

REPUBLIC OF KENYA

ECONOMIC SURVEY
1984

ECONOMIC SURVEY 1984

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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
7. mn=million

SUMMARY AND OUTLOOK

Overview

There was a welcome drop in the world price of crude oil early in 1983 which had generally favourable impact on the world economy. The year was one of transition as the world began to come out of recession. There were positive developments including lower inflation, strengthening of business confidence and growth in output in the industrialised countries. Interest rates were still high, and debt servicing for developing countries became acute. There were, however, favourable movements in the prices of primary commodities.

On the domestic scene, the Kenyan economy was favourably affected by the higher prices for coffee and tea. The reduction in import tariffs for some raw materials and improved processing of import allocation encouraged manufacturing. There was improved husbandry of the country's foreign exchange reserves while the Government followed a tight monetary policy.

Under the prevailing circumstances, the Gross Domestic Product (GDP) in real terms grew by 3.9 per cent, compared with 3.4 per cent in 1982. The deficit on the current account of the balance of payments fell to K£116 million, the smallest since 1977. There was an increase in the country's foreign exchange reserves to K£269.6 million by December 1983. Agriculture grew by 4.1 per cent, slightly higher than the rate of growth of the population. The manufacturing sector grew by 4.5 per cent compared with 2.2 per cent growth in 1982. The inflation rate, as measured by the Nairobi Consumer Price Index, fell to 14.6 per cent from 22.3 per cent in 1982. Recorded employment went up by 47,300 during the year. Average earnings per worker increased by 6.6 percent, but in real value fell as a result of inflation.

The International Environment

The international economic recession which characterised the previous four years came to an end in 1983. Industrial growth picked up in the OECD group of countries. Inflation went down, and interest rates, though still high, receeded from peak levels. There was a lower rate of unemployment in the USA but in Europe it remained high. There was also a welcome fall in the price of crude oil.

The economies of developing countries continued to be weak, though prices of primary commodities rose after two years of decline. The oil-importing countries continue to be faced with debt problems and debt reschedulings continue. The strong dollar has meant that the Third World countries are paying more when servicing their loans as these are generally denominated in dollars. Firm commodity prices, especially coffee and tea in the case of Kenya, augur well for economies of developing countries. The debt crisis

that became apparent in 1982 continued to loom in 1983. Prospects for expansion of credit to developing countries therefore remain hazy especially from private banking institutions. The world food situation remained precarious with a reduced production of cereals. Africa has been hit by drought and with population growth outstripping food production there is cause for concern.

Overall growth in 1984 in the OECD is expected to reach 3.5 per cent as the growth in investment and renewed business confidence indicate recovery. There is, however, need to remove protectionist practices which were still prevalent in developed countries. This would enable developing countries to improve on quantities of exports. Oil prices are set to remain stable in 1984 provided the Gulf War does not escalate, and with high commodity prices, terms of trade may improve. Nonetheless, growth is expected to be only moderate in the developing countries.

Growth and Investment in Domestic Economy

There were a number of favourable developments in the domestic economy. There was an improvement in the balance of payments position, and in the foreign exchange reserves. The estimated out-turn in the Government finances in the year 1983/84 showed a significant strengthening. There was a reduction in the current budget deficit and an improvement in financial discipline. The rate of monetary expansion slowed down, inflation fell and recorded employment rose at a relatively rapid rate of 4.5 per cent.

There was a growth of 3.9 per cent in GDP in 1983, compared with 3.4 per cent in 1982. When account is taken of the improvement in international terms of trade, the first since 1977, per capita income grew by 1.8 per cent. Furthermore, there was a turnround in the fortunes of capital formation, which grew by 2.7 per cent. The increased investment in machinery and equipment augurs well for the manufacturing sector. External loans and grants financed 36 per cent of the total capital formation in 1982, whereas the percentage in 1983 was down to 22, with 78 per cent coming from domestic savings. Slack demand and import difficulties, however, led to accumulation of stocks of K£55 million compared with the K£96 million stock accumulation in 1982.

Social Indicators

In the past, performance has largely been judged on the basis of economic data, particularly pertaining to the formal sector. Lately, however, attention has shifted to social data with direct or indirect bearing on the improvement of the quality of life of the population. By use of social indicators in Chapter 3 an attempt is made to appraise past performance as well as to give some reflection of the extent to which targets are being met. The following areas are examined: population, health and nutrition, education and literacy, housing and water supply, access to community services, transport, newspaper circulation, crime and social participation.

It is shown that if fertility and motality remain unchanged, the population of Kenya will reach 24.9 million by 1990 and 37.5 million by the year 2000. The health status of the population has improved as measured by the crude death rate which has dropped from 25 per thousand in 1962 to 14 at the last population census in 1979. Life expectancy at birth has also improved from 35 years in 1962 to 53 years in 1979. Education has expanded rapidly. Total enrolment in primary schools increased from 0.9 million in 1963 to 4.3 million in 1983. The adult literacy rate, which was estimated at 46 per cent in 1976, had improved to 48 per cent by 1981.

Turning to housing, the situation is acute in urban areas, where rents absorb between 15 and 25 per cent of family income. According to the 1979 Urban Rent Survey, piped water was available in only 25 per cent of dwelling units. Access to community services is measured by distance travelled to various amenities. Approximately 73 per cent of households lived within 2 kilometres of a primary school in 1976/77. Some 15.5 per cent of households travelled less than 2 kilometres to the nearest health centre in 1976/77; preliminary data indicate that this percentage had risen to 19.2 by 1982/83.

While 39 per cent of households were less than 2 kilometres from the nearest local market in 1976/77, by 1982/83, the percentage had risen to 42 per cent. With respect to transport, the number of vehicles per 100,000 population increased from 1,030 in 1963 to 1,373 in 1982. In 1982/83, 67 per cent of households were within 2 kilometres of a bus/matatu route. During the 1974 General Elections, only 40.5 per cent of registered electors voted; this percentage increased to 65.7 in 1969 but then dropped to 48.2 in 1983.

Employment, Earnings and Consumer Prices

The performance of the economy in terms of employment and inflation improved considerably in 1983 compared with 1982. The recorded number of wage employees in the modern sector of the economy went up by 47,300, or 4.5 per cent during 1983. This compares favourably with the annual average increase over the 1979-1983 Plan period of 36,300. The growth of wage employment was equally spread between the private and public sectors.

Total wage payments rose by 11.4 per cent between 1982 and 1983. This was accompanied by a rise of 6.6 per cent in the average wage earnings. Throughout 1983 the Government followed a deflationary monetary policy in order to contain inflation. In consequence, the average inflation rate in 1983 was 14.6 per cent, a decline from 22.3 per cent in 1982. By March 1984, the inflation rate from the previous March had reduced further to 8.8 per cent. Under the circumstances, average real earnings declined by 7 per cent in 1983, compared with a reduction of over 10 per cent in 1982.

Money, Banking and Finance

There were impressive and favourable changes in the main monetary aggregates in 1983. The foreign exchange reserves made a major recovery and doubled the 1982 December figures. Credit to the Government declined by 19 per cent while credit to the private sector rose by 12 per cent. Overall domestic credit remained unchanged. Money supply increased only moderately, by 5 per cent. The liquidity of commercial banks was reduced in 1983, from the high levels of 1982 and the interest rates were revised downwards.

Public Finance

Current revenue grew faster than current expenditure and, as a result, the current deficit declined by nearly 45 per cent, from K£152 million in 1982/83 to an estimated K£84 million in 1983/84. There was a welcome reversal in the decline in development spending relative to recurrent spending. The increase in the level of gross capital formation by Government was 18 per cent. Due to the increased capital spending the overall deficit remained at the same level as in 1982/83. "External loans and grants helped finance around 70 per cent of the deficit with domestic borrowing financing the remainder. There has been a gradual shift by the Government from direct to indirect taxes. Up to 1982/83, the income tax was the single most important source of current revenue but in 1983/84 the sales tax emerged as the largest single source of revenue.

Total public debt more than doubled from K£810 million in 1979 to K£1,635 million in 1983. In 1983 total debt increased by 24 per cent, chiefly due to expiration of grace periods on loans received in previous years and borrowing to cover the related bunching of debt maturity. External debt servicing charges as a proportion of exports of goods and services increased from 5.2 per cent in 1979 to 13.5 per cent in 1983.

External Trade and Balance of Payments

There was a notable improvement in the country's external trade and balance of payments siutation in 1983. Export earnings rose significantly while the value of imports rose only marginally. The overall trade deficit of K£276 million was therefore lower by K£55 million compared with 1982. These changes were chiefly dependent on favourable price movements for merchandise exports and on the restraint of imports. Invisibles also improved. The resultant deficit on the current account fell to K£116 million which was the smallest since 1977. Inflows of long-term capital remained roughly at the 1982 level and there was surplus of K£15 million in the basic balance. Foreign exchange reserves increased by K£132 million during the year to nearly K£270 million by the end of 1983, or about double the 1982 figure.

The Shilling continued to depreciate against the US dollar and the Japanese Yen, but appreciated against the French Franc, the Pound Sterling and the Deutschemark. As a result the overall trade-weighted index showed a 1 per cent rise compared with a 10 per cent decline in 1982.

Agriculture

Despite delays in the long rains in 1983, the agricultural sector had a satisfactory performance. The GDP at constant prices in the agricultural sector grew by 4.1 per cent in 1983, thus the contribution of agriculture slightly exceeded the growth of population. Production of coffee, tea, sugarcane, cashewnuts, wheat and pineapples all went up appreciably, but there were declines in the cases of maize, rice paddy, and pyrethrum. The production of maize declined from 26.2 million bags in 1982 to 24.2 million in 1983. However, maize purchases by the National Cereals and Produce Board (NCPB) rose by 65,000 tonnes to 636,000 in 1983.

The long-term deterioration of terms of trade since 1976/77 was reversed in 1983. Nearly all the major commodities enjoyed higher prices in 1983. Notable price increases were recorded for coffee, sisal, sugarcane, maize, wheat and rice paddy. The prices of inputs went up by 5.8 per cent. With domestic inflation on the decline and the prospects for improvement in the general level of world commodity prices, the relative purchasing power of the rural population may be restored, conditional to favourable weather conditions.

Natural Resources and Environment

The Ministry of Water Development intensified its operations in the provision of water to rural communities. Development expenditure on rural water supplies between 1982/83 and 1983/84 reached K£11.3 million. There were 137 operational projects as at June. 1984 compared with 128 projects as at June, 1983. Pollution control and monitoring activities to improve the quality of water continue.

Efforts to expand the country's plantation forests continued vigorously in 1983. The overall forest plantation area rose moderately by 3 per cent, with an estimated 98 million seedlings planted in 1983. The Rural Afforestation and Extension Scheme has been instrumental in the successful administration of a chain of tree nurseries.

The mining industry experienced a favourable year with improved export prices and increased demand for basic raw materials in the world markets. Mineral output in 1983 increased to 403.000 tonnes, valued at K£20.0 million.

The Kenya Rangeland Ecological Monitoring Unit (KREMU) completed the first analysis of land use and animal census taken in certain districts. The work of this unit becomes more important with the new demands of district level planning.

Energy

The fall in the world price of crude oil early in 1983 had a significant impact on the situation in the country. For the first time in a decade, there were no off-pump price increases for petroleum products in 1983. Furthermore total energy consumption declined in 1983 for the third successive year, by 5 per cent.

The demand for petroleum products fell, from 2.28 million tonnes in 1982 to 2.16 million tonnes in 1983. This compares with 3.29 million tonnes imported in 1980. On the other hand, the generation of electricity increased by 6 per cent and was unaffected by the below-average rainfall experienced in 1983 due to improved storage on completion of the Masinga Dam.

Efforts to conserve energy while shifting to the use of local resources continued. The blending of power alcohol with premium gasoline to produce gasohol has been successfully launched in Nairobi. During the year a 270kw interconnector to Mombasa was commissioned, leading to a reduction in the use of thermal oil, from 171.6Mw installed capacity in 1982 to 160.2Mw in 1983. The search for other local alternative sources of energy continued, with research on biogas, solar and wind energy.

Manufacturing

The performance of the manufacturing sector improved significantly in 1983, with the volume of output rising by 4.5 per cent, compared with a growth of 2.2 per cent in 1982. An improvement in the availability of foreign exchange and the reduction in import duties on certain essential raw materials were the main factors behind the modest increase in output. Despite this achievement levels of capacity utilization remained generally low.

Notable increases in output were recorded in meat and dairy products, rubber products, tobacco, canned vegetables, fish, oils and fats, and bakery products. Large declines were recorded for wood and cork products, and grainmill products. Wage employment rose by 1.3 per cent compared with only 0.3 per cent rise in 1982. Capital formation in the sector improved as a result of increased importation of capital equipment and machinery. With the opening of the Tanzania border and the creation of the Preferential Trade Area, Kenya's manufacturing sector is set to benefit from increased exports. Average output per worker has increased by 3.2 per cent, as the share of labour cost to value added went down again.

Building and Construction

The building and construction sector suffered yet another bad year in 1983. The share of this sector to the GDP at constant prices declined to 3.2 per cent compared with 3.5 per cent in 1982. The value added in real terms fell by 4.2 per cent. In earlier years the growth of this sector had been impressive, so that in the longer term 1976-83, the average growth

of 3.6 per cent was recorded. Cement consumption fell by 12 per cent, while wage employment went down marginally. The overall building and construction cost index recorded a rise of 5 per cent in 1983, wholly accounted for by a rise in prices of materials. The value of all building plans approved during 1983 declined, indicating a possible poor performance in 1984 for the sector.

Tourism

Earnings from tourism rose by 3.4 per cent, from K£118 million in 1982 to K£122 million in 1983, implying a fall in real terms when account is taken of the rate of inflation. The number of departing visitors declined by 6.5 per cent, from 362.4 thousand in 1982 to 339 thousand in 1983. The number of bednights recorded for foreigners declined too, by 5.2 per cent. The opening of the Tanzania border should give a boost to tourism from that country and from further South.

Transport and Communications

Output in the transport sector grew by 13.8 per cent in 1983, and contributed 5.9 per cent of the GDP. The greatest expansion occurred in the posts and telecommunications activity where physical facilities continued to be improved. Even though road and railway transport showed higher earnings, these were solely due to higher tariffs. Cargo volumes for these services fell. Cargo volume handled at Mombasa harbour fell, as there was little improvement in the total volume of cargo handled at airports. The Kenya Airways recorded improved performance both in passenger and freight carried. Pipeline throughput increased by 6.6 per cent above 1982 level. New registration of vehicles fell for the third year running.

The Social Scene

The total estimated Government expenditure on social services increased marginally, from K£274 million in 1982/83 to about K£275 million in 1983/84. Education continued to receive the highest allocation of total Government spending.

The estimated enrolment in primary schools in 1983 was 4,324,000, an increase of 3.3 per cent over the previous year. The demand for secondary education has continued to increase, and total enrolment was estimated at 494,000 in 1983, a 13 per cent increase over 1982. Girls continue to be under-represented and constituted 40 per cent of the total enrolment. A small increase in the number of teachers and a continued decline of untrained teachers, whose proportion has fallen from 34 per cent in 1981 to 29 per cent in 1983, were recorded.

Health facilities have been enhanced by the increase in the number of health units from 1,631 in 1982 to 1,717 in 1983. There was however a small fall in the number of beds and cots per 100,000 population between

KEY ECONOMIC AND SOCIAL 1980-1983

Table 1

		1980	1981	1982	1983*		
1. Population	(million)	16.67	17.34	18.04	18.78		
2. Growth of G.D.P. at constant prices	(percent)	3.3	5.3	3.4	3.9		
3. G.D.P. at market prices	(K£mn)	2,632	3,039	3,399	3,809		
4. Net cost of petroleum products (k£mn)	(K£mn)	116	200	179	214		
5. Exports of merchandise	(K£mn)	516	475	510	614		
6. Imports of merchandise	(K£mn)	960	972	940	949		
7. Trade balance	(K£mn)	-44.3	-395	-332	-276		
8. Balance of payments	(K£mn)	-329	-336	-253	−116		
9. Coffee production	('000 tonnes)	91.3	90.7	88.4	95.3		
10. Tea production	('000 tonnes)	89.9	90.9	95.6	119.3		
11. Maize production	('000 tonnes)	1,584	1.967	2.349	2,178		
12. Wheat production	('000 tonnes)	205	204	235	242		
13. Sugar cane production	('000 tonnes)	3,972	3,822	3,108	3,286		
14. Milk sold	(ran lires)	187	222	236	315		
15. Change in manufacturing output volume	(percent)	+ 5	-4	+ 2	-5		
16. Construction output	(K£mn)	351	403	402	404		
17. Change in construction output volume	(percent)	+ 6	+ 8	−12	-4		
18. Cement consumption	('000 tonnes)	730	712	581	404		
19. Petroleum consumption	('000 tonnes)	1,671	1,585	1,489	1,373		
20. Electricity consumption	(mil kwh)	1,538	1,663	1,701	1,747		
21. Tourism earnings	(K£mn)	83	90	118	122		
22. New registrations of vehicles	(Number)	23,246	18,115	15,061	13,479		
23. Rail freight	(mn ton/km)	2,277	2,241	2,097	2,091		
24. Air passengers handled	('000)	1,847	1,972	1,900	1,928		
25. Consumer price increase	(percent)	12. 8	12. 6	22.3	14.6		
26. Wage employment	(000)	1 006	1,024	1,046	1,093		
27. Education—primary enrolment	(000)	3,929	3,981	4,184	4,324		
28. Education—secondary enrolment ..	'000)	399	411	438	494		
29. Education— higher enrolment	('000)	20 9	23.3	21.7	24.0		
30. Hospital beds and cots	(Number)	27,691	28.108	29,044	29,294		
31. Registered doctors and dentists	(Number)	1,853	2,254	2,390	2,655		
INDEX NUMBER: (1976=100)						%Change 1982-1983	Annual % rate of change 1976-1983
1. Export volumes		97	92	89	85	-4.5	-2.3
2. Import volumes		133	104	88	80	-9.1	-3.1
3. Terms of trade		89	77	73	78	−6. 8	-3.5
4. Money supply		191	217	252	264	+4.8	+ 14 9
3. Total domestic credit		212	264	341	341	—	+19.2
6. Consumer prices		155	175	214	245	+14.6	+13.6
7. Real wages		92	95	83	77	-7.0	-3.9
8. Recorded wage employment		116	118	120	125	+4.5	+3.2

*Provisional.

1982 and 1983. The Government has adopted an integrated health programme which places emphasis on preventive and promotive health services, an aspect that has hitherto suffered in favour of the curative service.

Other social services include the national youth service, adult education, and social security. For the first time, the Government required students to undergo national youth service before proceeding to the university. National Social Security Fund continued to increase membership, and contributions totalled K£36 million during 1983.

Outlook for 1984

The indications are that the recovery of the world economy, though gradual, will gain momentum in 1984. The debt service problems of the developing countries will continue with further activities on re-scheduling. However, commodity exports are expected to increase with an improvement in the terms of trade for the developing countries.

On the domestic scene, the economy should benefit from firm coffee and export prices and improved availability of foreign exchange reserves, enabling the importation of essential material inputs for industry. The launching of the 1984 Export Year, in a context of an enlarged regional market under the auspices of the PTA, augurs well for the revival of exports.

The good performance of the agricultural sector in 1983 seems unlikely to be repeated in 1984. The long rains in 1984 were delayed and the possibility of widespread crop failure has become very real. The manufacturing sector should do well if it takes advantage of the export incentives but it cannot expect a large gain in the domestic economy. The construction sector will most likely continue to be in a depressed state, judging by the number of approved plans recorded in 1983. The inflation rate is expected to come down to between 9 and 12 per cent.

The Government curtailment of expenditure has been continued into 1984, and this, coupled with cautious monetary expansion may mean only a slow expansion in domestic demand. All in all, therefore, the overall growth of the economy in 1984 may not be different from that of 1983. The GDP is expected to grow by around 4 per cent but is heavily dependent on the weather's effects on agricultural output, incomes and net foreign exchange earnings.

CHAPTER 1—THE INTERNATIONAL SCENE

The year 1983 was one of transition as the world began to come out of recession. It was a year in which the industrial economies found themselves in the phase between recession and recovery. The economic upswing during the year is now strengthening and confidence seems to be improving. Inflation went down in all major industrial countries in 1983 and continues to fall in some of them while economic growth during the year was higher than had been anticipated. The high interest rates of the recent past have now receded from their peak levels in nominal terms but remain quite high in real terms. As recovery gained strength, though marked by diversity, there was an improvement in employment in the USA but in Europe it remained high and rising—a situation which is expected to continue. The foreign trade of the industrial countries declined for the third consecutive year but this decline was significantly slower than in 1981 and 1982.

1.2. The prices of some primary commodities rebounded somewhat in 1983 after two years of decline. This is beneficial to the exporting countries whose economies remain weak, and the hope is that recovery in major countries will lead to a continuation of this trend. The fall in the price of oil has had little effect in the economies of oil-importing developing countries since oil is denominated in dollars and the dollar has become dearer, having risen by 11.5 per cent in trade weighted terms against the Special Drawing Right (SDR) since January 1983. The oil-importing countries continue to be faced with debt problems and debt re-schedulings continue. The rise in debt-servicing ratios has led to curtailment of lending, particularly by the commercial banks. The strong dollar has also meant that Third World countries are paying more when servicing their loans as these too are generally denominated in this currency. Firm commodity prices, except for metals, are the only notable developments that augur well for the economies of these countries, for it will help improve their balance of payments positions.

1.3. The external deficits of the most heavily-indebted developing countries, such as Brazil, were brought down during 1983. Much of this was achieved through stringent import cuts, at a heavy cost in terms of output and employment foregone. Their position was eased, however, by official efforts by the IMF and others to ensure a reasonable flow of new commercial bank lending, although a long-term solution to their debt problems is not yet in sight. Middle income countries, however, continue to face liquidity crises and there is continuing debt restructuring. Renegotiation processes have become more standardized and in some regards more efficient. Oil consumption has been going down and oil exporting countries have had to adjust their budgets and economies to face the new reality. Recovery in the industrial countries may spell increased consumption and it is expected that oil prices will remain stable in 1984.

1.4. The main economic indicators and projections for Western industrial countries are summarized in Table 1.1. Aggregate Gross National Product (GNP) for the Organization of Economic Co-operation and Development (OECD) group grew by 2.3 per cent in 1983 compared with the decline of

KEY ECONOMIC INDICATORS AND PROJECTIONS FOR WESTERN INDUSTRIAL COUNTRIES (OECD)[1] (SEASONALLY ADJUSTED ANNUAL RATES)

Table 1.1

	1982	1983	1984	1985 (1st half)
	(percentage changes from preceding period)			
Real GNP—				
United States	-1.9	3.5	5.0	3.0
Japan	3.0	3.0	4.0	3. 0
OECD European members	0.6	1.0	1.5	1.8
Total OECD membership	-0. 3	2.3	3.5	2.5
Real total domestic demand—				
United States	-1.0	4.8	5.8	3.5
Japan	2.9	2.0	3.0	2.3
OECD European members	8.8	0.5	1.0	1.5
Total OECD membership	0 .1	2.5	3.5	2.5
Inflation (private consumption deflator)—				
United States	5.8	4.0	5.3	5.8
Japan	2.9	1.5	1.5	2.3
Germany, Federal Republic of	5.3	3.0	3.3	3.5
France, United Kingdom, Italy, and Canada	11.3	8.8	7.5	6.5
High-inflation smaller countries[2]	14.1	13.0	11.0	11.0
Lower-inflation smaller countries[3]	6.5	5.2	4.0	4.0
Total OECD membership	7.3	5.5	5.5	5.8
Current balances—		(billion US dollars)		
United States	-11.2	-43.0	-82.0	-99.0
Japan	6.9	23.0	31.0	36.0
Smaller deficit countries[4]	-23.3	-10.0	-3.0	-6.0
Total OECD membership	-29.8	-24.0	-42.0	-41.0
Unemployment—		(per cent of labour force)		
United States	9.7	9.5	8.0	7.8
Japan	2.4	2.8	2.8	3.0
OECD European members	9.5	10.5	11.3	12.0
Total OECD membership	8.4	9.0	9.0	9.0

Note:—The cut-off date for information used in the compilation of the forecasts was November 21, 1983.

1. Assumptions underlying the projections include no change in actual and announced policies; unchanged exchange rates from their average of the four weeks ended November 4, 1983; and unchanged dollar price for internationally traded oil to mid-1985;

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

3. Austria, Belgium, Netherlands, and Switzerland.

4. TotaI OECD membership, less the seven major countries, the Netherlands, Norway, and Switzerland.

Source: OECD *Economic Outlook,* No. 34.

0.3 per cent in 1982. The USA showed a marked improvement by recording 3.5 per cent growth in 1983 compared with 1.9 per cent decline in the previous year. Japan sustained its previous growth of 3 per cent and these two countries provided most of the stimulus to world activity. Europe's recovery has so far been slight and patchy. Recovery owed much to increases in private consumption, arising from high real incomes, and from a significant increase in the proportion of income spent. The recovery in real incomes may have been related to the falling inflation recorded in Table 1.1. In the USA there is evidence of strong plans to increase real investment as a result of improved business confidence. In Europe and Japan investment continues to be modest, partly because of continuing high interest rates.

1.5. Protectionism and subsidization of industry continued fairly generally. Also of importance is the fact that some exchange rates have departed substantially from equilibrium levels. The rise of the dollar has been particularly noteworthy, with adverse effects on export industries and on the stability of international markets. The Japanese yen, on the other hand, was particularly low although in the closing months of 1983 it started to appreciate. Generally, there was an undesirable instability in world exchange rates, with adverse effects on trade, investment and prices.

1.6. Table 1.1 shows that inflation diminished considerably in 1983, and in virtually all the major countries. In the OECD as a whole the rate fell from 7.3 per cent in 1982 to 5.5 per cent in 1983, with 1983 rates of only 4, 1.5 and 3 per cent for the USA, Japan and West Germany. There seems to have been success in bringing inflation rates down. In the USA, however, inflation is expected to move up in 1984, while the OECD average is expected to remain about the same as for 1983. What is now needed is to bring interest rates down so that there is an environment for buoyant investment which is necessary for sustaining the emerging recovery.

1.7. Unemployment is also declining in the USA but much more sluggishly. In Europe it has even increased from 9.5 per cent of the labour force in 1982 to 10.5 per cent in 1983 and is expected to rise further. European unemployment is structured and recovery alone will not bring it down to satisfactory levels. In Japan it also rose slightly, from 2.4 per cent in 1982 to 2.8 per cent in 1983. In the USA the unemployment rate is expected to fall further as the economy revives. For all OECD members, the rate is expected to steady up at 9 per cent.

1.8. Apart from lowering the rate of inflation, another policy adopted by OECD member countries has been the reduction of budget deficits, in support of efforts to reduce inflation and thus boost a growth. There have been both tax increases and expenditure cuts. This exercise has been made more difficult, however, because the revenues have been reduced by continued recession and expenditures have been swollen by increased unemployment and social security payments. High interest rates on the public debt have also made the reduction of deficits more difficult.

1.9. The strong dollar has meant that goods made by other countries are more competitive and hence the trading partners of the USA are benefitting. As Table 1.1 also shows, American current account balance of payments deficit has continued to rise-from S4.5 billion in 1981, to $11.2 billion in 1982 and to $43 billion in 1983. For Europe as a whole the deficit is declining, while Japan's surplus continues to rise.

1.10. Prices of primary commodities, excluding oil, rose in 1983 after two years of decline. The weighted average wholesale price of 30 commodities rose by 6.7 per cent, compared with 12.1 and 14.6 per cent declines in 1982 and 1981 respectively. The increase largely reflected a rise in the prices of agricultural raw materials by 9.5 per cent, food by 8.8 per cent and tropical beverages by 7.7 per cent. Metal prices remained unchanged and in 1984 continue to show weak demand. The moderate rise in the prices of beverages, for the second year in a row, has meant higher earnings for the exporters of cocoa and tea. In the second half of 1983, the price of tea rose to peak levels, mainly due to a ban by India on the export of certain teas. But while Kenya has been able to benefit from this development, the market for her chief export, coffee, remained rather weak throughout 1983 with prices for all coffees rising only marginally. Coffee prices are, however, expected to rally strong in 1984. Price indices of selected commodities are set out in Table 1.2.

1.11. Following the fall in the price of oil in 1983, the Organization of Petroleum Exporting Countries (OPEC) deficit rose to about $31 billion, compared with an estimated $16 billion deficit in 1982. OPEC countries, however, increased their borrowing only slightly, preferring to run down reserves and, as a result, their withdrawals of bank deposits were relatively large—$13 billion in 1983. With the price of oil expected to remain steady around a reference price of $29 per barrel, the OPEC deficit is expected to rise slightly to $32 billion in 1984.

SELECTED WORLD COMMODITY PRICE INDICES, 1979-1983
(1980 = 100)

Table 1.2

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All Commodities
1979	112.5	96.6	92.4	87.4	60.2	92.0
1980	100.0	100.0	100.0	100.0	100.0	100.0
1981	76.8	89.8	86.2	85.7	113.4	85.4
1982	83.4	88.7	78.0	82.0	116.8	75.1
1983	84.9	103.8	73.7	79.5	102.2	80.1

Source: IMF, *International Financial Statistics.*
*All Coffee (New York).
**Average Auction (London).
***East African (London).
+E.E.C. Import Price.
++Saudi Arabia (Ras Tanura).

1.12. Although there was less talk of a debt crisis as 1983 proceeded, the problem is still looming. Default was averted in major debtor countries such as Brazil, Argentina, Mexico and Nigeria. In the ensuing renegotiations, it is becoming clear that debtor countries cannot carry current levels of servicing payment, therefore, the reduction of interest rates on both existing and new debt is necessary for the reduction of debt service ratios. These are relatively high for major debtors: 40 per cent for Brazil; 44 per cent for Argentina; and 35 per cent for Mexico, compared to the developing countries ratio average of 14 per cent. A substantial reduction in the budget deficit of the American government is universally seen as crucial to the reduction of world interest levels; but US interest levels actually rose in the first half of 1984. Another development arising out of the debt crises in 1983 was the grouping of debtors to help another country service her debts. The grouping of Mexico, Colombia and Venezuela to help Argentina has been seen as a sign that borrowers may in future be able to adopt a stiffer negotiating stance vis-a-vis the commercial banks or even the IMF. There are, however, severe limitations on the resources that can be mobilized by groups of this kind. Table 1.3 shows the size of debts of different regions engaged in debt restructuring as at the end of 1982.

DEBTS OF COUNTRIES (BY REGION) ENGAGED IN BANK DEBT RESTRUCTURINGS AT THE END OF DECEMBER 1982 (MILLION U.S. DOLLARS)

Table 1.3

Latin America	201,830
Caribbean	2,648
Africa	16,155
Eastern Europe	14,064
Other Europe	3,971

Latin America		Mexico, Brazil, Venezuela, Argentina, Chile, Peru, Ecuador, Uruguay, Bolivia, Nicaragua, Honduras and Guyana.
Caribbean	—	Dominican Republic, Jamaica and Costa Rica.
Africa	—	Nigeria, Morocco, Sudan, Zaire, Zambia, Senegal, Madagascar, Togo and Malawi.
Eastern Europe		Turkey.

Source: IMF Survey. January 23, 1984.

1.13. Despite some improvement in the economies of debtor countries, the debt problem still remains and dependence on loans is still, and will remain, a common feature. However, the prospects for expansion of credit to developing countries remain dim in the short run. Private banking institutions have sought to reduce their exposure to Third World countries and have set strict conditions for loans. As a result, lending by international

banks to developing countries was reduced in 1983. Bank lending for direct investment to developing countries fell to US $10 billion compared with US $13 billion and US $14 billion in 1982 and 1981 respectively.

1.14. Another worrying development which came into focus in 1983 was the precarious world food situation. The production of cereals has fallen worldwide. This implies a general rise in the prices of grains, with the result that poor countries will not be able to afford to import and shortages are likely to occur. Africa has done worst in the past two years. Low yields per hectare, pests, and drought over a large part of the continent have contributed to this worsening situation. Even the hitherto self-sufficient countries of Southern Africa have been hit by drought. A recent study has revealed that for all major food commodities produced in Africa, yields per hectare have hardly improved or have even declined. There has also been little increase in the area of land brought under cultivation. In Sub-Saharan Africa, the area of new land brought under cultivation is less than one per cent per year. Low prices for farmers have also acted as disincentives. For Africa, population growth has been outstripping food production. While the latter has been growing at 1.3 per cent, population growth has been at 3.0 per cent per year.

1.15. The recovery in the OECD countries that began in 1983 is expected to continue picking up modestly in 1984. As can be seen in Table 1.1, inflation and unemployment are expected to remain stable up to early 1985. The USA and Japan are expected to continue offering the needed stimulus for recovery. In the USA, a fall in the dollar may lead to increased inflation but should boost America exports. If the dollar remains strong, a doubling of the current account deficit is expected. The balance of payments of Japan and small deficit countries are expected to strengthen during the year. Overall, growth in OECD countries is expected to improve by rising to around 3.5 per cent in 1984, but for Europe as a whole it is expected to remain sluggish. For developing countries, there is hope that their economies will improve as a result of higher commodity prices and that for oil importing countries the price of soil will remain stable. Nevertheless, even with better commodity prices, stable oil prices and lower inflation in the industrial economies, growth in the developing countries, especially in Africa, is expected to be a slow, painful process for the near future.

CHAPTER 2—THE DOMESTIC PRODUCT AND INVESTMENT

Overview

There was a welcome acceleration in the overall growth of constant-price GDP during 1983—from 3.4 per cent in 1982 to 3.9 per cent in 1983. This rate of growth was, however, still relatively small and was just above the population growth rate of 3.8 per cent. Although agriculture, which accounts for a third of the total GDP, continued to expand more rapidly than the total GDP, both the building and construction, and the trade, restaurants and hotels sectors had poor years. The expansion of the manufacturing sector is now increasing its tempo. When the GDP per capita figures are adjusted for the favourable terms of trade effect in 1983, the average income is estimated to have increased by 1.8 per cent.

2.2. Looking more generally at the performance of the economy, there were a number of favourable developments. There was an improvement in the balance of payments position, which brought a boost to the foreign exchange reserves. The estimated out-turn on the Government's 1983/84 budget also showed a significant strengthening, with a reduction in the current budget deficit, and a general strengthening of fiscal discipline. Partly as a result of these fiscal trends, there was a marked slow-down in the rate of monetary expansion, with domestic credit remaining virtually unchanged between 1982 and 1983. In response to this, the rate of inflation fell. As measured by the GDP deflator, this declined from 9.2 per cent in 1982 to 8.0 per cent in 1983. The reduction was more dramatic when measured by the Nairobi Consumer Price Index, which recorded the inflation rate falling from 22.3 per cent in 1982 to 14.6 per cent in 1983. Recorded employment rose at the relatively rapid rate of 4.5 per cent. Thus, 1983 was a year which brought some encouragement.

Sectoral Contributions

2.3. Details of the performance of the various sectors of the economy are provided in Tables 2.1 and 2.2. For the third successive year, the performance of the agricultural sector held the key to the overall growth of the GDP in real terms. Although there was a marginal drop in the growth rate of the agriculture from 4.4 per cent in 1982 to 4.1 per cent in 1983, this expansion was nevertheless a real achievement given the delayed long rains in 1983 and the drought conditions that obtained in some parts of the country. As is detailed in Chapter 8, the production of coffee, tea, sugar cane, wheat, cashewnuts and pineapples all went up appreciably, although there were declines in the cases of maize, rice paddy, and pyrethrum. There were increases in the output of milk, other dairy products and beef. To some extent this growth in the face of not very favourable weather conditions is thought to be a response to the Government's policy of increasing producer prices. The price increases were substantial for most crops. As a result, during 1983 there was a small reversal of the long-term downward trend in the terms of trade of agriculture.

GROSS DOMESTIC PRODUCT, 1980-1983

Table 2.1 — *K*£million

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1980	1981	1982	1983*	1980	1981	1982	1983*
TRADITIONAL ECONOMY								
Forestry	16.66	19.22	21.71	24.95	10.69	110.06	11.44	11.83
Fishing	0.55	0.82	1.03	1.21	0.37	0.43	0.55	0.59
Building and Construction	41.57	46.20	48.96	52.38	25.74	25.73	26.46	27.17
Water Collection	15.10	17.12	19.29	21.77	9.79	9.95	10.10	10.25
Ownership of Dwellings	57.79	67.41	73.59	91.95	34.54	35.95	37.42	38.89
TOTAL TRADITIONAL ECONOMY	131.67	150.77	164.58	192.26	81.13	83.12	85.97	88.73
MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture**	688.13	791.74	907.16	1,030.61	522.03	554.39	578.88	602.61
Forestry	13.96	16.98	21.14	24.94	7.70	8.13	8.48	8.90
Fishing	4.37	6.56	8.27	9.89	2.97	3.43	4.55	4.94
Mining and Quarrying	5.73	5.16	5.78	6.20	4.05	3.32	3.32	3.32
Manufacturing** ..	295.14	342.44	384.44	408.26	212.95	220.74	225.64	235.88
Electricity and Water	32.48	41.00	46.98	54.98	21.21	22.94	23.98	25.02
Building and Construction	105.17	121.00	120.58	127.81	63.21	68.37	60.39	57.86
Trade, Restaurants and Hotels	244.66	274.03	299.22	346.25	171.15	171.09	167.96	172.73
Transport, Storage and Communications**	127.81	143.39	164.10	195.25	93.46	94.86	99.22	106.51
Finance, Insurance, Real Estate and Business Services	135.68	168.82	206.92	233.95	97.36	110.09	123.16	129.25
Ownership of Dwellings	103.41	127.42	145.90	163.48	69.97	76.57	82.23	85.30
Other Services	49.41	56.15	62.68	70.15	35.82	38.26	41.94	43.56
Less: Imputed Bank Service Charges	-62.86	-71.21	-84.19	-96.82	-45.11	-46.39	-50.11	-53.49
TOTAL	1,743.09	2,023.48	2,288.98	2,574.95	1,256.77	1,325.80	1,369.64	1,422.35
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	28.15	32.07	36.96	42.53	19.29	20.90	22.30	23.75
3. PRODUCERS OF GOVERNMENT SERVICES					..	..	..	..
Public Administration	71.30	87.22	90.87	95.59	..	..	..	..
Defence	14.90	14.35	17.75	24.92	..	..	..	..
	154.18	178.19	200.04	213.74	..	..	..	..
Health	36.16	41.64	48.22	51.36	..	..	..	..
Agricultural Services	22.24	27.67	31.73	33.83	..	..	..	..
Other Services	33.68	41.85	52.75	61.98	..	..	..	..
TOTAL	332.46	390.91	441.35	481.41	233.47	245.84	255.18	265.89
TOTAL MONETARY ECONOMY	2,103.70	2,446.46	2,767.29	3,098.89	1,509.53	1,592.54	1,647.12	1,712.03
TOTAL TRADITIONAL AND MONETARY ECONOMY	2,235.37	2,597.23	2,931.87	3,291.15	1,590.66	1,675.66	1,733.09	1,800.76
GROSS DOMESTIC PRODUCT PER CAPITA .. K£	133.42	149.34	162.41	175.64	94.94	96.35	96.01	96.10

**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.

GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH, 1980-1983

Table 2.2 *Percentage*

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1980-1981	1981-1982	1982-1983*	Cumulative 1976-1983*	1980-1981	1981-1982	1982-1983*	Cumulative 1976-1983*
TRADITIONAL ECONOMY								
	15.4	13.0	14.9	14.9	3.5	3.4	3.4	3.4
	49.1	25.6	17.5	22.7	16.2	27.9	7.3	10.6
Building and Construction	11.1	6.0	7.0	13.3		2.8	2.7	3.1
Water Collection	13.4	12.7	12.9	13.7	1.6	1.5	1.5	2.0
Ownership of Dwellings	16.6	9.2	24.9	17.7	4.1	4.1	3.9	4.0
TOTAL TRADITIONAL ECONOMY	14.5	9.2	16.8	15.6	2.5	3.4	3.2	3.5
MONETARY ECONOMY								
1. Enterprises and non-profit institutions								
Agriculture	151	14.6	13.6	12.0	6.2	4.4	4.1	3.7
Forestry	21.6	24.5	18.0	21.9	5.6	4.3	5.0	5.3
Fishing	50.1	26.1	19.6	22.3	15.5	32.7	8.6	11.1
	-9.9	12.0	7.3	8.9	-18.0			-0.4
Manufacturing	16.0	12.3	6.2	16.0	3.7	2.2	4.5	7.3
Electricity and Water	26.2	14.6	17.0	21.3	8.2	4.5	4.3	8.4
Building and Construction	15.1	-0.3	6.0	16.0	8.2	-11.7	-4.2	3.6
Trade. Restaurants and Hotels	12.0	9.2	15.7	14.7		-1.8	2.8	4.3
Transport, Storage and Communications	12.2	14.4	19.0	16.0	1.5	4.6	7.3	6.4
Finance. Insurance, Real Estate and Business Services	24.4	22.6	13.1	19.6	13.1	11.9	4.9	9.9
Ownership of Dwellings	23.2	14.5	12.0	16.0	9.4	7.4	3.7	5.7
Other Services	13.6	11.6	11.9	14.6	6.8	9.6	3.9	7.0
TOTAL (Including Imputed Bank Service Charges) ..	16.1	13.1	12.5	14.3	5.5	3.3	3.9	5.0
2. Private Households (Domestic Services)	13.9	15.2	15.1	21.4	8.3	6.7	6.5	10.2
3. Producers of Government Services								
Public Administration	22.3	4.2	5.2	12.1	..	..	..	..
Defence	-3.7	23.7	40.4	14.6	..		..	..
Education	15.6	12.3	6.8	14.5				
Health	15.2	15.8	6.5	16.7	..	..	..	..
Agricultural Services	24.4	14.7	6 6	16.9	..			..
Other Services	24.3	26.0	17.5	17.2	..	..	..	
TOTAL	17.6	12 .9	9.1	14.7	5.3	3.8	4.2	5.4
TOTAL MONETARY ECONOMY	16.3	13.1	12.0	14.4	5.5	3.4	3.9	5.1
TOTAL TRADITIONAL AND MONETARY ECONOMY	16.2	12.9	12.3	14.5	5.3	3.4	3.9	5.0
GROSS DOMESTIC PRODUCT PER CAPITA	11.9	8.8	8.1	..	1.4	0. 4	0.1	..

*Provisional.

2.4. The position of the manufacturing sector was also encouraging. There was a positive increase in the growth rate for this sector—from 2.2 per cent in 1982 to an estimated 4.5 per cent in 1983—but manufacturing remains far from recapturing its dynamism of earlier years. Improved availability of essential import helped this sector during the year but the state of demand, both at home and abroad, remained rather depressed and levels of capacity utilisation remained generally low. There were, nevertheless, large increases in the output of such industries as meat and dairy products, canned vegetables and rubber products.

2.5. Among the other major sectors of production, the experiences of the building and construction were the most disappointing. Following a major decline in 1982, when real product fell by 11.7 per cent, there was a further 4.2 per cent decline during 1983. A number of factors have contributed to this. These include shortages of bank credit and reduction in spending by the Government on roads and other construction activities. Shortages of imported inputs may also have played a role. There was a falling-off in demand, as can be seen by the substantial decline in the value of building plans approved for the private sector, as is detailed in Chapter 12.

2.6. The other major sectors of the economy experienced mixed fortunes. Trade, restaurants and hotels expanded by only 2.8 per cent in real terms during 1983, although this was a considerable recovery over the record of the previous two years. The provisional figures show a major boom in the transport sector, whose growth rates have increased from 1.5 per cent in 1981, and 4.6 per cent in 1982 to 7.3 per cent in 1983. Here too, it is likely that the availability of spare parts, as well as increased domestic production of transport equipment have contributed to this accelerating growth. Financial and related services, on the other hand, experienced a sharp slowing down over the same period, although in 1983 they still grew at a higher late, 4.9 per cent, than the total GDP. Finally, the expansion of Government services continued at a slightly faster pace in 1983, growing by 4.2 per cent, against 3.8 per cent in the previous year.

2.7. The basic aggregates of the production accounts for each sector for 1982 and 1983 are set out in Table 2.3. For the past several years there has been little variation in the ratio of GDP to gross output, which has remained within the range of 48-49 per cent. This is perhaps a little surprising in that there has in recent years been considerable reduction in the availability of imported supplies relative to total economic activity. In volume terms, the ratio of imports to constant-price GDP has approximately halved in the past decade and it might have been expected that this would have resulted in the relative growth of sectors and industries which economised in the use of such inputs. Part of the answer is likely to be found in the policy of import substitution which has led to local production of intermediate goods.

2.8. Of the major sectors of the economy, manufacturing remains the most heavily dependent upon the supply of intermediate inputs. In 1983 the intermediate consumption of that sector was no less than 82 per cent

PRODUCTION ACCOUNTS, 1982 AND 1983*

Table 2.3 — *K£million*

	1982					1983*			
	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
A. TRADITIONAL ECONOMY	214.58	50 02	164.58	2.70	161.87	246.98	54.73	192.26	2.89
B. MONETARY ECONOMY									
1. Enterprises and Non-Profit Institutions									
Agriculture	1,048.82	141.66	907.16	89.22	817.95	1,182.01	151.40	1,030.61	92.90
Forestry	24.19	3.04	21.14	14.49	6.65	27.58	2.64	24.94	14.90
Fishing	9.26	0.99	8.27	2.07	6.20	10 87	0.98	9.89	2.47
Mining and Quarrying	20.37	14.59	5.78	2.73	3.05	21.86	15.65	6.20	2.93
Manufacturing	2,044.88	1,660.44	384.44	156.55	227.89	2,281.70	1,873.44	408.26	181.87
Electricity and Water	96.18	49.20	46.98	16.82	30.17	107.16	52.17	54.98	19.89
Building and Construction	402.35	281.77	120.58	92.98	27.60	404.30	276.48	127.81	98.56
Trade, Restaurants and Hotels	517.60	218.38	299.22	133.68	165.54	592.39	246.14	346.25	154.48
Transport, Storage and Communications	406.06	241.96	164.10	94.57	69.53	462.27	267.01	195.25	101.95
Finance, Insurance, Real Estate and Business Services	278.31	71.38	206.92	86.08	120.84	314.09	80.14	233.95	96.87
Ownership of Dwellings	160.82	14.92	145.90		145.90	180.17	16.69	163.48	
Other Services	140.22	77.54	62.68	49.12	13.56	152.75	82.62	70.15	55.69
Less: Imputed Bank Service Charges	—	84.19	-84.19	—	-84.19	—	96.82	-96.82	—
TOTAL ..	5,149.06	2,860.06	2,288.98	738.31	1,550.69	5,737.15	3,162.18	2,574.95	822.51
2. Private Households (Domestic Services)	36.95	—	36.96	36.96	—	42.53	—	42.53	42.53
3. Producers of Government Services	671.13	229.78	441.35	440.00	1.36	771.85	290.44	481.41	480.47
TOTAL MONETARY ECONOMY	5,857.15	3,089.84	2,767.29	1,215.27	1,552.05	6,551.53	3,452.62	3,098.89	1,345.51
TOTAL MONETARY AND TRADITIONAL ECONOMY	6,071.73	3,139.86	2,931.87	1,217.97	1,713.92	6.798.51	3,507.35	3,291.15	1,348.40

*Provisional.
**Including consumption of fixed capital.
+After deduction of indirect taxes less subsidies from the total of output.

of the value of its gross output. Transport, storage and communications, and financial and related services also depend heavily upon intermediate supplies. As might be expected, the traditional economy and agriculture make the least heavy use of such inputs; the proportion of intermediate inputs in the gross output of Government services is also moderate.

2.9. Table 2.3 also provides a break-down of the value-added between labour costs and "operating surplus". However, these figures have to be interpreted with care in making judgements about the relative shares of labour and capital in the GDP since the figures for the operating surplus include the returns to self-employment and family labour. This factor particularly distorts the results for agriculture and probably also for trade, restaurants and hotels. Taking the economy as a whole on the longer-term, there has been no significant change in the share of labour costs in total value added.

2.10. The shares of the various sectors of production in total constant-price GDP are set out in Table 2.4. Since economic structures necessarily change only slowly, any pattern of change revealed by such a table can only be a gradual one and comparisons of the 1982 and 1983 figures reveal only the smallest shifts. Taking a longer-term view, however, some interesting patterns do emerge. First, there is a long-term but gradual decline in the share of the traditional economy in total GDP, which has gone down from 5.5 per cent in 1976 to 4.9 per cent in 1983. Such a decline is to be expected in a developing economy as activities of a subsistence nature become monetized over time.

2.11. Second, there has, in the most recent years, been a reversal of the longer-term trend for a relative decline in the contribution of the agricultural sector. As a porportion of GDP, this fell from 36.5 in 1976 to 32.8 per cent in 1980, partly under the influence of drought conditions but also because of faster growth in the other sectors. Since 1980, however, this share has recovered to 33.5 per cent in 1983, under the influence of a sequence of three years in which agriculture has expanded, in real terms, more rapidly than the economy as a whole. The record of manufacturing on the other hand, has been the opposite of agriculture. There was a relative growth of this sector throughout the second half of the 1970's, from 11.3 per cent share in 1976 to a peak of 13.4 per cent of GDP in 1980, followed by a relative decline since then, falling to 13.1 per cent in 1983. This sector has probably been the most affected by import shortages; it has also been hit by the depressed state of domestic demand. The most dynamically expanding sector has been "Finance, insurance, real estate and business services", whose share increased from 5.3 per cent in 1976 to 7.2 per cent in 1983, and whose annual real growth rate over this period averaged 9.9 per cent, against 5.0 per cent for the GDP as a whole. Finally, 1983 recorded another very small increase in the share of Government services in GDP.

SECTOR SHARES, AT CONSTANT (1976) PRICES, 1980-1983

Table 2.4 *Percentage*

	1980	1981	1982	1983*
A. TRADITIONAL ECONOMY				
Forestry	0.7	0.7	0.7	0.7
Fishing	—	—	—	—
Building and Construction	1.6	1.5	1.5	1.5
Water Collection	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.2	2 1	2.2	2.2
TOTAL TRADITIONAL ECONOMY	5 . 1	5.0	5.0	4.9
B. MONETARY ECONOMY				
1. Enterprises and Non-Profit Institutions				
Agriculture	32.8	33.1	33.4	33.5
Forestry	0.5	0.5	0.5	0.5
Fishing	0.2	0.2	0.3	0.3
Mining and Quarrying	0.3	0.2	0.2	0.2
Manufacturing	13.4	13.2	13.0	13.1
Electricity and Water	1.3	1.4	1.4	1.4
Building and Construction ..	4.0	4.1	3.5	3.2
Trade, Restaurants and Hotels	10.8	10.2	9.7	9.6
Transport, Storage and Communications	5.9	5.7	5.7	5.9
Finance, Insurance, Real Estate and Business Services	6.1	6.6	7.1	7.2
Ownership of Dwelling;	4.4	4.6	4.7	4.7
Other Services	2.3	2.3	2.4	2.4
Less: Imputed Bank Services Charges	- 2 . 8	-2.8	-2.9	- 3 . 0
TOTAL	79.0	79.1	79.0	79.0
2. Private Households (Domestic Services)	1.2	1.2	1.3	1.3
3. Producers of Government Services	..	..	..	..
Public Administration	..	..	..	..
Defence				
Education	..	..	..	..
Health				
Agricultural Services	..	..	..	..
Other Services				
TOTAL	14.7	14.7	14.7	14.8
TOTAL MONETARY ECONOMY	94.9	95.0	95.0	95.1
TOTAL MONETARY AND TRADITIONAL ECONOMY	100.0	100.0	100.0	100.0

*Provisional.

Terms of Trade

2.12. When major changes occur in the terms of international trade, the conventional estimates of GDP at constant prices can give a misleading picture of a country's growth. The estimates have therefore to be adjusted to take into account these changes. Table 2.5 details these adjustments and the impact on real GDP per capita. Since the coffee boom of 1976-77, Kenya has been experiencing adverse terms of international trade and, as detailed in Table 7.3, the index fell from 131 in 1977 to 73 in 1982. In 1983 the terms of trade were favourable for Kenya; the index rising to 78 or by 6.8 per cent, mainly due to rising coffee and tea prices internationally. This had the effect of raising the adjusted growth in per capita GDP in real terms in 1983 to 1.8 per cent, the first such favourable movement since 1977.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1980-1983

Table 2.5

	1980	1981	1982	1983*
1. Unadjusted GDP at constant Factor Cost (K£mn.)	1,590.7	1,675.7	1,733.1	1,800.8
2. Adjustment for changes in terms of trade (K£mn.)	-53.7	-106.1	-121.9	-98.1
3. Adjusted GDP (K£mn.)	1,536.9	1,569.5	1,611.2	1,702.7
4. Growth in unadjusted per capital GDP per cent	-0.4	1.4	-0.4	0.1
5. Growth in adjusted per capital GDP per cent	-3.0	-1.6	-1.0	+1.8

*Provisional.

Resource Allocation

2.13. Total resources available to the country and their uses are detailed in Table 2.6. GDP at factor cost grew by 12.3 per cent in 1983. However, due to a slower growth in indirect taxes of 10.6 per cent, the growth in the

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1980-1983

Table 2.6 *K£million*

	1980	1981	1982	1983*
G.D.P. at Factor Cost	2,235.37	2,597.23	2,931.87	3,291.15
Of which—				
Traditional	131.67	150.77	164.58	192.26
Monetary	2,103.70	2,446.46	2,767.29	3,098.89
+Indirect Taxes	397.78	442.57	467.75	517.73
-Subsidies	0.70	1.22	0.16	0.16
=G.D.P. at Market Prices	2,632.45	3,038.58	3,399.46	3,808.72
+Imports of goods and services	1,052.70	1,045.70	1,005.40	1,035.80
- Export of goods and services ..	753.30	773.70	847.00	969.10
=Import Surplus	299.40	272.00	158.40	66.70
Total Resources available for Domestic Investment and Consumption	2,931.85	3.310.58	3,557.86	3,875.42
Gross Fixed Capital Formation	622.53	725.41	668.33	749.35
Change in Stocks	166.66	133.40	96.38	54.98
Gross Investment	789.19	858.81	764.71	804.33
Public Consumption	533.77	576.42	647.44	745.18
Private Consumption	1,608.89	1,875.35	2,145.71	2,325.91
TOTAL CONSUMPTION	2,142.66	2,451.77	2,793.15	3,071.09

*Provisional.

GDP at current market prices was only 12.0 per cent. After 1980 there has been a gradual decline in the import surplus due to the restriction on imports and the exchange rate adjustments. Whereas the import surplus as a percentage of GDP at market prices was 11.4 per cent in 1980 it declined to 4.6 per cent in 1982 and a mere 1.8 per cent in 1983. The combined effect of the slower growth in indirect taxes and import surplus was a reduced growth in 1983 in total resources available for domestic consumption and investment, by 8.9 per cent, compared with a GDP growth of 12.3 per cent. As a result the total resources available increased from K£3,558 million in 1982 to K£3,875 million in 1983.

