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UNITS AND SYMBOLS USED

1. K£ (Kenya pound) = 20 Kenya shillings
2. Tonnes are metric tons = 1,000 kg.
3. I 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

The world economy experienced some notable growth in 1984. The rate of inflation was contained in major industrialized countries and the volume of world trade registered commendable improvement. Stable crude oil prices coupled with favourable commodity prices helped the developing countries' economies. However, interest rates remained generally high and the debt crisis continued to plague most developing countries.

On the domestic scene, the economy was adversely affected by widespread drought during the mid six months of the year. As a result, the Government had to resort to import food to avert famine. However, there were some positive developments in the overall management of the economy. The high export prices, particularly of tea and coffee helped to enhance the foreign exchange reserve position while sound monetary policies helped to reduce the rate of inflation to 9.1 per cent compared with 14.6 per cent in 1983 and 22.3 per cent in 1982.

Under the prevailing circumstances, the GDP grew by 0.9 per cent despite a 3.7 per cent decline in agriculture. This rate of growth, although small, was much better than was expected. This compares with a revised real growth in the GDP of 3.5 per cent in 1983. Manufacturing grew by 4.3 per cent compared with 4.5 per cent in 1983. There were positive improvements in the Kenya's external trade and balance of payments position despite an increase in the overall trade deficit due to special food imports necessitated by the effects of drought. Elsewhere in the economy, building and construction fell while tourism had mixed performance and the distribution sector registered a commendable 4 per cent growth in 1984 compared with 2.8 per cent in 1983.

Recorded wage employment grew slightly in 1984 registering only 22,000 new jobs. However, as a result of lower inflation rate in 1984 compared with 1983, real average earnings improved by nearly 1 per cent.

The International Scene

The international economic climate was markedly healthier in 1984 than the previous year. Real output in industrialized countries was nearly 5 per cent higher, the average rate of inflation declined and the industrial output of the major industrialized countries rose. However, interest rates remained fairly high and the appreciation of the dollar *vis-a-vis* other currencies had adverse effects on debt management by poor nations. The prices of most world commodities weakened in 1984 with the notable exception of tea. Crude oil prices declined as did the oil producing countries' export earnings.

The non-oil developing economies benefited from the increased volume of world trade which in turn helped to reduce their current account deficits. However, the debt burden lingers on, coupled with high interest rates in the international money markets. In addition to the debt crisis, Sub-Sahara Africa was hard hit by drought and a general decline in economic well-being of the majority of the people.

The outlook for 1985 is promising as the world economy ended the year 1984 on a more sounder footing than the case was at the close of 1983. How. ever, some obstacles to full recovery still continue to loom. The revival of investment and employment is hampered by labour market complications while the strong dollar continues to adversely affect prospects for world economic growth.

Domestic Product and Investment

A significant deceleration of economic growth occurred in 1984 due to widespread drought conditions prevailing during the year. But the gloomy prospects of negative growth were somewhat reversed by favourable developments such as better export prices for tea and coffee, the timely onset of the short rains and imports of adequate essential foodstuffs together with generous donor support and generally good economic management. An overall real growth in GDP of nearly 1 per cent was recorded despite a 3.7 per cent decline registered by the agricultural sector, the dominant sector of the economy.

In the monetary economy, excluding both Government and domestic services, sectors which recorded appreciable increases in real GDP included, mining and quarrying, finance, insurance, real estate and business services, manufacturing and transport and communications.

The rate of inflation at 9.1 per cent was the lowest since 1976 and real interest rates turned positive. There was increased domestic savings and the level of investment grew by 7 per cent—with a greater share accounted for by the public sector—in 1984 compared with a negative growth of 14 per cent in the previous year.

Urban Housing and Development

As a rising proportion of the Kenya's population moves to urban areas, an increasing share of national resources will be needed to provide housing as well as infrastructure and other requisite services. In this context, Chapter 3 gives the preliminary results from a survey of Urban Housing carried out in 1983. The survey looks into housing as related to the existing housing stock, production and investment in housing and infrastructure. The number of dwellings required to accommodate new urban households in the next five years is estimated to amount to 55 per cent of the entire urban housing stock existing in 1979, however, between the year 1990 and 2000 the output required represents twice the 1979 total.

Results from the survey show that 47 per cent of residential units have access to flush toilets; 42 per cent have electricity; 40 per cent have piped water and 37 per cent are equipped with a private bath indicating that a majority of urban dwellings have yet to be furnished with these facilities. Less than three out of ten urban houses are owned by people who live in them, while more than seven out of ten are rented. This suggests that few people can afford to own their own houses. House purchase finance for about half of all urban dwellings is provided by conventional housing finance institutions, while the remainder comes from co-operatives, employers and other sources.

A long-term analysis shows that investment in urban housing has been rising slowly as a proportion of gross domestic product (GDP), while the short-term picture shows a sharp decline since the coffee boom period. The overall gross public expenditure on urban infrastructure has declined in recent years from a peak of K£33 million in fiscal year 1981/82 to an estimated K£25 million in 1984/85. With a growing urban population, the challenge of meeting increasing demand for housing and services takes a serious dimension which must be addressed.

Employment, Earnings and Consumer Prices

Wage employment in the modern sector increased marginally by 22,000 new jobs or by nearly 2 per cent in 1984. This rate was substantially lower than the increase of 47,300 jobs in 1983. The urban informal sector, however, grew by a commendable 8 per cent to reach a total of 200,000 jobs.

The total wage bill increased by 12 per cent between 1983 and 1984 while the average annual earnings rose by 10 per cent from K£877 in 1983 to K£960 in 1984. Between 1981 and 1984 average earnings grew by an average of 8 per cent per annum.

The Government continued with a deflationary monetary policy and as a result the rate of inflation declined from 14.6 per cent in 1983 to 9.1 per cent in 1984. As a result of the low rate of inflation, average real earnings grew by 0.4 per cent compared with a 7 per cent decline in 1983.

Money, Banking and Finance

The main monetary and financial indicators showed considerable improvement in 1984 compared with 1983. Money supply increased having been spurred by improvement in net foreign assets and the expansion of domestic credit. Central Government borrowing increased by 11 per cent while that of the private sector rose by 10 per cent. Despite large expenditures for drought related food imports, the foreign exchange reserves of the Central Bank continued to recover, from K£254 million in December, 1983 to K£312 million in December, 1984.

In a bid to stimulate the private sector through bank credit, interest rates were further reduced during 1984/85 fiscal year. However, with a lower rate of domestic inflation at 9.1 per cent, the real interest rates turned positive for savers and borrowers alike.

Non-bank financial institutions continued to grow in importance in 1984. Their total assets and liabilities increased by some 40 per cent between 1983 and 1984 while their total liabilities constituted nearly 62 per cent of total liabilities of the banking sector in 1984. However, recent history indicates that more stringent regulatory and control measures are desirable to ensure their proper conduct and management and to insure depositors' money.

Public Finance

Despite the severe drought experienced in 1984, the year was generally satisfactory for Government finances. Current revenue grew faster than current expenditure with the consequence that current deficit for 1984/85 remained unchanged at K£79 million recorded in 1983/84 financial year. However, total deficit increased by 27 per cent between 1983/84 and 1984/85 chiefly due to substantial increases in capital expenditure by the Government. To finance this deficit, external loans increased by 28 per cent while long. term domestic borrowing increased from K£21 million in 1983 to K£53 million in 1984.

Total public debt rose by 20 per cent in 1984 compared with 1983. Over the last five years, the total public debt shows an increasing trend from K£858 million in 1980 to K£2,210 million in 1984 mainly due to a rise of the external debt component. The external debt servicing charges as a proportion of exports of goods and services rose from 5.6 per cent in 1980 to 19.4 per cent in 1984.

External Trade and Balance of Payments

There was considerable improvement in Kenya's external trade and balance of payments position in 1984 despite the necessary problem of food imports due to drought. The value of exports rose by 19 per cent compared with 1983, while that of imports rose by 21 per cent. The overall trade deficit, however, increased by K£64 million mainly as a result of special food imports. The overall balance of payments surplus in 1984 stood at K£39 million compared with K£69 million in 1983. The balance of payments surplus position improved as a result of increased inflows of long-term capital, grants and the IMF credit in addition to improved trade.

The Kenya Shilling continued to depreciate against the US dollar and the Japanese Yen. During 1984, the Shilling depreciated 14.7 per cent against the US dollar. The Shilling, however, appreciated against the Sterling Pound and the Deutsche Mark among other currencies. As a result, the overall trade-weighted average rate of exchange fell by 2.2 per cent during the year.

Agriculture

The persistent dry weather conditions during most of 1984 adversely affected the agricultural sector. In particular, food production fell sharply and the Government was forced to import substantial amounts of foodstuffs, particularly grains, to cover the shortfall. The contribution to GDP at constant 1982 prices declined by 3.7 per cent compared with 1983. Maize production fell by 35 per cent; wheat by 43 per cent and lack of pasture affected both dairy and ranch livestock. Modest increases in production were recorded for coffee, sisal and sugar-cane with most other agricultural commodities registering declines. However, better export prices, particularly for tea helped to enhance farmer's earnings.

After some notable improvements in the terms of trade for agriculture in 1983, the long-term deteriorating trend was restored in 1984. While the index of agricultural output prices increased by 9.2 per cent between 1983 and 1984, that of agricultural input prices rose by 13.5 per cent. Despite a lower rate of domestic inflation, the net effect was to reduce the agricultural terms of trade index from 98 in 1983 to 94 in 1984. With adequate long rains reported in most parts of the country in 1985, the prospects for the year are encouraging.

Natural Resources and Environment

The Government continued to intensify efforts aimed at rational exploitation and conservation of natural resources as well as in environmental protection. Development expenditure on rural water supplies rose by 38 per cent in 1984 compared with 1983, while the overall expenditure on water and related services increased from K£22 million to nearly K£37 million.

Due to widespread drought which affected rivers and other water spaces, the volume of fish landed declined sharply by nearly 20 per cent while earnings from fisheries reduced from K£11 million in 1983 to about K£9 million 1984.

The total area under forest increased slightly while the Rural Afforestation and Extension Programme planted 22 million seedlings in 1984 compared with 18 million in 1983 in 24 districts surveyed.

The mining industry experienced a difficult year with declines in mineral output and mineral exports. There were, however, redoubled efforts in mineral prospecting and oil exploration in various parts of the country.

Both the Kenya Rangeland Ecological Monitoring Unit (KREMU) and the National Environmental Secretariat (NES) intensified their activities through programmes aimed at monitoring assessment and protection of the environment with special emphasis at the district level.

Energy

Owing to the drought conditions prevailing in 1984, the generation of hydro-power declined, but oil based thermal generation rose from 164 GWH in 1983 to 225 GWH in 1984. The quantity of imported crude oil declined marginally but the crude oil import bill rose by nearly 4 per cent.

Total energy consumption rose in 1984 compared with 1983 thus indicating the resurgence of economic activity, particularly in the manufacturing sector. Despite some price cuts on crude oil by some OPEC producers, the domestic off-pump prices were revised upwards in 1984 to offset refinery and transportation costs.

In a bid to reduce the dependence on imported fuels, the Government redoubled efforts aimed at developing alternative sources of energy. There has also been substantial increases in capital expenditure on oil exploration during the fiscal 1984/85 year preceeded by the streamlining of the enabling legislation on petroleum exploration. In addition, energy conservation work continued with setting up of demonstration centres and research in improved wood-stoves, charcoal *jikos* and charcoal production kilns.

Manufacturing

The manufacturing sector grew by a modest 4.3 per cent in 1984 compared with 4.5 per cent in 1983. With the improvement in foreign exchange reserves, liberalized import approvals ensured the availability of essential materials for industry. Employment in the manufacturing sector increased by nearly 3 per cent while wage earnings rose by 13 per cent in 1984 compared with 1983.

The volume of output registered substantial increases in the miscellaneous manufactures, clay and glass products, and in petroleum based industries. Declines were recorded for dairy products, transport equipment and leather and footwear industries. There was a decline in additions to fixed assets suggesting that the existing production capacity was not fully utilized. The prospects for the manufacturing sector in 1985 are encouraging given continued availability of the foreign exchange for inputs and the improved performance expected in the lead sector of agriculture.

Building and Construction

The building and construction sector continued the downward trend started in 1981. Value added at constant 1982 prices declined by 6.8 per cent compared with a drop of 8.6 per cent in 1983. The poor performance is attributable to increasing building costs and a lag in recovery within the sector.

Cement consumption rose by 6 per cent, mainly due to demand for the construction of Standard 8 classrooms in 1984. Employment in the sector declined by 18 per cent while earnings by private contractors declined from K£170 million in 1983 to K£165 million in 1984 or by 3 per cent. The value of all building plans approved in 1984 increased by 8 per cent which may be an indicator of better performance in 1985.

Tourism

The tourism sector performed markedly better in 1984 than in 1983. The nominal foreign exchange earnings from tourism increased by nearly 25 per cent from K£122 million in 1983 to K£152 million in 1984. This implies a real growth of 16 per cent after allowing for inflation. The number of visitor-departures rose by 17 per cent while the total number of visitor-days increased by 15 per cent. Despite a decline in conference tourism in 1984, there was a welcome increase in the number of tourists from neighbouring and other African countries mainly due to the opening of the common border with Tanzania. The Preferential Trade Area (PTA) had also some beneficial effects on inter-regional tourism between member countries.

Transport and Communications

The output of the transport sector at current prices grew by 8 per cent in 1984 compared with 11 per cent in the previous year while its contribution to GDP in real terms increased marginally by 0.5 per cent. Total freight handled by the Kenya Railways and at Mombasa port increased marginally due to drought related imports of foodstuffs in 1984.

The number of newly registered vehicles has been declining from 23,000 in 1980 to 14,000 in 1984. Persistent declines have been in vehicles for industrial, commercial and business purposes. However, *matatus*/mini-buses are now handling a significant share of passenger road transport. From a pilot survey conducted in January, 1983, it was estimated that this mode of transport contributed some K£22 million to gross domestic product in 1984.

An improvement also occurred in telecommunications facilities and services during 1984. There was a 10 per cent increase in telephone exchange connections from 96 thousand lines in 1983 to 106 thousand lines in 1984.

