production in the country. In addition to intensified production in traditional areas, new areas are being opened up for wheat growing. The Government announced a new producer price of KSh. 225 per bag for the period 1983/84 compared to KSh. 175 for the 1982 crop—an increase of 28.6 per cent.

8.21. ***Coffee.*** — In 1982 coffee deliveries to the Coffee Board of Kenya declined by 2.6 per cent from 90,746 tonnes in 1981 to 88,393 tonnes *(see* Table 8.11). Out of this total 54,533 tonnes, or 61.7 per cent, came from coffee co. operative societies—a small drop from the 63.9 per cent registered in 1981. The overall drop in production is attributed to the discouraging effects of the low prices which prevailed in 1981. However, prices in 1982 were much better and this may be expected to boost production in 1983. Despite low production in 1982. coffee farmers earned K£123 million which was an improvement of 19.4 per cent over the 1981 payments.

8.22. The overall drop in production was accompanied by a further decline in the quality of the coffee. While rainfall was generally adequate throughout the year, it was poorly distributed in the major coffee growing areas. In addition, the practice of inter. cropping coffee with other crops, particularly among the small. scale growers, contributed to a decline in the quality of coffee berries. Of the total coffee produced only 14.4 per cent comprised grades 1 to 3, compared to 15.4 per cent in 1981. The share of grades 4 to 6 amounted to 61.5 per cent, as compared with 62 per cent in 1981, while grades 7 to 10 had a share of 12.2 per cent against the 1981 figure of 11.3 per cent. The share of Mbuni coffee was 11.9 per cent as compared to 11.3 per cent in 1981. The latter grade was generally of low quality due to lack of adequate labour during the picking season with the result that the berries tended to be left to dry in the fields.

8.23. During the 1981/82 season, it was estimated that 134,000 hectares were under coffee, of which 120,000 hectares, or nearly 90 per cent were under mature trees while the remainder were under trees of less than two years. The overall picture is that there was no additional planting of coffee in the year due mainly to shortage of land and to uncertainties about future coffee prices. However, at the domestic level it is hoped that more efficient and timely payments to farmers and a Government ban on intercropping will go a long way in improving coffee production and quality. To improve the overall quality the farmers will have to adopt better crop husbandry methods including use of the right types of fertilizers and sprays.

8.24. The international coffee scene for the 1982/83 crop started rather unfavourably due to quota restrictions by the International Coffee Organization (ICO) following the withdrawal of Israel, Hungary and Hongkong from the organization. This meant that the member countries had larger quantities of coffee to sell on the non. quota markets. Kenya's quota for the 1982/83 season was provisionally set at 78,000 tonnes out of the ICO total of 3.3 million tonnes. Although the Kenya quota was higher than the 1981 figure of 67,200 tonnes, at the current rate of production there will be a surplus to be sold on non. quota markets or locally.

8.25. *Tea.*—Tea production in 1982 registered a small improvement from 90,941 tonnes in 1981 to 95,576 tonnes, a rise of 5.1 per cent. However, better average tea prices raised earnings by 15.6 per cent from K£80.6 million in 1981 to K£93.2 million in 1982. The trend of deliveries to the Tea Board in 1982 was similar to that in 1981 except during the fourth quarter when deliveries were larger. The quantity of green tea exported under Stabex also increased, from 75,438 tonnes in 1981 to 78,622 tonnes in 1982.

8.26. The average tea prices paid to farmers continued the upward trend started in 1980. The average price per kilogramme rose from KSh. 15.91, in 1980 to KSh. 19.41 in 1982. The international market for tea exhibited considerable stability compared to that of coffee with the result that the former commodity may usefully be substituted for the latter in areas where it is possible to grow the two crops.

8.27. The smallholder tea development programme recorded a satisfactory improvement with an additional 1,100 hectares of tea planted by some 5,800 new growers in 1982, as shown in Table 8.13. Overall, in 1982 there was a 2 per cent increase in the area under smallholder tea production. As a result of an increase in number of growers and only a modest increase in area under tea, the average size of holding declined fractionally. However, the average yield per hectare rose from 611 kilogrammes in 1981 to 650 kilogrammes in 1982 or by 6.4 per cent. This underscores the growing importance of the smallholder programme managed by the Kenya Tea Development Authority (KTDA).

THE DEVELOPMENT OF SMALL HOLDER TEA, 1977/78-1981/82

Table 8.13

	Total Hectares at end of year	Number of growers at end of year	Production of ready-made tea *tonnes*	Average size of holding per grower in Hectares	Average yield per hectare in kg.
1977/78.,	46,861	122,348	31,867	0.38	680
1978/79..	48,954	126,169	36,196	0.39	739
1979/80..	51,420	129,912	31,018	0.40	603
1980/81..	53,586	137,832	32,729	0.39	611
1981/82..	54,693	143,617	35,547	0.38	650

8.28. Smallholder tea production which had increased by 5.5 per cent in 1980/81, registered an 8.6 per cent increase in 1981/82. This increase in production was due to the combined effects of an increase in area planted and improved average yields. However, more emphasis will be given to better crop husbandry methods to further raise yields since shortage of land and the demand for other crops will mean less land available for tea. The target is to increase average yield per hectare well beyond the record figure of 739 kilogrammes realized in 1978/79.

8.29. *Cotton.*—Cotton production in 1982 registered a decline for the second year in succession after reaching a peak in 1980. The amount of cotton delivered to the board in 1982 was only 24,357 tonnes which was 4.4 per cent lower than in 1981 *(see* Table 8.11). The area planted to cotton was 168,000 hectares which is about the same as in 1981. Cotton farmers earned K£4.3 million from their sales to the board. The average price per 100 kilogrammes, of seed cotton rose by 3.2 per cent from KSh. 341 in 1981 to KSh. 352 in 1982.

8.30. In addition to intensifying the use of field extension staff to advise farmers on better husbandry, a new price for seed cotton was announced in February 1982. The price for grade one cotton (AR) was increased by 40 cents per kg. to KSh. 4.20 while for grade two (BR) the price was raised from KSh. 1.85 per kg. to KSh. 2.10 per kg. The Government plans to upgrade cotton ginneries and to improve the collection and marketing of cotton.

8.31. *Sugar-cane.*—Total cane crushed by the six major sugar factories dropped by 18.7 per cent from 3.8 million tonnes in 1981 to 3.1 million tonnes in 1982. This led to a decline in the production of refined sugar from 366,818 tonnes to 307,392 or by 16.2 per cent. However, the production of molasses almost doubled from 123,000 tonnes in 1981 to 228,000 tonnes in 1982. The importance of this by. product in the production of power alcohol is expected to increase since power alcohol is now being used for blending with imported fuel oils.

8.32. Sugar consumption in the country was 328,236 tonnes in 1982, an increase of 1.3 per cent over 1981. Kenyans were able to satisfy almost all their sugar requirements from domestic sources. No imports of sugar for direct consumption were recorded in 1982 by the Ministry of Commerce which, however, recorded exports of 18,290 tonnes. However, close examination of the production and consumption trends presented in Table 8.14 suggest that the amount exported must have come from stocks.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1978-1982

Table 8. 14 *tonnes*

YEAR	Production	Imports	Consumption	Exports
1978	237,529	46,112	251,186	-
1979	295,999	12,504	253,416	1,983
1980	401,250	1,751	299,514	94,674
1981	366,818	1,756	324,054	69,054
1982	307,426	-	328,236	18,290

8.33. In order to give incentives to farmers, the price of cane was increased from KSh. 170 per tonne to KSh. 227 in February 1983, an increase of 33.5 per cent. Plans are also under way to modify Miwani Sugar Mills to enable it to meet local demand for industrial sugar.

8.34. Table 8.15 shows total cane production by type of farmer. Except for the factory estates, which recorded marginal improvement in production, all the other categories of producers recorded declines, ranging from 18.2 per cent in co. operative societies to 36.5 per cent among settlement scheme growers. The smallholder growers produced 43 per cent of the total cane in 1982 compared with 45 per cent in 1981. Current indications in the sugar industry suggest that additional effort must be made to raise production and reverse the declining trend.

SUGAR-CANE PRODUCTION BY TYPE OF GROWER, 1978-1982

Table 8.15 *tonnes*

	1978	1979	1980	1981	1982*
Factory Estates	626,467	920,595	924,978	839,423	847,422
Large Farms	282,260	379,618	555,927	675,694	496,874
Small-Holders	846,854	1,228,876	1,772,264	1,720,520	1,331,724
Co-operative Societies	351,079	231,680	310,762	260,831	165,530
Settlement Schemes	242,548	386,811	408,348	325,512	266,186
TOTAL	2,349,208	3,147,580	3,972,219	3,821,980	3,107,736

*Provisional

8.35. *Horticulture.*—In 1982, there was a 5.5 per cent increase in the volume of horticultural crops exported from Kenya as shown in Table 8.16. Between 1980 and 1981 exports grew by 4.9 per cent. These growth rates underscore the growing importance of the horticulture industry in Kenya. Total export earnings from horticultural products increased by 8.3 per cent to reach K£13.63 million in 1982. The United Kingdom continued to be the major buyer, followed by West Germany and France. In 1982 the U.K.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1978-1982

Table 8.16

YEAR	Volume *(Metric tons)*	Value K £
1978	21,007	7,987,850
1979	21,327	9,736,855
1980	22,266	11,353,010
1981	23,352	12,580,635
1982	24,646	13,633,900

accounted for 50.6 per cent of exports from Kenya, while Germany and France had 15.6 and 12.2 per cent respectively, in addition to Kenya's traditional market in Europe, a new market in the Middle East has been opened with some encouraging results.

8.36. There has been a positive achievement by the Horticultural Crop Development Authority (HCDA) as evidenced by the steady growth of the export trade. However, rising transportation costs and competition from other suppliers has had some adverse effects on the industry. In 1982, apart from U.K. and Holland who imported more than in 1981, France, West Germany, Switzerland and Belgium registered drops of 4 per cent, 6.2 per cent, 7.5 per cent and 3.5 per cent respectively. There is, therefore, a need to explore new markets. Plans are already under way to improve the present marketing structure of HCDA as well as to encourage farmers to intensify horticultural production.

8.37. *Pyrethrum.*—In 1982 deliveries to the Pyrethrum Board of Kenya increased by 7.1 per cent to reach 252 tonnes (Table 8.11). There was a considerable increase in deliveries during the first and the third quarters of the year, when the pyrethrum extract equivalent rose by 18.7 per cent and 17.2 per cent respectively over the same periods of 1981. However, the demand for pyrethrum extract in world markets continued to be weak due to global recession and continued use of synthetic substitutes. This resulted in accumulation of unsold stocks by the board which stood at approximately 120 tonnes of extract by October 1982. As a result, the board had problems in paying farmers for their crop and it was therefore granted a credit of KSh. 70 million.

8.38. The 1981 producer price of KSh. 11.50 per kg. was maintained in 1982. This was about 4 per cent lower than in 1980. However, the value of deliveries to the board rose from K£13.4 million in 1981 to K£14.8 million in 1982 an increase of 10.3 per cent. Due to the problems facing the pyrethrum industry, the prospect for the future is mixed. Better marketing strategies and exploration for new export markets hold the best promise for revival.

8.39. *Sisal.*—After a decline in sisal deliveries of 12 per cent in 1981, efforts by the Sisal Board yielded positive results in 1982. Sisal deliveries recovered to 50,000 tonnes, which was better than any year for the period under review. Gross earnings by sisal farmers in 1982 was K£12.6 million which was 48.2 per cent higher than 1981. In 1982 a total of 40.500 tonnes of sisal fibre were exported earning K£10.8 million. The prospect for the sisal industry depends on demand for synthetic fibres as well as the available supply from the main sisal producing countries. In 1982 there was stiff competition on world markets, particularly from Brazil which was disposing of her sisal at lower prices. With the current oil glut accompanied by lower prices there is a likelihood of some further substitution of natural fibre with synthetic fibres.

Livestock Production

8.40. In the absence of a complete livestock census, the livestock numbers available from different sources are only estimates subject to wide margins of variability. The main sources of data are the Central Bureau of Statistics (CBS), Ministry of Livestock Development and the Kenya Rangeland and Ecological Monitoring Unit (KREMU). The latter conducts aerial surveys covering both livestock and wild life. It is estimated that in 1980 there were about 10 million head of cattle, 5 million sheep, 8 million goats and about 74,000 pigs. The 1981 estimates indicated a modest decline in livestock numbers, with cattle estimated at 9.8 million and sheep and goats estimated at 6 million and 7 million respectively. These estimates were generally lower than those from the Integrated Rural Survey (IRS) conducted by the CBS in 1979. The IRS covered only smallholders and excluded the Turkana and Samburu Districts of Rift Valley Province, the entire North. Eastern Province and Isiolo and Marsabit districts in Eastern Province. The 1979 estimates from the IRS were 9.3 million head of cattle, 3.5 million sheep and 7 million goats. Indications are that livestock numbers have remained generally static or shown a slight decline from 1980.

8.41. The Ministry of Livestock Development is currently involved in a project aimed at improving the quality of hides and skins. The project, which was started in September 1981, aims at upgrading the quality of hides and skins through better treatment and handling methods. In 1982 a total of 2.8 million hides were handled by the Veterinary Department of the Ministry of Livestock Development. However, this probably represents only 70 per cent of the total hides and skins, and the number is expected to be around 4 million after the final figures are obtained from district offices. Cattle intake for slaughter by the Kenya Meat Commission (KMC) increased by 16.4 per cent to 71,000 in 1982 (Table 8.17). This increase was made possible by the

SALES OF DAIRY AND LIVESTOCK PRODUCTS TO PUBLIC ENTERPRISES, 1978-1482

Table 8.17

	Unit	1978	1979	1980	1981	1982*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production*..	'000 litres	269, 796	240, 559	186, 885	222, 895	260, 336
Milk Processed:						
Whole milk and cream..	'000 litres	185, 557	212, 255	186, 892	222, 335	235, 549
Butter and ghee	Tonnes	3, 871	3, 134	2, 174	2, 729	3, 160
Cheese		253	264	150	210	157
Evaporated milk		489	188	44	—	—
Dried Whole milk powder		4, 236	1, 439	128	1, 334	2, 350
Dried skim. milk Powder		2, 956	1, 218	80	469	1, 715
Other Products		—	—	270	131	71
KENYA MEAT COMMISSION						
Intake of:						
Cattle and calves	'000 Head	68	68	56	61	71
Sheep	"	11	10	6	7	10
Lambs	"	—	—	—	1	1
Goats		70	2	1	1	3
TOTAL PRODUCTION OF CAR. CASS BEEF	Tonnes	8,890	7, 634	6, 438	8, 410	9, 783
UPLANDS BACON FACTORY						
Intake of pigs for:						
Bacon	'000 Head	34	29	20	13	12
Pork	"	4	5	5	2	1
Manufactures		2	2	2	2	2

*Including sales licensed by the Kenya Dairy Board.

revitalized role of the KMC as a major beef supplier to institutions. The intake of small stock also increased during the year. The intake of pigs by the Uplands Bacon Factory has, however, been on the decline for the last five years. This is due to stiff competition by a private factory as well as the increased costs of pig rearing. In 1982, the intake dropped by 1,000 head to 12,000. The intake for manufactures (mainly for lard) remained constant at around 2,000 head.

8.42. Total whole milk production increased by 26 per cent in 1982 to 1,261 million litres. The intake by the Kenya Co. operative Creameries and the Kenya Dairy Board was 260.3 million litres which was 16.8 per cent more than in 1981. In 1982 the price of whole milk was raised from KSh. 1.85 per litre to KSh. 2.15, an increase of 16.2 per cent. However, milk consumption in the country exceeds production leaving a need for additional dairy improvements. A new price of KSh. 2.40 per litre was announced early in 1983 and it is expected that, given favourable weather conditions, this will boost milk production.

Irrigation

8.43. Agricultural land development, including irrigation and drainage, are undertaken by the Land Development department of the Ministry of Agriculture. The department co. ordinates work on major and minor irrigation projects. A total of 24 projects in various parts of the country and at different stages of implementation are currently under way. In Coast Province construction work started in 1982 for the Lower Tana River Irrigation Programme in Garsen. Other schemes at the Coast include the Sabaki Horticultural Scheme, the Vanga Rice Scheme in Kwale District and the Kimorigo/Kamhaza Scheme in Taita/Taveta District.

8.44. The Muka Mukuu Settlement and Irrigation Scheme in Eastern Province entails the development of 500 hectares of coffee and fruit trees as well as the rehabilitation of a 1,200. hectare sisal plantation. Ishiara Irrigation Project in Embu District is in operation, while the Mitunguu Irrigation Project in Meru is not yet in full operation. Work is continuing on the Isiolo irrigation belt covering Malka Daka, Merti and Garfasa. In Rift Valley Province irrigation projects include the Kerio Valley's Sodai/ Loboi schemes and the Baweso Scheme, which have been earmarked for rehabilitation. The Amara Irrigation Scheme in Baringo District and the Tamona/Tikondo Scheme in Kajiado District are still in their early imple. mentation stages. In Laikipia District, the Mutaro micro irrigation project is under implementation. In Nyanza Province a smallholder rice rehabilitation scheme covering Wasore (160 hectares), Maugo (200 hectares), Awach Kano (200 hectares) and Kore (120 hectares) has been identified for development. There are also plans to reclaim and develop about 2,850 hectares of swamp along the Kisii bottom valley and another 10,000 hectares in the Yala Swamp Project.

8.45. Details on production and progress performance of the six major irrigation projects under the management of the National Irrigation Board are shown in Table 8.18. The total area cropped has not increased significantly during the last three years. During 1981/82 total area cropped declined slightly by 336 hectares from a revised figure of 9.753 hectares in 1980/81. This decrease is probably due to minor shifts in cropping. In 1981/82 the Mwea scheme, the largest irrigation scheme in the country, had a total of 5,782 hectares—about the same as in previous years. Most of this area is under rice paddy. The total number of plot. holders decreased from 5,735 in 1980/81 to 5,669 in 1981/82. As a result of changes in area cropped and number of holders, the average size per holding remained at 1.8 hectares for Mwea but decreased slightly from 1.5 hectares to 1.4 hectares for the other irrigation schemes. The gross value of output from the six schemes amounted to K£4.7 million in 1982 which was an increase of 44.3 per cent over the 1981 figure. Total payments to plot-holders increased by 22 per cent and there was a general decline in output of most of the crops. Rice paddy production declined by 3.3 per cent but sugar-cane production increased by 4.2 per cent.

PROGRESS AND PRODUCTION AT SIX IRRIGATION SCHEME AREAS, 1977/78-1981/82

Table 8.18

	1977/78	1978/79	1979/80	1980/81	1981/82*
MWEA—					
Area Cropped—*Hectares*	5,648	5,767	5,767	5,771	5,782
Plot-holders—*Number*	3,003	3,149	3,150	3,150	3,150
Gross value of output—K£'000	2,054	1,926	1,637	2,029	2,331
Payments to plot-holders—K£'000..	1,566	1,416	1,412	1,425	1,746
ALL (6) SCHEME AREAS—					
Area cropped—*Hectares*	8,607	9,296	9,538	9,753	9,417
Plot-holders—*Number*	4,904	5,283	5,553	5,735	5,669
Gross value of output—K£'000	2,659	2,779	2,496	3,267	4,715
Payments to plot-holders—K£'000..	1,825	1,659	1,870	1,896	2,314
CROPS PRODUCED—*Tonnes*					
Mwea—Paddy	32,289	29,046	29,202	31,041	29,848
Ahero—Paddy	3,985	3,539	4,106	4,326	3,963
W. Kano—Paddy	1,009	2,146	3,379	3,583	3,519
W. Kano—Sugar Cane	–	–	–	11,395	11,871
Bunyala—Paddy	756	681	789	995	1,283
Tana—Cotton	1,309	1,382	1,242	2,337	1,684
Perkerra—Onions	418	577	1,127	1,256	834
Chillies	132	165	603	244	139

*Provisional.

Agricultural Training

8.46. Table 8.19 gives details of training programmes related to agri. culture offered by various institutions. As is evident from the table, the University of Nairobi and Egerton College are by far the main sources of professional manpower in agriculture. In 1982 a total of 935 students were enrolled in the Faculties of Agriculture and Veterinary Medicine compared to a combined enrolment of 851 students in 1981—an increase of nearly 10 per cent. For the middle level cadres, various training courses are avail. able ranging from a two. year certificate course to a three. year diploma course offered by institutions attached to either the Ministry of Agriculture or Ministry of Livestock Development.

TOTAL ENROLMENTS AT AGRICULTURAL TRAINING INSTITUTIONS, 1978-1982

Table 8.19 *Numbers*

	1978	1979	1980	1981	1982*
DEGREE LEVEL..					
University of Nairobi—Faculty of Agriculture	353	379	408	450	550
Faculty of Veterinary Medicine	317	332	325	301	385
DIPLOMA LEVEL—					
Egerton College	683	787	860	938	1,082
CERTIFICATE LEVEL..					
Bukura Institute of Agriculture	142	175	150	170	135
Embu Institute of Agriculture.	150	154	150	150	167
Animal Health and Industry Training Institute	310	272	275	536+	665
SHORT. TERM VOCATIONAL COURSES—					
Naivasha Dairy Training School	356	713**	1,160	1,059	948
Athi River M.T. School	–	—	—	198	61

*Provisional.

**Includes short course seminars,

+Includes Students at Ahiti—Nyahururu.

8.47. Egerton College, which was recently expanded with financial assis. tance from USAID, had an enrolment of 1,082 students in 1982, an increase of 15.4 per cent over 1981. In 1982 over 400 students graduated from the college. The Jomo Kenyatta College of Agriculture and Technology, which was opened in 1981 under the Ministry of Higher Education, had a student enrolment of 600 in 1982. Bukura, Embu and Eldoret institutes of agri. culture had 135, 67 and 82 students respectively. Enrolment at the Animal Health and Industry Institute (AHITI) increased from 536 in 1981 to 665 in 1982. Short. term courses offered by the Naivasha Dairy Training School and Athi River Meat Inspection Training School had 948 and 61 students respectively. The combined enrolment was lower by 248 compared to the 1981 figure of 1,257. As regards further expansion of training facilities, AHITI Ndomba was scheduled to open in 1982 but due to some delays it is now expected to open in June 1983, with a first intake of 200 students. In addition to the institutions managed by the Ministries of Agriculture and Livestock Development, some Harambee institutes, notably Akamba Institute of Agriculture and the Meru Institute of Technology, are making contri. butions in the training of agricultural personnel.

CHAPTER 9—NATURAL RESOURCES AND ENVIRONMENT

Kenya's economic development is closely dependent on the rational exploi. tation of its natural resources and environment, necessitating continuous assessment and evaluation of the quality and quantity of stocks and of rates of exploitation and renewal as a prerequisite to determining their sustainability. In particular, the maintenance of proper environmental balance is crucial in the context of the efforts to step up food production and income levels. This calls for an interdisciplinary planning approach for overall resource management, and for policies designed to ensure the balance exploitation and conservation of resources for the benefit of present and future generations.

Water Supplies

9. 2. The basic goal of the National Water Development Policy is to provide clean and piped water for both human and livestock consumption by the year 2000. To achieve this goal, the Government of Kenya has adopted the principles of the International Drinking Water Supply and Sanitation Decade (1981. 1990) and established a National Action Committee comprising representatives of related ministries and organizations, in order to formulate policies, strategies and programmes for the decade's activities. The target objectives for 1990 are complete coverage in all designated urban areas and 75 per cent of all rural areas. For sanitation, the target is 90 per cent of all designated urban areas and 50 per cent of all rural areas. It is currently estimated that only 75 per cent of the urban and 15 per cent of the rural population are adequately supplied with water. Considering the existing economic constraints and the growing demand for water and sanitation services, however, the achievement of these targets could be jeopardized unless new approaches are formulated.

9. 3. Table 9. 1 shows the total expenditure on water development and related services incurred by the Ministry of Water Development during the period 1978/79. 1982/83. In 1982/83 total expenditure declined slightly by 1. 2 per cent compared with 1981/82, mainly as a result of the completion in 1981/82 of the giant Sabaki Water Project under Mombasa and Coastal Water Supplies and the Tana and Athi Rivers Development Authority (TARDA). Mombasa Pipeline Board expenditures similarly terminated in 1981/82. The downward trend is expected to continue during the remainder of the 1982/83 financial year. Allocations for rural water supply development will, however, continue to increase in both absolute and relative terms, with their share in total estimated expenditure on water development in 1982/83 rising to 35 per cent, as against 29 per cent in 1981/82 and 17 per cent in 1980/81.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1978/79-1982/83

Table 9.1 K£'000

	1978/79	1979/80	1980/81	1981/82	1982/83*
Water Development	25,965	5,828	12,338	970	1,360
Training of Water Development Staff	59	10	307	360	765
Rural Water Supplies	4,595	3,723	4,151	9,511	11,182
Self-Help Water Supplies	1,720	1,431	3,110	5,199	5,015
County Council and Urban Water Supplies	2,290	3,431	3,110	11,600	7,851
Miscellaneous and Special Water Programmes	745	806	939	4,828	5,911
TOTAL	35,374	15,229	23,955	32,468	32,084

*Provisional.

9.4. Table 9.2 details rural water supply project schemes that were either operational or are expected to be operational in June of 1981, 1982 and 1983. A total of 130 projects costing K£27.9 million were operational or expected to be operational by June 1983, i.e. an increase of 10 per cent and 72 per cent, respectively, in the number and value of operational projects, as compared with June 1981. The largest water supply projects are located in Central, Western and Nyanza provinces.

RURAL WATER SUPPLY PROJECT SCHEMES OPERATIONAL OR EXPECTED TO BE OPERATIONAL AT JUNE, 1981, 1982 AND 1983

Table 9.2

Province	JUNE, 1981		JUNE, 1982		JUNE, 1983*	
	No.	Cost K£'000	No.	Cost K£'000	No.	Cost K£'000
Coast	11	454	11	454	11	454
North-Eastern..	15	157	15	157	15	157
Eastern	20	2,780	21	2,880	23	3,740
Central	15	6,000	18	8,985	20	10,185
Rift Valley	33	1,035	34	1,309	34	1,309
Nyanza	15	3,198	15	1,198	16	6,698
Western	9	2,585	10	3,935	11	5,335
TOTAL	118	16,209	124	20,918	130	27,878

*Provisional.

9.5. The National Water Quality Network operating under the Ministry of Water Development has established a national network of 85 sampling stations located in the five major ecological catchment areas: Lake Victoria (24). Rift Valley (21). Athi River (13), Tana River (20) and Ewaso Nyiro (7). The purpose of these stations is to monitor the quality and pollution rates

of water and water sources within each catchment area. Ground water is being assessed from the existing boreholes while industrial establishments have treatment. plants for preventing the pollution of water sources by effluents.

9.6. The Rehabilitation of Water Supplies Programme, currently being administered by the Ministry of Water Development, undertakes the repair, correction and redesign of water projects with the object of enhancing their supply capacity. Two such rehabilitation projects are already under way in Nyanza and Western Provinces with financial assistance from the Canadian International Development Agency (CIDA), and a third has been initiated in Rift Valley with financial assistance from the Swedish International Development Agency (SIDA). An additional 25 projects have also been identified by the Operation and Maintenance Section of the Ministry for eventual renovation. It has emerged that most of the schemes requiring renovation were originally constructed under the Rural Water Supplies Project (RWS). A water. use study, analysing water use and demand, was scheduled for completion by the end of March 1983.

9.7. The ministry also continued the important task of developing ground water sources. In the framework of this programme, a total of 31 boreholes, 140 pans and a 4,000 km. tract have been constructed in North. Eastern Province. In Isiolo District, water sources consisting of 13 pans and a 500 km. tract were constructed for two grazing blocks in Garba Tulla and Sericho. In Yamicha block, six more boreholes were successfully drilled of which three are already equipped and operational; the planning and design of another six pans is currently under way. A total of K£1.5 million has been spent on the programme to. date, and this is expected to double by the time the projects currently being planned are completed.

9.8. The importance of trained and skilled manpower continues to be underscored by the ministry, and the total number of sub. professional level staff. trainees who will have passed through the single training school in Nairobi is expected to reach 1,560 by June 1983. A National Water Institute with planned annual training facilities for 450 technicians is to be constructed with World Bank assistance at Kajiado, and is expected to be operational by 1985. There is also a proposal to utilize facilities at the Harambee science and technology institutes of Western and Rift Valley provinces and Murang'a District. When finalized, the plan will enable some 500 water supply operators to participate in an in. service course each year, beginning 1983.

9.9. 1982 saw increased efforts by the government and the Forestry Department, supported by private and public organizations and the public at large, to establish and maintain proper vegetation cover on both private and public land. Achievement of this "green cover" goal will be essential if

the rising demand for domestic fuelwood, building material and other industrial wood-products is to be met while at the same time conserving soil and protection catchment areas.

9.10. Table 9.3 indicates that 7,800 hectares of new forest were planted in 1982, compared with 3,900 hectares in 1981—raising the total area of planted forest from 147,400 hectares in 1981 to 155,200 hectares in 1982. According to available information, Kenya possesses 1,210,160 hectares of indigenous and mangrove forests, thus yielding an aggregate figure of 1,365,360 hectares under forest cover or 3 per cent of the total area of the country. It is further estimated that of the total forest cover, 18 per cent is productive indigenous: 59 per cent is protective indigenous (for catchment and nature reserve); 15 per cent is grass, bush and bamboo; and some 8 per cent man. made productive indigenous and exotic forest cover species. The Forestry Department estimates that in 1982 some 85 million seedlings were planted as part of the forest conservation and afforestation programme. The target set by the Presidential Directive for 1983 is 200 million seedlings.

FOREST PLANTATION AREA, 1978-1982

Table 9.3 '000 *Hectares*

	1978	1979	1980	1981	1982*
Indigeneous softwood	7.6	7.7	8.0	8.2	9.4
Indigeneous hardwood	9.3	9.3	10.1	10.2	11.3
Exotic softwoods—					
Cypress	50.9	51.2	52.6	55.1	57.5
Pines	61.3	61.7	62.1	63.5	65.2
Exotic hardwoods—					
Timber	3.0	3.1	3.4	3.3	3.5
Fuel	7.1	7.2	7.3	7.1	8.3
TOTAL AREA	139.2	140.2	143.5	147.4	155.2

*Provisional.