2.14. Due to the slack demand in the economy there was a further accumulation of stocks of K£55 million in 1983 compared with K£96 million in 1982. Gross fixed capital formation, however, increased by 12.1 per cent to K£749 million largely due to the increase in investment in machinery and equipment. Gross investment as result increased by 5.2 per cent in 1983 to K£804 million leaving the balance of K£3,071 million for consumption. Public and private consumption in 1983 increased by 15.1 per cent and 8.4 per cent respectively. With consumer prices increasing by an average of more than 14 per cent, this implies a fall in private consumption in real terms.

2.15. Total gross fixed capital formation and its financing is detailed in Table 2.7. Whereas external loans and grants financed 44.4 per cent of the total capital formation in 1980, the ratio in 1983 declined by more than a half to 21.8 per cent. Domestic saving therefore financed the remaining 78.2 per cent in 1983, in line with the Government policy of generating enough local resources for development.

FINANCING OF CAPITAL FORMATION, 1980-1983

Table 2.7 *K£million*

	1980	1981	1982	1983*
GROSS CAPITAL FORMATION—				
Gross Fixed Capital Formation	622.53	725.41	668.33	749.35
Changes in Stocks	166.66	133.40	96.38	54.98
TOTAL	789.19	858.81	764.71	804.33
FINANCING—				
Grants from Abroad	21.90	20.70	25.50	59.80
Net borrowing from Abroad	328.70	326.20	253.40	115.60
Domestic Saving	438.59	511.91	485.81	628.93
TOTAL	789.19	858.81	764.71	804.33

*Provisional.

Factor Incomes and National Product

2.16. The distribution of factor incomes at current prices is detailed in Table 2.8. The renumeration of employees increased by 10.7 per cent to K£1,346 million in 1983 but nominal average earnings increased by 6.6 per cent. Consumer prices on the other hand increased by 14.6 per cent in Nairobi, 15.9 per cent in Mombasa, 14.6 per cent in Nakuru and 14.2 per cent in Kisumu. On an average therefore, the compensation of employees did not increase as much as the growth in consumer prices, implying a fall in real income to employees. Rental surplus and other operating surplus, however, registered higher increases of 12.0 per cent and 13.1 per cent respectively.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1980-1983

Table 2.8 *K£million*

	1980	1981	1982	1983*
FACTOR INCOMES—				
A. Traditional Economy	131.67	150.77	164.58	192.26
B. 1. Remuneration of Employees:				
Enterprises	582.45	651.99	738.31	822.51
Private Households	28.15	32.07	36.96	42.53
Producers of Government Services	325.27	386.13	439.99	480.48
TOTAL	935.87	1,070.19	1,215.26	1,345.52
2. Rental Surplus (including depreciation)	103.41	127.42	145.90	163.48
3. Other Operating Surplus (including depreciation)	1,064.42	1,248.84	1,406.13	1,589.89
TOTAL MONETARY ECONOMY	2,103.70	2,446.46	2,767.29	3,098.89
TOTAL FACTOR INCOMES—GROSS DOMESTIC PRODUCT	2,235.37	2,597.23	2,931.87	3,291.15
Add: Indirect Taxes	397.78	442.57	467.75	517.73
Deduct: Subsidies	0.70	1.22	0.16	0.16
GROSS DOMESTIC PRODUCT AT MARKET PRICES	2,632.45	3,038.58	3,399.46	3,808.72
Add: FACTOR INCOMES RECEIVED FROM ABROAD	20.00	25.10	23.70	28.10
Deduct: FACTOR INCOMES PAID ABROAD	104.00	122.20	157.50	153.50
GROSS NATIONAL PRODUCT	2,548.45	2,941.48	3,267.66	3,683.32

*Provisional

2.17. The net factor incomes paid abroad in 1983 were little changed from that recorded in 1982. The factor incomes paid abroad are mainly in the form of dividend remittances and interest payments. The Gross National Product (GNP) which is obtained by subtracting from GDP at market prices the net factor incomes paid abroad increased by 12.7 per cent to K£3,683 million in 1983.

Table 2.9 *K£million*

	CURRENT PRICES				CONSTANT (1976) PRICES			
	1980	1981	1982	1983*	1980	1981	1982	1983*
DWELLINGS—								
PRIVATE:								
Traditional	43.64	50.52	54.18	62.80	25.76	27.38	25.64	27.25
Modern	34.94	42.77	47.69	36.12	20.62	23.18	22.57	15.68
TOTAL	78.58	93.29	101.87	98.92	46.38	50.56	48.21	42.93
PUBLIC	27.28	26.26	23.59	16.42	16.11	14.23	11.17	7.13
TOTAL	105.86	119.55	125.46	115.34	62.49	64.79	59.38	50.06
NON-RESIDENTIAL BUILDINGS—								
PRIVATE	32.02	43.81	29.30	35.63	19.90	25.56	15.28	17.09
PUBLIC	57.32	58.00	58.70	59.90	35.62	33.84	30.62	28.73
TOTAL	89.34	101.81	88.00	95.53	55.52	59.40	45.90	45.82
OTHER CONSTRUCTION WORKS—								
PRIVATE	11.46	11.38	10.85	17.70	7.70	7.24	6.09	8.98
PUBLIC	102.93	127.32	138.16	141.38	69.13	80.99	77.57	71.77
TOTAL	114.39	138.70	149.01	159.08	76.83	88.23	83.67	80.75
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT-								
PRIVATE	8.21	7.88	5.92	6.46	6.61	4.95	3.49	3.55
PUBLIC	2.16	1.75	2.91	3.33	1.21	1.03	1.91	1.85
TOTAL	10.37	9.63	8.83	9.79	7.82	5.98	5.40	5.40
TRANSPORT EQUIPMENT—								
PRIVATE	61.26	63.02	57.48	61.45	38.53	36.43	31.35	35.34
PUBLIC	43.91	39.17	16.28	13.88	27.61	22.64	8.88	7.98
TOTAL	105.17	102.19	73.76	75.33	66.14	59.07	40.23	43.32
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	151.51	183.54	162.84	221.68	97.12	96.60	68.49	84.19
PUBLIC	47.97	69.96	61.21	71.90	30.75	36.82	25.75	27.31
TOTAL	199.48	253.50	224.05	293.58	127.87	133.42	94.24	111 .50
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE	-2.07	+0.03	-0.78	+0.70	-1.51	+0.02	-0.46	+0.36
TOTAL—								
Traditional Dwellings	43.64	50.52	54.18	62.80	25.76	27.38	25.64	27.25
Other	297.33	352.43	313.30	379.74	188.97	193.98	146.82	165.18
TOTAL PRIVATE	340.97	402.95	367.48	442.54	214.73	221.36	172.46	192.44
TOTAL PUBLIC	281.56	322.46	300.85	306.81	180.43	189.56	155.89	144.76
TOTAL PRIVATE AND PUBLIC	622.53	725.41	668.33	749.35	395.16	410.92	328.35	337.20

*Provisional.

GROSS FIXED CAPITAL FORMATION BY INDUSTRY. 1980-1983

Table 2.10

K£million

	CURRENT PRICES				CONSTANT (1976) PRICE			
	1980	1981	1982	1983*	1980	1981	1982	1983*
A. TRADITIONAL ECONOMY								
Traditional Dwellings	43.64	50.52	54.18	62.80	25.76	27.38	25.64	27.25
B. MONETARY ECONOMY								
Enterprises and Non-Profit Institutions:								
Agriculture	47.16	54.68	51.62	54.54	31.15	31.13	25.46	24.87
Forestry	1.03	0.75	0.68	0.25	0.66	0.44	0.36	0.12
Mining and Quarrying	5.02	4.84	4.05	5.02	3.22	2.56	1.72	1.95
Manufacturing	76.91	88.45	66.05	110.59	49.28	47.98	29.30	45.65
Electricity and Water	41.6	65.47	75.22	62.87	27.61	39.60	40.74	31.46
Building and Construction	33.41	32.90	28.86	36.35	21.35	17.72	12.63	14.47
Trade, Restaurants and Hotels	28.29	21.44	23.97	29.00	17.99	11.73	11.24	12.71
Transport, Storage and Communications	102.80	113.94	102.06	127.67	65.16	63.82	49.78	58.98
Finance, Insurance, Real Estate and Business Services	10.19	24.29	9.60	10.76	6.37	13.97	4.76	4.93
Ownership of Dwellings	62.93	70.43	72.76	54.46	37.19	38.15	34.35	23.53
Other Services	41.25	49.39	52.63	57.18	26.09	27.32	24.99	24.46
TOTAL	450.25	526.58	487.50	548.69	286.07	294.42	235.35	243.14
Producers of Government Services								
Public Administration	20.06	17.75	14.43	15.94	12.68	10.08	7.28	7.46
Defence						12.24	10.31	10.37
Education	20.16	21.60	20.91	22.61	12.71	7.22	4.37	4.12
Health	14.06	12.57	8.77	9.08	8.84	7.12	6.60	6.26
Agricultural Services	13.08	12.31	12.50	12.77	8.40	52.46	38.80	38.59
Other Services	61.28	84.08	70.04	77.46	40.70			
TOTAL	128.64	148.31	126.65	137.86	83.33	89.12	67.37	66.81
TRADITIONAL ECONOMY	43.64	50.52	54.18	62.80	25.76	27.38	25.64	27.25
MONETARY ECONOMY	578.89	674.89	614.15	686.55	369.40	383.54	302.71	309.95
TOTAL	622.53	725.41	668.33	749.35	395.16	410.92	328.35	337.20
C. PERCENTAGE RATES OF GROWTH—	10.1	15.8	7.2	15.9	-9.2	6.3	-6.4	6.3
Traditional Economy	15.6	16.6	-9.0	11.8	3.7	3.8	-2.1	2.4
Monetary Economy								
TOTAL	15.6	16.5	-7.9	12.1	2.7	4.0	-20.1	2.7

*Provisional.

2.18. Total gross fixed capital formation in real terms increased by 2.7 per cent in 1983. Table 2.9 details the capital formation by sector and type of asset. Since the public sector investment in 1983 fell by 7.7 per cent, all the increase in investment in 1983 was accounted for by the private sector which grew by 11.6 per cent. As a result, the share of the public sector relative to the total gross fixed capital formation, which averaged about 45 per cent in the period 1980-82, fell to 40 per cent in 1983.

2.19. Table 2.9 also shows that since 1981, there has been a gradual decline in capital formation in real terms in dwellings, non-residential buildings and other construction. Over this period, investment in dwellings declined by 22.7 per cent, in non-residential buildings by 22.9 per cent and in other construction by 8.5 per cent, giving a combined contraction of 16.8 per cent. Investment in transport equipment and machinery and other equipment, however, increased by 7.7 per cent and 18.3 per cent in 1983, largely due to the relaxation of import restrictions and also due to the substantial importation of reconditioned cars.

2.20. Table 2.10 details gross fixed capital formation by industry at current and constant prices. In 1983, the respective shares by industry were, government services 19.8 per cent; transport, storage and communications 17.5 per cent; manufacturing 13.5 per cent; electricity and water 9.3 per cent; agriculture 7.4 per cent, other services 7.3 per cent and ownership of dwellings 7.0 per cent. As indicated earlier, large increases were recorded in investment in transport equipment and machinery and other equipment. Not surprisingly therefore, the largest growths by industry were recorded in the basic users of these assets—transport and manufacturing industry of 18 per cent and 56 per cent respectively.

CHAPTER 3—SOCIAL INDICATORS

Background

Since the attainment of Independence, the Government has been engaged in development strategies to achieve a better standard of living for all. All the national Development Plans have included targets and goals for socio-economic development and every effort has been made to achieve them. Undoubtedly, significant progress has been made towards achieving these long term objectives and the purpose of this special Chapter is to assess the extent of progress which has been made, particularly for those measures aimed at improving the people's levels of living. To do this, a system of monitoring and evaluation is necessary. It is necessary to develop direct or indirect measures of trends in the living standards of the people. In applying this approach, social indicators can be employed as a means of monitoring and evaluating progress towards the attainment of better living standards.

3.2. In the past, performance has largely been judged on the basis of economic data, particularly pertaining to the formal sector. One of the dominant indicators of progress has been the annual rate of growth of the economy, or of average income per member of the population. Lately, however, attention has shifted to social data with direct or indirect bearing on the improvement of the quality of life of the population. Within the Central Bureau of Statistics, this started with the establishment of the Integrated Rural Surveys (IRS) which collected demographic, social and economic data.

3.3. As the name suggests, social indicators are indications of a given situation or a reflection of that situation. Put another way, they are variables which can help measure changes and which are often used when changes cannot be measured directly. They are used as markers of progress towards reaching set objectives and targets. It should be noted that indicators are not synonymous with targets but are measures of the extent to which targets are being reached.

3.4. In the attempt to alleviate poverty, the Government has undertaken direct provision of certain goods and services. Services such as education, health care, housing and water supply are considered essential for improving the quality of life. To appraise the past performance and reflect on what remains to be done, social indicators covering the following areas are examined below: population, health and nutrition, education and literacy, housing and water supply, access to community services, transport, newspaper circulation, crime and social participation. Wherever possible, trends over the entire post-independence period are studied, using bench-mark data for 1963, 1973 and 1983, or neighbouring years, but shortages of data do not permit this for all indicators.

Population

3.5. In monitoring the quality of life and prospects for its improvements, it is important to establish a framework for the analysis of specific indicators of well-being. This framework is provided by demographic data-the rate of growth of population, the birth and death rates, and the fertility rate. When the 1962 population census was conducted, the results revealed a total count of just 8.6 million people. By 1969, it had risen to 10.9 million and it reached 15.3 million by 1979. The high growth of Kenya's population is a consequence of increasing fertility and declining mortality. The trend in population growth is detailed in Table 3.1. It is projected that if fertility and mortality remain unchanged, the population of Kenya will be 24.9 million by 1990 and 37.5 million by the year 2000. And if the present growth rate remains unchanged, the number of people in Kenya will double within the next twenty years. The rate of population growth has increased over the last two decades and is expected to continue increasing for some time. Therefore, any effort geared to improving the quality of life has to cater for larger numbers as well as sustaining the existing population. As a result, efforts to improve the standard of life have increasingly been diverted into the support of additions to the population, with less and less resources available for any substantial improvement in existing living standards.

SIZE AND GROWTH OF POPULATION, 1948-1979

Table 3.1

Census Year	Population in '000	Per cent Growth Rate
1948	5,408	
		3.3
1962	8,636	
		3.4
1969	10,943	
		3.8
1979	15,327	

3.6. At the individual level, the burden of dependency which the productive population has to bear has been heavy. In 1962 for instance, children under 16 years alone formed 51 per cent of the total population. In terms of the overall dependency burden, the ratio of the combined children and the aged to the population of intermediate age was 108 and 107 per cent respectively in 1969 and 1979. That is to say that in 1979 every 100 population of working age had to support 107 persons of the dependent age. Since only a proportion of those classified as of working age were actually productively engaged, their labour had to sustain an even larger proportion of dependants, although it is also true that some of those classified as children and aged would actually have been economically active.

Health

3.7. The health status of the population can be assessed by a number of indicators, including the crude death rate, the infant mortality rate and life expectancy at birth. Estimates of these indicators are presented in Table 3.2. From the available data, it is clear that considerable progress has been achieved since Independence in improving the health status of the population. The crude death rate is estimated to have dropped from 25 per thousand of the population in 1962 to 14 in 1979, while infant mortality fell from 119 thousand in 1969 to 87 in 1979. The decline in mortality has thus been most significant for infants i.e. children under the age of one. Life expectancy at birth has, as a result, improved markedly, from 35 years in 1962 to 53 years in 1979—a major improvement in a variable that normally changes only slowly. Compared internationally, the world average life expectancy is around 61 years and for less developed countries it is 52 years; and for Africa it is 49 years. The impressive fall in mortality and increase in life expectancy testify to improved levels of health in the country.

KEY HEALTH INDICATORS

Table 3.2

Year	Crude birth rate*	Crude death rate*	Infant mortality rate*	Life Expectancy at birth in years*
1962	50	25		35
1969	50	17	119	49
1979	53	14	87	53

*Per 1,000 of population

3.8. The provision of health services addresses one of the basic needs and is essential as a pre-condition for overall economic development and social progress. It is with this realization that the Government has continued to emphasize the improvement of health services. These are being improved through the expansion of facilities and additions to medical personnel. Progress made so far can be monitored by increases in the number of people served.

3.9. In 1963, about 148 Government and Mission hospitals provided 8,683 hospital beds representing 76 beds per 100,000 population. This increased to 78 beds per 100,000 population by 1973. By 1983, about 215 hospitals provided 29,294 beds or 156 beds per 100,000 population. Details are given in Table 3.3, which shows, however, that there remain considerable differences between provinces and that there had been some overall deterioration in 1980-83. Cases of apparent decreases in some provinces can be attributed to rapid population growth, poor statistical coverage or closure of some health institutions.

NUMBER OF HOSPITAL BEDS AND COTS PER 100,000 POPULATION BY PROVINCE

Table 3.3

Province	1973	1975	1980	1983
Nairobi	407	395	586	534
Coast	124	118	180	181
Eastern	57	69	128	118
North Eastern	91	91	90	79
Central	70	95	185	160
Rift Valley	62	88	147	132
Nyanza	39	54	146	120
Western	42	56	140	125
TOTAL	78	94	174	156

3.10. Expansion in the number of medical personnel is another pointer to improvement in medical services. The number of doctors/dentists and nurses/midwives, which was 77 per 100,000 population in 1963, increased to 114 in 1983 as shown in Table 3.4. Here again, however, there was a worsening between 1973 and 1983. Moreover, of the total number of doctors available, 75 per cent work in urban areas. This great concentration of doctors in the towns obviously reduces the quality of health services that can be made available in the rural areas. However, efforts are being made to deploy highly skilled medical workers to areas of greatest need.

Nutrition

3.11. An improvement in the living standard of any group of people is likely to be reflected in a better diet. To monitor this development over a period, there is need for indicators of the prevalence of protein-energy malnutrition in a population group. Various measurements of children provide the data for the necessary indicators.

3.12. The calculation of nutrition indicators is based on measurements of weight and height in relation to the age of children. The weight and height of children change with increasing age. To determine whether a child is malnourished or not, recommended growth standards are used for comparison purposes. According to these standards a well-nourished child of a given age is expected to be of a certain height and weight. The indices developed from the above measurements are weight-for-age, height-for-age and weight-for-height. These indices are used to distinguish two types of protein-energy malnutrition, (a) acute malnutrition, or wasting, measured by weight-for-height and (b) chronic malnutrition, or stunting, measured by weight-for-age and height-for-age. To determine the proportion of children undernourished according to these tests, selected cut-off points are used as indicators. Children falling below the cut-off points are then taken to be under-nourished.

NUMBER OF DOCTORS AND NURSES PER 100,000 POPULATION

Table 3.4

	1963	1973	1983
Doctors and Dentists	11	7	14
Nurses and Midwives	67	118	100
TOTAL	77	125	114

3.13. Findings by three nutrition surveys conducted in 1977, 1978/79 and 1982 are summarised in Table 3.5. The results of these surveys indicate that, at the national level and taking the entire coverage of each survey, there was a modest improvement in nutritional status. The proportion of stunted children decreased by both indicators between 1977 and 1982. The proportion of wasted children showed no clear trend but the lowest figure, of 3 per cent, was recorded for 1982.

3.14. Unfortunately, the coverage of these three surveys differed somewhat from each other so that the statistics in Table 3.5 are not strictly comparable. This defect can be overcome by isolating from each survey the results relating to children aged 1 and 4, and these comparable results are presented in Table 3.6. These show a rather different trend, with the national average of stunted children actually rising over the period. The Rift Valley Province has shown a generally improving trend while the Coast, Eastern and Central Provinces experienced mixed results. In Nyanza and Western Provinces, however, the survey results indicate a rather sharply deteriorating situation.

Family Planning

3.15. The national family planning programme is an integral part of Kenyan's social and economic policy. It is based on the assumption that unless the rapid population growth is slowed the country cannot achieve its development objectives. The Government first acknowleged the need for an explicit population policy after the 1962 population census. In 1974 a five-year family planning programme was established, aimed at reducing the then estimated population growth rate from 3.3 to 3.0 per cent per annum. Since then, a substantial effort has been put into family planning programme. However, attendance at family planning clinics has indeed declined in recent years. The programme appears to have made little impact and, as already indicated, fertility and the rate of population growth have continued to increase. The number of both first visits and re-visits at family planning clinics has sometimes declined, as shown in Table 3.7, while the number of acceptors of family planning measures has not shown any definite trend.

PERCENTAGE OF CHILDREN STUNTED AND/OR WASTED BY PROVINCE, 1977, 1978/79 AND 1982

Table 3.5

Province	Weight-for-age (index of less than 80 defined as stunted)			Height-for-age (less than 90 = stunted)			Weight-for-height (less than 80 = **wasted)**		
	1977	1978/79	1982	1977	1978/79	1982	1977	1978/79	1982
Coast	24.0	28.5	38.1	19.0	37.0	36.2	7.5	10.8	5.0
Eastern	41.0	28.8	24.3	38.0	23.8	22.6	5.0	4.2	2.7
Central	39.0	23.0	20.9	31.0	22.0	20.4	3.0	2.4	2.8
Rift Valley	34.0	26.5	21.9	29.0	24.7	19.8	4.5	7.0	3.0
Nyanza	24.0	26.9	22.1	25.5	32.0	28.9	2.5	5.7	3.6
Western	27.0	21.1	18.2	21.0	26.4	25.7	5.0	1.8	2.0
NATIONAL ..	33.0	25.6	23.0	28.5	26.7	24.0	4.5	4.8	3.0

This poor performance of the family planning programme is difficult to explain. The available evidence indicates clearly that there is a widespread resistance to family planning and it is therefore unlikely that there will be any reduction in Kenya's birth rate unless there is a much stronger programme of public education than exists now.

PERCENTAGE OF CHILDREN (1-4 YEARS OLD) STUNTED BY PROVINCE, 1977, 1978/79 AND 1982

Table 3.6

Province	1977	1978/79	1982
Coast	14*	40	39
Eastern	34	24	27
Central	26	21	24
Rift Valley	25	24	22
Nyanza	21	34	33
Western	16	24	30
NATIONAL	24	27	28

*Rather unreliable due to small sample size.

ATTENDANCE AT FAMILY PLANNING CLINICS, 1967-1982

Table 3.7

Year	First Visit ('000)	Percentage change	Revisits ('000)	Percentage change	Acceptors ('000)	Percentage change
1967	6.4	. .	13.9			
1968	13.1	106	28.8	108	..	..
1969	29.8	127	72.9	153	..	..
1970	35.1	18	113.7	56	..	..
1971	41.1	17	138.7	22	..	..
1972	45.2	10	172.3	24	..	..
1973	501	11	211.3	23	47.3	
1974	51.4	3	236.4	12	48.5	2
1975	53.5	4	244.2	3	51.0	5
1976	61.2	15	271.5	11	52.5	3
1977	72.6	19	283.7	4	71.4	36
1978	74.7	3	302.8	8	74.7	5
1979	64.8	-13	308.3	2	63.8	-15
1980	65.4	1	350.4	14	53.3	-16
1981	58.7	-10	296.9	-15	57.7	8
1982	54.5	— 7	296.9	–	54.1	- 7

Education

3.16. Education is one of the most important influences on the quality of life. It provides the basis for the technology to sustain and improve the quality of life. It also influences such aspects of the quality of life as health

status and the standard of housing. Persons with a good level of education tend to be healthier and live in a better housing than those with less educational attainment.

3.17. Education in Kenya has expanded very rapidly since independence as shown in Table 3.8. Total enrolment in primary schools increased from 0.9 million in 1963 to 4.3 million in 1983. This remarkable expansion is further reflected in the increase in the primary school enrolment ratio from 66 in 1971 to 86 in 1980. The rapid growth in enrolment was, moreover, generally matched by the expansion of the teaching force. The ratio of pupils to teachers has fluctuated from 39 pupils per teacher in 1963 to 37 pupils per teacher in 1983. At the provincial level, however, the pupil-teacher ratio increased in all provinces except Nairobi which exhibited a decreasing number of pupils per teacher, as is shown in Table 3.9.

NATIONAL KEY EDUCATION INDICATORS

Table 3.8

PRIMARY EDUCATION	1963	1973	1983
Number of primary schools	6,058	6,932	11,966
Number of pupils ('000)	891.6	1,816.0	4,323.8
Primary school pupil/teacher ratio	39.2	32.1	36.7
Primary school graduation rate		85.2	63.9
SECONDARY EDUCATION			
Number of secondary schools	158	964	2,140
Number of students ('000)	30.1	175.3	493.7
Secondary school student/teacher ratio	19.7	23.7	24.2
Secondary school graduation rate		68.0	67.0
Percentage of girls in secondary schools	46.5	32.9	40.4

3.18. Out of the total number of pupils who enter Standard 1 in any particular year, only a proportion complete Standard 7. In the last decade, the proportion of primary school pupils graduating has showed a downward trend. This trend could partly be attributed to a rise in the drop-out rate after the upsurge in enrolment when free education was introduced in 1974.

3.19. Table 3.8 also shows a very rapid expansion of the secondary school system, with the number of pupils expanding sixteen-fold in 1963-83. It was impossible to increase the number of teachers at the same rate, however, so that over the last two decades the number of students per teacher increased from an average of about 20 students n 1963 to about 24 in 1983. Due to drop-outs, only a proportion of students enrolled in Form I in a particular year manage to complete Form 4. Between 1973 and 1983, only two-thirds of secondary school students enrolled in a particular year completed Form 4. Eastern Province showed a particularly low graduation rate compared with other provinces, followed by Nyanza.

KEY EDUCATION INDICATORS BY PROVINCE, 1973 AND 1983

Table 3.9

Province	PRIMARY SCHOOLS				SECONDARY SCHOOLS				Percentage of girls in Secondary School	
	Pupil/Teacher Ratio		Graduation Rate		Student/Teacher Ratio		Graduation Rate			
	1973	1983	1973	1983	1973	1983	1973	1983	1973	1983
Nairobi	34.0	31.6	83.5	83.9	21.8	21.8	76.6	70.8	34.5	35.7
Coast	28.0	37.5	75.7	62.2	23.6	23.6	76.4	74.2	29.9	30.2
Eastern	32.1	35.4	80.5	61.0	26.0	24.9	50.1	57.4	32.3	34.6
North Eastern	25.2	30.2	76.6*	37.1	23.8	29.4	102.6	95.6	16.7	15.4
Central	34.6	38.7	73.5	73.1	23.2	22.8	73.6	73.1	38.4	40.0
Rift Valley	29.6	37.3	80.0	63.2	23.5	24.5	72.0	69.5	30.8	31.8
Nyanza	30.5	35.7	104.1	62.2	24.0	25.6	64.8	57.7	28.6	30.4
Western	35.0	37.6	106.0	56.8	24.4	25.8	68.0	67.9	30.4	32.3

3.20. Data available concerning female enrolment in secondary schools generally show a steady increase in absolute numbers, although women still remain under-represented, with about 47 per cent of the total enrolment in 1963 and 40 per cent in 1983. Central Province had the highest percentage of girls enrolled in secondary schools while North Eastern Province had the lowest in the last two decades.

3.21. The adult literacy rate is another important educational indicator. Literacy is regarded as a right to all citizens and a basis for national development. In 1976, the adult rural literacy rate was estimated through a sample survey at 46 per cent. A second survey conducted in 1980/81 revealed an increase to 48 per cent.

Housing

3.22. Besides being a basic requirement, housing has an impact on the health of the population and is another important indicator of the level of living. The problem of housing in Kenya is more acute in urban areas, where it absorbs between 15 and 25 per cent of family income and where about 35 per cent of urban households live in squatter settlements or slums. According to the annual urban rent surveys conducted by the Central Bureau of Statistics, the average rent in both public and private sector has been rising. The rent surveys gather information mainly on the number and average rents of dwelling units. Detailed data is not yet available to provide information on availability of housing to urban households. However, the Government is giving priority to urban housing and the extent of the problem will shortly be established by the results of a survey of urban housing conducted by the Central Bureau of Statistics in September/November, 1983. According to the 1979 urban rent survey, piped water was available in only 25 per cent of the dwelling units covered. If all areas, particularly in Nairobi, had been covered this proportion would have been lower. The remaining units had water available outside but within 100 metres.

3.23. The Government's intention to improve rural housing has been made explicit. Currently, rural housing in Kenya is still largely traditional, reflecting the indigenous culture, built by the use of traditional techniques and local materials. Ideal housing conditions would be permanent houses i.e. houses with corrugated iron roofs or roofs made of tiles, stone or brick walls and concrete floors. But work is being done on improving the quality of easily available local materials.

3.24. It seems too early to monitor improvements in rural housing by looking at households with permanent houses. Indeed, according to the Integrated Rural Survey (IRS) II 1976/77, only 6 per cent of Kenyan rural households had permanent dwelling units. One indication of improvements in rural housing, therefore, is given by any increase in the proportion of rural households living in dwellings with corrugated iron or tile roofs. As detailed in Table 3.10, the IRS II revealed that about 27 per cent of rural households were living in dwellings with corrugated iron or tile roofs in 1976/77. Provincial comparisons reveal that Central Province had substan-

tially the best housing, followed by Eastern Province, while the Coast Province was the worst off, followed by Western Province. Clearly provincial differences in climatic conditions dictate differing suitable structures.

PERCENTAGE DISTRIBUTION OF RURAL HOUSEHOLDS BY TYPE OF DWELLING UNITS AND PROVINCE, 1976/77 AND 1982/83*

Table 3.10

Type of Roof	Coast	Eastern	Central	Rift Valley	Nyanza	Western	Total
Corrugated Iron							
1976/77	3.4	35.2	56.5	18.1	18.2	14.1	27.1
1982/83	19.3	44.2	64.1	23.3	24.1	16.5	33.4
Tin Can							
1976/77	0.0	1.0	8.3	1.2	0.3	0.0	2.1
1982/83 ..	1.7	0.4	9.1	0.9	0.0	0.0	1.6
Tiles							
1976/77 ..	4.9	0.0	0.7	2.1	0.0	0.6	1.0
1982/83	0.7	0.0	0.4	0.2	0.0	0.0	0.2
Thatched							
1976/77 ..	91.7	63.3	32.4	75.8	81.5	85.4	68.9
1982/83	66.4	49.1	21.2	64.0	67.7	79.1	54.6
Other							
1976/77	0.0	0.5	2.0	2.8	0.0	0.0	1.1
1982/83 ..	11.9	6.3	5.2	11.6	8.2	4.4	10.2

*Provisional.

3.25. Ease of access to water and the bacterial quality of the water provide further important evidence on living standards. The main sources of water for the rural households are streams. However, good housing conditions include availability of water within the dwelling. Taking piped water to be an indicator of good quality, only 15 per cent of rural households drew water from pipes in 1982/83. The range varied from 4 per cent in dry season in Nyanza Province to 27 per cent in dry season in Coast Province. Provincial comparisons reveal that Central and Coast Provinces had the highest proportion of households with easy access to piped water. The details are shown in Table 3.11.

PERCENTAGE DISTRIBUTION OF RURAL HOUSEHOLDS BY SOURCE OF WATER IN DRY SEASONS BY PROVINCE, 1982/83

Table 3.11

Source of Water	Coast	Eastern	Central	Rift Valley	Nyanza	Western	Total
Pipes	26.5	14 5	25.8	12.8	4.3	5.2	14.5
Wells	14 1	6.8	6.5	11.9	2.2	17.7	9.4
Springs	4.5	10.1	3.5	11.4	20.7	29.7	12.8
Streams	27.9	54.6	53.9	52.4	54.2	38.5	49.4
Others*	27.0	14.0	10.3	11.5	18 6	8.9	13.9

*Includes still-pool, dam/catchment, jabias and lakes.

Access to Community Services

3.26. Access to various amenities within reasonable distance is another significant indicator of social well-being. In an effort to develop the rural areas, the Government, in collaboration with the rural communities and other organizations, have provided various amenities. These include schools, health centres, markets and rural access roads. In order to monitor the progress in the provision of these amenities, information on average distance travelled by rural households to selected amenities has been collected in various rounds of Integrated Rural Survey (IRS) between 1976 and 1979 and in the Social Indicators Survey of 1982/83. The proportion of households within two kilometres of selected amenities are detailed in Table 3.12.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS WITHIN LESS THAN 2KM DISTANCE TO SELECTED SOCIAL AMENITIES BY PROVINCE, 1976/77 AND 1982/83*

Table 3.12

Amenity	Coast	Eastern	Central	Rift Valley	Nyanza	Western	Total
Primary School							
1976/77	50.9	77.7	81 .7	58.9	76.0	82.9	73.2
1982/83	..	..	..	..	..	..	..
Health Centre							
1976/77	4.7	11.9	14.1	16.4	18.1	21.1	15.5
1982/83	12.5	13.5	29.7	22.2	21.9	24.3	19.2
Local Market							
1976/77	17.7	29.2	31.9	24.4	54.5	67.4	38.9
1982/83	27.7	36.2	39.7	36.0	62.8	69.6	42.0
Bus/Mini-Bus Route							
1976/77 ..	31.5	59.4	77.8	59.2	57.3	68.3	61.1
1982/83 ..	64.1	60.5	88.7	61.5	68.4	70.8	67.0

*Provisional.

3.27. Overall, there was an improvement in access to community services. According to both surveys there was a wide range in the distances the population had to travel to get various services among the provinces. The Coast, Eastern and Rift Valley Provinces were the worst served. On the other hand. Western and Central Provinces generally had the highest proportion of their population served by easy access to these amenities. This is probably because of the compact nature of these two provinces and the concentrated population within them.

3.28. *Primary schools.*—Approximately 73 per cent of the households lived within 2 kilometres of a primary school in 1976/77. Figures on the distance from schools from the 1982/83 Social Indicators Survey were not available at the time of writing.

3.29. *Health Centres.*—Information on distances travelled to the nearest health centre from IRS 1976/77 showed that 15.5 per cent of the households travelled less than 2 kilometres to the nearest health centre. Preliminary data show that the proportion had increased to 19.2 per cent in 1982/83.

3.30. *Local Markets.*—In 1976/77, about 39 per cent of the households were less than 2 kilometres to the nearest local market. By 1982/83, the figure had improved to 42 per cent. The distances varied from one province to another, with Western and Nyanza provinces well endowed with markets, while Coast Province was the worst off.

Transport

3.31. All socio-economic activities involving movement of persons and goods or delivery of services is supported by means of transport. Access to a variety of goods, services and amenities necessary in daily life depend on efficient and reliable transport, among other things.

3.32. A proxy indicator of the availability of transport in Kenya is the number of vehicles with current licences per 100,000 population detailed in Table 3.13. The number of all types of vehicles per 100,000 population increased by 33 per cent from 1,030 in 1963 to 1,373 in 1982. The number of motor cars per 100,000 population increased by about 34 per cent while the number of buses and mini-buses per 100,000 people almost doubled over the same period. It is evident from this data that there has been considerable improvement in the transport system in Kenya since Independence.

VEHICLES WITH CURRENT LICENCES (PER 100,000 POPULATION)

Table 3.13

Type of Vehicle	1963	1973	1982
All types of which:—	1,030	1,313	1,373
Motor Cars	473	565	636
Buses and Mini-buses	17	28	32

3.33. Further evidence of the adequacy of the transport system is provided by the figures in Table 3.12 on the proportion of households living within 2 kilometres of a bus or mini-bus route. As can be observed, in 1976/77 a national average of 61 per cent of the population was within that distance and that by 1982/83 the proportion had risen to 67 per cent. As is clear from the table, however, there were considerable differences between provinces. The position of the Central Provinces was especially favourable, with the proportions for the other provinces all falling within a fairly narrow range. More detailed information, not shown in the table, reveals that access to mini-bus services, was easier than access to bus services.

Newspaper Circulation

3.34. Newspapers serve as vital channels for the dissemination of ideas and information throughout the country. Currently, there are three main daily newspapers in Kenya printing morning and weekly editions. Monthly and other periodicals covering a wide range of interests also appear. The

circulation of daily newspapers has expanded considerably over the last decade. As shown in Table 3.14, the total daily circulation of national newspapers was around 72,000 in 1972 which shot up to about 220,000 in 1982. On average, 6 newspapers were sold to every 1,000 persons in 1972 and this had increased to 12 by 1982. Nevertheless, the scope for further increases in circulation remains very large.

AVERAGE DAILY NEWSPAPER CIRCULATION*

Table 3.14

Newspaper	1972	1982
English ('000)	49.0	167.1
Swahili ('000)	23.1	52.5
Total ('000)	72.1	219.6
Circulation per 1,000 Persons	6	12

*A small fraction circulates outside Kenya.

3.35. In addition to the national newspapers, occasional rural newspapers have lately been established by the Department of Information. These include "Sauti ya Pwani", "Sauti ya Gusii", "Sauti ya Kericho" and "Habari". These are aimed at imparting general awareness of current issues to the rural population.

Crime

3.36. There is a world-wide tendency for crime rates to increase. In Kenya the rapid population growth—and the unemployment it results in—also tends to increase this problem. This seems to be attested by the large increase in Kenya's prison population since independence. Table 3.15 shows that in 1962, 94,500 persons were held in custody (either convicted or unconvicted), although out of this total, only 33,800 or 36 per cent were actually sentenced to imprisonment. Between 1962 and 1982, the total number of persons held in prisons increased by 55 per cent. The total number of people sentenced to imprisonment within the same period increased by 114 per cent and the daily average number of people in prison also increased by 107 per cent. However, in relative terms, the proportion of Kenya's population committed to prison has not changed significantly. Relative to the size of the total population, the prison population has remained remarkably constant at 1.5 per 1,000 members of the population throughout the entire period under review. The percentage of people in custody who had been previously convicted was 14 in 1962, it dropped to 12 per cent in 1972 and rose to 13 per cent in 1982.

PRISON POPULATION, 1962, 1972 AND 1982

Table 3.15 ('000)

	1962	1972	1982
Number of persons in custody	94.5	101.9	146.2
Number sentenced to imprisonment			
2 years or more	3.7	3.7	5.5
1 month—2 years	28.9	35.3	56.8
Less than 1 month	1.2	5.9	9.9
TOTAL	33.8	44.8	72.3
Number previously committed	13.4	11.8	18.9
Daily average in prison	13.1	18.4	27.2
Daily average in prison per 1,000 of the population	1.52	1.50	1.51

3.37. It is interesting to note that most of those in prison had been convicted and sentenced to imprisonment for less than two years, constituting about 79 per cent in 1982. This suggests that a majority of the prison population are petty offenders. The increasing prison population has financial implications with regard to creating enough training opportunities for the inmates in prison industries, and especially with regard to accommodation. Available options to take care of increasing numbers include the expansion of prisoners wards to accommodate more prisoners. Alternatively, the courts could make full use of penal employment camps for petty offenders or grant bonds and cash bails for petty offences.

Social Participation

3.38. The extent to which individuals are actively involved in community and social activities is a further indicator of the quality of life. However, due to non-availability of data, only one component of social participation can be examined here, namely political participation. The degree of political participation is both an indicator of the strength of the community and of the political system. For instance, when a person exercises his right to vote, it can be assumed that this individual gains some feeling of satisfaction that he has made his voice heard through the democratic process. The extent to which people as a whole choose to vote could also be looked at as an indicator of the well-being of the democratic system in general.

3.39. The right to vote is one of the most basic privileges available to the adult Kenyans. And to make one's voice heard is among the most cherished of all human rights. Despite this feeling, adult Kenyans seem to be becoming less concerned and less involved in the national elections, particularly judging from the turn-out for the 1983 General Election.

3.40. During the 1974 General Election, out of the 6.7 million registered voters, only 40.5 per cent voted, as can be seen in Table 3.16. This percentage increased to 65.7 in 1979 but then dropped to 48.2 per cent in 1983. Among the provinces, Western Province and Nairobi had the highest and the lowest voter participation rates respectively in 1974. In 1979, Central Province had the highest while North Eastern Province had the lowest voter participation rates respectively. Nairobi had the lowest turn-out in 1983 while Central Province again registered the highest voter participation rate.

VOTER PARTICIPATION RATES BY PROVINCE, 1974, 1979 AND 1983

Table 3.16 *Percentages*

Province	1974	1979	1983
Nairobi	25.7	54.6	30.3
Coast	31.5	61.2	40.0
Eastern	40.0	70.2	52.6
North Eastern	26.7	52.1	37.5
Central	37.9	72.9	59.5
Rift Valley	33.0	62.2	49.0
Nyanza	35.1	67.3	46.6
Western	44.4	66.5	47.4
TOTAL	40.5	65.7	48.2

3.41. A final area in which social commitment can be observed is the extent of the Harambee movement. Data on this are very partial yet it is apparent that the citizens' contributions towards their own welfare have grown significantly in the recent past, from K£8.4 million in 1977 to K£13.5 million in 1981. The way in which the contributions have been made varies considerably from Central Province where over 90 per cent is in cash to North Eastern Province where over 80 per cent is in labour and Rift Valley Province where contributions of materials account for around 40 per cent

CHAPTER 4—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

In terms of employment and inflation, the 1983 performance of the economy was a considerable improvement on the previous difficult year although there was a further fall in the real value of earnings. Recorded wage employment went up by 4.5 per cent, double the increase in 1982, with the pattern of distribution across various sectors and economic activities remaining broadly the same. The rate of inflation, as measured by the consumer price index, fell to below 15 per cent from the record of over 22 per cent in 1982, thanks to the Government's deflationary monetary policy. Average earnings per worker increased by 6.6 per cent but in real value fell by 7 per cent as a result of inflation, a less severe reduction than in 1982.

4.2. The recorded number of wage employees in the modern sector of the economy went up by 47,300 during 1983. This compares quite favourably with the targets in the Fourth and Fifth Development Plans of 50,000 and 42,000 new jobs per annum, respectively. On the other hand, the average increase over the Fourth Plan period (1979-83) was only 36,300, with the 1983 record being considerably better than the period as a whole. It will not be easy to sustain that rate of formal sector job creation. Moreover, it must be remembered that the total numbers entering the labour force considerably exceeds the targets just cited, it being necessary to absorb the remainder outside the formal sector in the rural economy and in urban informal activities.

Employment

4.3. Wage employment in the modern sector of the economy recorded an increase of 4.5 per cent in 1983 as compared with 2.1 per cent in 1982. As shown in Table 4.1, the growth in the number of the self-employed and unpaid family workers was very small indeed but those engaged in the urban informal sector increased by an estimated 10,700 or 6.2 per cent. The latter represents a continuing slow-down as compared with the 27.8 per cent and

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1980-1983

Table 4.1 '000's

	1980	1981	1982	1983*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	1,005.8	1,024.3	1,046.0	1,093.3
Self-employed and unpaid family workers	61.9	62.1	62.7	63.2
Urban Informal Sector	123.1	157.3	172.2	182.9
TOTAL	1,190.8	1,243.7	1,280.9	1,339.4

*Provisional.

9.5 per cent rises in 1981 and 1982, respectively, although it must be cautioned that data for the informal sector are difficult to estimate accurately. Overall, there was a 4.6 per cent increase in 1983 of the total number of persons engaged, as compared with the average of 3.7 per cent per annum for the past four years.

4.4. The growth of wage employment was equally spread in both the private and public sectors as can be calculated from Table 4.2. In the private sector, where stagnation and indeed decline had loomed over the past four years, increases were recorded in every activity except in electricity and water, and construction. Looked at more broadly, increases in employment were manifested in primary activities (agriculture and forestry, and mining and quarrying) and in tertiary activities (distribution and services) at the rates of 6.0 and 6.6 per cent respectively while in the secondary activities (manufacturing, utilities and construction) employment remained stagnant.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1980-1983

Table 4.2 '000's

	1980	1981	1982	1983*
PRIVATE SECTOR—				
Agriculture and Forestry	172.5	173.7	167.5	177.3
Mining and Quarrying	1.7	1.5	1.8	2.1
Manufacturing	111.4	116.7	116.0	117.1
Electricity and Water	0.1	0.2	0.2	0.1
Construction	31.7	32.6	32.1	31.4
Wholesale and Retail Trade, Restaurants and Hotels	66.0	67.7	69.3	74.6
Transport and Communications	23.0	18.9	19.7	21.1
Finance, Insurance, Real Estate and Business Services	31.9	31.1	34.7	36.1
Community, Social and Personal Services	95.9	97.9	99.1	105.7
TOTAL	534.3	540.2	540.4	565.5
PUBLIC SECTOR—				
Agriculture and Forestry	58.9	61.9	56.3	53.8
Mining and Quarrying	0.6	0.7	1.2	1.4
Manufacturing	29.9	29.7	30.8	31.7
Electricity and Water	10.0	10.0	13.8	17.1
Construction	31.5	28.7	28.3	28.8
Wholesale and Retail Trade, Restaurants and Hotels	4.5	4.9	5.6	5.7
Transport and Communications	32.2	36.5	33.1	33.9
Finance, Insurance, Real Estate and Business Services	7.8	8.4	9.0	9.6
Community, Social and Personal Services	296.2	303.4	327.5	345.8
TOTAL	471.5	484.1	505.6	527.8

*Provisional.

4.5. Except in agriculture, increases in wage employment occurred in every activity of the public sector. The greatest relative increase was in electricity and water which recorded a 23.9 per cent growth. Comparing with the private sector, on a broad basis there was a 4.0 per cent decrease in employment in the primary activities and there were 6.4 and 5.3 per cent increases in the secondary and tertiary activities, respectively. Another perspective of the structure of wage employment in the public sector is set forth in Table 4.3. Employment in the whole sector rose by 22,200 jobs or 4.4 per cent.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1980-1983

Table 4.3 '000's

	1980	1981	1982	1983*	Annual Percentage Change 1982/83*
Central Government	214.8	214.5	216.7	226.4	4.5
Parastatal Bodies**	187.0	198.3	214.7	221.7	3.3
Majority Control by the Public Sector	30.0	31 .6	32.9	34.5	4.9
Local Government	39.6	39.7	41.3	45.2	9.4
TOTAL	471.5	484.1	505.6	527.8	4.4

*Provisional.

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

the same rate as 1982. The growth was fairly well distributed between the central Government and the other institutions of the public sector. The fast growth of employment in local Government is accounted for by the increase in the number, and upgrading in the statuses, of local authorities.

4.6. As an alternative to modern sector wage employment, involvement in the urban informal sector holds promise for many who would otherwise be without a job. To obtain reliable statistics remains problematic but none-the-less efforts have been maintained to gather data yearly for over a decade. Indications from these are that the sector continues to grow steadily no matter what the general conditions of the economy are. According to the 1983 survey, the number of persons engaged in the informal sector was 182,919. This was 10,700 more persons, or a 6.2 per cent increase, over the recorded total of the year before. This growth was slower than the average of about 10 per cent for the past five years. The sector is dominated by retail trading to which 71 per cent of such employment belongs, followed by manufacturing, other services, transport and communications, whose share of employment is 16, 11 and 2 per cent, respectively. Within each urban

centre, the determinant of the size of the sector tends to be the town's population and the presence of secondary activities, especially manufacturing. Generally, the larger the town the faster the growth rate of the sector.

4.7. The 1983 growth rate of wage employment for the whole country exceeded the average annual rate of 3.0 per cent for the 1980-83 period as can be judged from Table 4.4. Over the past four years the growth rates of Nairobi and of the Nyanza, Western and North-Eastern Provinces have

WAGE EMPLOYMENT BY PROVINCE, 1980-1983

Table 4.4 '000's

Province	1980	1981	1982	1983*	Percentage Change 1982/83*
Nairobi	274.2	284.5	292.3	309.8	6.0
Coast	139.3	139.5	140.6	140.9	0.2
North Eastern	5.5	7.7	9.3	9.4	1.1
Eastern	80.6	80.5	84.5	89.1	5.4
Central	149.6	152.6	153.5	155.6	1.4
Rift Valley	232.6	230.2	228.1	241.4	5.8
Nyanza	74.5	77.0	83.4	90.5	8.5
Western	49.5	52.3	54.3	56.6	4.2
TOTAL	1,005.8	1,024.3	1,046.0	1,093.3	4.5

*Provisional.

been above the national average, while those of the Central, Coast and Rift Valley Provinces have been below it. On the other hand, the recorded percentage increases for 1983 were above the national average for Nairobi and for the Nyanza, Rift Valley and Eastern Provinces but were below average in the rest of the country.

4.8. In 1983 total modern sector wage employment in urban centres was 598,500, about 55 per cent of the country's total. The changes in employment for six selected broad economic sectors in the towns between 1978 and 1983 are detailed in Table 4.5. These sectors account for about 95 per cent of urban wage employment. Overall, employment in the six sectors combined expanded by about one-third, in 1978-83, giving an annual growth rate of *5.1* per cent. In the five-year period, employment fell by 2.4 per cent in transport and communications but rose at varying rates in all the other activities, ranging from 9.3 per cent in construction to 56.2 per cent in services. Nairobi continues to dominate employment in these sectors, but over the five years both Thika and Eldoret experienced faster employment growth rates; and the growth of the "others", i.e. the smaller centres, was four times as fast as the six named towns taken together. There thus does appear to be some spread of employment to the other towns.

Wage Employment by Towns and Selected Industries, 1978 and 1983

Table 4.5

'000's

Town	Manufacturing		Construction		Trade, Restaurants and Hotels		Transport and Communications		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
	1978	1983*	1978	1983*	1978	1983*	1978	1983*	1978	1983*	1978	1983*	1978	1983*
Nairobi	48.7	58.8	31.9	32.5	29.7	39.2	19.1	22.1	22.7	31.5	80.0	107.0	232.1	291.1
Mombasa	17.9	19.2	4.6	5.2	9.7	12.5	21.9	20.2	4.4	6 6	25.0	28.7	83.5	92.4
Kisumu	3.4	3.4	1.0	1.2	1.6	1.8	2.2	1.4	0.8	0.8	6 6	10.7	15.6	19.3
Nakuru	5.4	5.8	1.4	1.2	2.3	3.0	1.0	1.1	0.7	1.0	5.4	8.0	16.2	20.1
Thika	9.4	10 2	0.2	0.4	0.6	1.1	0.1	0.2	0.4	0.5	1.5	4.1	12.2	16.5
Eldoret	4.8	7.0	0.8	0 5	1.1	1.5	0.7	0.6	0.3	0.6	2.9	4.1	10.6	14.3
Others	10.1	16.0	4.3	7.3	8.4	9 9	4.7	2.9	2.1	3.4	32.7	78.1	62.3	117.6
Total	99.7	120.4	44.2	48.3	53.4	69.0	49.7	48.5	31.4	44.4	154.1	240.7	432.5	571.3

*Provisional.

WAGE EMPLOYMENT BY CITIZENSHIP AND INDUSTRY, 1982 AND 1983

Table 4.6 '000's

	CITIZENS		NON-CITIZENS		TOTAL	
	1982	1983*	1982	1983*	1982	1983*
Agriculture and Forestry	223.0	230.3	0.9	0.8	223.9	231.1
Mining and Quarrying	2.9	3.4	0.1	0.1	3.0	3.5
Manufacturing	144.8	146.9	2.0	1.8	146.8	148.7
Electricity and Water	13.9	17.2	0.1	0.1	14.0	17.3
Construction	59.1	59.1	1.3	1.1	60.4	60.2
Trade, Restaurants and Hotels	74.2	79.5	0.7	0.8	74.9	80.3
Transport and Communications	62.4	54.5	0.4	0.5	52.8	55.0
Finance, Insurance, Real Estate and Business Services	42.3	44.4	1.4	1.2	43.7	45.6
Community, Social and Personal Services—						
Public Administration	128.3	139.9	0.1	0.1	128.4	140.0
Education Services	160.2	169.3	2.8	2.6	163.0	171.9
Domestic Services	54.2	54.4	2.4	2.3	56.6	56.7
Other Services	76.9	81.4	1.6	1.6	78.5	83.0
TOTAL	1,032.2	1,080.3	13.8	13.0	1,046.0	1,093.3
Of which: Males	841.0	888.0	11.0	10.2	852.0	898.2
Females	191.2	192.3	2.8	2.8	194.0	195.1

*Provisional.

4.9. The number and proportion of non-citizens in wage employment continued to shrink in 1983. As details in Table 4.6 reveal, the number of non-citizens declined in every activity except trade, and transport and communications. Overall, the proportion of non-citizens fell from 1.3 per cent in 1982 to 1.2 per cent in 1983. The number of women in wage employment rose only marginally, from 194,000 in 1982 to 195,100 in 1983, with the result that the proportion of females reduced from 18.5 per cent to 17.8 per cent.

Earnings

4.10. Total wage payment rose to K£958 million in 1983 from K£860 million in 1982. The increase was 11.4 per cent as compared with 9.0 per cent of the previous year. The sectoral distribution of the wage payments for the 1980-83 period is presented in Table 4.7. Between 1982 and 1983, increases occurred in every economic activity of both sectors except a small decrease in the electricity and water companies of the private sector. The proportionate increase in 1983 of the wage bill was 10.6 per cent for the public and 12.3 per cent for the private sector.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1980-1983

Table 4.7 K£'000

	1980	1981	1982	1983*
PRIVATE SECTOR—				
Agriculture and Forestry	37,000.7	41,309.0	41,586.9	47,481.8
Mining and Quarrying	565.7	607.7	753.2	931.7
Manufacturing	82,620.1	97,375.6	109,389.4	119,528.0
Electricity and Water	92.2	156.1	170.1	120.5
Construction	22,453.1	26,446.9	23,277.2	25,048.2
Wholesale and Retail Trade, Restaurants and Hotels	67,025.5	75,462.8	79,221.6	91,158.6
Transport and Communications	22,469.0	21,383.4	25,390.5	28,294.3
Finance, Insurance, Real Estate and Business Services	47,639.8	55,392.9	59,962.4	66,283.9
Community, Social and Personal Services	46,912.0	53,640.1	56,120.0	65,868.7
TOTAL	326,778.1	371,774.5	395,871.3	444,715.7
PUBLIC SECTOR—				
Agriculture and Forestry	23,309.0	26,954.2	25,875.3	27,266.1
Mining and Quarrying	1,039.0	1,197.0	2,569.4	2,886.3
Manufacturing	23,534.3	24,838.9	26,735.9	29,870.8
Electricity and Water	7,816.8	10,230.0	13,363.1	17,607.8
Construction	15,014.0	18,054.7	20,400.3	22,482.7
Wholesale and Retail Trade, Restaurants and Hotels	4,590.6	6,243.6	7,870.0	8,770.7
Transport and Communications	35,665.6	45,171.9	46,487.2	49,822.0
Finance, Insurance, Real Estate and Business Services	14,309.4	18,334.0	20,602.3	22,340.3
Community, Social and Personal Services	212,063.8	265,893.1	300,497.7	332,459.7
TOTAL	337,342.5	416,917.4	464,401.2	513,506.4
TOTAL PRIVATE AND PUBLIC ..	664,120.6	788,691.9	860,272.5	958,222.1

*Provisional.