Earnings from road and railway transport increased by 14 per cent and 6 per cent respectively between 1983 and 1984. The increases are however, attributed to upward revisions of freight tariff, particularly in railway transport.

The Social Scene

The Government expenditure on social services increased by 26 per cent from K£275 million in 1983 to K£347 million in 1984. Both the recurrent and the development expenditure on education increased substantially mainly due to the introduction of the new 8.4.4 education programme.

KEY ECONOMIC AND SOCIAL INDICATORS, 1981-1984

Table 1

	1981	1982	1983	1984*		
1. Population	17.34	18.04	18.78	19.54		
2. Growth of G.D.P. at constant prices	6.0	1.8	3.5	0.9		
3. G.D.P. at market prices	3,023	3,377	3.842	4,294		
4. Net cost of petroleum products	200	179	214	193		
5. Exports of merchandise	475	510	615	745		
6. Imports of mechandise	972	940	929	1,116		
7. Trade balance	-497	-430	-313	-371		
8. Balance of payments (current account)	-336	-253	-89	-128		
9. Coffee production	90.7	88.4	95.3	118.5		
10. Tea production	90.9	95.6	119.3	116.2		
11. Maize marketed centrally	473	571	636	561		
12. Wheat marketed centrally	214	248	251	144		
13. Sugar-cane production	3,822	3,108	3,286	3,611		
14. Milk sold	222	236	315	230		
15. Change in manufacturing output volume	+ 4	+ 2	+5	4		
16. Construction output	403	402	411	445		
17. Cement consumption	653	579	511	541		
18. Petroleum consumption	1,585	1,491	1,373	1,482		
19. Electricity consumption	1,663	1.701	1,747	1,845		
20. Tourism earnings	90	118	122	152		
21. New registrations of vehicles	18,115	15,061	13,479	13,541		
22. Rail freight	2,241	2.097	2,091	2,246		
23. Air passengers handled	1,972	1,900	1,928	2,058		
24. Wage employment	1,024	1,046	1,093	1,115		
25. Education—primary enrolment	3,981	4,184	4,324	4.380		
26. Education—secondary enrolment	411	438	494	498		
27. Education—higher enrolment	23.3	21.7	24.0	24.2		
28. Hospital beds and cots	28,108	29,044	29,294	30,886		
29. Registered doctors and dentists	2,254	2,390	2,655	2,922		
INDEX NUMBER: (1982=100)					% Change 1983. 1984	Annual % rate of change 1982-1984
1. Export volumes	103	100	96	95	-1.0	-2.5
2. Import volumes	118	100	79	91	15.2	-3.1
3. Terms of trade	105	100	94	110	17.0	-5.5
4. Money supply	106	100	92	109	18.5	-5.3
5. Total domestic credit	95	100	87	102	17.2	-2.1
6. Consumer prices	82	100	115	125	9.1	11.9
7. Real wages	112	100	93	94	1.1	-3.0
8. Recorded wage employment	98	100	105	107	1.9	3.5

*Provisional.

The estimated enrolment in primary schools stood at 4.4 million compared with 4.3 million in 1983. In secondary schools, enrolment rose from 494,000 in 1983 to 498,000 in 1984. The number of teachers in both primary and secondary schools increased by 5 per cent.

The number of sub-centres, health and dispensaries increased, but the number of hospitals decreased slightly due to regrading of some mission hospitals to health-centre status. Overall, the number of hospital beds and cots increased by 1,600 mainly because of the construction of new "Nyayo" wards built through local self-help efforts. During 1984, the Ministry of Health embarked on the primary health care programme through provision of community based health care services initially in some 14 districts. The Ministry's efforts in this area are being augmented by non-governmental organizations who are running similar projects in eleven other districts.

Among other social services, the total strength of the National Youth Services increased from 8,500 to 9,012. Membership in the National Social Security Fund (NSSF) for both employers and employees increased and contributions amounted to K£39 million in 1984.

Outlook for 1985

The major economic indicators from available data point to continued improvement in the world economy in 1985. There has been a steady recovery both in output and the investment in the OECD countries while the fight against inflation is being won. However, there are disturbing factors such as high interest rates, the strength of the American dollar although these may both drift down, and labour market complications which may work in concert against full revival.

At the domestic level, the long rains came early and have been widespread and generally adequate. This augurs well for agricultural production, and this coupled with firm export commodity prices should set the stage for growth in agriculture by around 4.5 per cent in real terms. But a careful check will be kept on tea and coffee prices together with potential grain surpluses. Manufacturing too, should perform satisfactorily due to the ample availability of inputs, stable monetary climate as well as benefitting from spin-offs related to the buoyancy in agriculture.

The Government is expected to continue with a cautious monetary and fiscal policy, encouraging a greater impetus in agricultural production and a rise in the output of Government investments through better management of Government finances. As a result of, and subject to continued good weather conditions, the GDP is expected to grow by around 5 per cent or somewhat higher than the rate of population growth. It is further expectced that the rate of inflation will drift up somewhat.

CHAPTER 1—INTERNATIONAL SCENE

The year 1984 was the best for world economic growth since 1976. Real output in the industrial countries was nearly 5 per cent higher in 1984. Although the pace of this recovery has been fastest in North America, growth is picking in the majority of Organization of Economic Co-operation and Development (OECD) countries. Fortunately this recovery has not been accompanied by an acceleration in inflation. Price increases averaged only 5 per cent in 1984, a little less than in 1983, and the best performance in almost fifteen years. The success in the fight against inflation has spurred investment. Other encouraging trends were the further reductions in the combined current account deficit of the developing countries. However, the persistence of high interest rates associated with the instability in exchange markets, has considerably strengthened the dollar posing a danger to the recovery, and complicated the task of both economic adjustment and debt management in the poorer nations.

1.2. Table 1.1 summarises the main economic indicators of the OECD member countries from 1983 to mid 1986. Growth in output of 4.75 per cent in 1984 was the best for many years though it will be difficult to sustain especially with the expected deceleration of growth in the USA where output is expected to grow by only 3 per cent compared with 6.75 per cent in 1984. Inflation at 5 per cent is the lowest since 1972 and, with international commodity and oil markets being fairly stable, it is expected to decline to 4.5 per cent by first half of 1986.

1.3. Employment in the OECD rose by 5 million but nearly 80 per cent of this has been in the USA. The slow growth of output expected in Europe implies only slight growth in employment up to mid.1986 and the high unemployment rates are likely to continue edging up to reach 11.75 per cent of the labour force by mid.1986. However, continuing wage moderation in the majority of countries should work in the direction of improving conditions for employment growth. The labour force in Japan is expected to expand at the rate of between 1 to 1.5 per cent per year. With productivity gains settling down to anything between 3.5 and 4 per cent rate and GNP growth averaging one to two percentage points above that, unemployment in Japan is projected to stabilise at its present rate of 2.5 per cent while the average rate of the OECD unemployment may be around 8.5 per cent in 1985 and early 1986.

1.4. Industrial output of the major 19 industrial countries rose by 1.9 per cent in the third quarter of 1984, relative to the proceeding quarter, and was 7.0 per cent above its level in the corresponding quarter a year earlier. West Germany and France recorded increases in output of 5.3 per cent and 3.1 per cent, respectively, representing considerable improvements over their second quarter levels. While the USA recorded a 1.8 per cent increase in

the third-quarter, Japan had a gain of 0.9 per cent in the same quarter. Compared with the third-quarter of the previous year, Japan, the USA and Australia had the sharpest increases of 10.4 per cent, 9.7 per cent and 8.7 per cent, respectively.

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

Table 1.1

	1983	1984	1985	1986 (1st half)
	(percetage changes from preceding period)			
Real GNP—				
United States	3.7	6.75	3.0	3.0
Japan	3.0	5.75	5.0	4.5
OECD European members	1.3	2.25	2.5	2.25
Total OECD membership	2.6	4.75	3.0	2.75
Real total domestic demand—				
United States	5.0	8.75	3.75	3.0
Japan	1.6	4.25	4.5	3.75
OECD European members	1.0	2.0	2.0	2.0
Total OECD membership	2.7	5.25	3.0	2.75
Inflation (private consumption deflator)—				
United States	3.7	3.25	3.5	3.0
Japan	1.6	2.25	2.75	3.0
Germany, Federal Republic of	2.9	2.5	2.0	2.25
France, United Kingdom, Italy and Canada	8.7	7.0	6.0	5.5
High-inflation smaller countries**	27.1	37.25	28.5	23.0
Total OECD membership	5.3	5.0	4.75	4.5
Current balances.	(billion US dollars)			
United States	-47.6	-100	-131	-143
Japan	20.8	32	40	48
Total OECD membership	-248	-71	-86	-88
Unemployment.	(per cent of labour force)			
United States	9.6	7.5	7.0	7.0
Japan	2.6	2.75	2.5	2.5
OECD European members	10.5	11.0	11.5	11.75
Total OECD membership	9.0	8.5	8.5	8.5

Note.—The cut-off date for information used in the compilation of the forecasts was 19th November, 1984.

*Assumptions underlying the projections include no change in actual and announced policies; unchanged exchange rates from their average of the four weeks ended 5th November, 1984 and unchanged dollar price for internationally traded oil to mid.1986.

**Greece, Iceland, Portugal, Turkey.

Source: Standard Chartered Review, January, 1985.

1.5. West Germany's GNP rose by 1.5 per cent in the fourth-quarter of 1984, some 3 per cent above its level a year earlier. Britain had a rise of 2.1 per cent over the whole year. Industry in the USA increased its output by 4 per cent in January after retail sales rose by 1.8 per cent. Following in the same direction, West Germany improved its industrial production by 2.7 per cent in the fourth-quarter of 1984, to record an annual growth of 4.1 per cent.

1.6. The main feature of the international balance of payments, has been the huge USA deficit which reached $100 million and is likely to increase further in 1985 and 1986. As Japan's surplus continues to grow and West Germany's position also improves, aggregate deficit for the OECD will only increase rather slowly. The non-oil developing countries benefited by the higher volume of world trade. Their exports were higher, and despite sharp decline in commodity prices in the second-half of 1984, their current account deficits were much smaller.

1.7. The dollar has continued to strengthen against all other currencies despite some fall in U.S. interest rates in the second-half of 1984, and in. creasing deficits both in the current account and the budget. Thus the effective exchange rate by year end was 25 per cent above its level two years earlier and 60 per cent above the 1979 level. In 1984, the dollar weakened temporarily only to soar again substantially by early 1985. Despite some easing towards the end of the first-quarter of 1985, the continued high strength of the dollar is incompatible with an easier monetary policy while the somewhat higher interest rates may impede economic growth.

1.8. The volume of world trade expanded by 9 per cent in 1984, recording the largest gain in eight years. The two most outstanding features were that Japan replaced West Germany as the top exporter of manufactured goods, and there was relatively strong recovery of exports of developing countries. Developing countries' exports, excluding oil, went up in value by 15 per cent compared with a 6.5 per cent rise in exports of industrial countries. However, the full effects of the recovery will take some time to be felt. Non-oil developing countries, too, have experienced a modest gain in their terms of trade.

1.9. World production of crude oil in the first-half of 1984 was 6.5 per cent higher than a year earlier, with the Organization of Petroleum Exporting Countries (OPEC) increasing its share by nearly 12 per cent. However, sluggish demand for the lighter crudes ushered in price reduction by the U.K., Norway and Nigeria. The reduction in prices prompted an emergency meeting of the OPEC at which it was agreed that in order to stabilize prices, daily output would be reduced from 17.5 to 16 million barrels. In March this year. Great Britain, the fifth largest oil producer, decontrolled North Sea oil. In the wake of the announcement spot markets are already marking down oil prices; in dollar terms, oil export prices fell by 3 per cent.

1.10. Although some commodity prices rose sharply in 1983 and early 1984, prices for most commodities weakened in the second-half of 1984. Table 1.2 details price indices for selected world commodity prices. The index for all commodities continues to decline after a short rise in 1983. While there was a fall in the food prices index generally, coffee and tea prices were the exception; the index for all coffee in the New York market was 10.4 per cent higher in 1984 compared with 1983. Although tea prices are now weakening, they had earlier on risen spectacularly, a consequence of Indian Policy, reaching 68 per cent over the price levels in 1983. In this context, Kenya has been fortunate in that it earned K£392 million from both coffee and tea exports, making 1984 the best export year since the coffee boom of 1978. For other developing countries, the collapse of commodity prices had severe repercussions. Not only have their foreign exchange earnings and the balance of payments situation been adversely affected, but government revenues and household incomes have deteriorated further.

SELECTED WORLD COMMODITY PRICE INDICES, 1980-1984
(1980-100)

Table 1.2

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All Commodities
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
1984	93.7	174.3	73.9	75.7	99.4	78.7

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

1.11. The overall output growth in the OECD mainly reflects strong USA economic growth in 1984. A central aim of the OECD medium-term strategy has been to spark off a recovery of investment that would both stimulate demand and increase supply thereby creating a recovery that has the best chance of proving sustainable. The OECD economies have moved into 1985 at a higher level of activity and at a brisker pace. This widespread improvement in economic performance owes much to the measures which these countries have adopted in order to contain inflation, correct major imbalances and enhance the flexibility of their economies.

1.12. However, there are still factors acting as obstacles to growth, to revival of investment and to employment. Some of these are in the form of excessive regulations of labour markets and wage indexation, especially in Europe. High and rising labour costs have squeezed profits and rates of return and, undoubtedly, are an important factor in explaining the high unemployment in many of these countries. Protectionism, particularly of the non-tariff variety, is proving detrimental to international trade to the extent that it is estimated that expansion will be only 6 per cent in 1985. Other adverse factors include the current high dollar exchange rates against other currencies, high interest rates and the USA federal deficit which is expected to remain high, drawing capital away from the rest of the world. These factors account for the lower growth rates in the OECD countries for 1985 and 1986.

1.13. As economic recovery gathers ground in the industrial countries, the debt problems of the developing countries have continued to demand attention of the world financial system. It has now been recognised that the debt problem is, in the majority of cases, due to internal economic mis. management. This is further aggravated by recent world economic recession and high interest rates in the international markets. In most of the major debt crisis countries, fiscal deficits incurred explain the debt crises more than any other cause. Nontheless, the lessons seem to have been learnt. In the past year, the IMF conditionally for financing packages has mainly been on adjustment efforts by the needy countries but what is really required of these countries is a combination of monetary discipline with fiscal action in order to curb excessive growth in public expenditure and to reduce budget deficits as they claim too large a share of available savings.