9.11. The Rural Afforestation Extension Scheme (R.A.E.S.) continued operating actively in 39 districts. There are 143 forest nurseries under this scheme for raising seedlings that are supplied to the public either free of charge or at nominal prices. "Chiefs" nurseries numbering 368 have been established under the guidance of officers of the Forestry Department. Other nurseries include 158 operated by the Forest Development Authorities, 200 by schools and other institutions, 62 by District Development Committees, and 127 by private and other groups—yielding a grand total of 1,058 nurseries.

9.12. Forest Fire Management reported 57 cases of forest fire in 1982 which destroyed 315 hectares of exotic plantation, 824 hectares of indigenous forest and large areas of grass and bush. Fires were also reported in many sugar.cane areas, causing considerable damage. It is estimated that bush, forest and cane fires in 1982 caused damage to the value of K£195,440.

9.13. Table 9.4 details the recorded sales of forest products during the last five years. Recorded sales of timber rose from 477,000 cubic metres in 1981 to 701,000 cubic metres or by 47 per cent in 1982, while sales of power and telegraph poles doubled—reflecting the growing demand within the country for fuel-wood, charcoal and building materials.

RECORDED SALES OF FORESTS PRODUCTS, 1978-1982

Table 9.4

	1978	1979	1980	1981	1982*
Timber '000 *true cu. metres*—					
Softwood	383	396	436	352	318
Hardwood	83	72	78	125	383
TOTAL	466	468	514	477	701
Fuel '000 *stacked cu. metres*—					
Fuel wood	104	121	69	59	91
Charcoal	38	12	1	2	11
Power and Telegraph Poles— *numbers*	8,684	8,893	12,364	10,200	15,365

*Provisional.

9.14. Research activities continue to be a major component of forestry development in Kenya. The Ministry of Energy, with the aid of donor financial and technical assistance, has established agro-forestry/energy demonstration centres in six different ecological zones of the country. These are: Mtwapa (coastal lowlands); Kitui (semi-arid, dry savanna rangelands and arid rangelands); Ngong (sub-humid upland savanna); Wambugu (central highlands and the dry sub. humid eastern highlands); Bukura (western highlands and the Lake Basin); and Kisii (Kisii highlands). The primary objectives of the centres are: the evaluation and selection of appropriate tree species for each ecological zone, achievement of production target of 200,000 seedlings per centre, and the establishment of agro-forestry demonstration plots for extension and training purposes. In undertaking these research activities, the Ministry of Energy works in collaboration with the Ministry of Agriculture, the Ministry of Environment and Natural Resources (particularly the Forestry Department), and other relevant ministries and local groups. The Kenya Agricultural Research Institute (K.A.R.I.) at Muguga, is another institution actively involved in studies aimed at maintaining a correct balance between agriculture, animal production and forestry, so as to prevent undue environmental deterioration.

9.15. Non-governmental organizations, in co-operation with the government and co-ordinated by the Nairobi-based Environmental Liaison Centre, have also intensified their activities in the field of environment. The Green Belt Movement, a project of the National Council of Women of Kenya, is a country-wide community tree-planting programme. Its objectives include,

among others, avertion of desertification and the supply of fuelwood for rural energy needs. Through this project, the council has initiated the establishment of 20 tree nurseries and 240 green belts, with each belt having a cluster of about 1,000 trees. Local green belt committees manage the various activities within their respective areas.

Fisheries

9.16. Table 9.5 indicates moderate improvement in the fishing industry in 1982 over the previous year, with total fish landings increasing from 57,352 tonnes to 60,305 tonnes or by 5.1 per cent. The total value of the catch rose by 8.7 per cent from K£8.2 million to K£8.9 million. Closer scrutiny reveals that although freshwater catches brought in most earnings, the average prices realized per tonne were higher for marine products.

QUANTITY AND VALUE OF FISH LANDED, 1978-1982

Table 9.5

	1978	1979	1980	1981	1982*
Quantities *Tonnes:*—					
Freshwaterfish.					
Lake Victoria	23,856	30,592	26,914	38,179	41,000
Lake Turkana	15,560	13,731	12,384	10,529	10,000
Other areas	2,344	2,075	3,584	2,677	2,800
TOTAL	41,760	46,398	42,882	51,385	53,800
Marine fish	4,178	2,858	4,905	3,934	4,050
Crustaceans	365	256	400	384	400
Other marine products	91	801	31	1,649	2,055
GRAND TOTAL..	46,394	50,313	48,218	57,352	60,305
Value K£'000:—					
Freshwater fish	2,682	3,708	3,959	6,362	6,835
Marinefish	796	625	156	721	1,153
Crustaceans	216	184	341	338	362
Other marine products	47	139	9	780	566
TOTAL	3,741	4,656	4,465	8,201	8,916

*Provisional.

9.17. Lake Victoria continued to dominate the fishing industry, accounting for 66.7 per cent of the total catch in 1981 and 68.0 per cent in 1982. Production rose significantly from 38,179 tonnes to 41,000 tonnes, a rise of 7.4 per cent. In contrast, Lake Turkana production continued to decline, again falling to 10,000 tonnes in 1982 as compared with 10,529 tonnes in 1981. The World Bank, through its affiliate, the International Development Association, is currently set to finance the Lake Victoria Fisheries project, in the framework of which refrigeration and other storage facilities will be constructed at Kisumu and Homa Bay for serving the major fishing centres at Port Victoria, Usenge, Misori, Karungu and Mbita.

9.18. Although Lake Naivasha lacks indigenous fish species a profitable fishery has been created through the introduction of exotic species, and a major programme is planned for improving fish breading methods. A detailed feasibility study is scheduled for 1984 to investigate the possibility of starting aquaculture at the lake.

9.19. Stock estimates are a basic prerequisite for determining optimal fish production and potential yields. The methods employed for determining production potential include standing stock, growth rates, and fecundity and mortality estimates using nets, chemo-fishing and traps. Research has continued at the Kenya Marine and Fisheries Research Institute in Mombasa on the optimum development of the fishing industry and the proper exploitation of fishery resources. The potential lake catch is estimated at about 150,000 tonnes of fish annually, in contrast to the present catch of some 50,000 tonnes.

Mining

9.20. Incomplete data only are available on limestone and miscellaneous mineral production in 1982 (Table 9.6). On the basis of employment data and other information, however, aggregate mining output in 1982 would appear to have stabilized in quantity terms at slightly above the level of 1981. Production values rose sharply in the wake of the price rises recorded during the year.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1978-1982

Table 9.6

	1978	1979	1980	1981	1982*
Quantities *Tonnes:*—					
Minerals—					
Soda Ash	–	–	203,768	157,870	161,310
Fluorspar	–	–	93,378	90,099	88,726
Salt	–	-	48,796	27,796	26,823
Limestone Products**	–	–	37,658	33,063	26,646
Other	-	–	35,394	20,052	4,475
TOTAL	-	-	418,994	328,880	(307,980)
Value K£'000:—					
Soda Ash***	3,684	5,537	9,615	5,884	8,150
Fluorspar***	2,567	1,984	2,871	4,443	5,530
Salt	450	698	711	223	630
Limestone Products	462	387	570	522	353++
Other	1,483	2,500	2,300	1,338+	1,230++
TOTAL	8,646	11,126	16,067	12,410	15,993

*Provisional.

**Excluding limestone used as input into cement product.

***Export value only.

++Partial data reflecting production of reporting establishments only.

+Rough estimates only.

9.21. Soda ash and flour spar continue to dominate mining production in Kenya. Although the demand for soda ash was adversely affected by global recession and a competitive international market, exports rose from K£5.8 million in 1981 to K£8.1 million in 1982 or by 39.7 per cent. Exports of fluorspar rose from K£4.4 million to K£5.5 million or by 24.5 per cent.

9.22. Average export prices per tonne for fluorspar and soda ash are set out in Table 9.7. The average price received for fluorspar rose from K£52.1 in 1981 to K£59.5 in 1982 or by 14.2 per cent, while prices for soda ash rose from K£48.9 to K£54.0 or by 10.4 per cent.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1978-1982

Table 9.7 *K£ per tonne*

	1978	1979	1980	1981	1982*
Fluorspar	24.9	33.1	33.1	52.1	59.5
Soda Ash	23.9	25.8	51.2	48.9	54.0

*Provisional.

9.23. The Mines and Geological Department has intensified its exploration programme in Western Kenya, and prospects for the discovery of new mineral deposits in this area are encouraging. In particular, indications have been found of the presence of substantial amounts of sulphides and kimberlites. Prospecting for cement and ceramic raw materials likewise yielded encouraging results and prospecting for clays continued in different parts of the country.

9.24. Further progress was made in the harnessing of geothermal resources for the generation of electricity. Phase III of the Olkaria Field is expected to be commissioned in 1985 and will increase total output to 45 MW. Further details on geothermal energy are contained in Chapter 10.

9.25. An airborne geophysical survey covering an area of 46,000 square kilometres was carried out in 1982 in the mineral potential area of Kerio Valley. The findings of the survey, which was funded to the amount of more than K£0.5 million by the European Economic Community (EEC), are currently being assessed in order to establish targets for ground follow-ups.

Resource Assessment and Monitoring Activities

9.26. In 1982, the activities of the Kenya Rangeland Ecological Monitoring Unit (KREMU) covered both high and low potential areas throughout the country. They included low level surveys, aerial photography and LANDSAT images used for land. use mapping. Much of the information is available as maps and is computerized for ease of retrieval. A geographic information

system was also set up which incorporates the Urban Data Management System (UDMS) provided by the United Nations Centre for Human Settlement. This approach affords KREMU the capability of rapidly producing thematic and overlay maps of natural resources and other environmental attributes at the district level.

9.27. Remote sensing technology, especially satellite imagery, has been used for cost. effective cover mapping on a national basis. A total of 270 forests were mapped on 72 map sheets. This technique yielded an estimate of total forest cover of 1,370,200 hectares, broken down into 1,157,180 hectares indigenous cover 160,000 hectares planted, and 52,980 hectares mangrove. The estimate of total forest cover obtained by this method is almost identical with that compiled by the Forestry Department (para. 9. 10). Differences are evident, however, with respect to the breakdown by category. Table 9.8 reveals a disproportionate distribution of forest cover among the administrative provinces. This will hopefully be corrected through the on. going efforts of the government and the public to plant more trees through the Rural Afforestation Scheme (RAES) and other related activities.

FOREST COVER BY PROVINCE

Table 9.8

Province	Forest Area (sq. km)	Area of Region (sq. km)	Percent Forest Cover
Nairobi	22	700	3.1
Coast	1,208	83,114	1.5
North Eastern	–	157,116	–
Eastern	1,415	134,512	1.0
Central	2,720	13,232	20.6
Rift Valley	7,660	177,634	4.3
Nyanza	36	10,092	0.4
Western	642	6,604	9.7
TOTAL	13,703	583,004	2.4

9.28. Table 9.9 shows the depletion rates and trends in indigenous forest cover for eight selected forest areas in different ecological zones, mapped over a period of 13 years (1967-1980). While Ngong Hills forest lost 60 per cent of its original forest cover, Marsabit forest area remained constant, throughout the period. The rapid depletion of forest cover is attributed to the increasing demand for agricultural land and wood fuel, a trend which not only has a negative impact on water catchment areas but creates conditions leading to soil erosion and desertification. Soil erosion, in turn, reduces agricultural productivity and causes silting in hydro. scheme dams, thus lowering the productive potential of the soil.

DEPLETION RATES AND TRENDS IN INDIGENOUS FOREST COVER, 1967-1980

Table 9.9 *Hectares*

Forest	ACTUAL FOREST COVER				Percentage Loss (1967-1980)
	1967	1972	1976	1980	
Endau	720	690	510	455	37
Kakamega	15,018	14,268	13,308	12,308	18
Marsabit	13,675	13,675	13,675	13,675	–
Ngong Hills	394	184	170	156	60
North Nandi	11,460	11,460	9,830	9,100	21
South Nandi	18,222	18,222	15,000	14,300	22
Ururu	233	233	–	–	100
Bunyala	825	825	–	–	100

Figure estimated through appropriate statistical method.

9.29. KREMU has also produced a land. use map of Kenya on a 1: 1,000,000 scale with 9 major land-use classes. This will serve as a baseline for compiling detailed land-use maps at the district level, for use in district management planning. At the present time, land. use mapping is being carried out in Busia, Bungoma, Trans-Nzoia, Kakamega, Siaya, Nandi, Kisumu, South Nyanza, Kisii, Kericho, Nakuru, Nyandarua, Kiambu, Nyeri, Murang'a, Kirinyaga, Meru, Embu, Machakos, and Kitui districts. A land capability map has been produced for the Kerio Valley area and similar work is planned for Kitui district. This co-ordinated approach integrates information on morphology, geology, soil characteristics, vegetation, current land use and climatic data which are the basic requirements for compiling land capability maps. Such maps provide basic information on land suitability and hence contribute to optimal land use.

9.30. The cultivation and range land boundaries have been mapped, using satellite imagery, uncontrolled photo-mosaics, vertical aerial photography, oblique aerial photography and overflights with light aircraft. The results indicate an agricultural area of 652,295 hectares in the coastal region and 8,471,685 hectares in the highland areas, i.e. a total of 9,123,980 hectares or 17.5 per cent of the total area of the country. These will therefore serve as baseline data for monitoring the expansion of cultivation into the range lands. The expansion of cultivation in Kitui and Narok districts over the period 1973. 1980 has been mapped by means of satellite imagery. In Kitui District, the cultivated area has expanded by 180,000 hectares, from 900,000 hectares in 1973 to 1,080,000 in 1980, i.e. by 20 per cent. In Narok District, the area under cultivation (especially for wheat) increased by 1,311 hectares or 212 per cent, from 1,173 hectares in 1973 to 2,484 hectares in 1980.

9.31. In general, the range land livestock and wildlife population have not changed greatly in numbers since 1978. The total livestock population in range land areas is estimated at 11.9, 13.6 and 12.6 million head respectively

in 1977, 1978 and 1980/81 (Table 9.10). While there was a steady increase in cattle numbers between 1978 and 1981, the number of donkeys and camels decreased considerably. The sheep and goat population is also on the decline. Table 9.11 shows wildlife population trends on the Kenya range lands over the period 1977. 81. The total wildlife population is estimated at 1.5, 1.9 and 2.7 million animals of all categories in 1977, 1978 and 1980/81 respectively. The high figure for 1980/81 is due to the inclusion in the survey of about 1 million wildebeest and zebra which had migrated to the Mara Game Reserve. Populations of Grants gazelle, Grevy's zebra, buffalo, giraffe, oryx, eland, gerenink, waterbuck, lesser kudu, warthog and ostrich have not changed greatly. Other information indicates that in Kajiado District the total number of livestock and wildlife combined has declined from 1.4 million 1978 to about 770 thousand in 1982. Turkana District has experi. enced a significant decline in livestock numbers, with the total livestock population falling from 2.4 million in 1977 to 1.5 million in 1982. Changes in animal numbers at any one time reflect the combined influence of fertility, mortality, and migration rates. In Turkana District, it would seem that drought and migration to neighbouring countries may be the underlying cause of the decline in the livestock population.

LIVESTOCK POPULATION OF KENYA RANGE LANDS+, 1977-1981

Table 9.10 '000 *Head*

SPECIES	1977	1978	1980/81
Cattle	4,073	4,224	4,898
Sheep and Goats	7,075	8,511	7,035
Donkeys	135	187	99
Camels	603	641	590
TOTAL	11,886	13,563	12,622

+Rangelands district include: Kajiado, Nakuru, Narok, Kitui, Machakos, Lamu, Tana River, Kilifi, Taita Taveta, Kwale, Marsabit, Wajir, Mandera, Turkana, Elgeyo Mara. kwet, Baringo, Samburu, Isiolo, Meru, Garissa, Laikipia and West Pokot.

Other Activities for Preserving the Environment

9.32. The National Environment and Human Settlement Secretariat (NEHSS) continues with its District Environment Assessment Project (DEAP) initiated in 1980. Kajiado, Nyeri, Kitui, Kisii, Murang'a, Nakuru, Kilifi, Kisumu, Bungoma, Kirinyaga and Meru districts have been reviewed while Baringo and Garissa districts are nearing completion. The overall aim of this programme is to study and determine ways and means of incorporating environmental factors in development at local levels, thus bringing environmental considerations into the mainstream of project and programme implementation.

WILDLIFE POPULATION OF KENYA RANGE LANDS, 1977-1981

Table 9.11 *thousands of head*

SPECIES	1977	1978	1980/81
Elephant	60	43	39
Rhinoceros	2	1	1
G. Gazelle	236	331	307
T. Gazelle	164	244	83
Impala	146	254	104
Wildebeest	148	207	1,263
B. Zebra	147	183	216
G. Zebra	13	8	13
Topi	87	139	168
Kongoni	40	59	62
Buffalo	63	86	73
Giraffe	79	78	79
Oryx	64	75	63
Eland	41	51	35
Gerenuk	49	56	54
Waterbuck	22	18	28
L. Kudu	17	19	19
H. Hartebeest	2	8	13
Warthog	37	36	26
Ostrich	32	40	36
TOTAL	1,449	1,936	2,682

9.33. The government has endorsed the need for developing a sound environmental data base for environmental management. The proposal has been put forward to compile a periodic State of Environment Report; but since this will be conditional on the availability of reliable information, it will be necessary to intensify data collection activities by government ministries and departments and by public and private agencies involved in environmental issues.

9.34. Tana and Athi Rivers Development Authority (TARDA) is charged with the responsibility for water and land resource evaluation within the two basins, with a view to formulating rational recommendations for their optimal utilization compatible with minimum environmental degradation. The Masinga and Munyu dams were constructed for multi-purpose use including hydropower, irrigation, and rural and urban water supply for the adjacent population. Environmental impact assessment is conducted on a continuing basis, covering areas such as waterborne diseases, stilt loads, fishery stocking, catchment rehabilitation and other related activities. The Kibwezi and Tana Delta irrigation schemes, covering 13,000 hectares and 16,000 hectares respectively, are scheduled for implementation by the end of the decade. Environmental implications, particularly the incidence of bilharzia and malaria, will be taken into account in the project designs.

9.35. The Lake Basin Development Authority (LBDA) is likewise co-ordinating socio-economic planning activities for the Lake Victoria catch. ment zone. Its functions include conservation of agricultural soils, forests and other vegetative cover; and devising appropriate measures against floods, tse. tse fly and water borne diseases. A forum has been established under the aegis of the LBDA and in close co-operation with local authorities in Lake Victoria catchment zone, to monitor effluents arising from industrial, agricultural, domestic and other activities and to put into effect such pollution control measures as may be deemed necessary.

9.36. At the international level the Government of Kenya participates actively, through the LBDA, in regional co. operation on the quality of water of Lake Victoria catchment area. Other countries include Burundi, Rwanda, Tanzania and Uganda, as well as the Organization for Management and Development of Kagera River Basin. These countries have drawn up a programme of action to deal with the regional aspects of planning, training, effluent monitoring and pollution control, as well as overall catchment conservation and management.

CHAPTER 10—ENERGY

A dominant feature of Kenya's energy sector over the past three years has been the shift to non-oil energy sources. Following the oil price rises of 1979-80, the overall demand for petroleum fuels has declined steadily in quantity terms, and in 1982 dropped to more than 11 per cent below the 1980 level. A combination of factors contributed to this development, including the higher prices for oil products passed on to domestic consumers, energy-saving by the public, and the switch to substitute sources of energy. The continuing world. wide economic recession and the impact on Kenyan economic activity also contributed to the decline. During the four years 1979-1982, retail prices for petroleum products in Kenya shillings rose by 161 per cent, having undergone ten upward adjustments in the same period. Seventy additional megawatts of hydro and geothermal electricity capacity were brought on stream in 1981/82, leading to an increase in the domestic production and consumption of electricity between 1980 and 1982 of 21 per cent. 1981 also saw the importation of 91 tonnes of coal (an historical high), mainly for use in the cement industry.

10. 2. While oil imports declined in quantity terms, their cost in Kenya shillings rose between 1980 and 1982 by 36 per cent, reflecting both the trend of international oil prices and the devaluation of the Kenya shilling. In the same period, the value of oil exports fell by 9 per cent—resulting in a sharp rise of 97 per cent in the domestic currency cost of net oil imports.

10. 3. The comparative growth of the monetary economy and energy consumption is set out in index form in Table 10. 1. As is evident, real GDP has been increasing more rapidly than overall energy consumption. Between 1976 and 1981, the consumption of fossil fuels and electricity rose by 19 per cent and of petroleum products by 7 per cent, as against an increase of

INDEX NUMBERS OF GROWTH IN MONETARY ECONOMY AND ENERGY CONSUMPTION

1974-1982

Table 10. 1 1976=100

	Index of Monetary GDP at Constant Prices	Index of Consumption of Oil, Coal and Coke and Electricity	Index of Consumption of Petroleum Products
1974	94	89	87
1975	98	91	89
1976	100	100	100
1977	109	104	103
1978	116	111	106
1979	120	113	107
1980	124	117	113
1981	130*	119	107
1982	134*	110	101

*Provisional.

30 per cent in GDP. The disparity became even greater in 1982, when energy consumption actually declined. Over the period 1976. 1982, total energy consumption rose by 10 per cent but the consumption of petroleum products by 1 per cent only, while the GDP increased by 34 per cent. This trend appears likely to continue in the coming years.

Petroleum

10. 4. The past three years have seen profound changes in the petroleum supply situation in Kenya, with quantity imports and exports and the domestic consumption of crude oil and finished products declining sharply and continuously. The structure and trend of petroleum product imports and exports are presented in Table 10. 2. After rising between 1978 and 1980 by 22 per cent to a peak of 3. 3 million tonnes, the aggregate quantity of petroleum imports fell by a similar 22 per cent to 2. 5 million tonnes in 1982, i. e. to only slightly above the 1978 level of 2. 7 million tonnes. In contrast, the volume of refined petroleum fuel imports, which declined in 1981 by 49 per cent, again rose by more than 18 per cent in 1982. This was apparently due to the relatively more favourable prices for refined products in the world markets, which induced oil companies to increase their imports of these products at the expense of crude. Their weight in total imports remains, however, small. Crude oil imports for processing at the Mombasa refinery reached their highest level in 1980, mainly because of the refuelling facilities granted to passenger aircraft transporting troops and other personnel to Zimbabwe to supervise the pre. independence elections in that country, which resulted in an exceptionally high demand for jet fuel.

10. 5. The volume of petroleum product exports declined between 1978 and 1982 by over one quarter, from roughly 1. 2 million tonnes to 0. 9 million tonnes. With the exception of 1980 when exports rose sharply by 56 per cent, the downward trend was steady and consistent, with declines of 26. 7 per cent and 25. 2 per cent in 1981 and 1982 respectively. The factors contributing to this development include the commencement of new refining activities in one of the neighbouring countries, competition from OPEC and other refiners who are able to undercut Kenyan prices, and the concerted energy conservation efforts by authorities in neighbouring countries.

10. 6. In Kenya currency terms, the average prices received for petroleum product exports rose by 34 per cent to K£133 per tonne in 1981 and by a further 24 per cent to K£165 per tonne in 1982, i. e. by 56 per cent over the two. year period. The average prices paid for imported oil products rose from K£84 per tonne in 1980 to K£130 per tonne in 1981 and K£148 per tonne in 1982, representing a 76 per cent increase over the same period.

10. 7. The per barrel prices in US dollars of crude oil imports into Kenya are shown in Table 10. 3. The sharp upward movement of crude oil prices in earlier years came to a halt in December 1981, at which time the average price of imported oil stood at US$34. 52 per barrel, i. e. 2. 7 times higher than

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1978-1982

Table 10. 2

	1978		1979		1980		1981		1982*	
	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	2,369.2	92,337.6	2,471.5	120,085.3	3,075.5	256,582.0	2, 611.1*	338,132.4*	2, 425.5	347,942.9
Petroleum Fuels	258.3	16,899.4	288.3	20,480.8	166.5	19,691.9	85.1	8,171.0	100.9	22,107.2
Lubricating oil	65.4	6, 636.1	47.9	5,100.0	54.8	919.0	50.4	11,719.4	20.0	5,765.8
Lubricating greases	0.2	75.2	0.1	47.5	0.1	84.1	0.2	127.4		67.0
TOTAL	2,693.1	115,948.3	2,807.8	145,713.6	3,296.9	277,277.0	2,746.8	358,150.2	2,546.4	375,882.9
EXPORTS—										
Petroleum Fuels	1,173.3	60,372.6	1,001.7	68,138.3	1,581.8	150,557.5	1,169.5	152,283.8	872.5	139,145.9
Lubricating Oils	38.9	8,172.2	33.9	8,311.3	35.5	9,976.6	15.8	5,499.3	14.1	6,916.8
Lubricating greases	1.3	378.7	1.3	409.8	1.1	350.7	0.5	232.2	0.3	227.2
TOTAl	1,213.5	68,923.5	1,036.9	76,859.4	1,618.4	160,884.8	1,185.8	158,015.3	886.9	146,289.9
NET BALANCE	1,479.6	47,024.8	1,770.9	68,854.2	1,678.5	116,392.2	1,561.0	200,134.9	1,659.5	229,593.0

*Provisional.

the December 1978, average price. The subsequent weakening of the world oil market was reflected in an average price fall of 4 per cent by December 1982, and a further 13 per cent in March 1983. Virtually all types of crude were affected. The latter reduction came in the wake of the OPEC meeting held in London in March 1983, against the background of the continuous fall in demand for petroleum oil over the previous three years. The agreement reached involved a downward adjustment of the saudi Arabian price for marker crude from US$34 a barrel (set in November 1981) to US$29 a barrel, and the fixing of price differentials for other crudes. As a result, the average price of crude oil imports into Kenya fell in March 1983, by an estimated US$4.35 per barrel (last column of Table 10.3).

PRICES OF CRUDE OIL IMPORTED INTO KENYA BY TYPE, DECEMBER, 1979 TO MARCH, 1983

Table 10.3 *US$ per Barrel*

Crude Oil Type	December 1979	December 1980	December 1981	December 1982	March 1983
Arabian Light	24.70	32.00	34.99	34.00	29.00
Arabian Medium	23.55	31.45	33.00	32.40	–
Arabian Heavy	23.17	31.00	31.50	31.00	26.00
Iranian Light	28.71	35.37	34.60	31.20	26.20
Iranian Medium	27.98	34.37	33.40	29.30	24.30
Qatar Marine	27.23	31.23	35.50	34.30	29.30
Qatar Durkhan	27.42	31.42	35.65	34.49	29.49
Kuwait	25.50	29.50	33.00	32.30	27.30
Zakum	27.46	31.46	35.60	34.46	29.46
Basrah	25.96	29.96	34.71	34.21	29.21
Murban	27.56	31.56	35.70	34.56	29.56
Dubai	25.93	31.93	33.86	33.86	–
Abu Bukhoosh	–	28.75	35.75	–	–
Oman	30.20	30.20	36.00	34.00	–
Average	26.51	31.44	34.52	33.08	28.74
Averages* Midyear	19.62	28.97	32.98	33.80	-

*Average of December prices of two consecutive years.

10.8. The large bulk of Kenya's crude oil imports originates in the Middle East. Average prices for Middle East crude are detailed in Table 10.4. Prior to 1970, the rate of discovery of new oil sources in the Middle East and elsewhere far outstripped demand, and the prices of Middle East oil accordingly fell by about a quarter between 1960 and 1970. The availability of cheap petroleum energy was an important factor underlying the rapid growth of Kenya's GDP in that period. Following the Arab/Israeli war of 1973, however, the average price of Middle East crude rose two. and. a. half fold in the space of one year, from US$2.74 a barrel in 1973 to US$9.55 in 1974. Further major price increases together totalling 124 per cent occurred between March 1979 and September 1980, as a result of the 6 per cent cut

AVERAGE PRICES OF MIDDLE EASTERN CRUDE OIL, 1960-1983

Table 10.4

Year	U.S. $ per barrel	K£ per tonne
1960	1.86	4.88
1970	1.35	3.54
1973	2.74	6.93
1974	9.55	25.00
1976	11.51	35.06
1977	12.40	36.12
1979—March	13.48	37.10
December	22.84	61.34
1980—March	27.17	76.52
September	30.21	81.53
1981 December	34.52	128.17
1982 December	33.08	155.54
1983 March	28.74	137.90

in world supply caused by the change of government in Iran. Over the period 1973-1981 as a whole, average prices per barrel rose more than twelve-and-a-half fold.

10.9. These and the subsequent price rises through December 1981 weighed heavily on Kenya's balance of payments, as reflected in a widening current account deficit. The difficulties were compounded by the fact that the steep rises in oil prices have not been matched in recent years by comparable increases in the prices of the country's major exports, such as coffee and tea. In consequence, crude oil import costs have been devouring an increasing proportion of total export earnings. In 1981, the net cost of petroleum imports (after deduction of re-exports) amounted to 56 per cent of export earnings; by the end of 1982 the proportion had risen to 61 per cent. More recent develop. ments, however, particularly the March 1983, OPEC price reductions, may now be expected to contribute to an eventual improvement of the trade balance.

10.10. Throughput statistics for the East African Oil Refinery (E.A.O.R.) in Mombasa are shown in Table 10.5. In 1982, 2.3 million tonnes of crude were processed, representing a decline of 16 per cent compared with 1981 and a continuation of the downward trend evident since 1980. At the same time, there has been a marked shift in sources of supply. In 1978, over 66 per cent of Kenya's crude oil imports were obtained from Saudi Arabia and Iran, each supplying 25 per cent and 42 per cent respectively. As a result of supply difficulties since 1980 Iran's share fell to only 5 per cent in 1982, while Saudi Arabia supplied 45 per cent and Abu Dhabi 23 per cent of total crude imports. Some 148,000 tonnes of crude were imported and processed in 1982 on behalf of Ugandan marketing companies.