4.11. The break-down of the public sector wage bill is generally according to the size of the sub-sectors, e.g. the civil service, parastatals. etc. Over time, the pattern has remained fairly stable, as Table 4.8 indicates. Wages paid by the central Government and parastatal bodies in 1983 were 85 per cent of the entire public sector wage bill, the same proportions as in 1980. The proportionate increases of the amounts paid in 1983, as against 1982, were less than the 1980-83 annual rate of increase in all the sub-sectors except local Government. The entire sector's 1982-83 change was 10.6 per cent while the 1980-83 rate of growth was 15.0 per cent per annum. The growth rates of the wage bill of local Government for the two periods were 18.9 and 15.8 per cent respectively.

4.12. Average wage earnings per employee in 1980-83 are given in Table 4.9. Remuneration per employee rose by 6.6 per cent from K£822.4 in 1982 to K£876.5 in 1983. The increase was smaller than the 1980-83 average.

Table 4.8

	1980	1981	1982	1983*
Central Government	153.6	193.3	207.7	227.3
Parastatal Bodies**	133.6	169.1	191.4	210.7
Majority Control by the Public Sector	22.5	26.3	29.3	32.8
Local Government	27.5	28.2	35.9	42.7
TOTAL	337.3	416.9	464.4	513.5

*Provisional.

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

4.13. Workers in the private sector enjoyed a larger rise at 7.3 per cent, than did public sector workers, with a 5.9 per cent rise. This reversed the relative performance in 1982. However, average wages remain higher in the public sector, with the private sector being nearly 20 per cent below the public sector average in 1983. There exists considerable variation between the public and private sectors when they are compared on an activity-by-activity basis. Manufacturing is the only sector in which average earnings are greater in the private sector. Undoubtedly the variation is more pronounced when other factors, such as occupational distribution, are considered.

4.14. Average earnings per employee increased in every economic activity of both sectors except mining and quarrying in the public sector, where earnings fell from K£2,046 in 1982 to K£2,010 in 1983. Generally, variations in average wages are small among public sector employees, as can be seen at the bottom of Table 4.9. Central Government employees receive higher pay compared with the rest, and local Government employees the least, but this differential has been reducing over the past few years.

4.15. Percentage changes in wage employment and average earnings from 1978 to 1983 are shown in Table 4.10. Overall, growth was registered for both variables in the public and private sectors for the five-year period as well as between 1982 and 1983. However, within each sector there was a great deal of variation between different economic activities. With employment in the private sector actually growing fractionally faster than in the public sector, there was a reversal of the previous years' trend for a rapid rise of public relative to private employment. This reversal was due both to some revival in the private sector and a slowing-down in the public sector, by comparison with the earlier years of the period.

4.16. Gains in nominal wages are, of course, diminished by the effects of price inflation. Estimates of these opposing effects are presented in Table 4.11. Over the last two years, price inflation has had a serious effect on Real

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1980-1983

Table 4.9 *K£*

	1980	1981	1982	1983*
PRIVATE SECTOR				
Agriculture and Forestry	214.5	237.9	248.2	267.8
Mining and Quarrying	352.9	412.0	425.8	440.7
Manufacturing	741.5	834.5	943.4	1,032.7
Electricity and Water	653.9	772.8	885.9	963.7
Construction	709.8	810.8	724.1	799.0
Trade, Restaurants and Hotels	1,015.2	1,114.7	1,143.8	1,221.5
Transport and Communications	978.3	1,132.9	1,287.6	1,338.6
Finance,Insurance, Real Estate and Business Services	1,487.5	1,781.7	1,727.9	1,835.5
Community, Social and Personal Services	489.1	547.9	566.1	600.7
TOTAL PRIVATE SECTOR	611.6	688.2	732.5	786.3
PUBLIC SECTOR—				
Agriculture and Forestry	396.0	435.6	459.4	507.0
Mining and Quarrying	1,646.0	1,808.2	2,045.7	2,010.0
Manufacturing	788.4	837.7	867.3	978.8
Electricity and Water	779.3	1,024.3	967.8	1,027.4
Construction	477.3	628.1	721.0	780.1
Trade, Restaurants and Hotels	1,025.1	1,273.7	1,399.9	1,548.0
Transport and Communications	1,081.9	1,238.5	1,406.1	1,471.0
Finance, Insurance, Real Estate and Business Services	1,829.6	2,174.3	2,301.4	2,328.1
Community, Social and Personal Services	716.0	876.4	917.6	963.1
TOTAL PUBLIC SECTOR	715.5	861.2	918.5	972.9
TOTAL	660.3	770.0	822.4	876.5
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	715.1	901.2	958.5	1,004.0
Parastatal Bodies**	714.4	852.8	891.6	950.4
Majority Control by the Public Sector	750.0	832.3	890.6	950.7
Local Government	794.4	710.3	869.2	944.7
TOTAL PUBLIC SECTOR	715.4	861.2	918.5	972.9

*Provisional.

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

earnings. Following small gains in 1980 and 1981, real earnings took a severe plunge in 1982, recording a fall of 12.5 per cent. There was another fall, albeit smaller, in 1983 of 7.0 per cent, continuing a longer-term trend.

4.17. Table 4.12 shows the distribution of real earnings in the public and private sectors from 1980 to 1983 adjusted for price inflation. For the fourth consecutive year there has been a reduction in real earnings in every sector. In 1983 not a single economic activity recorded a gain. As real earnings are a reflection of the ability to sustain living standards, the performance

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1978-1983

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1978-1983*	1982-83*	1978-83*	1982-83*
PRIVATE SECTOR-				
Agriculture and Forestry	-6.2	5.8	67.6	7.9
Mining and Quarrying	9.7	19.5	39.6	3.5
Manufacturing	11.2	1.0	66.8	9.5
Electricity and Water	380.8	-34.9	280.3	8.8
Construction	9.4	-2.5	41.9	10.3
Trade, Restaurants and Hotels	25.3	7.8	64.3	6.8
Transport and Communications	2.5	7.2	67.1	4.0
Finance,Insurance, Real Estate and Business Services	39.3	4.1	61.7	6.2
Community, Social and Personal Services	16.7	6.6	74.4	6.1
TOTAL PRIVATE SECTOR	8.4	4.6	75.7	7.3
PUBLIC SECTOR—				
Agriculture and Forestry	-0.5	-4.5	10.9	10.4
Mining and Quarrying	137.7	14.3	50.9	-1.7
Manufacturing	27.9	2.8	61.8	12.9
Electricity and Water	85.0	24.1	71.6	6.2
Construction	8.1	1.9	45.6	8.2
Trade, Restaurants and Hotels	91.3	0.8	69.3	10.6
Transport and Communications	11.7	2.4	72.4	4.6
Finance, Insurance, Real Estate and Business Services	57.6	7.2	61.5	1.2
Community, Social and Personal Services	47.0	5.6	49.5	5.0
TOTAL PUBLIC SECTOR	35.4	4.4	52.1	5.9
TOTAL PRIVATE AND PUBLIC	19.9	4.5	65.5	6.6
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	34.0	4.5	50.2	4.7
Parastatal Bodies**	32.0	3.3	51.0	6.6
Majority Control by the Public Sector	70.8	4.9	42.3	6.7
Local Government	37.4	9.4	78.6	8.7
TOTAL PUBLIC SECTOR	35.3	4.4	52.1	5.9

*Provisional.

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

over the past few years could be described as critical. The slump has to be made up for to restore the wages' purchasing power. Not only have wages to rise, which entails a sustained economic recovery, but inflation must be further curbed in order to promote higher living standards.

CHANGES IN EMPLOYMENT, PRICES AND REAL EARNINGS, 1980-1983

Table 4.11 *Percentage*

	1980	1981	1982	1983*
Wage employment	3.4	1.8	2.1	4.5
Current price average earnings	13.9	16.6	6.8	6.6
Consumer prices**	12.8	12.6	22.3	14.6
Real average earnings	0.9	3.6	-12.5	-7.0

*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.

ESTIMATED REAL AVERAGE WAGE EARNINGS** PER EMPLOYEE, 1980-1983

Table 4.12 K£

	1980	1981	1982	1983*
PRIVATE SECTOR				
Agriculture and Forestry	131.4	119.6	102.2	96.4
Mining and Quarrying	199.7	207.1	175.3	158.6
Manufacturing	419.6	491.6	388.4	371.6
Electricity and Water	370.1	388.5	364.7	346.8
Construction	401.7	407.6	298.1	287.5
Trade, Restaurants and Hotels	574.5	560.4	470.9	439.5
Transport and Communications	553.7	559.6	530.1	481.7
Finance, Insurance, Real Estate and Business Services	841.8	695.8	712.2	660.5
Community, Social and Personal Services	276.8	275.5	233.1	216.2
TOTAL PRIVATE SECTOR	346.1	346.0	301.6	282.9
PUBLIC SECTOR—				
Agriculture and Forestry	224.1	219.0	189.1	182.4
Mining and Quarrying	931.5	909.1	842.2	723.3
Manufacturing	446.2	421.2	357.1	352.2
Electricity and Water	441.0	515.0	398.4	369.7
Construction	270.1	315.8	296.8	280.7
Trade, Restaurants and Hotels	580.1	640.4	576.3	557.3
Transport and Communications	627.6	622.7	578.9	529.3
Finance, Insurance, Real Estate and Business Services	1,035.4	1,093.2	947.9	837.7
Community, Social and Personal Services	405.2	440.6	377.8	346.6
TOTAL PUBLIC SECTOR	404.9	433.0	378.1	350.1
TOTAL	373.7	378.1	338.6	315.4
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	404.7	453.1	394.6	361.3
Parastatal Bodies+	404.3	428.8	367.0	342.0
Majority Control by the Public Sector	424.4	418.5	366.7	342.1
Local Government	393.0	357.1	357.8	339.9
TOTAL PUBLIC SECTOR	404.9	433.0	378.1	350.1

*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, Kenyas Ports Authority, Kenya Posts and Telecommunications Corporation, Kenya Airways Limited, etc.

Wage Awards

4.18. Since August 1982 no change has taken place in respect of statutory minimum wages. According to records of the Ministry of Labour, 245 collective wage agreements were registered in 1983 compared with 187 in 1982. Such agreements were to be effective for an average of 25 months. The number of unionisable workers affected was 54,000 in 1983, against 83,000 in the previous year. More than half of the registered agreement were in manufacturing. The result of these agreements was an effective rise in overall monthly wages to KSh. 600, KSh. 1,200 and KSh. 3,500 for the lower, middle and upper income groups respectively.

Consumer Prices

4.19. Throughout 1983 the Government maintained a deflationary monetary policy in order to contain the exceptional inflation recorded in 1982, and there was virtually no increase in the value of domestic credit by the banking system *(see* Chapter 5). The policy yielded positive results. In Nairobi, consumer prices increased in 1983 by 11.6, 15.1 and 17.0 per cent for the lower, middle and upper income groups, respectively, as shown in Table 4.13. These increases amounted to an average inflation rate of 14.6 per cent, compared with 22.3 per cent in 1982 and 12.6 per cent in 1981. By March 1984, the annualised inflation rate had reduced further to 8.8 per cent. Despite this success, however, the inflation level remains substantially higher in Kenya than in industrialised countries, as can be seen from the data in Table 1.1, Chapter 1.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES, 1980-MARCH*, 1984
Table 4.13

	1980/79	1981/80	1982/81	1983/82	March 1983 to March, 1984
Nairobi Lower Income Index	13.8	11.7	20.6	11.6	10.4
Nairobi Middle Income Index	11.6	13.8	25.9	15.1	8.2
Nairobi Upper Income Index	13.0	12.3	20.3	17.0	7.7
Average Increases	12.8	12.6	22.3	14.6	8.8

*For the purpose of the index:
1. Lower income group comprises persons with monthly earnings below KSh. 699.
2. Middle income group comprises persons with monthly earnings between KSh. 700—KSh. 2,499.
3. Upper income group comprises persons with monthly earnings of KSh. 2,500 and above.

4.20. During the year under review, the pattern was that the lower income group experienced the smallest increase in consumer prices, followed by the middle income group with the upper income group suffering a 17.0 per cent rise. This pattern was reversed in the first quarter of 1984. This change reflects the effects of the December 1983 price rises for milk, bread and maize flour, and a March 1984 increase in bus fares.

4.21. Considering the year ending March 1984. prices rose most on clothing and foot-wear items for all income groups. There were, in addition, pronounced rises for health and personal care, and for household operation goods and services affecting the lower and middle income groups. Table 4.14 gives a sample of the Nairobi indices for food, rent and all other items

NAIROBI CONSUMER PRICE INDICES, 1980-1984

Table 4.14 *January-June,* 1975 = 100

	Food	Rent	Others	All Groups
LOWER INCOME-				
December-1980	185.3	232.0	184.6	200.3
December-1981	219.7	277.6	224.1	239.0
December-1982	241.6	314.6	264.8	270.8
December-1983	262.3	346.0	288.1	297.9
March—1984	273.6	357.6	315.9	308.0
MIDDLE INCOME—				
December-1980	178.0	195.2	161.4	173.3
December-1981	211.0	243.5	210.2	216.3
December-1982	228.6	288.3	264.8	255.9
December-1983	252.6	317.3	289.0	281.7
March-1984	258.2	324.0	294.1	287.6
UPPER INCOME—				
December-1980	185.1	186.1	181.7	185.4
December—1981	214.1	221.0	221.4	220.5
December—1982	231.6	259.4	273.4	259.0
December—1983	263.9	286.1	300.0	285.7
March—1984	275.0	293.1	304.4	292.7

taken in combination. From this it can be seen that for the lower and middle income groups rent increases were particularly severe, whereas the slower increase of food prices has helped to hold down the overall inflation rate. A household budget survey was undertaken by the Central Bureau of Statistics in 1982 covering both rural and urban areas. When the analysis of this is completed towards the end of 1984, a new index base will be prepared bringing up to date the typical goods and services basket and revising the classification of income groups.

4.22. Analysis of the 1983 quarterly figures for the three towns indicates that food increased by 11.2 per cent in Mombasa, 15.5 per cent in Nakuru and 14.2 per cent in Kisumu. Prices of clothing and footwear increased by 9.3 per cent in Mombasa, 13.4 per cent in Nakuru and 19.7 per cent in Kisumu, while transport and communications increased by 6.7 per cent in Mombasa, 21.4 per cent in Nakuru and 17.0 per cent in Kisumu.

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU

Table 4.15 1976 = 100

	Mombasa	Kisumu	Nakuru
1979 June	143.4	126.6	140.0
December	151.3	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	187.2
1982 June	218.7	202.9	199.4
December	236.1	212.8	210.6
1983 June	245.2	229.3	228.3
December	256.4	242.3	242.8

*The above consumer price indices exclude rent.

CHAPTER 5—MONEY, BANKING AND FINANCE

Overall Trends

The year 1983 was marked by a number of favourable developments. The rate of inflation fell substantially and the balance of payments situation also improved. The Government continued to restrain its expenditure. This reduced its need to borrow from the banking system and there was a general slow-down in the rate of monetary expansion. To stimulate private investment, the maximum interest rate for bank loans was reduced from 16 to 15 per cent, while the loan rate for non-bank financial institutions was changed to 20 per cent on the reducing balance. The liquidity situation of the commercial banks became generally tight during the year. In real terms, the size of financial flows through the banking system continued to decline but the non-bank institutions experienced further real growth.

5.2. The main monetary indicators are detailed in Table 5.1. Net foreign assets were negative throughout most of the year but there was none-theless a net improvement of K£90 million over the year as a whole. There

MONETARY INDICATORS, 1980-1984

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.			
1980 December..	113	614	166	780	810	18	87.3
1981 December..	15	675	294	969	918	21	84.1
1982 December..	-101	768	484	1,252	1,066	25	79.6
1983 March	-50	781	394	1,175	1,027	25	81.6
June	0	801	341	1,142	1,008	23	86.0
September..	-52	815	398	1,213	1,052	24	82.9
December..	-11	862	391	1,253	1,118	21	83.5
1984 January ..	..	..	..	..	..	..	..
February ..	..	..	..	..	..	..	..

Source: Central Bank of Kenya.

*Includes parastatal bodies.

**See Table 5.2 for Coverage.

have been concerted efforts to reduce foreign liabilities and to restore a positive balance through a strict surveillance of non-essential imports. As shown in the table, total domestic credit remained unchanged between the year-ends of 1982 and 1983. There was an important change within this total, however, with a fall in Government borrowing and a corresponding increase in credit to the private sector. This marked an important reversal of the trend of the previous two years. Credit to Government declined from K£484 million at the end of 1982 to K£391 million at the end of 1983, a

decline of 19 per cent. Credit to the private sector during the period, however, rose from K£768 million to K£862 million or by 12 per cent. The trend arises from the policy of reducing Government deficit financing, while efforts have been made to encourage the private sector to borrow more for investment. The liquidity position of commercial banks tightened, with the liquidity ratio falling from 25 per cent as at December 1982 to 21 per cent at the end of 1983. The ratio of advances to deposits rose from 79.6 per cent to 83.5 per cent in the year.

5.3. The impressive improvement in the foreign assets position during the year, coupled with an absence of growth in total domestic credit led to a modest increase of money supply from K£1,066 million in 1982 to K£1,118 million or by under 5 per cent during 1983. This augured well for the limitation of the rate of inflation.

5.4. Data on money and quasi-money is set out in Table 5.2. Money proper increased by 6.3 per cent while quasi-money increased by 3.3 per cent during the year so that total money supply increased by around 5 per cent. Control in the growth of money is in line with new measures that have been adopted aiming at better management of the Kenyan economy.

MONEY AND QUASI-MONEY SUPPLY, 1980-1984

Table 5.2 K£'000

As at end of	Money*	Quasi-Money**	Total
1980	494,977	315,424	810,401
1981	555,277	362,944	918,221
1982	667,608	398,605	1,066,213
1983 January	655,251	408,312	1,063,563
February	645,332	400,607	1,045,939
March	631,564	395,599	1,027,163
April	631,122	380,975	1,012,097
May	637,542	391,994	1,029,536
June	613,639	394,680	1,008,319
July	645,163	403,697	1,048,860
August	626,276	411,370	1,037,646
September	647,058	404,540	1,051,598
October	660,552	406,025	1,066,577
November	680,986	408,544	1,089,530
December	696,518	421,725	1,118,243
1984-			
January	..	..	..
February	..	..	..

*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. Table 5.3 shows the consolidated balance sheet of the banking system. There has been a steady increase in the nominal value of deposits which continued in 1983. The only significant decline was that of time deposits.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1979-1983

Table 5.3 K£'000

	As at the end of							
	1979	1980	1981	1982	1983			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES—								
1. Money:								
1.1 Demand Deposits	316,363	290,694	318,718	339,885	380,869	347,996	373,738	382,016
Other	50,134	67,106	79,013	141,376	109.438	118,011	120,783	130,271
1.2 Currency in Circulation:—								
Notes	147,398	167,232	194,042	202,063	197,351	189,877	196,568	227,187
Coins	4,779	4,970	5,473	5,923	5,901	5,925	5,972	6,265
SUB-TOTAL ..	518,674	530,002	597,246	689,247	693,559	661,809	697,061	745,739
2. Quasi-Money:								
2.1 Savings Deposits	132,461	147,381	175,040	196,626	201,621	211,673	214,482	230,786
2.2 Time Deposits ..	155,503	168,044	187,904	201,979	193,978	183,007	190,059	190,939
3. Other Items (Net) ..	64,531	47,732	23,716	63,558	35,484	85,860	60,191	74,558
SUB-TOTAL ..	352,495	363,157	386,660	462,163	431,083	480,540	464,732	496,283
TOTAL	871,169	893,159	983,906	1,151,410	1,124,642	1,142,349	1,161,793	1,242,022
ASSETS—								
4. Net Foreign Assets ..	179,395	113,226	15,021	-100,951	-50,491	410	-51,697	-11,332
5. Domestic Credit:								
5.1 Central Government (Net)	156,133	165,974	293,911	484,124	393,586	340,877	398,016	391,472
5.2 Private Sector ..	488,718	587,936	651,262	717,830	728,745	741,063	748,161	768,979
5.3 Other Public Bodies	46,923	26,023	23,712	50,407	52,802	59,999	67,313	92,903
TOTAL	871,169	893,159	983,906	1,151,410	1,124,642	1,142,349	1,161,793	1,242,022

Source: Central Bank of Kenya.

from K£202 million at the end of 1982 to K£191 million at the end of 1983, or by 5.4 per cent. Currency in circulation recorded an increase of 12.2 per cent, while demand deposits and savings deposit increased by 12.4 and 17.3 per cent respectively. As noted earlier, central Government borrowed less while the private sector increased its share of credit. Net foreign assets improved in 1983 significantly over 1982 but the position remained adverse by comparison with earlier years.

5.6. As Table 5.4 indicates, the particular measure of money supply given showed only a moderate increase, by K£91 million in 1983 compared with an increase of K£168 million in 1982. The increase is largely accounted for by the reduction in net foreign liabilities of K£90 million and the decline in Government use of domestic credit; a welcome reversal of the trend in the recent past. In 1983, the Government instituted strict expenditure controls to reduce deficit financing.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1979—1983

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

	1979	1980	1981	1982	1983
MONEY SUPPLY—					
1. Currency plus demand deposits	+43.21	+11.33	+67.24	+92.00	+56.49
2. Quasi money and other items	+107.91	+10.66	+23.50	+75.50	+34.12
3. Total money supply* ..	+151.12	+21.99	+90.75	+167.50	+90.61
SOURCES OF CHANGES—					
4. Net foreign assets	+72.96	-66.17	-98.21	-115.97	+89.62
5. Domestic credit—					
(a) to Central Government (net)	+10.67	+9.84	+127.94	+190.21	-92.65
(b) to other public sector	+23.81	-20.90	-2.31	+26.70	+42.50
(c) to private sector	+43.68	-99.22	+63.33	+66.57	+51.15
(d) all domestic credit ..	+78.16	+88.16	+188.96	+283.48	+0.99
6. Total sources of changes	+151.12	+21.99	+90.75	+167.50	+90.61

*Other items are included so coverage not the same as in Table 5.2.

5.7. The foreign exchange reserves of the Central Bank of Kenya made a major recovery in 1983, rising to K£254 million compared with only K£135 million as at December 1892. At the same time Kenya acquired more Special Drawing Rights (SDRs) while reducing foreign liabilities other than to the International Monetary Fund (IMF). By December 1983, Kenya had thus improved on the reserve position which has been precarious for the previous three years. This improvement reflects higher export prices for coffee and tea, restructuring of imports; and sound management of the economy with the latter being more important in the period under review. The foreign exchange reserves of the monetary authorities are set out in Table 7.16 *(see* also Table 5.8).

5.8. In order to present real trends, it is necessary to remove the influence of rising prices by using a rough and ready deflator. The results are in Table 5.5. It is evident from a majority of the items that there has been a rather consistent and substantial decline throughout most of the 1980's. Thus by

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1979-1983

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

	1979	1980	1981	1982	1983**
1. Money	437.0	360.5	359.2	352.1	320.5
2. Quasi-money	236.6	229.7	234.7	210.2	194.1
3. Total liabilities of banking system	715.9	650.5	636.4	607.3	571.6
4. Commercial bank credit to private sector	399.3	406.0	386.0	352.7	328.0
5. Total commercial bank credit	504.8	479.2	475.9	446.1	416.2
6. Total liabilities of non-bank financial institutions	202.8	232.7	251.7	270.5	288.5
Memorandum Item					
7. Line 6 as per cent of line 3	28.3	35.8	39.6	44.5	50.5

*Deflated by average price increases given in Table 4.11.

**Provisional.

1983 the real value of total liabilities of the banking system was 20 per cent less than in 1979 and there was an only slightly smaller decline (18 per cent) in the real value of commercial bank credit. This is a trend which gives cause for some concern since the services of the financial system are of great importance in the process of economic development by way of encouraging savings or channelling them to efficient productive uses. The one exception to the declining trend is the continuing real expansion of non-bank financial institutions, whose liabilities increased by 42 per cent in 1979-83. As a result, their liabilities have nearly doubled relative to those of the banking system over the same period. Developments among these institutions are further discussed in later paragraphs.

Interest Rates

5.9. In October 1983, there was a revision of interest rates, which had been increased in December 1982. As indicated in Table 5.6, the minimum savings rate remained at 12.5 per cent for both commercial banks and non-bank financial institutions. For borrowers from commercial banks the rate of interest on loans was reduced by one percentage point, hence they have to pay 15 per cent compared with the 16 per cent in force in early 1983. The aim of the latter revision was to encourage more borrowing for investment and hence stimulate the rate of growth. The level of interest rates, despite the fall, remains attractive for entrepreneurs to borrow abroad and invest locally, which is beneficial to the balance of payments. It will be seen.

however, that there were upward revisions in interest rates paid and charged by hire purchase companies and merchant banks, and that the discount rate on Treasury Bills also went up.

PRINCIPAL INTEREST RATES, 1981-1983

Table 5.6 *Percent*

	31ST DECEMBER		
	1981	1982	1983
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	10.12	13.48	15.12
Advances against Treasury Bills	10.00	14.50	14.50
Bills and Notes under Crop Finance Scheme—			
Discount	10.25	13.75	13.75
Advances	11.50	14.00	14.00
Other Bills and Notes:—			
Discounts	11.50	14.50	14.50
Advances	11.50	15.00	15.00
KENYA COMMERCIAL BANKS			
Time Deposits:—			
12 months (KSh. 250,000-1,000,000)	8,875	12.50	12.50
Savings Deposits	10.0	12.50	12.50
Loans and Advances (Maximum)*	14.00	16.00	15.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	10.0	10.00	11.00
Agricultural Finance Corporation, Loans			
(a) Land Purchase	12.00	12.00	12.00
(b) Seasonal Crop Loan	12.00	14.00	14.00
(c) Other	13.00	13.00	13.00
Hire-Purchase Companies and Merchant Banks:—			
Deposits (time)	8.00-12.00	13.25-16.25	14.00-16.50
Loans	Up to 14.00	Up to 16.00	20.00
Buildings Societies:—			
Deposits	8.00-11.50	15.25	15.00-15.50
Loans	13.00-14.00	16.00	16.00

Source: Central Bank of Kenya.

*Loans and advances for less than 3 years.

5.10. "Real" interest rates—nominal rates adjusted for the rate of inflation as measured by consumer price index, are given in Table 5.7. Despite a major decline in inflation, most real rates remained negative, although to a considerably reduced extent. The interest rate structure, in conjunction with the continuing problem of inflation, thus continues to have the effect of subsidising borrowers at the expense of savers in the short run, although much' less so than was previously the case. Both the commercial banks and the Post Office Savings Bank continue to offer depositors rates which are not high enough to protect them from the effects of inflation, although for some savers the POSB has the advantage that its interest payments are not subject to income tax.

TRENDS IN SELECTED REAL INTEREST RATES, 1979-1983

Table 5.7 *Percentages*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposit	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
	1983	12.5	14.6	-2.1
2. Commercial bank loans and advances (max)	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
	1983	15.0	14.6	+0.4
3. POSB deposits	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
	1983	11.0	14.6	-3.6
4. Building society loans (max)	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
	1983	16.0	14.6	41.4

*Taken from Table 4.11.

**Nominal interest rate minus inflation rate.

Central Bank of Kenya—Assets and Liabilities

5.11. Table 5.8 sets out the assets and liabilities of the Central Bank. At the end of 1983 the Bank's balance with external banks reached an all-time high of K£218 million compared with the balances of K£71 million and K£57 million at the end of 1981 and 1982, respectively. The bank's investment in foreign Treasury Bills, however, declined from K£54 million as at the end of 1982 to a low K£15 million at the end of 1983. However, it increased its Special Drawing Rights (SDRs) holding from K£9.6 million to K£19.2 million. Overall the bank almost doubled its foreign exchange holdings, recording K£273 million at the end of 1983 compared with K£145 million twelve months earlier.

5.12. Advances to the Government at the end of 1983 stood at a low K£61.7 million, compared with K£375.8 million at the end of 1982. Other assets, including Treasury Bills, increased from K£24.5 million at the end of 1982 to K£36.1 million at the end of 1983. The most significant change, however, was in securities guaranteed by the Government which increased from K£25.7 million to K£261.2 million at the end of 1983.

CENTRAL BANK OF KENYA—ASSETS AND LIABILITIES, 1979-1983

Table 5.8

K£'000

	1979	1980	1981	1982	1983			
					1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
ASSETS								
1. Foreign Exchange—								
1.1 Balances with External Banks ..	163,294	136,586	70,768	57,028	135,332	129,704	151,593	218,587
1.2 Treasury Bills	2,330	13,436	17,852	54,201	27,763	88,887	14,508	14,955
1.3 Other Investments	32,142	26,340	30,560	24,033	16,063	16,702	21,858	20,376
1.4 Special Drawing Rights	39,821	9,730	5,615	9,604	6,511	14,173	15,810	19,252
TOTAL	237,587	186,092	124,795	144,866	185,669	249.466	203,769	273,170
2. Securities Guranteed by Kenya Government								
Advances and Discounts	43,847	52,940	48,775	25,705	275,676	278,843	261,345	261,224
3. Advances to Kenya Government	15,908	57,089	10,000	375,780	13,864	10,000	31,079	61,734
4. Other Assets including Kenya Treasury Bills	23,226	40,432	218,110	24,524	70,626	56,165	44.174	36,111
TOTAL ASSETS	320,568	336,553	401,680	570,875	545,835	594,474	540,367	632,239
LIABILITIES								
1. Capital and General Resources Fund	4,600	7,189	8,521	10,538	10,538	15,251	15,251	15,251
2. Currency in Circulation-								
2.1 Notes	147,398	167,232	194,042	202,063	197,351	189,877	196,568	227,187
2.2 Coins	4,779	4,970	5,473	5,923	5,901	5,925	5,972	6,265
TOTAL CURRENCY	152,177	172,202	199,515	207,986	203,252	195,802	202,540	233,452
3. Deposits—								
3.1 Kenya Government			5,149			26,564		
3.2 Kenya Banks	40,575	40,023	28,034	69,805	23,938	25,334	33,132	38,410
3.3 External Banks	57,997	80,118	112,389	227,050	249,558	262,792	265,556	299,067
3.4 Other	46,357	15,109	9,040	12,106	5,110	9,127	8,149	11,077
TOTAL	144,929	135,250	154,612	308,961	278,606	323,817	305,837	348,554
4. Revaluation Account	9,326	11,065	24,534	12,474	10,392	14,964	7,369	7,296
5. Other Liabilities	9,536	10,847	14,498	30,916	43,047	44,640	8,370	27,686
TOTAL LIABILITIES	320,568	336,553	401,680	570,875	545,835	594,474	540,367	632,239

Source: Central Bank of Kenya.

5.13. Table 5.8 further indicates that deposits by commercial banks decreased to K£38.4 million at the end of 1983 compared with K£69.8 million at the end of 1982. External banks' deposits rose to K£299 million at the end of 1983 compared with K£227 million at the same period in the previous year.

Commercial Bank Credit and Liquidity

5.14. According to Table 5.9, total commercial bank credit increased from K£846 million to K£904 million during 1983 or by nearly 7 per cent. Increases in lending were recorded in the public sector, private enterprises and also in private households. Fewer Treasury Bills were purchased—K£93 million at December 1983 compared with K£114 million at the same time in 1982. Lending to parastatal bodies, however, more than doubled from K£27 million to K£57 million during 1983.

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1979-1983

Table 5.9 K£'000

	1979 Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.
PUBLIC SECTOR—					
Central Government	131	232	24	11	3
Local Government	917	349	424	895	799
Enterprises, Parastatal bodies and other Public entities	10,348	16,871	16,651	27,003	56,904
Treasury Bills	82,524	46,660	76,068	114,192	92,743
TOTAL PUBLIC SECTOR	93,920	64,112	93,167	142,201	150,449
PRIVATE ENTERPRISES—					
Agriculture	89,999	102,361	110,592	112,892	138,491
Mining and Quarring	8.694	10,543	10,392	9,779	6,269
Manufacturing	106,244	128,280	159,330	175,071	177,018
Building and Construction	36,013	36.224	33,905	42,902	42,414
Transport, Storage and Communication	23,698	28,231	34,297	33,010	26,965
Trade:					
Exports	24,455	24,520	29,732	30,853	37,670
Imports	23,334	32,393	28,132	35,382	25,610
Domestic	52,952	62,387	70,459	74,846	80,916
Financial Institutions	34,971	16,288	11,834	29,915	53,920
Other Business	85,634	116,232	108,114	124,026	123,428
TOTAL PRIVATE ENTER-PRISES	485,995	557,459	596,787	668,676	712,791
PRIVATE HOUSEHOLDS— (including non-profit making institutions)	34,486	36,360	45,804	34,945	41,250
TOTAL BILLS, LOANS AND ADVANCES	614,401	657,931	735,758	845.822	904.490

Source: Central Bank of Kenya.

5.15. Bank lending to the private sector increased by 6.6 per cent in 1983. However, the private sector did better than the public sector which recorded only a 5.8 per cent rise in loans received during the year. The agricultural sector received a large increase of loans of nearly 23 per cent, compared with only a 2 per cent rise in 1982. Bank loans to manufacturing recorded marginal increase of only 1.1 per cent, while those to mining and quarrying, building and construction, transport, storage and communication sectors all showed declines. The largest increase in credit was recorded by other financial institutions, which showed a sharp increase of 80.3 per cent. In the trade sector, credit to exports and domestic trade recorded increases in 1983 of 22 per cent and 8 per cent respectively. Credit to importers, however, went down from K£35.4 million to K£25.6 million or by 27.6 per cent. Bank lending to the private households increased by 18.3 per cent in 1983, but was still below the K£45.8 million peak reached in 1981.

COMMERCIAL BANKS—LIQUID ASSETS, 1980-1984

Table 5.10

	Deposit Liabilities* *K£m*	Liquid Assets+ *K£m*	Current Liquidity Ratio** *Per cent*
1980 December	605.2	110.3	18
1981 December	686.1	138.0	21
1982 December	826.0	213.6	25
1983—			
January	862.8	246.0	28
February	837.4	230.0	28
March	806.2	175.9	25
April	781.9	154.5	21
May	804.1	189.1	23
June	794.2	172.0	23
July	812.7	182.1	22
August	826.4	202.7	24
September	844.2	194.3	24
October	827.4	183.2	23
November	837.7	185.0	22
December	840.2	170.4	21
1984—			
January	850.5	191.1	22
February.	..	..	..

Source: Central Bank of Kenya.

*Includes notes and coins, balances at Central Bank, net inter-bank balances in Kenya and Overeseas (included only if positive) and Treasury bills. The ratios given in this column are not quite consistent with figures in the other two columns because of the inclusion of certain other minor items in the denominator.

**From 9th February, 1983 the prescribed minimum was fixed at 20%.

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

5.16. Table 5.10 shows that deposits with commercial banks rose by only 1.7 per cent between December 1982 and December 1983. Their liquid assets declined, however, from K£213.6 million in December 1982 to K£170.4 million in December 1983 or by 20.2 per cent. This decline in liquidity can be linked to reduced holdings of Treasury Bills, associated with the decline in Government bank borrowing. The reduction during 1983 in banks' liquidity ratios is best interpreted as a return to normal levels after the excess liquidity that built up during 1982 and which was commented upon in last year's *Economic Survey*. However, by the end of the year their liquidity was only slightly above the legal minimum ratio laid down by the Central Bank of 20 per cent.

Non-Banking Financial Institutions

5.17. As indicated in Table 5.11, and already discussed in connection with Table 5.5, the non-banking financial institutions continued their record of fast expansion during 1983. While their total liabilities and assets, as recorded in Table 5.11, grew less rapidly than in 1982—at 22.2 per cent, against 31.5 per cent—the 1983 growth was still in line with the rates for the earlier years and Table 5.5 has already recorded the continued expansion of this sector relative to the commercial banks. Lending by these institutions continued to increase, going up by over 30 per cent in 1983. Table 5.11 shows, however, that lending to the private sector expanded less rapidly than this—by 18.9 per cent. Lending to the public sector, while still small in absolute terms, increased more than two-and-a-half fold during the year.

5.18. Most of the advances made by non-bank institutions to the private sector have been going to housing projects, while substantial amounts have also been going to agriculture, manufacturing and trade. In their lending to the trade sector, most of these institutions' loans have gone to domestic trade, while only a small amount has gone to the import and export trade. The amount taken up by domestic trade grew from K£44.5 million in 1982 to K£52.1 million in 1983 or by 17.1 per cent, compared with 8.2 per cent growth in lending by commercial banks to this sector. Most of the advances made to the public sector go to central Government, and the share of the central Government in the public sector total expanded from 83.1 per cent to 95.7 per cent.

5.19. The Government is now trying to regulate the non-bank financial institutions more rigorously. The pegging of the maximum loan rate of interest for these institutions to 20 per cent per annum and a requirement on them to calculate the rate of interest on the reducing balance in 1983 is to safeguard the public and ensure that these institutions do not earn abnormal profits. At the same time, these institutions were stopped from making other charges which had the effect of raising the rates of interest to over 30 per cent.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1979-1983

Table 5.11 — *K£million*

	As at end of				1983			
	1979	1980	1981	1982	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
Deposits:—								
Central and Local Government	22.6	25.0	27.5	32.2	31.2	33.1	30.1	29.0
Other public Sector	52.3	67.5	85.9	138.9	131.8	132.5	143.3	136.9
Other Depositors	111.8	150.2	171.2	187.8	209.2	216.5	229.5	267.7
Other Liabilities	60.1	76.9	105.5	153.9	147.3	155.3	175.1	193.2
TOTAL LIABILITIES	246.8	319.5	390.1	512.8	519.5	537.4	578.0	626.8
ASSETS								
Cash and Banks	34.1	42.4	32.1	69.5	44.0	46.5	59.4	64.1
Other Financial Institutions	9.7	8.4	16.0	35.7	22.3	17.6	24.6	34.2
Associated Companies	43.0	37.5	40.4	12.1	4.5	4.7	2.2	4.8
Investments, Loans, Advances, etc.—								
Public Sector	3.6	13.3	22.9	34.9	72.9	82.7	80.8	93.4
Private Sector	146.8	206.1	260.5	335.5	345.5	353.4	373.3	398.9
Other Assets	9.7	11.1	18.2	25.1	30.3	32.5	37.7	31.4
TOTAL ASSETS	246.8	319.5	390.1	512.8	519.5	537.4	578.0	626.8

Source: Central Bank of Kenya.

Prospects for the Future

5.20. The Government intends to reduce the rate of inflation to around 6 per cent in the Plan period, 1984-88. Such a reduction is seen as healthy for the economy, given the need for increased private domestic savings arising out of reduced dependence on external resources. The objective of monetary policy will be to stabilize the annual growth of total money supply within a 10 to 13 per cent range over the Plan period, with quasi-money targeted to grow more rapidly than money proper.

5.21. The external debt burden has reached levels that call for special attention, as substantial external borrowing is being used for debt service, leaving only a small share for the purchase of essential imports. The implication is that domestic resources, including export earnings, must be marshalled to support a larger part of the cost if a reasonable pace of development is to be maintained. Promotion of private domestic savings will be effected by the use of positive real interest rates and the diversification of savings instruments for larger savers.

5.22. The Government has already begun reducing its recourse to using bank credit. In the period covered by the Development Plan, the aim is to normalize the allocation of banking system credit between itself and the private sector by progressively cutting down its share. The share of the private sector is expected to rise from around 70 per cent currently to between 75 and 78 per cent. The Government will continue to use selective controls to influence credit allocation by commercial banks. To mobilize more resources and to ensure more investment, the Government aims at pursuing a flexible interest rate policy directed towards maintaining positive real rates of interest.

5.23. Agriculture continues to be mainstay of the economy but credit by commercial banks to this sector has in the past fallen below the stipulated level. The Government aims at raising the level to at least 17 per cent. This will be done through the use of lending requirement to be administered by the Centrtal Bank. An Agricultural Development Bank (ADB) will be created to serve as an instrument for applying the principles aimed at mobilizing loanable funds for agricultural financing and the allocation of funds. The ADB is expected to draw its resources both from domestic and external sources.

5.24. As already remarked, non-bank financial institutions continue to grow in number and importance. Some of them have in the past pursued unsound practices and they have been much criticised. During 1984, the Treasury and Central Bank will complete a study on the regulatory framework within which these institutions conduct their activities. This study will set the grounds for recommending a new framework consistent with Kenya's development needs. However, it is not intended that these institutions will particularly be subject to selective credit controls, but rather credit expansion will be determined principally by competitive market forces.

CHAPTER 6—PUBLIC FINANCE

Provisional data indicate an improvement in Government finances in the financial year 1983/84. although these estimates are still liable to revisions. Current revenue, which increased by 10 per cent, kept pace with the increase in current-price GDP which rose by 12.0 per cent, while current expenditure grew by at most 2 per cent. This was in response to the Government policy of restraining expenditure in order to reduce the current and overall budget deficit. Since current expenditure grew less than current revenue, there was a significant reduction in the current deficit, which declined by nearly 45 per cent from K£152 million in 1982/83 to an estimated K£84 million in 1983/84. However, preliminary data indicate a large increase in development and investment expenditure thereby offsetting the reduction in the current deficit. As a result the overall deficit remained at about the same level as in 1982/83, but there was a welcome reversal of the decline in development spending relative to recurrent spending. As in previous years, there was an increased reliance on external loans and grants, which increased by 27 per cent in 1983/84, and helped finance about 69 per cent of the total deficit. Domestic borrowing financed the remaining amount, with short-term and long-term borrowing playing an equally important role. Financing by the sale of Treasury Bills amounted to K£42.1 million in 1983/84. However, financing by long-term stock issues declined substantially from K£272 million in 1982/83 to K£50 million in 1983/84.

6.2. Another significant feature that emerges from the data for 1983/84 is that the discrepancies between the original budget estimates, as presented to Parliament, and the estimated final out-turn have been greately reduced with negligible discrepancies on current account, so that the current balance differed from the original estimates by a mere K£0.1 million. This was realised largely due to strengthened financial control by the Treasury. However, there remained a K£43 million excess in the overall deficit for domestic financing, due to higher-than-expected capital spending and shortfalls in receipts of external finance.

Overall results

6.3. Table 6.1 outlines the out-turn of Government revenue and expenditure for the last five years. During this period, current revenue grew by 48 per cent while current expenditure increased by 81 per cent. There has been a tendency for current expenditure to grow faster than current revenue. Development expenditure, on the other hand, increased by 57 per cent. Due to the growth of expenditure relative to revenues, the total deficit increased by nearly 132 per cent during this period. This resulted in increased dependence on various forms of borrowing to meet the deficit and hence an increase in the total public debt. However, the results for 1983/84 show that determined efforts have been made to bring down the current deficit, through greater

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OUT-TURN* OF REVENUE AND EXPENDITURE, 1979/80-1983/84

Table 6.1 *K£million*

	1979/80	1980/81	1981/82	1982/83**	1983'84**	Increase 1979/80 1983/84
Current Revenue	611.0	701.5	763.1	823.2	905.9	48
Current Expenditure	546.4	685.1	825.8	975.1	990.1	81
Current Surplus	64.6	16.4	-62.7	-151.9	-84.2	
Development Expenditure	171.9	205.2	218.5	185.5	269.5	57
External Grants	19.1	19.6	19.8	23.2	40.5	112
DEFICIT	-88.1	-169.2	-261.4	-314.3	-313.2	255
INVESTMENT EXPENDITURE-						
PURCHASE OF EQUITY ETC....						
Financial Enterprises	4.0	1.0	0.5	0.5		
Non-Financial Enterprises	5.5	4.2	6.8	5.5		
LOANS TO—						
Financial Enterprises	24.2	14.0	19.8	10.8		
Non-Financial Enterprises ..	14.5	47.0	30.8	10.9		
General Government	11.2	11.0	14.6	4.5	34.9	
Other	3.6	4.6	5.5	4.5		
Increase in Investment Claims	63.0	81.8	78.0	36.7	36.9	-41
TOTAL DEFICIT	-151.2	-250.9	-339.4	-351.0	-350.1	132
FINANCING OF THE DEFICIT-						
External Loans	74.7	126.8	159.6	165.4	199.8	167
Long-Term Domestic Bor\-rowing	48.6	66.4	44.0	272.2	50.0	3
SHORT-TERM BORROWING-						
Cereals and Sugar Finance Corporation	+14.4	-17.9	-47.8	+6.6		
Tax Reserve Certificates	-0.2	-0.6		1.2	+0.9	
Treasury Bills	-47.7	+16.1	+171.7	-36.4	+ 42.1	
IMF Trust Fund	8.9	3.4				
Advance from Central Bank..	—	—	—	—	—	
NET SHORT-TERM BORROWING	-24.7	+ 11	+123.9	-28.5	+43.0	
CHANGES IN CASH BALANCES: INCREASE= + ..	-52.5	- 56.7	-11.9	+58.1	-57.2	
MEMORANDUM ITEMS-						
(i) Loans to University Students on Recurrent Account included with other loans	2.9	4.1	4.5	0.1	3.2	
(ii) Development Project Earnings on Development Account included with Current Revenue	0.3	0.8	1.2	1.1	3.2	
(iii) External loans included in Recurrent Account	—	—	40.0	50.0	49.1	

*Thistable details Kenya Governments' deficit and its financing The details on this table arc set out in such a way as to isolate distortions caused by items of "Investment" expenditure. These items consist of expenditure on purchase of equity in 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.

restraints on expenditure. This is especially notable for expenditure on the purchase of equity and loan disbursements, which show a decline of 41 per cent over the period. However, as a result of the adverse trends prior to 1983/84, external grants as a source of finance increased by 112 per cent while external loans grew by 167 per cent. Domestic borrowing in the form of stocks fluctuated greatly during the period but in 1983/84 were only 3 per cent more than in 1979/80.

6.4. An analysis of the key fiscal trends for 1979/80-1983/84, as shown in Table 6.2, indicate a significant improvement in Government finances in 1983/84. The size of the current deficit relative to current revenue which first emerged in 1981/82 and more than doubled in 1982/83 was halved in 1983/84. Similarly, the current deficit as a proportion of development and investment expenditure declined from 68.3 per cent in 1982/83 to 27.5 per cent in 1983/84. On the other hand, the declining trend of development expenditure relative to current expenditure was reversed despite a reduction in investment expenditure. The ratio of the total deficit to current revenues in the last five years shows why substantial external borrowing has been necessary to fill the financing gap.

Table 6.2 ANALYSIS OF KEY FISCAL TRENDS, 1979/80-1983/84

	1979/80	1980/81	1981/82	1982/83	1983/84*
1. Current surplus as % of current revenue	10.7	2.3	-8.2	-18.5	-9.3
2. Current surplus as % of development plus investment expenditure	27.6	5.7	-21.1	-68.3	-27.5
3. Ratio of development expenditure to current expenditure	31.5	30.0	26.4	19.0	27.2
4. Total deficit as % of current revenue**	-27.9	-35.7	-44.5	-42.6	-38.6
5. Total deficit as % of total expenditures*	-21.6	-25.8	-30.2	-29.3	-27.0
6. External grants and loans as % of development plus investment expenditures	39.9	51.0	60.5	84.8	78.4
7. Net short-term borrowing as % development plus investment expenditure++	-10.5	0.4	41.8	-38.9	32.7
8. Current revenue as % of G.D.P. at curren market prices+	30.9	31.3	29.1	..	..
9. Total Government expenditure as % G.D.P. at current market prices++	39.6	43.4	43.3	..	..

*Provisional.

**External grants are excluded from revenue in these calculations.

+Netshort-term borrowing less increases in ash balances.

++Fiscal year data have been related to the G.D.P. of the year during which the fical year commenced, e.g. 1983/84 has been related to 1983 G.D.P.

6.5. Table 6.3 compares the original budget estimates with the actual out-turns for 1980/81 to 1983/84. The large discrepancies that were evident in the current account of the budget upto 1982/83 were greatly reduced in 1983/84. The overall deficit for domestic financing was also larger than estimated, though it was the lowest during 1980/81 and 1983/84. The 1983/84 figures should, however, be treated with caution as they reflect the original estimates and supplementaries but not the actual out-turn. Generally for the years shown (except 1982/83) there was reasonable accuracy in the

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1980/81-1983/84

Table 6.3 *K£million*

	1980/81			1981/82		
	Budget	Actual	Difference	Budget	Actual	Difference
Current revenue	671.8	701.5	+29.8	763.8	763.1	-0.7
Current expenditure	578.2	685.1	+106.9	694.7	825.8	+131.1
Current balance	93.6	16.4	-77.1	69.1	-62.7	-131.8
Capital expenditure	258.1	287.0	+28.9	286.5	296.5	+10.0
External financing	106.3	146.4	+40.1	165.5	179.4	+13.9
Balance for domestic financing	58.2	124.1	+65.9	51.9	179.8	+127.9

	1982/83			1983/84		
		Actual	Difference	Budget	Actual*	Difference
Current revenue		823.2	-80.5	903.4	905.9	+2.5
Current expenditure		975.1	+28.7	987.4	990.1	+2.6
Current balance		-151.9	-109.2	-84.1	-84.2	-0.1
Capital expenditure		222.3	-139.5	270.4	306.4	+36.0
External financing		188.6	-115.3	247.3	240.3	-6.9
Balance for domestic financing		185.6	+84.9	107.2	150.3	+43.1

*Preliminary forecast only.

forecasting of current revenue, with 1981/82 and 1983/84 having an average difference of only 2 per cent from the budget estimates. On the other hand, current expenditures, for the first two years were less accurately forecast and were under-estimated by approximately 19 per cent. A similar observation can be made on accurate estimates for capital expenditure for the years other than 1982/83, when there was a shortfall of K£140 million.

6.6. With the Government expenditure actually exceeding the budget forecast, the only option has been to finance the additional expenditure by borrowing from friendly governments and from domestic sources. The balance for domestic financing has been exceeding the budget estimates by a large amount in all four years but got closer in 1983/84 when the difference was reduced to K£43.1 million.

Tax Revenue and Other Receipts

6.7. Table 6.4 outlines sources of revenue on the recurrent account where receipts had increased by 72 per cent, or an average of 14.5 per cent annually during the five year period. However, when internal borrowing and defence loans are excluded, the figures reflect a growth of 48 per cent or an annual growth of 10.3 per cent. GDP at current market prices, however, increased at an annual average rate of 13.9 per cent between 1979-1983. Government revenues therefore did not keep pace with growth in the economy. A notable feature of the revenues has been the shift by the Government from direct taxes to indirect taxes. Whereas in 1979/80, the former accounted for 28 per cent of total revenue (excluding short-term borrowing and defence loans), the ratio for 1983/84 was approximately 26 per cent, while the contribution from indirect taxes increased from 56 per cent in 1979/80 to approximately 62 per cent in 1983/84.

6.8. Up to 1982/83 the income tax was the single most important source of current revenue but in 1983/84 the sales tax emerged as the largest single source of revenue, having increased by 38 per cent over 1982/83. This increase was accounted for by a general increase in the rate of sales tax from 15 per cent to 17 per cent and specified increases for other commodities announced in the 1983 budget. The increase also reflects greater efficiency in tax collection by the Sales Tax Department. Most of the other forms of taxes changed little during the year. Overall, total receipts on recurrent account increased by 18 per cent in 1983/84.

6.9. Import duty collections by end-use category are detailed in Table 6.5. In 1983 there was a decrease of 4 per cent in import duty collection basically due to reduction in duty rates on commodities used as intermediate inputs in local industries. The main effects of this measure was to grant duty relief to local manufacturers who export their products and to begin the strategy to make industry more competetive. Due to re-adjustment on imports of items produced locally, duty collections on such goods have declined in the last few years, although there has been a steady increase

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GROSS RECEIPTS ON RECURRENT ACCOUNT**, 1979/1980-1983/1984

Table 6.4 *K£million*

	1979/80	1980/81	1981/82	1982/83*	1983/84*
DIRECT TAXATION-					
Income Tax	171.85	197.58	199.67	231.23	231.00
Other	1.78	0.68	1.45	0.55	–
TOTAL	173.63	198.26	201.12	231.78	231.00
INDIRECT TAXATION-					
Sales Tax	154.91	179.39	194.80	195.87	271.00
Import Duties	102.48	145.97	183.71	165.29	170.00
Excise Duties	59.45	60.24	63.96	73.95	81.50
Export Duties	7.03	3.13	5.29	6.83	5.50
Licences and Fees Under Traffic Act	5.74	6.50	5.92	8.06	7.35
Other	11.88	15.10	21.35	23.99	23.19
TOTAL	341.49	410.33	475.03	473.99	558.54
Compulsory Fees, Fines and Penalties	11.32	11.33	5.64	8.63	11.67
Income From Property	26.78	38.68	33.97	56.58	57.53
Current Transfers	1.04	1.21	1.59	0.35	0.09
Charges for Goods and Services	46.21	32.79	34.63	36.57	36.16
Internal Borrowing	-33.56	-2.32	123.88	-28.53	43.03
Loan Repayments	3.48	3.36	3.99	6.35	4.64
Other+	7.49	4.76	45.92+	57.83	52.12
GRAND TOTAL	577.88	698.40	925.77	843.56	994.78

*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, K£50 million for 1982/83 and K£49 million for 1983/84 as credit purchase receipts for Ministry of Defence.

in receipts from chemicals, metals, transport equipment and machinery, which are not yet much produced locally. Duty receipts on food, drinks, tobacco and on textiles tend to be going down, a result of increased local production and foreign exchange rationing for luxuries on Schedule 2A and B.

6.10. Total excise revenue from locally produced goods increased by 53 per cent between 1978 and 1982, with an increase of 6 per cent in 1982. Duty from cigarettes dominate the collections, bringing in nearly half, and the 1982 increase was wholly due to increased receipts from the cigarette duty, which increased by 14 per cent.

6.11. As indicated earlier, the Government's development and investment expenditure increased by 38 per cent in 1983/84 to K£306 million. This was entirely due to larger development expenditures. Table 6.7 details the financing of the expenditure, inclusive of the deficit on the current account. The

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IMPORT DUTY COLLECTIONS, 1979-1983

Table 6.5 *K£million*

END USE CATEGORY	1979	1980	1981	1982	1983*
Food, drink and tobacco	5.7	6.4	4.3	4.4	3.5
Basic materials	2.6	5.0	11.5	10.5	13.0
Fuels	18.3	23.6	24.9	22.1	21.2
Chemicals	8.8	15.4	19.6	22.9	25.4
Textiles	5.6	6.8	5.5	4.8	3.5
Semi-manufactures	4.8	8.9	9.4	10 0	8.2
Metals	8.7	17.1	18.3	20.8	17.4
Transport Equipment	13.7	22.4	18.2	19 6	18.3
Machinery	15.0	26.1	30.3	36.7	34.8
Miscellaneous commodities	7.1	10.1	7.4	6.8	6.8
TOTAL	90.3	141.8	149.4	158.6	152.1

*Provisional.