1.14. The debt problem in sub-Saharan Africa has been compounded by widespread drought, famine, high rates of population growth as well as the recent world recession. The average African is poorer now than in the 1970's as a result of declining per capita incomes. It is now recognized that solutions require years of substantial policy efforts supported by long-term concessional financing. African governments and the international development community have recently achieved a remarkable measure of agreement on the economic policy and institutional measures required to address the long. term food problem. A joint report issued by the Economic Commission for Africa (ECA) and the African Development Bank advocates fundamental shifts towards market-guided economies, greater opportunity for private entrepreneurship, increased incentives for farmers, improved management of the public sector and a reduced role for government in business.

CHAPTER 2—DOMESTIC PRODUCT AND INVESTMENT

Overview

Estimates of gross domestic product (GDP) growth in real terms in 1984 show that Kenya's economy performed better than had been expected. The original gloomy expectations, based on the severe drought observed in many parts of the country during the first nine months of 1984, had indicated that the economy would record a negative growth. Several factors helped to change that initial pessimistic picture. These included: the arrival of short rains in October; timely imports of adequate essential foodstuffs; liberalisation of the trade policies pursued by the Government; increased value of exports: of tea and coffee which have enjoyed higher world prices than 1983; and pro per fiscal and monetary management. As a result, real GDP grew by 0.9 per cent in 1984 compared with the revised growth of 3.5 per cent the previous year. A negative growth of 3.7 per cent in agriculture-the most dominant sector of the economy-heavily contributed to the slow-down in the growth of other sectors.

2.2. Trade liberalisation and discipline in fiscal and monetary management accounted for the continued fall in the percentage rate of inflation from 22.3 in 1982 to 14.5 in 1983 and further to 9.1 in 1984.the lowest since 1976. Nominal interest rates also moved sharply downwards in 1984 but remained at a higher level than inflation. This resulted in positive real interest rates which may have partly accounted for the increase in domestic savings. As a ratio to the GDP (at market prices), domestic savings rose from 16 per cent in 1982 to 20 per cent in 1984. The level of investment grew by 7 per cent in 1984 compared with a negative growth of 14 per cent in the previous year.

Sectoral Contribution

2.3. The sectoral performance of the GDP in absolute magnitude is detailed in Table 2.1, while changes in growth rates and percentage shares are shown in Tables 2.2 and 2.4, respectively. At constant (1982) prices, agriculture's GDP grew by only 2.6 per cent between 1980 and 1984. Although the agricultural sector's growth rate in both real and nominal terms has been declining since 1981, the steepest fall, -3.7 per cent was registered in 1984. This dramatic decrease was mainly attributed to the severe drought in 1984. Detailed results of the production of various agricultural commodities are discussed in Chapter 8.

2.4. Since agriculture is the backbone of the Kenyan economy, accounting for over 30 per cent of the overall GDP and a majority of the exports, a dismal performance in that sector is bound to have adverse effects on the rest of the economy. A substantial decline in agricultural food crops implies a shortage of domestic food supply, and in the absence of countervailing measures, leads to a rise in food prices. Low production of agricultural raw

GROSS DOMESTIC PRODUCT, 1981.1984

Table 2.1

K£million

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1981	1982	1983	1984*	1981	1982	1983	1984*
A. TRADITIONAL ECONOMY								
Forestry	19.22	21.71	24.95	27.97	21.01	21.71	22.48	23.21
Fishing	0.82	1.03	1.11	0.90	0.82	1.03	1.19	1.04
Building and Construction	46.20	48.96	58.99	67.88	48.02	48.96	50.58	51.95
Water Collection	17.12	19.29	21.77	24.89	19.00	19.29	19.58	20.34
Ownership of Dwellings	67.41	73.59	90.01	103.96	70.74	73.59	76.52	79.55
TOTAL TRADITIONAL ECONOMY	150.77	164.58	196.83	225.60	159.59	164.58	170.35	176.09
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	791.74	907.16	1,030.61	1,083.89	867.33	907.16	945.65	910.77
Forestry	18.59	22.58	26.84	28.20	21.97	22.58	23.74	24.62
Fishing	6.56	8.33	9.03	7.10	6.40	8.33	11.05	9.66
Mining and Quarrying	5.91	6.61	7.37	8.51	5.45	6.61	7.21	8.16
Manufacturing..	328.16	372.32	408.26	460.96	364.13	372.32	389.07	405.84
Building and Construction	121.00	120.58	153.67	163.43	136.73	120.58	109.96	102.48
Electricity and Water	41.18	46.98	47.15	40.81	45.30	46.98	49.45	51.21
Trade. Restaurants and Hotels	274.03	299.40	381.89	484.24	322.52	299.40	307.78	320.06
Transport, Storage and Communications	143.39	161.93	195.26	218.94	151.71	161.93	168.85	169.70
Finance. Insurance. Real Estate and Business Services	168.82	205.92	248.84	285.16	221.34	206.92	241.59	259.94
Ownership of Dwellings	127.42	140.69	154.24	168.19	135.84	140.69	135.18	134.77
Other Services	56.15	62.68	70.17	81.93	59.32	62.68	68.46	72.02
Less: Imputed bank service charges	-71.21	-84.19	-114.51	-128.71	-93.36	-84.19	-111.17	-116.42
TOTAL	2,011.74	2,271.99	2,618.82	2,902.65	2,244.68	2,271.99	2,346.82	2,352.82
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	28.62	32.75	35.71	44.89	30.67	32.75	34.88	37.16
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration ..	87.22	90.87	95.34	107.97				
Defence. .	14.35	17.75	18.28	21.91				
Education	178.19	200.04	212.55	235.90				
Health	41.64	48.22	52.31	56.42				
Agricultural Services	27.67	31.73	34.62	36.86				
Other Services	41.85	52.75	62.15	68.86		::		
TOTAL	390.92	441.36	475.25	527.92	425.20	441.35	459.89	473.13
TOTAL MONETARY ECONOMY	2,431.28	2,746.10	3,129.78	3,475.46	2,700.55	2,746.09	2,841.59	2,863.11
TOTAL TRADITIONAL AND MONETARY ECONOMY.	2,582.05	2,910.68	3,326.61	3,701.06	2,860 14	2,910.67	3,011.94	3,039.20
GROSS DOMESTIC PRODUCT PER CAPITA	148.91	161.44	177.14	189.31	164.94	161.43	160.38	155.46

*Provisional.

Table 2.2 GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH. 1981—1984 *Percentages*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1981-82	1982-83	1983-84	1980-84	1981-82	1982-83	1983-84	1980-84
A. TRADITIONAL ECONOMY								
Forestry	13.0	14.9	12.1	13.9	3.3	3.6	3.3	3.3
Fishing	25.6	7.8	-18.9	13.2	25.6	15.5	-12.6	9.0
Building and Construction	6.0	20.5	15.1	13.0	2.0	3.3	2.7	1.9
Water Collection	12.7	12.9	14.3	13.3	1.5	1.5	3.9	2.2
Ownership of Dwellings	9.2	22.3	15.5	15.8	4.0	4.0	4.0	4.0
TOTAL TRADITIONAL ECONOMY	9.2	19.6	14.6	14.4	3.1	3.5	3.4	3.1
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	14.6	13.6	5.2	12.1	4.6	4.2	-3.7	2.6
Forestry	21.5	18.9	5.1	15.8	2.8	5.1	3.8	3.6
Fishing	27.0	8.4	-21.4	12.8	30.2	32.7	-12.6	11.8
Mining and Quarrying	11.8	11.5	15.5	10.5	21.3	9.1	13.2	-1.7
Manufacturing	13.5	9.7	12.9	11.8	2.3	4.5	4.3	3.6
Building and Construction	-0.4	27.4	6.4	11.6	-11.8	-8.8	-6.8	-5.2
Electricity and Water	14.1	0.4	-13.5	5.7	3.7	5.3	3.6	6.8
Trade, Restaurants and Hotels	9.3	27.6	26.8	18.6	-7.2	2.8	4.0	0.3
Transport, Storage and Communications	12.9	20.6	12.1	14.4	6.7	4.3	0.5	3.3
Finance, Insurance, Real Estate and Business Services	22.6	20.3	14.6	20.4	-6.5	16.8	7.6	11.4
Ownership of Dwellings	10.4	12.1	2.9	13.0	3.6	-3.9	0.3	2.2
Other Services	11.6	12.0	16.8	13.5	5.7	9.2	5.2	6.4
TOTAL (Excluding imputed bank service charges)	12.9	15.3	10.8	13.5	1.2	3.3	-0.3	2.6
2. Private Households (Domestic Services)	14.4	9.0	25.7	17.7	6.8	6.5	6.5	7.0
3. Producers of Government Services								
Public Administration	4.2	4.9	13.3	10.9				
Defence	23.7	3.0	19.9	10.1				
Education	12.3	6.3	11.0	11.2				
Health	15.8	8.5	7.9	11.8				
Agricultural Services	14.7	9.1	6.5	13.5				
Other Services	261	17.8	10.8	19.5				
TOTAL	12.9	7.7	11.1	12.3	3.8	4.2	2.9	4.0
TOTAL MONETARY ECONOMY	12.9	14.0	11.0	13.3	1.7	3.5	0.8	3.1
TOTAL TRADITIONAL AND MONETARY ECONOMY	12.7	14.2	11.3	13.5	1.8	3.5	0.9	3.1
GROSS DOMESTIC PRODUCT PER CAPITA	8.4	9.7	6.9	9.0	-2.1	-0.7	-3.1	-1.0

* Provisional.

materials has an analogous effect on agro-based industries. It should also be noted that since food takes a significant part of the household budget of a majority of the population in Kenya, and as it is difficult to reduce basic food consumption, the rising food prices increase consumers' expenditure on this item. This means that less money is available for goods and services from other sectors. Besides, rural cash incomes are greatly reduced when agricultural output falls. A combination of these factors result in a depressed aggregate demand. These difficulties largely explain the decline in the GDP growth for a number of the sectors observed in Table 2.2.

2.5. Manufacturing, accounting for 13 per cent of the overall GDP, is the second largest sector. Over the past few years, this sector has had a mixed fortune. Due to a lack of essential imported inputs and spare parts, its GDP growth rate dropped to 2.3 per cent in 1981. The Government's import liberalization policies implemented since 1983 have significantly increased the sector's GDP—it rose by 4.5 per cent in 1983 over 1982. However, the severe drought in 1984 adversely affected a majority of the agro-based industries thereby curbing growth to a modest rise of 4.3 per cent in the overall manufacturing GDP.

2.6. In terms of sector shares, distribution (comprising domestic trade, restaurants and hotels) is the third largest sector accounting for about 11 per cent of the total GDP. The real GDP of this sector recovered from the minus 7.2 per cent decline in 1982 to realise commendable increases of 2.8 and 4.0 percent in 1983 and 1984, respectively. Depressed aggregate demand, high inflation and the decline in international tourism with the concommitant fall in hotel and bed occupancy were among the major factors attributable to the decline in 1982. On the other hand, the declining trend in inflation, aided by the rise in foreign tourism, must have contributed to the improved activity in the distribution sector in 1983 and 1984.

2.7. The "Transport, Storage and Communications" sector registered a minimal increase of 0.5 per cent. This was due to reduced economic activity in the sector which caused stagnation in freight handling service plus recent falls in the registration of new motor vehicles.

2.8. A noticeable feature in Table 2.4 is the steady rise of the percentage share of the real value added of the finance sector (including insurance, real estate and business services). The sector's share increased from 6.3 per cent in 1980 to 8.6 per cent in 1984, which demonstrates the growing monetization of the economy.

2.9. The current stabilisation policy, which has enforced financial discipline and cut-backs in public expenditure, accounts for the decrease in the real growth of the public sector from 4.2 per cent in 1983 to 2.9 per cent in 1984.

2.10. Although the building and construction sector showed a negative growth for the third consecutive year, the 1984 decline of 6.8 per cent was an improvement over the 8.8 per cent fall registered in 1983. This improvement was mainly attributed to government projects such as the construction of extra classrooms for the 8.4.4 education system, construction of new petroleum storage facilities and the development of various electricity projects along Tana and Athi rivers.

2.11. Other sectors of the economy had mixed growth rates in their real GDP. The growth of the traditional sector, which highlights value added by the rural population whose activities are largely of a subsistence nature, has remained constant at just above three per cent since 1982. Electricity and water suffered a moderate slow-down in growth rate from 5.3 per cent in 1983 to 3.6 per cent in 1984. This fall was due to the drought which compelled the Kenya Power and Lighting Company to raise electricity imports and to make increased use of thermal generation-activities which greatly reduced the operating surplus component of the sector's GDP.

2.12. Production accounts, containing the basic: aggregates of the gross output of individual sectors, is presented in Table 2.3. The gross output at current prices rose by 15 per cent in 1984. The aggregate ratio of the GDP to gross output has averaged 45 per cent between 1980 and 1984. Over that period, wide variations of these averages existed for individual sectors. For agriculture, the proportion of the GDP related to gross output was 87 per cent, about 58 per cent for distribution, and approximately 40 per cent for transport, storage and communications. On an annual basis, transport sector has decreased its intermediate inputs segment of the gross output by six percentage points from 62 per cent in 1980 to 56 per cent in 1984; this fall has been steady and continuous over the five-year period. This is a result of the Government efforts to promote energy conservation of motor spirits (a dominant input in the transport sector) as observed in Table 10.8.

Terms of Trade

2.13. The conventional methods of estimating real GDP do not take into account fluctuations appearing in a country's terms of foreign trade. In 1984. Kenya enjoyed unusually high prices of tea and coffee exports which signalled an upturn of the country's terms of trade whose index rose from 94 in the previous year to 110. Such favourable terms of trade increase real incomes in a significant manner that should not be ignored in the computation of the national accounts. Therefore, Table 2.5 gives the adjusted GDP estimates which reflect the impact of foreign trade on real per capita GDP. Favourable terms of trade had the effect of raising real per capita GDP by six percentage points in 1984, unadjusted per capita had a negative growth of three per cent compared with the adjusted figure of positive three Per cent. The upward movement of export prices strengthened substantially Kenya's balance of payments and increased considerably the income levels of its residents..