CRUDE OIL INTAKE AT EAST AFRICAN OIL REFINERY MOMBASA BY TYPE, 1978-1982

Table 10.5 '000 *tonnes*

Crude Intake	A.P.I. Gravity	1978	1979	1980	1981	1982*
Arabian Light..	33.4	624.2	1,068.2	876.0	785.2	699.8
Arabian Medium	31.0	14.4	166.2	673.2	658.7	40.9
Arabian Heavy..	27.9	–	–	73.5	75.5	198.1
Arabian Light Spi. ke Crude	—	–	–	–	–	73.6
Iranian Light	33.9	542.9	123.6	–	67.5	53.8
Iranian Medium..	—	536.8	370.7	92.6	65.7	65.3
Qatar Marine	36.7	427.8	379.9	523.6	34.2	–
Qatar Durkhan..	41.2	259.7	–	52.0	52.6	64.8
Kuwait	32.0	–	185.3	383.9	67.5	53.4
Zakum	40.1	136.0	257.4	292.9	50.9	81.3
Basrah	34.1	48.0	120.1	–	–	–
Murban	39.6	—	–	63.8	584.7	522.0
Dubai	32.4	–	–	–	66.8	–
Abu Al Bukhoosh	–		57.2	–	–	–
Oman	—	—	—	—	195.0	199.2
Suez Mix	—	—				212.9
Slops	–	4.9	10.5	7.1	4.5**	3.6**
TOTAL..	—	2,584.7	2,739.1	3,038.6	2,708.8	2,268.6

*Provisional.

**Estimated.

10.11. The output of petroleum products from the Mombasa refinery is detailed in Table 10.6. After reaching a peak in 1980, total output has subsequently declined steadily, and by 1982 was well below the level of 1978. The distillation of motor spirit and middle distillates (liquified petroleum gas, kerosene, jet/turbo and diesel) declined in 1982 by 16 per cent as against 1981. The largest single decline was in the production of the fuel oil, which fell by 64 per cent compared with 1981. This overall downward trend appears likely to continue in the future, owing to both depressed local demand and the fact that the land. locked countries and international airlines have pro. gressively reduced their share of the refinery throughput (Tables 10.8 and 10.9). An undesirable development is the rising volume of export residues since 1978, which may call for the eventual construction of a "cracking" facility at the refinery.

10.12. With some fluctuation, the share of petroleum product exports in total refinery output has fallen steadily over the past ten years, from over 54 per cent prior to 1973 to 40 per cent in 1982 (Table 10.7). It appears likely that a further decline will be registered in 1983.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS,+

1978-1982

Table 10.6 '000 *tonnes*

	1978	1979	1980	1981	1982*
Crude petroleum throughput	2,584.7	2,739.1	3,038.6	2,708.8	2,268.8
OUTPUT—					
L. P. G. **	19.3	21.0	24.1	22.3	20.0
Motor gasoline premium	241.8	223.5	274.4	213.9	182.8
Motor gasoline regular	136.0	147.6	154.6	155.4	139.6
Illuminating kerosene	386.0	426.2	436.5	474.8	378.0
Jet/turbo fuel. . . .					
Light diesel oil	468.5	436.9	523.8	466.6	409.0
Heavy diesel oil . .					
Marine diesel oil. .	81.7	111.5	84.7	68.2	54.7
Fuel oil..	746.1	862.7	851.3	647.6	231.9
Export residues	366.5	362.5	561.4	542.3	734.7
Bitumen	22.1	36.7	31.0	33.1	29.3
Intermediates	-5.3	0.9	0.4	-3.2	4.8
Refinery usage	122.0	109.6	97.2	87.8	84.0
TOTAL OUTPUT..	2,584.7	2,739.1	3,038.6	2,708.8	2,268.8

*Provisional.

**Liquefied petroleum gas.

+Excludes lubricants.

SALES OF MOMBASA OIL REFINERY PRODUCTS, 1973-1982

Table 10.7 *Percentage*

Year	Domestic Sales per cent	Export Sales 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
1979	62.5	37.5	100.0
1980	52.8	47.2	100.0
1981	55.0	45.0	100.0
1982	60.0	40.0	100.0

10.13. Total domestic sales of petroleum products fell in 1982 by about 6 per cent, from 1.6 million tonnes in 1981 to 1.5 million tonnes (Table 10.8). This was the lowest sales volume since 1977, and came in the wake of measures taken by the Government to restrain the growth of fuel energy demand. These included, *inter alia*, increased import duties on larger and heavier categories of private cars, realistic fuel pricing, and intensified education of the public on energy saving measures. The most significant sales

declines occurred with respect to jet/turbo fuel and gasoline, which dropped by 18 per cent and 10 per cent respectively. Sales of light diesel oil remained more or less at the level of 1981. The only product registering an increase was fuel oil, sales of which rose by a modest 2.2 per cent.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1978-1982

Table 10.8 '000 *tonnes*

	1978	1979	1980	1981	1982
DEMAND—					
L.P.G.	17.3	20.2	21.5	21.1	20.9
Motor spirit premium and regular	290.8	302.0	300.8	298.5	269.3
Aviation spirit	6.5	5.4	5.6	6.1	6.1
Jet/turbo fuel*	328.0	330.1	347.9	343.5	281.8
Illuminating kerosene	78.0	89.3	85.6	88.6	82.2
Power kerosene	0.2	0.2	0.1		
Light diesel oil	324.2	349.2	408.5	375.6	373.1
Heavy diesel oil	29.0	30.9	38.9	30.7	27.6
Fuel oil..	463.9	432.4	462.1	420.4	428.3
TOTAL	1,537.9	1,559.7	1,671.0	1,584.5	1,489.3
Refinery usage	122.0	109.6	97.2	87.8	84.0
TOTAL DOMESTIC DEMAND..	1,659.9	1,669.3	1,768.2	1,672.3	1,573.3
Exports of Petroleum fuels..	1,173.3	1,001.7	1,581.8	1,169.5	872.5
TOTAL DEMAND	2,833.2	2,671.0	3,350.0	2,841.8	2,445.8
SUPPLY—					
Imports:					
Crude oil	2,369.2	2,471.5	3,075.5	2,611.1	2,425.5
Petroleum fuels	258.3	288.3	166.5	85.1	100.9
TOTAL	2,627.5	2,759.8	3,242.0	2,696.2	2,526.4
Adjustment**	205.7	-88.8	108.0	145.6	-80.6
TOTAL SUPPLY	2,833.2	2,671.0	3,350.0	2,841.8	2,445.8

*Includesabout 87 per cent of its total sales to foreign airlines at airports in Kenya.

**Adjustment for inventory changes and losses in production.

Provisional.

10.14. Indices of petroleum products consumption from 1978 onwards are detailed, by product, in Table 10.9. After rising steadily from 1978 through 1980, the aggregate consumption of petroleum products fell between 1980 and 1982 by over 12 per cent. The decline embraced all categories of products other than aviation spirit, the consumption of which remained unchanged as compared with 1981. The latter still remained, however, above the 1980 level. Gasoline consumption, which had remained comparatively

stable in 1979. 81, dropped in 1982 to some 12 per cent below the 1980 level —reflecting the impact of both high gasoline prices and the restrictions on the importation of new vehicles. Compared with the 1976 index base year, by far the largest declines were registered by heavy diesel oil and residual fuel oil which have been the most affected by energy substitution in industrial installations. Over the six. year period through 1982, heavy diesel oil consumption fell by 38 per cent and fuel oil consumption by 15 per cent. In contrast, the consumption of illuminating kerosene rose over the same period by over 54 per cent, reflecting its increasing use by rural and low-income urban households.

INDEX OF PETROLEUM PRODUCTS BY CONSUMPTION, 1978-1982

Table 10. 9 1976=100

PRODUCT	1978	1979	1980	1981	1982*
L. P. G	117.7	137.4	146.3	143.5	142.2
Motor spirit: Premium and Regular	120.7	125.3	124.8	123.9	111.7
Aviation spirit	114.0	94.7	98.2	107.0	107.0
Jet/Turbo fuel	107.5	108.2	114.0	112.5	92.3
Illuminating kerosene	146.6	167.9	160.9	166.5	154.5
Power kerosene	–	–	–	–	–
Light diesel oil	112.5	121.1	141.7	130.3	129.4
Heavy diesel oil	64.9	69.1	87.0	68.7	61.7
Fuel oil	92.2	85.9	91.8	83.5	85.4
TOTAL	105.6	107.1	114.7	108.8	102.4

*Provisional.

10. 15. The consumption of gas oil (light diesel), while somewhat lower than the peak figure of 1980, remains consistently high as motorists shift from gasoline to diesel propelled vehicles and as a result of the switch from coal to gas oil by Kenya Railways. Gas oil is also preferred as a cheaper fuel in agriculture.

10. 16. Sales of petroleum fuels by major consumer categories are shown in Table 10. 10. With the exception of road transport, purchases by all sectors fell significantly in 1982—in most cases in continuation of declines initially registered in 1981. Sales for road transport, while decreasing by a modest 1. 6 per cent, accounted for a record 34 per cent of all sales. Especially noteworthy was the decline of 13 per cent in sales for electricity generation, which came on the heels of an earlier decline of 27 per cent in 1981. This was mainly attributable to the abundant rainfall of 1981/82, which facilitated an expansion of hydro. electric power generation, and the commissioning of

30 MW geothermal plants in the same period. Apart from road transport, little systematic change has occurred over the years in the relative shares of the various purchasing sectors in total sales. The combined share of the industrial and commercial sectors remained constant at roughly 30 per cent of total sales from 1980 through 1982, as compared with 24 per cent in 1978.

NET DOMESTIC SALES OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1978-1982

Table 10.10 '000 *tonnes*

USER	1978	1979	1980	1981	1982*
Agriculture	75.8	77.2	69.1	71.9	45.8
Retail pump outlets and road transport	433.8	453.4	520.8	515.7	507.4
Rail Transport	90.3	50.6	70.7	45.2	41.9
Tourism	—	—	-	—	8.5
Marine (Excl. Naval Forces)	111.4	248.5	142.4	182.0	144.1
Aviation (excl. Government)**	339.4	336.4	372.1	349.6	283.2
Power Generation	106.9	92.6	150.7	109.9	95.6
Industrial, Commercial and Other_	363.2	418.1	497.3	464.0	445.2
Government. . . .	63.3	66.2	92.5	95.3	51.2
Balancing Item	-46.2	-183.3	-244.6	-249.1	-132.1
TOTAL	1,537.9	1,559.7	1,671.0	1,584.5	1,490.7

*Provisional.

**Includes about 87 per cent of its total sales to foreign airlines at airports in Kenya.

10.17. As has been noted, an important factor underlying the reduced level of oil imports and the improved efficiency of energy use in recent years has been the Government's policy of allowing the domestic prices of petroleum products to move upwards in line with international oil prices and the devaluation of the Kenya shilling. Table 10.11 depicts the trend of wholesale prices in Mombasa for various categories of petroleum products from 1973 through December 1982. With the marked exception of liquified petroleum gas, the Kenya shilling prices of almost all other categories rose during

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973-1982

Table 10.11 *KSh. per tonne*

	30-9-1973	17-6-1981	10-7-1981	5-11-1981	3-12-1982	Ratio 1982/73 (per cent)
L. P. G**	2,060	4,546	4,946	6,050	6,050	293.7
Premium motor gasoline	1,551	7,943	8,484	9,434	10,116	652.2
Regular motor gasoline	1,468	7,561	**8,122**	9,037	9,738	663.4
Illuminating kerosene	736	2,994	2,994	4,205	4,333	588.7
Power kerosene.	763	4,414	4,572	5,571	5,954	780.3
Light diesel oil	892	4,347	4,824	5,529	5,886	659.4
Industrial diesel oil	471	2,554	2,943	3,666	3,666	778.3
Fuel oil	334	1,639	1,751	2,180	2,419	724.3

*Includingduties and sales taxes.

*Liquefiedpetroleum gases.

this period by more than six. and. a. half fold, and in several cases almost eight-fold. A boderline case was illuminating kerosene, the price of which rose slightly less than sixfold. Price increases in 1982 were uneven. The highest increase was recorded for fuel oil (11 per cent), while the prices of liquified petroleum gas and industrial diesel oil remained unchanged. A modest increase of 3 per cent was recorded for illuminating kerosene. The prices of all other products rose by roughly 6. 8 per cent.

10. 18. Table 10. 12 gives the retail prices of petroleum products in Nairobi during the period 1974-1982. Unlike 1981 when prices were increased on four successive occasions, 1982 saw one upward adjustment only of between 6. 7 per cent, which raised retail pump prices to about five times the level of 1974. The rising trend of motor spirit prices is gradually forcing private motorists to reduce their consumption of these products. Another factor is the differential that has been maintained since 1974 between the price of premium gasoline and that of gas oil. In 1982, gasoline prices were 46 per cent higher than those for gas oil, and in earlier years the differential was often very much greater. Automobile and light pick-up operators have thus been encouraged to shift from gasoline to gas oil propelled vehicles—a trend which is likely to continue in the future.

NAIROBI RETAIL PRICES, 1977-1982

Table 10. 12 *KSh. per litre*

Date	MOTOR SPIRIT		Gas Oil
	Premium	Regular	
14-4-77	2.64	2.52	1.84
16-6-78	3.03	2.91	2.11
8-4-79	3.38	3.16	2.31
8-6-79	3.68	3.36	2.31
26-9-79	4.17	3.75	2.60
9-3-80	4.82	4.30	3.05
20-6-80	5.35	4.70	3.23
21-2-81	61.5	5.71	3.93
17-6-81	6.35	5.91	4.13
10-7-81	6.75	6.31	4.53
5-11-81	7.50	7.02	5.18
3-12-82	8.00	7.52	5.48

Electricity

10. 19. Hydro and geothermal electricity generation in Kenya provide effective alternative energy sources to imported petroleum oil. A geothermal generation plant with initial capacity of 15 MW was commissioned in July 1981, at Olkaria, followed in the second phase by the addition of similar capacity in December 1982, at the same site. A third plant of the same size is expected to become operational by 1988.

10.20. Table 10.13 reveals that between 1978 and 1982 total installed capacity rose by 15 per cent, from 483.1 MW to 555.1 MW. In 1982, capacity increased by 2.8 per cent. Consistent with the Government's programme of promoting the development of hydro and geothermal generating facilities in order to reduce dependence on imported oil, installed oil thermal capacity has remained unchanged since 1978 while hydro-generating capacity has increased by 42 MW. The shortfall between electricity generation by these sources and total domestic consumption requirements continues to be met by purchases from Uganda and the output of the geothermal plants previously mentioned.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1978-1982

Table 10.13

	INSTALLED CAPACITY* MW*				GENERATION* GWH+		
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal	Total
1978	311.5	171.6	—	483.1	1,072.8	308.9	1,381.7
1979	318.0	162.9	–	480.9	1,308.2	259.4	1,567.6
1980	313.5	171.6	–	485.1	1,060.0	430.0	1,490.0
1981	353.5	171.6	15	540.1	1,381.0	373.0	1,754.0
1982	353.5	171.6	30	555.1	1,397.0	407.0	1,804.0

*Includes estimates for industrial establishment with generation capacity.

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

+gigawatt hour = 1,000,000 kilowatt hours.

10.21. The drought in late 1979 and the first half of 1980 caused a decline of 19 per cent in hydro power generation, necessitating an increase of 66 per cent in thermal generation from 259.4 GWH in 1979 to 430.0 GWH in 1980. With the termination of the drought, however, 1981-82 saw a restoration of the upward trend of hydro. generation and an increase in hydro and geothermal capacity of 40 MW and 30 MW, respectively. These factors boosted non. oil thermal electricity generation by 32 per cent from 1,060 GWH in 1980 to 1,397 GWH in 1982, and the share of hydro electricity in total electricity generation from 71 per cent to 77 per cent.

10.22. Table 10.14 details the existing and future hydro potential in Kenya, by source. As is evident, the large bulk of this potential is concentrated along the Tana River. Of the approximately 350 MW of hydro power that had been developed through 1982, 336 were located along the Tana River; and more than half of Kenya's estimated future hydro potential of 910 MW is expected to derive from the same source. Plans are in an advanced stage for developing another 140 MW at Kiambere on Tana River by 1988 and 120 MW at Turkwell Gorge by 1990. A number of other potential river

sources are scattered in various parts of the country, including Turkwell, Uaso Nyiro, and Sondu and Atlii with estimated total exploitable potential of 120 MW, 100 MW, and 120 MW (Sondu and Athi combined), respectively. These programmes are basically directed towards the increased use of indigenous power sources and reduced dependence on oil. fired thermal generation.

HYDRO POTENTIAL OF KENYA ALREADY IDENTIFIED

Table 10. 14

	Installed Capacity MW	Average MW	Firm Power MW
EXISTING LOCATIONS—			
Tana	15	12	10
Wanjii	8	6	5
Kindaruma	44	23	20
Kamburu	92	48	43
Gitaru....	145	78	69
Masinga	40	20	15
Small hydro	6	3	3
	350	190	165
FUTURE LOCATIONS—			
From Tana River:			
Kiambere Tana	140	90	65
Grand Falls Tana	180	120	90
Adamsons Tana	60	36	28
Korech	80	48	36
Karura	40	25	20
	500	319	239
From Other Rivers:			
Turkwel	120	60	50
Uaso Nyiro	100	50	36
Sondu	60	60	20
Webuye	20	15	10
Nyando	35	20	10
Arror	15	15	5
Athi	60	25	15
	410	245	146
GRAND TOTAL	1,260	754	550

10. 23. Table 10. 15 presents a revised summary of the projected electricity supply potential and demand to the end of this century. Electricity consumption is expected to grow at the rate of about 6. 7 per cent per annum between 1983 and 1990, and to more than double by the year 2000. The Government proposes to add 290 MW of generating capacity by 1993, thereby increasing total installed capacity to about 786 MW. This will be adequate to meet the anticipated total demand of 616 MW and leave a surplus of 28 per cent.

PROJECTED ELECTRICITY SUPPLY POTENTIAL AND DEMAND, 1983-2000

Table 10.15 MW

	1983	1988	1993	2000
DEMAND	346	461	616	726
EFFECTIVE CAPACITY—				
Hydro	370	510	630	910
Geothermal	30	45	90	180
Thermal, Diesel	97	81	66	66
Total Supply Potential	497	636	786	1,156
Surplus/Deficit	151	175	170	230

10.24. As in previous years, the major part of electricity generation (some 80 per cent of total production) will continue to be supplied through the end of the century by hydro power stations. Over the same period, the share of thermal-derived electricity is scheduled to fall from its current 20 per cent to 6 per cent, while that of geothermal generation will rise from 6 per cent to 15 per cent. In absolute terms, the quantity of thermally generated electricity is actually scheduled to decline between 1983 and 2000 by 32 per cent. Parallel to this, geothermal generation will increase from 30 MW in 1983 to 180 MW in the year 2000, i.e. sixfold. A basic assumption underlying these projections is that the proposed tariff increases will generate sufficient revenue to meet the required development costs. If they are realized, total electricity production in the year 2000 will exceed anticipated domestic demand by one quarter.

10.25. The energy supply and demand balance sheet presented in Table 10.16 reveals that total electricity consumption rose by 24 per cent between 1978 and 1982, or at an annual average rate of 5.8 per cent. Consumption by large commercial and industrial enterprises increased at roughly the same average rate and accounted for some 65 per cent of total electricity consumption in all years. In 1982, however, their consumption rose by 2.3 per cent only, as against 4 per cent for small commercial and domestic consumers. Consumption for street lighting remained unchanged at 11 million Kwh. Off.peak demand, which increased by 6 per cent in 1981, declined in 1982 by 3 per cent from 118 million Kwh to 114 million Kwh. Imports of electricity from Uganda increased by 9 per cent from 194 million Kwh in 1981 to 212 million Kwh in 1982.

10.26. The overall demand for energy is expected to grow considerably in the wake of increasing industrialization and the intensification of the Government's rural electrification programme. As has been indicated, a corresponding expansion of generation capacity is already programmed. In addition, power extensions have been effected via the Rural Electrification

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1978-1982

Table 10.16 *million KWH*

	1978	1979	1980	1981	1982
DEMAND.					
Domestic and Small Commercial	360	385	402	438	455
Large Commercial and Industrial	884	961	1,014	1,096	1,121
Off.peak	117	123	111	118	114
Street Lighting	10	10	11	11	11
TOTAL	1,371	1,479	1,538	1,663	1,701
Transmission losses and unallocated demand	203	223	238	256	284
TOTAL DEMAND = TOTAL SUPPLY	1,574	1,703	1,776	1,919	1,985
of which imports from Uganda	217	160	315	194	212
Net generation	1,357	1,543	1,461	1,725	1,773

Programme to the various district headquarters and to many other rural areas such as Naromoru in Central Province, Kinango in Coast Province, Maralal in Rift Valley and Wajir in North. Eastern Province. A total of 24 such schemes were operative in 1982, when the volume of energy sold in the framework of these schemes rose by 35 per cent as compared with 1981. To meet the rapidly growing demand for electricity in Western Kenya resulting from the increased pace of industrialization, the East African Power and Lighting Company plans to extend its transmission lines from Lessos to Kisumu and Eldoret, and from Muhoroni to Chemosit. The company's Kamburu. Mombasa transmission line is expected to cope with the current high demand in Mombasa. The Bura-Kilifi-Hola transmission line will later be extended to Garissa. This latter extension will facilitate the phasing out of the diesel generating stations which have proved expensive to run.

Total Energy Supply and Demand

10.27. The heavy reliance of Kenya's modern sector on the use of imported energy is reflected in Table 10.17. This source of energy accounted for 84.5 per cent and 83.5 per cent of the total energy used in the country during 1981 and 1982 respectively. As has been indicated, considerable progress has been made in recent years towards reducing the rate of growth of demand for imported energy, mainly petroleum fuels, by encouraging the development of indigenous non-oil energy production. As a result, the percentage share of domestically produced energy in total energy use increased from 12 per cent in 1980 to roughly 17 per cent in 1982.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY* EXPRESSED IN TERMS OF PRIMARY SOURCES, 1978-1982

Table 10. 17 '000 *Tonnes Oil Equivalent*

	1978	1979	1980	1981	1982
COAL AND COKE CONSUMPTION**	50.0	60.0	60.0	91.2	75.0
OIL—					
Imports of crude oil	2,369.2	2,471.5	3,075.5	2,611.1	2,425.5
Net exports of petroleum fuels	915.0	713.4	1,415.3	. 1,084.4	-771.6
Stock changes and balancing item	205.7	-88.8	108.0	145.6	-80.6
TOTAL CONSUMPTION OF LIQUID FUELS	1,659.8	1,669.3	1,768.2	1,672.3	1,573.3
HYDRO ENERGY—					
Local production of hydro-power	257.5	314.0	254.4	331.4	335.3
Imports of hydro power..	52.1	38.4	75.6	46.6	50.9
TOTAL CONSUMPTION OF HYDRO-ENERGY	309.6	352.4	330.0	378.0	386.2
TOTAL LOCAL ENERGY PRODUCTION	257.5	314.0	254.4	331.4	335.3
TOTAL IMPORTS	1, 556.3	1,856.5	1,795.8	1,664.5	1, 779.8
Use of stock and balancing item	205.7	-88.8	108.0	145.6	-80.6
TOTAL ENERGY CONSUMPTION	2,019.5	2,081.7	2,158.2	2,141.5	2,034.5
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	12.8	15.1	11.8	15.5	16.5
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	135	136	135	126	108

*Modern sector only: fuel wood and charcoal are excluded.

**Consumption instead of imports data are used from 1978 onwards.

10. 28. There has been some increase in the consumption of coal and coke in recent years, mainly as a result of its use in the cement industry where it has proved economical. Kenya has no known coal deposits and therefore imports her requirements from Swaziland. In 1981, coal imports totalled 91, 000 tonnes and accounted for some 4 per cent of total commercial energy use.

10. 29. The decline in total energy use in Kenya since 1980, although less pronounced than the fall in oil consumption, has nevertheless been significant. Following an increase of 4 per cent in 1980, total consumption subsequently declined by roughly 1 per cent in 1981 and 5 per cent in 1982—reflecting both the weakness of economic activity especially in the industrial sector.

but perhaps more importantly, an improvement in the overal efficiency of energy use. Energy consumption per capita, expressed in kilograms of oil equivalent, fell by 7 per cent between 1980 and 1981, and by more than 14 per cent in 1982.

Household Energy Use

10. 30. While the main problem facing energy users in the modern sector is posed by the rising prices of petroleum products, that of rural households is expressed in the daily search for wood for cooking, heating and lighting. The results of recent surveys conducted in Kenya show that the final energy consumed by most rural households derives from three main sources: fuel, wood, charcoal and paraffin. Of these sources combined, some 70 per cent are used for cooking and heating and the remaining 30 per cent for lighting. In rural areas where over four fifths of Kenya's population lives, wood is used directly. Charcoal is mainly used in urban areas. Analysis of energy end. use by households reveals that the heaviest energy consumers are persons with high monthly incomes, high educational levels, large families, large land holdings, and non-agricultural workers. Low energy consumption was observed in households producing only traditional crops, households using paraffin as their major fuel source, households with holdings of at most half a hectare, households with less than two adult members and households reporting no monthly income. Small households do not use either gas or electricity.

10. 31. Table 10. 18 contains the Ministry of Energy's fuel-wood demand projections for the period 1982-84. Analysis of energy end. use by type of fuel-wood indicates that rural households will continue to depend heavily on fuel-wood i. e., fire-wood. Some 75 per cent of all fuel-wood energy is currently consumed by rural households, primarily because in most rural areas no cash outlay is involved. The traditional three stone kiln has low cooking efficiency, but much of the energy loss provides useful light and heat. In contrast, fuel-wood consumption in urban areas is mainly in the form of charcoal, which is in common use among low income households. Over 96 per cent of total charcoal consumption takes place in urban households. In rural areas, charcoal is largely used by middle income households.

END-USE WOOD FUEL DEMAND PROJECTIONS, 1982-1984

Table 10. 18 '000 *Tonnes*

	1982		1983		1984	
	Charcoal	Fuel wood	Charcoal	Fuel wood	Charcoal	Fuel wood
Urban Households	459.2	331.2	516.6	368.7	583.0	412.5
Rural Households	175.2	10,362.6	181.2	10,781.2	190.3	11,218.7
TOTAL..	634.4	10,693.8	697.8	11,149.9	773.3	11, 631.2

10. 32. Since over 80 per cent of Kenya's population still depends almost entirely on wood and other traditional fuels such as crop and animal wastes, the quantities involved are large and present a threat to the environment and to the life cycle in general. The results of the fuel-wood cycle commissioned by the Ministry of Energy show that the present level of fuel-wood consumption is 43 per cent greater than sustainable forest yields, with the obvious implication of increased deforestation and soil erosion.

10. 33. The growing scarcity of non-commercial fuels is building up to an energy crisis in the rural areas in Kenya, with the situation being worsened as the high prices of commercial energy boost the demand for fuel-wood especially charcoal, in urban areas. The Government is tackling the problem with a three-pronged approach. Firstly, more trees are being planted to increase the supply of fuel-wood on a sustainable basis. Secondly, the efficiency of charcoal kilns and stoves is being improved. Thirdly, alternative sources of energy such as kerosene are being substituted for traditional fuels. Implementation of the latter has, of course, been made more difficult by the sharp price rises for commercial fuels over the past decade. This has been partially offset, however, by a taxation structure designed to keep kerosene and diesel prices low enough to benefit the poorer sections of the population.

Energy Policy

10. 34. During the past three years there have been profound and far reaching changes in world oil prices and the energy situation. In particular, the sharp rise in oil prices induced a substantial global reduction in the overall use of energy per unit of output and the substitution of non-oil energy sources for oil. These developments, coupled with the expansion of crude oil production by countries other than the thirteen main oil exporters, led to a glut in the world oil markets and to a progressive softening in 1981/82 of the previously tight conditions prevailing. This continued into early 1983 when, for the first time in the 23 year history of OPEC, official crude oil prices were reduced by 15 per cent per barrel. Despite this, however, there is no intention on the part of the Government to slacken its conservation efforts and policies. These are—

(i) to ensure that demand reflects development priorities and the essential needs of the people;

(ii) to encourage the more efficient use of energy;

(iii) to re-direct demand towards less costly and renewable sources of energy, and

(iv) to develop additional sources of energy supply.

10. 35. In order to achieve these objectives a number of policy measures have been taken, including the use of pricing policy as a tool to conserve energy. A cost-reflecting tariff structure for electricity was introduced in

1979 in order to shift demand from peak to off-peak hours and to reduce transmission losses. There have likewise been two subsequent increases in electricity charges through the imposition of a fuel oil surcharge, the last such increase having taken place in July, 1981. The East African Power and Lighting Company has also proposed a new tariff structure to provide financing for its planned investments in hydro and geothermal capacity during the 1980's.

10.36. A number of studies are being carried out to identify ways and means of reducing fuel oil consumption in the industrial sector, including an energy audit the results of which will indicate the areas in which savings can be made. These could include the installation of heat exchangers, more efficient boilers, and greater use of domestically produced electricity in place of imported fuel oil. Another major project which will result in considerable foreign exchange savings is the revamping of the country's oil refinery. At present, the fuel residue output of the refinery is excessively high and more than half has to be exported at low prices for lack of domestic markets. The revamping will also increase the recovery of white oils, resulting in an estimated foreign exchange saving of K£15 million per annum in the form of distillate products recovered.

10.37. In the longer term, the refinery will be upgraded so as to achieve a better matching of refinery output to the continuing growth of domestic demand for dual purpose kerosene and for automotive gas oil and cooking gas. A product demand study has been carried out with donor technical assistance, which points to a number of technological options for up-grading the refinery. The final decision as to the technological option to be adopted will be taken by the Government after perusal of the study results. Improvement of the refinery will make it possible to produce the same volume of refined products from smaller quantities of imported crude.

10.38. Solar energy is one source of non-conventional/renewable energy that is currently being explored in Kenya. The main emphasis is on encouraging the use of solar heaters to supplement or replace conventional water heating systems in domestic and commercial set-ups. It is anticipated that the utilization of this source of energy will be progressively adopted in both urban and rural areas. In addition, the first experimental photovoltaic power plant was completed in April 1982, for use in water pumping, lighting, medical refrigeration and sterilization, telecommunication, T.V. and radio, and road sign signals.

10.39. Kenya has already embarked on the distillation of power alcohol at the Muhoroni plant, for eventual blending with imported gasoline. However, the success of this scheme will depend to a large extent on the level at which world crude oil prices stabilise, since the method becomes less economically viable as crude oil prices fall.