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EXCISE REVENUE BY COMMODITIES, 1978-1982

Table 6.6 K£'000

	1978	1979	1980	1981	1982
Beer and spirits	16,122	15,884	17,649	19,030	18,480
Sugar.	11,420	14,371	17,326	15.817	15,700
Cigarettes	17,175	23,327	25,251	29,789	34,091
Other commodities*	24	32	31	36	109
TOTAL	44,741	53,614	60,257	64,672	68,380

*Includes transfer adjustments not allocated by commodity.

largest source of finance was external loans and grants which in 1983/84 financed 78 per cent of the investment and development expenditure. Financing from long-term domestic borrowing went down in 1983/84 by K£222 million, although it still provided a substantial amount. Contributions from the sale of Treasury Bills was K£42 million, with reductions in the Government's cash balances financing the remaining deficit of K£57 million. In the last five years development and investment expenditures have been variable. This is a result of development expenditure at times being curtailed in order to release resources for essential services on the recurrent budget.

Analysis of Government Expenditure

6.12. An analysis of Government expenditure by main service and by economic category is presented in Tables 6.8 and 6.9. While Government expenditure increased by 33 per cent over the whole four-year period, the growth in the last two years was only 7 and 8 per cent respectively. This is

CENTRAL GOVERNMENT

FINANCING OF DEVELOPMENT AND INVESTMENT ACCOUNT, 1979/80-1983/84

Table 6.7 *K£million*

	1979/80	1980/81	1981/82	1982/83*	1983/84*
EXPENDITURE—					
Development Expenditure	171.9	205.2	218.5	185.5	269.5
Investment Expenditure	63.0	81.8	78.0	36.7	36.9
TOTAL	234.9	287.0	296.5	222.2	306.4
FINANCING-					
Surplus on Current Account	64.6	16.4	-62.7	-151.9	-84.2
External Loans	74.7	126.8	159.6	165.4	199.8
External Grants	19.1	19.6	19.8	23.2	40.5
Long Term Domestic Borrowing ..	48.6	66.4	44.0	272.2	50.0
Treasury Bills	-47.7	16.1	171.7	-36.4	42.0
Other Short-Term Borrowing	23.0	-15.0	-47.8	7.8	1.0
Cash Balances	52.6	56.7	11.9	-58.1	75.2
TOTAL	234.9	287.0	296.5	222.2	306.4

*Provisional.

an indication that controls imposed on Government expenditure were effective, and in line with the current policy of bringing down the Government deficit by careful control over expenditures.

6.13. A number of changes in the pattern of Government spending are revealed by the detailed statistics in Table 6.8. Comparing 1983/84 with the previous year, there were large increases in recurrent expenditures in the categories of public order and safety; and mining, manufacturing and construction. As regards development spending, there were particularly large increases for health; and electricity, gas, steam and water. There was a notable reduction in recurrent expenditures in the category of "other services, including public debt". This went down from K£302 million in 1982/83 to an estimated K£277 million in 1983/84 and thus contributed significantly to the modest overall increase in recurrent spending.

6.14. The economic analysis of expenditures in Table 6.9 also reveals some interesting trends during 1983/84. On the side of current expenditures, it shows that much of the moderate overall increase in such spending was due to an absolute decline in transfer payments, which went down by 11 per cent. Labour costs, on the other hand, went up by as much as 17 per cent and interest payments by 24 per cent. Over the four years shown, the share of interest payments in total current spending has nearly doubled, from 10 per cent of the total in 1980/81 to 19 per cent in 1983/84. On the side of capital expenditures, 1983/84 saw a 30 per cent reduction in the cost of loan repayments and an 18 per cent increase in the level of gross fixed capital formation—a welcome revival.

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EXPENDITURE ON MAIN SERVICES, 1980/81-1983/84

Table 6.8 *K£million*

	1980/81			1981/82			1982/83*			1983/84*		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total
GENERAL PUBLIC ADMINISTRATION—												
General Administration	50.72	45.03	95.75	66.09	30.62	96.71	86.30	21.75	108.05	92.06	16.17	108.23
External Affairs	8.75	0.12	8.87	10.26	0.47	10.73	12.20	0.01	12.21	14.23	0.90	15.13
Public Order and Safety	51.56	7.64	59.20	53.96	7.86	61.82	34.41	6.44	40.85	56.19	9.03	65.22
TOTAL	111.03	52.79	163.82	130.31	38.95	169.26	132.91	28.20	161.11	162.48	26.10	188.58
Defence	81.93	7.81	89.74	122.37	8.77	131.14	130.55	7.20	137.75	131.25	10.51	141.76
Education	162.35	13.97	176.32	180.60	17.07	197.67	192.14	14.41	206.55	201.87	19.02	220.89
Health	52.60	12.68	65.28	59.83	11.30	71.13	62.37	7.70	70.07	60.79	14.72	75.51
Housing and Community Welfare	2.64	12.12	14.76	2.77	11.76	14.53	2.96	2.42	5.38	3.18	4.06	7.24
Social Welfare ..	13.92	7.76	21.67	15.12	10.05	25.17	17.16	15.19	32.35	19.35	17.08	36.43
ECONOMIC SERVICES-												
General Administration	14.79	12 67	27.46	11.67	10.78	22.45	10.66	8.89	19.55	13.09	35.10	48.19
Agriculture, Forestry and Fishing	51.99	56.71	108.69	45.30	58.48	103.78	58.59	47.01	105.60	52.42	56.40	108.82
Mining, Manufacturing and Construction	13.63	21.23	34.87	13.99	15.50	29.49	15.02	14.61	29.63	25.70	19.62	45.32
Electricity, Gas. Steam and Water	13.19	27.90	41.10	13.69	31.06	44.75	13.10	17.05	30.15	14.89	28.42	43.31
Road	16.79	40.65	57.44	19.80	57.85	77.65	16.12	49.93	66.05	12.08	55.19	67.27
Transport and Communications	6.18	2.99	9.18	7.37	5.20	12.57	7.98	4.00	11.98	7.79	8.62	16.41
Other Economic Services	13.45	3.76	17.20	15.09	3.70	18.79	13.43	1.42	14.85	10.92	3.72	14.64
TOTAL ECONOMIC SERVICES	130.02	165.91	295.94	126.91	182.57	309.48	134.90	142.91	277.81	136.89	207.07	343.96
OTHER SERVICES; INCLUDING PUBLIC DEBT	134.82	9.69	144.51	192.34	11.60	203.94	302.24	4.12	306.36	277.40	4.69	282.09
TOTAL	680.33	282.74	972.06	830.25	292.07	1,122.32	975.23	222.15	1,197.38	993.21	303.25	1,296.46

*Provisional.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1980/81-1983/84

Table 6.9 *K£million*

	1980/81	1981/82	1982/83*	1983/84*
CURRENT EXPENDITURE-				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES-				
Labour Costs	172.75	224.43	229.80	269.77
Other Goods and Services	246.95	311.49	281.35	328.58
TOTAL	419.70	535.92	511.15	598.35
SUBSIDIES	0.88	1.56	0.04	0.50
INTEREST	68.08	118.54	145.93	180.78
TRANSFERS TO-				
Households and Unincorporated Enterprises including Private Non-profit Institutions	11.08	16.96	22.87	..
Financial and Non-Financial Enterprises	19.51	8.36	8.42	
General Government	140.08	150.67	167.26	187.51
Rest of the World	1.32	2.34	12.37	
Funds	0.98	0.47	0.73	
TOTAL TRANSFERS	172.97	178.80	211.65	187.51
OTHERS	0.02	0.03	0.02	0.02
TOTAL CURRENT EXPENDITURE	661 .62	834.85	868.79	967.16
CAPITAL EXPENDITURE-				
Gross Fixed Capital Formation	166.94	123.54	134.61	158.39
Purchase of Equity in Enterprises	5.22	7.35	5.99	1.95
Loans	65.60	70.69	30.75	34.93
Transfers	21.84	18.42	11.77	28.68
Loan Repayments	50.84	66.26	141.48	99.44
Transfer to Funds		1.20	3.99	6.01
TOTAL CAPITAL EXPENDITURE	310.44	287.46	328.59	329.30
TOTAL EXPENDITURE	972.06	1,122.31	1,197.38	1,296.46

*Provisional.

Public Debt

6.15. The total outstanding public debt more than doubled from K£810 million in 1979 to K£1,635 million in 1983. Of this, the external debt had a growth of 138 per cent, compared with a 46 per cent increase in the internal debt. In 1983, total debt increased by 24 per cent. While external debt rose by 36 per cent, the rise in internal debt was only 2 per cent.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1979-1983

Table 6.10 *K£million*

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1979	3.1	308.9	311.9	487.9	10.1	498.0	491.0	318.9	809.9
1980	3.1	347.1	350.2	497.3	10.1	507.4	500.4	357.2	857.6
1981	4.1	427.9	432.0	644.3	10.0	654.3	648.4	437.9	1,086.3
1982		448.2	448.2	859.3	10.0	869.3	859.3	458.2	1,317.5
1983	—	457.6	457.6	1,167.7	10.0	1,177.7	1,167.7	467.6	1,635.3

*Excluding Short Term-Borrowing

6.16. As indicated in Table 6.11, the total external unfunded debt increased by 36 per cent from K£869 million in 1982 to K£1,178 million in 1983. This was due to budgetary and balance of payments deficits, which required

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1979-1983

Table 6.11 *K£milllon*

Outstanding as at June, 30th	1979	1980	1981	1982	1983
EXTERNAL DEBT-					
Lending Countries-					
United Kingdom	—	—	—	—	—
U.S.A	21.4	17.3	30.0	51.1	56.3
West Germany	62.9	52.1	50.9	74.9	89.6
Japan	18.0	19.5	29.0	35.8	59.2
Netherlands	9.3	9.9	9.3	23.8	35.2
Denmark	7.3	8.7	7.9	9.5	12.7
	1.6		—		
Other*	204.7	237.8	285.3	339.3	402.9
TOTAL	325.1	345.1	412.4	534.4	655.9
International Organizations-					
I.B.R.D	77.6	60.4	79.0	119.2	188.1
I.D.A	64.1	58.2	105.4	140.9	236.4
African Development Hank	4.3	5.5	9.5	10.4	15.4
O.P.E.C	1.9	1.8	2.5	4.9	7.4
E.E.C	12.7	6.5	8.5	14.6	22.5
I.M.F	1.0	17.9	24.9	32.8	39.6
Arab League	1.3	1.8	2.2	2.0	2.4
TOTAL	162.9	152.2	231.9	324.8	511.7
TOTAL EXTERNAL	487.9	497.3	644.3	859.2	1,167.6
INTERNAL DEBT—					
Central Bank of Kenya	10.0	10.0	10.0	10.0	10.0
Other	0.1	0.1	—	—	—
TOTAL INTERNAL	10.1	10.1	10.0	10.0	10.0
TOTAL UNFUNDED DEBT	498.0	507.4	654.3	869.2	1,177.6

* Includes defence loans amounting to K£137.1 million in 1979, K£132.5 million in 1980, K£127 million in 1981, K£108.5 million in 1982, and K£126.9 million in 1983

external borrowing. In 1983 the major lending countries were West Germany, Japan and U.S.A. in that order. O.P.E.C., I.M.F., Arab League, and African Development Bank have shown steady increases in the loans they provide, although they remain small in comparison with the I.B.R.D and I.D.A.

6.17. Table 6.12 details the holders of local funded debt during 1979-1982. The major holders of the funded debt in 1982 were NSSF, 56 per cent; the former EAC Corporations, 10 per cent; Central Government, 9 per cent; commercial banks, 7 per cent; the Central Bank, 7 per cent, with the balance of 11 per cent held by other institutions, including the Post Office Savings Bank.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1979-1982

Table 6.12 *K£million*

	1979	1980	1981	1982
INTERNAL:				
PUBLIC BODIES-				
National Social Security Fund	150.27	182.55	214.61	250.78
Central Government	27.67	26.91	35.00	40.17
Local Government	0.71	0.57	0.55	0.56
Kenya Post Office Savings Bank	15.72	17.52	20.80	16.07
Former E.A. Community Institutions*	13.52	11.18	17.96	30.40
Central Bank	44.88	42.36	43.59	43.59
Other Public Sector	1.40	8.61	8.61	1.55
OTHER INTERNAL—				
Commercial Banks	30.45	31.90	31.37	30.84
Insurance Companies	12.77	13.51	13.82	13.77
Other Companies	11.05	10.43	16.64	16.48
Private Individuals	0.32	1.57	0.31	0.14
EXTERNAL	0.10	0.02	0.02	0.00
TOTAL**	308.86	347.13	403.26	444.35

*And their successors.
**The total as shown here and the one in Table 6.10 differ due to proceeds received by the Central Bank but not paid into the Exchequer.

6.18. The cost of servicing the external public debt has increased sharply in the last three years, as shown in Table 6.13. The charges increased more than four-fold from K£51 million in 1979 to K£274 million in 1983. This was due to an increase in the cost of external borrowing resulting from higher interest rates and shorter repayment period requirement by lenders, as well as to large increases in the size of the debt. As a result, external debt servicing charges as a proportion of exports of goods and services increased from 5.2 per cent in 1979 to 13.5 per cent in 1983. The cost of ex-

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES, 1979-1983

Table 6.13 *K£milllon*

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	External	Internal	Total*	External	Internal	Total	External	Internal	Total
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	107.58	77.21	184.79	-	12.17	12.17	107.58	65.04	172.62
1983	130.92	160.47	291.39		17.32	17.32	130.92	143.15	274.07

*Includes interest payments of *K£*million-
1979-42.50; 1980-48.05; 1981-68.68; 1982-118.54; 1983-145.93.

ternal debt servicing rose nearly twice as fast in 1979-83 as the size of the external debt itself, reflecting the more onerous terms on which loans have been made available.

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES 1979—1983

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*	
1979	31.2	600.1	5.2
1980	41 .9	753.3	5.6
1981	70.7	773.7	9.1
1982	107.6	847.0	12.7
1983	130.9	969.1	13.5

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

6.19. Expenditure by local authorities is shown in Table 6.15. In the last five years such expenditures increased by 155 per cent, with expenditure by municipalities increasing by 165 per cent and of town, urban and county council by 110 per cent. During this period some town councils were upgraded to municipal councils while some trading centres were upgraded to urban councils. This exercise required extra personnel, offices and other equipment which contributed to an increase in overall expenditure. The provisional figures for 1983 indicate that expenditure by municipalities increased by 21 per cent during the year, while the expenditure growth of town, urban and county councils was 15 per cent.

EXPENDITURE ON LOCAL AUTHORITIES. 1979-1983

Table 6.15 *K£million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1979	26.69	12.72	39.41	9.63	49.04
1980	35.36	17.93	53.29	11.05	64.34
1981	44.05	20.78	64.83	13.32	78.15
1982*	59.03	27.15	86.18	17.57	103.75
1983*	65.22	39.57	104.79	20.23	125.02

*Provisional.

6.20. Table 6.16 details the expenditure of municipal councils on main services.Expenditure on community services has increased by 170 per cent over five years, from K£9.2 million in 1979 to K£25.0 million in 1983, mainly due to efforts by the Nairobi City Council and other municipalities to improve roads and sanitary services. Over this same period, social services increased by 114 per cent, with health and education accounting for more than four-fifths of the social services expenditure. Expenditures on economic services increased by 235 per cent while that on water undertakings increased by 425 per cent. This was due to the necessity for the Nairobi City Council and other municipal councils to construct water pipe systems to meet the ever-increasing demand for clean water.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES 1979-1983

Table 6.16 *K£million*

	1979	1980	1981	1982*	1983*
Administration	5.2	9.4	8.8	8.9	10.0
COMMUNITY SERVICES:					
Roads	2.3	3.1	4.3	4.5	9.3
Sanitary	5.5	6.4	6.8	9.3	10.9
Other	1.5	2.4	2.7	2.7	4.8
TOTAL	9.2	11.8	13.8	16.4	25.0
SOCIAL SERVICES:					
Education	6.7	7.8	9.3	13.0	12.9
Health	4.3	5.1	5.9	7.9	7.9
Other	0.5	0.5	1.9	1.9	3.8
TOTAL	11 .5	13.4	17.1	22.7	24.6
ECONOMIC SERVICES:					
General Administration ..	1.0	1.2	1.5	1.6	2.9
Water Undertakings	4.7	5.2	10.5	21.6	24.7
Housing Estates (including Staff Housing)	5.9	6.0	6.6	7.3	8.7
Other	1.9	6.2	6.6	7.6	8.9
TOTAL	13.5	18.6	25.2	38.1	45.2
TOTAL EXPENDITURE	39.4	53.3	64.8	86.2	104.8

*Provisional.

6.21. During 1983 alone, there was an increase of 16 per cent in current expenditures by municipalities, with labour costs increasing by 6 per cent and "other goods and services" growing by 36 per cent. The information is given in Table 6.17. Capital expenditure increased by 29 per cent, with gross capital formation accounting for almost all this increase. Between 1979 and 1983 current expenditure increased by 124 per cent while capital expenditure increased by 240 per cent. Labour costs increased substantially over this period, due to the various construction works undertaken in the municipalities.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1979-1983

Table 6.17 *K£million*

	1979	1980	1981	1982*	1983*
CURRENT EXPENDITURE—					
Labour Costs	15.28	18.99	24.43	30.26	32.13
Other Goods and Services	9.06	10.82	13.30	16.92	23.07
Transfer to Households and Enterprises	0.55	0.69	0.95	0.93	0.79
Transfer to Funds (Current)	0.30	0.32	0.36	0.49	0.45
Interest					
TOTAL	25.19	30.82	39.03	48.61	56.43
CAPITAL EXPENDITURE-					
Gross Fixed Capital Formation	9.24	16.59	19.65	29.35	40.19
Loan Repayment**	4.93	5.38	5.61	7.29	7.21
Transfer to Funds (capital)	0.06	0.50	0.55	0.94	0.97
TOTAL	14.22	22.47	25.81	37.58	48.36
TOTAL EXPENDITURE	39.41	53.29	64.84	86.18	104.79

*Provisional.
**Includes Interest.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1979-1983

Table 6.18 *K£million*

	1979	1980	1981	1982*	1983*
CURRENT REVENUE—					
Direct Taxes (Rates**) ..	7.88	8.36	14.96	15.29	21.49
Indirect Taxes (Licences and cesses)	0.59	1.03	1.24	1.60	2.18
Income from Property	0.78	0.54	0.59	0.73	0.63
Current Transfers	6.95	2.68	2.28	5.34	4.25
Sale of Goods and Services	15.52	19.61	18.48	24.36	33.25
TOTAL	37.73	32.22	37.54	47.30	61.80
CAPITAL REVENUE—					
Loans Raised	5.83	7.68	12.25	13.48	17.79
Loan Repayments	0.04	0.04	0.04	0.04	0.06
TOTAL	5.87	7.72	12.29	13.52	17.84
TOTAL REVENUE	37.60	39.94	49.84	60.82	79.65

*Provisional.
**Paid by households and enterprises.

6.22. The major sources of revenues for municipal council are indicated in Table 6.18. Rates, sale of goods and services and loans remain the major sources of revenue. In 1983, revenue from rates increased by 41 per cent in comparison with a 2 per cent rise in 1982, while the increase in revenue from the sale of goods and services was 37 per cent in 1983, against 32 per cent in 1982. Thus current revenue increased by 95 per cent, capital revenue by 204 per cent and total revenue by 115 per cent between 1979 and 1983.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE 1979-1983

Table 6.19 *K£million*

	1979	1980	1981	1982*	1983*
CURRENT EXPENDITURE—					
Labour Costs	5.40	5.56	6.54	8.67	10.08
Other Goods and Services ..	1.79	1.99	2.04	3.47	4.26
Transfers to Households and Enterprises	0.47	0.25	0.41	0.45	0.56
Transfer to Funds (current)	0.14	0.18	0.19	0.32	0.17
Interest					
TOTAL	7.80	7.97	9.17	12.90	15.08
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	1.46	2.62	3.76	3.73	4.44
Loan Repayments**	0.34	0.34	0.26	0.63	0.47
Transfer to Funds (capital)	0.03	0.11	0.13	0.31	0.26
TOTAL	1.84	3.08	4.15	4.67	5.16
TOTAL EXPENDITURE	9.63	11.05	13.32	17.57	20.23
CAPITAL REVENUE—					
Direct Taxes (Rates+)	1.00	0.91	1.32	1.44	1.43
Indirect Taxes (Licences and cesses)	3.77	4.57	4.36	5.56	6.12
Income from Property	1.03	0.83	0.98	0.82	1.48
Current Transfers	0.45	0.71	0.74	0.88	1.38
Sale of Goods and Services	2.79	3.43	3.15	5.09	4.62
TOTAL	9.04	10.45	10.55	13.79	15.03
CAPITAL REVENUE—					
Loans Raised	0.63	0.78	1.54	3.23	2.86
Loans Repayments	0.02	0.03	0.02	0.04	0.04
TOTAL	0.65	0.81	1.56	3.27	2.90
TOTAL REVENUE	9.68	11.26	12.11	17.06	17.93

*Provisional.

**Includes Interest.

+Paid by households and enterprises

6.23. Expenditure by the town, urban and county councils and revenue are set out in Table 6.19 for 1979-1983. The major expenditure items were labour costs, other goods and services, and gross fixed capital formation. Labour costs increased by 16 per cent in 1983 compared with a 33 per cent rise in 1982. Gross fixed capital formation increased in 1983 by 19 per cent, having remained static in 1982. The major sources of revenue of these councils are rates, licences including cess, and sale of goods and services. Current revenue increased by 66 per cent, capital revenue 349 per cent and total revenue 85 per cent between 1979 and 1983.

CHAPTER 7—EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

There was a notable improvement in the country's external trading and balance of payments situations during 1983. The balance of trade was substantially strengthened, the deficit on the current account of the balance of payments was cut from K£253 million in 1982 to K£116 million in 1983. There was a net increase in the country's foreign exchange reserves for the first time in four years. Most of this improvement was due to enlarged export earnings plus continued restrictions on the volume of imports, but there were also continued substantial inflows of capital and support from the International Monetary Fund and World Bank. The increase in export earnings was based wholly on improved world prices, with the overall volume of exports actually falling.

Balance of Trade

7.2. For the third successive year, the balance of trade showed an improvement. The 1983 trade deficit of K£276 million can be compared with the peak deficit of K£443 million in 1980. As shown in Table 7.1, export earnings rose significantly while the value of imports only rose marginally. There were continued import restrictions during the year, while the price of oil stabilized. Exports to East African countries revived further to surpass the high 1980 level of K£71.6 million with a figure of K£74.8 million in 1983. An all time record of K£562.4 million was recorded for export earnings

BALANCE OF TRADE, 1979-1983

Table 7.1 *K£million*

	1979	1980	1981	1982	1983*
EXPORTS—					
To Markets outside E. Africa	351.9	428.6	462.5	485.0	562.4
Re-exports	19.1	15.5	15.8	18.3	11.9
To Uganda and Tanzania	41.8	71.6	58.9	65.3	74.8
TOTAL	412.8	515.7	537.2	568.6	649.1
IMPORTS—					
From outside E. Africa	619.3	957.5	931.1	898.1	923.5
Commercial	581.8	887.6	848.1	841.1	807.1
Government	37.5	69.9	83.0	57.0	53.4
From Uganda and Tanzania	0.9	1.5	1.3	2.2	1.9
TOTAL	620.2	959.0	932.4	900.3	925.4
BALANCE OF TRADE—					
With Markets outside E. Africa	-248.3	-513.4	-452.8	-394.8	-349.2
With Uganda and Tanzania	+40.9	+70.1	+57.6	+63.1	+72.9
TOTAL	-207.4	-443.3	-395.2	-331.7	-276.3

*Provisional.

to the rest of the world. It can also be observed from the table that the deficits on the balance of trade with markets outside East Africa continued to diminish while the trade surplus with East African countries increased further. Closer co-operation among East African countries is expected to boost Kenya's trade with her neighbours.

7.3. The decrease in the overall trade deficit by K£55 million was a welcome benefit for the economy. By declaring 1984 the Export Year, the Government intends to further strengthen the trading balance. Kenya is a member of the Preferential Trade Area (PTA) of Eastern Africa. Closer relations with the countries of Eastern Africa and beyond could help her achieve a better trading performance. Nevertheless the economy is dependent on imported fuels and other essential inputs, as well as inflows for capital formation so the impact of import restrictions on development will be carefully monitored. Kenya will search for new, non-traditional markets while taking the fullest possible advantages of the opportunities that exist in her major trading partners during the Plan period, 1984-88.

Price Changes

7.4. The average price of exports continued to rise, as is shown in Table 7.2. Taking all exports together, there was an average increase of 18.3 per cent in 1983, with non-oil exports going up by 24.8 per cent. The indices show that all categories of exports enjoyed higher prices. These figures should be interpreted with care, however, because they measure changes in the local-currency, i.e. shilling, and are thus influenced by changes in the exchange rate as well as by trends on world markets. The same is true for the price indices for imports. There was a 17.7 per cent devaluation at the end of 1982 (and also a minor adjustment during 1983) and the price indices need to be adjusted for these changes in order to gauge changes in foreign-currency prices. On this adjusted basis, it appears that, overall, the foreign currency price of Kenya's exports changed little during 1983, with an actual fall in the foreign exchange price of oil exports. Particularly large increases were, however, recorded for food and live animals, beverages and tobacco, and manufactured goods. In shilling terms, these went up by 33.8, 40.3 and 30.1 per cent respectively.

7.5. The import price indices also given in Table 7.2 show increases too. There was an increase of 11.4 per cent for all imports taken together and a rise of 15.7 per cent for non-oil imports only. Both these increases were, however, rather smaller than the size of the December 1982 devaluation, suggesting that in foreign exchange terms import prices actually fell a little. This was particularly the case with oil imports, which only increased in shilling terms by 4.5 per cent. There was an exceptionally large increase of 160 per cent for animal and vegetable oils and fats, as a result of a change in the source of the country's imports of such goods. There were also relatively large increases in the shilling prices of inedible crude materials. 28.7 per cent, and manufactures, 19.0 per cent.

PRICE INDICES, 1979-1983

Table 7.2 1976 = 100

	1979	1980	1981	1982	1983
EXPORTS—					
Food and live animals	117	124	123	130	174
Beverages and tobacco	108	107	117	119	167
Crude materials, inedible	127	177	192	201	206
Mineral fuels	145	223	307	381	412
Animal and vegetable oils and fats	135	149	176	221	225
Chemicals	134	139	147	193	199
Manufactured goods	149	147	166	183	238
Machinery and transport equipment	144	144	157	181	197
Miscellaneous manufactured articles	130	155	123	161	196
All Exports	128	154	170	186	220
Non-oil Exports	124	135	138	149	186
IMPORTS—					
Food and live animals	76	150	185	154	150
Beverages and tobacco	125	148	168	207	244
Crude materials, inedible	120	154	145	164	211
Mineral fuels	130	220	319	376	393
Animal and vegetable oils and fats	140	133	116	106	276
Chemicals	133	178	205	231	261
Manufactured goods	126	151	193	232	276
Machinery and transport equipment	144	158	185	221	235
Miscellaneous manufactured articles	123	148	200	233	245
All Imports	132	173	220	254	283
Non-oil Imports	132	157	186	210	243

Terms of Trade

7.6. The terms of trade index measures the movement of export prices relative to import prices. It can be interpreted as indicating the trend in the import purchasing power of a unit of the country's exports. Since during 1983 export prices rose more rapidly than import prices, Table 7.3 shows that there was an improvement in the terms of trade, following a succession of five years of deterioration, during which the index went down by 44 per cent. Taking total trade, the terms of trade recovered by 6.8 per cent during 1983. When imports and exports of petroleum products are excluded, the "non-oil" terms of trade also showed an improvement, with the index rising from 71 to 77. With world commodity markets firming up as a result of the recovery in the industrial countries, the prospects are reasonably

TERMS OF TRADE, 1979-1983

Table 7.3 1976 = 100

	1979	1980	1981	1982	1983
All Items	97	89	77	73	78
Non-oil Items	94	86	74	71	77

favourable for world prices in 1984, although tea prices are likely to decline from the abnormally high levels they had reached by the end of 1983.

Volume Changes

7.7. The quantum indices are shown in Table 7.4. The overall export volume dropped by 4.5 per cent while imports dropped more significantly by 9.1 per cent. On the export side, beverages and tobacco, inedible crude materials, animal and vegetable oils and fats, and chemicals recorded increased volumes. Total non-oil exports, however, declined only moderately by less than 1 per cent. Exports of manufactured goods recorded a large decline of 16.2 per cent, under the influence of the protectionist tendencies in foreign markets. The important category of food and live animals, which includes coffee and tea experienced a small decline, from 131 to 129. The reduced volume of re-exports in 1983 explains why there is a wide disparity between the percentage fall in the non-oil exports index and the all-exports index. Looking at import indices, it is noted that increases were only registered in inedible crude materials and in chemicals. For the other imports there was a decline, with large ones for animal and vegetable oils and fats, manufactured goods, and machinery and transport equipment.

QUANTUM-INDICES, 1979-1983

Table 7.4 — 1976 = 100

	1979	1980	1981	1982	1983
EXPORTS—					
Food and live animals	115	105	117	131	129
Beverages and tobacco	129	319	192	236	260
Crude materials, inedible	93	90	89	77	81
Mineral fuels	80	102	77	55	45
Animal and vegetable oils and fats	18	16	19	9	16
Chemicals	75	66	65	52	55
Manufactured goods	66	82	66	74	62
Machinery and transport equipment	41	68	45	44	36
Miscellaneous manufactured articles	81	103	93	86	67
All Exports	94	97	92	89	85
Non-oil Exports	97	95	97	103	102
IMPORTS—					
Food and live animals	139	219	113	179	176
Beverages and tobacco	107	44	27	23	15
Crude materials, inedible	94	91	116	94	112
Mineral fuels	108	126	104	97	84
Animal and vegetable oils and fats	101	151	184	221	148
Chemicals	121	128	113	95	109
Manufactured goods	110	118	74	62	52
Machinery and transport equipment	126	150	117	94	75
Miscellaneous manufactured articles	111	121	96	56	44
All Imports	116	133	104	88	80
Non-oil Imports	118	136	104	89	79

Composition of Exports

7.8. The composition of exports by broad economic category, as detailed in Table 7.5, shows a trend that is consistent with the past. The rise in the value of coffee and tea and other primary products led to a rise in the earnings of the food and beverages category from K£279 million to K£359

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1979-1983

Table 7.5 K£'000

	1979	1980	1981	1982	1983**
1. Food and Beverages..	211,282	212,547	234,257	278,510	358,638
Primary	186,246	181,459	191,866	246,048	319,604
For Industry	112,859	109,901	112,715	147,798	166,407
For Household Consumption	73,387	71,558	79,151	98,250	153,197
Processed	25,036	31,088	42,390	32,462	39,033
For Industry	3,348	13,866	20,428	5,590	5,093
For Household Consumption	21,688	17,222	21,962	26,872	33,940
2. Industrial Supplies (Non-Food)	79,151	89,668	92,852	95,029	117,564
Primary	38,675	48,386	52,376	46,888	60,090
Processed	40,476	41,283	40,477	48,141	57,475
3. Fuel and Lubricants	77,179	162,533	163,743	149,346	123,916
Primary	14	19	21	16	15
Processed	77,165	162,514	163,722	149,330	123,900
Motor Spirit	10,815	19,651	21,927	23,087	25,263
Other	66,350	142,863	141,795	126,243	98,637
4. Machinery and other Capital Equipment . .	1,510	2,481	1,967	1,854	2,601
Machinery and Other Capital Equipment	1,286	2,135	1,717	1,375	2,152
Parts and Accessories	224	347	250	209	449
5. Transport Equipment	928	1,661	2,159	1,291	1,184
Passenger Motor Vehicles		9			63
Other	479	692	348	405	395
Industrial	453	518	311	386	363
Non-Industrial	26	175	38	19	32
Parts and Accessories	449	960	1,811	886	726
6. Consumer Goods not elsewhere specified	15,211	18,385	18,677	19,880	25,979
Durable	555	898	649	654	474
Semi-Durable	4,197	4,062	4,216	4,192	4,907
Non-Durable	10,459	13,425	13,812	15,033	20,598
7. Goods not elsewhere Specified	272	368	209	96	149
TOTAL	385,533	487,644	513,863	545,737	630,034
PERCENTAGE SHARES:					
1. Food and Beverages..	54.8	43.6	45.6	51.0	56.9
2. Industrial Supplies (Non-Food)	20.5	18.4	18.1	17.4	18.7
3. Fuel and Lubricants	20.0	33.3	31.9	27.4	19.7
4. Machinery and other Capital Equipment	0.4	0.5	0.4	0.3	0.4
5. Transport Equipment	0.2	0.3	0.4	0.2	0.2
6. Consumer Goods not elsewhere specified	4.0	3.8	3.6	3.6	4.1
7. Goods not elswhere specified	0.1	0.1			
TOTAL	100.0	100.0	100.0	100.0	100.0

•Excluding Re-exports.

••Provisional.

million between 1982 and 1983 or by 28.8 per cent. Non-food industrial supplies rose by 23.7 per cent. Other small increases were recorded in machinery and other capital equipment, and consumer and "other" goods

that are not specified. The most notable decline was that of fuels and lubricants most of which are re-exports. Relative shares as set out at the foot of the table reflect the above changes and show the large proportionate rise in foods and beverages and the relative decline of fuels and lubricants.

Export Quantities

7.9. Table 7.6 sets out quantities of the principal exports from 1979 to 1983. Agricultural commodities generally did better in 1983, despite slight declines in the quantity of some major products such as coffee, meat products, sisal, hides and skins, and wool. Products that performed better were tea, cement, maize, caned pineapples, butter and ghee, beans and peas, cotton and animal feeds. Among minerals and manufactured products, declines were recorded in the volume of soda ash, and fluorspar while the volume of cement exported rose by 4.4 per cent. Tea recorded the most notable increase in volume, rising by 25.2 per cent, while maize slightly surpassed the 1979 level.

QUANTITIES OF PRINCIPAL EXPORTS, 1979-1983

Table 7.6

	Unit	1979	1980	1981	1982	1983*
Coffee	Tonnes	77,259	80,086	86,171	100,995	91,300
Tea	"	94,023	74,799	75,350	80,413	100,645
Petroleum Products	Million Litres	1,174	1,825	1,411	1,000	739
Pyrethrum products	Tonnes	955	759	570	640	1,147
Meat Products		2,643	1,253	1,890	2,916	2,370
Sisal		25,959	40,415	36,397	40,445	38,742
Hides and skins		13,081	8,485	12,964	11,136	9,173
Soda Ash		215,669	192,821	113,659	136.468	130,042
Fluorspar		59,352	100,674	59,303	74,889	48,899
Cement		510,206	530,393	668,037	737,422	769,795
Maize (raw)		120,475	20	991	949	122,513
Canned pineapples		41,048	38,453	40,884	39,935	47,745
Butter and ghee		1,206	230	565	878	1,179
Beans and peas		9,735	10,137	6,960	37,814	91,624
Cotton (raw)		1,886	4,020	2,557	–	726
Wool		1,080	1,706	1.113	1.453	1,182
Animal feeds		23,030	5,201	7,794	11,706	30,818

*Provisional.

Export Prices

7.10. Unit prices in Kenya shillings of selected exports are shown in Table 7.7. the coffee price rose to its highest level since 1977, increasing to KSh. 35.07, while the price of tea reached an all-time high of KSh. 24.53. Tea prices shot up in the closing months of 1983 and early 1984 due to a ban by India of certain of her tea exports. The effect of this was a temporary

shortage in the London market which pushed tea prices up. Petroleum products rose by 13.0 per cent while sisal and animal feed rose by 16.3 and 7.6 per cent respectively. Other exports which had higher prices include wattle extract, meat and meat products, fluorspar, cement and cotton. Lower prices were recorded for pyrethrum extract, hides and skins, beans and peas, and wool. It should again be remembered, however, that these comparisons are affected by the devaluation at the end of 1982.

Table 7.7 EXPORT PRICES, 1979-1983 *K.Sh./Unit*

	Unit of Quantity	1979	1980	1981	1982	1983*
Coffee unroasted..	Kg.	28.63	27.01	25.40	28.64	35.07
Tea	Kg.	13.37	15.51	16.22	19.30	24.53
Petroleum products	1.000 Lt.	1,159.51	1,663.94	2,233.20	2,832.72	3,201 .79
Maize (raw)	100 Kg.	88.40	406.42	136.44	689.46**	198 48
Meat and meat products	Kg.	20.34	25.25	27.61	31.11	33.74
Pyrethrum extract	Kg.	281.84	633.82	802.98	986.06	808.55
Sisal	100 Kg.	372.87	438.08	483.38	536.89	624.43
Hides and skins (undressed)	Kg.	21.05	22.50	14.20	14.19	13.80
Wattle extract	Kg.	3.50	3.56	5.17	7.24	9.30
Soda ash	100 Kg.	51.53	81.07	126.83	112.39	111.85
Fluorspar	100 Kg.	66.85	64.50	121.08	125.68	126.92
Cement	100 Kg.	32.72	38.29	42.96	52.36	63.22
Beans, peas, etc.	Kg.	3.06	2.99	5.55	3.33	3.02
Wool	Kg.	12.92	11.15	17.52	16.78	15.94
Animal feed	100 Kg.	94.33	121.56	98.87	124.75	134 18
Cotton (raw)	Kg.	9.81	12.96	12.80	–	23.78
Pineapples (canned)	Kg.	4.54	4.60	5.87	7.26	8.75
Butter and ghee	Kg.	14.04	15.89	20.66	23.24	25.22
Wattle bark	100 Kg.	–	95.21	146.78	128.56	202.97

*Provisional.
**Seed Maize Price.

7.11. As is evident from Table 7.8, the total value of coffee and tea exports went up in 1983. For tea both the price and quantity rose, with the price rise being more significant. But while coffee price rose, the quantity exported dropped by 10 per cent. Export value of petroleum products dropped due to a fall in quantity. The values of cement, animal feed, canned pineapples, scrap metal, and butter and ghee, all rose due to rises in both quantity and price. Hides and skins, soda ash and wool, had reduced export values due to both quantity and price falls. Kenya's major exports remained tea, coffee and petroleum products: but cement, animal products, sisal, pineapples, and butter and ghee recorded major improvements during 1983. Nevertheless, the long-term trend is apparently towards increased reliance on coffee and tea. These two commodities made up 27 per cent of total exports in 1964, and 45 per cent in 1983.

7.12. The economies of the industrial countries are recovering from the recession that led to weak demand for primary products exported by developing countries. As mentioned in Chapter 1, commodity prices have been improving and are expected to do better in 1984. For Kenya, coffee is expected to do well during the year chiefly because of expected reductions in the volume of Brazilian coffee.

Table 7.8

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE*, 1982-1983

	VALUE K£'000			PERCENTAGE CHANGE IN		
	1982	1983**	Changes	Value	Quantity	Price
Coffee, unroasted	144,564.2	160,086.6	15,522.4	10.7	-9.6	22.5
Tea	77,593.4	123,420.1	45,826.7	59.1	25.2	27.1
Petroleum products	141.680.9	118,338.8	-23,342.1	-16.5	-26.1	13.0
Meat and meat products	4,535.8	3,997.5	-538.5	-11.9	-18.7	8.5
Pyrethrum extract	9,623.4	8,916.7	-707.3	-7.4	2.7	-9.8
Sisal	10,857.4	12,095.7	1,238.3	11.4	-4.2	16.3
Hides and skins (undressed)	7,901.6	6,330.6	-1,571.0	-19.9	-17.6	-2.7
Wattle extract	3,818.6	2,808.5	-710.1	-20.1	-37.9	28 5
Soda ash	7,669.2	7,272.7	-396.5	-5.2	-4.7	-0.5
Fourspar	4,706.1	3,103.1	-1,603.0	-34.1	-34.7	1.0
Cement	19,305.1	24,335.0	5,029.9	26.1	4.4	20.7
Beans, peas etc	6,294.6	13,850.4	7,555.8	120.0	142.3	-9.3
Wool	1,218.6	942.1	-276.5	-22.7	-18.7	-5.0
Animal feed	730.2	2,967.6	1,337.4	183.2	163.3	7.6
Cotton, (raw)		863.8	863.8			–
Pineapples (canned)	14,499.7	20,892.9	6,393.2	44.1	19.6	20.5
Butter and ghee	1,019.7	1,486.4	466.7	45.8	34.3	8.5
Wood carvings	648.8	584.8	-64.0	-9.9	-19.9	12.6
Metal scrap	315.1	396.3	81.2	25.8	6.2	18.4
Wattle bark	113.7	86.0	-27.7	-24.3	-52.1	57.9
All other items	88,940.5	118,158.7	29,218.2	32.9		
TOTAL	545,736.6	630,033.7	84,297.1	15.4	–	—

*Excluding Re-exports.
**Provisional.

7.13. The year 1984 has been declared the Export Year. During the year, numerous promotional activities will be carried out by the Ministry of Commerce and Industry. Such activities include conferences, seminars and participation in trade exhibitions. During the Plan period, 1984-88, additional promotional measures include: the export compensation scheme, favourable treatment of exporters in foreign exchange allocation, use of export credit, manufacturing in bond, and tariff reforms which are expected to indirectly stimulate export. A continuation of the policy of exchange rate flexibility is also seen as an essential component of the export drive.

Composition of Imports

7.14. Total imports by broad economic category are shown in Table 7.9. There was a rise in the food and beverages and industrial supplies, while a fall was recorded in the machinery and other capital equipment, transport equipment and "other" goods. The increase in the percentage share of non-food industrial supplies from 25.0 per cent in 1982 to 27.3 per cent in 1983 shows efforts to provide essential raw materials for industry. The fall in imports of machinery and capital equipment, and transport equipment reflects Government priorities in cutting imports in order to conserve foreign exchange. Fuels and lubricants retained almost the same share, at around 37 per cent, as was the case in the previous two years.

7.15. The increase in food and beverages consumption from K£52.8 million to K£83.2 million is largely accounted for by primary imports for use in industry, which grew by 6.9 per cent, and processed imports for use

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1979-1983

Table 7.9 K£'000

	1979	1980	1981	1982	1983*
1. Food and Beverages	32,884	41,261	44,325	52,814	83,199
Primary	9,861	11,842	12,204	20,477	21,892
For Industry	3,006	7,230	6,326	16,039	16,211
For Household Consumption	6,855	4,612	5,877	4,438	5,681
Processed	23,022	29,419	32,121	32,337	61,307
For Industry	14,253	20,490	23,932	25,364	52,343
For Household Consumption	8,769	8,929	8,189	6,973	8,964
2. Industrial Supplies (Non-Food)	179,736	261,570	240,377	224,930	253,015
Primary	8,915	33,951	15,376	19,224	13,373
Processed	170,821	227,619	225,001	205,707	239,642
3. Fuels and Lubricants	147,285	322,403	343,667	332,607	338,216
Primary	120,934	282,698	314,257	303,174	283,752
Processed	26,351	39,705	29,410	29,433	54,465
Motor Spirit	5,334	4,661	1,673	9,665	11,810
Other	21,016	35,043	27,737	19,768	42,655
4. Machinery and other Capital Equipment . .	125,107	154,613	165,342	159,134	143,075
Machinery and other Capital Equipment	93,751	109,398	116,341	108,046	102,193
Parts and Accessories	31,356	45,215	49,002	51,088	40,882
5. Transport Equipment	94,877	121,146	88,152	85,582	66,045
Passenger Motor Vehicles	11,173	18,718	8,162	8,89	12,403
Other	57,852	59,752	48,967	36,486	27,262
Industrial	56,760	58,158	45,605	35,429	26,748
Non-Industrial	1,092	1,594	3,362	1,057	514
Parts and Accessories	25,852	42,676	31,024	40,202	26,380
6. Consumer Goods not elsewhere specified	39,621	57,740	47,656	43,938	41,465
Durable	7,667	13,380	10,549	9,589	7,668
Semi-Durable	12,623	16,577	11,993	9,564	8,382
Non- Durable	19,330	27,782	25,114	24,785	25,415
7. Goods not elsewhere specified	647	297	2,886	1,300	393
TOTAL	620,156	959,030	932,406	900,305	925,410
PERCENTAGE SHARES:					
1. Food and Beverages .	5.3	4.3	4.7	5.9	9.0
2. Industrial Supplies (Non-Food)	29.0	27.3	25.8	25.0	27.3
3. Fuels and Lubricants	23.7	33.6	36.9	36.9	36.6
4. Machinery and other Capital Equipment . .	20.2	16.1	17.7	17.7	15.5
5. Transport Equipment	15.3	12.7	9.5	9.5	7.1
6. Consumer Goods not elsewhere specified . .	6.4	6.0	5.1	4.9	4.5
7. Goods not elsewhere specified	0.1		0.3	0.1	
TOTAL	100.0	100.0	100.0	100.0	100.0

*Provisional.

in industry which rose by 106.4 per cent between 1982 and 1983. The fall in the value of motor vehicle reflects imports restrictions and a shift to imports of reconditioned cars which are relatively cheap. There was continued fall in the imports of durables, and also of parts and accessories of all types.

7.16. Crude petroleum imports fell for the second successive year. As Table 7.10 indicates, the value of crude petroleum declined from K£300 million in 1982 to K£289 million in 1983 or by 3.5 per cent. The decline is a result of falls in the quantity imported and in the price, which stabilized at $29 per barrel during 1983. The volume of crude petroleum imports dropped by 10.3 per cent. Motor vehicles and chassis fell by 17.1 per cent, thus

declining for the third year. Another important decline was in the import of industrial machinery which went down by 8.1 per cent. Other declines recorded were in agricultural machinery and tractors, and paper and paper products. Increased imports were registered in iron and steel, by 20.9 per cent; cotton fabrics, by 100 per cent; pharmaceuticals, by 6.9 per cent; and fertilizers, by 60.7 per cent.

SELECTED IMPORTS, 1979-1983

Table 7.10 *K£million*

	1979	1980	1981	1982	1983*
Crude Petroleum	120.09	281.72	312.77	299.81	289.46
Industrial Machinery (including Electrical)	113.25	145.42	152.08	149.61	137.52
Iron and Steel	37.63	50.47	36.95	40.65	49.17
Fertilizers	5.34	15.84	24.07	15.61	25.09
Motor Vehicles and Chassis	45.12	67.56	44.97	38.57	31.99
Cotton Fabrics	0.41	1.16	0.29	0.09	0.18
Synthetic Fabrics	1.88	2.25	2.72	1 .61	2.28
Paper and Paper Products	12.30	12.91	14.35	12.03	11.88
Pharmaceuticals	11.23	15.90	17.69	18.36	19.62
Agricultural Machinery and Tractors	7.57	10.16	11.59	11.07	6.39

*Provisional.

Direction of Trade

7.17. The principal destinations of Kenya's exports remained unchanged in 1983. About 39.2 per cent of Kenya's exports during the year went to the European Economic Community (EEC) markets compared with 34.7 per cent in 1982 and 33.1 per cent in 1981. Among the EEC countries, there was a rise in the exports to U.K., West Germany, France and the Netherlands. Exports to Italy, however, fell for the fourth year, this time by 2.6 per cent. Details of Kenya's total exports are set in Table 7.11.

7.18. Trade with other African countries continued to improve in 1983. About 29.3 per cent of Kenya's exports went to countries in Africa and grew by 18.7 per cent during the year. In can also be observed from Table 7.11, that trade with countries other than Uganda. Tanzania and Zambia continued to increase over the years, the only decrease having been in 1982. Overall, the value of exports to African countries other than Uganda. Tanzania and Zambia continued an upward movement-growing by 22.6 per cent during the year compared with a drop of 3.8 per cent in 1982. More details are given in Table 7.13 and paragraph 7.23 below.

7.19. Exports to Australia and the Far East took a 10.5 per cent share of Kenya's total exports in 1983. Trade with this region faired better in 1983 relative to 1982 but was below the all time high level achieved in 1981. Trade with Japan rose by 31.4 per cent but is yet to reach the 1979 level. Exports to Australia, India and China also expanded, with the overall exports to those regions rising by 26.3 per cent.

Table 7.11 DESTINATION OF TOTAL EXPORTS* 1979-1983 *K£million*

	1979	1980	1981	1982	1983**
EEC.—					
United Kingdom	58.8	58.8	59.8	72.2	96.0
West Germany	60.8	56.0	58.4	60.8	82.0
Italy	23.8	23.7	20.1	15.2	14.8
France	5.1	6.3	5.9	6.0	11.3
Netherlands	17.7	17.7	21.0	27.8	32.6
Other	11.3	12.5	12.6	15.1	17.9
TOTAL	177.6	175.1	177.9	197.2	254.6
Other Western Europe, Total	21 .7	23.6	18.9	21.5	24.9
Eastern Europe, Total	4.8	4.9	6.9	8.1	5.5
U.S.A	16.7	16.9	19.5	35.2	39.1
CANADA	5.7	5.1	4.0	4.7	5.1
AFRICA—					
Tanzania	4.1	5.2	6.3	6.8	6.3
Uganda	37.7	66.4	52.6	58.5	68.6
Zambia	5.8	4.9	2.2	1.9	1.6
Other	51.3	64.5	96.3	92.8	113.5
TOTAL	99.0	141.0	157.3	160.1	190.0
MIDDLE EAST—					
Saudi Arabia	0.7	2.5	1.9	5.5	2.4
United Arab Emirates	2.3	1.9	1.4	1.8	1.9
Iran		1.2	1.8	0.2	0.3
Other	11.8	13.7	20.3	20.5	15.2
TOTAL	14.8	19.4	25.4	28.1	19.8
FAR EAST AND AUSTRALIA—					
Australia	1.2	1.6	2.4	1.2	1.7
Japan	5.1	3.8	3.7	3.5	4.6
India	2.2	4.1	4.5	4.5	4.7
China (Mainland)	2.0	2.0	0.6	0.3	1.9
Other	21.0	56.5	61.0	44.4	55.2
TOTAL	31 .5	68.0	72.3	53.9	68.1
ALL OTHER COUNTRIES	8 5	3.5	3.0	1.1	5.6
AIRCRAFT AND SHIPS STORES	32.5	58.2	51.9	58.7	36.4
ALL EXPORTS	412.8	515.7	537.2	568.6	649.1

*Excludinggold and currency but including Re-Exports.
**Provisional.

7.20. While the value of exports to Eastern Europe dropped by 32.1 per cent, the value of exports to North American markets grew by 10.8 per cent. During the year, export trade with the Middle East countries did not do well, since the first decline in five years was recorded. The value of exports to Saudi Arabia and other Middle East countries dropped considerably. However, the value of exports to the United Arab Emirates rose marginally. Exports to other Western European countries continued to do well as shown in Table 7.11.

7.21. Table 7.12 indicates the major source of Kenya's imports. The value of imports from the leading source, the EEC, declined in 1983. Increases in imports from the Middle East, the Far East and Australia, USA

and other Western Europe, however, led to an overall increase in the imports from K£900.3 million to K£925.4 million or by 2.8 per cent between 1982 and 1983. There was a rise in the value of imports from the Middle East by 3.3 per cent although imports from Saudi Arabia, a major trading partner in the region, has declined. In place of Saudi Arabia, the United Arab Emirates is becoming a major source of crude oil. Iran too remains an important source of imported oil from the region.

7.22. The U.K., Japan, West Germany and the USA remain the major sources of imports other than petroleum. Among these countries, import values from UK and West Germany fell by 7.7 and 6.6 per cent respectively,

ORIGIN OF TOTAL IMPORTS, 1979-1983

Table 7.12 *K£million*

	1979	1980	1981	1982	1983*
E.E.C.—					
United Kingdom	141.3	162.4	156.9	135.8	125.3
West Germany	68.8	77.7	75.1	75.6	70.6
Italy	23.7	37.7	25.2	23.0	16.0
France	17.6	32.7	31.1	28.1	38.3
Netherlands	14.1	22.9	21.1	23.2	27.8
Other	18.7	21.1	20.1	17.0	17.3
TOTAL	284.3	354.3	329.5	302.7	295.3
Other Western Europe, Total	35.4	39.1	44.9	36.1	55.3
Eastern Europe, Total	4.7	6.6	6.2	5.4	4.1
U.S.A.	34 9	61.0	63.7	54.4	56.6
CANADA	5.6	5.1	11.7	13.4	7.6
AFRICA—					
Tanzania	0.1	0.3	0.3	0.9	1.0
Uganda	0.8	1.2	1.0	1.4	0.9
Zambia	1.2	1.5	1.6	1.4	1.0
Other	9.8	26.4	14.5	59.2	21.9
TOTAL	12.0	29.4	17.4	62.8	24.8
MIDDLE EAST—					
Saudi Arabia	52.1	168.1	183.3	134.3	88.3
United Arab Emirates	3.4	24.8	86.3	84.1	111.2
Iran	26.3	20.6	15.6	14.3	51.2
Others	54.5	88.6	36.8	54.6	46.1
TOTAL	136.2	302.2	322.0	287.3	296.8
FAR EAST AND AUSTRALIA—					
Australia	8.1	6.1	8.4	3.3	6.7
Japan	49.9	88.4	73.5	70.1	85.7
India	10.2	13.0	10.1	12.2	6.9
China (Mainland)	4.8	7.2	8.2	6.6	3.1
Other	25.6	36.3	33.3	40.2	76.1
TOTAL	98.5	151.1	133.5	132.5	178.5
All other Countries Parcel Post and Special Transactions..	8.5	10.2	3.5	5.7	6.4
TOTAL	620.2	959.0	932.4	900. 3	925.4

*Provisional.

TRADE WITH AFRICAN COUNTRIES, 1979-1983

Table 7.13 K£'000

	EXPORTS**					IMPORTS				
	1979	1980	1981	1982	1983*	1979	1980	1981	1982	1983*
MAINLAND—										
Uganda	37,747	66,378	52,611	58,466	68,558	804	1,206	1,010	1,390	855
Tanzania	4,075	5,216	6,307	6,836	6,282	102	309	273	859	1,016
Zambia	5,847	4,948	2,160	1,937	1,641	1,243	1,518	1,592	1,372	1,040
Ethiopia	2,346	2,365	1,580	2,319	2,982	2,241	2,526	4,259	14,019	4,425
Burundi	4,552	7,329	12,909	13,311	13,591	1,158	115	273	189	331
Somalia	2,678	4,738	1,961	4,117	2,734	71	44	30	33	40
Sudan	7,665	9,949	12,426	18,882	24,451	210	8	22	18	21
Rwanda	8,551	12,638	21,568	21,907	23,535	3,289	2,623	3,690	2,311	3,380
Zaire	3,142	3,909	5,538	5,304	6,946	533	157	720	986	1,329
Malawi	348	285	519	760	510	211	554	587	371	129
Mozambique	443	570	10,541	742	6,363	527	18,916	2,547	10,488	
Egypt	6,061	3,074	3,271	6,525	9,494	39	129	49	27,063	9,081
Algeria and Libya	331	2,588	228	235	560	6			1,009	
Ghana and Nigeria	675	1,713	2,138	1,387	2,793	12	12	29	17	22
Other	5,298	9,438	14,726	9,957	8,726	1,486	1,172	2,119	2,599	3,051
TOTAL	89,759	135,138	148,483	152,685	179,166	11,932	29,289	17,200	62,724	24,720
INDIAN OCEAN ISLANDS—										
Mauritius	4,832	3,605	5,231	4,192	2,389	9	137	192	91	49
Reunion	1,377	1,090	2,022	2,212	5,122		7		3	
Others+	2,988	1,172	1,597	997	3,327	12	14	5	5	1
GRAND TOTAL	98,956	141,005	157,333	160,086	190,004	11,953	29,447	17,397	62,823	24,770
Percentage of all Exports/Imports	24.0	27.3	29.3	28.2	29.3	1.9	3.1	1.9	7.0	2.7

*Provisional.
**Including Re-exports,
+Madagascar and Seychelles.

while they rose by 22.2 and 4.0 per cent for Japan and USA. Imports from Canada, and Eastern Europe declined while imports from "other" Western Europe expanded by 53.2 per cent

7.23. Details of trade with other African countries are shown in Table 7.13. Uganda remains the major importer of Kenya's goods, while other neighbouring countries such as Burundi, Sudan and Rwanda have been taking a major share of exports. Trade with Uganda which picked up in 1983 after a major decline in 1981, grew by 17.3 per cent while exports to Tanzania and Zambia dropped by 8.1 and 15.3 per cent, respectively. Exports to Zaire, Mozambique and Egypt also grew in 1983. The opening of the border with Tanzania will boost the export trade between Kenya and Central Africa countries such as Zambia. Mozambique and Zimbambwe. Trade with this region is also likely to be facilitated by the implementation of the Preferential Trade Agreement (PTA) which was signed in 1983.