PRODUCTION ACCOUNTS, 1983 AND 1984

Table 2.3

K£million

	1983					1984*				
	Gross Output at approx-Basic Prices***	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)			Gross Output at approx. Basic Prices*	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus**
A. TRADITIONAL ECONOMY	256.41	59.58	196.83	2.89	193.94	294.37	68.76	225.60	3.09	222.51
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	1,182.01	151.40	1,030.61	92.90	937.70	1,253.13	169.24	1,083.89	99.51	984.38
Forestry	29.97	3.14	26.84	15.81	11.02	31.78	3.58	28.20	17.41	10.80
Fishing	10.02	1.00	9.03	2.51	6.52	8.07	0.97	7.10	2.02	5.08
Mining and Quarrying	29.43	22.06	7.37	4.32	3.06	30.42	21.91	8.51	5.08	3.43
Manufacturing	2,281.70	1,873.44	408.26	181.87	226.39	2,796.93	2,335.97	460.96	205.54	255.42
Electricity and Water	92.46	45.31	47.15	16.93	30.22	89.94	49.12	40.81	11.87	28.94
Building and Construction	411.48	257.81	153.67	118.50	35.17	444.85	281.42	163.43	126.04	37.39
Trade, Restaurants and Hotels .	611.38	231.11	381.89	167.78	214.11	810.95	326.71	484.24	220.06	264.18
Transport, Storage and Communications	462.27	267.01	195.26	101.95	93.31	490.37	271.43	218.94	130.09	88.85
Finance, Insurance, Real Estate and Business Services	317.14	68.30	248.84	102.33	146.51	363.50	78.34	285.16	119.10	166.06
Ownership of Dwellings	169.99	15.75	154.24		154.24	185.43	17.24	168.19		168.19
Other Services	152.78	82.61	70.17	55.69	14.48	179.48	97.55	81.93	66.75	15.17
Less: Imputed Bank Service Charges		114.51	.114.51	_	.114.51		128.71	.128.71	_	.128.71
TOTAL	5,750.63	3,133.45	2,618.82	860.59	1,758.22	6,684.85	3,782.19	2,902.65	1,003.47	1,899.18
2. Private Households (Domestic Services)	35.71	_	35.71	35.71	_	44.89		44.89	44.89	
3. Producers of Government Services	763.86	288.60	475.25	474.26	1.00	845.35	317.44	527.92	526.10	1.82
	6,550.20	3,422.05	3,129.78	1,370.56	1,759.22	7,575.09	4,099.63	3,475.46	1,574.46	1,901.00
TOTAL MONETARY AND TRADITIONAL ECONOMY ..	6,806.61	3,481.63	3,326.61	1,373.45	1,953.16	7,869.46	4,168.39	3,701.06	1,577.55	2,123.51

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

GROSS DOMESTIC PRODUCT

SECTOR SHARES AT CONSANT (1982) PRICES, 1980-1984

Table 2.4 *Percentage*

	1980	1981	1982	1983	1984
A. TRADITIONAL ECONOMY					
Forestry	0.8	0.8	0.7	0.8	0.8
Fishing	1.8	1.8	1.7	1.7	1.7
Building and Construction	0.7	0.7	0.7	0.7	0.7
Water Collection	2.5	2.5	2.5	2.5	2.6
Ownership of Dwellings					
TOTAL TRADITIONAL ECONOMY ..	5.8	5 6	5.7	5.7	5.8
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit I nstutions					
Agriculture	30.3	30.2	31.2	31.4	30.0
Forestry	0.8	0.8	0.8	0.8	0.8
Fishing	0.2	0.2	0.3	0.4	0.3
Mining and Quarrying	0.3	0.2	0.2	0.2	0.3
Manufacturing	13.0	12.7	12.8	12.9	13.4
Electricity and Water	1.5	1.6	1.6	1.6	1.7
Building and Construction .	4.7	4.8	4.1	3.7	3.4
Trade, Restaurants and Hotels	11.8	11.3	10.3	10.2	10.5
Transport, Storage and Communi-cations	5.5	5.3	5.6	5.6	5.6
Finance, Insurance, Real Estate and Business Services	6.3	7.7	7.1	8.0	8.6
Ownership of Dwellings	4.6	4.8	4.8	4.5	4.4
Other Services	2.1	2.1	2.2	2.3	2.4
Less: Imputed Bank Services Charges	2.9	-3.3	-2.9	-3.7	-3.8
TOTAL	78.2	78.5	78.1	779	774
2. Private Households (Domestic Ser-vices)	1.1	1.1	1.1	1.2	1.2
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.0	14.9	15.2	15.3	15.6
TOTAL MONETARY ECONOMY	94.2	94.4	94.3	94.3	94.2
TOTAL MONETARY AND TRADI-TIONAL ECONOMY	100.0	100.0	100.0	100.0	100.0

*Provisional.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1981-1984

Table 2.5

	1981	1982	1983	1984*
1. Unadjusted GDP at constant Factor Cost (K£mn.)	2,860.14	2,910.67	3,011.94	3,039.20
2. Adjustment for changes in terms of trade (K£mn.)	39.09	–	-108.89	+77.79
3. Adjusted GDP (K£mn.)	2,899.23	2,910.67	2,903.05	3116.99
4. Growth in unadjusted per capita GDP per cent	1.9	-2.1	-0.7	-1.3
5. Growth in adjusted per capita GDP per cent	-4.3	-3.1	-4.2	-3.1

*Provisional.

Resource Allocation

2.14. Trends of the estimates of the overall resources available to Kenya for domestic investment and consumption may be obtained from Table 2.6. The GDP at market prices, comprising the GDP at factor cost and net indirect taxes, rose by 61 per cent in the period 1980.1984. During the same period, the share of net indirect taxes to the GDP at market prices has remained constant at about 14 per cent. The high net import surpluses of K£272 million and K£158 million in 1981 and 1982, respectively, were reduced dramatically to K£40 million in 1983. The adverse drought conditions compelled the country to increase its food imports, thus doubling the surplus in 1984 compared with the previous year. The general reduction in import surpluses in the recent past has availed less resources for domestic investment and consumption. These resources are estimated to have grown from K£3,295 million in 1981 to K£4,377 million in 1984.an increase of 33 per cent.

2.15. Gross fixed capital formation which had assumed a rising trend in 1983, rose further by 16 per cent in 1984 as a result of the continuing liberalisation policy. Due to the slow-down in aggregate demand, and stockpiling due to adequate foreign exchange, there was a slightly larger accumulation of stocks of K£93 million in 1984 compared with K£89 million in 1983.

2.16. Table 2.7 gives the total gross capital formation and sources of funds. The gross investment level, which provides an indicator of the development of productive potential of the economy, has remained constant at 21 per cent of the GDP (at market prices) during the last two years. The domestic savings financed 82 and 77 per cent of the overall investment in Kenya in 1983 and 1984, respectively. Although the share of external financing of Kenya's domestic investment increased from 18 per cent in 1983 to 23 per cent in 1984, the latter was far below the 44 and 37 per cent observed in 1980 and 1982, respectively.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1981-1984

Table 2.6 *K£million*

	1981	1982	1983	1984*
G.D.P. at Factor Cost	2,582.05	2,910.68	3,326.61	3,701.06
Of which—				
Traditional	150.77	164.58	196.83	225.60
Monetary	2,431.28	2,746.10	3,129.78	3,475.46
+Indirect Taxes	442.57	467.73	548.34	594.85
.Subsidies	1.22	1.58	1.67	1.85
=G.D.P. at Market Prices	3,023.40	3,376.83	3,873.28	4,294.06
+Imports of goods and services	1,045.70	1,005.23	1,015.67	1,211.58
Export of goods and services	773.70	847.00	975.68	1,128.76
=Import Surplus	272.00	158.23	39.99	82.82
Total Resources available for Domestic Investment and Consumption	3,295.40	3,535.06	3,913.27	4,376.88
Gross Fixed Capital Formation	725.41	668.33	720.89	836.12
Change in Stocks	133.40	96.20	89.46	92.83
Gross Investment	858.81	764.53	810.35	928.95
Public Consumption	576.42	642.84	739.43	809.04
Private Consumption	1,860.17	2,127.69	2,363.49	2,638.87
TOTAL CONSUMPTION	2,436.59	2,770.53	3,102.92	3,447.93

*Provisional.

FINANCING OF CAPITAL FORMATION, 1981-1984

Table 2.7 *K£ million*

	1981	1982	1983	1984*
GROSS CAPITAL FORMATION—				
Gross Fixed Capital Formation	725.41	668.33	720.89	836.12
Changes in Stocks	133.40	96.20	89.46	92.83
TOTAL	858.81	764.53	810.35	928.95
FINANCING.				
Grants from Abroad	20.70	25.50	59.80	78.53
Net borrowing from Abroad	326.90	260.58	88.89	128.26
Domestic Saving	551.21	478.45	661.66	722.16
TOTAL	898.81	764.53	810.35	928.95

*Provisional.

2.17. The classification of the GDP by factor incomes is set out in Table 2.8. At current prices, the total remuneration of employees rose by 14 per cent in 1984 compared with 12 per cent in 1983. The rise in 1984 was more conspicuous in the public sector due to the introduction of the 8.4.4 system of education, the commissioning of Moi University and the implementation of the district focus policy.

2.18. Since 1982, annual growth in rental surplus has been about 10 per cent. Other operating surplus, which had maintained an annual 14 per cent increase in 1982 and 1983, rose by only 7 per cent in 1984. The GDP in agriculture has a very strong influence on non-wage labour component of the item "other operating surplus". Therefore, the reduced growth of this item in 1984 may chiefly be attributed to the negative growth in the contribution to real GDP by agriculture.

2.19. Observed at the bottom of Table 2.8 are estimates of the gross national product (GNP). Due to the invariably increasing net outflow of factor incomes to the rest of the world, mainly because of interest payments

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1981-1984

Table 2.8 *K£million*

	1981	1982	1983	1984*
FACTOR INCOMES—				
A. Traditional Economy	150.77	164.58	196.83	225.60
B. 1. Remuneration of Employees:				
Enterprises	683.03	754.79	860.59	1,003.47
Private Households	28.62	32.75	35.71	44.89
Producers of Government Services	386.13	437.19	474.26	526.10
TOTAL	1,097.78	1,224.73	1,370.56	1,574.46
2. Rental Surplus (including depreciation)	127.42	140.69	154.24	168.19
3. Other Operating Surplus (including depreciation)	1,206.08	1,380.68	1,604.98	1,732.81
TOTAL MONETARY ECONOMY	2,431.28	2,746.10	3,129.79	3,475.46
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT	2,582.05	2,910.68	3,326.61	3,701.06
Add: Indirect Taxes	442.57	467.73	548.34	594.85
Deduct: Subsidies	1.22	1.58	1.67	1.85
GROSS DOMESTIC PRODUCT AT MARKET PRICES	3,023.40	3,376.83	3,873.28	4,294.06
Add: FACTOR INCOMES RECEIVED FROM ABROAD	25.10	35.58	28.10	33.69
Deduct: FACTOR INCOMES PAID ABROAD	122.20	174.93	153.50	185.35
GROSS NATIONAL PRODUCT	2,926.30	3,237.48	3,747.88	4,142.40

*Provisional.

and dividend remittances by trans-national companies, the GNP is smaller than the GDP at market prices. The GNP growth went down from 15 per cent in 1983 to 10 per cent in 1984. This fall is accounted for by the 21 per cent rise in factor incomes to the rest of the world, compared with 15 per cent in the previous year. The liberal foreign exchange permitting remittances of dividends is clearly seen to be effective here.

Trends in Capital Formation

2.20. As shown in Table 2.9 in real terms, the continuous declining trend experienced in the overall gross fixed capital formation since 1982 was reversed in 1984 when an increase of 7 per cent was realised. The 1984 rise was a result of increased investment activity by the public sector, particularly the energy segment. During the period, the Government invested an extra K£92 million in the construction of petroleum storage facilities and the development of various electricity projects along the Tana and Athi basins. Consequently, public sector total gross fixed capital formation in real terms rose significantly from K£88 million in 1983 to K£141 million in 1984. There activities increased the public sector's share of overall investment from 15 per cent in 1983 to 23 per cent in 1984.

2.21. The increase in public investment also had favourable effects in the items "other construction" and "machinery and other equipment" which went up by 18 per cent and 17 per cent, respectively. Relaxation of import restrictions may also have accounted for some of the increase in investment in machinery and other equipment. The gross fixed capital formation for dwellings rose by 6 per cent to record K£106 million in 1984. However, the gross fixed capital formation for breeding stock and dairy cattle was affected negatively by the severe drought in 1984.it showed a disinvestment of K£1.9 million.

22. Table 2.10 sets out the sectoral contributions to the overall gross fixed capital formation. In 1984, investment in the traditional sector grew by 9 per cent. There was a decline of 5 per cent in the private sector investment, but this was more than offset by the 9 per cent rise in the public sector's fixed capital formation. The overall investment, consequently, rose by 7 per cent in 1984. having fallen by 14 per cent and 21 per cent in the proceeding two years. The massive government investment in the energy projects mentioned above contributed to the doubling of the item "other services" in the public sector from K£45 million in 1983 to K£91 million in 1984. Agriculture, manufacturing, electricity and water sectors were the hardest hit by the prolonged drought in 1984: together, they registered a decline of 17 per cent.