10.40. Other energy sources currently being developed include biogas and wind power. If fully adopted, biogas would provide one of the cheapest energy sources especially for the rural population. At the present time, some thirty biogas installations of various sizes are operating. The Government provides technical guidance and assistance in the form of demonstration units, but the actual construction of biogas installations is undertaken by the users themselves. The use of small windmills, mainly for water pumping and irrigation, is also being promoted by the Government. These have provided themselves more economical than engine pumps.

CHAPTER 11—MANUFACTURING

The balance of payments difficulties experienced during 1982 called for corrective measures whose impact on the level of manufacturing activity was less favourable. Besides, the concomintant shortage of foreign exchange caused severe restrictions on imports of raw materials thus affecting the level of production in the manufacturing sector as a whole. Sectoral invest. ment in new fixed capital was also affected. The situation was aggravated by the continuously falling prices received for exports in the world market and the rising prices for domestic manufactures, which together contributed to a stagnation of domestic demand. As a result, manufacturing output grew in real terms by a modest 2.7 per cent, compared with 5.2 per cent and 5.0 per cent in 1980 and 1981 respectively.

11.2. The largest declines were registered for printing and publishing, rubber products, metal products, textiles, leather and footwear, and miscellaneous manufactures. The target growth rate of 9 per cent per annum for manufacturing as a whole was achieved and surpassed only by food process. ing and the wood and cork products industries. Within the food processing group, however, sugar and confectionery production remained almost unchanged at the level of 1981. Modest increases in output were recorded for tobacco, paper and paper products, and non-metallic mineral products.

11.3. Under-utilization of capacity due to lack of imported raw materials and stagnant domestic demand led to the closure of a number of firms, and overall wage employment in the modern manufacturing sector grew by only 0.3 per cent—from 146,338 persons in 1981 to 146,780 persons in 1982. This is far below the 3.6 per cent growth rate attained in 1981. Total wage earnings at current prices rose by 11.5 per cent, which is similarly lower than the 15.1 per cent recorded in 1981.

11.4. While the current price value of manufactured exports and re-exports in terms of Kenya shillings increased by 16.8 per cent in 1981, the total value of industrial sales as reported in the framework of the Business Expectations Enquiry (B.E.E.), which covers establishments with 20 or more employees, rose by 9.4 per cent, as against 19 per cent in 1981. Relatively high growth rates in current price sales were recorded for electrical machinery, plastic products, industrial chemicals, non-metallic mineral products, rubber, and printing and publishing. However, with the exceptions indicated above, the higher value of sales recorded for most products was probably attributable to price increases. Decreases in sales values were reported for sugar and confectionery, textiles and clothing, non-electrical machinery, furniture, and leather and footwear. With the exception of wood and cork and metal products, most other industries showed modest sales increases. The current

price value of stocks as at the end of 1982 in establishments covered by the B. E. E. is estimated at K£325 million, i. e. 8. 7 per cent higher than the 1981 figure of K£299 million.

Changes in Production in 1982

11. 5. Table 11. 1 gives details of estimated output values, intermediate consumption, value added and wages paid in the manufacturing sector at current prices. The estimated value of output rose by 14. 5 per cent in 1982, as compared with 22. 6 per cent in 1981. Intermediate consumption and value added likewise grew more slowly than in 1981. The share of value added in total output value continued to decline from 19. 3 per cent in 1980 to 18. 1 per cent in 1981 and 17. 6 per cent in 1982.

MANUFACTURING SECTOR—OUTPUT, WAGES AND PRODUCT*, 1980-1982

Table 11. 1 *K£million*

	value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1980**	1, 638	1, 322	316	106
1981**	2, 008	1, 644	364	122
I982+	2, 300	1, 893	407	136

*Includes tea processing.

**Provisional.

Early estimates.

11. 6. Revised indices of real output in the manufacturing sector are shown in Table 11. 2. Although the sustained upward trend of total output since 1975 was maintained through 1982, the growth rate of 2. 7 per cent was the lowest on recent record. As indicated, the indices reflect the impact of Kenya's worsening terms of trade on domestic demand and the under-utilization of capacity in certain industries, owing to shortages of imported raw materials.

11. 7. The results of the Government's efforts to encourage increased food production by way of higher prices to farmers and short-term credit facilities for inputs were evident in the 10. 4 per cent real increase in the aggregate output of the food industries. This followed a 4. 9 per cent increase in 1981. In particular, the growth of grain mill, bakery and miscellaneous food industries was well ahead of plan targets.

11. 8. The marked increase of 15. 8 per cent in the output of meat and dairy products was attributable to the improved rainfall and pastures in 1982, which facilitated increased deliveries of cattle to the Kenya Meat Commission (KMC) for slaughter. In consequence, beef production rose by

QUANTITY INDEX OF MANUFACTURING PRODUCTION, 1980-1982

Table 11. 2 1976 = 100

	1980*	1981*	1982*	Percentage Change 1982/1981
Meat and Dairy Products	48. 0	55. 2	63. 9	15.8
Canned Vegetables, Fish, oils and Fats	158. 8	146. 7	156. 9	7.0
Grain Mill Products	125. 3	157. 8	191. 2	21.2
Bakery Products	86. 9	72. 4	91. 5	26.4
Sugar and Confectionery	196. 7	188. 2	188. 5	0.2
Miscellaneous Foods	109. 0	127. 5	148. 0	16.1
Food Manufacturing	121. 5	127. 5	140. 8	10.4
Beverages	143. 8	163. 0	147. 0	-9.8
Tobacco	124. 0	134. 7	142. 8	6.0
Beverages and Tobacco..	135. 1	151. 4	143. 6	-5.2
Textiles	161. 2	172. 4	147. 3	-14.6
Clothing_	275. 4	379. 5	388. 3	2.3
Leather and Footwear	94. 2	108. 4	88. 3	-18.1
Wood and Cork Products	135. 0	97. 6	115. 7	18.5
Furniture and Fixtures	76. 7	99. 1	96. 2	-2.9
Paper and Paper Products	156. 3	135. 5	142. 4	5.1
Printing and Publishing	184. 6	152. 1	118. 5	-22.1
Basic Industrial Chemicals	174. 6	160. 7	161. 5	0.5
Petroleum and Other Chemicals	195. 2	245. 1	223. 6	-8.8
Rubber Products	192. 5	203. 2	162. 2	-19.7
Plastic Products	207. 7	215. 6	196. 0	-9.1
Clay and Glass Products	289. 9	198. 1	181. 4	-8.4
Non. Metallic Minerals	126. 4	105. 3	114. 1	8.3
Metal Products	129. 4	118. 1	99. 8	-15.5
Non. Electrical Machinery	123. 8	102. 4	97. 6	-4.7
Electrical Equipment	157. 8	141. 9	137. 7	-2.3
Transport Equipment	658. 6	788. 6	747. 9	-5.2
Miscellaneous Manufactures	137. 6	108. 8	52. 2	-52.0
TOTAL MANUFACTURING	147. 8	155. 3	159. 3	2.7

*Provisional.

16. 3 per cent from 8, 410 tonnes in 1981 to 9, 783 tonnes in 1982. A contributory factor to this expansion may have been high export demand, especially for canned beef, sales of which rose nearly two and a half times from 900 tonnes in 1981 to 2, 072 tonnes in 1982. Overall, the quantity of meat and meat products exported increased by roughly 50 per cent from 1, 890 tonnes in 1981 to 2, 828 tonnes in 1982. An appreciable increase was also recorded in the output of bacon and ham.

11. 9. The relatively good weather conditions prevailing during the year were the main factors underlying the increase in milk production. The output of liquid milk by the Kenya Co-operative Creameries (KCC) rose from 222. 9 million litres in 1981 to 250. 9 million litres in 1982. At the same time imports

of infant milk foods declined considerably in 1982. A further expansion of dairy production is anticipated in the future, when a loan obtained from Denmark will be used to set up a new UHT milk plant in Eldoret.

11.10. A large increase in the output of canned fruits, ghee and fats accounts for the overall increase of 7 per cent in the output of "canned vegetables, fish, oils and fats". This followed a decrease in output of 7.7 per cent in 1981. Exports of canned vegetables and fruits totalled 27,865 tonnes, representing a growth of 33.3 per cent over 1981. At the same time, imports of these items dropped significantly, indicating growing self. sufficiency in these products.

11.11. As against a fall in milled rice output from 22,200 tonnes in 1981 to 19,400 tonnes in 1982, the output of both wheat flour and maize meal increased substantially. The overall increase in the output of grain mill products was 21.2 per cent, compared with an increase of 25.9 per cent in 1981. Adequate storage facilities helped avoid wastage. The processing plants presumably worked at full or near-full capacity, since there were large imports of un-milled wheat, rice and maize. The production of selected grain mill products is detailed in Table 11.3.

PRODUCTION OF GRAIN MILL PRODUCTS, 1978-1982

Table 11.3 '000 *tonnes*

Year	COMMODITY			
	Sifted Maize meal	Wheat Flour	Rice	Broken Rice
1978.	227.1	156.9	18.3	4.5
1979..	255.7	141.7	22.6	1.7
1980..	276.5	191.4	23.4	2.0
1981..	290.2	216.6	22.2	3.3
1982..	328.9	283.0	19.4	1.3

11.12. The output of bakery products increased considerably. Bread output alone increased by 32 per cent in 1982, in response to the growing domestic demand for bread. The output of cakes and biscuits declined while that of scones went up. However, the weight of the former in total bakery products is small.

11.13. Sugar production on the farms was adversely affected in 1982 as a result of a decline in the area under cane, poor transport facilities, and a shortage of financing facilities especially for out growers. In consequence, white and refined sugar production declined by 14,300 tonnes from 367,600 tonnes in 1981 to 353,300 tonnes in 1982. To meet local demand. 2,200 tonnes of refined sugar worth K£98,000 were imported, compared with 1,800 tonnes in 1981. The output of molasses also dropped from 123,000 tonnes

to 104,000 tonnes. The overall increase of 0.2 per cent recorded for "sugar and confectionery" is explained by the large increase in the production of sweets arid chewing gum, for which domestic demand is high.

11.14. The output of miscellaneous foodstuffs increased in 1982 by 16.1 per cent, i.e. by slightly less than the 17 per cent recorded in 1981. This was attributable to improved performance in milled and roasted coffee production, salt, and cattle feeds. Imports of animal feeds fell in consequence from 2,700 tonnes in 1981 to 1,700 tonnes in 1982.

11.15. Output under the heading "beverages and tobacco" declined by 5.2 per cent in 1982, following an increase of 12.1 per cent in 1981. The production of tobacco and tobacco products rose somewhat, apparently due to increased local and export demand. This was more than offset, however, by the reduced output of beverages. A contributory factor to these developments may have been the price increases for spirits, beer and cigarettes announced during the year. Details of the output of individual product items are given in Table 11.4.

PRODUCTION OF BEVERAGES AND TOBACCO, 1978-1982

Table 11.4

Year	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	Litres	'000 *litres*	'000 *litres*	*Million*
1978..	407,796	221,365	108,019	4,546
1979..	415,694	212,712	127,926	4,554
1980..	462,956	232,424	142,953	4,556
1981..	609,763	248,264	171,800	4,972*
1982	458,084	233,736	137,833	4,904

*Revised.

11.16. The textile industry suffered a severe setback in 1982, mainly due to a lack of raw materials which resulted in some factories working at undercapacity. A major textile plant in Kisumu was closed down during the year. The outcome was an overall decline in output of 14.6 per cent, as against a 6.9 per cent increase in 1981. While the output of woollen woven fabrics, blankets, bed sheets, canvas materials, and ropes and twines increased, this was overshadowed by large production decreases for cotton woven fabrics, rayon fabrics, nylon, and knitted fabrics.

11.17. Notwithstanding changes in customs tariffs in favour of local production and reduced imports of clothing and wearing apparel, output in the clothing industry rose by 2.3 per cent only, as compared with the 37.8 per cent increase recorded in 1981. Exports of shirts and outer. garments rose slightly. A garment factory is to be established at Kikuyu for making quality

tee. shirts using locally produced raw materials. The expected employment capacity of the new factory, which will contribute significantly to an expansion of output in the industry, is 140 persons.

11. 18. The output of leather and footwear declined by 18. 1 per cent in 1982, following an increase of 15. 1 per cent in 1981. Among the possible reasons for the decline are stiff competition from imported products and a drop in export demand. Exports of both manufactured leather and leather products declined in 1982, while imports of manufactured leather rose substantially.

11. 19. The sharp rise of 18. 5 per cent in the output of wood and cork products, which surpassed the target rate of annual increase, is attributable to heavy local demand for timber. Timber production increased from 397, 500 cubic metres in 1981 to 471, 300 cubic metres in 1982. While the total output of furniture and fixtures dropped by 2. 9 per cent, the value Of furniture exports rose. The production of wood furniture and fixtures is to be boosted by the establishment of a factory in Thika for the production of school rulers and clothes pegs.

11. 20. Decreased production of exercise books and kraft paper in 1982 was offset by increased production of wrapping and duplicating papers, paper bags and corrugated packing containers, which resulted in a net increase of 5. 1 per cent in the aggregate output of "paper and paper pro. ducts". Imports of pulp and waste paper likewise rose.

11. 21. The output of printing and publishing industry, which is targeted to grow annually by 7 per cent in order to meet the anticipated growth of domestic demand, declined in 1982 by a further 21. 1 per cent after having fallen by 17. 6 per cent in 1981. The industries within this sub. sector were probably affected by difficulties in the importation of essential raw materials.

11. 22. The output of most items subsumed under "basic industrial chemicals" registered declines. The aggregate output of the branch rose, however, by 0. 5 per cent in 1982, due to increased output of methylated spirits, pyrethrum extracts, and liquid and gaseous insecticides. Fertilizer imports dropped from 207, 000 tonnes in 1981 to 130, 000 tonnes—a 77, 000 tonnes or 37. 1 per cent decline. The curtailment of fertilizer imports was probably attributable to the high prices charged for these products in the domestic market and to the carry. over of stocks into 1982.

11. 23. Petroleum and other chemical products registered an 8. 8 per cent decrease in output in 1982, an important contributory factor having been the increase in the domestic prices of petroleum products during the year. Imports of medical and pharmaceutical products remained relatively stable while exports showed a substantial decline. The latter development was pro. bably influenced by the low export rebates and the high duties levied on imported raw materials.

11.24. Despite a 48 per cent increase in the production of rubber soles from 251,900 pairs in 1981 to 371,800 pairs in 1982, the total output of the rubber industry fell by 19.7 per cent, compared to a rise of 5.6 per cent in 1981. This may be explained by the relatively large production decreases registered for motor vehicle tyres and tubes and bicycle tyres and tubes. The restrictions on the importation of motor vehicles also had a restraining influence on output. The value of imported rubber tyres fell from K£1.6 million in 1981 to K£1.3 million in 1982.

11.25. The aggregate output of plastic declined by 9.1 per cent, compared with an increase of 3.8 per cent in 1981. This was largely due to marked decrease in the production of PVC pipes. The output of plastic shoes and crates showed a moderate increase.

11.26. The output of clay and glass products decreased by 8.4 per cent in 1982, following a still larger decline of 31.7 per cent in 1981. The production of glass bottles, jars and plates decreased from 23,700 metric tonnes in 1981 to 21,600 metric tonnes. While exports of glassware declined, imports rose as compared with 1981.

11.27. The continued expansion of cement production coupled with large increases in the output of clinker and lime resulted in an 8.3 per cent increase in the aggregate output of non-metallic mineral products, i.e. slightly ahead of the target increase rate of 7 per cent per annum for this sub-sector. The output of cement alone increased from 1,280 thousand tonnes in 1981 to 1,318 thousand tonnes in 1982, or by 3 per cent. Although local demand for cement fell, exports rose from 650,400 tonnes in 1981 to 719,000 tonnes. Exports to Uganda and Tanzania increased by 16 per cent during 1982. Details on cement production and utilization during the past five years are given in Table 11.5.

CEMENT PRODUCTION AND UTILIZATION, 1978-1982

Table 11.5 '000 *tonnes*

Year	PRODUCTION	IMPORTS		EXPORTS		CONSUMPTION AND STOCKS
		From Uganda and Tanzania	From Overseas	To Uganda and Tanzania	To Overseas	
1978	1,133.3	—	0.2	12.8	597.3	523.4
1979	1,147.7	—	0.9	16.8	510.2	621.6
1980	1,279.8	—	0.9	20.9	530.3	729.5
1981	1,280.3		—	16.2	652.4	611.7
1982	1,318.1	—	—	18.8	718.6	580.7

11.28. The output of "metal products" fell in 1982, by an estimated 15.5 per cent. Particularly large decreases were registered in the production of galvanized corrugated iron sheets, iron bars and rods, metal pipes, jembes, nails, and barbed wire. Among the products whose output increased were sufurias, corks, and metal cans and tins. The overall decline in the output of metal products reflected the slow. down of construction activity and the generally restrained pace of economic activity in 1982. An additional factor may have been the rise, in terms of Kenya shillings, in the prices of imported iron and steel. While the value of these imports rose in 1982 by 10 per cent, their volume fell by 12 per cent from 183,000 tonnes in 1981 to 161,000 tonnes.

11.29. Continuing the downward trend of 1981, the output of both non-electrical and electrical equipment again declined in 1982 by 4.7 and 2.3 per cent respectively. The rates of decrease were marginally smaller, however, than in 1981. The output of dry cells, electric lamps and battery plates rose slightly in response to increased domestic demand.

11.30. In contrast to 1981 when the output of transport equipment expanded by 19.7 per cent, production of these items declined in 1982 by 5.2 per cent. While there was a slight increase in the total number of vehicles assembled, there was a significant decline with respect to coaches, buses and lorries. This was partly attributable to restricted supplies of imported materials for motor vehicle assembly. The value of imported motor vehicle parts and accessories fell from K£11 million in 1981 to K£10.5 million in 1982.

11.31. The output of "miscellaneous manufactures", which include ball-point pens, brushes, lenses and metres, fell sharply by 52 per cent—continuing the decline of 20.9 per cent recorded in 1981. This is explained by the halting of meter manufacturing in 1981, coupled with falls in the output of lenses, sun glasses, and ballpoint pens.

Development of Manufacturing Enterprises

11.32. The depressed economic conditions in both Kenya and abroad have not been without effect on the activities of the four main institutions charged with fostering manufacturing expansion and development through loans extension and equity participation. The combined approved expenditure in 1982 of the Industrial and Commercial Development Corporation (ICDC), the Development Finance Company of Kenya (DFCK), the Industrial Development Bank (IDB), and the Kenya Industrial Estates (KIE), amounted to K£10.1 million. This was the lowest commitment by these institutions since 1978. Commitments in 1981 totalled K£19.7 million, spread over 199 projects. Information on project approvals and expenditure by these institutions is given in Table 11.6.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS; 1980-1982

Table 11.6

	Number of Projects			Approved Expenditure K£'000		
	1980	1981	1982	1980	1981	1982
Industrial and Commercial Development Corporation (I.C.D.C)	3	1	6	619	960	1,416
Development Finance Company of Kenya (DFCK)	33	35	27	3,852	4,005	2,394
Industrial Development Bank Ltd. (I.D.B.)	29	32	9	10,744	11,471	3,857
Kenya Industrial Estates Ltd. (K.I.E.)	45	131	137	1,920	3,271	2,477
TOTAL	110	199*	179	17,135	19,707	10,144

*Revised.

11.33. In 1981, the ICDC embarked upon a strategy directed towards rehabilitation of on-going but ailing projects. This strategy continued during 1982, when equity investments amounting to K£1.4 million were made in six projects which are expected eventually to provide employment for an additional 1,400 persons. The corporation also committed K£261,000 in loans to nine small-scale industrial projects with a total employment potential of 213 persons. Five of these small projects were completed in 1982.

11.34. The number of projects approved by the IDB in 1982 was the lowest since 1976. In 1981, the bank approved 32 projects to which it committed a total of K£11.5 million. In 1982, only 9 projects were approved with the total amount committed standing at K£3.9 million, i.e. a decrease of 66 per cent compared with 1981. The low-gear performance of IDB in 1982 was due to among other things, an increased debt. servicing burden on loans contracted from foreign sources, resulting from the devaluation of the Kenya shilling. Nevertheless, its activities remained well spread in most branches of manufacturing, e.g. food and beverages, textiles, engineering and metal processing. The projects approved in 1982 will, upon completion, provide employment for an estimated 2,000 persons. About K£31 million worth of output will be generated per annum, with an estimated value added of some K£8 million. Foreign exchange savings will amount to more than K£2 million.

11.35. The DFCK approved 27 projects in 1982 to which it committed K£2.4 million, which represented a decrease of 40.2 per cent compared with the amount committed in 1981. In line with the national objective of industrial decentralization, all of the 13 new projects approved by DFCK were located outside Nairobi and Mombasa. However, a bulk of the funds

committed in 1982 went to existing DFCK projects and other new projects in Nairobi and Mombasa. Food and beverages, vehicles and components and chemicals together received 76.1 per cent of all DFCK commitments during the year.

11.36. The KIE continued to emphasize the promotion of industries in rural areas. Of the 137 projects approved during the year, 106 were in rural areas, compared with 95 projects in 1981. However, commitments declined in 1982 to K£2.5 million, a decrease of 2.4 per cent compared with 1981. Of the funds committed in 1982, 64 per cent (K£1.6 million) were allocated to projects in rural areas. K.I.E. activities were well spread in the food, beverages, textiles, paper, chemical and metal products industries.

11.37. Improved rainfall and weather conditions in 1982 contributed to an increase in tea production, thereby calling for an expansion of processing facilities. Two factories each employing an average of 150 persons became operational during 1982, and are now helping to process the increased green leaf supply. A further six factories are at an advanced stage of construction.

11.38. Other investments announced for the manufacturing sector include the following:

1. A plan of East African Breweries to start a bottle manufacturing plant.
2. Kip and Kale San (Kenya) Limited will start assembling table and wall clocks, and wrist watches.
3. B.A.T. (K) Limited is to invest K£11.5 million in expanding its pro. cessing and manufacturing capacity.
4. Coca. Cola Company has installed a new sugar purification system at a cost of K£125,000 to produce high quality products.
5. A plan to expand the Kenya Co. operative Creameries factory in Eldoret at a cost of K£4 million.
6. Morris and Company is installing equipment valued at K£2 million with an initial annual capacity of 15,000 tons of reinforcing steel.
7. A plant to recycle used oil for shock absorbers and hydraulic systems, built at a cost of K£1.3 million, has become operational at Kikuyu. It has a capacity of 1,500 kg. waste oil input and 1,200 kg. of refined oil output per hour.
8. The Associated Vehicle Assemblies plant in Mombasa is to start assembling 4. wheel drive Datsun double cap pick. ups.
9. An agreement has been reached between an Indian company manufacturing glass products and a Kenya firm to set up a $6.4 million project for the manufacturing of glass sheets.
10. A K£75,000 investment loan has been extended to Wanaruona Saw Mills Limited to facilitate product diversification with respect to wooden doors, windows and other furniture.

Trends in Manufacturing

11.39. Selected indices reflecting output and employment trends in manufacturing are presented in Table 11.7. As previously indicated, the overall index of manufacturing output rose by 2.7 per cent in 1982 while recorded wage employment in the industry grew by 0.3 per cent only.

INDICATORS OF LABOUR COSTS AND PRODUCTIVITY IN MANUFACTURING, 1980-1982

Table 11.7 *Percent*

	1980	1981	1982
1. Change in manufacturing output	+5.2	+5.0	+2.7
2. Change in numbers employed	+2.1	+3.4	+0.3
3. Implicit change in output per worker	+3.1	+1.6	+2.4
4. Wage costs as percentage of gross output	6.5	6.1*	5.9
5. Wage costs as percentage of value added	33.6	33.5	33.4

*Revised.

11.40. Wage costs have tended to diminish as a percentage of gross output value, implying a more than proportional rise in the cost of inputs other than labour. In relation to value added, wage costs have remained relatively constant over the past three years at about a third of the total. Output per worker increased by 2.4 per cent in 1982 as compared with 1.6 per cent in 1981.

CHAPTER 12—BUILDING AND CONSTRUCTION

The level of building and construction activity is an important indicator of overall economic performance, reflecting to a significant extent the underlying trend of the modern sector of the economy. On the basis of the information available, the slow down of building and construction activity which began to be felt in full in the second half of 1981 gained further momentum in 1982, and appears likely to continue through 1983.

12.2. Indicators of real output in the building and construction sector are presented in Table 12.1. Further declines were registered in 1982 by each of the two main sector indicators, i.e. employment and cement consumption, of 1.4 per cent and 11.2 per cent respectively. Following an increase of 15.1 per cent in 1981, construction sector GDP at current prices is estimated to have risen in 1982 by 1.2 per cent only—likewise implying a drop in real sector output in excess of 10 per cent. After reaching record levels in 1980 and 1981, the value of private sector construction completions in 1982 is estimated to have fallen in current price terms by 48 per cent as compared with 1981, reflecting the reduced number of major projects initiated in the immediate preceding years.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1978-1982

Table 12.1 — 1976 = 100

	1978	1979	1980	1981	1982**
Index of reported private building work completed in main towns	132.9	175.9	203.8	206.8	-
Index of reported public building work completed in main towns	62.8	67.6	98.4	69.3	-
Index of Government expenditure on roads	123.4	134.2	125.6	149.6	143.2
Cement consumption ('000 tonnes)	512.3	631.0	691.2	652.5	579.3
Index	118.7	146.2	159.4	149.7	134.3
Employment No	55,304	61,293	63,156	61,360	60,440
Index	117.3	130.1	134.0	130.1	128.2

*Actuals deflated by various buildings or construction cost indexes except lines 4 to 7.

The average of two succeeding years is taken in each case for reported completions of buildings.

**Provisional.

12.3. The provisional results of the quarterly Business Expectations Enquiry similarly indicate that total current price receipts for work done by private contractors in 1982 rose by less than one per cent, as against the rise of 7 per cent reported for 1981. The reported value of stocks and work in progress fell sharply by 32.5 per cent, from K£40 million in 1981 to K£27 million in 1982.

12.4. Aggregate wage earnings originating in the construction sector declined in 1982 by 1.9 per cent, i.e. by slightly more than the 1.4 per cent decline in employment. In the private construction sector wage earnings fell by 7.9 per cent, but this was partially offset by an increase of 13 per cent in wage payments by the public sector. The latter increase was apparently attributable to both the general rise in construction wage rates and the reduction of low income casual employees, resulting in a greater proportion of high income permanent staff.

12.5. The data series on plan approvals presented in Table 12.2 have been revised retroactively to 1980. As is evident, the total value of approvals at current prices continued to trend downwards from K£137 million in 1981 to K£115 million in 1982, i.e. by roughly 16 per cent. This underlines the continued effect of the credit squeeze and the lack of finance for development. However, Nairobi and Mombasa continue to have a lion's share of building plans approved, with Nairobi alone accounting for 61 per cent of approved construction in 1982 as compared with 67 per cent in 1981. The declining weight of approved construction in Nairobi in total municipal approvals, which has been evident since 1980, reflects among other things the Government's long-term policy of spreading housing development to urban areas other than Nairobi and Mombasa.

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1980-1982

Table 12.2 K£'000

	Nairobi	Other Towns	Total
1980 1st Quarter	24,140	8,338	32,528
2nd Quarter	27,356	9,755	37,111
3rd Quarter	13,413	8,925	22,338
4th Quarter	37,933	9,526	47,459
1981 1st Quarter*	24,547	10,947	35,494
2nd Quarter*	20,133	6,169	26,302
3rd Quarter*	20,527	13,978	34,505
4th Quarter	25,910	14,516	40,426
1982* 1st Quarter	19,202	12,184	31,386
2nd Quarter	21,775	12,398	34,173
3rd Quarter	16,636	16,476	33,112
4th Quarter	12,535	3,431	15,996

*Provisional.

12.6. Table 12.3 compares the annual values of building plan approvals and reported completions in the main urban areas. As is evident, the earlier predictions of continued decline in the building and construction sector in 1982 were subsequently confirmed by the lower levels of both plan approvals and building completions. A prominent feature is the wide and apparently growing disparity between approvals and completions, the slow pace of

project completions being attributable primarily to inadequate development financing, delays in the issue of certificates of occupation, underestimation of costs by developers, and the failure of contractors to meet agreed time-tables. These factors result in an overall time lag of one to two years between plan approval and construction completion. Between 1978 and 1982, total plans approved were valued at K£478 million and completions at only K£147 million, i.e. roughly 31 per cent of the total. The need is thus apparent to redress the situation as a prerequisite to boosting activity in the building and construction sector.

COMPARISON OF PLANS APPROVED AND BUILDINGS COMPLETED FOR PRIVATE SECTOR IN MAIN URBAN AREAS, 1978-1982

Table 12.3 *K£million*

	Plans Approved	Building Work Completed
1978	75.81	12.75
1979	82.48	29.13
1980	120.71	2624
1981	116.72	49.95
1982*	82.70	28.76

*Provisional.

12.7. The combined building and construction cost index rose in 1982 by 15.1 per cent, as compared with 9.3 per cent in 1981 and 11.9 per cent in 1980 (Table 12.4). The increase in 1982 was mainly attributable to a 14.6 per cent increase in the price of materials while labour costs rose by a record of 22.3 per cent, as against a much smaller increase in 1981 and an 11.5 per cent increase in 1980. The cost index for building structures rose by 13.9 per cent and for other construction by 14.3 per cent. This upward trend of costs contributed still further to the depressed level of construction activity in 1982.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1979-1982

Table 12.4

	MATERIALS			LABOUR			TOTAL		
	1980	1981	1982**	1980	1981	1982**	1980	1981	1982**
Residential Buildings..	12.3	17.1	12.7	11.5	–	22.3	12.1	12.9	14.1
Non. Residential Buildings..	12.2	12.5	11.8	11.5	-	22.3	12.1	8.5	13.7
All Buildings..	12.2	15.0	12.2	11.5	—	22.3	12.1	10.7	13.9
"Other" Construction..	11.6	13.2	16.9	11.5	_	22.3	11.6	7.9	14.33
TOTAL COST INDEX	12.0	14.1	14.6	11.5	_	22.33	11.99	9.3	15.1

*FromDecember to December.