7.24. Although the value of imports from African countries fell from K£62.8 million in 1982 to K£24.8 million in 1983 or by 60.6 per cent, they were still 43.7 per cent above the 1981 value of K£17.2 million. Large decreases were of imports from Mozambique, Egypt, and Ethiopia. These were imports of coal, crude petroleum and aircraft engines. Small increases in imports were registered from Tanzania. Rwanda, and Zaire. Imports from Africa accounted for only 2.7 per cent of the overall import bill.

The Balance of Payments

7.25. As noted earlier, there was a major improvement in the balance of payments out-turn during 1983. This can be judged from Tables 7.14 and 7.15. The chief source of this improvement was the higher level of export earnings combined with the continued restraint of imports, which caused them to fall substantially in real terms. There was also a K£40 million increase in the form of grants and other transfer payments received by the Government. In consequence, the deficit on current account fell to K£116 million which was the smallest since 1977.

7.26. With inflows of long-term capital (other than grants) being sustained roughly at the 1982 level, it was possible to achieve a small surplus on the basic balance-which is the combined balance on current and long-term capital accounts-of K£15 million, which was again the most favourable outcome since 1977. This small surplus plus inflows of short-term capital and assistance from the International Monetary Fund (IMF) of K£64 million, resulted in an increase in the country's foreign exchange reserves of K£132 million, thus enabling a much-needed rebuilding from the low level at which they stood at the end of 1982.

7.27. The data in Table 7.15 point out the factors which contributed to this improved out-turn by recording changes between 1982 and 1983. These show export earnings as increased by K£104 million, the very small

KENYA BALANCE OF PAYMENTS, 1981-1983

Table 7.14

K£million

	1981+			1982*			1983*		
	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits
A. CURRENT ACCOUNT									
1. Merchandise transactions: Imports (c.i.f.): Exports (f.o.b.)	971.8	474.8	*Dr.* 497.0	940.3	509.9	*Dr.* 430.4	949.2	613.6	***Dr.* 335.6**
2. Freight and Insurance	7.1	29.2	22.1	0.8	28.8	28.0	7.4	42.0	**34.6**
3. Other Transportation	19.6	118.7	99.1	20.2	136.4	116.2	29.9	138.3	**108.4**
4. Foreign Travel	5.1	96.2	91.1	4.9	122.9	118.0	5.7	130.0	**124.3**
5. International Investment Income	119.3	23.5	*Dr.* 95.8	143.9	22.2	*Dr.* 121.7	144.1	24.1	***Dr.* 120.0**
6. Government Transactions n.e.s.	15.7	23.6	7.9	15.7	26.6	10.9	15.8	25.5	**9.7**
7. Other Services	30.4	24.0	*Dr.* 6.4	37.1	25.9	11.2	37.2	23.7	***Dr.* 13.5**
8. Private Transfer	9.2	17.1	7.9	19.3	14.8	*Dr.* 4.5	20.0	16.2	***Dr.* 3.8**
9. Government Transfer+	2.3	37.3	35.0	2.5	43.8	41.3	3.0	83.3	**80.3**
TOTAL CURRENT ACCOUNT	1,180.5	844.4	*Dr.* 336.1	1,184.7	931.3	*Dr.* 253.4	1,212.3	1,096.7	***Dr.* 115.6**
of which: Visible Balance	971.8	474.8	*Dr.* 497.0	930.3	509.9	*Dr.* 430.4	949.2	613.6	***Dr.* 335.6**
Invisible Balance ..	208.7	369.6	160.9	244.4	421.4	177.0	263.1	483.1	**220.0**
B. CAPITAL MOVEMENTS									
10. Private Long-term	2.7	74.0	71.3	4.1	58.6	54.5	2.6	61.2	58.6
11. Government Long-term		106.4	106.4		57.1	57.1		57.3	57.3
12. Government Corporations'*		16.2	16.2		15.0	15.0		14.7	14.7
13. Short-term	16.5	58.9	42.4	9.4	31.2	21.8	0.2	50.0	49.3
TOTAL	19.2	255.5	236.3	13.5	161 9	148.4	2.8	183.2	**180.4**
C. MONETARY MOVEMENTS									
14. Transactions with I.M.F.	7.8	50.5	42.7	4.0	116.2	112.2		63.9	**63 9**
15. Other Changes in Assets and Liabilities	*Cr.* 56.3	0.1	56.4	13.9	6.5	*Dr.* 7.4	127.1	*Dr.* 5.0	***Dr.* 132.1**
TOTAL	48.5	50.6	99.1	17.9	122.7	104.8	127.1	58.9	*Dr.* 68.2
D. ERRORS AND OMISSIONS			0.7			0.2			

•Provisional.
**Former E.A. Community Corporations only.
+Includes capital grants.
+Revised.
+

CHANGES IN KEY BALANCE OF PAYMENTS MAGNITUDES,* 1981-1983

Table 7.15 *K£million*

	1981	1982	1983
1. Exports (fob)	+6.8	+35.1	+ 103.7
2. Imports (cif)	-22.8	-31.3	-8.9
3. Services (net)	-25.2	+22.2	+3.3
4. Transfers	-11.8	-6.1	+39.7
5. Change on Current Account	+7.4	+82.7	+ 137.8
6. Private long-term capital (net)	-15.9	-16.8	+4.1
7. Public long-term capital (net)	-25.1	-50.5	-0.1
8. Change on basic balance (net balance on lines 5-7)	-1.8	+ 15.4	+141.8
9. Short-term capital and errors and omissions (net)	-10.3	-21.1	+31.2
10. Net change on all above items (monetary movements)	-18.3	-5.7	+ 173.0

*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.

increase in the import bill, the rise in the value of transfer receipts, and the increase in support from the IMF. On this basis there is an even more favourable contrast with 1982 since there was a deterioration during that year.

7.28. However, while the results just described are the subject of much satisfaction, it needs to be emphasised that they depended largely on favourable price movements and on the restaint of imports. The Government is ensuring that this recovery will not lead to imports of non-essential goods. It is also essential to reverse the downward trend in the volume of exports relative to the total economic activity, for longer term prosperity of the economy will be highly sensitive to the dynamism of the export sector.

International Liquidity

7.29. Table 7.16 gives the details of the foreign exchange reserves of the Central Monetary Authorities. These rose from K£137.8 million in 1982 to K£269.6 million in 1983, nearly double the 1982 figure. The sharp rise is a result of the improved balance of payments out-turn discussed above. Net use of IMF credit rose by K£63.2 million in 1983. Foreign liabilities other than to the IMF fell from K£8.8 million to K£3.8 million between 1982 and 1983. The improvement in the foreign exchange situation in 1983 to a level that even surpasses that of 1979 shows that the concerted efforts of both the Government and the Central Bank are bearing fruit. It should be noted, however, that liabilities to the IMF still exceeded the value of reserves at the end of the year, although to a reduced extent.

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1979-1983

Table 7.16 K£million

As at end of	CENTRAL BANK OF KENYA				Total Net Foreign Reserves of Central Govern-ment	Total Net Foreign Reserves of Central Monetary Authorities	GENERAL ACCOUNT WITH I.M.F.			Counter-part Liability+ S.D.R. Account
	S.D.R.'s	Foreign Reserves	Foreign Liabilities (other than to I.M.F.)	Total Net Foreign Reserves of Central Bank**			Sub-scription	I.M.F. holding of Kenya Currency	Net use of Fund Credit*	
1979	39.8	197.8	4.9	1.8		234.5	33.3	85.6	-52.3	10.8
1980	9.7	176.4	2.2	183.9	3.1	187.0	50.0	123.6	-73.6	14.5
1981	5.6	119.2	2.3	122.5	3.9	126.4	61.8	166.5	-104.7	22.1
1982	9.6	8.8		136.1	1.7	137.8	72.8	289.7	-217.0	26.0
1983—										
January	5.0	26.5	8.5	123.0	1.7	124.7	72.8	289.0	-216.3	26.0
February	7.2	111.3	8.2	110.2	2.2	112.4	72.8	282.8	−210.1	26.0
March	6.5	179.2	1.3	184.3	0.3	184.7	72.8	314.6	-241.8	26.0
April	5 0	183.2	1.2	187.0	0.6	187.6	72.8	3131	-240.3	26.0
May	14.2	206.5	2.4	218.2	—	218.3	72.8	326.7	-253.9	26.0
June	14.2	235.3	2.5	247.0	0.4	247.4	73.3	329.0	-255.7	26.2
July	7.8	219.1	2.5	224.5	0.2	224.6	74.6	333.0	-258.4	26.7
August	13.8	197.1	208.0		0.6	208.6	74.6	326.8	-252.2	26.7
September	15.8	188.0	200.6		0.1	200.7	74.6	328.8	-254.2	26.7
October	14.2	204.1	3.8	214.5	0.3	214.7	74.6	347.6	-273.0	26.7
November	12.0	229.0	3.2	237.9	0.5	238.4	74.6	361.7	-287.1	26.7
December	19.3	253.9	3.8	269.4	0.2	269.6	102.4	382.5	290.2	26.7

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.

7.30. It can also be observed from Table 7.16 that Kenya increased her subscription to the IMF to K£102.4 million in December 1983. During the year the IMF approved a stand-by arrangement for Kenya, authorising purchases of up to SDR 175.95 million over an 18-month period, in support of the Government economic and financial management programme. Under the arrangement, purchases will be part-financed from the Fund's ordinary resources and part from resources borrowed by the Fund.

Exchange Rates

7.31. Between December 1982 and May 1983, the official exchange rate stood at KSh. 14.060=1 SDR where it remained until the end of the year. The par value of the Shilling was thus depreciated against the SDR by 2.6 per cent during the year. This small depreciation shows the relative stability of the currency in 1983, compared with the 17.7 per cent depreciation in 1982, when the Shilling was devalued for the third time in two years. It also reflects the Government's commitment to its policy of maintaining a flexible exchange rate.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1979-1983

Table 7.17

Currency	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1979	31st Dec. 1980	31st Dec. 1981	31st Dec. 1982	31st Dec. 1983
1 US Dollar	7.328	7.568	10.286	12.725	13.760
1 Pound Sterling	16.355	18.081	19.677	20.627	19.995
1 Deutsche Mark	4.249	3.859	4.576	5.344	5.062
1 French Franc	1.823	1.672	1.788	1.889	1.653
1 Swiss Franc	4.600	4.258	5.727	6.356	6.331
1 Dutch Guilder	3.857	3.549	4.169	4.844	4.503
1 Swedish Kroner	1.767	1.728	1.854	1.741	1.722
1 Norwegian Kroner	1.488	1.469	1.770	1.806	1.790
1 Zambian Kwacha	9.431	9.431	11.667	13.727	11.338
1 Austrian Schilling	0.590	0.548	0.648	0.763	0.717
1 Belgian Franc	0.262	0.241	0.266	0.264	0.243
1 Danish Kroner	1.368	1.263	1.406	1.516	1.402
1 Canadian Dollar	6.253	6.356	8.667	10.325	11.070
1 Finish Marka	1.980	1.971	2.351	2.412	2.368
1 Australian Dollar	8.119	8.934	11.618	12.489	12.389
100 Japanese Yen	3.046	3.737	4.685	5.440	5.961
100 Italian Lire	0.911	0.816	0.856	0.930	0.833
1 Indian Rupee	0.919	0.977	1.141	1.235	1.315
1 Pakistan Rupee	0.740	0.767	1.038	0.990	1.022
100 Burundi Francs	8.142	8.440	11 .429	14.139	11.750
100 Rwanda Francs	7.894	8.183	11.080	13.706	14.037
Overall Weighted Index* 1976=100	107.56	115.89	133.43	147.20	145.64

*Trade weighted Fisher's Ideal.

7.32. Table 7.17 sets out the details of exchange rates of the Shilling for major foreign currencies. The dollar continued to strengthen, as also did the Japanese Yen while the Shilling continued to depreciate against the two currencies. The effect of the strong dollar and continued appreciation of the Yen is discussed in Chapter 1. The Shilling recorded an appreciation against some major currencies such as the Deutschemark, French Franc, Dutch Guilder and Pound Sterling, as well as against the currencies of African countries such as the Zambian Kwacha, Burundi and Rwanda Francs. As a result of this appreciation against currencies of Kenya's major trading partners, the overall weighted index over the year showed a 1 per cent rise compared with the 10 per cent decline in the previous year.

CHAPTER 8—AGRICULTURE

Despite delays in the long rains in 1983, the general performance of the agricultural sector continued to improve, with a general rise in the production and sale of most major crops between 1982 and 1983. The production of wheat, coffee, tea, cashewnuts and pineapples all went up appreciably, although there were declines in the cases of maize, rice paddy, and pyrethrum. Table 8.1 presents data on output, inputs, and value added in the agricultural sector. Total agricultural output at current prices rose by 12.7 per cent between 1982 and 1983, while output at constant prices went up by 5.1 per cent. Value added at current prices rose by 13.6 per cent, while in constant prices it rose by 4.1 per cent. The corresponding increase in constant-price value added in 1982 was 4.3 per cent. Thus for both years the contribution of agriculture to the GDP has slightly exceeded the growth of population.

AGRICULTURAL OUTPUT AND INPUT, 1979-1983

Table 8.1 *Value in K£million*

	1979	1980	1981	1982	1983*
AT CURRENT PRICES					
Total Output	747.58	791.19	917.48	1,048.82	1,182.01
Less Inputs	98.80	103.05	125.74	141.66	151.40
Value Added	648.78	688.13	791.74	907.16	1,030.61
AT CONSTANT (1976) PRICES-					
Total Output	607.55	594.27	629.12	657.58	691.12
Less Inputs	78.50	72.25	74.23	78.69	88.51
Value Added	529.05	522.03	554.89	578.88	602. 61
Quantum Indices (1976 = 100)					
Output	114.0	111.5	118.1	123.4	128.5
Input	117.7	108.3	111.3	118.0	123.1
Price Indices (1976= 100)					
Output**	132.1	133.1	145.8	159.5	183.4
Input	125.9	142.6	169.4	180.0	202.5

*Provisional.
***see* Table 8.8.

8.2. The delayed and uneven rain in 1983 coupled with rising input prices, which tended to offset any adjustments in output prices, held back any faster expansion in agriculture. The Government has continued with the policy of providing attractive producer price incentives and nearly all the major crops received improved prices, during 1983.

Marketed Production

8.3. Details of the values of recorded marketed production at current prices are shown in Table 8.2. Overall, the total value of marketed production rose by 23.7 per cent in 1983. A substantial part of this increase came from

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1979-1983

Table 8.2 *K*£'000

	1979	1980	1981	1982	1983*
CEREALS—					
Maize	9,363	10,390	23,645	30,777	48,952
Wheat	14,886	17,670	17,869	22,017	26,922
Others	6,271	7,192	6,644	6,905	5,541
TOTAL	30,520	35,252	48,158	59,699	81,415
TEMPORARY INDUSTRIAL CROPS-					
Sugar Cane	23,302	29,520	30,877	29,408	34,342
Pyrethrum	5,721	9,735	13,398	14,777	5,026
Others	8,755	9,966	8,777	9,764	11,868
TOTAL	37,778	49,221	53,052	53,949	51,236
OTHER TEMPORARY CROPS ..	8,466	8,075	9,837	10,643	11,956
PERMANENT CROPS—					
Coffee	105,584	118,856	102,471	122,866	166,247
Tea	67,343	71,515	80,590	93,190	130,306
Sisal	6,577	9,714	8,512	12,589	15,539
Others	3,105	4,422	4,057	4,253	4,515
TOTAL	182,709	204,507	195,630	232,898	316,607
TOTAL CROPS	259,473	297,055	306,677	357,189	461,214
LIVESTOCK AND PRODUCTS-					
Cattle and Calves	29,091	33,709	47,495	52,260	51,805
Dairy Produce	17,465	15,007	22,802	28,510	32,802
Others	7,724	7,338	9,935	10,965	9,643
TOTAL	54,280	56,054	80,232	91,735	94,250
GRAND TOTAL	313,753	353,109	386,909	448,924	555,464

*Provisional.

crops, particularly cereals and permanent crops. The marketed value of cereals increased by 36.3 per cent and the recorded value of marketed production of permanent crops rose by 35.9 per cent. As a group, the recorded value of marketed production of crops rose by 29.1 per cent in 1983. As in 1982, no major change was registered in the value of marketed production of temporary industrial crops. Of temporary industrial crops, recorded marketed production of pyrethrum went down sharply by two-thirds between 1982 and 1983. Production of sugar-cane, cotton and tobacco, all rose appreciably in 1983. The value of marketed production of livestock and its products rose by only 2.7 per cent. The overall rise in the recorded value of marketed production during 1983, however, reflects the effects of rising prices rather than physical increases in the levels of output, as is shown in the quantum and price indices in Table 8.1.

8.4. Price and volume indices of sales to marketing boards are shown in Table 8.3. The quantum index for crops only shows a rise of 7.5 per cent in 1983. This was contributed mainly by permanent crops, whose volume rose by 12.0 per cent. Quantity declines were recorded for temporary industrial crops, mainly pyrethrum. The overall quantum index rose by only 3.9 per cent between 1982 and 1983. There was also a 12.0 per cent rise in the overall price index during the same period, contributed to mainly by price rises for crops. The actual magnitude of selected price changes are given in Table 8.4. This Table shows average gross commodity prices paid to farmers between 1979 and 1983.

PRICE AND VOLUME OF SALES TO MARKETING BOARDS, 1979-1983

Table 8.3 1976=100

	1979	1980	1981	1982	1983*
QUANTUM INDICES-					
Cereals	68.9	68.7	92.2	106.4	110.9
Temporary Industrial Crops	153.3	192.2	194.8	176.4	162.3
Permanent Crops	108.8	121.1	121.2	121.5	136.1
TOTAL	104.1	115.3	121.9	123.2	132.4
Livestock and Products	113.4	104.5	109.5	120.0	121.0
TOTAL GROSS MARKETED PRODUCTION	102.9	113.4	118.1	123.1	127.9
PRICE INDICES-					
Cereals	112.6	130.5	134.4	143.2	156.9
Temporary Industrial Crops	141.8	147.4	166.1	186.3	233.2
Permanent Crops	118.7	199.4	110.6	125.5	136.2
TOTAL CROPS	120.5	124.5	120.0	134.4	224.0
Livestock and Products	129.0	145.0	185.4	204.0	226.4
TOTAL GROSS MARKETED PRODUCTION	121.9	127.4	125.8	138.5	155.1

*Provisional

8.5. The Government policy of raising producer prices to take account of increasing costs of production as well as to provide incentives for increasing production has continued in 1983. Apart from pyrethrum, whose unit price remained unchanged, all other major commodities enjoyed higher prices in 1983. Notable price increases were particularly recorded for coffee. 25.5 per cent; sisal, 24.3 per cent; sugar-cane, 33.5 per cent; maize, 51.4 per cent; wheat and rice paddy, 18.1 and 18.7 per cent respectively. The milk price was raised by 11.6 per cent, while the price of bacon pigs went up by 53.6 per cent.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1979-1983

Table 8.4 — *KSh. per stated Unit*

	Unit	1979	1980	1981	1982	1983
Coffee	100kg.	2,815	2,634	2,258	2,780	3,488
Tea		1.357	1,591	1,774	1,941	2,184
Sisal		361	414	412	503	625
Sugar Cane	tonne	133	133	145	170	227
Pyrethrum (extract equivalent)	kg	1,006	1,200	1,150	1,150	1,150
Seed Cotton	100 kg.	328	331	341	352	369
Maize	,,	77	95	100	107	162
Wheat	,,	144	164	167	188	222
Rice Paddy	,,	151	151	150	150	178
Beef (third grade)	,,	689	795	960	1,100	1,176
Bacon Pigs		778	859	975	1,373	2,109
Milk	100 litre	132	146	186	215	240

*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.

8.6. As can be seen from Table 8.5, during 1983 the value of sales of produce to the marketing boards by large farms increased by 25.2 per cent, while the figure for small farms was 22.3 per cent and the share of the small farms in total sales to the boards again declined marginally.

SALES TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1979-1983

Table 8.5

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE SHARE OF SMALL FARMS
	K£million	Annual Percentage change	*K£million*	Annual Percentage change	*K£million*	Annual Percentage change	Per cent
1979..	148.2	0.9	165.2	-7.5	313.4	-3.8	52.7
1980..	168.8	13.6	184.5	11.7	353.3	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
1983*	271.3	25.2	284.1	22.3	555.4	23.7	51.2

* Provisional.

8.7. Details of quantity and price indices of agricultural inputs are shown in Table 8.6. The quantity of material inputs purchased by farmers went up in 1983, with the overall quantum index of material inputs rising by 4.4 per cent. This rise came mainly from fuel and power whose quantum index rose by 24.2 per cent. When service inputs are included, however the overall index of agricultural inputs declined fractionally below the 1982 level; it had dropped by 13.5 per cent between 1981 and 1982. The stagnation in the

AGRICULTURAL INPUT INDICES**, 1979-1983

Table 8.6 1976 = 100

	1979	1980	1981	1982	1983*
QUANTUM INDICES—					
Fertilizers	101.8	109.9	137.6	132.0	116.0
Fuel and Power	138.6	90.1	102.5	90.4	112.3
Bags	91.6	102.1	114.3	111.0	106.0
Manufactured Feeds	113.2	113.5	129.4	116.3	111.9
Purchased Seeds	83.9	82.6	92.1	87.5	80.3
Other Material Inputs	153.8	161.9	181.6	144.8	166.4
TOTAL MATERIAL INPUT	121.5	122.3	149.4	118.6	123.8
ervice Inputs	107.7	107.5	110.7	122.7	113.3
TOTAL INPUTS	119.8	120.4	137.6	119.0	118.5
PRICE INDICES-					
Fertilizers	128.9	128.9	131.3	159.8	172.9
Fuel and Power	131.0	161.2	221.6	273.1	290.4
Bags	128.3	146.8	159.3	180.0	215.3
Manufactured Feeds	121.4	137.0	142.7	157.0	147.8
Purchased Seeds	170.2	170.2	173.6	178.8	186.2
Other Material Inputs	104.8	120.4	124.5	156.9	138.0
TOTAL MATERIAL INPUT	122.5	136.4	153.2	185.7	191.7
NON-FACTOR SERVICE INPUTS	140.7	149.5	154.0	169.6	175.2
TOTAL NON-FACTOR INPUTS	124.5	137.9	153.3	182.1	192.6

*Provisional.

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

quantity of agricultural inputs purchased by farmers reflects both their unavailability and the prices of these inputs, which went up by an average of 5.8 per cent during the year. This rather small overall rise, however, conceals bigger rises in the prices of individual inputs, such as fertilizers, whose price went up by 8.2 per cent. The current price value of purchased inputs between 1979 and 1983 can be seen in Table 8.7.

8.8. Table 8.8 provides data on the terms of trade of the agricultural sector between 1979 and 1983. The longer-term trend of the deterioration in the terms of trade since 1976/77 was halted in 1983 and the provisional index rose a little. Despite continuing domestic inflation for both input and consumer prices, the improvements in producer prices reported above were proportionately larger. With domestic inflation apparently on the decline and the prospects for improvements in the general level of world commodity prices, there is some prospect of further improvements in the agricultural terms of trade.

PURCHASED AGRICULTURAL INPUTS**, 1979-1983

Table 8.7 K£'000

	1979	1980	1981	1982	1983*
MATERIAL INPUTS—					
Fertilizers	12,678	13,692	14,787	14,685	14,341
Other Agricultural Chemicals	8,494	9,858	11,902	12,273	12,764
Livestock Drugs and Medicines	3,196	4,599	5,053	5,804	5,335
Fuel and Power	12,825	14,726	16,754	15,261	16,634
Bags	3,469	3,704	5,548	5,851	6,358
Manufactured Feeds	8,872	9,492	13,753	10,529	9,778
Purchased Seeds	3,732	3,677	4,088	4,456	6,140
Other Material Inputs	3,770	4,222	4,275	4,660	5,079
TOTAL	57,036	63,970	76,160	73,519	76,429
SERVICE INPUTS TOTAL	8,265	8,765	9,028	9,841	8,955
TOTAL INPUTS	65,301	72,735	85,188	83,360	85,384

*Provisional.
**Except Labour.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1979-1983

Table 8.8 1976 = 100

	1979	1980	1981	1982	1983*
PRICES RECEIVED—					
Total Crops	116.4	122.3	129.7	138.0	152.7
Domestic	115.9	130.7	141.3	147.8	159.3
Export	116.8	117.4	112.3	134.6	158.1
Livestock and Products	135.6	140.6	151.2	166.7	178.6
WEIGHTED AVERAGE OF ABOVE	120.0	126.2	134.4	145.0	162.8
General index of agricultural output prices*	123.1	133.1	145.8	159.5	183.4
PRICES PAID—					
Purchased Inputs	124.5	137.9	153.3	182.1	192.6
Index of Purchased Consumer Goods— Rural Areas	130.1	146.1	169.9	205.5	234.4
INDICES OF PRICES PAID	128.7	144.1	165.8	199.7	224.0
Agricultural Sector Terms of Trade	95.6	92.4	87.9	80.0	81.9

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

Crop Forecast Surveys

8.9. The lateness of the 1983 long rains resulted in delayed planting in many parts of the country and consequently led to a fall in production of seasonal crops, particularly food crops. Production of maize, beans and potatoes is estimated to have dropped slightly between the exceptionally

high season of 1982/83 and that of 1983/84, as can be seen in Table 8.9. It is estimated that there was a drop in the production of maize of about 7.3 per cent between 1982/83 and 1983/84. It is also estimated that the area planted under maize dropped by 6.7 per cent, from 1.5 million hectares in 1982/83 to 1.4 million hectares in 1983/84. Maize sales during 1983/84 are also estimated to have dropped, by about 20 per cent, from 12.5 million bags in 1982/83 to 9.9 million bags in 1983/84.

ESTIMATED PRODUCTION FOR SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1980/81-1983/84
(Based on Crop Forecast Surveys)

Table 8.9 *million bags*

Crop	1980/81	1981/82	1982/83	1983/84*
Maize	17.60	21.86	26.10	24.20
Beans	1.34	2.22	3.20	3.00
Potatoes	2.40	4.24	6.10	5.10

*Provisional.

8.10. The production of beans is also estimated to have fallen slightly during the 1983/84 season. It is estimated that 3 million bags of beans were produced during 1983/84, compared with 3.2 million bags in 1982/83. During 1983 the National Cereals and Produce Board (NCPB) was not anxious to buy the bean crop from farmers, because; it wanted to run down stocks accumulated during 1981/82 and 1982/83. Furthermore, NCPB prices were higher than local market prices and it is possible that large scale producers of beans have been discouraged from producing only for the local markets.

8.11. The production of potatoes and millet is also estimated to have dropped, by 16 per cent and 5 per cent respectively. This larger drop in production of potatoes reflects the prevailing weather conditions in 1983/84, referred to in paragraph 8.10 above. However, the drop in the production of millet, which is a relatively drought-resistant crop, is considered to be partly attributable to the changing habits of small-scale farmers who seem to be moving away from growing this crop.

Production by Crop

8.12. *Maize.*—As mentioned in paragraph 8.10, production of maize is estimated to have dropped by 2 million bags from 26.1 million bags in 1982/83. Out of the 1983/84 figure of 24.2 million bags, about 4 million bags, or 16.5 per cent, are estimated to have come from large farms, while the rest came from small farms. In addition, it is estimated that up to 20 per cent of total maize production in the crop year 1983/84, or nearly 5 million bags, came from the short rains corp, with the remainder being produced during the 1983 long rains season.

8.13. As shown in Table 8.10 maize purchases by the National Cereals and Produce Board rose by 65.000 tonnes between 1982 and 1983 and was 636.000 tonnes in 1983. The rapid continuing rise in purchases by NCPB reflects an improvement in the purchasing system resulting from an increase in the number of maize buying centres. In addition, the recent upward revision of the producer price from KSh. 135 to KSh. 158 per bag induced farmers to deliver more of their crop to NCPB.

SALES OF SOME MAJOR CROPS TO MARKETING BOARDS. 1979-1983

Table 8.10

Crop	Unit	YEAR				
		1979	1980	1981	1982	1983*
Maize	'000 tonnes	241.9	217.9	472.9	571.3	636.0
Wheat		201.0	215.7	214.4	234.7	242.3
Rice Paddy	,,	37.5	36.4	38.7	38.6	36.6
Cotton		27.6	38.1	25.5	24.3	25.8
Coffee	..	75.1	91.3	90.7	88.4	95.3
Tea ..		99.3	89.9	90.9	95.6	119.3
Sisal	..	36.4	46.9	41.3	50.0	49.7
Sugar Cane	million tonne	3.1	4.0	3.8	3.1	3.2
Pyrethrum (Extract Equivalent)	tonnes	114	162	241	258	87

*Provisional.

8.14. *Wheat-* Details of production, imports and consumption of wheat are shown in Table 8.11. Between 1982 and 1983, there was an increase in the production of wheat of 3.2 per cent compared with an increase of 15.4 per cent in 1982. Although wheat production has been on the increase for a long time, the rate of increase has been fluctuating and the average annual rate of growth in production of wheat during 1979-83 was 5.6 per cent. On the other hand, imports have fluctuated more widely growing by 10.7 per cent from 1981 to 1982 then declining by 47 per cent in 1983.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1979-1983

Table 8.11 '000 *Tonnes*

YEAR	Wheat Production*	Wheat Imports	Flour Consumption
1979	194.7	25.5	158.4
1980	204.6	92.4	244.2
1981	203.4	139.4	216.7
1982	234.7	154.3	266.7
1983**	242.3	81.9	271.7

*Excludes retention for seed.

** Provisional

8.15. A comparative analysis of production and consumption data confirm that from 1980 production has been growing faster than consumption. Thus while wheat production was rising at an average annual growth rate of 5.8 per cent, wheat flour consumption was growing at a lower rate of 3.6 per cent per annum. However, demand for wheat still exceeds supply. Although the shortfall in production is covered by imports, it is clear that more effort still needs to be directed at expanding both the total acreage and yields per hectare in order that the country may be self sufficient in wheat. The recently announced increase in the producer price of wheat from KSh.175 to KSh. 225 per bag is expected to go a long way in stimulating farmers to increase production. Wheat farmers earned a total of K£28 million in 1983 compared with K£22 million in 1982, an increase of 27 per cent.

8.16. *Coffee.*—A total of 95,325 tonnes of coffee was delivered to the Coffee Board of Kenya in 1983. This was an improvement of 7.8 per cent over the 1982 figure of 88,393 tonnes. Out of the 1983 deliveries, Coffee Co-operative Societies produced 53,460 tonnes or 56 per cent. In 1982 the share of Coffee Co-operative Societies was 62 per cent, while in 1981 the figure stood at 64 per cent. This decline in the share of the co-operatives has been accompanied by a persistent rise in the share of estates from 35 per cent in 1981 to 38 and 39 per cent in 1982 and 1983 respectively. A small proportion of the coffee production is unallocated. This rise reflects growing efficiency in crop husbandry by the estates.

8.17. The fall in the share of coffee production by co-operatives has meant that their share of total coffee revenues has also fallen, although the absolute value has risen. Thus while the total revenue earned by coffee farmers rose by 35 per cent in 1983, from K£123 million in 1982 to K£166 million in 1983, the share of this revenue by coffee co-operatives stood at K£93 million or 56 per cent, compared with K£75 million, or 61 per cent, in 1982. The average realised producer price of coffee was raised by 25.5 per cent from K£1.390 per tonne in 1982 to K£1.744 per tonne in 1983.

8.18. The weather was generally favourable to coffee growers in 1983 and the increasing use by farmers of research findings, mainly from the Coffee Research Foundation, has meant that the quality of Kenyan coffee remains high. Overall, no major increase in acreage under coffee trees was recorded in 1983.

8.19. In order to maintain world price levels the International Coffee Organisation (ICO) continued to operate export quota restrictions during 1983, and Kenya continued to look for non-quota markets in order to sell surplus coffee. There is need for a continued and more aggressive search for non-quota markets.

8.20. *Tea.*—Between 1982 and 1983 there was an increase in production of tea of 24.8 per cent, from 95,576 tonnes in 1982 to 119,328 tonnes in 1983. Of the 1983 figure, large farms produced 81,207 tonnes, or 68.1 per

cent, with the rest coming from smallholders. Details of smallholders' production, numbers and acreage of tea are shown in Table 8.12.

THE DEVELOPMENT OF SMALL HOLDER TEA, 1978/79-1982/83

Table 8.12

	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.
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
1982/83 ..	54.965	144,744	46,311	0.38	842

8.21. The increase in the quantity of tea produced by smallholders in 1982/83 reflects modest increases in the number of growers and in the total acreage under tea, as can be seen from the table. However, the most significant change was an increase in the average yield per hectare of nearly 30 per cent, from 650kgs per hectare in 1981/82 to 842 kgs in 1982/83. This rise was strongly influenced by favourable weather but there is also an underlying improvement in tea husbandry resulting in a rise in both quantity and quality of tea produced.

8.22. In addition to the above trends in unprocessed tea there was also a rise in the output of ready made tea by smallholders. This went up by 30.3 per cent in 1982/83. Further, the price received by farmers went up from KSh. 1,941 *per* 100 kg in 1982 to KSh. 2,184 per 100 kg in 1983, or by 12.5 per cent. This rise meant that farmers received a total of K£130 million in 1983 compared with K£93 million in 1982, a rise of 40 per cent. The general tea situation in the country is good and it is expected that output will rise further during the current season, subject to satisfactory weather conditions.

8.23. *Cotton.*—Following falls in 1981 and 1982 in the production of cotton, there was a recovery in 1983 and the output of cotton delivered to the Cotton Lint and Seed Marketing Board went up by 6 per cent, from 24,357 tonnes recorded in 1982 to 25.836. as shown in Table 8.10.

8.24. The producer price of cotton was raised from KSh. 352 per 100 kg in 1982 to KSh. 369 in 1983. There were also price adjustments for both grade A.R (from an average of KSh. 3.66 per kg in 1982 to KSh. 4.02 in 1983) and grade B.R. (from an average of KSh. 1.77 per kg in 1982 to KSh. 1.94 in 1983). These price incentives were intended to encourage farmers to increase production but delayed payments to farmers, coupled with lack of credit facilities affected production.

8.25. *Sugar-cane.*—Table 8.13 presents data on sugar-cane production by grower. Total cane production rose by 5.7 per cent from 3.11 million tonnes in 1982 to 3.29 million tonnes in 1983. The major producer of sugar-cane

remains the small holders, whose total production of 1.4 million tonnes in 1983 represented 44 per cent of the total. As in 1982, factory estates represent the second-largest producer. Although cane production has been on the decline since 1980. indications are that it is beginning to pick up, especially with improved price incentives.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1979-1983

Table 8.13 '000 *tonnes*

	1979	1980	1981	1982	1983*
Factory Estates	920.6	925.0	839.4	847.4	789.3
Large Farms	379.6	556.0	675.7	496.9	617.8
Small-Holders	1,228.9	1,772.3	1,720.5	1,331.7	1,448.3
Co-operative Societies	231.7	310.7	260.8	165.5	179.6
Settlement Schemes	386.8	408.3	325.5	266.2	232.6
TOTAL	3,147.6	3,972.3	3,821.9	3,107.7	3,285.6

*Provisional.

8.26. As in the case of cane, production of refined sugar has also been on the decline since 1980 and although sugar has not been imported since 1982, there was fear that the downward trend might lead to imports of sugar once again. This fear has, however, been allayed as production seems to have picked up. Since 1982 sugar consumption has been rising faster than production but because of the huge stocks accumulated in earlier years, it has still been possible to export sugar even up to 1983. These details are shown in Table 8.4.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR. 1979-1983

Table 8.14 '000 *tonnes*

YEAR	Production	Imports	Consumption	Exports
1979	296.0	12.5	253.4	2.0
1980	401.3	1.8	299.5	94.7
1981	366.8	1.8	324.1	69.1
1982	308.0	-	328.2	18.3
1983	325.2	_	333.0	4.0

8.27. *Horticulture.*—The volume of exports of fresh horticultural crops rose by 17.5 per cent between 1982 and 1983 from 24,600 tonnes in 1982 to 28,900 tonnes in 1983. These figures compare with increases of 5.5 per cent in 1982 and 4.9 per cent in 1981. The value of these exports rose by 28.6 per cent in 1983, with an increase in unit value from an average of KSh. 11,064 per tonne in 1982 to KSh. 12,137 per tonne in 1983.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1979-1983

Table 8.15

YEAR	Volume '000 tonnes	Value K£'000
1979 ..	21.3	9,736.9
1980 ..	22.3	11,353.0
1981 ..	23.3	12,580.6
1982 ..	24.6	13,633.9
1983 ..	28.9	17,528.6

8.28. The United Kingdom remains the major importer of Kenyan horticultural produce, accounting for 52 per cent of total exports in 1983. As in 1982. West Germany accounted for about 14 per cent, while France remained third with 11 per cent of the total.

8.29. *Pyrethrum.*—There was a major drop in the production of pyrethrum flowers and, consequently of pyrethrin extract in 1983. While in 1982 it was estimated that a total of 258,000 kgs of pyrethrum was produced, the figure for 1983 has now been provisionally estimated at 87,000kgs or only about one-third the 1982 level. The price for pyrethrum paid to farmers has remained constant for the last 3 years, as can be inferred from Table 8.4.

8.30. It appears that the pyrethrum industry is undergoing extremely difficult times, mainly because of problems in finding export markets at suitable prices. In addition, pyrethrum stockpiled by the Pyrethrum Board over the years had made it difficult for the Board to pay farmers in time due to cash flow problems and this has led to a general decline in production.

8.31. *Sisal.*—Deliveries to the Sisal Board have remained at about 50,000 tonnes during the past two years. However, the producer price was raised by 24 per cent from KSh. 503 per 100 kg in 1982 to KSh. 625 per 100 kg in 1983. It is hoped that this rise, coupled with better extension services by the Sisal Board, will encourage farmers and increase future production. As a result of the higher price, sisal farmers earned K£15.3 million compared to K£12.6 million in 1982. an increase of 21 per cent.

Livestock Production

8.32. Apart from the data presented in Table 9.9 in Chapter 9, there has not been a recent survey or census to estimate livestock numbers. Thus, the estimates remain as given in the last year's *Economic Survey*, namely 10 million head of cattle. 5 million sheep and 8 million goats. A nation-wide livestock census has been contemplated by the Ministry of Agriculture and Livestock Development in conjunction with the Central Bureau of Statistics, with the aim of providing reliable statistics at the district and national level.

8.33. Total recorded milk production increased by 5.7 per cent in 1983, from 260.3 million litres to 275.2 million litres. The price of milk was raised from KSh. 2.15 per litre in 1982 to KSh. 2.40 per litre in 1983. The intake of cattle and calves for slaughter by the Kenya Meat Commission (KMC) increased by 13,000 head from the recorded intake of 71.000 head in 1982. There was, however, a noticeable drop in the intake of small stock, particularly sheep. Figures from private slaughter houses are not readily available but a substantial throughout is thought to have been involved. There was no significant change in the intake of pigs in the last three years.

SALES OF DAIRY AND LIVESTOCK PRODUCTS TO PUBLIC ENTERPRISES, 1979-1983

Table 8.16

	Unit	1979	1980	1981	1982	1983*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production* .	Mill. Litres	240.6	186.8	222.9	260.3	275.2
Milk Processed:						
Wholemilk and cream ..	Mill. Litres	212.3	186.8	222.3	235.5	315.2
Butter and ghee	Tonnes	3,134	2,174	2,729	3,160	3,721
Cheese	,,	264	150	210	157	227
Evaporated milk	,,	188	44	–	–	–
Dried Wholemilk powder	,,	1,439	128	1,334	2,350	1,693
Dried skim-milk Powder	,,	1,218	80	469	1,715	1,921
Other Products	,,	—	270	131	71	ñ
KENYA MEAT COMMISSION						
Intake of:						
Cattle and calves	'000 Head	68	56	61	71	84
Sheep	,,	10	6	7	10	4
Lambs	,,	–	–	1	1	1
Goats	,,	2	1	1	3	2
TOTAL PRODUCTION OF CARCASS BEEF	000 Tonne	7.6	6.4	8.4	9.8	10.7
UPLANDS BACON FACTORY						
Intake of pigs for:						
Bacon	'000 Head	29	20	13	12	13
Pork	,,	5	5	2	1	1
Manufactures	,,	2	2	2	2	1

*Including sales licensed by the Kenya Dairy Board.

Irrigation

8.34. In the wake of looming drought conditions and growing pressure, on land the importance of irrigation and reclamation is increasing. The Government continued with efforts on both major and minor irrigation projects in 1983. However, due to a reduction in overall Government expenditure, no major new projects were initiated in 1983 and emphasis was given to already started projects.

8.35. Table 8.17 sets out details of seven major irrigation schemes and their productivity. The total irrigated area increased by 5.1 per cent, from 9,417 hectares in 1981/82 to 9.900 hectares during 1982/83 partly because of addition of a new irrigation scheme at Bura. The number of plot holders similarly increased from 5,669 to 6,115 or by 7.9 per cent during the same period, and the average size of holding for the combined seven schemes remained approximately unchanged. In Mwea there were hardly any changes

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS. 1978/79-1982/83

Table 8.17

	1978/79	1979/80	1980/81	1981/82	1982/83*
MWEA—					
Area Cropped—*Hectares*	5,767	5,767	5,771	5,782	5,784
Plot-holders—*Number*	3,149	3,150	3,150	3,150	3,151
Gross value of output—K£'000	1,926	1,637	2,029	2,331	3,563
Payments to plot-holders—K£'000	1,416	1,412	1,425	1,746	1,788
ALL (6) SCHEME AREAS—					
Area cropped—*Hectares*	9,296	9,538	9,753	9,417	9,900
Plot-holders—*Number*	5.283	5,553	5,735	5,669	6,115
Gross value of output—K£'000	2.779	2,496	3,267	4,715	5,150
Payment to plot-holders- K£'000	1,659	1,870	1,896	2.314	2,495
CROPS PRODUCED—*Tonnes*					
Mwea—Paddy	29.046	29,202	31,041	29,848	28,751
Ahero—Paddy	3,539	4,106	4,326	3,963	3,388
W. Kano—Paddy	2,146	3,379	3,583	3,519	2,935
W. Kano—Sugar Cane	–	–	11,395	11,871	5,715
Bunyala—Paddy	681	789	995	1,283	1,338
Tana—Cotton	1,382	1,242	2,337	1,684	1,478
Bura—Cotton	–	–	–	–	1,633
Perkera—Onions	577	1,127	1,256	834	967
Chillies	165	603	244	139	45

*Provisional.

in area cropped or the number of plot holders. However, there was marked improvement in the gross value of output, from K£2.3 million in 1981/82 to K£3.5 million in 1982/83, a rise of 53 per cent. For the seven schemes combined, the value of gross output increased by 9 per cent. Payments to plot holders increased slightly from K£2.3 million to K£2.5 million during the same period.

8.36. Rice paddy is the major irrigated crop. There was a 3.6 per cent decline in production in Mwea, the main paddy producing scheme, and declines were also experienced on the Ahero and West Kano Schemes. There was a particularly sharp drop in the production of sugar cane in West Kano, from 11,871 tonnes in 1981/82 to 5,715 tonnes in 1982/83 season, largely due to big overhead costs.

Agricultural Training

8.37. Table 8.18 gives details of enrolment at the main agricultural training institutes in the country. The combined enrolment in the faculties of Agriculture and Veterinary Medicine of the University of Nairobi increased from 935 in 1982 to 981 in 1983 or by 4.9 per cent. A very large increase in enrolment was recorded for Egerton College, where enrolment stood at 1,578 in 1983 compared with 1,082 in 1982- an increase of 46 per cent. This was made possible by a recent expansion through financial assistance from the US Government.

TOTAL ENROLMENTS AT AGRICULTURAL TRAINING INSTITUTIONS, 1979-1983

Table 8.18 *Numbers*

	1979	1980	1981	1982	1983*
DEGREE LEVEL—					
University of Nairobi—Faculty of Agriculture	379	408	450	550	613
Faculty of Veterinary Medicine	332	325	301	385	368
DIPLOMA LEVEL—					
Egerton College	787	860	938	1,082	1,578
CERTIFICATE LEVEL—					
Bukura Institute of Agriculture..	175	150	170	135	254
Embu Institute of Agriculture ..	154	150	150	167	210
Animal Health and Industry Training Institute	272	275	536t	665	512
SHORT-TERM VOCATIONAL COURSES -					
Naivasha Diary Training School	713**	1,160	1,059	948	1,029
Athi River M.T. School			198	61	130

*Provisional.

**Includes short course seminars,

+Includes Students at Ahiti—Nyahururu.

8.38. In addition to the University of Nairobi and Egerton College, other Institutions offer varying levels of agricultural training, including some of the Harambee Institute of Technology. The Jomo Kenyatta College of Agriculture and Technology, which was opened in 1981, produced its first 185 graduates early in 1984, among whom were students of agriculture and food processing.

CHAPTER 9—NATURAL RESOURCES AND ENVIRONMENT

The process of economic development and the state of the environment are closely related in a complex system of interdependence. The management of the use of natural resources requires, therefore, that the right balance be maintained between the level of desired development and the associated impact on natural environment. The strategy for maintaining this balance provides that the country's renewable and non-renewable resources are put into optimal use ensuring not only a sustainable process of economic growth, but also sound environmental protection against possible resource depletion and degradation. Thus the Government continues to lay major emphasis on soil conservation measures as well as enhancement of water catchment areas.

Water Supplies

9.2. The Ministry of Water Development (MOWD) continues the important task of developing water supplies for both urban and rural population. As new water supply projects continue to be initiated and implemented, rehabilitation of some of the old water supplies is also in progress within the framework of the "International Drinking Water Supply and Sanitation Decade (1981-1990)". In this respect, a number of water projects including water supplies in Maseno, Kombewa, Litein, Seretunin, Kakamega and Othaya were completed in 1983. Other water supply projects are currently in progress in Ndia, Mukurweini, Maralal Township, Chepsigot-Cheptebo, Kemoloi, Sidindi-Malanga and in Machakos.

9.3. Apart from a chain of agency work for other ministries, the MOWD continued during 1983 with the development of water supplies in arid and semi-arid ranching areas. Through the Livestock Development Programme, ten ranch water projects are expected to be completed in Kajiado, Narok, Baringo, Kwale and Taita/Taveta. One major project in Kajiado and two in Tana River are in their final design stages. In the range areas of Isiolo, Wajir, Garissa and Mandera districts, water conservation in the form of dams, pans and boreholes provide water for grazing herds. Dam construction units in these areas continued to construct pans, ten of which are expected to be completed in Mandera and Isiolo districts. Rehabilitation work on the old pans and boreholes is also in progress.

9.4. Table 9.1 indicates the development expenditure on water supplies and related services incurred by the Central Government and other public authorities during the period 1979/80 to 1983/84. The majority of people live in the rural areas and the Government's response to the needs of the rural communities is indicated by an appreciable increase in the development expenditure in the rural water supplies, a basic infrastructural amenity. Between 1982/83 and 1983/84, development expenditure on rural water

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1979/80-1983/84

Table 9.1 K£'000

	1979/80	1980/81	1981/82	1982/83	1983/84*
Water Development	5,828	12,338	970	558	845
Training of Water Development Staff	10	307	360	56	–
Rural Water Supplies	3,723	4,151	9,511	5,252	11,272
Self-Help Water Supplies	1,431	3,110	5,199	2,900	4,541
County Council and Urban Water Supplies	3,431	3,110	11,600	5,591	4,734
Miscellaneous and Special Water Programmes	806	939	4,828	2,698	745
TOTAL	15,229	23,955	32,468	17,055	22,137

*Provisional.

supplies more than doubled to reach K£11.3 million. The country's development has in great measure depended on people's awareness of the need to participate in the development process through the spirit of self-help. The Government, aware of the need to maintain a high morale in this sector, raised the development expenditure for self-help water supplies from K£2.9 million in 1982/83 to K£4.5 million in 1983/84. The overall development expenditure rose by nearly 30 per cent between 1982/83 and 1983/84, but in value terms, however, the amount remains much less than the expenditure levels of 1981/82 when the International Drinking Water Supply and Sanitation Decade was launched.

9.5. The provincial distribution of rural water supply schemes operational as at June, 1982, June, 1983 and June, 1984 respectively is given in Table 9.2. The number of operational projects is expected to increase to 137 as at June 1984, having risen by 7 per cent from 128 in June 1983.

RURAL WATER SUPPLY PROJECT SCHEMES OPERATIONAL OR EXPECTED TO BE OPERATIONAL AT JUNE, 1982, 1983 AND 1984

Table 9.2

Province	NUMBER			COST (K£'000)		
	1982	1983	1984*	1982	1983	1984*
Coast	11	11	11	454	454	454
North-Eastern ..	15	15	15	157	157	157
Eastern	21	23	24	2,880	3,740	4,640
Central	18	18	20	8,985	8,985	11,385
Rift Valley	34	34	39	1,309	1,309	7,484
Nyanza	15	16	16	1,198	6,698	6,698
Western	10	11	12	3,935	5,335	6,435
TOTAL ..	124	128	137	18,918	26,678	37,253

*Provisional.

9.6. The Ministry of Water Development continued with its pollution control monitoring and research activities in all the National Sampling Stations during 1983. Classified water samples taken from natural and man-made sources including waste waters, rivers, dams, boreholes, wells, springs and treated water were submitted to the water quality and pollution control laboratory for analysis. A total of 4,270 samples were submitted: including 1.597 samples for chemical and bacteriological analysis and 2,673 samples for sediment (silt) analysis. The purpose of this analysis is to establish pollution levels and determine suitability of water for domestic and industrial purposes as well as to test conformity of such waters to the WHO guidelines for drinking water quality. The results of laboratory analysis in 1983 showed that out of the 418 samples of classified water submitted to test suitability for domestic uses, only 142 or one third conformed to the WHO guidelines for drinking water quality. Similarly, out of 388 waste water samples submitted for analysis, 146 were final effluent discharging into natural water courses. Out of those 146, only 12 or 8 per cent conformed to the discharge standards.

9.7. The Ministry of Water Development has continued to expand training facilities for all categories of technical and professional manpower. A three year Higher National Diploma Course was started at the Kenya Polytechnic for holders of ordinary level diploma in Water Engineering, and a one year post graduate diploma course was also started at the University of Nairobi for engineers working in the Ministry. Plans are underway to up-grade the course to a Master of Science level. A total of 33 engineers have so far attended the course. In-service courses for water supply operators are conducted at Harambee Institutes of Technology while apprenticeship courses designed to provide specialised skills are undertaken in the Industrial Training Institutes with an annual intake of 40 students.

Forestry

9.8. Apart from the climatic influence on rainfall and the conservation of run-off catchments, forests serve as traditional sources of fuel wood and building materials and provide, among other things, a base for the establishment of sawn timber, pulp and paper industries. As the human population grows, the demand for such forest products increases and the pressures on the use of existing forests dictate that a rational basis of resource exploitation and management be devised to ensure proper conservation of forest cover and sustained yield of forest products.

9.9. Efforts to expand the country's plantation forests and to protect a few indigenous varieties from rapid commercial exploitation continued vigorously in 1983. Table 9.3 shows that the overall forest plantation area rose from 155,200 hectares in 1982 to 159,800 hectares in 1983, representing a percentage rise of nearly 3. The additional forest cover included some 4,600 hectares of new forest planted in 1983, compared to a much larger area

FOREST PLANTATION AREA, 1979-1983

Table 9.3 '000 *Hectares*

	1979	1980	1981	1982	1983*
Indigeneous softwood	7.7	8.0	8.2	9.4	9.7
Indigeneous hardwood	9.3	10.1	10.2	11.3	11.6
Exotic softwoods—					
Cypress	51.2	52.6	55.1	57.5	59.2
Pines	61.7	62.1	63.5	65.2	67.2
Exotic hardwoods—					
Timber	3.1	3.4	3.3	3.5	3.6
Fuel	7.2	7.3	7.1	8.3	8.5
TOTAL AREA	140.2	143.5	147.4	155.2	159.8

*Provisional.

of 7,800 hectares planted in 1982. The decrease in the area of additional forest does not imply a departure from the development strategy of afforestation, but rather an indication that the tempo of expansion will remain constrained by competing land use including agricultural and settlement needs. With limited land resources, the forest department has placed special emphasis on forest development on private and communal land in order to satisfy the country's growing demand for timber and fuel-wood. Through the Forest Conservation and Afforestation programme, an estimated 98 million seedlings were planted in 1983, bringing the total of planted seedlings in the last two years to 183 million.

9.10. The Forest Department continues to mobilise the rural population in promoting rural afforestation. The Rural Afforestation and Extension Scheme (R.A.E.S.) has been instrumental in the successful administration of rural programmes including the management of a chain of 143 tree nurseries from which the public obtains seedlings at nominal charges. The Chief's Tree Nursery Scheme established in 1981 has continued to provide supplementary services, and the number of such tree nurseries is expected to rise from the current figure of 368 to 600 by the year 1988.

9.11. Consumption of forest products has on average been rising in response to the economic transformation which entails, among other things, increasing construction activities, energy consumption and communication needs. Table 9.4 indicates that quantity of sales of most forest products increased remarkably in 1983. The increase ranged from 13 per cent in the case of fuel wood to 49 per cent in the case of soft-wood timber. The only important exception to this rise was hardwood timber, whose production was affected by conservation measures imposed on most indigenous hardwoods. The quantity of sales of hardwood timber dropped from 383,000 cubic meters in 1982 to 263,000 cubic meters in 1983 representing a 31 percentage decline.

RECORDED SALES or FOREST PRODUCTS, 1979-1983

Table 9.4

	1979	1980	1981	1982	1983*
Timber '000 *true cu. metres*—					
Softwood	396	436	352	312	466
Hardwood	72	78	125	383	263
TOTAL	468	514	477	695	729
Fuel '000 *stacked cu. metres*—					
Fuelwood	121	69	59	91	103
Charcoal	12	1	2	11	9
Power and Telegraph Poles— *numbers*	8,893	12,364	10,200	15,365	21,146

* Provisional.