Table 2.9 GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1981-1984

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1981	1982	1983	1984*	1981	1982	1983	1984*
DWELLINGS.								
PRIVATE:								
Traditional	50.52	54.18	66.42	77.59	57.87	54.18	59.35	64.87
Modern	42.77	47.69	27.64	26.52	48.99	47.69	24.70	22.17
TOTAL	93.92	101.87	94.06	104.11	106.86	101.87	84.05	87.04
PUBLIC	26.26	23.59	18.58	22.97	30.08	23.59	16.60	19.21
TOTAL	119.55	125.46	112.63	127.08	136.94	125.46	100.65	106.25
NON-RESIDENTIAL BUILDINGS.								
PRIVATE	43.81	29.30	38.95	31.48	49.01	29.29	35.67	26.49
PUBLIC	58.00	58.70	48.09	52.62	64.87	58.71	44.04	44.30
TOTAL	101.81	88.00	87.04	84.10	113.88	88.00	79.71	70.79
OTHER CONSTRUCTION WORKS—								
PRIVATE	11.38	10.85	21.13	15.74	12.89	10.85	18.83	11.57
PUBLIC	127.32	138.16	111.83	174.18	144.19	138.16	99.67	128.08
	138.70	149.01	132.96	189.92	157.08	149.01	118.50	139.65
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT.								
PRIVATE	7.88	5.92	6.46	6.53	8.66	5.92	7.09	5.45
	1.75	2.91	3.38	2.74	1.57	2.91	2.87	2.23
TOTAL	9.63	8.83	9.84	9.27	10.23	8.83	9.96	7.68
TRANSPORT EQUIPMENT.								
PRIVATE	63.02	57.48	63.76	70.10	66.69	57.48	48.60	49.54
PUBLIC	39.17	16.28	9.80	11.38	41.45	16.28	7.47	8.04
TOTAL	102.19	73.76	73.56	81.48	108.14	73.76	56.07	57.58
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	183.54	162.84	221.68	246.83	230.00	162.84	155.13	168.95
PUBLIC	69.96	61.21	82.48	99.44	87.67	61.21	57.72	68.06
TOTAL	253.50	224.05	304.16	346.27	317.67	224.05	212.85	237.01
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE	+0.03	-0.78	-0.70	-2.00	b0.03	-0.78	-0.63	-1.92
TOTAL								
Traditional Dwellings	50.52	54.18	66.42	77.59	57.87	54.18	59.35	64.87
Other	352.43	313.30	380.32	395.19	416.27	313.29	290.66	282.25
TOTAL PRIVATE	402.95	367.48	446.74	472.78	474.14	367.47	350.01	347.12
TOTAL PUBLIC	322.46	300.85	274.16	363.34	369.83	300.86	228.37	269.91
TOTAL PRIVATE AND PUBLIC	725.41	668.33	720.89	836.12	843.97	668.33	578.38	617.03

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1981-1984

Table 2.10

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1981	1982	1983	1984*	1981	1982	1983	1984*
A. TRADITIONAL ECONOMY								
Traditional Dwellings ..	50.52	54.18	66.42	77.59	57.87	54.18	59.35	64.87
B. MONETARY ECONOMY								
Enterprises and Non-Profit Institutions:								
Agriculture	54.68	51.62	54.60	58.17	56.79	51.62	44.38	42.10
Forestry	7.05	0.68	0.24	0.75	0.83	0.67	0.02	0.55
Mining and Quarrying	4.84	4.05	5.09	7.13	6.02	4.05	3.58	4.89
Manufacturing	88.45	66.05	111.49	99.48	107.33	66.05	80.85	68.58
Electricity and Water	65.47	75.22	57.18	46.75	76.01	75.22	49.52	34.20
Building and Construction	32.90	28.86	59.35	65.69	40.16	28.86	41.82	45.02
Trade, Restaurants and Hotels ..	21.44	23.97	29.54	30.98	25.62	23.97	23.61	23.00
Transport, Storage and Communications	113.94	102.06	110.97	131.36	130.30	102.06	83.86	91.53
Finance, Insurance, Real Estate and Business Services	24.29	9.60	16.92	18.74	27.52	9.60	14.49	14.42
Ownership of Dwellings	70.43	72.76	48.13	51.43	80.82	72.75	42.64	42.71
Other Services	49.39	52.63	58.93	59.18	58.34	52.63	46.06	43.93
TOTAL	526.58	487.50	552.45	569.66	616.86	487.50	431.01	410.93
Producers of Government Services								
Public Administration	17.75	14.43	17.06	20.88	20.39	14.43	14.64	15.94
Education	21.60	20.91	14.75	19.23	25.00	20.91	12.39	14.86
Health	12.57	8.77	8.28	10.83	14.51	8.77	7.10	8.77
Agricultural Services	12.31	12.50	10.55	14.25	14.21	12.50	9.17	10.66
Other Services	84.08	70.04	15.39	123.67	95.14	70.05	44.72	91.00
TOTAL	148.31	126.65	102.03	188.86	169.24	126.66	88.02	141.23
TRADITIONAL ECONOMY	50.52	54.18	66.42	77.59	57.87	54.18	59.35	64.87
MONETARY ECONOMY	674.89	614.15	654.47	758.53	786.10	614.16	519.03	552.16
TOTAL	725.41	668.33	720.89	836.12	843.97	668.33	578.38	617.03
C. PERCENTAGE RATES OK GROWTH—								
Traditional Economy	15.8	7.2	22.6	16.8	6.4	-6.4	9.5	9.3
Monetary Economy	16.6	-9.0	6.6	15.9	4.4	-21.9	-15.5	6.4
TOTAL	16.5	-7. 9	7.9	16.0	4.6	-20.8	-13.5	6.7

* Provisional.

CHAPTER 3—URBAN HOUSING AND DEVELOPMENT

For many years Kenya has been slowly evolving from a rural to a more urban society, but in the next two decades the scale of this change will grow steadily larger. As a rising proportion of the nation's inhabitants come to work and live in urban areas, an increasing share of national resources will be needed to accommodate them and to provide the necessary infrastructure and facilities to support manufacturing, commerce and services. The purpose of this chapter is to sketch out the dimensions of urban growth in the recent past and to suggest likely changes over the fifteen years as it relates to the existing housing stock, production and investment in housing and urban infrastructure and the availability of resources.

3.2. To start with, past trends are described for the growth of urban population and the formation of households, and projections are made for the future. Using the provisional results of the 1983 urban housing survey, the characteristics of the existing urban housing stock are reviewed in terms of its age. the composition of building materials, the provision of facilities, the components of the housing market, the proportion of dwellings that are owner-occupied and rented, and the principal sources of finance. A comparison is made between the recorded output of dwelling units with the formation of new urban households to arrive at an estimate of the proportion of housing demand that is currently being met by the formal sector as opposed to the informal sector. Next, investment in housing is examined as a proportion of gross fixed capital formation and gross domestic product. Finally, recent trends are summarised for government capital expenditures on urban infrastructure, and the likely availability of resources in the future is compared to the growth of urban population.

The Pace of Urban Growth

3.3. Kenya's population is growing fast, and its urban population—defined as those living in centres with more than 2,000 inhabitants-is growing even faster. Table 3.1 shows that assuming recent rates of fertility and mortality

PAST AND PROJECTED POPULATION AND URBAN HOUSEHOLDS

Table 3.1

	1969	1979	1990*	2000*
Total Population ('000)	10,943	15,327	24,872	37,505
Urban Population ('000)	1,080	2,310	5,334	11,411
Urban Population as percentage of total	9. 9	15.1	21.4	30.4
Urban Households ('000)	256	547	1,262	2,700
Average size of Urban Households	4.22	4.23	4.23	4.23

*Projections.

do not change greatly, the population of the country will reach nearly 25 million in 1990 and over 37 million by the year 2000. If the urban population continues to grow at the same rate as it did during the decade 1969.1979, it will reach about 5.3 million by 1990, representing 21.4 per cent of the total population, and will rise to 11.4 million or 30.4 per cent of the total by 2000. The average size of the urban household was 4.22 people in 1969. and barely changed over the next ten years. Providing it remains about the same in the future, the number of urban households is expected to increase from just over half a million in 1979 to 1.3 million in 1990 and 2.7 million by 2000.

3.4. The growth of the urban population arises from four factors: the natural increase of the existing population; the movement of people from rural areas into cities and towns in search of better opportunities for employment and education; the expansion of the boundaries of existing urban centres to incorporate surrounding communities; and the reclassification of rural settlements as they cross the "urban" definitional threshold of 2000 inhabitants. During the period 1969-1979, about 25 per cent of the increase in urban population arose from boundary expansions of existing urban centres and the reclassification of rural settlements, and about 75 per cent from natural increase and rural-urban migration.

3.5. If the proportions attributable to each of these factors remain constant, then close to 300,000 additional urban households can be expected to form between 1985 and 1990, and a little under 1.1 million more between 1990 and 2000. Considering that the total urban housing stock in 1979 accommodated nearly 550.000 households, the output of new urban dwelling units required over the next five years represents 55 per cent of the entire housing stock existing in 1979, while the output required between 1990 and 2000 amounts to almost twice the 1979 total. This makes no allowance for additional units required to replace temporary or outworn building, or to reduce accumulated deficits.

3.6. Housing is only one element in the larger picture of urban development. Investments in physical infrastructure such as urban roads, water supplies, and sewerage systems and the whole range of supporting social services will also have to increase by similar orders of magnitude. By any calculation, the investment required by the public and private sectors combined represents a sizeable proportion of future national resources, the broad implications of which are outlined below.

Characteristics of the Existing Urban Housing Stock

3.7. First, it is instructive to take a look at the characteristics of the existing housing stock in urban areas. In 1983 the Central Bureau of Statistics and the Department of Housing in the Ministry of Works, Housing

and Physical Planning, carried out for the first time, a survey of urban housing in thirty-two of the larger towns in the country, representing 89 per cent of the 1979 urban population.

3.8. Since the purpose of the urban survey was to assess the characteristics of housing in the larger cities and towns, it aimed expressly at covering the urbanized or built-up areas associated with these towns. In some cases this urbanized area is synonymous with the legally defined boundary of the municipality or township, but in others, for example Machakos and Meru, it is substantially smaller. Care should be taken, therefore, in comparing data from the housing survey with data from other sources, such as the population census, which are based on a different coverage of urban areas. Also, since the selection of towns was made irrespective of their distribution among provinces, the results should not be interpreted as necessarily being representative of each province as a whole. Furthermore, the provisional results presented here in the form of percentages are derived from only one part of the urban housing survey, i.e. the part that covered structures; a second part covered households. A more detailed report which will include absolute numbers and more comprehensive data is in the course of preparation.

Age of the Existing Housing Stock

3.9. A breakdown of the age of the existing housing stock is shown in Table 3.2. Some 37 per cent of the nation's urban housing is more than 20 years old, dating from before 1963, about 18 per cent was built during the decade after Independence, and some 44 per cent during the ten years before the survey in 1983. When the towns surveyed are grouped by provinces. a larger proportion of older residential units are found in Nairobi, and the towns of Nyanza and the Coast, while the housing stock in the towns of the Central. Eastern, and particularly the Western provinces is relatively newer.

3.10. A breakdown by age provides us with a rough indicator of the volume of production in each period. However, it tends to underestimate output in earlier years as it does not reflect the number of units since demo. lished. Nevertheless, the figures suggest that during the decade after Independence, the stock of urban housing increased by about 50 per cent, a relatively slow rate of growth compared with the following decade 1974.83. when output evidently accelerated sharply, adding some 80 per cent to the total existing in 1973.

3.11. The proportion of dwellings built in the five years before the survey also provide an indication of the rate growth of particular towns since the census of 1979. The figures suggest that the fastest growing urban areas have been Homa Bay. Karatina, Nyahururu and Siaya, closely followed by Voi, Nyeri, Bungoma and Busia. By the same token, the slowest growing towns appear to have been Kericho, Lamu, Kitale and significantly, the three largest cities of Nairobi. Mombasa and Kisumu.

AGE OF RESIDENTIAL UNITS BY URBAN AREA*

Table 3.2 *Percentages*

Province/Town	Less than 5 years 1979.83	5.9 years 1974.78	10.20 years 1964.73	More than 20 years Pre 1963	Total
NAIROBI	17.4	16.4	18.9	47.3	100.0
COAST	18.9	22.6	17.7	40.8	100.0
Mombasa	17.3	22.3	17.9	42.6	100 0
Kilifi	37.3	21.5	12.3	28.9	100.0
Malindi	24.3	29.8	20.0	26.0	100.0
Voi ..	44.8	20.3	16.9	18.0	100.0
Lamu	12.6	19.1	16.4	51.9	100.0
EASTERN	27.6	26.8	25.6	19.9	100.0
Embu	28.1	35.3	15.7	20.9	100.0
Machakos	24.0	36.0	37.0	3.1	100.0
Athi River	28.3	10.5	8.5	52.7	100.0
Meru	30.9	23.9	28.9	16.3	100.0
NORTH-EASTERN	31.6	22.4	18.0	27 9	100.0
Garissa	31.6	22.4	18.0	27.9	100.0
CENTRAL	33.4	13.5	20.4	32.7	100.0
Nyeri	41 .2	22.1	18.0	18.7	100.0
Karatina	56.0	41.6	2.4	-	100.0
Thika	20.6	4.7	22.2	52.4	100.0
Murang'a	29 6	16.4	26.4	27.5	100.0
Nyahururu	53.4	9.3	14.4	22.9	100.0
RIFT VALLEY	26.3	21.7	14.2	37.8	100.0
Nakuru	32.3	14.3	16.5	36.9	100.0
Naivasha	32.0	56.1	3.7	8.3	100.0
Eldoret	32.5	23.2	11.7	32.5	100.0
Kitale	13.1	34.4	5.8	46.6	100.0
Kericho	11.2	0 .2	24.6	64.0	100.0
Kabarnet	24.2	19.2	39.4	17.2	100.0
Kapenguria	20.8	21.6	24.8	32.8	100.0
Nanyuki	27.3	20.1	14.4	38.3	100.0
NYANZA	26.6	14.3	16.2	42.9	100.0
Kisumu	18.3	13.3	12.8	55.6	100.0
Kisii	20.3	13.6	32.9	33.2	100.0
Siaya	53.4	43.5	3.1	-	100.0
Homa Bay	62.2	1.2	22.8	13.7	100.0
WESTERN	36.1	28.3	26.5	9.0	100.0
Kakamega	29.6	17.2	34.8	18.5	100.0
Webuye	28.4	37.9	30.5	3.2	100.0
Bungoma	42.6	31.4	16.2	9.8	100.0
Busia .	40.6	30.1	29.3	-	100.0
TOTAL	24.1	20.4	18.4	37.2	100.0

*Provisional

Quality of Existing Housing

3.12. The urban housing survey provides two indicators of the quality of the existing housing stock; one in terms of the type of buiing materials used in residential structures and the other in terms of the provision is made infrastructure and domestic facilities. In Table 3.3, a distinction is made between durable and non-durable construction materials in describing

the floors, walls and roofs of the housing stock in each town. For the urban areas of the country as a whole, nine out of ten dwellings have roofs of durable materials; nearly eight out of ten have durable floors; while only seven out of ten have durable walls.