**Provisional.

12.8. Tables 12.5 and 12.6 show the value and number of new private building structures completed in the main towns, including extensions to existing buildings. The total value of residential and non. residential buildings completed in the private sector in 1982 was approximately K£31 million or about 32 per cent lower than the record level of 1981. This is partly explained by the fact that most of the projects under way in 1980 were completed in 1981, and few major projects extended into 1982. As with plans approved, the largest share of building completions continues to be concentrated in Nairobi and Mombasa, due to their large populations, high average income, better employment opportunities, and superior infrastructure and public services.

THE VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS—1978—1982

Table 12.5 *K£million*

	Nairobi	Mombasa	Nakuru	Kisumu	Kitale	Eldoret	Thika	Others	Total
				Total for Year					
1978	10.19	2.85	0.29			0.11	1.05	0.13	14.62
1979	26.37	4.41	0.60	0.49		0.15	1.09		33.11
1980	20.93	5.99	1.13	0.19		0.38	0.90	0.74	26.98
1981	36.82	10.81	1.71	0.57	0.12	0.27	0.31	7.20	57.81
				Returns received date**					
1981	30.11	8.61	1.68	0.54	0.12	0.27	0.12	4.05	45.50
1982	16.17	9.75	1.81	0.15			0.20	2.66	30.74

*Including the value of extensions.

**Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1981 figures for comparison only.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1978—1982

Table 12.6

	NUMBER		ESTIMATED COST *K£ million*		
	Residential	Non-Residential	Residential	Non-Residential	Total
TOTAL FOR YEAR					
1978..	1,216	89	8.83	3.92	12.75
1979..	2,716	103	23.12	6.01	29.13
1980..	2,065	77	20.91	5.33	26.24
1981..	1,918	84	27.19	22.76	49.95
RETURNS RECEIVED TO DATE**					
1981..	1,466	68	20.98	17.71	38.69
1982..	1,231	42	23.86	4.90	28.76

*Excluding the value of extensions.

**Provisional and incomplete. The late receipt of returns add significantly to the year's total. 1981 figures for comparison only.

12.9. The distribution of private completions in the main towns by residential and non-residential buildings is given in Table 12.6. The figures for 1981 have been revised and are considerably higher than the provisional figures released formerly. The preliminary estimates for 1982 for residential buildings, based on partial reporting only, indicate a drop to 1,231 units as compared with the revised total of 1,918 units for 1981. The value of completed residential construction similarly declined from K£27 million in 1981 to K£24 million. However, the final revised figures for 1982 will most probably be higher. Compared with the preliminary estimates originally obtained for 1981, it would appear that the number of completed residential units in 1982 may have declined by about 16 per cent, while construction value rose by some 14 per cent—due in part to increased building costs. Even sharper declines were recorded in both the number and value of non-residential buildings completed.

12.10. As with private sector construction, the revised 1981 figures for public sector completions of both residential and non-residential buildings are considerably higher than the provisional estimates (Table 12.7). Despite this, the partial estimates for new residential and nonresidential buildings in 1982 indicate further sharp increases in the number and value of completions. The total value of public sector completions in 1982 was apparently some 50 per cent higher in current price terms than in 1981. The figures are, however, subject to change as and when more complete returns are received and analysed.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1978-1982

Table 12.7

	NUMBER		COST K£'000			
	Residential	Non-Residential	Residential	Non-Residential	Total	Total*
TOTAL FOR YEAR						
1978	582	76	2,634.5	2,775.7	5,410.2	5,452.9
1979	221	5	1,195.5	40.2	1,235.7	1,759.7
1980	481	58	7,548.6	13,298.1	20,846.7	21,535.8
1981	206	21	3,719.5	926.5	4,646.0	5,370.4
RETURNS RECEIVED TO DATE**						
1981	83	7	2,375.3	303.7	2,679.0	2,679.0
1982	334	65	4,311.6	3,818.0	8,129.6	8,141.0

*Including the value of extensions.

**Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1981 figures for comparisons only.

12.11. The major building projects which were at an advanced stage in 1981 and which were completed in 1982 included: Development House Phase II, Kimathi House, extensions to Norfolk Hotel, the DFCK Headquarters, Silver Springs Hotel, Nairobi Provincial Headquarters, Ngumo

Estate, and Phase III of Kenyatta National Hospital—all in Nairobi. Major building projects completed outside of Nairobi in 1982 included: Bima Towers, Ambalal House, Reinsurance Plaza, and Fatemi House—all in Mombasa; and a new luxury resort complex at Diani Beach Hotel in the South Coast. Kakamega Golf Hotel and the redevelopment of Lake Baringo Club (formerly Lake Baringo Lodge) were also completed in 1982. The following building projects were in an advanced stage in 1982: Kenya Posts and Telecommunications Housing Estate in Nakuru, and Thika Municipal rental, mortgage and tenant purchase schemes comprising 345 housing units. Construction on the following projects is at various stages of development and will continue into 1983 and thereafter: New Nairobi University Library, Kayole Urban Housing Project comprising 10,000 housing units, Umoja Phase II comprising 4,000 units, Kenya Ports Authority Housing Scheme in Mombasa, Chester House, "Sarit Centre" shopping complex in Westlands, Nairobi, Ngong Road Luxury Apartments, and Lilian Towers on University Way—Nairobi.

12.12. Direct expenditure by the Central Government on housing is shown in Table 12.8. Total approved expenditure increased from K£8.2 million in 1981/82 to K£10.1 million in 1982/83, i.e. by roughly 23 per cent, compared to an average annual rate of increase of 5.7 per cent between 1977/78 and 1982/83. This underlines the importance attached by the Government in recent years to the provision of housing. Although loans to the Housing Finance Company of Kenya in 1982/83 remained at the level of 1981/82 and loans to the National Housing Corporation fell slightly from K£5.7 million to K£5.6 million, expenditures on housing research and staff mortgages rose by 58 per cent and 47 per cent respectively, reflecting the Government's long-term policy objectives in the field of housing development.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1977/78-1982/83

Table 12.8 K£'000

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1977/78	7,686.1	7,098.9	3.9
1978/79	8,490.6	7,764.9	2.8
1979/80	9,092.5	7,303.6	3.9
1980/81	8,052.0	7,334.4	3.5
1981/82	8,180.0	7,975.7	–
1982/83	10,126.6	–	–

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1978-1982

Table 12.9

	1978	1979	1980	1981	1982
Units Completed					
PROVINCE—					
Central	159	207	337	–	–
Coast	51	190	350	–	13
Eastern	51	–	249	–	70
Nairobi	862	3,056	616	1,072	2,311
North Eastern	–	–	–	–	–
Nyanza	300	–	286	106	180
Western	–	171	272	–	–
Rift Valley	121	461	1,417	1,577	354
TOTAL NUMBER	1,544	4,085	3,527	2,735	2,928
Value of Units Completed K£'000					
Central	284	160	370	–	–
Coast	107	157	875	–	155
Eastern	99	–	331	-	263
Nairobi	2,622	5,177	1,604	963	2,031
North Eastern	–	–	–	–	–
Nyanza	277	–	612	185	432
Western	207	165	206	–	–
Rift Valley	295	819	1,666	1,821	1,333
TOTAL VALUE	3,891	6,478	5,664	2,969	4,214
Site and Service Plots Completed: No.	1,077	2,389	2,454	2,719	2,550

12.13. The number of housing units completed by the National Housing Corporation rose from 2,735 in 1981 to 2,928 in 1982, an increase of 193 units after a sharp fall of 792 units between 1980 and 1981 (Table 12.9). Nairobi had the largest share with 2,311 units completed at a cost of K£2.03 million, followed by Rift Valley Province with 354 units costing K£1.33 million and Nyanza Province with 180 units costing K£0.43 million. In Coast and Eastern provinces 13 and 70 units respectively were completed at corresponding costs of K£0.16 million and K£0.26 million.

12.14. The site and service plots put up by the National Housing Corporation are intended for low income families in urban areas which are unable to raise sufficient funds to purchase a completed house. In 1982, a total of 2,550 such units were completed compared with 2,769 in 1981. A number of other site and service plots are at various stages of development, and when completed will further ease the demand for housing for low income urban dwellers.

12.15. The value of building plans approved by the Nairobi City Council fell by 11.4 per cent from K£102.8 million in 1980 to K£91.1 million in 1981, Table 12.10. A further decline of 23 per cent was registered in 1982, when the value of approvals dropped to K£70.1 million. The decline was particularly evident with respect to the number of large projects in the initial states of development.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY THE NAIROBI CITY COUNCIL, 1978-1982

Table 12.10 *Estimated Cost* K£'000

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1978	26,202	25,206	51,408	4,716	2,716	7,432	58,840
1979	33,641	23,478	57,119	1,765	8,570	10,335	67,454
1980	53,238	35,719	88,957	1,322	12,563	13,885	102,842
1981	56,269	26,222	82,491	1,327	7,299	8,626	91,117
1982	34, 013	26, 797	60, 810	6, 842	2, 496	9, 338	70, 148
1980—							
1st Qr.	16,085	5,360	21,445	476	2,219	2,695	24,140
2nd Qr.	13,602	9,426	23,028	418	3,910	4,328	27,356
3rd Qr.	7,635	4,863	12,488	169	756	925	13,413
4th Qr.	15, 926	16, 070	31, 996	259	5, 678	5, 937	37, 933
1981							
1st Qr.	14,051	5,926	19,977	769	3,801	4,570	24,547
2nd Or.	13,167	6,663	19,830	–	303	303	20,133
3rd Qr.	12,535	7,386	19,921	400	206	606	20,527
4th Qr.	16, 516	6, 247	22, 763		2,989	3,147	25, 910
1982—							
1st Qr.	7,687	8,526	16,213	2,300	683	2,989	19,202
2nd Qr.	12,187	7,732	19,919	788	1,068	1,856	21,775
3rd Qr.	9,214	4,476	13,690	2,573	373	2,946	16,636
4th Qr.	4,925	6,063	10,988	1,175	372	1,547	12,535

12.16. In Nairobi and other municipal areas, private developers play a leading role in the supply of both residential and non-residential buildings, thereby overshadowing the public sector. In 1982 for example, the Nairobi City Council approved private residential building plans to the value of K£34 million, compared to slightly under K£7 million for the public sector. About 87 per cent of the total value of approvals for residential and non-residential buildings combined were for the private sector, leaving only 13 per cent for the public sector. Private sector building caters for all income brackets, while public sector construction is weighted towards low income housing. Projects in this category in the Nairobi area include the Umoja Housing Estate, Dandora site and service scheme, and Kayole Urban Housing Project—all in various stages of development.

12.17. The problem of housing development is being studied by a Working Group comprising, among others, representatives of the Ministry of Works and Housing and the University of Nairobi Housing Research and Development Unit. The recommendations of the group, when implemented, will hopefully eliminate the impediments currently obstructing low income housing construction. The measures contemplated include: cheaper infrastructure

services, curtailment of long procedures for project approval, instruction of contractors on construction technology and methods of costing and finance procurement, and research into the availability and possible utilization of cheap local construction materials.

12.18. Table 12.11 presents revised estimates of the value of building plans approved in urban areas other than Nairobi. The value of these approvals rose from K£33.8 million in 1980 to K£38.3 million in 1981, but dropped to K£33.1 million in 1982—reflecting the reduced activity of private developers who customarily play a key role in both residential and non-residential construction in urban areas. Over the five-year period 1978-1982, the private sector contributed in value terms and average of 86 per cent of the building plans approved. In 1982, however, their share fell to 66 per cent. In the same year, 51 per cent of all plans approved for the private and public sectors combined were for residential structures, and 49 per cent for non-residential purposes.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY OTHER MUNICIPALITIES, 1978-1982

Table 12.11 *Estimated Cost K£ '000*

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1978	8,266	16,132	24,398	540	1,260	1,800	26,198
1979	12,808	12,551	25,359	693	2,991	3,684	29,043
1980	16,119	15,634	31,753	1,653	409	2,062	33,815
1981	15,851	18,379	34,230	2,623	1,456	4,079	38,309
1982*..	13,585	8,301	21,886	3,206	8,008	11,214	33,100
1980—							
1st Qr.	3,608	2,597	6,205	1,200	30	1,230	7,435
2nd Qr.	3,089	5,519	8,608	400	90	490	9,098
3rd Qr.	4,816	3,141	7,957	15	244	259	8,216
4th Qr.	4,606	4,377	8,983	38	45	83	9,066
1981—							
1st Qr.	3,987	2,473	6,410	—	1,265	1,265	7,675
2nd Qr.	2,224	2,098	4,322	40	—	40	4,362
3rd Qr.	4,793	6,102	10,895	2,002	100	2,102	12,997
4th Qr.	4,897	7,706	12,603		91	672	13,275
1982*—							
1st Qr.	5,684	3,547	9,231	206	1,610	1,816	11,047
2nd Qr.	2,878	1,872	4,750	425	6,330	6,755	11,505
3rd Qr.	3,356	1,933	5,289	2,460	68	2,528	7,817
4th Qr.	1,667	949	2,616	115	—	115	2,731

*Provisional.

12.19. Comparative data on the value of private sector building plans approved and the value of buildings completed in the main urban areas are presented in Table 12.12. It emerges that the proportion of approvals actually implemented through to final completion is very low. Over the five-year period 1978-1982, an average of only 22.5 per cent of non-residential building approvals were brought to final completion; the corresponding figure for residential buildings was 42.8 per cent. A major cause underlying the disparity is the failure in many cases of developers to arrange adequate financing in advance. Another is the tendency on the part of some contractors

to undertake building commitments in excess of their capacity. In this connection, the proposed contractors' bond could contribute to an alleviation of the situation by ensuring a firm commitment by both developers and contractors to an agreed project timetable.

COMPARISON OF BUILDING PLANS AND COMPLETION DISTINGUISHING BETWEEN RESIDENTIAL AND NON-RESIDENTIAL UNITS, 1978 TO 1982

Table 12.12 *K£million*

	Residential		Non-Residential	
	Plans	Completions	Plans	Completions
1978	34.47	8.83	41.34	3.92
1979	46.45	23.12	36.03	6.01
1980	69.36	20.91	51.35	5.33
1981	72.12	27.19	44.60	22.76
1982	47.60	23.86	35.10	4.90
TOTAL	270.00	103.91	208.42	42.92
Proportions*	42.8 per cent		22.5 per cent	

*Completions related to plans, excluding plans for 1982 and completions in 1978.

Roads

12.20. Data on the national road network are presented in Table 12.13. The network has grown from 1,800 km. of paved roads at the time of independence to 6,331 km. of bitumen roads and 49,195 km. of earth/gravel roads, i.e. a total of 55,526 km. of classified roads as at 1st July, 1982. In addition, there is a network of just over 100,000 km. of tracks and other unclassified roads in the rural areas.

KILOMETRES OF ROADS AS AT 1ST JULY, 1978 AND 1ST JULY, 1982

By Type and Classification

Table 12.13

	1978		1982	
	Bitumen*	Earth Gravel**	Bitumen*	Earth Gravel**
A—International Trunk Roads..	1,973.0	1,618.3	2,338.8	1,256.4
B—National Trunk Roads	859.4	1,870.6	1,149.6	1,636.5
C—Primary Roads	1,472.2	6,005.6	1,823.9	5,993.2
D—Secondary Roads	463.1	9,130.5	689.7	10,369.0
E—Minor Roads	74.1	19,945.7	272.6	25,503.0
F—Special Purpose Roads	63.3	4,345.8	56.3	4,436.9
TOTAL	4,900.1	42,916.6	6,330.9	49,195.0

*Bitumen Roads:—Include Government access, Township and Municipality roads.
**Earth/Gravel: —Include township, settlements, strategic, tourist, sugar, tea, wheat and Special Rural Development Programme (S.R.D.P.) roads.

12.21. Whereas in 1978 some 45 per cent of the international trunk road network were of earth/gravel, the proportion had declined by 1982 to 35 per cent. For national trunk roads, the proportions of earth/gravel in 1978 and 1982 were 65 per cent and 58 per cent respectively. These changes reflect the trend towards progressively upgrading both the international and national trunk networks to bitumen standard. The total length of international and national trunk roads of bitumen standard was 2,832 km. in 1978 and 3,488 km. in 1982, compared with 3,489 km. and 2,893 km. respectively of earth/gravel roads.

12.22. The Rural Access Roads Programme (RARP), which was initiated in 1974, still constitutes the major expenditure item of the Ministry of Transport and Communications. The programme currently covers 26 districts and efforts are being made to expand the coverage to all remaining districts. As at July 1982, 6,100 km. of roads had been constructed under this programme of which 2,300 km. were gravelled. Another programme of importance undertaken by the Ministry is the Gravelling, Bridging and Culverting Programme (GBCP), which was started in 1976 with the objective of raising secondary and minor roads to all-weather standards. The two programmes are intended to facilitate the transportation of agricultural products from rural areas to market centres. Plans are also under way to improve the Kenya sections of the Pan-African Highway and the Trans-East African Highway.

12.23. Expenditure on new road construction is shown in Table 12.14. Total expenditure under this head rose by 13 per cent in 1982/83, compared with 1981/82. While expenditure on primary and secondary roads decreased by 37 per cent and 22 per cent respectively, expenditure on other classified miscellaneous roads increased by 11 per cent and on unclassified roads (mostly in farm areas) by more than two-and-a-half fold. This latter development reflects the emphasis now being placed on rural access road construction. No provision was made, however, for implementation of road maintenance organization either in 1981/82 or 1982/83

TOTAL EXPENDITURE ON ROADS, 1980/81-1982/83

Table 12.14 K£'000

	1980/81	1981/82	1982/83
DEVELOPMENT—			
Trunk Roads	14,749.2	21,954.2	34,565.1
Primary Roads	8,395.1	18,733.1	11,737.1
Secondary	2,587.4	3,035.1	2,355.0
Unclassified Roads	2,823.2	1,145.0	2,901.3
Miscellaneous Roads	9,025.0	9,850.0	10,950.0
Implementation of road maintenance organization	0.3	—	—
TOTAL	37,580.2	54,717.4	62,508.5
RECURRENT (maintenance and repair)	15,984.9	14,222.6	15,635.0
TOTAL	53,565.1	68,940.0	78,143.5

12. 24. The maintenance and repair of roads other than in Nairobi is carried out by the Roads Department of the Ministry of Transport and Communications. The work in Nairobi is undertaken by the Nairobi City Council. The major road and bridge projects completed in 1982/83 included Kapsabet. Nabkoi, Limuru. Uplands, Phase IV of roads in Nairobi industrial area, and also Sare and Kuja bridges. Among the major road projects in progress in July 1982 and still in various stages of development are: Marich Pass-Lake Turkana, Mau Summit, Kericho,Kisumu, Naivasha, Lanet, Tuchi-Nkubu, Marigat-Kabarnet, and Matukano-Kitui. All of these road projects are financed by the Government of Kenya in collaboration with the World Bank and/or other specified donor agencies.

12. 25. Dam and hydro-electric power plant construction along the river Tana includes the completed Masinga Dam and Kiambere Hydro-electric Project, and other projects at various stages of completion. Construction is also under way by the Ministry of Water Development of various water schemes designed to meet the target of piped water supply in all rural areas by the year 2000. Details of expenditure on water projects are given in Chapter 9. Total capital expenditure by the Central Government and local authorities is shown in Chapter 6, while Chapter 2 on the Domestic Economy includes tables on gross capital formation, sources of financing and the types of assets acquired.

CHAPTER 13—TOURISM

The failure of developed world economies, which are the major tourist markets, to recover from recessionary conditions in 1982 led to less travel world-wide. International tourism, however, did much better relative to other economic activities in the period under review in that only a small decline was recorded. Compared to commodity trade, which showed a decline of about 5 per cent, tourism performance was encouraging in that only a 1.3 per cent decline was recorded. People continued to go on holiday trips despite the prevailing economic difficulties. The emerging trend, however, is that travellers are avoiding most remote destinations, cutting down their travel budgets, and are shortening days stayed. The implication of these conditions is that the share of the third world in the tourist market remains small—it was 30 per cent in 1982 as has been in the past.

13.2. Kenya's tourism performed better in 1982 than in 1981. Incoming tourists increased by 5 per cent while departing visitors experienced only a marginal increase. Europe continues to be the major source of tourism to Kenya. European, North American and Asian tourists increased in 1982 while African tourists fell. Total days stayed in the country expanded by 8.5 per cent while average length of stay went up by one day. Bed nights and rooms occupied fell slightly while their availability rose. Consequently, room and bed occupancy rates fell by 11.7 per cent and 6.5 per cent, respectively. Tourist earnings went up by 28.9 per cent in money terms. Increased tourism promotion by both public and private sectors overseas has probably contributed to the better performance of tourism in the year under review.

13.3. Table 13.1 details the number of visitors arriving and departing by purpose of visit. Both arrivals and departures rose in 1982. Quarterly arrivals went up in all but the third quarter, while departures showed an increase in all but the first quarter. Visitor arrivals increased by 5 per cent in 1982 to reach 383,300 (excluding the 11,200 visitors categorized as other), but fell short of the previous peak of 393,300 reached in 1980.

13.4. Holiday visitors comprise the largest proportion of visitors to Kenya; in recent years their numbers have ranged between 72 per cent and 76 per cent of all arriving visitors. Business visitors and visitors in transit comprise the remaining 25 per cent to 28 per cent. Holiday visitors increased by 8.8 per cent in 1982, to stand at 298,100 which was the highest for four years. The first, second and fourth quarters experienced increases in arrivals in 1982 over the corresponding 1981 quarter. The third quarter registered a fall. Both business and transit arrivals fell in 1982.

13.5. The number of departing visitors grew marginally in 1982, by 1 per cent, to 355,800 (excluding the 10,800 categorized as other) which was below the 1980 peak level of 362,600. Holiday visitor departures like holiday visitor

ARRIVING AND DEPARTING VISITORS BY PURPOSE OF VISIT, 1980-1982

Table 13.1 **'000**

Quarter/Purpose	ARRIVALS			DEPARTURES		
	1980	1981	1982*	1980	1981	1982*
IstQr. Holiday	83.2	74.5	85.5	93.4	92.7	85.8
Business	12.3	11.5	11.4	9.1	8.1	9.0
Transit	12.9	9.5	7.7	10.7	10.1	8.7
Other			3.5			3.5
TOTAL	108.4	95.5	108.1	113.2	110.9	107.0
2nd Qr. Holiday	65.3	44.5	53.7	53.6	49.8	50.1
Business	15.5	13.3	12.7	7.7	10.9	11.2
Transit	16.7	10.4	10.3	11.6	9.4	10.3
Other			3.7			3.3
TOTAL	97.5	68.2	80.4	72.9	70.1	74.9
3rd Qr. Holiday	63.5	77.5	70.1	65.7	64.6	67.6
Business	9.7	12.8	9.8	6.6	10.1	7.2
Transit	11.9	12.6	11.8	11.6	12.0	10.2
Other			2.7			2.4
TOTAL	85.1	102.9	94.4	83.9	86.7	87.4
4th Qr. Holiday	78.7	77.4	88.8	69.3	63.4	71.5
Business	11.4	10.4	12.4	12.6	11.5	12.2
Transit	12.2	10.8	9.1	10.7	9.6	12.0
Other			1.3			1.6
TOTAL	102.3	98.6	111.6	92.6	84.5	97.3
Year Holiday	290.7	273.9	298.1	282.1	270.5	275.0
Bussiness	48.9	48.0	46.3	36.0	40.5	39.6
Transit	53.7	43.3	38.9	44.6	41.2	41.2
Other			11.2			10.8
TOTAL	393.3	365.2	394.5	362.6	352.2	366.6

*Provisional.

arrivals form the majority of visitors leaving. They comprise between 75 per cent and 80 per cent of all visitors. Their number grew marginally, by 1.7 per cent from 270,500 in 1981 to 275,000 in 1982.

13.6. Table 13.2 gives details of visitor departures by country of origin and it shows that all regions increased their numbers in 1982. European departing visitors, whose share has been around 60 per cent, increased their numbers from 212,400 in 1981 to 219,400 in 1982 or by 3.1 per cent, but numbers remained below the 1980 peak of 227,200. West Germany, the single major source of tourists coming to Kenya, suffered a fall for the second year running. The fall was 8.1 per cent in 1982 compared to 1.2 per cent the previous year. Other European countries showed modest increases in their numbers.

VISITOR DEPARTURES BY COUNTRY OF RESIDENCE, 1980-1982

Table 13.2 '000

	HOLIDAY VISITORS			ALL VISITORS*		
	1980	1981	1982	1980	1981	1982
EUROPE—						
United Kingdom	40.9	33.4	38.3	49.9	43.5	48.2
West Germany	60.6	57.9	65.1	76.2	75.3	69.2
Italy	16.7	16.8	20.6	21.6	21.9	22.7
France	14.6	11.1	14.6	15.6	14.5	16.8
Switzerland ..	24.2	19.9	27.9	27.3	25.9	30.4
Other Europe	30.6	24.0	26.0	36.6	31.3	32.1
TOTAL	187.6	163.1	192.5	227.2	212.4	219.4
NORTH AMERICA—						
United States	26.3	26.0	29.6	30.8	33.8	36.8
Canada	4.2	4.0	4.4	5.0	5.2	5.8
TOTAL	30.5	30.0	34.0	35.8	39.1	42.6
ASIA TOTAL	19.0	19.8	18.6	27.1	25.8	28.3
AFRICA—						
Uganda	7.6	4.3	4.2	10.4	5.6	14.7
Tanzania	2.4	5.3	4.9	3.5	6.9	10.7
Zambia	4.6	4.6	1.4	7.6	5.9	4.7
Other Africa	24.9	34.0	15.8	43.1	44.2	41.3
TOTAL	39.5	48.2	26.3	64.6	62.6	71.4
OTHER TOTAL	5.5	9.4	3.6	7.9	12.3	4.9
GRAND TOTAL	282.1	270.5	275.0	362.6	352.2	366.6

*Includes business visitors and persons in transit.

13.7. Asian, African and North American visitors registered increases but their numbers are rather small. The combined share of Asian and African visitors has been fluctuating between 25 per cent and 30 per cent since 1979 and has shown no definite trend. North American visitors whose share is relatively small at around 10 per cent has shown a strong tendency to rise. It is probable that efforts to attract North American visitors are having a bigger impact currently.

13.8. As has been observed, departing holiday visitors increased their numbers only marginally by 1.7 per cent, or 4,500. This rise was contributed by Europe and North America, while Africa and Asia registered declines. West German holiday visitors increased from 57,900 in 1981 to 65,100 in 1982, arresting the previous years' decline and surpassing the previous peak of 60,600 for 1980.

13.9. The decline in African holiday makers was most likely due to economic difficulties which have been facing developing countries for some time. Holiday visitors from "Other Africa" drastically fell from 34,000 in 1981 to 15,800 in 1982. The decline in this category entirely explains the drop in total holiday visitors from Africa.

13.10. Table 13.3 depicts that most visitors continue to travel by air. In 1981, 95.4 per cent of all departing tourists travelled by air compared to 94.1 per cent in 1982. Road travel is the only other means which is important to visitors. Road links to Ethiopia and Sudan are potentially important, but so far the Uganda link is the most important as it connects Kenya with Central, Western and Southern Africa since the Tanzania border remains closed. The security situation in Uganda has been improving, leading to more use of this road link.

VISITOR DEPARTURES BY METHOD OF TRAVEL, 1978-1982

Table 13.3 '000

	1978	1979	1980	1981	1982
Air	309.6	326.3	344.0	336.0	345.0
Sea	1.5	0.9	1.3	1.0	–
Road	22.2	20.0	17.4	15.2	21.6
Lake	—	—	—	—	—
Rail	—	—	—	—	—
TOTAL	333.3	347.2	362.7	352.2	366.6

13.11. Average length of stay showed an increase from 15.2 days in 1981 to 16.3 days in 1982 which was higher than the previous peak of 15.7 reached in 1980. The increase was accounted for by the rise in the number of visitors staying over 28 days, while those staying less than 15 days registered a minor decline. Visitors who stay in private homes stay longer and this tends to improve the average days stayed in the country by the various categories of visitors. The tendency is not reflected in Table 13.6 because the latter only covers hotels. Total days spent improved from 5.4 million in 1981 to 5.8 million or an increase of 7.4 per cent. The 1982 level exceeded the previous peak reached in 1980 by 2 per cent.

13.12. As indicated in Table 13.4 not all visitors recorded an increase in total days stayed. The British, many of whom spend their visits in private homes registered an increase of 8.4 per cent while West Germans recorded the second decline, of 6.1 per cent, after a sharp rise in 1980. Long distance visitors—mostly Americans and Asians—recorded longer stay, but their numbers are relatively small. European visitors continued to dominate in

the number of days spent contributing between 60.5 and 66.2 per cent since 1978. They accounted for 65.5 per cent in 1981. The number of days spent by Hast African residents and those from "Other Africa" also improved but was below the 1979 peak levels.

TOTAL STAY OF DEPARTING VISITORS AND AVERAGE LENGTH OF VISIT, 1978-1982

Table 13.4

Length of Stay	1978	1979	1980	1981	1982
	Total Stay—'000 *Days*				
0-14 days	1,547	1,586	1,838	1,754	1,716
15-28 days	1,478	1,510	1,773	1,752	1,913
Over 28 days	1,720	2,301	2,086	1,839	2,174
TOTAL	4,745	5,397	5,697	5,345	5,803
	Average length of Stay—*Days*				
0-14 days	6.6	6.7	7.4	7.4	7.3
15-28 days	20.2	20.2	20.5	20.3	20.5
Over 28 days..	64.2	62.2	72.6	70.0	75.7
TOTAL	14.2	15.5	15.7	15.2	16.3
	Total Stay by Originating Areas—'000 *Days*				
East Africa	348	368	220	164	243
Other Africa	443	602	547	476	507
United Kingdom	840	931	973	866	939
West Germany	983	1,054	1,328	1,317	1,237
Other Europe	1.323	1,346	1,476	1,372	1,633
North America	478	599	586	570	690
Asia	329	409	443	389	467
All Other	91	88	124	191	87
TOTAL	4,745	5,397	5,697	5,345	5,803
	Total Stay by Purpose of Visit—'000 *Days*				
Holiday	4,382	4,851	5,039	4,766	6,160
Business	307	492	512	458	511
Transit	57	55	146	121	132

13.13. The tourist industry again recorded an improvement in earnings. Estimated receipts in 1982 were K£116 million compared to K£90 million in 1981 in money terms, a rise of 28.9 per cent. The corresponding growth in real terms was eroded by the continued inflationary pressure world-wide and the devaluation of Kenyan shilling in 1982.