9.12. In order to counter the looming problems of deafforestation and promote sound forest management practices, research will continue to be part of the forest development programme. The current research activities include afforestation of arid and semi-arid lands, planting of euphorbia and agroforestry research. The research is being carried out as part of the integrated development projects in Machakos, Kitui, Magarini, Baringc. Embu, Meru and Isiolo.

9.13. The International Council for Research in Agroforestry (ICRAF) established a 40 hectare field station in Machakos in 1982. The aim was to demonstrate different agroforestry systems including a wide range of multipurpose trees and shrubs. Useful data on potential uses, tree/crop interaction patterns, integration of fuelwood production in farming practices as well as other diverse agroforestry techniques are being generated. Thus the station serves as a demonstration centre and provides information on land use patterns for agriculture, forestry and animal production which do not inflict undue damage to the environment.

Fisheries

9.14. As a nation-wide campaign for increased food production continued successfully in 1983, efforts to boost the fishing industry had equally been successful. Enhanced institutional arrangements in both producer and marketing co-operatives, and the increased innovations in the fishing technology combined to boost both the quantity and the value of fish landed. Table 9.5 shows that the quantity of fish landed increased annually for the last four years, rising from just over 48,000 tonnes in 1980 to above 86.000 tonnes in 1983, a sharp increase of around 80 per cent. The value of fish landed more than doubled in the same four year period, and amounted to almost K£12 million in 1983 compared with K£4.5 million in 1980.

9.15. Lake Victoria and a few other fresh water lakes and rivers remain the predominant producer areas of fish. Their share in the country's total

QUANTITY AND VALUE OF FISH LANDED, 1979-1983

Table 9.5

	1979	1980	1981	1982	1983*
Quantities *Tonnes:*—					
Freshwater fish—					
Lake Victoria	30,592	26,914	38,179	60,958	70,820
Lake Turkana	13,731	12,384	10,529	11,040	7,860
Other areas	2,075	3,584	2,677	2,019	1,824
TOTAL	46,398	42,882	51,385	74,017	80,504
Marine fish	2,858	4,905	5,546	6,622	5,277
Crustaceans	256	400	384	426	246
Other marine products	801	31	37	68	80
GRAND TOTAL	50,313	48,218	57,352	81,133	86,107
Value K£'000:—					
Freshwater fish	3,708	3,959	6,362	8,447	9,623
Marine fish	625	156	1,486	2,049	1,699
Crustaceans	184	341	338	413	246
Other marine products	139	9	14	80	95
TOTAL	4,656	4,465	8,200	10,989	11,663

*Provisional.

fish landings has been high and rising when compared with that of marine fish landings. In 1980 the share of fresh water fish landing stood at 89 per cent and had increased to 93 per cent in 1983.

9.16. In an attempt to optimise fish production, scientific data on aquaculture management is provided by the fisheries department through its research institutions. In the field of marine fisheries, the Kenya Marine Fisheries Research Institute in collaboration with other research organizations will be investigating the breeding, feeding and migratory habits of the Tuna fish and the effects of marine pollution on the fish population. Anticipated research in fresh water fisheries is expected to include the factors leading to the increase in the Nile perch and the decrease in the tilapia catches in Lake Victoria during the last few years. A programme of the biological control of the *Salvinia Molesta* weed in Lake Naivasha is already in progress. This weed imposes a physical limit of fish population and covers approximately a quarter of the surface water of Lake Naivasha.

9.17. A pilot fish farming development centre will be established at Kabonyo in Kisumu district, with the purpose of experimental production of *Tilapia nilotica* mixed with Chinese carp and common carp. Those species have been recommended because of their breeding and feeding adaptability to local environmental conditions. It is hoped that the success of this project, which will consist of 24 ponds of 2.7 hectares, will go a long way to encouraging field programmes which will help satisfy the country's growing demand for fish.

Mining

9.18. The mining industry experienced a favourable year in production in response to improved mineral export prices and increased demand for basic raw materials in the world markets. Provisional data in Table 9.6 show that mineral output in 1983 increased by over 20 per cent above 1981 and topped 403,000 tonnes. This is a significant recovery reversing the declining trend set in 1981. The value of mineral products similarly rose by over 25 per cent from K£15.9 million in 1982 to K£20.0 million in 1983.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1979-1983

Table 9.6

	1979	1980	1981	1982	1983*
Quantities *Tonnes:*—					
Minerals—					
Soda Ash	..	203,768	157,870	161,310	193,690
Flourspar	..	93,378	90,099	88,726	59,084
Salt	..	48,796	27,796	26,823	83,427
Limestone Products**	..	37,658	33,063	26,646++	26,166
Other	..	35,394	20,052	4.475++	41,059++
TOTAL	..	418,994	328,880	(307,980)	403,426
Value K£'000:—					
Soda Ash***	5,537	9,615	5,884	8,150	11,866
Fluorspar***	1,984	2,871	4,443	5,530	3,182
Salt	698	711	223	630	2,963
Limestone Products	387	570	522	353++	346
Other	2,500	2,300+	1,338+	1,230++	1,613++
TOTAL	11,106	16,067	12,410	15,893	19,970

*Provisional.

**Excluding limestone used as input into cement product.

***Export value only.

++Partial data reflecting production of reporting establishments only.

+Rough estimates only.

9.19. In both quantity and value, soda ash continues to be the principal mining activity. In 1983 the quantity of soda ash mined increased by 20 per cent while in value terms, the increase was 45.6 per cent compared to 1982. Production of fluorspar in 1983 declined by one third from 88,700 tonnes of 1982. Despite this low production due to uncertain world markets, flourspar remains the second most important mineral after soda ash.

9.20. Table 9.7 details average export prices for soda ash and flourspar between 1979 and 1983. The price of soda ash has been on a rising trend since 1979 with a slight drop in 1981 but seems to be stabilising during the last 2 years. In 1983 the average price per tonne of soda ash rose from K£63.5 to K£66.2 or by 4.3 per cent compared to a much higher rise of around 30

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1979-1983

Table 9.1 *K£ per tonne*

	1979	1980	1981	1982	1983*
Soda Ash	25.8	51.2	48.9	63.5	66.2
Fluorspar	33.1	33.1	52.1	62.8	65.6

*Provisional.

per cent between 1981 and 1982. The average price per tonne of flourspar, on the other hand, had a remarkable growth since 1980, but the percentage increase has diminished progressively during the last 2 years. Between 1982 and 1983, the price of flourspar rose by only 4.5 per cent compared to 57.4 per cent and 20.5 per cent in 1981 and 1982 respectively.

9.21. The Mines and Geology Department continued with its mineral exploration programmes including geological and geophysical surveys and mapping in Coast, Western and the Kerio Valley areas among others. The department also intends to undertake evaluation programmes for base metals like lead and silver in the Coast Province and iron, gold, copper, nickel and lead in Western Kenya. Other anticipated activities include rehabilitation of disused mines to prevent soil erosion and environmental degradation.

Resource assessment and monitoring activities.

9.22. In 1983, the Kenya Rangelands Ecological Monitoring Unit (KREMU) completed the first analysis of land use and animal census taken in certain high potential districts of Kenya. The unit has continued to use a combination of satellite imagery, aerial photography, systematic reconnaissance flights and ground surveys to monitor natural resources. The computer-based data management system now includes simple mapping soft-ware provided by the UN Centre for Human Settlements and will soon include the full capabilities of a geographic information system to facilitate district level planning.

9.23. Land-use maps and inventories of major land use types have been completed for the six districts shown in Table 9.8. Similar work is being completed for Busia, Kakamega, Siaya, Nandi, Kiambu, Nyeri, Murang'a, Kirinyaga, Embu, Machakos, Kitui, S. Nyanza, Nakuru and Kericho districts. The analysis of land use patterns and their distribution in selected districts as indicated in Table 9.8 shows that the average area under forest for all the six districts is 15 per cent of their total area. The predominant land use is the agricultural land which comprises on average 62.3 per cent of the total area of the six districts. Kisumu has by far the largest proportion of agricultural land while Bungoma has the highest percentage of forest cover. A

BROAD PATTERNS OF LAND-USE BY DISTRICT, 1983

Table 9.8 *Sq. Km.*

	TYPE OF LAND-USE			Total
	Forest* Land	Agricultural Land	Non-Agricultural Land	
Meru	1,488	4,961	3,473	9,922
Nyandarua	529	2,118	883	3,530
Kisii	175	1,867	154	2,196
Kisumu	–	1,800	293	2.093
Trans-Nzoia	333	1,496	249	2,078
Bungoma	922	2,029	123	3,074
TOTAL	3,447	14,271	5,175	22,893

*Forest includes large areas of trees visible from LANDSAT but excludes small woodlets.

more elaborate study of the pattern of land use is expected to emerge soon after the analysis of the remaining districts is complete. The land use studies form baseline descriptions of districts for monitoring future changes in the land-use patterns and determine the impact of human activity on the land resources.

Livestock Population and Stocking Rates

9.24. New demands for district level planning have prompted KREMU to embark on a programme of providing animal census data on district rather than on an eco-unit basis. In 1983, the animal census covered most of the "high potential" districts situated in the southern half of Kenya. For each district, the average population and stock rates of cattle, sheep and goats, and wildlife were estimated for all available census. Table 9.9 indicates the distribution of livestock population and stocking rates for both livestock and wildlife. The enormous size of Rift Valley has enabled the region to maintain the largest herds of livestock, numbering 2.8 million cattle and 2.9 million sheep and goats, which represents nearly 50 per cent of the country's sheep and goats population. The relatively small and compact Provinces including Western, Nyanza and Central have comparatively small livestock herds. The three Provinces combined account for merely 21 per cent of the country's cattle population, and only 5 per cent of the country's sheep and goats population. The three provinces have, however, a comparatively high livestock stocking rate which is equal on average to that prevailing in Rift Valley. In general, the wettest provinces tend to have the highest stocking rates while the driest regions experience the lowest stocking rates. That phenomenon is, however, not repeated in the distribution of wildlife stocking. The wildlife stocking rate was invariably high in Rift Valley and Coast Provinces, while it remained negligible in Central, Western and Nyanza Provinces where wildlife would have more difficulty in competing for land use.

DISTRIBUTION OF LIVESTOCK POPULATION AND STOCKING RATES BY PROVINCE, 1977-1983

Table 9.9

Province	'000 HEAD		STOCKING RATES (TLU*/SQKM)	
	Cattle	Sheep and Goats	Livestock	Wildlife
Coast	499	511	5.5	4.4
North Eastern	695	1,606	5.9	1.0
Eastern	550	755	10.3	1.3
Central	335	216	21.3	–
Rift Valley	2,831	2,937	26.9	5.4
Nyanza	550	88	32.4	–
Western	326	40	28.4	–
TOTAL	5,786	6,153	18.6	3.0

*Tropical Livestock Unit (equivalent to a 250 kg. animal).

NOTES—

1. Data for Mombasa, Machakos, Nairobi, Kirinyaga and Elgeyo-Marakwet were not available at the time of compilation.
2. Wildlife census were not completed for some districts.
3. The data has not been adjusted for observer bias.
4. Available data has been averaged over the period 1977-1983.
5. Animals housed indoors under zero grazing were excluded.

Other Activities for Preserving the Environment

9.25. The Government continued its emphasis on the need to incorporate environmental considerations in the process of development planning and implementation. In an effort to realise this objective, the National Environmental and Human Settlement Secretariat (NEHSS) continued to make substantial progress in the district environment assessment profiles which are expected to form a basis for efficient resource management at local levels. By the end of 1983, the NEHSS published district assessment reports for five districts-Kajiado, Kitui, Kisii, Nyeri and Murang'a; while similar reports for Nakuru. Kilifi, Kisumu, Bungoma, Kirinyaga and Meru are expected to be published in the course of 1984.

9.26. The scope of NEHSS activities in the acquisition and dissemination of environment information continued in 1983. Apart from a theme paper on human settlements presented in Helsinki, Finland, the Secretariat organized a seminar to review developments in the field in Vancouver, Canada in 1976. The Secretariat also conducted a survey on the use of cheap and locally available building materials, as a result of which a model house was constructed and put on display in the 1983 Nairobi International Show. The Secretariat continues to arouse public awareness in environmental issues through expanded and re-organized library services.

9.27. River basins are important eco-units in which water resources provide tremendous potential for irrigation, fisheries development and the production of hydro-electricity. The Tana and Athi River Development Authority (TARDA) has been responsible for exploiting this potential, mainly in order to satisfy the country's growing demand for electrical energy. The Authority has harnessed the large-scale hydro-power potential of the Tana River where a complex of four major production stations are in operation including Masinga (40mw), Kamburu (84mw), Gitaru (145mw) and Kindaruma (44mw). The construction of a fifth one is scheduled at Kiambere (140mw) while further sites have been identified at Karura, Mutonga, Grand Falls, Usueni, Adamson's Falls and Kora Hill.

9.28. Apart from the production of hydro-electricity, TARDA, jointly with the Ministry of Agriculture, has embarked on a wide range of irrigation programmes. It is estimated that the Tana River basin has an irrigation potential of 200,000 hectares out of which only 16 per cent has been exploited. The Authority intends to boost exploitation of this potential and to undertake detailed studies designed to investigate the potential for expansion of existing schemes including Mwea, Kibirigwi, Mitunguu, Ishiara, Thanantu, Rubingasi and Bura West. Other current and anticipated programmes include fisheries development, catchment management and a series of studies on soil conservation, dams sedimentation and river morphology.

CHAPTER 10—ENERGY

Overall Trends

The fall in the world price of crude oil early in 1983 had a significant impact on the energy situation in the country. Although the fall was not passed on to the consumer, 1983 marked the first year with no price increases for petroleum products since 1978. The demand for petroleum products continued to decline, from 2,284,100 tonnes in 1982 to 2,158,600 tonnes in 1983 and was 34.5 per cent below 1980 when the peak of 3.296,900 tonnes were imported. The share of oil products in total energy consumption fell from 82 per cent in 1980 to 75 per cent in 1983. On the other hand the import bill for petroleum products remained enormous and, at K£342.3 million in 1983, was 52.7 per cent of the total value of exports; in 1980 the ratio was 53.8 per cent. On the other hand domestic generation of electricity increased, by 6 per cent, reflecting a continuation of an upward trend first observed in 1981. Significantly, in spite of below-average rainfall in 1983, there was no load shedding in the system resulting from water shortage because of improved water storage on completion of Masinga Dam. Total energy consumption fell again in 1983 for the third successive year; this time by 5 per cent.

10.2. While in 1980 Kenya's export earnings from coffee and tea, the two major foreign exchange earners, could finance about a half of the nation's oil imports bill, the situation had markedly improved in the last two years: in 1983 about two thirds of the country's oil import bill could be financed from the same source. This has been attained through the reduction in the quantity of oil imported and the improvement in tea earnings in the world market. The devaluation of the Kenya Shilling in 1982 and the appreciation of the US dollar have downplayed this achievement and so in local currency, petroleum is dearer than otherwise could have been the case.

10.3. Table 10.1 gives a comparison in index form of the growth rates of the monetary GDP and consumption of various types of energy. The growth of real monetary GDP in 1983 as compared with the growth in both total energy consumption and consumption of petroleum products, followed the previous year's pattern. For the first time since 1975, the index of fossilised energy fell below the 1976 base figure. The consumption of total energy in the economy dropped by 5 per cent below the 1982 level but still exceeded the 1976 figure by 5 per cent. The growth in the monetary GDP was 38 per cent above the 1976 level. This rapid growth in GDP relative to petroleum products consumption suggests that the economy is reducing dependence on imported fuels.

Petroleum

10.4. The downward trend observed in the previous three years in fuel oil imports continued in 1983 as Table 10.2 shows. Provisional figures for 1983 indicate that 2,158,600 tonnes valued at K£342.3 million was

INDEX NUMBERS OF GROWTH IN MONETARY ECONOMY AND ENERGY CONSUMPTION 1975-1983

Table 10.1 1967 = 100

	Index of Monetary GDP at Constant Prices	Index of Consumption of Oil, Coal and Coke and Electricity	Index of Consumption of Petroleum Products
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	131	119	107
1982	135	110	101
1983*	138	105	92

*Provisional.

imported compared with 2,284,100 tonnes valued at K£327.8 million imported during 1982. This was a decline of 5.5 per cent in quantity coupled with an increase in value of 4.4 per cent. While the imports of crude oil declined in 1983, the quantity of petroleum fuels imported nearly doubled. This was attributable to increased importation of Jet/Turbo fuel as a result of marketing firms being allowed to use their external resources for direct importation. The increased importation of refined petroleum products in 1983 was due to the loss occassioned when two tanks of refined products were destroyed by fire in late 1982.

10.5. The volume of petroleum products exported during 1983 declined too. The quantity exported fell by 26.5 per cent below the 1982 export of 883,100 tonnes. Some optimism may be expressed on the possible increase in the quantities of these products likely to be exported as a result of the recent re-opening of the Kenya-Tanzania border which had remained closed since 1977.

10.6. Although the world price of crude oil actually dropped in 1983, this was not reflected in the local price. The unit price of imported oil increased from K£143 per tonne in 1982 to K£149 per tonne in 1983. This is attributed partly to the devaluation of the Kenya Shilling and partly to the appreciation of the US dollar in which the price of oil is denominated.

10.7. The official average prices of crude oil from different countries remained unchanged for the entire period of March 1983 to March 1984. However, average spot prices were marginally higher in almost all countries except in Iranian medium and Oman crude which were slightly lower.

10.8. The Gulf States which have been the main source of crude oil for Kenya in the past continue to be so. This dominance is caused by the configuration of the refinery at Mombasa which is of hydro-skimming type.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OP PETROLEUM PRODUCTS, 1979-1983

Table 10.2

	QUANTITY ('000 TONNES)					VALUE (K£000))				
	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983*
IMPORTS—										
Crude Petroleum ..	2,471.5	3,075.5	2,611.1	2,162.5	1,940.2	120,085.3	256,582.0	338,132.4	299,805.6	289,456.6
Petroleum Fuels ..	288.3	166.5	85.1	101.6	195.9	20,480.8	19,691.9	8,171.0	22,118.5	45,547.9
Lubricating Oil	47.9	54.8	50.4	20. 0	22.5	5,100.0	919.0	11,719.4	5,774.5	7,247.1
Lubricating Greases	0.1	0.1	0.2			47.5	84.1	127.4	67.0	63.2
TOTAL ..	2,807.8	3,296.9	2,746.8	2,284.1	2,158.6	145,713.6	277,277.0	358,150.2	327,765.6	342,314.8
EXPORTS—										
Petroleum Fuels ..	1,001.7	1,581.8	1,169.5	868.0	630.8	68,138.3	150,557.5	152,283.8	141,680.9	118,239.0
Lubricating Oils ..	33.9	35.5	15.8	14.7	17.1	8,311.3	9,976.6	5,499.3	7,056.5	9,645.7
Lubricating Greases	1.3	1.1	0.5	0.4	0.9	409.8	350.7	232.2	250.5	487.8
TOTAL	1,036.9	1,618.4	1,185.8	883.1	648.8	76,859.4	160,884.8	158,015.3	148,987.9	128,942.3
NET BALANCE	1,770.9	1,678.5	1,561.0	1,401.0	1,509.8	68,854.2	116,392.2	200,134.9	178,777.7	213,942.3

*Provisional

The plant processes only certain crude oils which are mainly from the Gulf States. The crudes are light and have to be blended with heavy types, also imported from the same region, to produce the compounds suitable for both domestic and export markets.

PRICES OF CRUDE OIL IMPORTED BY TYPE, DECEMBER, 1980 TO DECEMBER, 1983

Table 10.3 *US$ per Barrel*

Crude Oil Type	December 1980	December 1981	December 1982	December 1983
Arabian Light	32.00	34.99	34.00	29.00
Arabian Medium	31.45	33.00	32.40	27.30
Arabian Berri	–	–	–	29.52
Arabian Heavy	31.00	31.50	31.00	26.00
Iranian Light	35.37	34.60	31.20	28.00
Iranian Medium	34.37	33.40	29.30	27.10
Qatar Marine	31.23	35.50	34.30	–
Qatar Durkhan	31.42	35.65	34.49	29.49
Kuwait	29.50	33.00	32.30	27.30
Zakum	31.46	35.60	34.46	29.46
Basrah	29.96	34.71	34.21	–
Murban	31.56	35.70	34.56	29.56
Dubai	31.93	33.86	33.86	
Abu Bukhoosh	28.75	35.75	–	–
Oman	30.20	36.00	34.00	29.00
Average	31.44	34.52	33.08	28.40

10.9. Saudi Arabia continues to be the largest single source of Kenya's crude oil but its dominance of the market is eroding. Of the total crudes imported in 1983, 31 per cent originated from Saudi Arabia. In 1980 around 53 per cent of total crude imports originated from this same country. Table 10.4 illustrates the continued diversification of the sources of the crudes. Murban which had a negligible share in the total crude oils imported up to 1980 came into prominence in 1981. This is the second largest source after Saudi Arabia, accounting for 22 per cent, 23 per cent and 26 per cent in 1981, 1982 and 1983, respectively, of the total crudes in this period.

10.10. Table 10.5 gives the output of petroleum products from the Kenya Petroleum Refinery, Mombasa. In line with the decline in quantity of crude oil imported, the outputs of the refinery on the whole have also been declining steadily since 1981. Light diesel oil produced in 1983 increased by 3 per cent over 409,000 tonnes in 1982. Production of regular gasoline was up and registered 14 per cent increase in 1983 as compared with 1982 production of 139,600 tonnes. However, the production of premium motor gasoline fell sharply by 23 per cent below the 1982 level due to the decreased demand. For the Nairobi market, premium gasoline is blended with power alcohol to produce gasohol which is currently being used on a trial basis. Apart from the large decline in gasoline, other products such as illuminating

CRUDE OIL INTAKE BY TYPE, 1979-1983

Table 10.4 '000 *tonnes*

Crude intake	A.P.I. Gravity	1979	1980	1981	1982	1983*
Arabian Light	43.4	1,068.2	876.0	385.2	699.8	281.6
Arabian Medium	31.0	166.2	673.2	658.7	40.9	67.0
Arabian Heavy ..	27.9	–	73.5	75.5	198.1	208.3
Arabian Light Spike Crude	–	–	–	–	73.6	
Arabian Light Berri	–	–	—	–		57.9
Iranian Light	33.9	123.6	–	67.5	53.8	242.1
Iranian Medium		370.7	92.6	65.7	65.3	97.8
Qatar Marine	36.7	379.9	523.6	34.2		
Qatar Durkhan	41.2	–	52.0	52.6	64.8	64.6
Kuwait	32.0	185.3	383.9	67.5	53.4	53.5
Zakum	40.1	257.4	292.9	50.9	81.3	226.2
Basrah	34.1	120.1	–	–		
Murban	39.6	–	63.8	584.7	522.0	520.2
Dubai	32.4	–	–	66.8		—
Abu A1 Bukhoosh	–	57.2	–	–		
Oman	–	–	–	195.0	199.2	100.7
Suez Mix	–	–	–	–	212.9	64.4
Slops	–	10.5	7.1	4.5**	3.6**	0.9
TOTAL ..	—	2,739.1	3,038.6	2,708.8	2,268.6	1,985.4

*Provisional.

**Estimated.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1979-1983

Table 10.5 '000 *tonnes*

	1979	1980	1981	1982	1983*
OUTPUT—					
Liquefied petroleum gas	21.0	24.1	22.3	20.0	20.3
Motor gasoline premium	223.5	274.4	213.9	182.8	141.2
Motor gasoline regular	147.6	154.6	155.4	139.6	159.4
Illuminating kerosene	426.2	436.5	474.8	378.0	326.6
Jet/turbo fuel					
Light diesel oil	463.1	523.8	466.6	409.0	419.3
Heavy diesel oil					
Marine diesel oil	111.5	84.7	68.2	54.7	28.9
Fuel oil	862.7	851.3	647.6	619.2	604.6
Export residues	362.5	561.4	542.3	347.3	191.5
Bitumen	36.7	31.0	33.1	29.3	26.3
Intermediates	0.9	-0.4	-3.2	4.8	-2.1
Refinery usage	109.6	97.2	87.8	84.0	69.4
THROUGHPUT=TOTAL OUTPUT	2,739.1	3,038.6	2,708.8	2,268.6	1,985.4

*Provisional.

**Excludes lubricants.

kerosene and Jet/Turbo fuel, marine and heavy diesel oil, fuel oil, bitumen and export residues, all showed milder decreases. Despite decreases in 1983, fuel oil continued to be the dominant product, accounting for about 30 per cent of total products. Export residues tumbled by 45 per cent below the 1982 figure, as a result of the recent revamping of the refinery to render it more efficient in its fuel processing.

10.11. A proportion of fuel output from the Kenya Petroleum Refinery is exported to neighbouring states. The proportion of exported products has steadily decreased since 1973, this has been a consequence of domestic sales proportionately increasing during the whole period covered in Table 10.6. Export sales dropped by 26.5 per cent from 883,100 tonnes to 648,800 tonnes in 1983. This follows almost a similar drop in 1982. There is, however, a general revival of economic activity in the region and with the recent reopening of the Tanzania border, the slide in export sales is set to be reversed.

SALES OF OIL REFINERY PRODUCTS, 1979-1983

Table 10.6 *Percentage*

Year	Domestic	Export	Total
1979	62.5	37.5	100.0
1980	52.8	47.2	100.0
1981	58.8	41.2	100.0
1982	64.3	35.7	100.0
1983	79.2	20.8	100.0

10.12. The downward slide in the total domestic sales of petroleum products which started in 1981 continued in 1983. Domestic sales dropped in 1983, by 8 per cent below 1982, and were 18 per cent below the peak of 1,671,000 tonnes reached in 1980. This trend concurs with the Government policy which encourages more consumption of domestic source-based energy as opposed to imported fossilised energy. Sales of all the petroleum products, except aviation spirit and light diesel oil, shrunk during 1983 as compared with the 1982 figures as shown in Table 10.7. Sales of light diesel oil increased by 4 per cent over 373,100 tonnes sold in 1982. The upturn in sales of this particular product is due to the present shift to more diesel-propelled vehicles. Another factor is the increased use by marine for both fishing and transportation purposes. The decline in the sales of motor gasoline, of 5 per cent below the 269,300 tonnes in 1982, brings out clearly the positive effects of the current conservation efforts.

10.13. For the first time, the index of total petroleum products consumed was below the 1976 consumption. Taking 1976 as the base, the index reached its peak in 1980 when the total consumption of petroleum products was

PETROLEUM SUPPLY AND DEMAND BALANCE, 1979-1983

Table 10.7 '000 *tonnes*

	1979	1980	1981	1982	1983+
DEMAND-					
Liquefied petroleum gas	20.2	21.5	21.1	20.9	19.9
Motor spirit premium and regular ..	302.0	300.8	298.5	269.3	256.4
Aviation spirit	5.4	5.6	6.1	6.1	6.1
Jet/turbo fuel*	330.1	347.9	343.5	281.8	250.1
Illuminating kerosene	89.3	85.6	88.6	82.2	81.8
Power kerosene	0.2	0.1			
Light diesel oil	349.2	408.5	375.6	373.1	388.9
Heavy diesel oil	30.9	38.9	30.7	27.6	23.2
Fuel oil	432.4	462.1	420.4	48.3	346.7
TOTAL	1,559.7	1,671.0	1,584.5	1,489.3	1,373.0
Refinery usage	109.6	97.2	87.8	84.0	69.4
TOTAL DOMESTIC DEMAND	1,669.3	1,768.2	1,672.3	1.573.3	1,442.4
Exports of Petroleum fuels	1,001.7	1,581.8	1,169.5	868.5	630.8
TOTAL DEMAND	2,671.0	3,350.0	2,841 .8	2,441.3	2,181.2
SUPPLY—					
Imports:					
Crude oil	2,471 .5	3,075.5	2,611.1	2,162.5	1,940.2
Petroleum fuels	288.3	166.5	85.1	101.6	195.9
TOTAL	2,759.8	3,242.0	2,696.2	2,264.1	2,136.1
Adjustment**	-88.8	108.0	145.6	-177.2	-62.9
TOTAL SUPPLY	2,671.0	3,350.0	2,841.8	2,441.3	2,073.2

*Includes about 80 per cent of its total sales to foreign airlines at airports in Kenya.

**Adjustment for inventory changes and losses in production.

+Provisional.

nearly 15 per cent above the base year consumption as is shown in Table 10.8. Since then, the indices have been on the decline and in 1983 recorded 6 per cent below the 1976 level. The consumption index of illuminating kerosene was the highest of all the products in 1983 which underlines its continued importance as a source of energy in the domestic sector. It still showed a decline of 4.1 per cent below the 1982 index. The consumption of motor spirit has been decreasing since 1979.

10.14. Table 10.9 shows net domestic sales of petroleum fuel by consumer category for the five year period to 1983. Fuel sales of 45,500 tonnes to the agricultural sector during 1983 were little changed from the 1982 level. The same trend was also observed in fuel sales to railway transport where 40,900 tonnes was sold in 1983 as compared with 41,900 tonnes in 1982.

INDEX OF PETROLEUM PRODUCTS BY CONSUMPTION, 1979-1983

Table 10.8 1976=100

PRODUCT	1979	1980	1981	1982	1983*
Liquefied petroleum gas	137.4	146.3	143.5	142.2	135.3
Motor spirit: Premium and Regular	125.3	124.8	123.9	111.7	94.8
Aviation spirit	94.7	98.2	107.0	107.0	105.2
Jet/Turbo fuel	108.2	114.0	112.5	92.3	81.9
Illuminating kerosene	167.9	160.9	166.5	154.5	148.2
Power kerosene	–	–	–	–	–
Light diesel oil	121.1	141.7	130.3	129.4	135.5
Heavy diesel oil	69.1	87.0	68.7	61.7	47.9
Fuel oil..	85.9	91.8	83.5	85.4	68.9
TOTAL	107.1	114.7	108.8	102.4	94.3

*Provisional.

There was an increase in sales through the retail pump outlets to the extent that the 1983 sales matched those of 1980. The highest increase was recorded in marine fuel sales where 201,700 tonnes was utilised in 1983 as compared with 144,100 tonnes in 1982, an increase of 40 per cent. Other user categories registered low fuel consumption during 1983 with power generation taking only 43,600 tonnes, less than a half the 1982 level. This was as a result of improved harnessing of hydro-electricity after the completion of Masinga Dam.

NET DOMESTIC SALES OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1979-1983

Table 10.9 '000 *tonnes*

USER	1979	1980	1981	1982	1983*
Agriculture	77.2	69.1	71.9	45.8	45.5
Retail pump outlets and road transport	453.4	520.8	515.7	507.4	520.5
Rail Transport	50.6	70.7	45.2	41.9	40.9
Tourism	–	–	–	8.5	8.0
Marine (Excl. Naval Forces)	248.5	142.4	182.0	144.1	201.7
Aviation (excl. Government)**	336.4	372.1	349.6	283.2	250.6
Power Generation	92.6	150.7	109.9	95.6	43.6
Industrial, Commercial and Other	418.1	497.3	464.0	445.2	416.0
Government	66.2	92.5	95.3	51.2	47.7
Balancing Item	-183.3	-244.6	-249.1	-132.1	-201.6
TOTAL	1,559.7	1,671.0	1,584.5	1,490.7	1,373.0

*Provisional.

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

10.15. The off-pump retail prices of motor spirits in Nairobi remained unchanged throughout 1983. Nairobi pumps were also selling gasohol instead of premium motor spirit. The drop in the posted price of crude petroleum from US$33.1 to US$28.7 per barrel in March 1983 did not lower retail prices as already explained. However, for the first time since 1978, there were no increases in the prices of petroleum products within a calender year. Tables 10.10 and 10.11 give the major highlights.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973-1983

Table 10.10 — *KSh. per tonne*

	30-9-1973	10-7-1981	5-11-1981	3-12-1982	3-12-1983	Ratio 1983/73 (per cent)
Liquefied petroleum gas	2,060	4,946	6,050	5,060	6,050	293.7
Premium motor gasoline	1,551	8,489	9,434	10,116	10,116	652.2
Regular motor gasoline	1,468	8,122	9,037	9,738	9,738	663.4
Illuminating kerosene	736	2,994	4,205	4,333	4,333	588.7
Power kerosene	763	4,572	5,571	5,954	5,954	780.3
Light diesel oil	892	4,824	5,529	5,886	5 886	659.9
Industrial diesel oil	471	2,943	3,666	3,666	3,666	778.3
Fuel oil	334	1,751	2,180	2,419	2,419	724.3

*Including duties and sales taxes.

Electricity

10.16. The total installed capacity of electricity dropped slightly to 543.7 MW in 1983, or a 2 per cent fall below the 1982 capacity. This was caused by commissioning the 220 KW Interconnector to Mombasa, which led to a reduction in the installed capacity of thermal oil generation from 171.6 MW in 1982 to 160.2 MW in 1983. The installed capacity for both hydro and geothermal remained unchanged during 1983—being 353.5 MW and 30 MW, respectively. Four more geothermal wells were completed at 01 Karia during 1983 and the drilling of two other wells was at an advanced stage.

NAIROBI RETAIL PRICES, 1979-1983

Table 10.11 — *KSh. per litre*

Date	MOTOR SPIRIT		Gas Oil
	Premium	Regular	
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	6.15	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
3-12-83	8.00(Gasohol)	7.52	6.48

10.17. Hydro power continued to be the dominant domestic source of electricity in 1983. Out of 1,904.0 GWH generated during 1983, hydro power accounted for 78 per cent; geothermal accounting for 14 per cent; and thermal oil, 8 per cent. The reducing share contributed by thermal oil source is in line with the Government objective of reducing the country's hitherto heavy dependence on imported oil. This trend is discernible in Table 10.12. With the increasing geothermal and hydro power contributions of the total electricity requirement, the share of thermal oil is expected to decline further.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1979-1983

Table 10.12

	INSTALLED CAPACITY* MW**				GENERATION* GWH+		
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal	Total
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
1983	353.5	160.2	30	543.7	1,478.0	426.0	1,904.0

*Includes estimates for industrial establishment with generation capacity.

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

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

10.18. In spite of the below average rainfall in 1983, there was no load shedding in the interconnected system arising from water shortage due to the improved water storage after the completion of the Masinga Dam. There was, in fact, an increase of 6 per cent in hydro power generated in 1983, compared with the previous year's levels. Due to the increased geo-thermal-generation, there was an improvement of 5 per cent in the thermal power output in 1983 above the 407 GWH generated in 1982.

10.19. Net electricity generated registered an increase of 5 per cent in 1983 over, 1,773 million KWH realised in 1982, as shown in Table 10.13 The total number of units consumed increased from 1,985 million KWH in 1982 to 2,041 million KWH in 1983, an increase of 2.8 per cent compared with 3.4 per cent rise recorded in 1982. This shows a positive effect of the Government's appeal for more economical use of energy. Large commercial and industrial consumers continued to account for nearly two-thirds of total electricity consumed, a trend which has prevailed for the last five years. Both off-peak and street lighting consumption showed declines of 4 per cent and 9 per cent, respectively, during 1983, another pointer to the success of conservation measures. The supply from Uganda dropped by 15 per cent in contrast with the 9 per cent increase registered in 1982.

10.20. The optimism expressed in 1982 about the likely increase in demand in electricity in future had not been realised by the end of 1983. Now there are signs that this may happen in the near future with improved economic conditions. The energy demand in the industrial sector has shown steady increase since 1979 when in was 961 million KWH, to 1,144 million KWH in 1983 as reflected in Table 10.13. Many manufacturing firms now use more electricity and less oil fuel mainly to cut down on their power expenditure.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1979-1983

Table 10.13 *million KWH*

	1979	1980	1981	1982	1983
DEMAND—					
Domestic and Small Commercial	385	402	438	455	484
Large Commercial and Industrial	961	1,014	1,096	1,121	1,144
Off-peak	123	111	118	114	109
Street Lighting	10	11	11	11	10
TOTAL	1,479	1,538	1,663	1,701	1,747
Transmission losses and unallocated demand	223	238	256	284	294
TOTAL DEMAND—TOTAL SUPPLY	1,703	1,776	1,919	1,985	2,041
of which imports from Uganda	160	315	194	212	179
Net generation	1,543	1,461	1,725	1,773	1,862

Total Energy Supply and Demand

10.21. Table 10.14 shows the dominant role played by imported fuel in the commercial sector. Out of 1,931,100 tonnes of oil equivalent consumed in 1983, the quantity imported was 1,639,300 tonnes of oil equivalent, or 85 per cent compared with 75 per cent for 1982. The total energy production has been rising since 1980 and increased by 5.8 per cent from 1982 to 1983. Then the total domestic energy production was 354,700 tonnes of oil equivalent.

10.22. Coal consumption which declined during 1982 to 75,000 tonnes oil equivalent rose again to 91,000 tonnes oil equivalent in 1983. This was due to its increased use for cement production. Despite increased coal consumption in the last three years, its share in total energy consumption has remained low: only 5 per cent in 1983. Swaziland and Mozambique which have historically been Kenya's major source of coal remain the main suppliers with the former supplying over 65 per cent since 1981. Major obstacles

encountered in the utilisation of coal in industry are lack of stimulus and inadequate marketing infrastructure. Studies are underway to determine the possibility of increasing the use of coal in industry.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY* EXPRESSED IN TERMS OF PRIMARY SOURCES, 1979-1983

Table 10.14 '000 *Tonnes Oil Equivalent*

	1979	1980	1981	1982	1983+
COAL AND COKE CONSUMPTION*	60.0	60.0	91.2	75.0	91.0
OIL—					
Imports of crude oil	2,471.5	3,075.5	2,611.1	2,165.5	1,940.2
Net exports of petroleum fuels	713.4	1,415.3	-1,084.4	-766.2	-434.9
Stock changes and balancing item	-88.8	108.0	145.6	-177.2	-62.9
TOTAL CONSUMPTION OF LIQUID FUELS	1,669.3	1,768.2	1,672.3	1,573.3	1,442.4
HYDRO ENERGY—					
Local production of hydro-power	314.0	254.4	331.4	335.3	354.7
Imports of hydro power	38.4	75.6	46.6	50.9	43.0
TOTAL CONSUMPTION OF HYDRO-ENERGY	352.4	330.0	378.0	386.2	397.7
TOTAL LOCAL ENERGY PRODUC-TION	314.0	254.4	331.4	335.3	354.7
TOTAL IMPORTS	1.856.5	1,795.8	1,664.5	1,522.8	1.639.3
Use of stock and balancing item	-88.8	108.0	145.6	177.2	-62.9
TOTAL ENERGY CONSUMPTION	2,081.7	2,158.2	2,141.5	2,034.5	1,931.1
LOCAL PRODUCTION AS PER-CENTAGE OF TOTAL	15.1	11.8	15.5	16.5	18.4
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	136	135	126	10.8	103

* Modern sector only: fuelwood and charcoal are excluded.

+Provisional.

10.23. The total consumption of energy declined by 5 per cent during 1983, the same decline recorded in 1982. Oil consumption showed a steeper decline of 8 per cent in 1983 compared with 6 per cent in 1982. This trend portrays the success of a demand side approach which is to ensure an efficient end-use as opposed to a supply side approach which only controls the supply of energy from the source.

Household Energy Use

10.24. The three main types of energy used by households are paraffin, charcoal and fuel-wood. Charcoal which is a semi-commercial source of energy is used mainly by low and middle income urban residents. Apart from paraffin which is a commercial energy source, fuel-wood and charcoal are the traditional source of energy and their prevailing market prices have little effect on their aggregate demand. Their consumption is mainly regulated by the ease of gathering them. Charcoal is used for cooking and heating, while paraffin is used mainly for cooking and lighting. Fuel-wood is a multi-purpose resource used for cooking, heating, lighting etc., in rural areas. Though fuel-wood is the indigenous source of energy consumed by over 80 per cent of Kenyans living in the rural areas, its extensive use results in depletion of trees with adverse ecological consequences such as soil erosion, siltation of rivers, and negative effects on water-catchments. Out of 14.7 million tonnes of fuel-wood consumed in 1983, rural households accounted for 12.9 million tonnes—a fact that further emphasises the role played by fuel-wood as a main source of energy in the rural areas.

10.25. Charcoal is used by about 83 per cent of urban households, the majority of whom fall in the lower and middle income groups. Since both fuel-wood and charcoal compete with industrial wood for saw-milling, the combined demand is likely to exceed supply. The result is an inevitable energy scarcity in some rural areas which is a major concern. The policies that the Government intends to pursue to ease this situation are to be found in the current Development Plan.

CHAPTER 11—MANUFACTURING

Growth in the manufacturing sector improved significantly in 1983, with the volume of output rising by 4.5 per cent, compared with a revised growth rate of 2.2 per cent in 1982. This increase remains below the target of 9 per cent of the Fourth Development Plan (1979-1983) but is in line with the 3 per cent target for 1984 in the Fifth Plan (1984-1988). The country continued to face the problem of depressed demand for exports in world markets and the level of domestic demand for locally manufactured goods remained low relative to the rising prices of these goods. Cutbacks in Government spending may have also been an inhibiting factor. In all, however, an improvement in the availability of foreign exchange during 1983, the reduction of import duties on certain imported raw materials and the expeditious measures taken to process import licence applications permitted the modest increase in the output of the manufacturing sector during the year. The reopening of the border with Tanzania will also facilitate the flow of exports of Kenya's manufactures not only to Tanzania but also to the countries lying further South and West of it.

11.2. Increases in output were recorded by many industries in 1983, with meat and dairy products, rubber products, tobacco, canned vegetables, fish, oils and fats all registering increases above 20 per cent. Notable declines in output were recorded for wood and cork products, and grain mill products. The food processing industry, which had registered a 3.2 per cent increase in output the previous year, continued with the upward trend in 1983 when it registered a growth of 5.8 per cent.

11.3. Despite an improvement in the availability of raw materials resulting from improvements in the foreign exchange position, many manufacturing concerns have not been able to fully utilise installed capacities thus hampering them from reducing their costs. Although the overall wage employment in the industry grew by 1.3 per cent in 1983, which was higher than the increase of 0.3 per cent attained in 1982, it was still below the rise of 3.4 per cent in 1981. Total wage earnings in the modern manufacturing sector grew from K£136 million in 1982 to K£149 million, or by 9.8 per cent, which was also lower than the 11.5 per cent rise experienced in 1982.

11.4. The Business Expectations Enquiry (BEE), which covers a sample of manufacturing industries, showed that the current value of industrial sales increased by 18.1 per cent in 1983, compared with a rise of 9.4 per cent in 1982. The largest increases were registered by the miscellaneous manufactures, transport equipment, plastic products, wood and cork products basic industrial chemicals, metal products and food processing industries. As indicated earlier, the real output of some of these products declined so that these increases in sales value can only be attributable to price increases. Groups of products which showed decreases in value of sales include

leather and leather products, non-electrical machinery, printing and publishing. The remaining industries registered relatively modest increases in value of sales. The value of domestic manufactured exports increased by 10.5 per cent in 1983 against a rise of 13.1 per cent in 1982. Stocks in the manufacturing sector at December, 1983 rose by 8.9 per cent from K£330 million in 1982 to K£359 million in 1983.

Changes in Production in 1983

11.5. As shown in Table 11.1, the estimated value added at current factor cost of manufacturing in 1983 increased to K£429 million from K£391 million in 1982, a rise of 9.7 per cent. The current-price value of output increased by 18.1 per cent compared with an increase of 13.9 per cent recorded for 1982. But there was also an increase in the value of intermediate consumption of 20 per cent over 1982.

MANUFACTURING SECTOR—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES*
1981-1983

Table 11.1 *K£million*

	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1981**	1,804	1,457	347	122
1982***	2,054	1,663	391	136
1983+	2,425	1,996	429	149

*Includes tea processing.
**Revised actual.
***Revised provisional.
+Early Estimates.

11.6. Table 11.2 shows detailed indices of manufacturing output for the period 1981-83. The rates of increase in the output of individual manufacturing sub-sectors varied widely. As pointed out above, despite the stagnating domestic demand for local manufactured goods, the growth rate of 4.5 per cent in 1983 was an improvement over that attained during the previous year. This upward trend signals a recovery by the manufacturing sector, particularly through the reactivation of existing idle capacity.

11.7. Notable large increases in output of meat and dairy products, canned vegetables, fish, oils and fats and bakery products in 1983 pulled up overall growth rate of enterprises engaged in food processing from a revised figure of 3.2 per cent in 1982 to 5.8 per cent. This was, however, moderated by relatively big decrease in grain mill products and a modest decline in miscellaneous food products.

11.8. The output of processed meat continued its upward trend. In particular, beef production increased from 9,783 tonnes in 1982 to 18,050 tonnes in 1983. The Kenya Meat Commission (KMC) continued receiving increased deliveries of cattle, sheep and lamb during 1983. These were in response

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1981-1983

Table 11.2 1976 = 100

	1981*	1982*	1983*	Percentage 1983/1982*
Meat and Dairy Products	55.6	62.6	80.2	+28.2
Canned Vegetables, Fish, Oils and Fats	150.3	152.0	183.5	+20.8
Grain Mill Products	145.7	176.6	154.4	-12.6
Bakery Products	69.1	93.4	111.8	419.7
Sugar and Confectionery	172.9	144.8	153.0	+5.7
Miscellaneous Foods	116.8	128.4	121.7	- 5.2
Food Manufacturing	109.4	112.9	119.5	+5.8
Beverages	141.8	127.9	117.2	-8.0
Tobacco	134.8	142.9	174.2	+21.9
Beverages and Tobacco	137.0	129.3	128.3	- 0.8
Textiles	169.9	134.0	146.8	+9.6
Clothing	379.8	388.5	406.8	+4.7
Leather and Foot Wear	111.0	92.8	93.1	+0.3
Wood and Cork Products	125.4	131.9	109.6	-16.9
Furniture and Fixtures	77.5	64.9	67.1	+3.4
Paper and Paper Products	135.5	142.8	129.5	-9.3
Printing and Publishing	243.7	268.5	284.1	+5.8
Basic Industrial Chemicals	159.3	166.5	150.5	-9.6
Petroleum and Other Chemicals	207.3	187.4	196.6	+4.9
Rubber Products	203.8	152.6	195.0	+27.8
Plastic Products	176.7	163.8	176.6	+7.8
Clay and Glass Products	198.2	181.5	216.8	+19.4
Non-Metallic Minerals	125.0	124.7	122.2	-2.0
Metal Products	118.3	89.2	97.4	+9.2
Non-Electrical Machinery	102.5	97.7	100.1	+2.4
Electrical Equipment	142.6	139.7	138.2	-1.1
Transport Equipment	788.3	774.1	904.2	+16.8
Miscellaneous Manufactures	146.8	107.9	118.8	+10.1
Total Manufacturing	153.1	156.5	163.6	+4.5

*Provisional.

to strong domestic demand and, indeed, Kenya had to import 3 tonnes of canned beef, while exports of canned beef decreased from 2,072 tonnes in 1982 to 1,748 tonnes in 1983. The production of liquid milk rose from 260 million litres in 1982 to 304 million litres in 1983. There was also an increase in the domestic output of animal ghee and dried whole milk powder, which offset decreases registered for butter, ice cream, baby foods and cheese. There was a good domestic demand for milk products and also a ready export market, particularly to Yemen, Oman and the Netherlands. All these factors combined resulted in an overall increase of 28.2 per cent for the meat and dairy products industry in 1983, compared with a revised figure of 12.6 per cent in 1982.

11.9. The output of canned vegetables, fish, oils and fats increased by 20.8 per cent in 1983 compared with an increase of only 1.1 per cent in 1982. Declines in the output of canned vegetables, edible oils, fruits and vegetable juices were offset by relatively large increases in the output of edible fats and canned fruits. Output of canned fruits rose from 94.244 tonnes in 1982 to 132,634 tonnes in 1983. Although the Pan-African vegetable products plant in Naivasha remained closed in 1983, output from the Kenya Orchards continued to increase. This industry will receive an export boost as a result of the Danish trade promotion delegation to Kenya in 1983, which indicated that Denmark will start importing fruits and vegetables from Kenya.

11.10. Despite increased deliveries of cereals to the National Cereals and Produce Board (NCPB) in 1983, output of grain mills declined. Increases in the prices of maizemeal and whole wheat flour may have adversely affected domestic demand. This, coupled with a decline in the importation of unmilled wheat, may help explain the relatively large decrease of 12.6 per cent registered by grain mill products in 1983, following a 21.2 per cent increase in 1982. Maizemeal production alone fell from 337,003 tonnes in 1982 to 227,545 tonnes in 1983, or by a third. This industry was to benefit from a Sh. 538 million loan from the European Economic Commission (EEC) as a crop procurement fund to assist NCPB to buy produce from farmers and thus help millers work nearer full capacity. Table 11.3 gives details of the output of the main grain mill products for 1979 through 1983. The output of whole rice increased but that of broken rice decreased during 1983.

PRODUCTION OF GRAIN MILL PRODUCTS, 1979-1983

Table 11.3 '000 *tonnes*

Year	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
1979 ..	255.7	141.7	22.6	1.7
1980 ..	276.5	191.4	23.4	2.0
1981 ..	209.2	316.6	23.2	3.4
1982*	337.0	266.7	19.4	1.3
1983**	227.5	271.7	21.8	0.7

*Revised.

**Provisional.

11.11. The output of scones and biscuits fell in 1983. While the production of cakes remained at the 1982 level, that of bread continued rising in response to growing domestic demand. Output of bread increased by 22.4 per cent from 147,602 tonnes in 1982 to 180,621 tonnes in 1983. The relatively large increase in output of bread accounts for the increase of 19.7 per cent in 1983 for the bakery products group.

11.12. The output of sugar and confectionery increased by 5.7 per cent in 1983. This follows a revised decline of 16.3 per cent recorded in 1982. The rise is accounted for by increase in local production of sugar, which rose by 5.5 per cent from 308 thousand tonnes in 1982 to 325 thousand tonnes in 1983.

11.13. The miscellaneous foods group, which includes coffee and lea processing, cashew nuts, animal feeds and salt, registered a 5.2 per cent decrease in output. There were notable declines in the output of milled and roasted coffee which, accounted for the modest decline of output in this sector. However, there was good export demand for animal feeds, particularly to the United Arab Emirates and Botswana. Exports of animal feeds increased substantially from 11,706 tonnes in 1982 to 32,599 tonnes in 1983.

11.14. Notwithstanding the large increase of 21.9 per cent recorded for tobacco production, the combined output of beverages and tobacco fell by 0.8 per cent in 1983, against a decrease of 5.6 per cent in 1982. The closure of the Nairobi plant by Kenya Breweries for the production of stout, the increase in sales tax announced in December 1982 and the subsequent increase in prices of beverages and tobacco help to explain the stagnation in output for this group of products. Tobacco products, however, continue to enjoy good domestic and export demand. The quantity of cigarettes exported increased from 165 tonnes in 1982 to 669 tonnes in 1983. Details on the output of individual products appear in Table 11.4.

PRODUCTION OF BEVERAGES AND TOBACCO, 1979-1983

Table 11.4

Year	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	*000 *litres*	*Million litres*	*Million litres*	*Million*
1979 ..	415.7	212.7	127.9	4,554
1980	463.0	232.4	142.9	4,556
1981 ..	609.8	248.3	171.8	4.972
1982 ..	458.1	233.7	137.8	4,904
1983*	510.3	217.5	118.8	5.584

•Provisional.

11.15. The output of the textile industry registered an increase of 9.6 per cent in 1983, a large improvement when compared with the 21.1 per cent fall recorded in the previous year. There were substantial increases in the local production of cotton and wollen woven fabrics, towelling materials, knitted fabrics, ropes and twines, and ginned cotton. Import restrictions on textiles, the reopening of the Kisumu Cotton Mills (KICOMI) and

improved access to import licences for raw materials help to explain the increase in output. The Kenya Textiles Training Institute under consruction will help this industry by training personnel to make high quality products which will compete favourably both in the domestic and export markets. Further, the industry will benefit from a K£75 million programme of balancing, modernisation and expansion during the 1984-1988 Plan period. An additional nine new garment factories to be established during the 1984-88 Plan period will help satisfy domestic demand and build up exports.

11.16. The output of the clothing industry continued to increase, with the volume of output rising by 4.7 per cent in 1983 against 2.3 per cent in 1982. Production of trousers alone rose from 101,368 dozen in 1982 to 118,763 dozen in 1983. A good export demand, particularly for men's outer garments and knitted undergarments to Uganda, Zaire and Sudan, contributed to the modest increase in output of the clothing industry. A large-size weaving complex is to be established during the 1984-1988 Plan period to supply quality cloth to the garment factories.

11.17. Increases in output of both finished and unfinished leather account for the slight increase of 0.3 per cent in the leather and footwear industry. Exports of footwear declined, however, from 324,499 pairs in 1982 to 237,721 pairs in 1983. During the 1984-1988 Plan period two large size wet blue plants will be established to process the hide output of the Kenya Meat Commission abattoirs.

11.18. The ban on the felling of trees affected the timber industry as many saw mills closed down. The output of sawn timber in particular declined by 16.9 per cent in 1983 thus helping explain the same proportionate decrease in the output of the wood and cork products group, following a rise of 5.2 per cent in 1982. The output of wooden furniture and fixtures, however, increased by 3.4 per cent in 1983, mainly reflecting good domestic demand.

11.19. The output of the paper and paper products industry recorded a 9.3 per cent fall in 1983. Notable decreases in output were recorded in production of kraft paper, wrapping paper, paper bags and sacks, cartons and cardboards. There were small increases in the output of duplicating paper, toilet paper and cream wooven paper. This industry will get a boost from the recently installed plant in Mombasa to produce bitumen-based roofing products, that will require as one of its raw materials a special paper board produced in Webuye.

11.20. A greater proportion of materials used for printing and publishing were produced locally in 1983. Local production of paper rose from 23,865 tonnes in 1982 to 25,249 tonnes in 1983. As a result, the output of the printing and publishing industry rose by 5.8 per cent in 1983. There were no imports of newsprint during the year and the country earned a small amount from exports of newsprint to Rwanda and Uganda.

11.21. The production of basic industrial chemicals fell by 9.6 per cent in 1983 after a rise of 4.5 per cent in 1982. Apart from increases in the output of fertilizer, wattle extract, herbicides, vaccines and pyrethrum powder; all other products registered declines resulting in an overall decrease in output. In particular, output of pyrethrum extract fell from 764 tonnes in 1982 to only 270 tonnes in 1983 due to declining export demand. Recently, East African Oxygen Limited made a Sh. 80 million expansion of their factory in Nairobi to manufacture argon for export.