BUILDING MATERIALS OF RESIDENTIAL UNITS BY PROVINCE*

Table 3.3 *Percentages*

Province/Town	FLOORS		WALLS		ROOFS	
	durable	non-durable	durable	non-durable	durable	non-durable
NAIROBI	73.2	26.8	71.2	28.8	96.4	3.6
COAST	75.2	24.8	71.0	29.0	71.1	28.9
Mombasa	74.7	25.3	71.1	28.9	72.4	27.6
Kilifi	65.4	34.6	65.4	34.6	50.9	49.1
Malindi	86.5	13.5	80.0	20.0	59.0	41.0
Voi	80.2	19 8	55.2	44.8	95.3	4.7
Lamu	77.2	22.8	69.0	31.0	54.3	45.7
EASTERN	75.2	24.8	59.1	40.9	97.6	2.4
Embu	99.2	0.8	82.5	17.5	100.0	-
Machakos	74.1	25.9	74.0	26.0	97.9	2.1
Athi River	91.5	8.5	77.3	22.7	99.0	1.0
Meru	53.0	47.0	18.6	81.4	95.2	4.8
NORTH-EASTERN	80.8	19.2	74.3	25.7	77.7	22.3
Garissa	80.8	19.2	74.3	25.7	77.7	22.3
CENTRAL	84.0	16.0	74.4	25.6	97.5	2.5
Nyeri	78.9	21.1	54.6	45.4	99.2	0.8
Karatina	72 9	27.1	60.6	39.4	100.0	-
Thika	97.1	2.9	95.3	4.7	95.6	4.4
Murang'a	78.1	21.9	75.8	24.2	98.6	1.4
Nyahururu	70.5	29.5	45.9	54.1	97.7	2.3
RIFT VALLEY	74.2	25.8	64.9	35.1	98.7	1.3
Nakuru	81.1	18.9	74.8	25.2	99.8	0.2
Naivasha	81 .5	18.5	54.1	45.9	100.0	-
Eldoret	67.3	32.7	56.8	43.2	99.9	0.1
Kitale	71.0	29.0	67.9	32.1	97.1	2.9
Kericho	68.6	31.4	67.5	32.5	100.0	-
Kabarnet	98.0	2.0	41.4	58.6	100.0	-
Kapenguria ..	95.2	4.8	49.6	50.4	92.8	7.2
Nanyuki	35.6	64.4	34.9	65.1	88.4	11.6
NYANZA	86.9	13.1	74.3	25.7	96.4	3.6
Kisumu	90.0	10.0	84.3	15.7	97.6	2.4
Kisii	69.6	30.4	55.3	44.7	99.0	1.0
Siaya	92.1	7.9	78.8	21.2	89.6	10.4
Homa Bay	88.0	12.0	38.2	61.8	90.5	9.5
WESTERN	75.2	24.8	71.4	28.6	94.5	5.5
Kakamega	79.7	20.3	73.9	26.1	97.2	2.8
Webuye	76.8	23.2	80.4	19.6	94.0	6.0
Bungoma	72.8	27.2	64.4	35.6	98.6	1.4
Busia	719	28.1	72.1	27.9	84.7	15.3
TOTAL	76.6	23.4	69.6	30.4	90.1	9.9

*Provisional.

3.13. Housing quality, measured by the provision of infrastructure and domestic facilities, is shown in Table 3.4. Overall, 47 per cent of residential

units have either private or shared flush toilets. 42 per cent are provided with electricity. 40 per cent are connected to a piped-water supply inside the dwelling and 37 per cent are equipped with a private bath. Dwellings in Nairobi and the survey towns of the Central Province are equipped with substantially better infrastructure, some 10 to 30 per cent above the national average for each indicator. At the other end of the scale, the urban areas

PROVISION OF INFRASTRUCTURE AND DOMESTIC FACILITIES BY PROVINCE*

Table 3.4 *Percentages*

Province/Town	Water inside	Flush toilet	Private bath	Electricity
NAIROBI	54.2	77.0	46.3	51.3
COAST	42.7	30.1	33.0	50.5
Mombasa	40.4	29.4	31.1	50.4
Kilifi	29.4	30.3	19.7	22.8
Malindi	71 .8	46.0	54.8	65.0
Voi	65.1	44.8	23.8	45.9
Lamu	54.3	7.1	75.5	62.0
EASTERN	36.1	42.2	52.2	25.6
Embu	59.4	75.4	60.8	81.2
Machakos	27.6	25.0	39.7	10.4
Athi River	56.2	80.3	49.1	19.0
Meru	19.7	17.9	64.4	22.7
NORTH. EASTERN	29.8	30.4	53.1	45.7
Garissa	29.8	30.4	53.1	45.7
CENTRAL	59.6	68.5	55.2	5 . 0
Nyeri	46.1	50.7	58.9	43.7
Karatina	26.7	71.5	14.5	13 6
Thika	87.8	93.5	81.9	57.0
Murang'a	59.9	49.2	45.4	67.2
Nyahururu	17.3	52.5	17.7	35.2
RIFT VALLEY	20.2	35.0	19.1	30.8
Nakuru	22.6	28.8	16.4	48.9
Naivasha	25.5	35.6	21.4	21.2
Eldoret	16.3	45.6	19.1	16.6
Kitale	19.9	39.6	18.6	29.2
Kericho	8.8	38.2	9.5	7.6
Kabarnet	21.2	23.2	25.3	36.4
Kapenguria	27.4	34.4	32.3	-
Nanyuki	27.1	26.8	51.1	20.4
NYANZA	37.1	54.8	38.2	29.8
Kisumu	35.2	63.8	30.0	25.9
Kisii	36.6	30.3	61.1	36.4
Siaya	61.2	59.4	64.8	55.8
Homa Bay	32.8	31.1	36.9	25.7
WESTERN	27.3	30.7	31.9	28.3
Kakamega	49.7	53.3	52.7	51.8
Webuye	29.3	42.1	30.5	38.7
Bungoma.	15.4	15.8	21.8	11.8
Busia	15.6	15.6	21.7	15.6
TOTAL	40.0	47.3	36.9	41.8

*Provisional.

of the Rift Valley and the Western provinces are shown to have much poorer facilities, consistently below the average. Among the towns with the best equipped dwellings are Thika, Embu, Nairobi, Malindi and Siaya, while some of the most poorly served housing is found in Kericho, Busia and Bungoma, the last two of which have recently experienced rapid population growth.

3.14. Clearly, a majority of urban dwellings have yet to be equipped with standard facilities of drinking water, sewerage and electricity. The expansion of infrastructure networks by public authorities is lagging behind the pro. duction of housing.

Components of the Housing Market

3.15. In order to find out the relative quantity of different kinds of housing that has been produced, the survey classified dwellings according to five types. Within the private sector, a distinction was made between private individuals building homes for themselves or for rental, and development companies operating on a somewhat larger scale, which provides dwellings both to rent and to sell. The public sector was broken down into tenant purchase schemes and site-and-service projects, while the fifth category, "other", mainly comprises public authority rental units and housing provided by employers and institutions for their own employees.

3.16. In Table 3.5, the proportion of each housing type is aggregated for the group of towns surveyed in each province. This shows that, overall, about 61 per cent are built by private individuals, either for their own use or for rent. The next largest sector with 29 per cent of the market is represented by the category of "other", much of which consists of rental units provided by public agencies of central and local government. The remaining 10 per cent is accounted for by private developers with 5 per cent, tenant

HOUSING TYPES BY PROVINCE*

Table 3.5 *Percentages*

Province	PRIVATE Individuals	MARKET SECTORS			Other	Total
		Private Developer	Tenant Purchase	Site and Service		
Nairobi	51.4	15.2	3.2	2.1	28.1	100.0
Coast (5 Towns)	89.4	2.0	0.1	0 4	8.1	100.0
Eastern (4 Towns)	70.2	2.5	0.1	—	27.1	100.0
N. Eastern (1 Town)	84.2	0.3	–	15.5	–	100.0
Central (5 Towns)	35.0	0.1	5.5	19.2	40.2	100.0
Rift Valley (8 Towns)	47.7	4.5	2.7	0.6	44.5	100.0
Nyanza (4 Towns)	42.9	–	2.3	0.3	54.5	100.0
Western (4 Towns)	76.9	4.6	0.5	–	17.9	100.0
TOTAL	61.4	4.8	2.0	3.1	28.6	100.0

*Provisional.

purchase schemes with 2 per cent, and site-and-service projects with 3 per cent. The small proportion of dwellings attributed to the latter two categories, the bulk of which have been provided by the National Housing Corporation, is explained in part, by the fact that these schemes were only introduced in the 1970s, and that many of the units have since changed hands from the original recipients.

3.17. The proportion of housing represented by each of these types varies widely among provinces. Although private individuals account for the majority of dwellings, overall, their contribution ranges from a low of 35 per cent among the towns of the Central Province to a high of nearly 90 per cent in the Coast Province. In the survey towns of Nyanza and the Central Provinces the number of dwellings attributed to the "other" category surpasses appreciably that of private individuals, reaching 55 per cent and 40 per cent, respectively, and in the Rift Valley it comes close with 45 per cent against 48 per cent. Private developers are most active in Nairobi, which is to be expected, but only in a few towns elsewhere, notably Webuye. Embu, Eldoret, Nakuru and Mombasa.

3.18. The proportion of dwellings arising from tenant purchase schemes is highest in the towns of the Central Province with 5.5 per cent, notably in Nyeri and Thika, and in Nairobi with 3.2 per cent, but elsewhere their share is significant only in Kisumu and Kericho. In absolute numbers, site. and-service units are most numerous in Nairobi, although as a share of the total housing stock they feature prominetly in the survey towns of the Central Province with 19 per cent, and Garissa in the North-Eastern Province with 15 per cent.

Rented and Owner Occupied Dwellings

3.19. Another aspect of the housing market of interest to policy-makers and those concerned with supply and demand is the proportion of dwellings that is owner-occupied and rented. The level of home ownership provides a guide to the affordability of housing, and the manner in which the demand for shelter is currently being met. Table 3.6 shows that nationally less than three out of every ten urban dwellings are owned by the people who live in them, while more than seven out of ten are rented.

Status of Occupant and Housing Types*

Table 3.6 Percentages

Market Sector	Owner occupied	Rented	Total
Private Individuals	35.7	64.3	100.0
Private Developers	23.4	76.6	100.0
Tenant Purchase	16.2	83.8	100.0
Site and Service	5.9	94.1	100.0
Other	14.5	85.5	100.0
Total	27.7	72.3	100.0

*Provisional.

3.20. Among the different housing types, the level of home ownership is highest, at 36 per cent, in the category of private individual dwellings. As is to be expected, given that the "other" category consists largely of public authority rental units, the majority, 85 per cent, are in fact rented. However, renters also account for 77 per cent of private development housing, 84 per cent of tenant purchase schemes, and 94 per cent of site-and-service units. These figures are surprisingly high, since mortgages advanced to those buying from private developers are usually intended to enable people buy their own homes, as are tenant purchase schemes, and presumably site-and-service programmes. This may mean, in some cases, that title-holders of these dwellings own and live in a second home, but more probably, that they either prefer to live in cheaper rented accommodation, or are sharing their homes with renters. The available evidence strongly suggests that few can afford to buy their own homes, and that many who choose to take in lodgers to help pay the costs.

Sources of Housing Finance

3.21. The urban housing survey also enquired into the sources of finance which owners sought in buying their dwellings. This provides an estimate of the proportion of housing that is purchased through conventional financial institutions, and the extent to which people depend on alternative channels. Table 3.7, which is based on information from owners of dwellings, identifies nine principal sources of finance and their relative contribution to the purchase of each of the five dwelling types.

SOURCE OF FINANCE BY HOUSING TYPES*

Table 3.7 . *Percentage*

Market Sector	SOURCE OF FINANCE									Total
	A	B	C	D	E	F	G	H	I	
Private Individuals	30.5	8.1	4.2	1.9	4.4	22.8	10.2	7.1	10.8	100.0
Private Developers	21.9	16.3	21.7	0.3	19.9	4.5	4.7	5.3	5.4	100.0
Tenant Purchase	1.1	5.8	25.9	-	1.1	6.9	1.1	5.2	52.9	100.0
Site and Service	22.9	2.4	8.4	-	1.2	37.4	6.0	6.0	15.7	100.0
Other ..	19.6	2.3	26.2	1.9	0.2	9.6	2.3	3.7	34.2	100.0
TOTAL	26.1	6.6	11.9	1.7	3.8	18.3	7.3	6.0	18.2	100.0

*Provisional.

Source of Finance:
A—Commercial Banks.
B—Housing Finance Company of Kenya.
C—National Housing Corporation.
D—Insurance Companies.
E—Other Financial Institutions.
F—Co-operatives.
G—Employers.
H—Relatives.
I—Other.

3.22.The main sources of finance are commercial banks, which provided funds for the purchase of 26 per cent of all dwellings, co-operatives and "other" with 18 per cent each, and the National Housing Corporation with 12 per cent. The "other" source of finance consists chiefly of local authorities, and to a lesser extent private savings. Five of the nine categories—commercial banks, the Housing Finance Company of Kenya, the National Housing Corporation, insurance companies and other financial institutions-can be taken collectively to represent conventional housing finance institutions. Together, it is estimated that they provide funds for the purchase of just about half of all dwellings, while the other half is financed through co-operatives, employers, relatives, and "other" sources.

3.23. Among the different housing types, the main sources of finance for dwellings built by private individuals are commercial banks with 31 per cent and co-operatives with 23 per cent. As might be anticipated, the vast majority of houses built by private developers, about 80 per cent are purchased with mortgages from housing finance institutions, spread fairly evenly between commercial banks and the National Housing Corporation with 22 per cent each, other financial institutions with 20 per cent, and the Housing Finance Company of Kenya with 16 per cent.