13.14. The overall bed night occupancy was rising steadily upto 1980, from where it fell marginally by 1.4 per cent. It declined further from 4,691 thousand bed nights occupied in 1981 to 4,629 thousand in 1982 as shown in

Table 13.5. The fall in bed nights occupied would have been greater but for a marginal increase by foreigners who share nearly three-quarters of beds.

The margina tall in bed nights occupied and a large increase in bed capacity led to a drop of 6.5 per cent in bed occupancy rate from 55 per cent in 1981 to 51 per cent in 1982

HOTEL BED OCCUPANCY, 1978-1982

Table 13.5

'000 Bed nights

	1978	1979	1980	1981	1982
Permanent Occupants*	368	382	410	364	312
Kenya Residents	701	802	789	794	773
Residents of—					
Uganda and Tanzania	84	99	98	90	74
Foreign Residents	2,829	3,055	3,420	3,443	3,470
TOTAL BEDS OCCUPIED	3,982	4,338	4,717	4,691	4,629
TOTAL BEDS AVAILABLE	7,358	8,043	8,325	8,525	9,011
Bed Occupancy Rate *per cent*	54.1	53.9	56.7	55.0	51.0

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

HOTEL BEDS OCCUPIED BY AREA, 1978-1982

Table 13.6

'000 Bed nights

	1978	1979	1980	1981	1982
Nairobi—High Class	570.9	611.0	609.8	586.9	543.7
Other	839.1	884.2	904.3	890.0	857.0
Coastal—Beach	1, 654.0	1, 809.6	2,055.3	2,039.1	2,096.9
Other	254.5	305.4	345.4	344.3	328.1
Coast Hinterland	121.0	120.5	134.9	131.3	115.9
Masailand	152.2	161.8	193.5	193.3	211.7
Central	269.0	287.0	318.4	343.8	329.9
Other	121.6	158.6	155.6	162.3	155.2
TOTAL	3,982.3	4,338.1	4,717.3	4,691.0	4,628.5
Of which: —					
Foreigners	2,828.6	3,055.1	3,420.3	3,443.4	3,469.6
E. A. Residents*	1,153.7	1,283.0	7,297.0	1,247.6	1,158.9
TOTAL BEDS AVAIlable	7,385.0	8,043.5	8,324.9	8,525.5	9,011.9
Occupancy rate per cent	54.1	53.9	56.7	55.0	51.4

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

13. 15. Table 13. 6 depicts hotel occupancy in various tourist zones. Nairobi and Coastal hotels dominate the scene. The share of the two zones in bed. nights occupied has been around 83 per cent since 1978. Coastal hotels comprise the largest proportion which has been fluctuating between 46.3 per

HOTEL ROOM AND BED AVAILABILITY AND OCCUPANCY RATES, BY AREA, 1978-1982

Table 13. 7

	NAIROBI		COASTAL		Others						
	High Class	Other	Beach	Mombasa Island	Coast Hinterland	Masai land	Nyanza Basin	Western	Central	Nothern	All Hotels
1978—											
Rooms available—'000 *nights*..	665	906	1,262	290	132	150	114	61	358	27	3,964
Occupancy *me—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
1979—											
Rooms available '000 *nights.*	664	920	1,401	331	137	156	147	98	462	28	4,346
Occupancy rate —*per cent*	70	68	70	64	47	56	54	37	42	24	63
Beds available—'000 *nights*..	1,184	1,631	2,781	614	285	312	253	149	777	57	8,043
Occupancy rate—*per cent*	52	54	64	50	42	52	42	28	37	20	54
1980—											
Rooms available—'000 *nights*..	647	917	1,431	351	137	168	156	100	482	31	4,418
Occupancy rate—per *cent*	71	69	78	66	52	62	50	35	43	21	66
Beds available—'000 *nights*..	1,259	1,629	2,856	649	289	336	270	156	835	56	8,325
Occupancy rate—per *cent*	49	55	72	53	47	58	38	38	38	20	57
1981—											
Rooms available—'000 *nights*..	653	934	1,439	354	139	164	156	108	494	26	4,467
Occupancy rate—*per cent*	70	67	76	54	52	64	51	36	45	21	65
Beds available—'000 *nights*..	1,268	1,681	2,959	652	288	325	272	164	866	51	8,526
Occupancy rate —*per cent*	46	53	69	51	46	60	39	30	40	18	55
1982—											
Rooms available—'000 *nights*..	641	944	1,708	352	137	183	148	106	474	23	4,716
Occupancy rate—*percent*	64	64	68	63	46	62	47	34	45	22	57
Beds available—'000 *nights*..	1,249	1,744	3,391	667	286	364	262	168	835	45	9,011
Occupancy rate —*per cent*	47	49	62	49	41	58	34	28	40	18	51

cent and 52.4 per cent while Nairobi's share has been between 30.3 per cent and 36.7 per cent. The proportion of beach hotels in total bed nights occupied has been rising steadily since 1978 to reach 54.3 per cent in 1982. Increases in hotels occupied in the beach area and in Masailand were more than offset by relatively bigger falls in other zones. Beach hotels have continued their attraction for visitors despite the prevailing difficult economic conditions in most countries. The proportion of hotels bed nights occupied by East African residents, including permanent residents, has been fluctuating between 25 per cent and 30 per cent.

13.16. Details of rooms and beds available in 1982 in the various zones are given in Table 13.7. Bed capacity has been increasing over time and rooms available stood at 4,716 thousand in 1982, an increase of 5.6 per cent over 1981. Three zones—Beach, Masailand and "Nairobi other" contributed to the observed rise. All the remaining areas registered marginal decreases. The increase in room availability and the fall in number of rooms occupied led to a drop in room occupancy rate from 65 per cent in 1981 to 57 per cent in 1982. Bed occupancy rate also fell to 51 per cent in 1982 from 55 per cent in 1981. These declines resulted from improved bed availability and a fall in bed occupancy. Room occupancy level which has fluctuated between 63 and 66 per cent was the lowest in five years.

13.17. Most of the visitors who came to Kenya in recent years stayed either in Nairobi or Coast hotels. In 1982, bed nights stayed at the Coast and Nairobi, were 52.4 and 30.3 per cent, respectively. In that year, hotel bed-nights occupied at the Coast increased marginally by 2 per cent to 2,425 thousand. All the remaining areas experienced falls. This suggests that there

HOTEL BEDS OCCUPIED BY COUNTRY OF RESIDENCE, 1982

Table 13.8 '000 *Bed nights*

Country of Residence	Nairobi	Coast	Lodges	Other	Total
Kenya	239.2	269.1	45.2	219.3	772.8
Uganda	40.2	9.5	0.1	5.3	55.1
Tanzania	15.2	3.2	0.1	0.6	19.1
Other Africa	118.6	23.1	3.0	2.9	147.6
United Kingdom	154.8	228.7	49.3	22.1	454.9
West Germany	90.0	1,004.3	74.9	18.0	1,187.2
France	35.4	66.1	36.0	8.7	146.2
Italy	26.4	122.6	26.2	5.7	180.9
Switzerland	25.5	382.9	40.5	13.7	462.6
Scandinavia	40.5	30.7	10.8	5.7	87.7
Other Europe	73.4	146.3	24.1	9.9	253.7
U.S.A	120.0	41.2	81.7	23.9	266.8
Canada	23.3	8.2	8.2	7.3	47.0
Asia	79.2	19.6	15.1	7.9	121.8
All Other	61.7	28.8	10.2	12.6	113.3
Permanent Occupants	257.3	40.8	0.5	13.2	311.8
TOTAL	1,400.7	2,425.1	425.9	376.8	4,628.5

was a general preference for the Coast in 1982. European tourists who occupy the majority of bed nights in Kenyan hotels increased their bed nights stay at the Coast by over 2 per cent in 1982. West Germans, "Other Europeans" and Italians contributed most of the increase observed. Visitors from the United Kingdom, however, reduced their share of bed nights considerably. North Americans, Asians and "all other" areas each registered a rise in hotel bed occupancy. African presence in hotels was low throughout the year.

13.18. Bed nights occupied at lodges and in all "other areas" declined in 1982. However, tourists from Asia and from "all other" countries increased bed nights stayed in these facilities. Among the European tourists, the French and Swiss are the only ones who increased their bed night occupancy in lodges and "other areas" in 1982.

13.19. In 1982, bed nights spent in national parks and game lodges were fewer confirming observed trends in hotel bed nights. Between 1979 and 1981, foreign visitors' bed nights were rising while those of East African residents reached a peak in 1980 and then fell in 1981. These details are given in Table 13.9. A total of 425,900 bed nights were recorded in game reserve and national park lodges in 1982 compared to 434,200 in 1981, a decrease of 2 per cent. As in previous years, foreign residents spent more bed nights in game reserve lodges, thereby improving their occupancy by 7.2 per cent but decreasing their occupancy in national park lodges by 10.3 per cent. Bed occupancy rates in game lodges and self. service lodges were higher in 1982 than in 1981. Overall, however, the bed occupancy rate in national park and game reserve lodges fell from 54.3 per cent in 1981 to 52 per cent in 1982. The fewer bed nights spent in these facilities indicate the general trend to restrict the travel budget and to cut down total days spent. Since Safari visits are generally more expensive than beach visits, safari visitors probably favoured self. service lodges.

GAME LODGE* OCCUPANCY, 1980—1932

Table 13.9

LODGE LOCALITY/ TYPE	BIDS OCCUPIED '000 *Nights*						BED OCCUPACY RATE *Percentage*		
	E.A. Residents			Foreign Residents					
	1980	1981	1982	1980	1981	1982	I980	1981	1982
National Parks.	38.6	37.4	31.4	144.8	175.2	157.1	44.4	49.7	43.1
Game Reserves	15.8	13.6	14.4	203.6	208.0	223.0	69.2	59.8	62.1
TOTAL	54.4	51.0	45.8	348.4	383.2	380.1	55.2	54.3	52.0
of which									
Full Catering..	43.7	37.9	36.2	334.0	368.2	356.5	57.2	58.1	53.9
Self-Service	10.7	13.1	9.6	14.4	15.0	23.6	36.3	28.5	36.5

*Lodges in National Parks and Game Reserves only.

13.20. The number of visitors to national parks has been on the upward trend during the period under review. Between 1981 and 1982 the number of visitors rose by nearly 11 per cent to 731,581. Although Table 13.10 does not include people who visited Masai Mara, Oldonyo Sabuk and Lake Bogoria parks, visitors to these parks were 69,674 and 86,726 in 1981 and 1982, respectively, and the increase between the two years was 24.5 per cent. If these numbers are added to those in Table 13.10 the 1981 and 1982 visitors become 729,975 and 818,307, respectively, yielding a growth rate of 12.1 per cent. The observed rise resulted from increased local and foreign adult visitors to national parks. Among the parks, Amboseli, Tsavo West, Tsavo East, Nairobi and the Aberdares, in that order, made the largest absolute contributions to the growth in visitors to those facilities in 1982.

TOTAL NUMBER OF VISITORS TO NATIONAL PARKS, 1978-1982

Table 13.10 *Numbers*

	1978	1979	1980	1981	1982
Aberdare	39,891	44,892	39,551	43,923	46,182
Amboseli	67,379	80,905	82,128	93,477	136,324
Kisite Mpunguti	852	2,378	3,911	4,761	3,614
Lake Nakuru	94,805	72,399	88,720	91,707	83,779
Marine	41,424	48,705	38,019	47,135	44,607
Marsabit	2,673	2,701	2,740	2,217	2,049
Meru.	32,296	25,857	22,443	23,413	21,201
Mt. Elgon	2,634	3,134	3,557	2,907	3,166
Mt. Kenya	8,919	8,260	7,358	8,369	8,666
Nairobi	119,364	108,308	124,554	147,801	151,335
Saiwa Swamp	1,719	1,350	1.352	1,983	1,893
Shimba Hills	12,124	14,000	15,809	16,265	14,736
Tsavo (East)	57,001	55,081	60,589	62,589	79,014
Tsavo (West)	80,336	97,832	117,832	113,755	135,025
TOTAL	561,417	565,812	608,563	660.301	731,581

13.21. Visitors to museums and historical sites have shown no consistent trend since 1978. Between 1981 and 1982 the total number of visitors to these attractions declined by 1.3 per cent as shown in Table 13.11. This drop is relatively small compared to that of 1981. The number of visitors in 1982 would have been higher by 67,000 if visitors to Kitale, Meru and Kisumu Museums were included. Adding this number to the 1982 figure, the level rises to 529,000 showing that museums are popular to both local and foreign visitors. Apart from Lamu, Coastal museum and historic sites showed an improvement in their performance. It is also noted that while the National Museum registered a decline for the second year running, the Snake Park recorded an increase, thus arresting the declining trend of the previous two years.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1978-1982

Table 13. 11 *Numbers*

	1978	1979	1980	1981	1982
National Museum	172, 491	143, 396	175, 000	160, 077	148, 516
lamu Museum	7, 163	15, 829	15, 670	15, 177	11, 016
Snake Park	141, 774	141, 803	127, 163	117, 000	120, 865
Fort Jesus	121, 595	111, 639	140, 925	129, 639	131, 100
Gedi	29, 747	36, 838	34, 088	31, 751	33, 386
Olorgesailie	5, 717	4, 985	5, 090	4, 683	4, 789
Kariandusi	2, 721	2, 851	3, 120	2, 918	1, 435
Hyrax Hill	1, 285	1, 440	1, 680	1, 516	1, 402
Jumba la Mtwana	3, 347	4, 306	5, 455	5, 100	9, 356
TOTAL	485, 840	463, 087	508, 191	467, 861	461, 865

13. 22. Conference tourism in 1982 was higher than in 1981. The Kenyatta International Conference Centre (KICC) registered the second highest number of delegates in any particular year since it was opened. Over 18, 000 delegates attended 29 conferences held during the year, compared to 9, 500 delegates who attended 40 conferences in 1981. These details are shown in Table 13. 12. The number of conference days fell sharply from 263 days in 1981 to 218 days in 1982. The combined fall in conference days and number of conferences led to a decline in occupancy rate to 58 per cent in 1982 compared to 72 per cent in 1981. The large number of delegates and fewer conference days suggest that a small number of large conferences were held in 1982. They included UNEP governing council sessions, Pentecostal World Conference, International Telecommunications Union (ITU) and the 11th Diabetes Federation Congress.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1978-1982

Table13. 12

Year	1978	1979	1980	1981	1982
Number of Conferences	27	32	38	40	29
Number of Conference Days	194	207	273	262	218
Attendance (No. of Delegates)	8,175	7,145	10,670	9,500	18,050
Percentage of Occupancy	53.2	56.8	74.8	72.0	58.0

Development of Tourism

13. 23. Like many other African countries, Kenya is determined to develop those regions suitable for tourist attraction. In moving in this direction, the Kenya Tourist Development Corporation (KTDC) is developing hotels in areas where Kenya's culture would be observed, instead of solely directing

tourism to game parks and beach resorts. Hotels have been started in Western Kenya—one of the most densely populated parts of Kenya. The Kakamega Hotel has been opened while plans are underway to start construction of another hotel in Busia. Other hotels which are already open are Sirikwa in Eldoret and Kabarnet Hotel. There are proposals to start a hotel at Othaya in Nyeri and another one on Mombasa Island.

13.24. Some hotels have started experimenting with something close to Integrated Village tourism whereby tourism is integrated with village life. Village tourism has been practised in Senegal with some success. In that country, tourists are offered a chance to observe local living conditions by living in village communities, taking local dishes, observing local customs and in the process contribute to the enhancement of economic and social activities of the rural sector.

13.25. Equity Investment by KTDC in 1981/82 was K£5.4 million, which was the same as the previous year. There was an increase in KTDC's investments in subsidiary and associated companies—from K£1.7 million to K£1.8 million or an increase of 5.9 per cent in 1980/81 over the previous year. Loans disbursed by the corporation increased by 18.5 per cent from K£3.9 million in 1980/81 to K£4.6 million in 1981/82. Of these amounts, disbursements under the commercial loan programme decreased by 3.2 per cent from K£1.92 million to K£1.87 million mainly due to recoveries.

13.26. The public sector expenditure on tourism publicity in 1982 remained at K£2 million, the previous year's level, but in real terms it was less because three quarters of this budget is spent in foreign exchange, and with the devaluation of the Kenya shilling in 1982, less foreign promotional services were purchased. However, Kenya continued to carry out promotional activities in the USA and was present in all significant tourist exhibitions in that country. Spending in the Far East was higher in 1982 compared to 1981. Departure statistics show that the proportion of tourists from North America and Asia has ranged between 7 and 12 per cent since 1979. Absolute numbers have risen over the period, suggesting that continued public expenditure on tourism promotion overseas is having a positive impact.

13.27. Publicity and promotional campaigns in the country tend to be restricted. The Ministry of Tourism and Wildlife has almost wholly depended on national agricultural shows, with the effect that tourism information has tended to reach only a few people in this country. The private sector, especially hoteliers and tour operators, is also making efforts to promote local travel during the off. peak season by offering concessional rates. Private firms rely more on the mass media to publicise areas of attraction and thus arouse interest to travel, especially among the middle-income groups.

13.28. A tourism seminar was held in April 1982, in which government institutions and the private sector participated in debates on how the industry could be developed. Several proposals were made to the government concerning organization, problems and possible ways to improve the performance of this industry. The Ministry of Tourism and Wildlife is studying the proposals and recommendations made. The private firms, especially hoteliers and operators, who participated in the seminar are awaiting the reaction of the Ministry of Tourism and Wildlife on the matter.

13.29. The national carrier, Kenya Airways, is trying to improve its ability to earn Kenya more foreign exchange. During the year 1982, the airline made a pool agreement, its first ever, with another airline, the Ethiopian Airways enabling them to sell each other's services and share the proceeds under an agreed formula. An agreement has also been made with Aeroflot for purposes of having visitors connect using both airlines to Moscow and Kenya.

CHAPTER 14—TRANSPORT, STORAGE AND COMMUNICATIONS

The total money value of output of the transport, storage and communications sector expanded fast between 1979 and 1982, though in real terms the growth was not substantial. As may be expected, there was no uniform performance between various indicators within the sector. The new registration of vehicles declined in the latter part of the period while vehicles licensed for public service and for hire fluctuated. Rail freight grew while passengers carried declined in 1982. Cargo handled at Mombasa port first rose then fell, as did pipeline throughput. The national air carrier performed better in 1982 than in 1981, while commercial air traffic passing through Nairobi and Mombasa rose over time except in 1982. More use was made of available communications facilities and information media.

14.2. Table 14.1 details the value of output of this sector during the period 1978 to 1982, although it is important to bear in mind that the figures are influenced by the general inflation of prices which affected the economy during these years. In 1978 the current-price value of output stood at K£272 million and by 1982 this had expanded to reach K£406 million, a rise of nearly 50 per cent. All the activities detailed in the table increased the value of their output substantially, except water transport. The current. price value of rail transport output expanded by 75 per cent over the period, while road transport increased by 70 per cent. Water transport increased continuously up to 1981 but then fell by over 16 per cent in 1982 to conclude the period with a value little above the 1978 level. The growth in the value of air transport was interrupted only in 1981. The value of services incidental to transport fell steeply in 1980, rose substantially in 1981 and then increased further in 1982 to reach K£40 million, or 2 per cent below the 1978 level. The first full year of operation for the pipeline was 1979,

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 19780-1982

Table 14.1 K£'000

	1978	1979	1980	1981*	1982*
Railway Transport	28,585	2,9045	32,871	38,840	49,969
Road Transport	69,270	77,653	92,311	98,985	117,826
Water Transport	53,868	55,449	62,712	65,306	54,618
Air Transport	34,785	40,009	41,645	39,862	48,368
Services Incidental to Transport	41,091	40,822	31,236	37,494	40,314
TOTAL TRANSPORT	227,599	242,978	260,775	280,487	311,095
Pipeline	6,167	11,247	18,624	18,536	20,085
Communications	38,685	47,561	57,505	63,471	74,875
GRAND TOTAL		301,786	336,904	362,494	406,055

*Provisional.

when it realized K£11 million of output and by 1982 this had increased by 80 per cent. The communications industry almost doubled the current. price value of output during the period. Over the same period prices in the transport and communications sector increased by an estimated 33 per cent and the national accounts record a real growth for this sector as a whole of 5 per cent per annum, with a 4.6 per cent expansion in 1982.

14.3. Turnover realized by rail and road transport is depicted in Table 14.2. Road transport is the larger of the two. In both modes of transport passenger revenue is smaller. Both passenger and freight revenue have been growing over time with the latter growing relatively faster than the former. Levels reached in 1982 were 61 and 72 per cent for passenger and freight transport, respectively, above 1978. Rail passenger revenue has increased faster than that of road suggesting that rail is becoming increasingly popular. However, in 1982 rail passenger revenue grew less fast. This was probably the impact of a sharp rail tariff increase which became effective from mid 1981. On freight, road transporters expanded their earnings faster than rail over the period. But in 1982, rail revenue grew at double the rate realized by road.

EARNINGS PROM ROAD AND RAIL TRAFFIC, 1978-1982

Table 14.2 — *K£'*000

	1978	1979	1980	1981	1982*
Passenger Traffic.					
Rail	1,629	2,190	3,136	4,074	4,402
Road	25,107	25,179	26,717	30,248	38,723
TOTAL	26,736	27,369	29,853	34,322	43,125
Freight Traffic—					
Rail**	26,956	26,855	29,735	34,766	45,567
Road	44,163	52,474	65,594	68,737	79,103
TOTAL	71,119	79,329	95,329	103,503	122,385
TOTAL RAIL TRAFFIC..	28,585	29,045	32,871	38,804	49,969
TOTAL ROAD TRAFFIC..	69,270	77,653	92,311	98,985	117,826

*Provisional.

**Includes other revenue.

Road Transport

14.4. Details of new registration of road vehicles for the period 1978 to 1982 are given in Table 14.3. The 1978 peak gave way to a trough the following year and a second but lower peak in 1980 followed by declines in the succeeding two years. The number of newly registered vehicles fell from about 18 thousand in 1981 to 15 thousand in 1982. The 1982 decrease resulted

from falls in most vehicle types, whose combined effect more than offset increases achieved by saloon cars, buses and coaches. Registration of station wagons was marginally lower in 1982 than in 1981 and was 45 per cent below the 1978 peak. Panel vans, and pick-ups reached a peak in 1980 and fell by nearly 12 per cent and 18 per cent, during the next two successive years to register 5,447 vehicles in 1982. The registration of lorries and trucks was highest in 1978 and has been falling continuously to reach the 1982 level of 1,355 which was about 35 per cent below 1981. Newly registered buses and coaches have been increasing over time, but their numbers are small. The registration of mini-buses, like that of buses and coaches, increased continuously between 1978 and 1981, but fell in 1982 by over 32 per cent. The highest number of special purpose vehicles was registered in 1979. The number fell to less than half the following year and remained at that level the year after, but steeply fell again in 1982. Trailer registrations had a trough both in 1979 and 1980 and reached a second but lower peak in 1981 from where they fell again by nearly 40 per cent in 1982. Wheeled tractors and motor and auto cycles exhibited a trend similar to that of trailers. The registration of other types of vehicles fell in 1982.

NEW REGISTRATIONS OF ROAD VEHICLES, 1978-1982

Table 14.3 *Number*

	1978	1979	1980	1981	1982*
Saloon Cars	7,842	4,881	6,881	2,751	3,018
Station Wagons	2,749	2,312	2,298	1,560	1,527
Panel Vans, Pick. ups, etc...	5,717	5,979	7,454	6,599	5,447
Lorries/Trucks	2,848	2,669	2,255	2,091	1,355
Buses and Coaches	205	275	208	247	330
Mini Buses	169	216	217	434	295
Special Purposes Vehicles	82	380	163	163	103
Trailers	1,244	1,030	763	868	524
Rollers, Graders, Cranes	94	153	207	178	96
Wheeled Tractors	2,032	1,141	1,023	1,217	822
Crawler Tractors	114	152	14	47	26
Motor and Auto Cycles	1,861	1,757	1,749	1,945	1,506
Three Wheelers	14	8	14	15	12
ALL VEHICLES..	24,971	20,883	23,246	18,115	15,061

*Provisional.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1978-1982

Table 14.4 *Number*

	1978	1979	1980	1981	1982*
Passenger Service Vehicles	2,959	2,967	2,952	2,938	3,134
Freight Transport Vehicles.	4,996	3,897	5,931	5,733	6,199
TOTAL	7,955	6,864	8,883	8,671	9,333

*Provisional.

14.5. Trends of licences issued for vehicles on hire for the years 1978-1982 are given in Table 14.4. The number of vehicles licensed fell in 1979, rose steeply the following year, decreased the year after, then increased by barely 8 per cent to an all time high of just above 9,300 in 1982. Licensed passenger vehicles have been rather constant at just below 3,000 for four years but in 1982 the number went up by nearly 7 per cent to reach 3,100. Freight transport vehicles licensed, however, showed a rising trend during the period, and the 1982 figure was 8 per cent above the 1981 level.

14.6. Kenatco Transport Company, which is owned by the government, continued to provide transport service throughout Kenya and to neighbouring countries. In addition to providing services to Uganda. Zaire, Rwanda and Southern Sudan, a new route to serve Zambia via Uganda and Burundi was opened. The haulage activity, which accounts for over 90 per cent of the entire company's revenue, earned the firm K£5.1 million as compared to K£4.5 million earned in 1981. Taxis have been a profit-earner for the company for some time. The taxi operation in Nairobi and Mombasa realized increased revenue in 1982. Together they earned K£810 thousand which was over 22 per cent above the 1981 level.

The Minibus (Matatu) Mode of Transport

14.7. The minibus mode of transport has been a regularized feature of road transport activity for nearly ten years. The network is widely spread. It is helping to open up rural areas more to the market economy and it is also filling a vital gap in the urban transport systems. The contribution of this service to national aggregates such as employment, gross national product and output has not yet been systematically studied. A number of surveys have been undertaken for Nairobi only. In January 1983, the Central Bureau of Statistics conducted a pilot survey of minibuses plying city roads. The survey was restricted to minibuses starting and terminating within Nairobi city boundaries, and 860 such buses were counted. These employed nearly 2,000 drivers and conductors, who earned K£1.3 million per year and realized total fare receipts worth K£ 11 million per annum. These results suggest that each minibus employs an average of two persons and collects K£12,825 in fares per annum. A driver and conductor each gets an average of K£750 per year. Since no countrywide information is available, an attempt to obtain national aggregates has been based on these findings plus guesses that have put the number of minibuses in operation at 4,000. The estimate yields nearly 8,200 person engaged, earning a total of K£6 million and fare revenue amounting to K£51 million. Gross domestic product is estimated at K£15 million which is about 30 per cent of the total fare collected. This is a first attempt and there is need to get more accurate information on the activity.

Kenya Railways

14.8. Continued world-wide economic recession has affected the haulage of goods by the Kenya Railways. The restriction of ticket sales to available seats, especially in third class coaches, coupled with insufficient coaches

contributed to a reduction in the reported number of passengers carried by the Kenya Railways in 1982.

14.9. Table 14.5 gives details of passengers and freight tonnage per kilometre carried, and of revenue earned by the Kenya Railways between 1979 and 1982. The total tonnage of freight carried has been going up except in 1981 when it was fractionally lower than in 1980. Total freight carried in 1982 was 4.5 million tonnes which was 16 per cent above 1979 and only marginally higher than the 1981 level. The tonnage/kilometre of freight conveyed exhibited a trend similar to that of freight. In 1982 tonne/kilometre increased by nearly 3 per cent over the previous year to stand at 2,307 million. Revenue earned by the railways from goods traffic and transportation of livestock showed an increasing trend. In 1982 it rose by nearly 10 per cent to stand at K£40.48 million. Average revenue per tonne/kilometre has risen over time and reached 36 cents in 1982.

RAILWAY TRAFFIC, 1979-1982

Table 14.5

	1979	1980	1981	1982*
Freight '000 tonnes	3,853	4,464	4,438	4,473
million tonne/km.	1,998	2,281	2,245	2,307
Revenue K£million	24.50	29.74	36.91	40.48
Passengers '000	1,832	2,401	2,356	2,279
Revenue K£million	2.10	3.1	4.4	5.0

*Provisional.

14.10. Passenger traffic and other coaching earned the Kenya Railways increasing revenue over time and reached K£5 million in 1982 which was nearly 14 per cent above the previous year's level. The number of passengers carried attained a peak in 1980 and then fell during the succeeding two years. In 1982 the number of passengers was 3 per cent lower than the 1981 level. The decrease in the number of passengers carried was particularly sharp for third class where measures to control the issue of tickets and thus avoid over.crowding were instituted. Shortage of coaches was another contributory factor, and arrangements are afoot to acquire additional coaching stock to cope with the demand for rail passenger transport.

14.11. During 1982 Kenya Railways continued with its modernization programme. Thirteen new third class coaches were received from Sweden as a grant. Two contracts were signed during the year; one for the manufacture of 11 third class coaches to be financed through an African Development Bank loan, and the other for the manufacture of 25 first class and 40 second class coaches including 5 buffet cars, and 4 restaurant cars, all financed from Britain.

14.12. Various works estimated at just below K£9.4 million were in progress during 1982. The railways continued with the rehabilitation and line improvements between Mazeras and Mariakani and re-laying works between

Makadara and Thika, Eldoret and Malaba, and at Embakasi Airport siding. Other on-going works include the provision of a sorting grid at Makadara station, grade separation between Kisumu and Kibos, the construction of a siding for the government at Changamwe East Industrial Area, and the provision of diesel repair facilities in the mechanical workshops in Nairobi, Sagana and Eldoret. The construction of inland container depot at Embakasi continues. Site investigations for the construction of staff houses at Changamwe in Mombasa and Muthurwa in Nairobi, at an estimated cost of K£621 thousand were completed in 1982. A survey for purposes of compensation on the proposed Kerio Valley railway line and a re-survey of needed realignments between Nakuru and Kisumu, at a cost of K£81 thousand were in progress during the year under review. Also on hand, were preparatory works on the renewal of the PABX telephone exchange at Nairobi and Nakuru and also on the transmission equipment between Nairobi and Mombasa and that of rehabilitating telephone open-wire route between Kisumu and Butere, all at an estimated cost of nearly K£6 million.