11.22. Growth rates for individual products of "Petroleum and Other Chemicals" industry varied widely. Overall, the industry recorded an increase of 4.9 per cent in 1983, a recovery after the fall of 9.6 per cent in 1982. The reduced importation of crude petroleum by 10 per cent during the 1982/83 fiscal year and shortages of foreign exchange in the earlier part of 1983, and reduced export demand for petroleum products account for the decreases in the quantity of petroleum refined in 1983. A general reduction in prices of some cleansing products increased local demand for these products, leading to an increase in 1983 of the output of laundry soap, soap powder, detergents and tooth paste. The plant to be established in Mombasa, mentioned earlier, will use residual bitumen from the Mombasa Oil Refinery as one of its raw materials and will boost demand in this sector. An estimated 7 million litres of petrol were lost when fire destroyed two tanks of the Nairobi depot of the Kenya Pipe Line Company necessitating importation of a little over K£45 million worth of refined petroleum to meet local demand.

11.23. The output of the rubber industry increased substantially in 1983. From a revised decline of 25.1 per cent in 1982, the industry recorded an increase of 27.8 per cent in 1983. Decreases in output of rubber shoes and retreaded motor vehicle tyres were offset by relatively large increases in output of other products in this subgroup. In particular, output of new bicycle tubes increased by 86.2 per cent. With the starting of a large rubber growing scheme at the coast by Car and General Company ,the output of the rubber industry will be enhanced in the future, as well as saving foreign exchange now used for the importation of materials for making rubber products.

11.24. Decreases in the output of plastic crates and plastic shoes were offset by increases in output of PVC pipes and polythene. In consequence, output of the plastic products industry rose by 7.8 per cent in 1983, compared with a fall of 7.3 per cent in the previous year.

11.25. There was a relatively large increase in the output of clay and glass products in 1983. The combined output of glass bottles, jars and plates increased by 19.4 per cent in 1983, against a decrease of 8.4 per cent in 1982. This recovery was in response to growing domestic demand. Imports of glassware and pottery declined significantly in 1983, reflecting a growing local sufficiency in these products.

11.26. The output of non-metallic mineral products fell by 2.0 per cent in 1983. Despite increases in the production of clinkers and lime, the recession in the building and construction industry led to a relatively large decrease in the output of cement which resulted in the overall decline in output. Table 11.5 gives details of cement production and utilization. Export of cement to Uganda and Tanzania, and further afield increased, while local consumption fell by 30.5 per cent in 1983.

CEMENT PRODUCTION AND UTILIZATION, 1979-1983

Table 11.5 '000 *tonnes*

Year	PRODUCTION	IMPORTS FROM		CONSUMPTION AND STOCKS	EXPORTS TO	
		Uganda and Tanzania	Overseas		Uganda and Tanzania	Overseas
1979	1,147.7	–	0 9	621.6	16.8	510.2
1980	1,279.8	—	0.9	729.5	20.9	530.3
1981	1,280.3	—	—	611.7	16.2	652.4
1982	1,318.1	–	–	580.7	18.8	718.6
1983*	1,181.2	–	1.9	403.7	20.0	759.4

*Provisional.

11.27. Most of the individual products in the metal products industry showed increases in production in 1983. Notable increases were recorded in the output of corrugated iron sheets, iron bars and rods, metal cans and tins, and padlocks, resulting in the overall 9.2 per cent rise in output. There were slight decreases in output of *sufurias, tubular* furniture and steel drums. Exports of iron sheet and steel dropped as a result of increased local consumption of these products.

11.28. While the output of non.electrical machinery increased by 2.4 per cent in 1983 that of electrical machinery declined by 1.1 per cent. Increases in the prices of dry cells and gramaphone records may have dampened local consumption. Indeed the output of both products fell moderately in 1983.

11.29. Provisional figures for the assembly of motor vehicles shows that in 1983, 11,843 vehicles were assembled locally, compared with 9.969 in 1982, although assembly of bus and lorry bodies declined. The overall output, measured by the quantum index in Table 11.2 for this industry, rose by 16.8 per cent in 1983 compared with a decline of 1.8 per cent in 1982. Pardy as a result of the increase in number of vehicles assembled, particularly for transport of goods, the importation of such vehicles declined substantially from 7,648 in 1982 to 4,250 in 1983.

11.30. Except for lenses and spectacles, production of all items in the category of "miscellaneous manufactures" registered growth during the year. An overall increase of 10.1 per cent was recorded for this group.

11.31. Taking a longer-term view and examining the relative growth of the various industries recorded in Table 11.2 since the base year of 1976, it is possible to identify four groups of special interest. First, there is a group of relatively large industries which have grown particularly fast over the past seven years. The most notable of these is the transport equipment industry. Other important industries which have grown particularly fast include the canned vegetables etc., group; petroleum and other chemicals; and rubber products. Secondly, there is a further group of industries which, although still fairly small, are also growing fast. The chief examples of these are the clothing and the printing and publishing indutsries. Several of these which have grown behind protective barriers should, by now, be sufficiently mature to face increased competition from abroad in both home and export markets.

11.32. A third group comprises industries that have declined since 1976. The most important such cases are metal products; meat and dairy products; and furniture and fixtures. Finally, there is a fourth group of industries which remains important but has gone into relative decline. Major examples *of* such industries include sugar and confectionery; beverages; textiles; and paper and paper products.

11.33. It is evident from these longer-term trends that significant changes have been occurring in the structure of the manufacturing sector, although no clear pattern emerges with respect to the end-use composition of output. On the record of other countries, a growth over time in industries producing intermediate products and capital goods could be expected, with a corresponding decline in the share of industries producing finished consumer goods but the trends described above do not fit neatly into such a pattern.

Development of Manufacturing Enterprises

11.34. Provision of equity and loans for expansion of capacity in existing industrial plants and the erection of plants planned for new lines of production continued to be the main objectives of investment in manufacturing by the development finance institutions during the last Development Plan period (1979-1983). The tempo of the investment activities 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) seems to have peaked in 1981, in terms of both the number of projects approved and the expenditures incurred. From Table 11.6, the number of projects approved by these four organizations were 199, 179, and 170 during the years 1981, 1982 and 1983 respectively. Corresponding expenditure approvals were K£19.7 million in 1981, K£10.1 million in 1982 and K£9.0 million in 1983. There was an especially large decrease by the IDB. The reason for the reduction in activity by these organisations is to be found in both the external and internal economic difficulties that Kenya, in common with other developing countries, has been facing.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1981-1983

Table 11.6

INSTITUTION	Number of Projects			Approved Expenditure K£'000		
	1981	1982	1983	1981	1982	1983
Industrial Development Bank Ltd. (IDB)	32	9	2	11,471	3,857	2,677
Development Finance Company of Kenya (DFCK)	35	27	22	4,005	2,394	2,599
Kenya Industrial Estates Ltd. (KIE)	131	137	139	3,271	2,477	2,415
Industrial and Commercial Development Corporation (ICDC)	1	6	7	960	1,416	1,332
TOTAL	199	179	170	19,707	10,144	9,023

11.35. IDB's investment activities remained low during 1983 as its existing projects experienced difficulties in the prevailing unfavourable economic conditions. The Bank approved only 2 projects, to which it committed a total of K£2.7 million, compared with K£3.9 million made in 1982. An estimated 177 persons will be employed on completion of the two projects and the projects are expected, when they become operational, to save K£3.3 million foreign exchange. IDB also provided additional finance amounting to K£247,000 to two existing projects. Most of the Bank's activities were concentrated in the food and textile industries.

11.36. The DFCK continues to provide loans for small and medium scale industries. In 1983 it approved 22 projects with a total commitment of K£2.6 million, compared with K£2.4 million in 1982. Forty three per cent of the 1983 commitments were on 10 new projects. One of the objectives of the Fifth Development Plan (1984-1988), as in the previous one, is to locate new industries outside Nairobi and Mombasa. All the ten new projects approved by DFCK in 1983 are located outside Nairobi and Mombasa. DFCK's disbursements in 1983 were well spread, with large commitments going into leather and leather products, food and beverages, vehicles and components, and miscellaneous industries.

11.37. In 1983 KIE approved yet another record number of projects-139 compared with 137 in 1982. However, the total commitments of K£2.4 million in 1983 was slightly below the commitments in 1982. The KIE's activities remained well spread in most branches of manufacturing, although food processing had 78 projects, or 56 per cent, of the total number approved and also accounted for 45 per cent of the total funds committed. Sixty-seven projects approved in 1983 were located in areas outside Nairobi and Mombasa, thus reflecting KIE's commitment to the Government policy of industrial decentralisation. Two per cent of the total number of projects

approved were export-oriented while the remainder were in the import-substitution category.

11.38. The number of projects in which ICDC participated in equity investment increased from 6 in 1982 to 7 in 1983, but the amount committed in 1983 was 6 per cent below that committed in 1982. The bulk of the funds went into the textile industries, with 9 per cent going into plastic and about 1 per cent to beverages. The total commitments made by ICDC in 1983 went into the rehabilitation of on-going projects, a strategy started in 1981. And as a result of the above activities, a total of 1,213 persons were maintained on their jobs in various companies.

11.39. Of the six tea factories reported to be in an advanced stage of construction in the previous *Economic Survey*, one became operational during 1983, bringing the total number of small-holder tea factories to thirty-four. Each of the remaining five factories, when operational, will employ an average of 110 persons, and will help process the increased green-leaf supply.

11.40. There has been established a new Investment Advisory and Promotion Centre to facilitate investment by co-ordinating Government policies and private sector efforts in starting new investment ventures. Other investments announced for the manufacturing sector in 1983 include:

(1) Expansion of Interproducts (K) plant at Ruaraka at a cost of Sh. 7 million for the manufacture of ball point pens. It is expected that the country will be self-sufficient in ball point pens from this project and also export to other African countries.

(2) A Sh. 7 million project for wine making and grape growing is to be established in Naivasha by Sundance Ltd. It will create about 100 direct jobs and save the country foreign exchange by selling Kenya made wines.

(3) A tannery to be set up at Thika at an estimated cost of Sh.125 million by Industrial Promotion Services will have a capacity for processing 850 hides per day. It will produce high quality leather for making luggage and shoes, and create job opportunities for about 440 workers.

(4) A technical agreement signed between the Madhavani Group of companies and Heye Glass of West Germany will expand the former's two glass factories in Nairobi and Mombasa.

(5) Mbichu Industries have established the first washing detergent factory in Kenya at a cost of Sh. 8 million. The plant utilizes about 75 per cent local raw materials.

(6) Tetra Pak finished its expansion programme and is expected to produce 700 million packs (paper milk containers) per year. The availability of modern and economical packing should enable manufacturers of locally produced juices and drinks to compete favourably in both local and foreign markets.

(7) In diversifying its range of products, the Car and General Company made expansion of its plant for the manufacture of kitchenware, for example, tea boilers, milk urns, boiling pans and ovens.

(8) British-American Tobacco (BAT) opened a new Green Leaf Threshing (GLT) plant in Thika for processing tobacco.

(9) The power-alcohol and other product plant at Kisumu became operational.

Labour Costs and Productivity

11.41. Table 11.7 sets out information on trends in average manufacturing productivity, wage costs and employment for the years 1981, 1982 and 1983. Employment in manufacturing, as indicated earlier, grew by 1.3 per cent, an improvement over the 0.3 per cent in the previous year.

INDICATORS OF LABOUR COSTS AND PRODUCTIVITY IN MANUFACTURING, 1981-1983

Table 11.7 *Percent*

	1981*	1982**	1983**
1. Change in manufacturing output	+3.6	+2.2	+4.5
2. Change in numbers employed	+3.4	+0.3	+1.3
3. Implicit change in output per worker	+0.2	+1.9	+3.2
4. Wage costs as percentage of gross output	6.8	6.6	6.1
5. Wage costs as percentage of value added	35.2	34.8	34.7

*Revised.

**Provisional.

11.42. The statistics set out on trends in manufacturing wage costs, including both the public and private sectors, are calculated from current price data. There is a gradual decline in the share of wages in value added which is only a little over one-third of total value added. Similarly, wage costs have continued to decline as a proportion of gross output, tending to confirm that in the manufacturing sector labour costs are a relatively minor component of the cost structure.

CHAPTER 12—BUILDING AND CONSTRUCTION

Building and construction is an important sector of the economy both in terms of employment and the many linkages it has with the rest of the economy. The level of activity in this sector is a good indicator of the general performance of the economy and its output constitutes a major share of the fixed assets formation. Hence monitoring the progress of activities in this sector serves a dual role of indicating the level of economic progress taking place plus the amount and nature of investment. The contribution of this sector to the monetary GDP at current prices, which was 5 per cent both during 1980 and 1981, fell to 4.4 per cent in 1982, and to 4.1 per cent in 1983.The total value of buildings completed and plans approved in 1983 was much lower than that recorded in 1982. The decline in activities in the construction sector which started in 1981 has partly been occasioned by the current credit squeeze by the financial institutions; the increasing building cost as measured by the building cost index; and the general cut in the Government's expenditure which is the result of the austerity measures being pursued. The austerity measures should, however, be seen in the light of short term curative and remedial action taken for adjustment purposes.

12.2. Table 12.1 gives certain major economic indicators in the building and construction sector for the five year period ending in 1983. Provisional data for 1983 show a moderate decline. As shown later in this chapter, the value of completions for both private and public building work was at a lower level in 1983 than in 1982. As a result, both wage employment and cement consumption registered declines. Employment fell marginally suggesting that fewer employees are likely to be laid off in the near future,

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1979-1983

Table 12.1 1976 = 100

	1979	1980	1981	1982	1983**
Index of reported private building work completed in main towns	175.9	203.8	206.8	159.2	..
Index of reported public building work completed in main towns	67.6	98.4	69.3	40.0	..
Index of Government expenditure on roads	134.2	125.6	149.6	142.9	119.2
Cement consumption ('000 tonnes)	631.0	691.2	652.5	579.3	511.0
Index	146.2	159.4	149.7	134.3	118.8
Employment ('000)	61 .3	63.2	61.4	60.4	60.2
Index	130.1	134.0	130.1	128.2	127.7

*Actuals deflated by various buildings or construction cost indices.
The average of two suceeding years is taken in each case for reported completions of buildings.

**Provisional.

while cement consumption, which largely depends on previous contracts signed, declined by 12 per cent.

12.3. The provisional results from the Business Expectations Enquiry indicate that in 1983 total receipts for work done by private contractors declined by 6 per cent, and that contractors reported stocks and work in progress of only K£22 million in 1983 compared with K£25 million reported at the end of 1982. The difficult prevailing economic climate in the building and construction sector is therefore apparent.

12.4. Figures in Table 12.2 represent the value of building plans approved by the Nairobi City Commission and other towns. It emerges that there was a further decline in total value of plans approved from K£116 million

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1981-1983

Table 12.2 *K£million*

	Nairobi	Other Towns	Total
1981 1st Quarter	24.5	10.9	35.5
2nd Quarter	20.1	6.2	26.3
3rd Quarter	20.5	14.0	34.5
4th Quarter	25.9	14.5	40.4
1982 1st Quarter	19.2	12.1	31.3
2nd Quarter	21.8	14.5	36.3
3rd Quarter	16.6	10.8	27.4
4th Quarter	12.5	8.3	20.8
1983* 1st Quarter	12.4	12.9	25.3
2nd Quarter	11.7	8.8	20.4
3rd Quarter	8.2	7.4	15.6
4th Quarter	15.5	4.8	20.4

*Provisional.

in 1982 to K£82 million in 1983. The decrease of 29 per cent in the value of plans approved is partly attributed to the credit squeeze by the financial institutions. As is evident from the Table, Nairobi contributed the largest share of the value of building plans approved for the period under review. However, this proportion has been declining over the years and in 1983 it was slightly less than 60 per cent of the total value of plans approved. Total loans and advances to private buildings and construction sector from commercial banks recorded, in 1983, marginal decline of 1 per cent compared with 1982 as indicated in Chapter 5 (Table 5.9). The decline of loans to developers coupled with a rise of 5 per cent in building costs partly contributed to the low number of plans approved in 1983.

12.5. As can be seen from Table 12.3, the value of plans approved in 1983 compared with a similar period in 1982 decreased by 28 per cent from K£91.2 million to K£66.1 million, while the value of buildings completed for similar period decreased by over 50 per cent from K£39.7 million to

COMPARISON OF PLANS APPROVED AND BUILDINGS COMPLETED FOR PRIVATE SECTOR MAIN URBAN AREAS, 1979-1983

Table 12.3 *K£million*

	Plans Approved	Building Work Completed
1979	82.48	29.13
1980	120.71	26.24
1981	116.72	49.95
1982	91.17	39.72
1983*	66.13	19.67

*Provisional.

K£19.7 million. It should be noted, however, that 1983 data are subject to revision and therefore the percentage decreases may not be as steep as portrayed.

12.6. Table 12.4 shows that the overall building and construction cost index registered a rise of 5 per cent in 1983 as compared with a record increase of nearly 16 per cent in 1982. The rise is largely attributed to the 6.8 percentage increase in the cost of building materials as there was no change in the labour cost. The price of building materials such as sand, cement, aggregates and paints remained unchanged in 1983 while the price of other materials—timber, windows, glass, explosives, wiring and building blocks showed some mild increases. It is the rise in price of these materials which contributed to the increase of 5.2 per cent in the overall construction cost index. The rise in construction cost index for residential and non-residential buildings were 6.9 and 4.1 per cent respectively while the increase for other construction was 4.7 per cent.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1981-1983

Table 12.4

	MATERIALS			LABOUR			TOTAL		
	1981	1982	1983*	1981	1982	1983*	1981	1982	1983*
Residential Buildings	17.1	12.7	8.2	—	22.3	—	12.9	14.1	6.9
Non-Residential Buildings	12.5	11.7	5.1		22.3		8.5	13.7	4.1
All Buildings ..	15.0	12.2	6.7	—	22.3	—	10.7	13.9	5.6
"Other" Construction	13.2	17.0	6.8	—	22.3	—	7.9	18.7	4.7
TOTAL COST INDEX..	14.1	14.6	6.8	—	22.3	—	9.3	15.6	5.2

*From December to December.
**Provisional.

12.7. Tables 12.5 and 12.6 detail the values and units of all residential and non-residential private buildings completed, and extensions to existing

buildings in main towns for the period 1979 to 1983. The value of completions at current prices declined after a record increase in 1981. The total value at current prices of new private buildings completed and extension

VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1979-1983

Table 12.5 *K£million*

	Nairobi	Mombasa	Kisumu	Nakuru	Thika	Eldoret	Kitale	Others	Total
1979	26.37	4.41	0.49	0.60	1.09	0.15			33.11
1980	20.93	5.99	0.19	1.13	0.90	0.38	–	0.74	30.26
1981	36.82	10.81	0.57	1.71	0.31	0.27	0.12	7.20	57.81
1982	28.44	10.91	0.15	2.04	0.30	–	–	2.82	44.66
1983**	12.99	5.39	–	2.35	0.11	–	–	0.33	21.17

*Including the value of extensions.

**Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1982 figures for comparison only.

works carried out declined by 52.6 per cent from K£44.7 million in 1982 to K£21.2 million in 1983. This decline was steeper than the 46.8 per cent recorded in 1982 over 1981. It is, however, expected that when outstanding returns are received for 1983, the values of all private completions will be higher than the provisional figure of K£21.2 million. In 1983, Nairobi alone accounted for 61 per cent of the total provisional value of private buildings completed, while other towns registered declines in the value of private buildings completed in 1983 except for Nakuru which has recorded a continuous rise since 1980. Table 12.6 shows that the reported number of new private residential buildings completed declined from 2,083 units valued at K£32.7 million in 1982 to 793 units valued at K£11.9 million in 1983. The number of new private non-residential buildings completed also declined from 59 units in 1982 to 44 units in 1983, but their respective values rose from K£7.2 million in 1982 to K£7.7 million, reaffirming high cost per unit as a result of increased prices for input materials.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1979-1983

Table 12.6

	NUMBER		ESTIMATED COST *K£million*		
	Residential	Non-Residential	Residential	Non-Residential	Total
TOTAL FOR YEAR					
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
1982 ..	2,083	59	32.71	7.16	39.87
1983** ..	793	44	11.94	7.73	19.67

*Excluding the value of extensions.

**Provisional and incomplete. The late receipt of returns add significantly to the year's total. 1982 figures for comparison only.

12.8. Table 12.7 gives the provisional reported completions of new public buildings in the main towns and indicates that in 1983 there was more concentration in the residential units than in 1982. Based on the 1982 revised figures, it is likely that the value of the reported completions for 1983 will be higher. Further, the number of reported residential buildings completed for the public sector has been improving since 1981. This is in line with the current policy of easing the prevailing housing shortages, mainly

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1979-1983

Table 12.7

	NUMBER		COST *K£million*			
	Residential	Non-Residential	Residential	Non-Residential	Total	Total**
TOTAL FOR YEAR						
1979	221	5	1.20	0.04	1.23	1.76
1980	481	58	7.55	13.30	20.85	21.54
1981	206	21	3.72	9.93	4.65	5.37
1982	443	101	5.00	4.49	9.49	9.51
1983"	488	3	5.58	9.56	15.14	15.14

*Including the value of extensions.

**Provisional and incomplete. The late receipt of returns adds significantly to the year's total. 1982 figures for comparisons only.

in the urban centres. There were only three non-residential units reported as completed in 1983: Nyayo House, Magereza House, and Utalii House-all in Nairobi, with total value provisionally estimated at K£9.6 million. In contrast, 101 non-residential units were reported as completed in 1982 valued at K£4.5 million. Although in quantitative terms there was a marked fall in reported completions in 1983, the value more than doubled. This indicates that the three units were much bigger compared with the 101 units completed in 1982. Total value of reported completions of new public buildings, both residential and non-residential, increased from K£9.5 million in 1982 to K£15.1 million in 1983, an increase of around 60 per cent.

12.9. Table 12.8 shows the value of direct expenditure by the Central Government on housing. The objective of the Government's housing policy since independence is to provide adequate shelter both in urban and rural areas to meet the growing demand. Total expenditure on housing for the whole country substantially declined from K£10.1 million in 1982/83 to K£6.4 million in 1983/84. The fall of 37 per cent in the 1983/84 estimates compared with 1982/83 is due to current squeeze in Government expenditure. Loans to the National Housing Corporation were reduced from K£5.6 million in 1981/82 to K£3.5 million in 1982/83.

12.10. The number of housing units completed by the National Housing Corporation dropped from 2,928 units in 1982 to 680 units in 1983-a record decrease of 2,248 units after an increase of 173 units or 6 per cent rise in 1982 as shown in Table 12.9. Their value similarly decreased by over 50 per cent from K£4.2 million in 1982 to about K£2.0 million in 1983.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING
1978/79-1983/84

Table 12.8 *K£million*

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1978/79	8.5	7.8	2.8
1979/80	9.1	7.3	3.9
1980/81	8.1	7.3	3.5
1981/82	8.2	8.0	3.2
1982/83	10.1		3.7
1983/84	6.4	..	3.3

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1979-1983

Table 12.9

	1979	1980	1981	1982	1983
Units Completed					
PROVINCE—					
Nairobi	3,056	616	1,072	2,311	–
Coast	190	350	–	13	50
North Eastern	–				
Eastern	–	249	–	70	98
Central	207	337	–	–	187
Rift Valley	461	1,417	1,577	354	295
Nyanza	–	286	106	180	–
Western	171	272	–	–	50
TOTAL NUMBER	4,085	3,527	2,755	2,928	680
Value of Units Completed K£'000					
Nairobi	5,177	1,604	963	2,031	–
Coast	157	875		155	109
North Eastern	–	–	–	–	–
Eastern	–	331	–	263	215
Central	160	370	263		
Rift Valley	819	1,666	1,821	1,333	887
Nyanza	–	612	185	432	–
Western	165	206	–	–	483
TOTAL VALUE	6,478	5,664	2,969	4,214	1,957
Site and Service Plots Completed: No.	2,389	2,454	2,719	2,550	598

Units completed by Provinces indicate that Rift Valley had the largest share with 32 units in Nanyuki, 155 in Kericho and 108 units in Njoro. Together, these totalled 295 units valued at K£887,000. Central Province was next with a total of 187 units costing K£263,000. Nairobi Province, which contributed the largest share of houses completed in 1982 had no reported completions in 1983.

12.11. Site and service constitute the bulk of the schemes put up by the National Housing Corporation. This is in line with the Government policy of providing shelter to the majority of low income families. In 1983, a total of 598 units were completed compared with 2,550 units in 1982. However, 5,100 such units were still under construction or in advanced planning stage in 1983.

12.12. The value of all building plans approved by Nairobi City Commission has shown a downward trend since 1980. This is indicated in Table 12.10. The total value of both private and public sector plans approved during 1983 decreased by 32 per cent from K£70 million in 1982 to K£48 million. Non-residential building plans approved for both private and public sector accounted for more than half of the total value. This is in contrast with the trend set in 1980 whereby the total value of plans approved for residential buildings for the two sectors contributed over 50 per cent of the total value of plans approved. Although there was a sharp drop in the value of residential building plans approved for the public sector, the value

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY THE NAIROBI CITY COUNCIL, 1979-1983

Table 12.10 *Estimated Cost K£million*

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1979	33.6	23.5	57.1	1.8	8.6	10.3	67.5
1980	53.2	35.7	89.0	1.3	12.6	13.9	102.8
1981	56.3	26.2	82.5	1.3	7.3	8.6	91.1
1982	34.0	26.8	60.8	6.8	2.5	9.3	70.1
1983	21.0	18.6	39.6	0.7	7.6	8.3	47.8
1981-							
1st Qr.	14.1	5.9	20.0	0.8	3.8	4.6	24.5
2nd Qr.	13.2	6.7	19.8	–	0.3	0.3	20.1
3rd Qr.	12.5	7.4	19.9	0.4	0.2	0.6	20.5
4th Qr.	16.5	6.2	22.8	0.2	3.0	3.1	25.9
1982-							
1st Qr.	7.7	8.5	16.2	2.3	0.7	3.0	19.2
2nd Qr.	12.2	7.7	19.9	0.8	1.1	1.9	21.8
3rd Qr.	9.2	4.5	13.7	2.6	0.4	2.9	16.6
4th Qr.	4.9	6.1	11.0	1.2	0.4	1.5	12.5
1983-							
1st Qr.	7.0	3.0	10.0	0.5	1.9	2.4	12.4
2nd Qr.	3.8	2.7	6. 6	0.2	5.0	5.1	11.7
3rd Qr.	3.6	4.5	8.1	–	0.1	0.1	8.2
4th Qr.	6.6	8.3	14.9	—	0.6	0.6	15.5

of non-residential building plans approved increased, thereby bringing the total value for the public sector in 1983 to just below the 1982 level. Private sector accounted for K£40 million or 80 per cent of total value of building plans approved while the public sector accounted for the balance. It is evident therefore that private developers in Nairobi continue to play a major role in providing both residential and non-residential buildings.

12.13. Total value of plans approved by the other municipalities in 1983 declined as is indicated in Table 12.11. After a steady progress from 1979 to 1982, the total value of plans approved fell from K£44.1 million in 1982 to nearly K£30 million in 1983, a decline of about a third. As before, the private sector continues to play a dorminant role in these towns, accounting for 90 per cent of the total value of buildings approved in 1983 compared with 70 per cent in 1982. Non-residential buildings, as in Nairobi City, contributed more than half the total value in 1983.

PRIVATE AND PUBLIC BUILDING PLANS APPROVED BY OTHER MUNICIPALITIES, 1979-1983

Table 12.11 *Estimated Cost K£million*

	PRIVATE			PUBLIC			All Buildings
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
1979	12.8	12.6	25.4	0.7	3.0	3.7	29.0
1980	16.1	15.6	31.8	1.7	0.4	2.1	33.8
1981	15.9	18.4	34.2	2.6	1.5	4.1	38.3
1982	19.1	12.3	31.4	3.8	8.9	12.7	44.1
1983*	12.0	14.6	26.5	0.5	2.8	3.3	29.9
1981-							
1st Qr.	4.0	2.5	6.5	–	1.3	1.3	7.7
2nd Qr.	2.2	2.1	4.3	–	–	–	4.4
3rd Qr.	4.8	6.1	10.9	2.0	0.1	2.1	13.0
4th Qr.	4 9	7.7	12.6	0.6	0.1	0.7	13.3
1982-							
1st Qr.	5.7	3.7	9.3	0.2	1.8	2.0	11.3
2nd Qr.	4.2	3.8	81	0.4	6.3	6.8	14.8
3rd Qr.	3.7	2.4	6 0	3.1	0.8	3.9	9.9
4th Qr.	5.5	2.4	7.9	0.1	_	0.1	8.0
1983*-							
1st Qr.	4.1	7.9	12.0	–	–	–	12.0
2nd Qr.	3.8	3.4	7.2	–	–	–	7.2
3rd Qr.	2.4	1.2	3.6	0 1	2.8	2.9	6.5
4th Qr.	1.7	2.1	3.8	0.4	—	0.4	4.2

•Provisional.

12.14. Table 12.12 shows the relationship between the value of building plans approved and completed in the private sector—both residential and non-residential. It is evident that the value of completions for both residential and non-residential buildings has remained low in relation to the value approved. Since 1979, an average of 38.5 per cent of residential buildings approved were completed compared with only 25.2 per cent of non-residential buildings completed after approval. This indicates that many buildings started are later abandoned partly due to the rise in cost of materials and inadequate costing.

PRIVATE BUILDING PLANS APPROVED AND COMPLETIONS BY TYPE, 1979-1983

Table 12.12 *K£million*

	Residential		Non.Residential	
	Plans	Completions	Plans	Completions
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	53.09	32.71	38.08	7.01
1983	32.98	11.94	33.15	7.73
TOTAL	274.00	115.87	203.21	48.84
Proportions*	38.5 per cent		25.2 per cent	

*Completions related to plans, excluding plans for 1983 and completions in 1979.

Roads and other construction works

12.15. Road network provides the most important transportation facility for both freight and passenger traffic. As at 1st July, 1983, the national road network covered a total of 54,500 km of classified roads out of which 6,700km were paved (bitumen) and 47,800km-nearly 88 per cent of the total-were earth/gravel. In addition, a network of more than 100,000 km of tracks and other unclassified roads existed in rural areas. Details of the road distance by type for the years 1979 and 1983 are given in Table 12.13. In 1979, some 2.800km of International and National trunk roads were of bitumen standard but by 1983 the distance had risen by 700 km in the four

KILOMETRES OF ROADS AS AT 1ST JULY, 1979 AND 1ST JULY, 1983

By Type and Classification

Table 12.13 *'000Km.*

TYPE OF ROAD	1979		1983	
	Bitumen*	Earth Gravel**	Bitumen*	Earth Gravel**
A—International Trunk	1.9	1.5	2.3	1.3
B—National Trunk	0.9	1.8	1.2	1.6
C—Primary	1.4	5.9	2.0	5.9
D—Secondary	0.5	9.5	0.7	10.2
E—Minor	0.2	24.4	0.4	26.2
F—Special Purpose	0.4	2.9	0.1	2.6
TOTAL	5.3	46.0	6.7	47.8

*Bitumen Road:—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.

year period to reach 3,500km in July 1983. During 1979, 54 per cent of International and National road network was of earth/gravel standard; by 1st July 1983, this proportion had been reduced to 45 per cent. It is evident therefore that construction of bitumen roads has progressed well in the face of adverse economic conditions.

12.16. The two major programmes namely: the Rural Access Roads Programmes (RARP), and Gravelling, Bridging and Culverting Programme (GBCP) which were started in 1974 and 1976 respectively, constitute a major expenditure outlay of the Ministry of Transport and Communications. As at 1st July 1983, some 6,865km of roads had been constructed to earth/ gravel standard under the Rural Access Roads Programme out of which 3.060km was gravelled. The Government objective is to extend these two programmes in rural areas to cover all districts so as to facilitate transportation of agricultural produce to market centres.

12.17. Table 12.14 gives expenditure on new roads constructed by the Ministry of Transport and Communications. Total expenditure dropped by 17 per cent from around K£63 million in 1982/83 to K£52 million in 1983/S4 and was marginally below the 1981/82 level. Expenditure on trunk roads declined by one third from K£35 million in 1982/83 to K£23 million in 1983/ 84. There were, however, minor changes in expenditure for the remaining types of road. For road maintenance, there was an increase in expenditure of K£0.6 million to reach K£16.2 million in 1983/84.

TOTAL EXPENDITURE ON ROADS, 1981/82-1983/84

Table 12.14 *K£million*

	1981/82	1982/83	1983/84
DEVELOPMENT—			
Trunk Roads	22.0	34.6	23.2
Primary Roads	18.7	11.7	12.6
Secondary	3.0	2.4	2.8
Unclassified Roads	1.1	2.9	3.2
Miscellaneous Roads	9.9	11.0	10.3
TOTAL	54.7	62.5	52.0
RECURRENT (maintenance and repair)	14.2	15.6	16.2
TOTAL	68.9	78.1	68.2

12.18. Some of the major roads and bridges completed in 1983/84 were: Naivasha.Lanet, Makutano-Kitui, Kibiok-Nandi Hills and the New Tana bridge and its approaches. Other roads and bridges started by July 1983 were: Nakuru-Nyahururu, Timboroa-Songor, Akala bridge, Kibos bridge and Isiutkhu bridge. Among the projects which were in progress by July 1983

were: Kakuma-Sudan border, Marigat-Kabarnet, Thuchi-Nkubu, Mau Sumniit-Kericho-Kisumu, Garissa-Garsen and Kapenguria-Marich pass. All the road/bridge projects are being financed by the Government in collaboration with external agencies.

12.19. Other construction works are carried out by the Ministry of Water Development and include construction of dams and supply of piped water for the rural areas. The supply of good quality water, in sufficient quantity and within close proximity to the population, is one of the long term objectives set by the Government.Details of expenditure on water projects are available in Chapter 9.

CHAPTER 13—TOURISM

Despite some economic recovery in the major tourist-originating countries in 1983, tourism in Kenya performed rather poorly compared with 1982. Overall, there were fewer visitor arrivals to the country and a corresponding decline in total visitor days. Tourist receipts registered a nominal increase from K£118 million in 1982 to K£122 million in 1983. Allowing for domestic inflation, there was no real growth in tourism generated income. Travel costs remained generally high, particularly air fares and this, coupled with alternative competitive destinations, resulted in a reduction of the volume of tourism trade in 1983.

13.2. Table 13.1 gives arrival and departure statistics between 1981 and 1983. The number of arrivals declined by 2.8 per cent from 392,100 in 1982 to 381,200 in 1983. This compares with an increase of 7.4 per cent

ARRIVING AND DEPARTING VISITORS BY PURPOSE OF VISIT, 1981-1983

Table 13.1 '000

Quarter/Purpose	ARRIVALS			DEPARTURES		
	1981	1982	1983*	1981	1982	1983*
1st Qr. Holiday	74.5	85.5	85.4	92.7	85.8	78.0
Business	11.5	11.4	13.3	8.1	9.0	9.7
Transit	9.5	7.7	9.5	10.1	8.7	8.8
Other		3.5	1.7		3.5	0.8
TOTAL	95.5	108.1	109.9	110.9	107.0	97.3
2nd Qr. Holiday	44.5	53.7	42.3	49.8	50.0	42.0
Business	13.3	12.7	11.8	10.9	11.2	8.1
Transit	10.4	10.3	9.5	9.4	10.3	8.5
Other		3.7	1.5		3.4	1.0
TOTAL	68.2	80.4	65.1	70.1	74.9	59.6
3rd Qr. Holiday	77.5	69.5	67.4	64.6	63.3	65.1
Business	12.8	11.0	10.6	10.1	8.1	8.3
Transit	12.6	11.4	11.1	12.0	10.9	11.2
Other		2.5	2.3		2.4	2.4
TOTAL	102.9	94.4	91 .4	86.7	84.7	87.0
4th Qr. Holiday	77.4	85.3	89.9	63.4	68.2	67.5
Business	10.4	12.8	13.2	11.5	14.0	14.0
Transit	10.8	9.6	10.1	9.6	11.7	11.7
Other		1.5	1.6		1.9	1.9
TOTAL	98.6	109.2	114.8	84.5	95.8	95.1
Year Holiday	273.9	294.0	285.0	270.5	267.3	252.6
Business	48.0	47.9	48.9	40.6	42.3	40.1
Transit	43.3	39.0	40.2	41.1	41 6	40.2
Other		11.2	7.1		11.2	6.1
TOTAL	365.2	392.1	381.2	352.2	362.4	339.0

*Provisional.

for all categories of arrivals recorded between 1981 and 1982. As can be seen in the table, most of the arrivals were confined to the first and the fourth quarters of the year. However, there was a substantial drop during the second quarter in 1983 compared with the same period in 1982. The fall of 19 per cent could be attributed mainly to less severe winter weather in the main tourist-originating countries in Europe. Visitors on holiday declined by 3.1 per cent while business and transit visitors had marginal increases of 1,000 and 1,200 respectively between 1982 and 1983.

13.3 The number of visitor departures declined by an even higher rate of 6.5 per cent in 1983 compared with 1982. All categories of departing visitors registered a decline, with holiday departures declining by 5.5 per cent and departing business visitors by 5.2 per cent.

13.4. Table 13.2 sets out details of departing visitors by country of origin. All regions had lower numbers of departing visitors in 1983 compared with 1982. Europe, with a share of 59.8 per cent of all departing visitors

VISITOR DEPARTURES BY COUNTRY OF RESIDENCE, 1981-1983

Table 13.2 '000

	HOLIDAY VISITORS			ALL VISITORS*		
	1981	1982	1983**	1981	1982	1983**
EUROPE—						
United Kingdom	33.4	36.2	32.5	43.5	46.7	42.1
West Germany	57.9	63.5	58.6	75.3	67.4	62.8
Italy	16.8	20.7	19.6	21.9	22.9	21.6
France	11.1	15.3	15.6	14.5	17.7	17.8
Switzerland	19.9	27.2	26.1	25.9	29.4	28.0
Other Europe	24.0	25.8	24.2	31.3	32.4	304
TOTAL	163.1	188.7	176.6	212.4	216.5	202.7
NORTH AMERICA —						
United States	26.0	27.5	26.6	33.8	34.8	33.7
Canada	4.0	4.3	3.5	5.3	5.7	4.8
TOTAL	30.0	31.8	30.1	39.1	40.5	38.5
ASIA TOTAL	19 8	17.6	16.2	25.8	27.4	25.3
AFRICA—						
Uganda	4.3	4.7	8.0	5.6	15.7	17.5
Tanzania	5.3	4.7	3.8	6.9	10.4	8.0
Zambia	4.6	1.4	1.1	5.9	5.1	4.2
Other Africa	34.0	14.8	13.7	44.2	41.6	38.4
TOTAL	48.2	25.6	26.6	62.6	72.8	68.1
OTHER TOTAL	9.4	3.6	3.0	12.3	5.2	4.4
GRAND TOTAL	270.5	267.3	252.5	352.2	362.4	339.0

*Includes business visitors and persons in transit.
**Provisional.

had her departures declining by 6.4 per cent from 216,500 in 1982 to 202,700 in 1983. All departing visitors from North America fell by 4.9 per cent, those from Asia by 7.7 per cent and those from Africa by 6.5 per cent. Holiday visitors from West Germany fell by 6.8 per cent and those from United Kingdom by 10.0 per cent. The later two countries are the major sources of tourists to Kenya with a combined share of about 30 per cent of all departing visitors. In particular, there has been a continuing trend of decline of tourists from West Germany, which is by far the single major source of tourists to Kenya. A more intensified tourism promotion campaign is needed to reverse this trend.

13.5. The share of all departing visitors from North America stood at 11.4 per cent and their numbers fell by only 4.9 per cent in 1983. Thus, despite the small share of tourists from North America, it nonetheless, seems to be an important component with some potential for growth. Within the African region, all categories of departing visitors fell except for Ugandans whose numbers rose from 15,700 in 1982 to 17,500 in 1983 or by 11.5 per cent. The number of holiday makers from Africa remained low at about the same level as in 1982, suggesting that difficult economic conditions are still persisting in many of the countries in the region. When such conditions prevail, foreign travel is curtailed due to low incomes and meagre foreign exchange.

13.6. The main mode of travel by tourists continue to be by air. In 1983, over 93 per cent of all departing visitors travelled by air while the rest used road transport. The majority of the road travellers were Ugandans. It is expected, however, that with the recent re-opening of the common border with Tanzania, the number of tourists travelling by road will register an increase in the future. There are also potentially good road links to Ethiopia and Sudan. The Trans-Africa Highway, once completed will link Kenya with many other African countries.

VISITOR DEPARTURES BY METHOD OF TRAVEL, 1979-1983

Table 13.3 '000

	1979	1980	1981	1982	1983*
Air	326.3	344.0	336.0	340.2	317.3
Sea	0.9	1.3	1.0		
Road	20.0	17.4	15.2	22.2	21.7
TOTAL	347.2	362.7	352.2	362.4	339.0

*Provisional.

13.7. Despite the decline in the number of tourists coming to Kenya in 1983, the average length of visit remained at about the same level as in 1982: 16.3 days compared with 16.2 days in 1982. However, the total number of visitor-days fell from 5.7 million to 5.4 million or by 5.3 per cent.

Thus the 1983 figures suggest that the volume of tourism in 1983 declined more because of fewer tourists coming to Kenya rather than to shorter stays by arriving visitors. At 5.4 million visitor-days, the 1983 figure was at par with the 1979 and 1981 figures.

13.8. As can be seen in Table 13.4, except for visitors from "Other Europe", all other visitors stayed for fewer days in 1983 than in 1982. The number of days stayed by visitors from West Germany fell by 14.0 per cent compared with declines of 5.4 per cent and 1.0 per cent for visitors from United Kingdom and North America respectively. The total length of stay recorded for tourists from East Africa dropped by 5.2 per cent, those from Asia by 16.0 per cent while visitors from "Other Europe" recorded a 10.0 per cent increase in total duration of stay. Holiday makers stayed for a

TOTAL STAY OF DEPARTING VISITORS AND AVERAGE LENGTH OF VISIT. 1979-1983

Table 13.4

	1979	1980	1981	1982	1983*
Length of Stay	Total Stay—'000 *Days*				
0-14 days	1,586	1,838	1,754	1,714	1,738
15-28 days	1,510	1,773	1,752	1,795	1,716
Over 28 days	2,301	2,086	1,839	2,172	1,977
TOTAL	5,397	5,697	5,345	5,682	5,431
Length of Stay	Average Length of Stay—*Day*				
0-14 days	6.7	7.4	7.4	7.3	*1.1*
15-28 days	20.2	20.5	20.3	20.5	21.5
Over 28 days	62.2	72.6	70.0	76.1	73.2
TOTAL	15 5	15.7	15.2	16.2	16.3
Originating Area/Country	Total Stay by Originating areas—'000 *Days*				
East Africa	368	220	164	252	239
Other Africa	602	547	476	501	425
United Kingdom	931	973	866	913	864
West Germany	1,054	1,328	1,317	1,198	1,030
Other Europe	1,346	1,476	1,372	1,629	1,792
North America	599	586	570	650	644
Asia	409	443	389	445	374
All Other	88	124	191	94	63
TOTAL	5,397	5,697	5,345	5,682	5,431
Purpose of Visit	Total Stay by Purpose of Visit—'000 *Days*				
Holiday	4,851	5,039	4,766	4,999	4,828
Business	492	512	458	544	494
Transit	54	146	121	139	109

*Provisional.

total of 4.8 million days compared with 5 million days in 1982: a drop of 4.0 per cent. However, their share of total visitor days was nearly 90 per cent. The number of days stayed by visitors on business dropped by 9.2 per cent in 1983 compared with an increase of 18.8 per cent in 1982.

13.9. Earnings from the tourist trade recorded a moderate increase in money terms from K£118 million in 1982 to K£122 million in 1983 or by 3.4 per cent. The average expenditure per visitor-day works out to be KSh. 452 compared with KSh. 414 in 1982. These average expenditure rates related mainly to those visitors staying in hotels. Some of the visitors stay in private homes and all their expenses may not be reflected. More stringent measures are now in force to ensure that tourists pay for their services in foreign exchange and through these efforts, it is envisaged that there will be better monitoring and accounting of the monetary gains from the tourist industry.

13.10. Tables 13.5 and 13.6 give details on hotel occupancy. The overall bednight occupancy rate declined from 51.4 per cent in 1982 to 48.6 per cent. In total, there were 157,000 fewer beds occupied in 1983 compared with 1982 resulting in a decline in occupancy rate. The number of bednights recorded for foreign residents declined by 5.2 per cent compared with increases of 5.3 per cent and 8.1 per cent for Kenya residents and residents of Uganda and Tanzania respectively. The tourist sector is increasingly recognising the importance of domestic tourism. Measures taken to promote domestic tourism include concessionary hotel tariffs in addition to off-peak low prices as well as an improvement in roads to game reserves and lodges. However, the total share of domestic tourism as shown by hotel beds occupied remain small at 18 per cent. In 1983 foreign residents accounted for approximately 74 per cent of all occupied beds compared with 75 per cent in 1982. In order to reduce the incidence of underutilisation of capacity, further efforts will be directed at promoting domestic and intra-regional tourism.

HOTEL BED NIGHTS OCCUPANCY, 1979-1983

Table 13.5 '000

	1979	1980	1981	1982	1983
Permanent Occupants*	382	410	364	312	288
Kenya Residents	802	789	794	773	814
Residents of-					
Uganda and Tanzania	99	98	90	74	80
Foreign Residents	3,055	3,420	3.443	3,470	3,290
TOTAL BEDS OCCUPIED	4,338	4,717	4,691	4,629	4,472
TOTAL BED NIGHTS AVAILABLE	8,043	8,325	8,525	9,011	9,207
Bed Occupancy Rate *per cent*	53.9	56.7	55.0	51.4	48.6

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

13.11. Table 13.6 provides details on hotel occupancy by various tourist zones in the country. The coastal beach hotels remain the predominant zone with a share of nearly 45 per cent of all bednights occupied in 1983 despite a 4.6 per cent decline in beds occupied in 1983 compared with 1982. Nairobi and coastal hotels collectively had a share of 82 per cent of all bednights occupied. While overall bed occupancy declined in Nairobi and the Coast, there was some increase in bed occupancy in hotels in the Masailand and Central tourist zones. In the former zone, occupancy increased by 5.8 per cent while in the Central Zone the increase was only modest.

HOTEL BED NIGHTS OCCUPIED BY AREA, 1979-1983

Table 13.6 '000

	1979	1980	1981	1982	1983
Nairobi—High Class	611.0	609.8	586.9	543.7	497.9
Other	884.2	904.3	890.0	857.0	829.4
Coastal—Beach	1,809.6	2,055.3	2,039.1	2,096.9	2,000.3
Other	305.4	345.4	344.3	328.1	336.2
Coast Hinterland	120.5	134.9	131.3	115.9	106.6
Masailand	161.8	193.5	193.3	211.7	224.1
Central	287.0	318.4	343.8	329.9	331.1
Other	158.6	155.6	162.3	145.3	146.5
TOTAL	4,338.1	4,717.3	4,691.0	4,628.5	4,472.1

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

13.12. Table 13.7 sets out details on hotel occupancy by country of residence and tourist zones. Nairobi and coastal hotels, the most preferred tourist destinations, had a combined share of 81.9 per cent of all occupied bednights in 1983. Game lodges had a share contributing to 9.4 per cent. Further examination of Table 13.7 shows that the majority of foreign and local residents prefer coastal holidays. The exceptions seems to be tourists from North American and Asia. Most visitors from USA would seem to prefer staying in Nairobi or in game lodges. Proportionately more visitors from Europe prefer the coastal hotels particularly those from West Germany, 84 per cent of whom stayed there in 1983. The coast is also popular with tourists from U.K.. France, Italy and Switzerland. This pattern may well arise from the different income groups attracted from the different countries.

13.13. Bednight occupancy rate in game lodges and national parks declined from 52 per cent in 1982 to 50.5 per cent in 1983. Table 13.8 indicates that 422,600 bednights were recorded in national parks and game lodges in 1983 compared with 425.900 in 1982: a drop of about 1 per cent. However, bednights occupancy by East African residents increased slightly to offset a decrease recorded for foreign residents. Foreign residents spent 5.600

more bednights in game reserve lodges in 1983 than in 1982. More East African residents visit national parks in preference to game lodges while the majority of foreign residents visit game lodges. Perhaps due to cost considerations, there is an observed tendency for all categories of visitors to favour lodges and parks offering self service as opposed to full catering service.

HOTEL BED NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1983

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Other	Total
Kenya	254.4	285.1	46.4	228.2	814.1
Uganda	43.4	11.6	0.1	3.7	58.8
Tanzania	16.7	4.2	0.1	0.5	21.4
Other Africa	114.4	25.5	2.7	2.9	145.5
United Kingdom	140.1	210.3	44.2	23.8	418.4
West Germany	76.5	887.2	71 .6	15.9	1,051.2
France	36.8	74.6	33.6	8.8	153.8
Italy	25.6	145.8	26.1	6.1	203.6
Switzerland	26.0	409.6	40.1	8.3	484.0
Scandinavia	34.4	26.5	8.7	5.7	75.3
Other Europe	61.0	122.9	24.2	8.8	216.9
U.S.A	120.4	41.2	92.4	49.5	303.5
Canada	17.9	7.4	6.1	1.8	33.2
Asia	71 .9	21.7	16.4	7.2	117.2
All Other Permanent Occupants	55.2	19.5	9.2	3.0	86.9
	232.6	43.5	0.7	11.5	288.3
TOTAL	1,327.3	2,336.6	422.6	385.7	4,472.1

13.14. The total number of visitors to national parks declined by 5.7 per cent between 1982 and 1983 thus interrupting a rising trend since 1979. Although Table 13.9 does not exhaust all available national parks, it is unlikely that there were significant increases in visits to other parks like Lake Bogoria, Masai Mara and Oldonyo Sabuk. Despite the overall decline noted above, there was an increase of 18.3 per cent in visitors to Lake Nakuru National Park and a small increase for the Marine National Park. Mt. Kenya National Park had 2,374 more visitors in 1983 compared with 1982 while substantial declines were recorded for Meru, Nairobi, Shimba Hills, Tsavo East, Tsavo West and Marsabit National Parks.

13.15. Table 13.10 shows the number of visitors to museums and other scenic and historic sites between 1979 and 1983. The number of visitors to these attractions increased by one fifth between 1982 and 1983. The recorded figure of 554,548 in 1983 is the highest since 1979. The number of visitors to the National Museum increased by 24.6 per cent after a 7.2 per cent decline in 1982. The Snake Park continued with the rising trend started in 1982 and in 1983 the number of visitors increased by one third to 161,465. There was a noticeable decline in the number of visitors to Gedi historic site. In addition to visitors to museums and sites, there is an increasing number of visitors who come to watch the rich variety of flora and fauna in Kenya either for scientific interest or pleasure.

GAME LODGE* OCCUPANCY, 1981-1983

Table 13.8

Lodge Locality/ TYPE	BEDS 0CCUPIED '000 EIGHTS						BED NIGHT OCCUPANCY RATE		
	E.A. Residents			Foreign Residents			*percentage*		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
National Parks..	37.4	31.4	33.2	175.2	157.1	146.7	49.7	43.1	41.1
Game Reserves	13.6	14.4	14.1	208.0	223.0	228.6	59.8	62.1	60.9
TOTAL	51.0	45.8	47.3	383.2	380.1	375.3	54.3	52.0	50.5
of which									
Full Catering ..	37.9	36.2	39.0	368.2	356. 5	351.5	58.1	53.9	52.5
Self-Service	13.1	9.6	8.3	15.0	23.6	23.8	28.5	36.5	34.4

*Lodgesin National Parks and Game Reserves only.

TOTAL NUMBER OF VISITORS TO NATIONAL PARKS, 1979-1983

Table 13.9 *Numbers*

	1979	1980	1981	1982	1983
Aberdare	44,892	39,551	43,923	46,182	45,250
Amboseli	80,905	82,128	93,477	136,324	134,942
KisiteMpunguti	2,378	3,911	4,761	3,614	3,137
Lake Nakuru	72,399	88,720	91,707	83,779	99,145
Marine	48,705	38,019	47,135	44,607	45,375
Marsabit.	2,701	2,740	2,217	2,049	1,502
Meru	25,857	22,443	23,413	21,201	16,437
Mt. Elgon	3,134	3,557	2,907	3,166	3,023
Mt.Kenya	8,260	7,358	8,369	8,666	11,040
Nairobi	108,308	124,554	147,801	151,335	133,495
SaiwaSwamp	1,350	1,352	1,983	1,893	1,342
Shimba Hills	14,000	15,809	16,265	14,736	12,026
Tsavo (East)	55,081	60,589	62,589	79,014	71,215
Tsavo (West)	97,832	117,832	113,755	135,025	112,127
TOTAL	565,802	608,563	660,302	731,591	690,056

VISITORS TO MUSEUMS. SNAKE PARK AND SITES, 1979-1983

Table 13.10 *Numbers*

	1979	1980	1981	1982	1983
NationalMuseum	143,396	175000	160,077	148,516	185,016
LamuMuseum	15,829	15,670	15,177	11,016	12,666
Snake Park	141,803	127,163	117,000	120,865	161,465
Fort Jesus	111,639	140,925	129,639	131,100	152,126
Gedi	36,838	34,088	31,751	33,386	21,830
Olorgesailie	4,985	5,090	4,683	4,789	5,285
Kariandusi	2,851	3,120	2,918	1,435	3,347
Hyrax Hill	1,440	1,680	1,516	1,402	2,343
JumbalaMtwana	4,306	5,455	5,100	9,356	10,468
TOTAL	463,087	508,191	467,861	461,865	554,546

13.16. Despite an increase in the number of conferences, conference tourism declined in 1983 compared with 1982. While the number of conferences increased from 29 to 36, the number of conference days declined from 218 to 176. The number of delegates similarly declined from 18,050 in 1982 to 13,970 in 1983 or by 22.6 per cent. Difficult economic conditions in most countries meant that fewer delegates were sent from the various countries The smaller number of conference days and fewer delegates despite an increase in the number of conferences suggest that in 1983 there were smaller and shorter conferences than in 1982. Overall the occupancy rate for the Kenyatta International Conference Centre (KICC) dropped from 59.0 per cent in 1982 to 48.2 per cent in 1983.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE. 1979-1983

Table 13.11

Year	1979	1980	1981	1982	1983
Number of Conferences	32	38	40	29	36
Number of Conference Days	207	273	263	218	176
Attendance (No. of Delegates)	7,145	10,670	9,500	18,050	13,970
Percentage of Occupancy	56.7	74.6	72.1	59.0	48.2

Development of tourism

13.17. According to the 1984-88 Development Plan, it is intended to greatly increase the number of tourists coming to Kenya. Other objectives include: raising hotel occupancy rate, increasing hotel bed capacity and raising the level of foreign exchange earnings from the tourist trade. To achieve these targets, the measures to be adopted include: intensified and aggressive promotional campaigns in the main tourist-originating countries, enhanced tourist facilities at competitive rates and the deployment of well trained manpower in the tourist sector. This comes in the wake of declining share of the inter-national tourism trade by the Third World countries in general.

13.18. In 1983, the Ministry of Tourism and Wildlife through its various overseas tourist offices participated in seven fairs and exhibitions; two in Spain and others in London, Cairo, West Berlin, Milan and Las Vegas. Nine exhibitions and fairs are planned for 1984 and Kenya hopes to participate.