3.24. Given that the "other" market sector includes a large proportion of local authority rental units, it is not surprising to find that the principal sources of finance here are the local authorities themselves together with the National Housing Corporation, and commercial banks, which probably account for much of the housing provided by employers for their own workers. Just over half the units in tenant purchase schemes are funded from "other" sources, with another quarter being financed by the National Housing Corporation. Among site-and-service schemes which are mainly promoted by the National Housing Corporation, some 37 per cent of dwellings were financed through co-operatives and 23 per cent through commercial banks. This probably refers not so much to the original purchase but to the subsequent expansion and improvement of these units.

Production of Urban Housing

3.25. A central issue in discussing housing policy is the match between supply and demand. Earlier, figures were given for the projected increase in the formation of urban households, but data on the supply or production of new housing is much harder to come by. While records exist for housing produced through formal channels, that is by government agencies, or by the private sector with the approval of public planning authorities, it is difficult to estimate the number of dwellings built each year informally without planning permission.

3.26. Table 3.8 shows that for the period 1979 to 1984 the total recorded output of formally authorised housing by public agencies and the private sector combined amounted to almost 44,000 units. This represents an average of some 7,300 units per year, although production swings widely

RECORDED COMPLETION OF DWELLINGS BY PUBLIC AND PRIVATE SECTORS COMPARED WITH THE FORMATION OF NEW URBAN HOUSEHOLDS, 1979-1984

Table 3.8

	1979	1980	1981	1982	1983	1984*	Total	%
National Housing Corporation Houses	4,085	3,527	2,755	2,928	687	2,398	16,380	37.2
Site and Service	2,389	2.454	2,719	2.550	598	2,099	12,809	29.1
Ministry of Works and Housing**	156	482	471	49	968	154	2,280	5.2
Other Public Sector	221	481	206	443	790	155	2,296	5.2
Private Sector	2,716	2,065	1,918	2.083	981	451	10,214	23.2
TOTAL	9,567	9,009	8,069	8,053	4,024	5,257	43,979	100.0
Estimated number of new urban households	29,800	32,100	34,700	37.400	40,400	43,600	218,000	
Recorded new units as % of new households	32.1	28.0	23.3	21.5	10.0	12.1	20.2	

*Provisional.
**Data for the fiscal year brought forward to the calendar year

from a low of 4,024 in 1983 to a high of 9,567 four years earlier. The greater part of this output comes from the National Housing Corporation, whose dwellings and site-and-service units together account for 66 per cent of the six year total. The private sector, which here refers to authorised construction by both individuals and developers, contributed 23 per cent, while other public agencies—mainly local authorities—added 5.2 per cent, and the Ministry of Works, Housing and Physical Planning a further 5.2 per cent, chiefly for government employees.

3.27. From information in the population censuses for 1969 and 1979, the average annual rate of growth of urban households is estimated to have been 7.9 per cent. By assuming the same rate of growth, the additional households since 1979 can be projected. Making allowance for the fact that some 25 per cent of these additions represent existing households which are annexed by the expansion of municipal boundaries and the reclassification of rural centres as urban centres, an estimate for the number of new households established each year can be derived.

3.28. On the basis of these figures, it was found that during the period 1976.82 the recorded output of housing units by public agencies and the private sector combined accounted for only 20 per cent of the increase in new urban households. Even allowing for the fact that some households may share the same dwelling unit, the conclusion remains that the greater part of new urban housing is produced outside the formal system.

3.29. Three reasons are most commonly given in an attempt to explain the predominance of the informal sector in the production of housing. First, the cost of building to the standards usually required by public authorities is beyond the means of most people. Second, the process of obtaining the necessary permits and approvals is often protracted, leading to long delays and increased costs. Third, many people occupy plots of land to which they hold no legal title, and this immediately disqualifies them from obtaining any official planning permit. As long as prospective home-builders are confronted by such obstacles, it is clear that the bulk of new dwellings will continue to be built outside the formal system without proper authorisation.

Capital Investment in Housing

3.30. One indicator of how much the country can afford to spend on housing is given by the proportion of gross domestic product invested in the construction of new dwellings. Figures for the period 1979 to 1984 are given in Table 3.9. which makes a distinction between gross fixed capital formation in traditional dwellings as opposed to modern dwellings. For the purpose of analysis it can be assumed that these two categories correspond approximately to rural and urban areas.

GROSS DOMESTIC PRODUCT AND GROSS FIXED CAPITAL FORMATION IN HOUSING AT CURRENT PRICES, 1979-1984

Table 3.9 *K£million*

	1979	1980	1981	1982	1983	1984*
Gross domestic product (GDP)	1,977	2,232	2,582	2,911	3,327	3,701
Total gross fixed capital formatio (GFCF)	540	622	725	668	721	836
As percentage of GDP	27.3	27.9	28.1	22.9	21.7	22.6
Total gross fixed capital formation in dwellings	93	106	120	125	113	127
As percentage of GDP	4.7	4.7	4.6	4.3	3.4	3.4
Traditional	40	44	51	54	66	78
Modern	53	62	69	71	47	49
As percentage of GDP	2.7	2.8	2.7	2.4	1.4	1.3

•Provisional

3.31. Construction costs for dwellings in urban areas are significantly higher than in rural areas, due in part to the higher cost of land and the higher standards required under current building codes. This being the case, and given that the urban population is growing faster than the rural population, investment in urban dwellings can be expected to rise not only as a share of total investment in housing, but also as a proportion of gross domestic product.

3.32. For the period 1979 to 1983 neither of these things happened. While total investment in all sectors combined has been running at between 20 and 24 per cent of gross domestic product, the proportion invested in all dwellings together has been falling steadily from 4.1 per cent in 1979 to 3.0 per cent in 1983, and in modern or predominantly urban dwellings from around 2.4 per cent in 1979 and 1980 to only 1.4 per cent in 1983. Moreover, the urban share of capital formation in dwellings remained almost constant at around 57 per cent between 1979 and 1982, then fell sharply in 1983.

3.33. However, a longer term analysis of trends over the ten year period 1974 through 1983 reveals a different picture, more in line with expectations. The three years from 1974 to 1976 are roughly comparable with the three years 1981 and 1983. Housing investment rose in the second year, then fell in the third year. Taking the average for both these three-year periods, the urban share of total investment in dwellings rose from 49.5 per cent in 1974.76 to 53.5 per cent in 1981.83, and investment in urban housing rose as a proportion of gross domestic product from 1.6 per cent in the earlier period to 1.9 per cent in the latter period.

3.34. Year by year, the picture fluctuates widely, reflecting in part the performance of the national economy. Measured in constant prices, investment in urban housing sored after the coffee boom by 55 per cent between 1977 and 1978, and a further 25 per cent the year after. It then levelled off, and has since fallen back by nearly 10 per cent between 1981 and 1982, and even more the following year. However, if the swings are smoothened out over three-year period, it turns out that investment in urban housing has not kept pace with the growth of new urban households: while the former increased by 41.5 per cent between 1976/78 and 1981 /83. the latter grew faster at an estimated 46.3 per cent.

3.35. This suggests a number of things. In the foreseable future, the urban share of investment in dwellings is bound to continue rising. Capital formation in urban housing can also be expected to go on rising as a proportion of gross domestic product. However, the resources available for the construction of new dwellings in urban areas is likely to lag behind the formation of new urban households unless there is a dramatic upturn in the growth of the national economy. This means that capital investment per household is likely to fall.

Investment in Urban Infrastructure

3.36. The provision of housing is only one part of the larger picture of urban growth and development. Physical infrastructure and a whole range of social services are also required. Apart from housing, the provision of urban infrastructure has traditionally been almost exclusively the concern of the local and central government. Table 3.10 shows development expendi-

tures on urban infrastructure by the four government ministries that are chiefly responsible. While local authorities are also involved, the bulk of their investments are channelled through the Local Government Loans Authority and are included here under the Ministry of Local Government.

APPROVED DEVELOPMENT EXPENDITURE FOR URBAN INFRASTRUCTURE BY SECTOR, 1979/80-1984/85

Table 3.10 *K£million*

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85*
Ministry of Works and Physical Planning Housing Development	7.26**	8.05	8.18	10.13	7.51	10.02
Ministry of Local Government Development Schemes	11.22	9.70	12.60	8.12	4.69	6.79
Ministry of Water Development Urban Water Supplies and Sewerage	7.92	9.64**	11.88	8.30	5.16	6.97
Ministry of Lands and Settlements Department of Lands	1.57	2.03	0.77	1.27	0.99	0.84
Gross Expenditure	27.97	29.42	33.42	27.82	18.35	24.62
Appropriations in Aid	0.82	0.47**	0.28	1.45	2.13	17.39
Net Expenditure	27.15	28.95	33.14	26.37	16.22	7.23

*Provisional.

3.37. Approved gross expenditure, which includes appropriation in aid from foreign donors has averaged about K£27 million over the period 1979/80 through 1984/85, although it has fluctuated widely from a peak of K£33.4 million in the fiscal year 1981/82 to a trough of K£18.3 million two years later. In real terms, this represents a substantial decline since the peak year of 1981/82, due chiefly to the Government's efforts to reduce the current deficit by tailoring public spending to available revenues. While net approved expenditure, representing the Government's planned outlays has been cut drastically from K£33.1 million in 1981/82 to an estimated K£7.2 million in the current fiscal year, this has been partially offset by a substantial increase in foreign aid for urban development, up from K£2.1 million in 1983/84 to K£17.4 million in 1984/85.

3.38. As the urban population grows, capital requirements will increase at least proportionately due to rising expectations from industry, commerce and urban inhabitants for improved services. The recent trend represents not only an absolute decline in available resources, but a more marked decline in investment per urban resident. While the spending cuts have helped the Government to achieve its aim of reducing the current deficit, they have also led to the postponement of urban projects awaiting funding and increased the backlog of unmet demand for water supplies, sewerage and other urban facilities.

CHAPTER 4—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

The year 1984 was one of mixed performance as far as employment and inflationary tendencies are concerned. Modern sector job creation was half the level recorded in 1983. The inflation rate, as measured by the Nairobi consumer price index—calculated as the proportional change between the average of the monthly price indices for that year and the average of the monthly price indices for the previous year—reached a single digit level of 9.1 per cent in 1984, compared with 14.6 and 22.3 per cent in 1983 and 1982, respectively. Nominal average wages rose by 9.5 per cent although in real terms the increase was less than one per cent when account is taken of inflation. These modest gains in the face of difficult economic conditions, aggravated by the drought in the first nine months of the year, is a mark of the economy's resilience.

4.2. The total number of wage employees working in the modern sector of the economy was estimated to be 1,115 thousand in 1984 as compared with 1,093 thousand in 1983. This represents an increase of some 21,400 odd jobs; substantially short of the target of 42,000 new jobs per annum set out in the Fifth Development Plan. This inadequate performance of modern sector creation was somewhat ameliorated by the continued upward trend recorded in the urban informal sector establishments whose total employment rose by 8.1 per cent, reaching just under 200 thousand jobs.

4.3. Between 1983 and 1984 wage employment in the modern sector went up by 2.0 per cent. As can be seen from Table 4.1, the number of self. employed and unpaid family workers dropped by almost a half. This dramatic change occurred mainly in agriculture and forestry. It is explained by the Government's restriction on the exploitation of forests and by the accelerated partitioning into smaller holdings of large farms which accounted for a large number of self-employed category. The allocation of these holdings to the former joint owners of the large farms often altered their status to be excluded

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1981-1984

Table 4.1 '000's

	1981	1982	1983	1984*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	1,024.3	1,046.0	1,093.3	1,114.7
Self-employed and unpaid family workers	62.1	62.7	63.2	32.4
Urban Informal Sector	157.3	172.2	182.9	197.8
TOTAL	1,243.7	1,280.9	1,339.4	1,344.9

*Provisional.

from enumeration by the Central Bureau of Statistics. Thus, caution should be exercised in interpreting the data as it largely reflects a change in coverage. In contrast, the number of those engaged in the urban informal sector increased by nearly 15,000 or by 8.1 per cent. This compares favourably with an increase of 6.2 per cent recorded in the previous year. Altogether, the number of persons engaged increased only marginally, reaching 1,343,000 in 1984.

4.4. The details of changes in employment in both the private and public sectors are given in Table 4.2. Total employment in agriculture and forestry in the private sector rose by 2.4 per cent. This was relatively better performance considering the difficult climatic conditions obtaining for a good part of last year. Increases in employment were also recorded in most of the other activities, especially in mining and quarrying whose employment, though small, rose by 24 per cent. Employment in construction and in transport and communications fell by the substantial margins of 14 and 5 per

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1981-1984

Table 4.2 '000's

	1981	1982	1983	1984*
PRIVATE SECTOR—				
Agriculture and Forestry	173.6	167.5	177.3	181.6
Mining and Quarrying	1.5	1.8	2.1	2.6
Manufacturing	116.7	116.0	117.1	119.7
Electricity and Water	0.2	0.2	0.1	—
Construction	32.6	32.1	31.4	27.1
Wholesale and Retail Trade, Restaurants and Hotels	67.7	69.3	74.6	79.2
Transport and Communications	18.9	19.7	21.1	20.1
Finance, Insurance, Real Estate and Business Services	31.1	34.7	36.1	38.3
Community, Social and Personal Services	97.9	99.1	105.7	109.6
TOTAL	540.2	540.4	565.5	578.2
PUBLIC SECTOR.				
Agriculture and Forestry	61.9	56.3	53.8	54.1
Mining and Quarrying	0.7	1.2	1.4	1.5
Manufacturing	29.6	30.8	31.7	33.4
Electricity and Water	10.0	13.8	17.1	17.5
Construction	28.7	28.3	28.8	22.1
Wholesale and Retail Trade, Restaurants and Hotels	4.9	5.6	5.7	5.6
Transport and Communications	36.5	33.1	33.9	34.0
Finance, Insurance, Real Estate and Business Services	8.4	9.0	9.6	11.8
Community, Social and Personal Services	303.4	327.5	345.8	356.5
TOTAL	484.1	505.6	527.8	536.5

*Provisional.

cent, respectively. The construction industry's poor performance is partly due to the depressed market owing to the high interest rates on finance and the general adverse economic conditions in the last few years. These factors and the drought prevailing in 1984, also explain the downturn of transport and communications. It is apparent that the transportation of maize from Mombasa by heavy commercial vehicles in the last quarter of 1984 did not have an overall positive effect on employment creation.