Harbours and Shipping

14.13. Table 14.6 gives details of freight handled at the port of Mombasa between 1978 and 1982. Total freight decreased marginally by nearly 3 per cent in 1979, rose substantially by over 27 per cent the following year and increased again by over 12 per cent to 8.4 million tonnes in 1981. It then steeply fell during the following year by over 22 per cent. These fluctuations reflect the movement of landed cargo over time. In 1982 imports passing through Mombasa port fell by more than a quarter below the 1981 level to stand at 4.2 million tonnes. Exports rose by 13 per cent in 1979 to 2 million tonnes, where they remained for the following year, expanded steeply a year after but dropped substantially by nearly 16 per cent in 1982 to 2.4 million tonnes.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1978-1982

Table 14.6 '000 *tonnes*

	1978	1979	1980	1981	1982*
Landed: —					
Dry Cargo	1,480	1,037	2,003	2,060	1,489
Bulk Liquids	2,787	2,822	3,467	3,567	2,705
TOTAL	4,267	3,859	5,470	5,627	4,194
Loaded: —					
Dry Cargo	1,486	1,560	1,438	1,531	1,675
Bulk Liquids	314	474	598	1,274	689
TOTAL	1,800	2,034	2,036	2,805	2,364
TOTAL FREIGHT HANDLED	6,067	5,893	7,506	8,432	6,558

*Provisional.

14.14. Dry cargo imports dropped in 1982 by 28 per cent to a level achieved in 1978. Bulk liquid imports which had been increasing continuously, fell by 24 per cent to 2.7 million tonnes in 1982. This steep decline was due to reductions in imports of crude and lubricating oils and kerosene. Dry cargo exports fell in 1980 but exhibited an increasing trend over time and recorded a 9 per cent rise from 1.5 million in 1981 to 1.7 million tonnes in 1982. Bulk liquid exports which rose uninterruptedly up to 1980 more than doubled in 1981 only to fall drastically by 46 per cent the following year. The drop was due to reductions in the exports of bulk oils and molasses. A total of 1,360 ships arrived at the port of Mombasa in 1982 as compared to 1,407 ships in 1981 which was a drop of 3.3 per cent.

14.15. The Kenya Ports Authority has continued to improve traffic handling and related facilities at the port. In 1982 a number of items of equipment were acquired. Under the Dutch Aid Programme, the port of Mombasa received two 35-ton, five 10-ton and six 5-ton forklifts as well as twenty tractors. This programme also covered one berthing tug and one pilot cutter, both of which were commissioned in December. The same month saw the delivery of 3 ship-to-shore, 4 pneumatic-tyred and 2 rail-mounted gantry cranes under the French Aid Programme.

Pipeline Transport

14.16. Details of the Kenya Pipeline Company's performance since 1978 are given in Table 14.7. Up to 1981, total throughput rose continuously with all categories of petroleum products increasing except premium motor spirit which registered a 13 per cent decline in 1981. In 1982, however, the company recorded substantially reduced throughput of petroleum products of over 12 per cent below the previous year, to stand at 1,258 thousand cubic metres. This reduction resulted mainly from a Government directive cutting imports of petroleum products across the board by 10 per cent to preserve foreign exchange. During the first six months of 1982, the Kenya Pipeline earned K£10 million as compared to K£9.5 million earned in the corresponding period of 1981, an increase of just over 5 per cent. Full year revenue figures

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1978-1982

Table 14.7 *Cubic Metres'000*

	Motor Spirit Premium	Motor Spirit Regular	Kerosene illumina-ting Oil	Light Diesel Oil	Industrial Diesel Oil	Autur Jet fuel	Total
1978*	277.0	126.0	56.6	275.4	5	276.8	1,016.8
1979	317.0	185.1	92.3	396.3	–	380.8	1,371.4
1980	337.5	203.4	103.0	417.8	–	402.1	1,463.7
1981	276.4	209.8	112.0	431.0	–	409.4	1,438.5
1982	241.3	186.4	103.0	392.3	–	335.6	1,258.4

*Not complete year.

are not yet available but indications are that 1982 will realize a lower turn-over than 1981 due to the observed reduced throughput. Though capital expenditure in the past has to a large extent been limited to essential replacement and maintenance in support of existing operations, total commitments have increased. Commitments amounting to K£3.6 million are anticipated to be completed in the next 12 months from the company's own resources. A major project which the company is currently undertaking is an ethanol unit at the Nairobi Terminal costing approximately K£1.5 million. The ethanol unit is for blending power alcohol with motor spirit and is aimed at saving foreign exchange. The company expects blended motor spirit to be on the market by the middle of 1983. A further project involves the construction of staff housing, necessary to the company's operations, amounting to K£1.1 million.

Air Transport

14.17. In 1982, the sixth year of Kenya Airways operations, some of the recommendations of the government appointed IATA co-ordinated Project Team on the re-organization of the airline were implemented. In March, 1982, the first part of the re-organization took place and live departments were created. These are the Corporate Planning and Services, Commercial, Finance, Technical, and Office of Assistant to Managing Director's Department. Staff re-deployment went on and is expected to be completed in 1983. During 1982, the airline also undertook in-depth studies on alternative programmes for re-equipment and re-financing of the airline. Table 14.8 details the traffic performance of the Kenya Airways in 1981 and 1982. Passenger kilometres on domestic flights dropped by nearly 5 per cent to 73.1 million, while international flights recorded an increase of over 4 per cent to 868.6 million in 1982. The rise in international passenger-kilometres was sufficient to offset the fall in domestic passenger-kilometres leading to an over 3 per cent increase in total passenger-kilometres from 910.7 million in 1981 to 941.7 million in 1982. Changes in capacity utilization factors in regard to passengers were minimal. Domestic flights registered a modest rise

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1981-1982

Table 14.8

	DOMESTIC		INTERNATIONAL		TOTAL	
	1981	1982	1981	1982	1981	1982
PASSENGER						
Passenger—kilometers *Millions*	76.8	73.1	833.9	868.6	910.7	941.7
Utilisation: *Per cent*	61.3	62.0	58.8	57.7	59.0	58.0
FREIGHT						
Total Carried: *Million Kg/Km*	7.1	6.9	97.4	105.4	104.5	112.3
Utilisation: *Per cent..*	50.7	52.7	48.2	53.7	48.0	53.6

from 61 to 62 per cent. However, international flights dropped marginally in the cabin load factor from 58.8 to 57.7 per cent. Freight in kilograms per kilometre flown on domestic flights decreased by nearly 3 per cent in 1982 to 6.9 million. On the other hand, international flights recorded over 8 per cent rise in kilograms per kilometre to 105.4 million in 1982. The result was a 7 per cent increase in the total freight flown during the year under review. There were increases in the weight load factors on both domestic and international flights in 1982 over 1981. For domestic flights the increase was from 50.7 to 52.7 per cent whereas international flights recorded a rise from 48.2 to 53.7 per cent. Kenya Airways therefore improved utilization of freight capacity as shown by the total figures from 48 per cent in 1981 to 53.6 per cent in 1982. But overall, both freight and passenger capacities remain under. utilized.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1978-1982

Table 14. 9

	1978	1979	1980	1981	1982*
PASSENGERS—000'S					
Landed	437.6	472.9	476.7	505.2	469.8
Embarked	431.1	476.2	470.0	507.8	473.8
In Transit	484.4	506.1	520.0	570.1	557.1
TOTAL	1,353.1	1,455.2	1,466.7	1,583.1	1,501.3
FREIGHT—*tonnes*					
Cargo: Landed	9, 418.9	7,752.3	7,834.8	7,755.3	7,128.9
Loaded	20,884.5	18,650.0	20,721.7	24,858.7	25,600.1
Mail: Landed	596.8	979.0	926.7	970.6	1, 334.7
Loaded	787.8	834.4	742.5	762.2	944.5
TOTAL	31,688.0	28,215. 7	30,225.7	34,346.8	35,008.2

*Provisional.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1978-1982

Table 14. 10

	1978	1979	1980	1981	1982*
PASSENGERS—000's					
Landed	152.8	159.0	177.6	182.0	172.5
Embarked	156.0	160.5	181.9	191.2	178.7
In Transit	18.3	16.2	20.5	15.8	16.6
TOTAL	327.1	335.7	380.0	389.0	367.8
FREIGHT—*tonnes*					
Cargo: Landed	16, 436.1	10,290.6	16,491.7	12,224.3	10, 144.9
Loaded	9, 723.9	7,937.8	10,199.1	9,840.3	7, 496.1
Mail: Landed	76.2	80.3	85.9	77.1	75.9
Loaded	36.4	37.5	37.8	42.2	43.5
TOTAL	26,272.6	18,346.2	26,814.5	22,183.9	17, 760.4

*Provisional.

14. 18. In order to improve its competitiveness, Kenya Airways plans to lease more aircraft to meet peak demand, to replace ageing aircraft with modern energy. efficient planes and to replace larger aircraft with smaller ones on domestic flights. Ground handling and communications facilities will be improved over the next five years.

14. 19. Kenya Airways carried more commercial passengers passing through Nairobi and Mombasa in 1982 than the previous year. The national carrier handled 15 per cent and 21 per cent commercial passengers in 1981 and 1982 when 1, 951 thousand and 1, 869 thousand passengers, respectively, were carried. The share of international passengers originating in Kenya carried by Kenya Airways also rose from below 7 to over 11 per cent over the two years. The airways also carried between 7 and 8 per cent of total freight in Nairobi and Mombasa in 1981 and 1982. However, international cargo carried fell, as did domestic air freight, but the carrier's share in the total cargo handled stayed at between 6 and 7 per cent during the period under review.

14. 20. Tables 14. 9 and 14. 10 give details of the volume of passenger and freight traffic at Nairobi and Mombasa airports for the years 1978 to 1982. Combined passenger traffic at both airports increased over time and reached a peak in 1981, then decreased by over 4 per cent to nearly 2 million in 1982. Total freight handled at both airports fell by nearly 7 per cent in 1982, the result of a 20 per cent decline at Mombasa accompanied by a 2 per cent rise at Nairobi Airport.

Development of Aerodromes

14. 21. Capital project works under preparation, in progress and completed at various airports and airstrips in 1982 were valued at K£3. 3 million. At Jomo Kenyatta International Airport, Nairobi, a close television circuit was installed, essential access roads gravelled, a marshallers control tower constructed and an old fire station and electrical sub-station re-roofed, all at a cost of K£117 thousand. At Moi International Airport, Mombasa, a taxiway was extended, aircraft movement areas surfaced, landscaping work completed, and a financial contribution made to Mombasa Municipal Council's sewage extension to the airport, all at a cost of nearly K£3 million. A water reticulation project was completed at Wilson Airport, Nairobi, while construction of a parallel taxiway was in progress, both at a cost of K£215 thousand. Additional but minor projects undertaken during the year under review included the gravelling of perimeter road at Moi Airbase, fencing at Lamu airstrip, setting aside funds for land acquisition and crop compensation for the proposed Kakamega airstrip and conducting a feasibility study for the future development of Malindi Airport, all valued at nearly K£113 thousand.

Posts and Telecommunications

14.22. In June 1982, the government merged the former Kenya External Telecommunications Company Limited (KENEXTEL) with the Kenya Posts and Telecommunications Corporation (KPTC). All posts and telecommuni. cations services are now under the KPTC. Prior to this, KENEXTEL which was incorporated in Kenya in July 1978, had been conducting international telecommunications services while the KPTC was concerned with domestic telecommunications services in addition to postal services.

14.23. Tables 14.11 and 14.12 give details of the various services rendered by KPTC for the period 1978 to 1982. Up to 1980 almost all services increased. In 1981 and 1982 the increasing trend of the earlier years was maintained except for ordinary letters handled, which fell in 1981 and telegraph service cables which has been on decline throughout the whole period. The general rising trend is in line with KPTC's policy of serving as many people as possible. In 1982 there were 727 post offices in operation, or 91 more than in 1978. The growth in the number of post offices led to an uninterrupted increase in private post boxes. The largest increase in this facility took place in 1980 when it jumped by over 16 per cent to stand at 151 thousand, and by 1982 the number had grown to over 167 thousand which was 5 per cent above 1981. The average number of private postal boxes per post office has risen over time from 195 in 1978 and readied 230 in 1982. Parcels, registered and insured items and ordinary letters handled have also been growing over time, and in 1982 the three services rose by between 2 and 16 per cent.

POSTAL AND TELECOMMUNICATIONS SERVICES, 1978-1982

Table 14.11 *Number*

	1978	1979	1980	1981	1982*
Post Offices	636	668	689	711	727
Post Office Private Boxes..	124,000	130,000	151,000	159,312	167,278
Telephone Subscriber's Lines	65,344	69,669	73,932	80,212	88,094
Public Call Offices..	474	514	529	753	655
Telegrams Handled—'000'.	753	851	955	1,000	1,014
Parcels Handled—'000'	379	403	412	419	426
Manual Telephone Calls Made —000'. s	11,403	12,291	13,968	14,016	14,719
Outgoing Dialled Telephone Call Units—000's..	365,432	405,995	433,041	447,650	554,529
Registered and Insured Items —000's	2,294	2,699	2,930	3,302	3,831
Telex Subscribers. .	1,014	1,114	1,170	1,358	1,540
Ordinary letters handled *Million*	168	172	185	166	173

*Provisional.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1978-1982

Table 14. 12

	1978	1979	1980	1981	1982*
Telegraph Service '000 *cables*..	226.0	215.7	200.3	173.2	145.6
Telephone Service '000 *paid minutes*	2, 937.3	3, 474.7	4, 127.0	4, 422. 4	5, 316.9
Telex Service '000 *paid minutes*	1, 939.4	2, 176.0	2, 271.2	2, 620.5	2, 874.0

*Provisional.

14. 24. Telecommunications services have been on the increase to meet rising demand. An additional 7, 882 new telephone subscriber lines and 52 new public call offices were availed to the public in 1982 as shown in Table 14. 11. During the year under review, a number of manual exchanges were opened in various parts of the country in an effort to spread the telephone service. During 1982, 14. 7 thousand manual telephone calls were made, 5 per cent above the previous year. Outgoing Dialled Telephone call units is a new item that has been introduced into Table 14. 11. Its trend has been rising since 1978. The units recorded for 1982 were nearly 52 per cent higher than those recorded in 1978 and 24 per cent above 1981. Telex subscribers increased by about 13 per cent in 1982 compared with 16 per cent for 1981.

14. 25. Table 14. 12 gives details of external telecommunications services rendered by the KPTC for the period 1978 to 1982. The telegraph service in terms of cables handled over the whole period declined from 226 thousand in 1978 to 145. 6 thousand in 1982. However, in terms of outgoing telegraph equated words (i. e. total number of words charged), the service exhibited a general rising trend with interruptions only in 1980 and 1981. During the year under review, the number of words charged rose by 8 per cent. In terms of paid minutes, international telephone and telex services has been increasing continuously. In 1982, over 5. 3 million and nearly 2. 9 million telephone and telegraph minutes were paid for yielding growth rates of about 20 and 9 per cent, respectively. This shows that more use of the available links with the rest of the world is being made. In this connection, the number of satellite channels connecting Kenya to various international destinations increased by 54 to 282 in 1982.

14. 26. The Kenya Posts and Telecommunications Corporation continued with implementation of its first Telecommunications Project, 1979-83, and also started on the second Telecommunications Project. A number of works associated with installation of plant and equipment for local and long distance facilities and buildings were undertaken in 1982. In this respect, group centre exchanges at Malindi, Embu and Kakamega, were expanded, modernized and converted to automatic Subscriber Trunk Dialling (STD) facilities. Nakuru exchange, which was semi-automatic was modernized and

equipped with full STD facilities. Other group centre exchanges which are ready with full STD facilities and are awaiting commissioning include Kericho and Meru. Kisii and Kitale exchanges are expected to convert to full automatic working before the end of 1983. On external telecommunications services, the KPTC undertook a number of works associated with installation, expansion and modernization of satellite communication system in 1982. These included the installation and commissioning of a new switching equipment for the engineering service at Longonot Satellite Earth Station. Additional direct satellite routes were opened to a number of destinations which include Sri Lanka, Greece, Zurich, Belgium, Hongkong and Djibouti. Other works have been progressing well; they include alternative microwave link between Longonot and Nairobi, and the International Subscriber Dialing Telephone exchange at the International Telephone Service Centre. Despite Kenya's fairly well advanced satellite communication facilities, a number of destinations are still on the high frequency system. These include Aden, Ghana, Malagasy, Maseru, Nigeria, Pakistan, Somalia and Zaire.

14.27. The KPTC will continue with the current expansion and modernization of the postal and telecommunication facilities in 1983. The development of postal services is expected to increase the number of departmental post offices by 15 and that of sub-post office by 28. During 1983, it is projected that the total exchange capacity will increase to 148,500 lines from 133,000 in 1982. Direct exchange lines are projected to increase to 99,400 in 1983 from 88,100 lines in 1982. The KPTC expects to bring on stream the International Subscriber Dialling Service. Two other services due for commissioning are the data service with direct access to remote Data Banks overseas and the facsimile service which will allow transmission of documents to other countries.

Information and Mass Media

14.28. The Department of Information in the Ministry of Information and Broadcasting was active throughout 1982. Its field personnel maintained a continuous flow of news to the Kenya News Agency in Nairobi for processing and dissemination. Early in the year, a major policy decision was made in respect of setting up district information offices throughout the country, leaving the provincial information offices to concentrate on co-ordination responsibilities. The Kiambu information office is virtually complete. Information offices at Isiolo and Hola are under construction, and land has been allocated for construction of offices at Kabarnet, Kwale, Murang'a and Siaya. A new Kenya News Agency office was opened at Jomo Kenyatta International Airport to handle news coverage at the nation's leading airport.

14.29. In its 1984-88 Development Plan, the Department of Information aims at creating 14 news units in its rural press programme. It is envisaged that when this programme is fully operational, the rural press will have a

marked positive impact on the rural population in a number of ways such as imparting general awareness of current issues, social, cultural and commercial activities. By 1982, the Department of Information was publishing "Sauti Ya Pwani" (formerly Sauti Ya Kwale up to April 1982), "Sauti Ya Gusii", "Sauti Ya Kericho", "Habari" and "Sauti Ya Meru" as rural newspapers, which are in addition to "Inside Kenya Today", "Kenya Yetu" and "Kenya Newsreel". Before Sauti Ya Kwale was phased out, its circulation was 10,000 copies per issue printed twice monthly. "Sauti Ya Gusii" is one of the most successful newspapers in terms of both circulation and advertising revenue. This paper, in 1982, increased its circulation from 8,000 to 10,000 copies per issue printed twice monthly. During the year under review, Sauti Ya Kericho improved its circulation from 5,000 to 6,000 copies per issue while Habari, a North-Eastern Province rural newspaper, doubled circulation of its publications from 3,000 to 6,000 copies per issue as at July 1982, when it started circulating in Isiolo and Marsabit.

14.30. The Ministry of Information has noted that mobile cinema vans based at provincial headquarters have been inadequate and more of them will be acquired with the aim of availing each district with a van. Besides the National Library Services, central reference libraries and public reading rooms attached to information offices have been a feature of the information system. All new information offices will have similar facilities. The Kenya News Agency (K.N.A.) will be restructured to make it more efficient in acquiring and disseminating news both domestically and internationally. Its headquarters will be restructured to create a national desk with specialization on political, economic and cultural matters, and an international desk with similar functions will also be in operation. K.N.A. will be expected to reciprocate with international news agencies. On the domestic front, telex services, which are currently restricted to provincial headquarters, will be extended to district offices, subject to availability of the relevant Kenya Posts and Telecommunications Corporation's services.

NEW RADIOS AND T. V. SETS SOLD AND LICENSED, 1978-1982

Table 14.13 *Number*

	1978	1979	1980	1981	1982
Radios	131,355	159,657	201,262	193,490	196,112
Television Sets	7,309	7,147	11,874	10,531	11,484

14.31. As shown in Table 14.13, licensed new radio and television sets reflect a rising trend since 1978. In 1982 licences issued were higher than the previous year by 2 and 9 per cent for TV sets and radios, respectively, but were about 3 per cent below the 1980 peak figures. It is estimated that there were 2.5 million licensed radio sets and just over 104 thousand licensed television sets in Kenya in 1982.

14.32. The Voice of Kenya continued with installation and acquisition of new facilities in 1982 in order to expand and improve its services to the public. On radio services, the installation of 5 major MW transmitter stations went on in Meru, Nyeri, Garissa, Voi and Nyamninia and are all expected to be commissioned in 1983.

14.33. Kenya Institute of Mass Communications offers pre. service and in. service courses in engineering, programme production for radio, television, film and information. The existing television equipment is being augmented. In 1982, nearly 100 new trainees were enrolled for engineering (electronics) and 30 for information courses, raising the years' total enrollment on pre-service courses to 230 compared to 220 for 1981.

DAILY/WEEKLY AVERAGE NEWSPAPER CIRCULATION, 1979-1982

Table 14. 14 *Number*

	1979	1980	1981	1982*
MORNING NEWSPAPERS				
English.	150,704	153,827	163,425	167,141
Swahili	54,278	52,893	52,563	52,546
OTHER NEWSPAPERS				
English Weeklies	150,301	184,662	191,727	215,961
Swahili Weeklies	97,296	66,660	66,045	65,271

*Provisional.

14.34. Details of average daily/weekly newspapers circulation for the period 1979 to 1982 are given in Table 14.14. Morning newspapers increased only marginally in 1980 followed by a 3 per cent increase in each of the succeeding two years, to stand at nearly 220 thousand copies in 1982. Weekly newspapers rose by nearly 2 per cent in 1980 and 1981 followed by a 10 per cent jump in 1982, to reach just above 281 thousand copies per week. English dailies have a wider circulation than their Swahili counterparts. The former increased their average circulation over time to reach 167 thousand copies in 1982 which was 4 per cent above the previous year's level. Swahili dailies exhibited a declining trend. There was a fall of nearly 3 per cent in 1980, followed by a less than one per cent decline the following year and stagnation the year after. An average of 52.5 thousand Swahili dailies were circulated in 1982. The average circulation of English weeklies rose steeply by nearly 23 per cent in 1980 followed by a less than 3 per cent rise a year later and a 14 per cent growth in 1982 to stand at 216 thousand copies. The readership of Swahili weeklies, which is much lower than that of English, has declined more steeply than that of Swahili dailies over time. The fall of over 31 per cent in this category of newspapers in 1980 have stabilized at around 65. 66,000 issues since.

CHAPTER 15—THE SOCIAL SCENE

During the 1982/83 period, Government expenditure on social services, excluding employment and housing, is estimated to have gone up from K£266 million during 1981/82 to K£288 million as shown in Table 15.1. This represents an increase of 8 per cent and hence it underscores the importance the Government is putting in improving the welfare of its people as outlined in the development plan. In addition, local authorities incurred an estimated expenditure of K£22 million in 1982 on social services compared to K£16 million in 1981 as indicated in Table 15.2. Education took 64 per cent of local government expenditure.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1979/80-1982/83

Table 15.1 K£'000

	1979/80	1980/81	1981/82	1982/83*
RECURRENT EXPENDITURE—				
Ministry of Education	114,989.3	149,531.8	165,966.1	179,907.6
Ministry of Health	42,912.0	52,868.7	59,066.0	55,236.3
Ministry of Labour	2,928.5	3,567.4	3,768.1	4,638.5
Ministry of Culture and Social Services	4,753.5	6,703.4	8,063.4	7,897.1
DEVELOPMENT EXPENDITURE —				
Ministry of Education	11,032.1	10, 616. 6	11,258.9	14,333.6
Ministry of Health	10,709.0	12, 831. 4	11,095.4	14,471.7
Ministry of Labour	1,494.8	547. 7	1,543.3	1,052.1
Ministry of Culture and Social Services	8,581.4	3, 679. 9	5,220.1	10,653.5
TOTAL EXPENDITURE	197,400.6	240,346.9	265,981.3	288,190.4

*Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1978-1982

Table 15.2 K£'000

	1978	1979	1980*	1981*	1982*
Education	6,358	7,026	7,760	9,756	13,903
Health	3,726	4,182	5,120	5,598	7,071
Other Social Services	440	409	374	553	616
TOTAL EXPENDITURE	10,524	11,617	13,254	15,907	21,590

*Provisional

Education

15.2, The total budgetary outlay of the Central Government and local authorities on education has risen only slightly. It accounted for about 67 per cent of the total expenditure on the social services in 1982/83 compared to 66 per cent in the previous year. However, recurrent expenditure on educa. tion continued to account for a preponderant share of the total expenditure

of the Ministries of Basic and of Higher Education, rising to an estimated K£180 million in 1982/83 while an additional expenditure of K£14 million was incurred on education development account. Both figures are respectively 8 per cent and 27 per cent higher than the levels in 1981/82. Similarly, as outlined in Table 15.3, primary education has the largest share, accounting for 59 per cent of the total recurrent expenditure on education in 1982/83.

MINISTRIES OF EDUCATION, 1979/80-1982/83

Table 15.3 K£'000

	1979/80	1980/81	1981/82	1982/83*
RECCURRENT EXPENDITURE.				
General Administration and Planning	5,076.9	6,582.4	6,576.3	7,456.7
Pre. Primary Education	–		62.5	111.5
Primary Education	74,664.1	96,717.5	107,163.5	113,520.8
Secondary Education	13,519.1	18,089.3	21,771.5	23,135.3
Technical Education	1,176.6	1,456.0	1,591.7	1,821.9
Teacher Training	3,783.0	4,844.4	5,460.9	6,9527
Special Schools	473.0	585.5	655.0	869.0
Polytechnic Education	1,737.1	2,178.2	2,440.8	31,80.4
Higher Education**	13,164.4	16,747.8	18,704.8	20,909.2
Miscellaneous	1,395.0	2,333.7	1,539.1	1,950.1
TOTAL	114,929.2	148,931.8	165,966.1	179,907.6
DEVELOPMENT EXPENDITURE				
General Administration and Planning	208.5	625.8	2,023.2	1,003.1
Pre. Primary Education	–	–	–	0.0
Primary Education	370.8	946.4	546.2	1,792.0
Secondary Education	1,476.9	1,779.7	2,162.8	2,340.3
Technical Education	903.8	572.4	1,115.0	1,540.0
Teacher Training	271.6	446.5	1,694.9	2,576.5
Special Education	83.0	147.0	165.0	185.0
Polytechnic Education	6,458.2	4,932.0	974.2	1,122.9
Higher Education**	1,030.6	1,166.8	2,577.6	3,773.8
Miscellaneous	228.6	–	–	–
TOTAL	11,032.0	10,616.6	11,258.9	14,333.6

*Estimates.

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

15.3. The Government recognizes the importance of primary education to be a basic need, emphasising it as the right of every child. The Government has made significant progress towards this objective by eliminating tuition fees and stopping the collection of building and other school funds from pupils and by distributing free milk to all schools to improve children's nutrition and thus their capacity to learn. However, the objectives of universal access to primary education, as well as the relevance of the curriculum and quality of teaching, are still to be fully achieved. The distribution of

educational services, both at individual and regional levels, correlates positively with the distribution of income and wealth. The Government is aware of these inequalities, and the following policies have been directed towards correcting them:

(i) Ensuring equitable distribution of educational opportunities within and between individuals and regions, particularly in arid districts where the Government has established fully maintained boarding schools.

(ii) Reviewing the primary schools curriculum to increase its relevance.

(iii) Gradually phasing out untrained teachers and strengthening superiority and other support services to improve the quality of instruction.

15. 4. The Government recognizes the continuing efforts of the local communities in provision of more secondary educational opportunities through Harambee programmes and private initiative. To improve the quality of education, it directed that all new Harambee and private schools must be approved by the District Development Committees, and that any school which ceases to operate must be re-approved and re. registered before it operates again. It also directed that no Form IV leaver should be employed to teach in a secondary school. To improve the equitability, democratization and relevance of secondary education, the Government has given priority to the following policies:

(i) Encouraging viable interaction between schools and local communities, particularly through parents' associations.

(ii) Integrating education with rural development through diversification of the curriculum, emphasising the teaching of practical skills that suit the patterns of employment opportunities.

(iii) promoting ethnic aspirations and social obligations to uphold traditional African values while preparing for the challenges of modern society.

(iv) Minimizing school wastage by promoting student qualities of creativeness and innovativeness to guide school. leavers into productive employment.

(v) Correcting the imbalances in secondary education that exist between districts, between boys and girls, and between people of different income groups.

15. 5. The Government announced that as from 1984 the existing 7- 6-3-year education system will change to a new 8-4-4-year education system where formal primary education will last 8 years, secondary education 4 years and university education at least 4 years. The phasing out of the old system will be gradual, being fully effected at all levels of formal education by 1990. Extension of primary schooling to 8 years will begin in 1984. Then Certificate of Primary Education will be abolished and Standard 7 pupils will proceed

to Standard 8 and will sit for the Kenya National Primary Examination (KNPE) in 1985. Consequently there will be no intake into Form I in 1985 nor into Form 5 in 1989. In 1989 both Forms IV and VI will sit for the Kenya National Secondary Examination (KNSE). Those who pass from Form IV will go for a 4-year undergraduate course and the Form VI passes will be offered a 3-year undergraduate programme. To cope with the increased demand for university places, the Government announced that a second university will be opened by then.

15.6. Authority for pre-primary education for children aged from 3 to 5 years was vested on the Ministry of Basic Education in 1980 from the then Ministry of Housing and Social Services. Its aims and programmes have been oriented to provide the children with informal education geared to develop their mental capabilities; spiritual, moral and physical growth; good habits and experience; and through play and learning, to cope with the primary school life. In 1981, there were 8,109 pre-primary institutions in operation with a total enrolment of 407,406 children and 9,706 teachers. Sixty per cent of the institutions were sponsored by the parents associations on Harambee basis and 35 per cent of the teachers were trained. The enrolment ratio was only 11 per cent of the population aged from 3 to 5 years. However, the sex-ratio of the enrolled children is approximately unity. A one-year teacher training course is being run in five non-Governmental centres with a total of 190 annual entrants. Such trainees comprise of working untrained teachers having at least primary level education. The Ministry of Basic Education, with some assistance from UNICEF, organizes the training and the in-service courses for teachers. Nonetheless, the ministry has proposed to build a suitable teacher training college in Busia District.