13.19. The Kenya Utalii College trains manpower for the hotel industry. In 1984, 250 students are expected to graduate while other 250 participants will undergo refresher courses. Another college, Naivasha Wildlife and Fisheries Training Institute is under construction and is expected to be completed in October 1984. It will have an intake of 175 students who will take diploma courses in fisheries and wildlife management.

CHAPTER 14—TRANSPORT, STORAGE AND COMMUNICATIONS

Although the impact of the recent recession in industrialised countries continues to be felt in developing countries, real output of Kenya's transport, storage and communications sector grew substantially during 1983. Output grew by 13.8 per cent in 1983 and contributed 5.9 per cent of the GDP. The number of new registrations of vehicles fell for the third year running. Revenues rose although railways freight and passengers exhibited a declining trend. Cargo handled at the port of Mombasa declined for the second successive year in 1983 mainly because of lower volumes of bulk liquids. Pipeline throughput rose in 1983, reversing falls of the previous two years. The national airline improved its performance further in 1983. Postal and telecommunications facilities were expanded and their utilisation increased.

14.2. The monetary value of output for the period 1979-1983, is shown in Table 14.1. The road transport activity, which accounted for 26 per cent of total output in 1983 grew continuously over the period, to reach K£119.6 million in 1983. This output was 54 per cent above the 1979 level, even though a rise between 1982 and 1983, was the lowest in five years. Railways

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1979-1983

Table 14.1 *K£million*

	1979	1980	1981	1982	1983*
Road Transport	77.7	92.3	99.0	117.8	119.6
Railway Transport	29.0	32.9	38.8	50.0	58.2
Water Transport	55.4	62.7	65.3	54.6	67.5
Air Transport	40.0	41.6	39.9	48.4	69.1
Services Incidental to Transport	40.8	31.2	37.5	40.3	42.5
SUB.TOTAL	243.0	260.8	280.5	311.1	356.8
Pipeline	11.2	18.6	18.5	20.1	21.5
Communications	47.6	57.5	63.5	74.9	84.0
TOTAL	301.8	336.9	362.5	406.1	462.3

*Provisional.

transport doubled its output between 1979 and 1983 to stand at K£58.2 million, and was 16.4 per cent above 1982. This rise was mainly due to several upward tariff revisions. The output of water transport reached peak in 1981, fell in 1982 and rose by 23.6 per cent to K£67.5 million in 1983. The air transport output fluctuated around K£40 million up to 1981; it rose in the next two years by 73.2 per cent to reach K£69.1 million in 1983. The value of output of services incidental to transport fell to its lowest level in 1980. and rose during the three succeeding years reaching K£42.5 million in 1983. The output of Kenya Pipeline nearly doubled to K£21.5 million while output of the communications activity rose by three-quarters to K£84

million between 1979 and 1983. In real terms GDP of the transport and communications sector rose by 7.3 per cent between 1982 and 1983 compared with an increase of 4.6 per cent between 1981 and 1982.

14.3. Table 14.2 gives details of earnings accruing from road and rail transport activities since 1979. Road transport is the larger of the two, accounting for about 70 per cent of total earnings between 1979 and 1983. Both passenger and freight revenue grew over the period. Passenger receipts

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1979-1983

Table 14.2 *K£million*

	1979	1980	1981	1982	1983
Passenger Traffic-					
Road	25.2	26.7	30.2	38.7	44.0
Rail	2.2	3.1	4.1	4.4	5.1
SUB-TOTAL	27.4	29.9	34.3	43.1	49.1
Freight Traffic—					
Road	52.5	65.6	68.7	79.1	75.6
Rail**	26.9	29.7	34.8	45.6	53.0
SUB-TOTAL	79.3	95.3	103.5	124.7	128.6
TOTAL ROAD TRAFFIC	77.7	92.3	99.0	117.8	119.6
TOTAL RAIL TRAFFIC	29.0	32.9	38.8	50.0	58.2
TOTAL	106.7	125.2	137.8	167.8	177.8

*Provisional.

**Includes other revenue.

swelled by nearly 80 per cent between 1979 and 1983 to stand at K£49.1 million in 1983. This figure is 13.9 per cent above the 1982 level. For road, passenger receipts increased by 13.7 per cent while receipts for the railways went up by 15.9 per cent between 1982 and 1983. Freight revenue, which accounted for over 70 per cent of the total receipts in 1983, rose by only 3.1 per cent from K£124.7 million in 1982 to K£128.6 million in 1983. Total earnings from road freight traffic actually fell by 4.4 per cent between 1982 and 1983. This was, however, compensated by an increase of 16.2 per cent in freight traffic earning by rail during the same period. The observed higher growth rates in earnings by rail were mainly due to revisions of tariffs effected during the last five years.

Road Transport

14.4. Data on new registration of road vehicles covering the period 1979 to 1983 are shown in Table 14.3. The total number of newly registered vehicles has been falling at a decreasing rate since 1980. Thus, while the

NEW REGISTRATION OF ROAD VEHICLES, 1979-1983

Table 14.3 *Number*

	1979	1980	1981	1982	1983*
Saloon Cars	4,811	6,881	2,751	3,018	3,010
Station Wagons	2,312	2,298	1,560	1,527	1,689
Panel Vans, Pick-ups, etc.	5,979	7,454	6,599	5,447	4,365
Lorries/Trucks	2,669	2,255	2,091	1,355	1,400
Buses and Coaches	275	208	247	330	259
Mini Buses	216	217	434	295	289
Special Purposes Vehicles	380	163	163	103	76
Trailers	1,030	763	868	524	438
Rollers, Graders, Cranes	153	207	178	96	208
Wheeled Tractors	1,141	1,023	1,217	822	779
Crawler Tractors	152	14	47	26	27
Motor and Auto Cycles	1,757	1,749	1,945	1,506	936
Three Wheelers	8	14	15	12	3
ALL VEHICLES	20,883	23,246	18,115	15,061	13,479

*Provisional.

fall between 1980 and 1981 was 5,131 vehicles or 21.1 per cent, the fall between 1982 and 1983 was 1,582 vehicles or 10.5 per cent. There were, however, increases of 10.6 and 3.3 per cent respectively in the new registrations of station wagons and lorries/trucks, between 1982 and 1983. The number of newly registered rollers, graders and cranes also rose but by only a small margin. Saloon cars, the second largest vehicle type, changed little in 1983 compared with 1982. Newly registered panel vans, pick-ups etc.. which comprise the largest single group of vehicles, declined for the third year running to just below 4,400 units in 1983.

14.5. The reductions in new registrations are partly due to the existing restrictions on imports which have reduced the imports of both fully built-up vehicles and knocked-down kits for local assembly. As fewer vehicles were assembled, reducing further the number available locally, coupled with a depressed economic situation in the country, the vehicle market has dampened.

14.6. Table 14.4 shows how the number of vehicles licensed annually for hire since 1979 has been fluctuating. Licences issued for passenger vehicles fell from the 1982 peak of 3,134 vehicles in 1982 to 2,565 in 1983. Similarly licences issued for freight transport vehicles, fell from 6,199 recorded in 1982 to 5,273 recorded in 1983 resulting in an overall reduction of 16.1 per cent. The observed declines in licensed vehicles for hire suggest that the depressed domestic market conditions have affected the demand for these commercial vehicles for the last few years.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1979-1983

Table 14.4 *Number*

	1979	1980	1981	1982	1983*
Passenger Service Vehicles	2,967	2,952	2,938	3,134	2,565
Freight Transport Vehicles	3,897	5,931	5,733	6,199	5,273
TOTAL	6,864	8,883	8,671	9,333	7,838

*Provisional.

14.7. Revenue earned by Kenya National Transport Company (KENATCO) declined by over one third in 1983 compared with 1982 to stand at about K£3.6 million. Freight transport, which is the main revenue-earner for the company, experienced the largest fall. Fleet escort service, realised only K£0.5 million, falling by 46 per cent below 1982 level. Passenger revenue declined too, but much less steeply, by 8 per cent to K£687,500 during 1983. The poor performance resulted partly from stiff competition from private transporters.

Railway Transport

14.8. Details of freight and passengers carried and revenue realised by the Kenya Railways Corporation between 1979 and 1983 are shown in Table 14.5. Revenue earned by the Railways Corporation from goods traffic rose over the period under review to K£46.8 million by 1983. a rise of 18 per cent above the 1982 level. The rise in revenue has been the result of upward tariff revisions. Freight carried has been on the decline since 1980; from 4.3 million tonnes in 1980 to 3.9 million tonnes by 1983. Meantime, revenue per tonne kilometre rose steadily from 24 cents in 1980 to 45 cents in 1983.

RAILWAY TRAFFIC, 1979-1983

Table 14.5

	Unit	1979	1980	1981	1982	1983*
Freight:						
Tonnes	'000	3,757	4,287	4,248	4,065	3,894
Tonne-Km. ..	million	1,994	2,277	2,241	2,097	2,091
Revenue	K£million	24.4	27.4	36.1	39.7	46.8
Revenue per tonne/km.	cts.	25	24	32	39	45
Passengers:						
Journeys	'000	1,915	2,401	2,356	2,346	2,283
Passenger—Km.	million	543.8	704.2	777.6	771.8	727.6
Revenue	K£million	2.1	2.8	3.9	4.5	4.9
Revenue per passenger/km.	cts.	8	8	10	12	13

*Provisional.

14.9. Passenger traffic, like freight carried, earned the Corporation increasing revenue over time. By 1983, passenger revenue stood at nearly K£5 million. This was 8.9 per cent above the 1982 earnings and more than double the 1979 receipts. Again, tariff increases contributed to the observed growth. By contrast, passengers carried rose sharply in 1980, reaching 2.4 million and fell gradually during the following three years. By the end of 1983, the number of passengers was just under 2.3 million, 2.7 per cent below the 1982 level. The movement in passenger traffic and receipts between 1979 and 1983 apparently led to an increase of 62.5 per cent in revenue per passenger/km.

14.10. It is intended that during the 1984-1988 Plan period the Railways will be operated on the principle of full cost recovery. To the extent that goods or passengers are required to be carried at subsidised rates, the Government will provide adequate subventions from budgetary appropriations. Further, innovations during the plan period will be concentrated on equipping the railways workshops for adequate maintenance of rolling stock, completion of the track, re-laying and renewal programme, building of depots and container terminals, and the up-grading of the telecommunications systems.

Harbours and Shipping

14.11. Details of freight handled at the port of Mombasa between 1979 and 1983 are given in Table 14.6. Port throughput reached a peak in 1981, declined sharply the following year by 22 per cent, and declined by one per cent in 1983 to stand at 6.5 million tonnes. The tonnage of exports peaked at 2.8 million tonnes in 1981 and fell during the following two years to 2.2 million in 1983. This was a decline of 7 per cent below the 1982

FREIGHT HANDLED AT MOMBASA HARBOUR, 1979-1983

Table 14.6 '000 *tonnes*

	1979	1980	1981	1982	1983*
Loaded-					
Dry Cargo	1,560	1,438	1,531	1,675	1,785
Bulk Liquids	474	598	1,274	689	411
TOTAL	2,034	2,036	2,805	2,364	2,196
Landed—					
Dry Cargo	1,037	2,003	2,060	1,489	1,607
Bulk Liquids	2,822	3,467	3,567	2,705	2,681
TOTAL	3,859	5,470	5,627	4,194	4,288
TOTAL FREIGHT HANDLED	5,893	7,506	8,432	6,558	6,484

*Provisional.

level. Imports, which accounts for over 60 per cent of total freight handled at Mombasa, behaved like exports except in 1983 when they rose by over 2.2 per cent to reach 4.3 million tonnes. This tonnage was, however, still lower than the peak reached in 1981.

4.12. Dry cargo increased while bulk liquids handled at the port of Mombasa fell during 1983. Dry cargo exports increased by 6.6 per cent from 1.7 million tonnes in 1982 to 1.8 million tonnes in 1983. Similarly, dry cargo imports increased by 7.9 per cent to register 1.6 million tonnes in 1983. The improvement in the volume of landed cargo during 1983 contrasts sharply with the 25.5 per cent drop between 1981 and 1982. Bulk liquids handled reduced by nearly 9 per cent in 1983 and stood at 3.1 million tonnes compared with 1982. This fall was largely due to liquid exports which dropped by 40 per cent. Molasses, hitherto a main liquid export, is now being used locally in the blending of petrol.

14.13. Transit cargo handled at the port of Mombasa, for Uganda, Tanzania, Rwanda, Burundi, Zaire, Zambia and the Sudan has been on the increase. In 1979, 398,000 tonnes of such cargo were handled. The volume fell during the succeeding two years and reached a trough in 1981. In 1982 transit freight rose to 485,000 tonnes and to 496,000 tonnes in 1983.

14.14. The number of ships arriving at the port of Mombasa fell again in 1983 for the second year running. In 1983, 1,284 ships were recorded compared with 1,360 for the previous year. The greater percentage fall in the number of ships in comparison with the fall in the volume of cargo handled suggests that larger ships were handled at Mombasa in 1983 than in 1982.

14.15. The container traffic through Mombasa has been on the increase. In 1979, 15,000 twenty-foot equivalent units were handled. The figure rose continuously during the next four years to reach 84,000 in 1983. The Kenya Ports Authority (KPA) development of container facility at Mombasa has been followed by the opening of an inland terminal at Nairobi.

14.16. The port of Mombasa has a capacity to handle up to 24 ships at a time. It can also handle up to 8 million tonnes of cargo, including 3 million tonnes of petrol products annually.

Pipeline Transport

14.17. During 1983, the Government-owned Kenya Pipeline Company transported a total throughput of 1.3 million cubic metres of white petroleum products, a rise of 6.6 per cent above the 1982 level. This growth contrasts with falls during 1982 and 1981. The observed rise was due to increased handling of regular motor spirit, illuminating kerosene oil, and jet fuel. Both premium motor spirit and light diesel oil changed little between 1982 and 1983. However, premium motor spirit has been on the decline since 1980. The company's revenues have remained static in the last few years, and at K£18.8 million in 1983, were little changed from 1982 level.

14.18. On capital development, a few infrastructural projects were recently completed by the company. They included the improvement to fire fighting facilities at pumping stations, buildings at the Nairobi terminal, staff houses and social halls and an ethanol blending project. During 1984, the company expects to be involved in a number of projects including a study of pipeline extension to Western Kenya; development of fuelling facilities at an estimated cost of K£1.5 million; and construction of strategic oil storage facilities at Mombasa. Table 14.7 details the performance of the pipeline since 1979.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1979-1983

Table 14.7 '000 *Cubic Metres*

	Motor Spirit Premium	Motor Spirit Regular	Kerosene illumina-ing Oil	Light Diesel Oil	Autur Jet fuel	Totals
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
1983	240.4	213.9	109.1	393.4	384.7	1,341.3

Air Transport

14.19. There was a marked improvement in the operations of Kenya Airways (KA) in 1983 which led to improved competitiveness. A number of route changes were effected on both international and domestic flights. On international routes, the eastern route through Karachi was replaced by a direct flight from Nairobi to Bombay; a twice weekly service to Dar-es-Salaam was introduced in March 1984; and a bigger aircraft was introduced on the Nairobi-Entebbe route. On domestic routes, a daily flight to Kisumu was started in 1983. and has been enhanced by the introduction of "Msafiri" promotional fares.

14.20. These innovations have had a positive impact already. There was increased traffic performance both domestically and internationally for passenger and freight between 1982 and 1983 as portrayed in Table 14.8. Passenger-kilometres went up by 11.4 per cent and 2.1 per cent respectively, for domestic and international flights between 1982 and 1983. While passenger capacity utilisation factor on domestic traffic dropped from 62.0 to 54.8 per cent, international traffic recorded a rise from 57.7 to 66.5 per cent between 1982 and 1983. Total freight carried increased from 112.3 million kg-kilometres during 1982 to 120.7 million kg-kilometres during 1983. As a result, total freight capacity utilisation factor went up from 53.6 per cent in 1982 to 56.3 per cent in 1983. Thus, the airline improved the level of utilisation of both passenger and freight capacities.

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1982-1983

Table 14.8

	DOMESTIC		INTERNATIONAL		TOTAL	
	1982	1983	1982	1983	1982	1983*
PASSENGER						
Passenger—						
Km. Million ..	73.1	81.4	868.6	887.0	941.7	968.4
Utilisation: *Percent*	62.0	54.8	57.7	66.5	58.0	55.7
FREIGHT						
Total Carried:						
Kg/Km. Million	6.9	7.7	105.4	113.0	112.3	120.7
Utilisation: *Per cent*	52.7	56.1	53.7	56.3	53.6	56.3

*Provisional.

14.21. Details of air traffic at Nairobi and Mombasa international airports from 1979 to 1983 are shown in Tables 14.9 and 14.10. The combined passenger traffic at the two airports shows a rising trend which reached a peak in 1981, fell in 1982, and rose marginally by 1.5 per cent to stand at 1.9 million in 1983. The rise in passenger traffic occurred at Nairobi airport. The combined cargo for the two airports peaked in 1980, fell in the following two years and rose by 7.0 per cent between 1982 and 1983 to reach 56,000 tonnes in 1983. The growth in cargo traffic occurred, as for passengers, at Nairobi by 10.9 per cent, to reach 38.6 thousand tonnes in 1983. In recent year, cargo traffic growth has been attributed to the freighting of horticultural produce to European destinations. The static nature of Mombasa is noteworthy, both passengers and flight are virtually unchanged between 1982 and 1983.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT. 1979-1983

Table 14.9

	1979	1980	1981	1982	1983*
PASSENGERS—000's					
Landed	472.9	476.7	505.2	470.4	478.4
Embarked	476.2	470.0	507.8	480.0	471.9
In Transit	506.1	520.0	570.1	559.9	588.0
TOTAL	1,455.2	1,466.7	1,583.1	1,510.3	1,538.3
FREIGHT—'000 *tonnes*					
Cargo: Landed	7.8	7.8	7.8	7.1	8.2
Loaded	18.7	20.7	24.9	25.6	28.4
Mail: Landed	1.0	0.9	1.0	1.1	1.3
Loaded	0.8	0.7	0.8	0.9	0.8
TOTAL	28.2	30.2	34.3	34.8	38.6

*Provisional.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1979-1983

Table 14.10

	1979	1980	1981	1982	1983*
PASSENGERS—000's					
Landed	159.0	177.6	182.0	183.5	182.7
Embarked	160.5	181.9	191.2	189.7	191.5
In Transit	16.2	20.5	15.8	16.6	15.3
TOTAL	335.7	380.0	389.0	389.8	389.5
FREIGHT—'000 *tonnes*					
Cargo: Landed	10.29	16.49	12.22	10.14	9.10
Loaded	7.94	10.20	9.84	7.50	8.43
Mail: Landed	0.08	0.09	0.08	0.08	0.12
Loaded	0.04	0.04	0.04	0.04	0.05
TOTAL	18.35	26.81	22.18	17.76	17.70

*Provisional.

Development of Aerodromes

14.22. Total capital project works completed and in progress at various airports and airstrips during 1983 were valued at K£4 million. At Jomo Kenyatta Airport, Nairobi, works carried out included installing television monitors, building a fire sub-station, re-roofing the terminal building and renovating the VIP lounge, all at a cost of K£539 thousand. At Moi Airport. Mombasa, fire-crash and rescue equipment was installed and an aircraft parking apron and taxi-way were constructed, both at a cost of over K£2.5 million. Projects undertaken at various airstrips included construction of an airstrip at Wajir, and commencement of construction work on the new airstrip at Kakamega, all at a cost of K£653 thousand.

Posts and Telecommunications

14.23. The over-riding objective of the Kenya Posts and Telecommunications Corporation (KP&T) is the provision of efficient postal and telecommunications services throughout the country through expansion, diversification and modernisation. Accordingly, a range of indicators show that the diverse postal and telecommunications operations have been substantially expanded and modernised in recent years. Tables 14.11 and 14.12 depict the extent to services offered to the public by the KP&T through its postal and telecommunications network between 1979 and 1983.

14.24. Postal facilities increased continuously between 1979 and 1983 growing at an annual rate of about 3 per cent in the case of postal services and by nearly 7 per cent in the case of private letter boxes. By 1983 there were 756 post offices. Postal penetration level which indicates the degree of accessibility of postal services, as measured by the number of people per

POSTAL AND TELECOMMUNICATION SERVICES, 1979-1983

Table 14.10

	Unit	1979	1980	1981	1982	1983*
Post Offices	No	668	689	714	731	756
Private Letter Boxes	'000	130	151	159	168	172
Registered and Insured Items Posted	Million	2.7	2.9	3.3	3.1	3.4
Total correspondence handled	million	174	188	199	206	219
Parcels handled	'000	408	412	419	371	352
Telephone Exchange connections	'000	70	74	80	88	96
Public Call Boxes	No	514	529	753	655	734
Manual Telephone Calls made	million	12.3	13.2	14.0	14.6	12.6
Subscriber Dialled Units	million	406	433	478	571	590
Telex Subscribers	'000	1.1	1.2	1.4	1.5	1.7
Telegrams Handled	'000	851	955	1,000	1,014	1,034

*Provisional.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1979-1983

Table 14.12

	1979	1980	1981	1982	1983*
Telephone service- million paid minutes—					
Outgoing	3.5	4.1	4.6	5.3	6.2
Incoming ..	4.1	4.5	5.0	5.9	7.5
Telex service. million paid minutes—					
Outgoing	2.2	2.5	2.6	2.9	3.1
Incoming	2.5	3.0	2.6	3.2	2.7
Telegraph service—million paid words—					
Outgoing	5.9	5.9	6.9	6.3	4.0
Incoming	5.8	6.2	6.3	5.3	3.3

*Provisional.

post office, has remained stable at between 23 and 24 thousand persons per office. Except for parcels, postal traffic increased continuously with total correspondence handled, rising from 174 million in 1979 to 219 million in 1983. The fall in the number of parcels handled from 408 to 352 thousand in 1979 and 1983, respectively, was due to the loss of some parcel traffic to private carriers. With the introduction of the "Speed Post" service, the Corporation hopes to win back a significant share of parcel traffic.

14.25. The response of the Kenya Posts and Telecommunications to public demand for domestic telecommunications services has been impressive over the 1979.1983 period. The total number of telephone exchange connections which has grown steadily since 1979, went up by 8,000 between 1982 and 1983.

Information and Mass Media

14.26. The role of keeping the general public aware of current affairs is largely the responsibility of the Ministry of Information and Broadcasting. The year 1983 witnessed the completion of a programme for establishing information offices in all the forty-one districts in Kenya. There are, in addition, eight sub-district information offices. These are used by the Kenya News Agency whose role is the collection, processing and dissemination of news. Information dissemination is also done through cinema services, libraries in the districts, and through publishing rural newspapers, magazines and various pamphlets.

14.27. The Department of Broadcasting has continued to expand through increased radio and television services. Radio coverage is now available on medium wave to about 60 per cent of the population. Improvements to the communications infrastructure in 1983 included the commissioning of new medium wave radio transmitter stations at Meru, Nyeri, Garissa, Voi and Nyaminia. The quality of the radio signals in western and central areas was improved by the installation of stereo VHF/FM signal connections at Timboroa and Limuru television transmitter stations. The Komarok Short Wave Station in Machakos district will be completed in 1984 and this will provide services to areas inadequately covered by medium wave transmission.

14.28. Table 14.13 provides data on the number of new radio and television sets licensed annually since 1979. The trend in both cases fluctuated with peaks of 201,000 radio sets and nearly 12,000 television sets licensed in 1980. In 1983, 142.900 radio sets, and 8,200 television sets were licensed: these were nearly one-third lower than in 1982. For television sets, the number licensed in 1983 was the lowest in the last four years. At the end of 1983, an estimated 2.5 million radio sets and 113,700 TV sets carried licenses. This cutback has arisen from the general curtailment of luxury associated with imports.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1979-1983

Table 14.13 '000

	1979	1980	1981	1982	1983
Radios ..	159.7	201.3	193.5	196.1	142.9
Television Sets	7.1	11.9	10.5	11.5	8.2

14.29. During 1983, the Kenya Institute of Mass Communications continued to offer courses in the fields of engineering and programme production for radio, television, film and bulletin information. It has a student enrolment capacity of 300. There was no change in the intake of pre-service trainees in 1983 but the 120 recruited in 1982 continued with their courses. In 1983 there were 50 participants undergoing various in-service training.

14.30. Table 14.14 shows the average daily and weekly newspaper circulation for the period 1979 and 1983. The average circulation of the Kiswahili dailies has remained static since 1980. Swahili weeklies have also remained virtually static at 65,000 in the last two years. By contrast, the average circulation of English newspapers exhibited a rising trend throughout the 1979-1983 period. In 1983 average English dailies were 171,000, while weeklies rose by 7.4 per cent to 232,000.

DAILY/WEEKLY AVERAGE NEWSPAPER CIRCULATION, 1979-1983

Table 14.14 '000

	1979	1980	1981	1982	1983*
MORNING NEWSPAPERS—					
English	150.7	153.8	163.4	167.1	171.3
Swahili	54.3	52.9	52.6	52.5	52.4
OTHER NEWSPAPERS—					
English Weeklies	150.3	184.7	191.7	216.0	232.0
Swahili	97.3	66.7	66.0	65.3	64.8

*Provisional.

CHAPTER 15—THE SOCIAL SCENE

The concern of the Government with the improvement of well-being of the people is shown by the continued substantial allocation to social services during the 1983/84 period. The total estimated Government expenditure on social services increased marginally from about K£274 million in 1982/83 to about K£275 million in 1983/84 as detailed in Table 15.1. The estimated recurrent expenditure of K£241 million absorbed about 88 per cent of the total approximately the same proportion as during the previous three years. As shown in Table 15.2, K£25 million was spent by local authorities on social services in 1983, an increase of 7 per cent over 1982.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1980/81-1983/84

Table 15.1 K£'000

	1980/81	1981/82	1982/83*	1983/84
RECURRENT EXPENDITURE—				
Ministry of Education, Science and Technology	148,931.8	165,966.1	177,550.6	172,412.7
Ministry of Health	52,868.7	59,066.0	61,303.2	57,461.4
Ministry of Labour	3,567.4	3,768.1	3,752.1	3,951.1
Ministry of Culture and Social Services	6,703.4	8,063.4	8,262.3	8,067.2
DEVELOPMENT EXPENDITURE—				
Ministry of Education, Science and Technology	10,616.6	11,258.9	9,959.9	10,538.6
Ministry of Health	12,831.4	11,095.4	7,530.9	13,941.8
Ministry of Labour	547.7	1,543.3	581.3	814.2
Ministry of Culture and Social Services	3,679.9	5,220.1	4,776.6	7,636.2
TOTAL EXPENDITURE	239,746.9	265,981.3	273,716.9	274,823.2

*Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1979-1983

Table 15.2 K£'000

	1979	1980	1981	1982	1983*
Education	7,026	8,296	9,999	13,903	14,505
Health	4,182	5,121	5,887	7,865	8,361
Other Social Services	409	583	2,118	1,988	2,479
TOTAL EXPENDITURE	11,617	14,000	18,004	23,756	25,345

*Provisional.

Education.

15.2. Education continued to receive the largest allocation of the total Government expenditure on social services in 1983/84. On the whole, a stable 30 per cent of the nation's recurrent budget is currently allocated to formal education compared with a mere 18 per cent in 1963. In order to control expenditure, the Ministry of Education which was split into two in 1980 to form Basic and Higher Education ministries, was reorganized in 1983 to form the Ministry of Education, Science and Technology. As shown in Table 15.3, recurrent budget continued to account for a preponderant share

EXPENDITURE OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, 1980/81 1983/84

Table 15.3 K£'000

	1980/81	1981/82	1982/83	1983/84*
RECURRENT EXPENDITURE—				
General Administration and Planning	6,582.4	6,576.3	9,249.5	10,435.0
Pre-Primary Education	–	62.5	90.1	131.2
Primary Education	96,717.5	107,163.5	112,154.3	107,781.8
Secondary Education	18,089.3	21,771.5	24,880.3	20,775.9
Technical Education	1,456.0	1,591.7	1,025.9	1,319.6
Teacher Training	844.4	5,460.9	6,875.6	7,525.8
Special Schools	585.5	655.0	739.0	913.9
Polytechnic Education	2,178.2	2,440.8	2,103.3	2,378.0
Higher Education**	16,747.8	18,704.8	14,662.4	16,946.2
Miscellaneous	2,333.7	1,539.1	5,770.2	4,205.3
TOTAL	149,534.8	165,966.1	177,550.6	172,412.7
DEVELOPMENT EXPENDITURE—				
General Administration and Planning	625.8	2,023.2	470.4	1,637.6
Pre-Primary Education	–	–	–	–
Primary Education	946.4	546.2	1,428.0	492.5
Secondary Education	1,779.7	2,162.8	3,257.2	2,106.9
Technical Education	572.4	1,115.0	145.5	409.0
Teacher Training	446.5	1,694.9	101.0	2,368.0
Special Education	147.0	165.0	1,694.5	187.4
Polytechnic Education	4,932.0	974.2	18.1	342.5
Higher Education**	1,166.8	2,577.6	2,760.9	2,834.7
Miscellaneous	–	–	84.3	60.0
TOTAL	10,616.6	11,258.9	9,959.9	10,538.6

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

of the total expenditure of the Ministry of Education, Science and Technology, but dropped from K£178 million in 1982/83 to an estimated K£172 million in 1983/84. Primary education received the largest allocation of K£108 million, accounting for 63 per cent of the total recurrent expenditure, despite a 3 per cent decrease over the 1982/83 recurrent expenditure. Expenditure on technical education, teacher training and special education continued to grow.

15.3. The development of education and expansion of educational opportunities continue to be policy objectives of the Government. The expansion is however, restricted by the available Government resources ceiling. In order to distribute the limited resources evenly, a greater share of post-primary education, particularly university education, is to borne by the privileged few who receive it. The Government provides some bursaries for the students so that they may profit from education.

15.4. The Development Plan of 1984-88 outlines a number of educational strategies to be pursued in the current plan period. These are based, among other things, on the fact that the Government is increasingly finding it difficult to finance education and at the same time improve its quality and relevance. The following strategies are outlined in the Plan:

(1) From 1985, an 8-4-4 education system will be introduced in schools. This programme consists of 8 years of primary education, 4 years of secondary education and 4 years of university education. It will need an extra 5,000 teachers and a total of nearly 12.000 teachers will be assigned to teach in Standard 8 classes alone. Besides a Standard 8 classroom, each school will be required to have a workshop. The Standard 8 pupils will sit for Kenya National Primary Examination (KNPE) in which new subjects like crafts, home science and elementary science will feature prominently in the new primary school syllabus. A special bureau has been established by the Ministry of Education, Science and Technology to monitor and direct the implementation of the 8-4-4 system.

(2) Curriculum will be used to influence changes and make education more relevant to the needs of the majority of school leavers.

(3) At secondary level physical expansion will continue in the assisted and harambee schools but will be restricted within the maintained system to the opening of a limited number of Forms I and V classes in disadvantaged areas. There will be no further Form V expansion under the 8-4-4 system.

(4) The emphasis of development will shift from physical expansion to the provision of training opportunities for those not able to proceed with further formal education.

(5) A phased programme will be introduced to convert existing technical schools into post-secondary training institutions to meet the national requirements of middle-level manpower.

(6) Effective from January 1984, schemes have been devised for passing a larger share of the cost of post-primary education and training through "cost sharing" to those who benefit from them and to seek the support of local communities.

(7) Measures will be taken to make use of the existing human and physical resources more efficiently.

15.5. The estimated enrolment in primary schools in 1983 was 4,324,000, a 3.3 per cent increase over the previous years. Table 15.4 details enrolment in primary schools by standard. The largest increase in 1983 of 11 per cent is estimated to have occurred in Standard 5 while Standard I registered a marginal decrease of 2 per cent.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1979-1983

Table 15.4 *Numbers*

	1979	1980	1981	1982*	1983*
Standard 1	977,368	906,118	844,508	908,764	890,012
Standard 2	579,620	722,286	704,999	695,211	710,661
Standard 3	507,973	547,790	626,072	654,860	662,198
Standard 4	483,188	496,025	515,595	578,816	617,688
Standard 5	450,940	456,650	460,997	484,869	537,293
Standard 6	417,468	446,353	460,498	490,557	520,670
Standard 7	281,689	351,407	368,493	371,525	385,300
TOTAL	3,698,246	3,926,629	3,981,162	4,184,602	4,323,822

*Provisional.

15.6. With a restructured education system, there will be no Form I intake in 1985 and students reaching Form IV will sit for Kenya National Secondary Examination (KNSE) for the first time in 1989.

15.7. The demand for secondary education has continued to increase, and total enrolment was estimated to have reached 494,000 in 1983. This represents a 13 per cent increase over the estimated 438,000 recorded in 1982. Girls constituted 40 per cent of the total secondary schools enrolment but only 34 per cent of enrolment in maintained schools. It was estimated that in 1983, 45 per cent, 22 per cent, and 33 per cent of secondary school students were enrolled in maintained, assisted and unaided schools respectively. The proportion of girls in maintained secondary schools was higher than national average in Central and Rift Valley Provinces; considerably below the national average in Nyanza and Western Provinces and extremely low in North Eastern Province. Secondary school enrolment are detailed in Tables 15.5 and 15.6.

15.8. The Government's emphasis on technical education is shown by the increasing expansion in enrolment in technical schools. There were 19 operating technical schools in 1983 with an enrolment of 9,500 students representing a 3 per cent increase over 1982. The existing technical schools offer a curriculum which is largely academic, however, it is intended that this will be restructured so as to produce graduates with skills suitable for further training in higher institutions.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1982-1983

Table 15.5 *Numbers*

	1982*			1983*		
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form 1	50,262	30,061	49,279	55,566	32,251	51,797
Form II ..	50,092	27,118	36,354	50,393	29,248	46,975
Form III	46,918	19,838	23,730	47,598	23,386	32,042
Form IV ..	42,252	19,271	22,801	46,783	22,987	31,493
Form V ..	9,178	427	978	10,017	381	1,156
Form VI ..	8,590	412	863	10,089	384	1,164
TOTAL	207,292	97,127	134,005	220,446	108,637	164,627
Boys	136,851	50,512	73,714	145,975	56,817	91,368
Girls	70,441	46,615	60,291	74,471	51,820	73,259

*Provisional.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX, 1981-1983

Table 15.6 *Numbers*

	1981		1982*		1983*	
	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi ..	11,692	5,792	9,153	6,361	12,345	7,716
Coast	7,320	3,664	9,560	4,933	9,406	4,703
Eastern ..	16,866	7,715	17,598	9,604	21,310	10,655
North-Eastern	1,103	214	1,234	255	1,262	281
Central ..	24,271	13,405	34,646	21,440	36,618	20,697
Rift Valley	18,848	10,205	22,754	12,247	22,428	11,962
Nyanza ..	18,789	7,124	20,888	5,559	22,766	8,537
Western ..	14,256	7,529	21,018	10,042	19,840	9,920
TOTAL	113,145	55,648	136,851	70,441	145,975	74,471

*Provisional.

15.9. As shown in Table 15.7, the total teaching force was estimated at about 136,000 in 1983, an increase of over 2 per cent above 1982. Eighty-six per cent of this total were teaching in primary schools. Of the total primary school teachers, an estimated 71 per cent were trained. During the past three years the proportion of untrained teachers has decreased from 34 per cent in 1981 to 29 per cent in 1983. This down-ward trend in the proportion of untrained teachers is likely to be reversed in 1985 with the introduction of the 8-4-4 education system which will necessitate the recruitment of more untrained teachers. At the secondary school level, approximately half of the teachers were trained, a proportion which has remained constant over the past three years.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1981-1983

Table 15.7 *Numbers*

	PRIMARY			SECONDARY		
	1981	1982	1983**	1981	1982+	1983**
TRAINED—						
Graduate	98	5	9	3,579	3,693	3,923
Approved*	–	131	110	379	410	457
S1 ..	2,843	2,712	2,687	2,545	2,994	3,079
P1	26,196	31,375	36,902	368	293	422
P2 ..	27,278	28,278	27,346	247	116	123
P3 ..	15,982	16,505	15,295	–	–	–
P4	1,102	828	634	–	–	–
Other	—	830	–	784	771	793
TOTAL	73,499	80,664	82,983	7,902	8,277	8,797
UNTRAINED—						
Graduate	–	–	–	1,951	2,150	2,256
K.A.C.E. ..	773	557	661	5,846	6,457	6,697
K.C.E.	25,839	23,807	23,683	961	366	386
K.J.S.E.	8,940	8,147	8,482	–	–	
C.P.E.	1,624	1,563	1,579	–	–	–
Other	236	356	87	417	598	824
TOTAL	37,412	34,430	34,492	9,175	9,571	10,163
TOTAL	110,911	115,094	117,475	17,077	17,848	18,960

*An approved teacher has completed the equivalent of a University Education.
**Estimated.
+Actual from head count.

15.10. Total enrolment in the 16 colleges for primary school teachers decreased in two years by 100 to 11,300 in 1983. In view of the imminent increase in the number of untrained teachers in primary schools during 1985, the Ministry of Education, Science and Technology has announced its intention to open 10 more new teacher training colleges. The teacher training curriculum will also be altered to provide for a one year residential instruction and one year supervised practical teaching experience. This will increase considerably the number of students who could be admitted into teacher training colleges each year. Details by qualification of teachers currently enrolled in primary teacher training colleges are given in Table 15.8.

15.11. The Government's determination to increase the number of trained teachers for secondary schools is shown by the upgrading of two teacher training colleges—Kagumo and Siriba—to offer diploma courses in education. The two colleges had a combined enrolment of about 1,000 students in 1983. In addition, another teacher training college is planned to be opened in Eldoret. This will bring the total number of colleges offering diploma courses to six. The others are: Kenya Science Teacher's College, Kenya Technical Teacher's College and Egerton College, Njoro where about 40 teachers in

STUDENT ENROLMENT IN ALL PRIMARY TEACHERS COLLEGES BY QUALIFICATION, 1983*

Table 15.8 *Numbers*

	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
K.A.C.E.....	12	10	14		26	10
K.C.E	3,493	2,243	3,110	2,088	6,603	4,331
K.J.S.E	39	38	37	41	76	79
C.P.E	45	49	43	34	88	83
TOTAL	3,589	2,340	3,204	2,163	6,793	4,503

*Provisional.

agriculture are produced annually. The total enrolment in the operational colleges was estimated at 3,100 in 1983, which excludes graduate teachers trained mainly at Kenyatta University College.

15.12. Further emphasis on technical education and vocational training is shown by the expansion of the Kenya and Mombasa polytechnics. A total of 5,400 students were enrolled in the two polytechnics in 1983. This represents an increase of 12 per cent over the 1982 figure. A majority of the students were enrolled in Business Studies and Engineering. Other courses offered include Library Studies, Graphic Arts, Institutional Management, Science and General Studies.

15.13. Various Harambee Institutes of Technology (HIT) also undertake specialized technical training programmes. By January, 1981, fourteen out of the proposed 15 institutes were in operation with a total enrolment of just over 3,600 students, an increase of about 65 per cent over 1982. Moi Institute of Science and Technology in South Nyanza and Meru College of Science and Technology opened in January 1983. The largest concentration of students was in secretarial courses, masonry and accountancy with smaller numbers in engineering, textiles and plumbing.

15.14. Undergraduate and diploma enrolment at the University of Nairobi was 5,250 in 1983/84 while postgraduate enrolment was 1,600 giving a total of nearly 7,000 students in that academic year. The distribution of students into undergraduate, diploma and postgraduate categories is shown in Table 15.9. Women account for an average of 23 per cent of the total enrolment in the last three academic years. It is intended to limit the level of undergraduate enrolment at the University of Nairobi to 6,000 students a year while postgraduate training is to be expanded to meet the requirements for Kenyanization and a second University is planned to be opened in Eldoret.

15.15. Enrolment at Kenyatta University College which has registered an increasing trend since 1978/79 dropped by 7 per cent from 2,531 in 1981/82 to 2,348 in 1983/84. Women account for 46 per cent of the total enrolment in 1983/84. Details are shown in Table 15.10.

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1981/82-1983/84

Table 15.9 *Numbers*

	1981/82			1983/84		
	Males	Females	Total	Males	Females	Total
Undergraduate Course-						
Agriculture*	306	74	380	382	86	468
Architecture and Design	208	25	233	197	29	226
Building Economics and Land Economics	126	28	154	113	38	151
Art	786	468	1,254	747	403	1,150
Commerce	364	169	533	333	174	507
Engineering	561	7	568	507	12	519
Law	154	107	261	192	133	325
Medicine	450	111	561	433	107	540
Science	756	113	869	719	98	817
Veterinary Medicine	281	30	311	271	36	307
Dental Surgery	38	37	75	35	35	70
Pharmacy	75	33	108	77	27	104
TOTAL	4,105	1,202	5,307	4,006	1,178	5,184
of which Kenya Students	4,039	1,177	5,216	3,945	1,165	5,110
Diploma Courses+ Total	31	44	75	25	40	65
of which Kenya Students	26	42	68	24	38	62
Postgraduate Courses—						
Agriculture	142	28	170	121	24	145
Architecture and Design	40	5	45	46	4	50
Art	196	78	274	200	82	282
Commerce	78	15	93	55	9	64
Education	160	64	224	287	117	404
Engineering	64	2	66	39	3	42
Law	19	7	26	10	5	15
Medicine	193	38	231	205	47	252
Science..	263	29	292	231	43	274
Veterinary Medicine	65	9	74	50	11	61
School of Journalism	17	7	24	17	5	22
Institute of Computer Science	17	6	23	13	2	15
TOTAL	1,254	288	1,542	1,274	352	1,626
Of which Kenya Students	986	222	1,208	972	269	1,241
Total Enrolment—						
All Kenya students	5,051	1,441	6,492	4,941	1,472	6,413
Students from other countries	339	93	432	364	98	462
TOTAL	5,390	1,534	6,924	5,305	1,570	6,875

*Includes courses on Food science and Technology and Forestry.

+Diploma courses were offered in Advanced Nursing and Adult Studies.

KENYATTA UNIVERSITY COLLEGE STUDENTS BY COURSES AND SEX, 1981/82-1983/84

Table 15.10 *Number*

	1981/82			1983/84		
	Males	Females	Total	Males	Females	Total
Diploma in Curriculum Dev.	72	18	90			–
Diploma in Education	114	48	162	–	–	–
Bachelor of Education	1,122	1,007	2,129	1,108	1,032	2,140
B.A. Fine Arts	11	8	19	3	1	4
Postgraduate (Including P.G.D.E.)	108	23	131	154	50	204
TOTAL	1,427	1,104	2,531	1,265	1,083	2,348

Health

15.16. The Government has, since Independence, recognised the need to improve the health standards in Kenya as a basic step towards socio-economic development of the country. Guided by the foregoing principle, the Government has embarked on numerous development programmes and projects geared towards the alleviation of major health problems facing its people in order to improve their health standards. Provincial and District Hospitals form the backbone of the curative care system and they support the operations of rural health by serving as referral institutions for health centres and dispensaries. The hospitals also serve as administrative centres through which rural and community-based health services are supervised. Further, they are used as teaching hospitals for training of health manpower.

15.17. During the Fifth Development Plan period, 1984-1988, emphasis will be mainly on strengthening and improvement of out-patient services. Construction of some amenity wards or hospitals in Provincial Hospitals where none exist will be undertaken; and expansion of psychiatric services with a view to increasing capacity and creating better facilities for curative health care services is underway.

15.18. As detailed in Table 15.11, the number of health units increased from 1,631 in 1982 to 1,717 in 1983. There was, however, a small decrease in the number of hospitals due to some reclassification of those health centres which lack resident doctors. This has been compensated for by an increase of 12 health centres and 78 health sub-centres and dispensaries.

15.19. The number of beds and cots increased from 29,044 in 1982 to 29,294 in 1983. The decline in number per 100,000 population for beds and cots was partly a consequence of the rapid population growth. It is therefore important that the growth in provision of health services will have to be continued at a faster rate if the average number of beds per 100,000 population is to be increased to a level which is adequate to serve the population.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1983

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	7	71	95	5,598	534
Coast	25	27	138	190	2,930	181
Eastern	31	41	191	263	3,882	118
North Eastern	3	6	21	30	366	79
Central	43	45	207	295	4,512	160
Rift Valley	50	79	377	506	5,212	132
Nyanza	31	49	161	241	4.066	120
Western	16	34	47	97	2,728	125
TOTAL 1983	216	288	1,213	1,717	29,294	156
TOTAL 1982	220	276	1,135	1,631	29,044	171

15.20. Kenya has accepted the World Health Organization call for member countries to make all possible efforts to achieve the ultimate objective of "health for all" by the year 2000 and the Government believes that this is still an attainable possibility inspite of unfavourable economic conditions in the early 1980's. In other words, it is still the Government policy to shift the emphasis from curative services in favour of preventive and promotive health services. Towards this objective, the Government has embarked on an "Integrated Rural Health and Family Planning Programme". The programme includes the control of communicable and vector-borne diseases, maternal child health and family planning, immunization, health education, nutrition and environmental health with the assistance of the World Bank and donor countries. Available information indicates that 70 per cent of the diseases can be prevented or controlled by adopting proper sanitary habits, effective immunization, improvement in water supply, and early diagnosis and treatment. The Government hopes that a concerted campaign through health education and dissemination of health information, especially in the rural areas, will pay dividends in decreasing the incidence of diseases which are the major causes of ill health and ultimately assist in reducing the expenditure on curative services.

15.21. Table 15.12 shows that there was a large under-reporting of the annual statistics for 1983 on Family Planning. Only 23 out of 41 districts in the republic responded. It is hoped that response will improve when districts receive feed-back information through the National Family Welfare Centre annual report. Low figures, especially on Family Planning data, may be associated with poor motivation due to methods of approach and education and general negative attitude among mothers coupled with cases of complications such as high blood pressure, etc.

M C H / F P ATTENDANCE BY SERVICES, 1981-1983

Table 15.12 *Numbers*

	CLINICS*		FIRST VISITORS ONLY		
	Established	Reported	Child Welfare	Ante-Natal	Family Planning
	567	345	608,523	402,126	62,746
	574	424	876,273	563,680	58,971
	645	209	173,890	305,167	18,932

*All clinics give both full-time and part-time services especially in the field of family planning.

+Figures to be updated when districts respond.

15.22. The availability of a well trained professional staff with a wide variety of skills is the key to the success of any effective health care system. At Independence, the Government inherited a small staff of 6,300 comprising mainly of expatriates. However, through a concerted effort of recruitment, training, coupled with selective Kenyanization, the Government had increased that number to 31,000 by 1982. It has also completed Kenyanization of all high level administrative and most specialized cadres of personnel. At Independence, there were 318 doctors and 13 dentists in Government hospitals. This number has now increased to 840 doctors and 80 dentists. At the end of 1983 there were nearly 2,400 doctors in the country. The number of nurses of various types including clinical officers and other para-medical staff increased ten-fold since independence to 21,000 in 1983. Table 15.13 indicates that there is still a need to expand the existing training facilities in order to reach international standards.

REGISTERED MEDICAL PERSONNEL, 1981-1983

Table 15.13 *Numbers*

	1981	1982	1983		IN TRAINING	
	Number	Number	Number	No. per 100,000 Population	1982-83	1983-84
Doctors	2,057	2.151	2.366	12.60	500	500
Dentists	197	239	289	1.53	100	100
Pharmacists	84	86	113	0 60	120	120
Pharmaceutical Technologists	326	359	395	210	120	120
Registered Nurses	6,892	7,675	8,547	45.52	891	895
Enrolled Nurses	9,190	9,665	10.168	54.15	3.255	3.260
Clinical Officers	1,723	1,821	1,921	10.23	359	360

15.23. Though the number of health workers has considerably increased since Independence, only limited progress has been made in deploying highly skilled workers in areas of greatest need i.e. rural areas where the majority of the population live. It is noted that nearly 75 per cent of doctors work in urban areas where less than 20 per cent of the people live. Other professional cadres i.e. pharmacists, dentists and nurses are distributed in similar proportions. This pattern of distribution of professional health workers is affected by a number of factors—i.e. most hospitals are located in urban areas where the demand for health services is extremely high, moreover, many professional cadres are not keen to work in rural areas especially those with poor amenities. This is one of the greatest challenges that faces the Government in the years ahead in its efforts to enhance the primary health care services in the rural areas where most people who need such services are located. It is a challenge that the Government is determined to face through a concerted effort of shifting the emphasis from curative to preventive and promotive health care. As regards the imbalance of doctors in favour of urban areas, the Government is actively engaged in rectifying this state of affairs by ensuring that there is at least one Kenyan doctor in every Government hospital. Indeed, by the end of 1983 most Government hospitals had at least one Kenyan doctor. It is proposed to strengthen this policy by deploying doctors as well as clinical officers in health centres and dispensaries during 1984/85 financial year. In a further attempt to tip the balance of personnel deployment in favour of the rural areas, the Ministry of Health will shift the emphasis of training from specialists to para-medical staff whose skills are more useful in the rural areas.

15.24. Table 15.14 shows that contributions to the National Hospital Insurance Fund rose by 12 per cent from K£5.0 million in 1981/82 to K£5.6 million in 1982/83. The benefits paid rose by 55 per cent from K£3.0 million to K£4.6 million during the same period, leaving the fund with a net balance of K£1.0 million compared with K£2.1 million in 1981/82. The significant rise in benefits in the last two years is due to an upward revision of such benefits during the year 1981/82.

NATIONAL HOSPITAL INSURANCE FUND, 1978/79-1982/83

Table 15.14 K£'000

Annual Average	Receipts*	Benefits**	Contribution Net of Benefits*
1978/79	2,575.8	1,579.9	995.9
1979/80	3,003.4	1,812.3	1,191.1
1980/81	3,563.3	1,941.5	1,621.8
1981/82	5,044.2	2,975.5	2,068.7
1982/83	5,644.7	4,610.4	1,034.3

*Includes both compulsory and voluntary contributions and other receipts.

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

Other Social Services

15.25. Apart from education and health, the social scene encompasses other social activities that are equally vital to national development. Social aspects of development such as adult education, the position of women and youth in deveplopment process, etc. present a picture of development in Kenya.

15.26. *Adult Education.*—During 1983, adult literacy enrolment figures dropped marginally as a result of several voluntary teachers leaving the programme. Thus the year 1983 recorded 11,800 adult education centres with 12,300 classes as shown in Table 15.15 compared with the same number of centres but with a higher 13,600 classes for 1982. Government aided institutions had an increase in the number of women learners compared to men learners, but self-help literacy centres had a small decrease of women learners. In total, there were 247,000 learners in 1983 of whom only 25 per cent were men in Government aided institutions. Self-help literacy centres had 23,000 men out of 97,000 learners.

GOVERNMENT AND NON-GOVERNMENT AIDED ADULT LITERACY CENTRES, 1983

Table 15.15

	GOVERNMENT AIDED		NON-GOVERNMENT AIDED		TOTALS	
	Centres	Classes	Centres	Classes	Centres	Classes
Nairobi	182	217	3	21	185	238
Coast	738	898	224	292	962	1,190
Eastern	1,692	1,690	913	916	2,605	2,606
North Eastern	261	277	–	–	261	277
Central	1,095	1,112	322	322	1,417	1,434
Rift Valley	2,091	2,091	777	777	2,868	2,868
Nyanza	1,381	1,435	523	605	1,904	2,040
Western	951	951	690	690	1,641	1,641
TOTAL	8,391	8,671	3,452	3,623	11,843	12,294

15.27. *National Youth Service.*—From a modest undertaking, the National Youth Service has continued to grow from strength to strength. In 1983 the total strength of the service was 8,500 compared to 7,300 in 1982 consisting of uniformed and civilian staff, servicemen and service women. A total of nearly 3,000 servicemen and women were recruited in 1983, out of whom 2.500 were men. The total income earned by the service in 1983 was around K£5 million which was a sharp increase compared to K£2 million earned in 1982. The service is engaged in diversified activities spread all over the country. Courses offered in 1983 include: motor vehicle mechanics, motor vehicle electric wiring, plant mechanics, panel beating, welding, general fitting, carpentry/joinery, masonry, plumbing, painting/signwriting, tailoring/dressmaking, upholstry, secretarial training (typing, shorthand), driving/plant operator and agriculture.

15.28. *Women in Development.*—Development issues and activities that particularly pertain to women are handled by the Women's Bureau in the Ministry of Culture and Social Services. The Bureau is therefore the official department with a mandate to co-ordinate all women programmes carried out by other agencies with long term objective of integrating all women in Kenya into the mainstream of the national development process. Different kinds of projects (mainly income generating projects) assisted by women in 1983 included agriculture, livestock projects and handicraft activities. Total income of the Bureau for 1983 was over KSh. 4 million most of which was Government grant. The Bureau's expenditure in 1983 consisted of assistance/grants to women groups for training activities, workshops and study tours, inputs to group projects such as purchase of chicks/poultry feed, goat projects, building material, sewing machines, etc., and evaluation of women group projects in Kenya.

15.29. The Women's Bureau also emphasises importance of children. There are plans to introduce Day Care Centres which will take care of children while the mothers are involved in daily duties for earning a living. There are plans to establish a model Day Care Centre by Aboloi Women Welfare Organization in Busia District.

15.30. *National Social Security Fund.*—The number of employees ever registered by NSSF rose to 1.34 million in 1983 while the number of employers went up from 31,800 in 1982 to 33,000 as shown in Table 15.16. A total of K£36.1 million was contributed in 1983 of which K£6.5 million was paid out to members as benefits over the same period. Total investments made during the year amounted to K£78.5 million (less Government Stocks), while short term deposits stood at K£51 million.

NATIONAL SOCIAL SECURITY FUND, 1979-1983

Table 15.16

	1979	1980	1981	1982	1983
Employers registered '000	39.5	31.4	30.4	31.8	33.0
Employees registered '000	1,186.1	1,262.5	1,226.4	1,291.4	1,341.0
Members paid out '000	90.8	99.0	112.4	128.4	132.4
Annual contribution K£m	24.6	28.5	34.1	35.9	36.1
Annual benefits paid K£m	1.4	2.3	3.8	4.1	6.5
Increase in investments K£m	26.6	53.8	69.2	78.5	78.5

15.31. *Youth Development.*—The number of village polytechnics receiving Government grants changed little in 1983 and was 287 while enrolment rose by 224 to reach 29,972 in the same year with 1,522 instructors as shown in Table 15.17. The district with the highest number of village polytechnics is Kakamega with 20 compared with Marsabit which has only one.

ENROLMENT IN VILLAGE POLYTECHNICS, 1982-1983

Table 15.17 *number*

	Year	PROVINCES								Total
		Coast	Eastern	North Eastern	Central	Nairobi	Rift Valley	Nyanza	Western	
Number of Village Polytechnics	1982	41	44	7	59	2	43	51	39	286
	1983	41	44	7	59	2	43	51	40	287
Total Enrolment	1982	4,268	5,715	258	6,110	385	3,833	5,211	3,968	29,748
	1983	3,747	5,887	246	6,351	406	3,961	5,325	4,049	29,972
Number of Instructors	1982	201	222	32	375	19	253	271	229	1,602
	1983	218	242	30	324	16	260	267	215	1,572