15.7. The estimated enrolment in primary schools for 1982 was 4.2 million, an increase of 5 per cent over 1981. This enrolment was approximately 93 per cent of the estimated population of primary school-going age. Nationally, the pupil sex ratio has been gradually tending to unity, being 111: 100 in 1980, 110: 100 in 1981 and 109: 100 in 1982. Table 15.4 shows the enrolment in primary schools by standard. The largest increase, of about 12 per cent,

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1978-1982

Table 15.4 *Numbers*

	1978	1979	1980	1981	1982*
Standard 1	599,057	977,368	906,118	844,508	908,764
Standard 2	479,337	579,620	722,286	704,999	695,211
Standard 3	455,206	507,973	547,790	626,072	654,860
Standard 4	466,977	483,188	496,025	515,595	578,816
Standard 5	433,711	450,940	456,650	460,997	484,869
Standard 6	302,093	417,468	446,353	460,498	490,557
Standard 7	258,610	281,689	351,407	368,493	371,525
TOTAL	2,994,991	3,698,246	3,926,629	3,981,162	4,184,602

*Provisional.

occurred in Standard 4. The increased demand for Standard 1 places due to elimination of building and other school funds continues to provide a modest rise in total enrolment; there was a 7 per cent increase in 1982 over the 1981 figure. A comparison of the enrolment number for Standard 4 in 1982 with that of Standard 1 in 1979 indicates a decline.

15.8. As shown in Table 15.5 the demand for secondary education has continued to increase. By 1982 the number of maintained schools had increased to 523 with an estimated total enrolment of 207,000 students of whom 24 per cent were in Form I, showing an overall increase of 22 per cent over 1981. On the other hand, the unaided secondary schools had an estimated total enrolment of 134,000 of whom 37 per cent were in Form II showing a reversal of 12 per cent overall decrease and 7 per cent decrease in Form I over the previous year. Within the secondary education, only 13 per cent are absorbed into Form V, the higher section of secondary education. However, the total enrolment in all secondary schools in 1982 was estimated to have reached 438,000 representing a growth of 8 per cent over 1981. This rise is more than in primary enrolment although their absolute numbers remain less than 10 per cent of the primary school total. Girls constitute 40 per cent of total secondary school enrolment but only 34 per cent in maintained schools. Nonetheless, female representation in Form I rose to 43 per cent in 1982 continuing the trend of a move towards greater sex parity in secondary school enrolment. Table 15.6 shows the extent of the determination of the Government in improving secondary educational opportunities in all provinces.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1981-1982

Table 15. 5 *Numbers*

	1981				1982*	
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form I . .	41,994	28,694	53,200	50,262	30,061	49,279
Form II . .	39,995	22,646	40,234	50,092	27,118	36,354
Form III	36,469	19,798	29,468	46,918	19,838	23,730
Form IV . .	32,986	17,687	27,586	42,252	19,271	22,801
Form V . .	9,503	287	1,157	9,178	427	978
Form VI . .	7,846	215	785	8,590	412	863
TOTAL	168,793	89,327	152,430	207,292	97,127	134,005
Boys	113,145	46,283	83,197	136,851	50,512	73,714
Girls	55,648	43,044	69,233	70,441	46,615	60,291

*Provisional.

SECONDARY SCHOOLS ENROLMENT IN MAINTAINED SCHOOLS BY PROVINCE AND SEX, 1980-1982

Table 15.6 *Numbers*

	1980		1981		1982*	
	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi	10,224	5,424	11,692	5,792	9,153	6,361
Coast	7,039	3,500	7,320	3,664	9,560	4,933
Eastern	16,012	8,285	16,866	7,715	17,598	9,604
North-Eastern	1,173	238	1,103	214	1,234	255
Central	30,121	18,467	24,271	13,405	34,646	21,440
Rift Valley	15,787	8,141	18,848	10,205	22,754	12,247
Nyanza	15,542	6,188	18,789	7,124	20,888	5,559
Western	16,726	6,349	14,256	7,529	21,018	10,042
TOTAL	112,624	56,592	113,145	55,648	136,851	70,441

*Provisional.

15.9. The Government's participation in special education has been mainly confined to granting assistance to the handicapped. Since 1980, the Government has assumed greater direct responsibility in special education. It declared 1980 "the Kenya National Year of the Disabled", and a Harambee drive carried out for this purpose netted KSh.32 million contribution for the handicapped. The Government's goals for the handicapped have been to provide community-based services to involve parents and the community in the education of the handicapped children, emphasis on the pre-vocational and vocational training for the disabled, intensification of manpower training for the institutions of the handicapped and integration of the handicapped with the normal children. By 1982, 41 primary schools, eight secondary and vocational schools, and one correspondence school had been opened with a total enrolment of 5,200 pupils and 420 teachers. Institutions for impaired hearing topped the enrolment of the handicapped pupils with 1,900 pupils, followed by the visually handicapped institutions—1,400 pupils, physically handicapped institutions—1,100 pupils and mentally handicapped institutions—700 pupils enrolled.

15.10. An increasing supply of trained technicians is an essential requirement for accelerating economic development. By 1982, there were 19 secondary technical schools in the country, of which 15 were Government-maintained, two assisted and the remaining two unaided. The overall enrolment was 9,200 students with 535 teachers of whom 95 per cent were professionally qualified. Out of the 15 maintained secondary technical schools, 10 were four-streamed, and three have been earmarked to have fourth streams next year. This will increase the enrolment by 108 students, 40 of whom are expected to be girls. Plans are under way to provide more technical education to girls and the proposed technical school at Kitale will be for both boys and girls. A pilot scheme on holiday courses at Thika Technical School where 161 self-employed persons have attained Government Trade Test III has been successful and the Government is planning to provide more holiday courses to

self-employed persons in at least two more schools. Equipping and upgrading of 12 technical schools through a Kenya Government/S. I.D.A. project is satisfactorily coming to an end in June 1983. The Government is planning to take over the maintenance of one assisted school and to assist the Harambee technical schools that are coming up all over the country.

15.11. As outlined in Table 15.7, the teaching force in primary and secondary schools in 1982 was estimated to be 133,000 teachers, of whom 87 per cent were teaching in primary schools giving a primary pupil/teacher ratio of 36: 1. This represents an increase of 2 per cent over 1981 and a growth of 4 per cent in all the teaching corps over 1980/81, despite the significant increase in primary and secondary school enrolments. Of the primary school teachers, 67 per cent were trained and the percentage of untrained teachers has declined by 4 per cent over 1981. The national student/teacher ratio in secondary schools was 26: 1 in 1982, where 46 per cent of the teachers were trained, a proportion which has remained virtually constant through the whole period of the current National Development Plan (1979-1983).

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1980-1982

Table 15.7 *Numbers*

	PRIMARY			SECONDARY		
	1980	1981**	1982**	1980	1981	1982+
TRAINED						
Graduate	145	98	5	3,186	3,579	3,693
Approved*	–	–	131	417	379	410
S I . .	2,642	2,843	2,712	3,037	2,545	2,994
P I . .	24,708	26,196	31,375	353	368	293
P 2 . .	26,697	27,278	28,278	–	247	116
P3	15,547	15,982	16,505	–	–	
P4	1,449	1,102	828	–	–	–
Other	839	–	830	561	784	771
TOTAL	72,029	73,499	80,664	7,554	7,902	8,277
UNTRAINED						
Graduate	29	–	–	1,824	1,951	2,150
K. A. C. E . . .	578	773	557	4,961	5,846	6,457
K. C. E.	20,392	25,839	23,807	1,166	961	366
K. J. S. E . . .	7,663	8,940	8,147	–	–	
C. P. E.	571	1,624	1,563	–	–	
Other	227	236	356	139	417	598
TOTAL	30,460	37,412	34,430	8,090	9,175	9,571
TOTAL	102,489	110,911	115,094	15,644	17,077	17,848

*An approved teacher has completed the equivalent of a University Education.

**Estimated.

+Actual from head count.

15. 12. Enrolment in training colleges for primary school teachers decreased from 12, 600 in 1981 to 11, 400 due to the reduction of the number of colleges from 18 to 16 by upgrading of Siriba and Kagumo to secondary teacher training colleges. Consonant with the Government policy of increasing the number of trained teachers in order to phase out gradually the employment of untrained teachers and to meet the anticipated increase in teaching force due to introduction of Standard 8 in 1985, the Ministry of Basic Education announced its intention to start 10 more teacher training colleges and to alter the teacher training curriculum to provide a one-year residential college training. Table 15. 8 details enrolment in primary teacher training colleges in 1982 by sex and qualification of entrants. Most entrants have the Kenya Certificate of Education (KCE). However, the certification of trainees into P1, P2 and P3 categories of teachers on completion of the training course is determined by the individual performance in the final examination.

STUDENT ENROLMENT IN ALL PRIMARY TEACHERS COLLEGES BY QUALIFICATION, 1982

Table 15. 8 *Numbers*

	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
K.A.C.E.			5	2	5	2
K.C.E . .	3,056	2,073	3,489	2,438	6,545	4,511
K.J.S.E . .	13	12	49	66	62	78
C.P.E . .	38	23	46	95	84	118
TOTAL	3,107	2,108	3,589	2,601	6,696	4,709

15. 13. The Government is determined to produce enough graduate and non-graduate, specialist and non. specialist teachers to staff the "Harambee Secondary Package Programme", and reduce to a minimum the country's dependance on untrained teachers and non-citizen teachers. In 1982, the total enrolment in the six main secondary teacher training colleges was estimated to be 4, 200 students, of whom 49 per cent were taking a teaching degree course and the rest were on teaching diploma courses. The production of trained secondary schools teachers has been based at Kenyatta University College for graduate and diploma teachers in education; Kenya Science Teachers College for science teachers; Kenya Technical Teachers College for technical and business education teachers; and Egerton College, Njoro, where about 40 teachers in agriculture are produced annually. New colleges have been opened at Siriba and Kagumo, with an initial total intake of 600 students, to train diploma secondary school teachers for arts subjects. It is also proposed that a third college for arts subjects, the Moi Teacher Training College, Eldoret, will be opened in the near future.

15. 14. Expansion and diversification of the scope of teaching in technical and vocational subjects in terms of poly technic education continued in 1982. The total student enrolment in Kenya and Mombasa polytechnics was 4, 800, an increase of 22 per cent over 1981 and 32 per cent over 1980; annual fluctuations in enrolments are mostly due to sandwich courses. The overall ratio of male-to-female in the enrolment was 4:1 and 61 per cent of the students were in first year. Over 26 per cent of the students were enrolled in business studies and the only course where the female students out-numbered the male students was the Institutional Management Course where they constitute 93 per cent. To expand polytechnic education, the Government has proposed to build a third polytechnic.

15. 15. In addition to the technical and vocational training offered in technical schools and polytechnics, various Harambee Institutes of Technology (HITS) also undertake specialized technical training programmes. By 1982, eleven out of the proposed 15 institutes were in operation with a total enrolment of 2, 200 students, an increase of 1 per cent over 1981 and 6 per cent over 1980. The students sex ratio has persistently remained 3: 1 for the last five years. The majority of students tend to enroll for business studies, secretarial courses and masonry, with very few in carpentry, plumbing and textile courses. The Ministry of Higher Education continues to guide the institutes in their planning and development. In 1982, Rift Valley HIT topped the enrolment with 544 students, followed in ranked order by Kiambu 395, Kaimosi 250, Murang'a 192, Ramogi 192, Kirinyaga 150, Kimathi 132, Sangalo 119, Gusii 90, WECO 94 and Coast 48.

15. 16. To enhance industrial development, the Government has taken keen interest in the provision of industrial education. In 1982 there were 35 Government-maintained industrial schools, 10 assisted and 15 Harambee technical schools being developed under European Economic Commission Aid to offer industrial education. The number of maintained industrial schools by provinces were: Central 9, Nairobi 8, Rift Valley 4, Nyanza 4, Western 4, Coast 3, Eastern 2 and North-Eastern 1. Twenty-five of the main. tained industrial schools were offering courses in metal and wood works while 10 were offering courses in electrical and power production. It was estimated that the number of students in Forms III and IV in maintained industrial schools taking industrial education was about 4, 000.

15. 17. The University of Nairobi and its constituent, the Kenyatta University College, are expected to produce high. level professional manpower needed to further Kenya's development objectives. To ensure the necessary technological progress, scientific oriented subjects have been stressed. To curb the shortage of trained teachers in secondary schools and other higher learning institutions, Kenyatta University College was to expand its intake. Re-organizing and re-structuring of the University of Nairobi will depend

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1981/82-1982/83

Table 15.9 *Numbers*

	1981/82			1982/83*		
	Males	Females	Total	Males	Females	Total
Undergraduate Course—						
Agriculture**	306	74	380	–	–	–
Architecture and Design	208	25	233	–	–	–
Building Economics and Land Economics	126	28	154	–	–	–
Art	786	468	1,254	–	–	-
Commerce	364	169	533	–	–	–
Engineering	561	7	568	–	–	–
Law	154	107	261	–	–	–
Medicine	450	111	561	–	–	–
Science....	756	113	869	–	–	–
Veterinary Medicine	281	30	311	–	–	–
Dental Surgery	38	37	75	–	–	–
Pharmacy	75	33	108	–	–	–
TOTAL	4,105	1,202	5,307	–	–	–
of which Kenya Students..	4,039	1,177	5,216	–	–	-
Diploma Courses+ Total	31	44	75	-	-	-
of which Kenya Students..	26	42	68	–	–	–
Postgraduate Courses— ‡						
Agriculture	142	28	170	–	–	–
Architecture and Design	40	5	45	–	–	–
Art	196	78	274	–		–
Commerce	78	15.	93	–	–	–
Education	160	64	224	–	–	–
Engineering	64	2	66	-	-	–
Law	19	7	26	–	–	–
Medicine	193	38	231	–		
Science..	263	29	292	–	–	–
Veterinary Medicine	65	9	74	–	–	–
School of Journalism	17	7	24	–	–	–
Institute of Computer Science	17	6	23	–	–	–
TOTAL	1,254	288	1,542	–	-	–
Of which Kenya Students..	986	222	1,208	–	–	–
Total Enrolment.						
All Kenya students	5,051	1,441	6,492	–	–	—
Students from other countries	339	93	432	–	–	–
TOTAL	5,390	1,534	6,924	–	–	–

* No Enrolment in Academic Year 1982/83.

** Includes courses on Food science and Technology and Forestry.

+Diploma courses were offered in Advanced Nursing and Adult Studies.

‡The 1981/82 Nominal Roll for post-graduate students was not ready at the time of writing this chapter.

upon the Government's decision on the findings and recommendations of the University of Nairobi Visiting and Inspection Committee appointed in January 1983. The terms of reference of the committee were to—

(i) inspect and inquire into the organization, teaching, research and other related activities of the university;

(ii) study the existing organization of the catering and residential services as a function of university administration;

(iii) examine the current arrangements for giving loans to students;

(iv) look into the existing recreational facilities *vis-a-vis* the university population;

(v) examine the possibility of decentralizing faculties into a number of campuses and the suitability of the present location of the university;

(vi) review the existing rules and regulations governing the university;

(vii) review the existing syllabuses;

(viii) review the terms and conditions for admission of students and employment of staff.

KENYATTA UNIVERSITY COLLEGE STUDENTS BY COURSES AND SEX, 1981/82-1982/83

Table 15.10 *Number*

	1981/82			1982/83*		
	Males	Females	Total	Males	Females	Total
Diploma Curriculum Dev.	72	18	90			—
Diploma in Education ..	114	48	162	–	–	–
Bachelor of Education ..	1,122	1,007	2,129	–	–	–
B.A. Fine Arts	11	8	19	–	—	–
Postgraduate (Including P.G.D.E.)	108	23	131	—	—	—
TOTAL	1,427	1,104	2,531	—	—	—

*No enrolment 1982/83.

15.18. To complement the work of the University of Nairobi, the Government announced the establishment of a second university at Eldoret. The Government also directed that students in the university and it's constituents will be undertaking course programmes relevant to the country's social and economic needs so as to impart knowledge and skills required to solve the local development problems. In addition, undergraduate Kenya students taking overseas studies in the Commonwealth countries in 1982 were estimated to be 3,200. In 1982 the students who left for overseas studies in recognized universities abroad and who were officially registered by the Ministry of Higher Education were 1,165 of whom 41 per cent went to India, 25 per cent to U.S.A. and 13 per cent to United Kingdom.

15.19. The Educational Media Services (EMS) produces curriculum materials and other aids for formal and non-formal education, provides services for curriculum and media specialists and other educators, and maintains a network for the dissemination and utilization of educational resources. During 1982, the EMS produced a considerable number of visual programmes for schools and colleges, established a comprehensive book library and designed services for illustrative and operational services, and a system to upgrade the use of educational resources through teachers' colleges and teachers' advisory centres. Late in 1982, the EMS moved to its new complex within the Kenya Institute of Education and it is expected that the new centre will be finally completed and equipped by the end of 1983. Then the EMS will expand its production of visual programmes for teacher training, secondary and non-formal education radio programmes for primary schools and materials for in-service teacher training will also be developed.

Health

15.20. The Government is playing a leading role in programmes which are geared to improving health services for all Kenyans. These programmes which are co-ordinated by Ministry of Health include intensified efforts of educating the community on good dietary habits which will gradually eliminate nutritional deficiencies, provision of adequate and safe water, and control and gradual elimination of infectious diseases such as cholera, kala-azar, poliomyelities, measles, malaria, etc.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1982

Table 15.11

	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	17	8	62	87	5,598	585
Coast	25	23	133	181	2,930	196
Eastern	28	33	193	254	3,882	128
North Eastern ..	3	4	17	24	354	84
Central	45	38	180	263	4,512	174
Rift Valley	51	88	368	507	4,987	138
Nyanza	36	43	144	223	4,053	144
Western	15	39	38	92	2,728	135
TOTAL 1982	220	276	1,135	1,631	29,044	171
TOTAL 1981	221	262	1,130	1,613	28,108	177

15.21. During 1982 the Government continued to expand physical facilities in order to improve health services in the country. The number of health institutions has increased in 1982 as shown in Table 15.11. This growth is accounted for by 14 additional health centres and five dispensaries. The number of hospital beds rose from 28,108 in 1981 to 29,044 in 1982, giving a bed population ratio of 171 per 100,000 compared to 177 in 1981. With the rapidly growing population, the Government will have to sustain its efforts to maintain adequate health services.

15.22. From July 1982, the Maternal and Child Health/Family Planning (MCH/FP) was integrated into the Rural Health and Family Planning Services. Table 15.12 indicates that there was a considerable increase in child welfare and ante-natal attendances while there was a drop in family planning attendance. Child welfare attendance increased by over 80 per cent between 1980 and 1982. Ante-natal attendance increased by over 70 per cent between 1980 and 1982 while family planning attendance decreased by about 10 per cent during the same period. The recorded decrease in family planning is attributed mainly to poor reporting from the field.

MCH/FP ATTENDANCE BY SERVICES, 1980-1982

Table 15.12 *Numbers*

	CLINICS*		FIRST VISITORS ONLY		
	Established	Reported	Child Welfare	Ante-Natal	Family Planning
1980	558	450	422,128**	302,763**	64,560+
1981	567	345	608,523	402,126	62,746
1982	574	424	876,273	563,680	58,971

*All clinics give both full-time and part-time services especially in the field of family planning.

**Data for Nairobi is excluded.

+Poor reporting system especially in Central Province has slightly affected the figures.

REGISTERED MEDICAL PERSONNEL, 1980—1982

Table 15.13 *Numbers*

	1980	1981	1982		IN TRAINING	
	Number	Number	Number	No. per 100,000 Population	1981-82	1982-83
Doctors	1,691	2,057	2,151	12.67	500	500
Dentists	162	197	239	1.40	100	100
Pharmacists	60	84	86	0.51	120	120
Pharmaceutical Technologists	299	326	359	2.12	120	120
Registered Nurses	6,692	6,892	7,675	45.24	640	891
Enrolled Nurses	8,722	9,190	9,518	56.10	1,138	3,255
Clinical Officers	1,681	1,723	1,821	10.73	330	359

15.23. Between 1980 and 1982 the number of medical personnel in all cadres has steadily been increasing as shown in Table 15.13. The number of doctors increased from 2,057 in 1981 to 2,151 in 1982—a rise of about 4.5 per cent.

15.24. Table 15.14 shows that contributions to the National Hospital Insurance Fund rose by 41.6 per cent from K£3.6 million in 1980/81 to K£5.0 million in 1981/82. The benefits paid rose by 53.3 per cent from K£1.9 million to K£3.0 million during the same period, leaving the fund with a net balance of K£2.1 million, compared with K£1.6 million reported in 1980/81.

NATIONAL HOSPITAL INSURANCE FUND, 1975/76-1981/82

Table 15.14 *K£*

	Receipts*	Benefits**	Contribution Net of Benefits*
1975/76 Annual Average	1,741,671	1,648,669	92,002
1976/77 Annual Average	1,629,411	1,984,411	355,387
1977/78 Annual Average	2,166,762	2,133,481	33,281
1978/79 Annual Average	2,575,800	1,579,900	995,900
1979/80 Annual Average	3,003,355	1,812,304	1,191,051
1980/81 Annual Average	3,563,306	1,941,545	1,621,761
1981/82 Annual Average	5,044,247	2,975,502	2,068,745

*****Includes both compulsory and voluntary contributions and other receipts.

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

Other Social Services

15.25. *Youth Development.*—The number of village polytechnics receiving Government grants rose to 286 in 1982 from 253 in 1981. Total enrolment rose to nearly 30,000 in 1982 and the number of instructors stood at 1,540 at the end of 1982. These village polytechnics offer a variety of courses such as signwriting/painting, home economics, carpentry, motor mechanics, metal work (tinsmith), masonry, tailoring/dress-making, electrical fitting, upholstry, plumbing, agriculture, leather-work, weaving, business education, stone-curving and range management. There is a plan to spread appropriate technology to all village polytechnics. Furthermore, the Government has plans of giving assistance to 30 village polytechnics every year. An effort is also being made to avail some kind of revolving loan scheme funds to the village polytechnics leavers to enable them secure self-employment in their home areas. Table 15.15 shows the number of village polytechnics receiving Government aid in the year 1982 by province.

ENROLMENT IN VILLAGE POLYTECHNICS, 1981-1982

Table 15.15 *Number*

	Year	PROVINCES								Total
		Coast	Eastern	North Eastern	Central	Nairobi	Rift Valley	Nyanza	Western	
Number of Village Polytechnics	1981	37	49	7	52	2	35	46	35	253
	1982	41	44	7	59	2	43	51	39	286
Total Enrolment	1981	2,268	2,715	196	3,705	285	1,933	2527	1,868	15497
	1982	4,268	5,715	258	6,110	385	3,833	5211	3,968	29248
Number of Instructors	1981	192	205	32	301	15	180	235	195	1355
	1982	201	222	32	375	19	253	271	229	1,602

15.26. *National Social Security Fund (NSSF)*—.As shown in Table 15.16, the number of employees registered by NSSF rose to 1.3 million in 1982 while the number of employers went up from 30,400 in 1981 to 31,800 in 1982. A total of K£35.9 million was contributed in 1982 of which K£4.1 million was paid out to members as benefits over the same period. Total investments made during the year amounted to K£78.5 million in 1982, while short-term deposits stood at K£50 million.

NATIONAL SOCIAL SECURITY FUND, 1978-1982

Table 15.16

	1978	1979	1980	1981	1982
Employers registered '000	28.4	39.5	31.4	30.4	31.8
Employees registered '000 ..	1,111.6	1,186.1	1,262.5	1,226.4	1,291.4
Members paid out '000	85.3	90.8	99.0	112.4	128.4
Annual contribution K£m ..	19.5	24.6	28.5	34.1	35.9
Annual benefits paid K£m ..	2.0	1.4	2.3	3.8	4.1
Increase in investments K£m	28.1	26.6	53.8	69.2	78.5

15.27. *Vocational Rehabilitation.*—In 1982 there were 10 vocational rehabilitation centres in the country. The centres are located in Nairobi (two centres), Murang'a, Nyandarua, Kisii, Kericho, Embu, Bura (Taita-Taveta), and Kakamega (two centres). The number of trainees in all vocational training centres was 403 in 1982, excluding those at Kisii Rehabilitation Centre. The centres train persons suffering from various disabilities for gainful employment and self-reliance.

15.28. *Community Development.*—Community development supports the Government in socio-economic undertakings at the local level. A total of 11,440 projects were continued from 1980, while 3,014 projects were initiated in 1981. Of these, 294 were abandoned while 1,877 were completed during 1981. A total of 13,931 projects were carried forward to 1982. The total value of all projects (both new and old) carried out in 1981 amounted to K£18.65 million. In 1981, educational projects dominated self-help projects —constituting 62 per cent of overall contributions (excluding nursery schools). Table 15.17 shows the number and value of self-help projects from 1979 to 1981.

15.29. *Adult Education.*—The year 1982 recorded 12,845 adult education centres with a total enrolment of 347,800 learners. Government-aided institutions had a total of 233,000 learners, made up of 52,000 men and 181,000 women. Self-help literacy centres had 22,000 men and 89,000 women, making a total of 111,000. Church-sponsored literacy classes enrolled 200 men and 3,700 women. In total there were 74,500 men and 273,300 women. Out of 1,119 candidates registered for C.P.E. in 1982, only 409 or 36.6 per cent passed the examination. Table 15.18 shows Government and non-Government-aided adult literacy centres by province. In the provinces where the

NUMBER AND VALUE OF SELF-HELP PROJECTS*, 1979-1981

Table 15.17

	1979		1980		1981	
	No. of Projects	Value K£'000	No. of Projects	Value K£'000	No. of Projects	Value K£'000
Education—						
Primary Schools	4,756	3,688	3,778	9,471	5,071	1,676
Secondary Schools ..	680	1,335	643	2,578	744	9,564
Teachers Houses	297	280	272	238	413	310
Nurseries	1,123	529	1,114	1,443	1,443	529
SUB-TOTAL ..	6,856	5,832	5,807	13,730	7,671	12,079
Health	343	333	320	342	543	697
Social Welfare and Recreation.	1,849	2,254	1,682	2,003	2,128	2,454
Domestic	136	43	152	54	321	654
Water Supply	866	909	570	680	711	750
Transport and Communications	232	50	133	26	176	237
Agriculture	1,101	425	875	1,339	1,619	734
Miscellaneous	573	435	790	599	762	1,015
SUB-TOTAL ..	5,100	4,449	4,522	5,043	6,260	6,541
TOTAL	11,956	10,281	10,329	18,773	13,931	18,651

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

GOVERNMENT AND NON-GOVERNMENT AIDED ADULT LITERACY CENTRES, 1982

Table 15.18

PROVINCE	GOVERNMENT AIDED		NON-GOVERNMENT AIDED		TOTALS	
	Centres	Classes	Centres	Classes	Centres	Classes
Nairobi ..	176	229			176	229
Coast	897	325	325	1,222	1,222	1,547
Eastern	1,691	1,689	957	960	2,648	2,649
North Eastern	222	241	1	1	223	242
Central	1,154	1,154	379	379	1,533	1,533
Rift Valley	2,116	2,116	699	699	2,815	2,815
Nyanza	1,339	1,417	1,331	1,644	2,670	3,061
Western	845	845	713	1,558	1,558	1,558
TOTAL	8,440	8,588	4,405	4,721	12,845	13,639

number of centres and classes are equal it implies that all centres are fully enrolled. Where classes are more than the centres, it implies that some centres have more than one class. Additionally, the number of adult education officers and teachers deployed in adult education in 1982 were: senior staff 307, junior staff 673, full-time teachers 2,900, and honorarium—paid teachers 5,430, making a total of 9,310.

PROJECTS ASSISTED BY THE WOMEN'S BUREAU BY PROVINCE, 1982

Table 15.19

KSh. '000

	PROVINCES								
	Coast	Eastern	North Eastern	Central	Nairobi	Rift Valley	Nyanza	Western	Total
Agricultural Projects	369.0	410.0	92.0	510.0	7.0	693.0	295.0	201.5	7,577.5
Handicrafts	176.4	36.0	122.0	36.0	29.0	142.0	51.0	105.0	697.4
Small.scale Businesses	208.1	140.0	59.0	99.0	88.0	555.0	131.0	70.5	1,350.6
Home Improvements	8.0	77.0	14.0	6.0	–	75.0	81.0	15.0	276.0
Water Projects	–	–	–	–	–				
Social Activities	33.5	65.0	13.0	41.0	6.0	56.0	10.0	21.0	245.5
TOTAL	795.0	728.0	300.0	692.0	130.0	1,521.0	568.0	413.0	5,147.0

15.30. *National Youth Service.*—The total strength of the National Youth Service members in 1982 was 7,300 consisting of uniformed and civilian staff, servicemen and servicewomen. Uniformed staff consisted of 625 male and 93 female. Civilian staff consisted of 761 male and 156 female. Servicemen were 4,917 and servicewomen were 725. A total of 2,030 servicemen and women were recruited in 1982, out of whom 1,830 were men and 200 were women. The total income earned by the service during the year 1982 ending 30th June was K£1.5 million which was a big increase, compared to a mere K£57,000 earned in 1981 and K£364,000 earned in 1980. The service is also engaged in development activities such as livestock-keeping, road construction, commercial and subsistence farming, bush clearing, etc.

15.31. *Activities of the Women's Bureau.*—The Women's Bureau is a Government department with a mandate to co-ordinate all women programmes carried out by other agencies, with long-term objectives of integrating women from all over Kenya into a national development process. In 1982, projects assisted by the Women's Bureau included livestock development, farming activities, handicrafts, small-scale business, home improvement and social amenities. All provinces received funds from the bureau to help various activities. Table 15.19 shows the amount spent on projects assisted by the bureau by province in 1982. Agricultural projects took about 50 per cent of all contributions, followed by home improvements which accounted for over a quarter. During the same year other assistance was received from the UNICEF office. The assistance supplied inputs in training, in leadership and other skills. In future, the bureau will continue to promote income-generating activities as well as increase activities related to food production and intensify its training programme.

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