4.5. Wage employment in the public sector by activity and by its main domains is shown in Table 4.2 and Table 4.3, respectively. Except in finance, insurance, real estate and business services, where a significant increase of 23 per cent was recorded, the picture remained broadly similar to that in the

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1981-1984

Table 4.3 '000's

	1981	1982	1983	1984*	Annual Percentage Change 1983/84*
Central Government	214.5	216.7	226.4	221.1	-2.3
Teachers Service Commission	110.9	119.0	124.1	132.2	6.5
Parastatal Bodies**	87.4	95.7	97.6	100.4	2.9
Majority Control by the Public Sector	31.6	32.9	34.5	35.1	1.7
Local Government	39.7	41 .3	45.2	47.7	5.5
TOTAL	484.1	505.6	527.8	536.5	1.6

*Provisional.

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

private sector. The decrease of 23 per cent in the construction industry was evidently more pronounced than in the private sector—a reflection of lower government spending aimed at eliminating the budget deficit. The expected increase of employment in this industry due to the implementation of the 8.4.4 education system was not felt as most of the construction depended on the use of local resources, including labour on self-help basis, and also because the construction works escaped enumeration as they were undertaken in the second half of the year. Compared with 1983, growth of employment in the public sector stood at a figure of only 1.6 per cent. In 1983, the corresponding figure was 4.4 per cent.In absolute terms, employment in the whole sector rose by 8,700 jobs, with the local government and the Teachers Service Commission accounting for most of the increase. The reduction in employment recorded in central government mainly affected the employees on a casual basis, only relatively few of whom were engaged.

4.6. Analysis of data from the 1984 survey of the urban informal sector shows that this sector continued to exhibit a sustained upward trend. The distribution of employment by activity and by location remained broadly the same as in the past. Over 70 per cent of those involved in the sector were found in trading activities while those in manufacturing and in other activities accounted for 18 and 12 per cent, respectively. Of the estimated total employment in the urban informal establishments, 62 per cent were in Nairobi, Mombasa, Nakuru and Kisumu.

4.7. Details of wage employment in 1984 by province are set out in Table 4.4. In terms of growth Nairobi Province led with an increase of 5,900 employees, followed by Western, Nyanza and Eastern with 5,300, 3,200 and 3,200 employees, respectively. All the other provinces registered increases below the national average change of 2.0 per cent. Rift Valley Province recorded the smallest increase of 0.5 per cent. This poor performance was the result of the drought which affected large parts of that province in which agriculture and related activities are the most prevalent.

WAGE EMPLOYMENT BY PROVINCE, 1981-1984

Table 4.4 '000's

Province	1981	1982	1983	1984*	Percentage Change 1983/84*
Nairobi	284.5	292.3	309.8	315.7	1.9
Coast	139.5	140.6	140.9	142.4	1.1
North Eastern	7.7	9.3	9.4	9.5	1.1
Eastern	80.5	84.5	89.1	92.3	3.6
Central	152.6	153.5	155.6	156.7	0.7
Rift Valley	230.2	228.1	241.4	242.5	0.5
Nyanza	77.0	83.4	90.5	93.7	3.5
Western ..	52.3	54.3	56.6	61.9	9.4
TOTAL	1,024.3	1,046.0	1,093.3	1,114.7	2.0

*Provisional.

4.8. Wage employment in urban areas in Kenya accounted for 51 Per cent of the country's total in 1984. Between 1979 and 1984 employment went up by 23 per cent in the industries in which most people are engaged in urban areas. The growth of employment in Nairobi was 18 per cent for the five year period, reaching 295,300 in 1984. For the same period, wage employment in other towns grew at the faster rate of 30 per cent, indicating that the policy of decentralization of employment opportunities away from Nairobi and its environs was bearing fruit. Table 4.5 shows changes in wage employment for the six selected activities by the major towns in 1979 and 1984. In this period employment in the activities taken together increased by 109,000 jobs. Whilst there were declines in construction and in transport

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1979 AND 1984

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	
	1979	1984*	1979	1984*	1979	1984*	1979	1984*	1979	1984*	1979	1984*	1979	1984*
Nairobi	51.8	60.6	35.3	27.3	32.6	40.3	20.6	22.2	25.3	34.7	85.0	110.2	250.6	295.3
Mombasa	19.0	19.5	5.1	3.7	10.7	12.4	23.6	20.4	4.9	7.1	26.6	29.1	89.9	92.2
Kisumu	3.5	3.5	1.1	0.7	1.7	1.9	2.3	1.3	0.9	0.9	6.7	11.2	16.2	19.5
Nakuru	5.7	5.6	1.6	0.8	2.5	2.9	1.0	1.1	0.8	0.9	5.7	8.2	17.3	19.5
Thika	10.2	9.1	0.2	0.4	0.5	1.0	0.1	0.2	0.4	0.5	1.6	2.9	13.0	14.1
Eldoret	5.1	6.7	0.9	0.4	1.2	1.3	0.7	0.6	0.3	1.1	3.1	4.7	11.3	14.8
Others	10.6	16.1	4.7	5.2	9.1	10.2	5.0	3.4	2.3	3.7	34.1	78.7	65.8	117.3
TOTAL	105.9	121.1	48.9	38.5	58.3	70.0	53.3	49.2	34.9	48.9	162.8	245.0	464.1	572.7

*Provisional.

and communications to the tune of 21.3 and 7.7 per cent, respectively, there occurred quite substantial increases in the other activities. Community and social and personal services went up by over 50 per cent, while finance, insurance, real estate and business services recorded a growth of 40 per cent.

4.9. Table 4.6 gives an analysis of wage employment by industry and sex. The number of women increased by an appreciable 6.2 per cent or 12,000, exceeding the growth of their male counterpart of 9,800. However, in overall terms, the proportion of women rose only marginally from 17.8 per cent in 1983 to 18.6 in 1984. The pattern of change was similar for both males and females, registering declines in construction and in transport and communications. The rise in employment of about 13,000 jobs in education services was by greater margin, especially for females, than all the other activities taken together. Table 4.6 also shows the classification of employees by regular and casual status of employment. That there is a marked drop of casuals and, correspondingly, an increase of regular employees is explained almost entirely as an effect of enumeration methodology. About 50,000 jobs previously classified as casual were, in fact, permanent. None the less there was a real decline in the number of casuals—of about 5,000 associated mostly with construction and with transport and communications.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1983 AND 1984

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1983	1984*	1983	1984*	1983	1984*
Agriculture and Forestry	195.7	196.9	35.4	38.7	231.1	235.6
Mining and Quarrying	3.4	4.0	0.1	0.1	3.5	4.1
Manufacturing	134.8	138.1	13.9	15.0	148.7	153.1
Electricity and Water	16.1	16.2	1.2	1.3	17.3	17.5
Construction	57.5	47.5	2.7	1.7	60.2	49.2
Trade, Restaurants and Hotels	68.9	71.2	11.4	13.6	80.3	84.8
Transport and Communications	47.8	47.3	7.2	6.8	55.0	54.1
Finance, Insurance, Real Estate and Business Services	36.4	40.9	9.2	9.3	45.6	50.2
Community, Social and Personal Services—						
Public Administration	116.1	118.6	23.9	23.4	140.0	142.0
education Services ..	125.1	131.2	46.8	54.1	171.9	185.3
Domestic Services .	41.7	42.4	15.0	14.8	56.7	57.2
Other Services	54.7	53.3	28.3	28.3	83.0	81.6
TOTAL	898.2	907.6	195.1	207.1	1,093.3	1,114.7
Of which: Regular	730.8	795.4	168.0	181.6	898.8	977.0
Casual	167.4	112.2	27.1	25.5	194.5	137.7

* Provisional, also the enumeration methodology for males changed.

Earnings

4.10. Details of total wage payments by sector and activity are presented in Table 4.7. In 1984, total wage payments were K£1,071 million compared with K£958 million in 1983. This represents an increase of 12 per cent, which is practically the same as the growth rate in the previous year. In the private sector there was 14.6 per cent increase whereas the wage bill in the public sector went up by 9.2 per cent. Generally, all activities registered an increase or a decrease in total wage payments according as employment rose or fell. Consequently, there were appreciable increases in community, social and personal services. The activities which experienced falling employment had correspondingly decreased wage payments.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1981-1984

Table 4.7 *K£million*

	1981	1982	1983	1984*
PRIVATE SECTOR—				
Agriculture and Forestry	41.31	41.59	47.48	54.36
Mining and Quarrying	0.61	0.75	0.93	1.23
Manufacturing	97.37	109.39	119.53	132.99
Electricity and Water	0.16	0.17	0.12	—
Construction	26.45	23.28	25.05	23.44
Wholesale and Retail Trade, Restaurants and Hotels	75.46	79.22	91.16	107.58
Transport and Communications	21.38	25.39	28.29	31.76
Finance, Insurance, Real Estate and Business Services	55.39	59.96	66.28	77.61
Community, Social and Personal Services	53.64	56.12	65.87	80.90
Total	371.77	395.87	444.71	509.87
PUBLIC SECTOR—				
Agriculture and Forestry	26.96	25.87	27.27	28.35
Mining and Quarrying	1.20	2.57	2.89	3.06
Manufacturing	24.84	26.74	29.87	35.71
Electricity and Water	10.23	13.36	17.61	20.35
Construction	18.06	20.40	22.48	20.01
Wholesale and Retail Trade, Restaurants and Hotels	6.24	7.87	8.77	8.89
Transport and Communications	45.17	46.49	49.82	51.91
Finance, Insurance, Real Estate and Business Services	18.33	20.60	22.34	30.72
Community, Social and Personal Services	265.89	300.50	332.46	361.63
Total	416.92	464.40	513.51	560.63
TOTAL PRIVATE AND PUBLIC..	788.69	860.27	958.22	1,070.50

*Provisional.

4.11. Total wage payments by the various public sector domains are compared in Table 4.8. Taken together the Central Government, parastatal bodies and the Teachers Service Commission accounted for 84 per cent of the total wage bill in the public sector. The wage bill of the Central Government went up by 1.5 per cent, parastatal bodies by 16 per cent, local government by 2.2 per cent, and the Teachers Service Commission by 17 per cent. There was a steep rise of 29 per cent in the wage bill of companies in which the Government has majority control. Overall, the entire public sector's wage bill went up by 9.3 per cent in 1984.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1981-1984

Table 4.8 *K£million*

	1981	1982	1983	1984*
Central Government	193.31	207.71	227.31	230.38
Teachers Service Commission	79.80	94.30	103.60	120.66
Parastatal Bodies**	89.30	97.10	107.10	124.28
Majority Control by the Public Sector	26.30	29.30	32.80	42.21
Local Government	28.20	35.90	42.70	43.63
TOTAL	416.91	464.31	513.51	561.16

*Provisional.

**Includes Kenya Railways Corporation, Kenya Airways Ltd., Kenya Ports Authority, Kenya Posts and Telecommunications Corporation, etc.

4.12. Table 4.9 presents an analysis of average earnings by sector and activity from 1981 to 1984. On the whole, average annual earnings rose from K£876.5 in 1983 to K£959.6 in 1984.giving a rate of increase of 9.5 per cent compared with 6.6 per cent in 1983 and with an annual rate of 7.6 per cent for the 1981.84 period.

4.13. In the private sector the average wage earnings increased at a higher rate of 12 per cent in comparison with the public sector's increase of 8 per cent. As in the past, however, employees in the public sector continued to receive higher absolute average pay than their counterparts in the private sector, largely because of a large number of unskilled workers in the private agricultural sector. Local government employees' per capita earnings fell by 3.3 per cent in 1984. This is explained by the fact that local authorities' incremental hiring is usually of lower remunerated cadres.

4.14. On the whole, average wage earnings per employee increased in virtually all the activities of both sectors with the exception of mining and quarrying in the public sector where there was a drop of 0.6 per cent. Community, social and personal services in the private sector registered the highest increase of 23 per cent. Substantial variations in average wage earnings etween the sectors are clearly discernible but are minimal between different activities within the public sector.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1981-1984

Table 4.9 *K£*

	1981	1982	1983	1984*
PRIVATE SECTOR—				
Agriculture and Forestry	237.9	248.2	267.8	299.4
Mining and Quarrying	412.0	425.8	440.7	480.1
Manufacturing	834.5	943.4	1,032.7	1,110.7
Electricity and Water	772.8	885.9	963.7	
Construction	810.8	724.1	799.0	865.3
Trade, Restaurants and Hotels	1,114.7	1,143.8	1,221.5	1,354.7
Transport and Communications	1,132.9	1,287.6	1,338.6	1,580.0
Finance, Insurance, Real Estate and Business Services	1,781.7	1,727.9	1,835.5	2,024.5
Community, Social and Personal Services	547.9	566.1	600.7	738.2
Total Private Sector	688.2	732.5	786.3	878.2
PUBLIC SECTOR—				
Agriculture and Forestry	435.6	459.4	507.0	524.2
Mining and Quarrying ..	1,808.2	2,045.7	2,010 0	1,998.8
Manufacturing	837.7	867.3	978.8	1,069.3
Electricity and Water	1,024.3	967.8	1,027.4	1,166.7
Construction	628.1	721.0	780.1	904.8
Trade, Restaurants and Hotels	1,273.7	1,399.9	1,548.0	1,588.0
Transport and Communications	1,238.5	1,406.1	1,471.0	1,526.9
Finance, Insurance, Real Estate and Business Services	2,174.3	2,301 .4	2,328.1	2,599.6
Community, Social and Personal Services	876.4	917.6	963.1	1,014.4
Total Public Sector	861.2	918.5	972.9	1,046.5
TOTAL	770.0	822.4	876.5	959.6
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	901 .2	958.5	1,004.0	1,042.2
Teachers Service Commission	719 6	792.4	834.8	912.9
Parastatal Bodies**	1,021.7	1,013.6	1,097.3	1,238.3
Majority Control by the Public Sector	832.3	890.6	950.7	1,202.6
Local Government	710.3	869.2	944.7	913.8
Total Public Sector	861.2	918.5	972.9	1,046.5

*Provisional.

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

4.15. Concern with cutting back expenditure to curtail the fiscal deficit impinges upon the hiring capacity by the public sector. However, the public sector acted in 1984 as "employer of last resort" of university graduates, and also the TSC has had to recruit a large number of teachers to cater for the 8.4.4 system in primary schools. Table 4.10 presents an analysis of the trend of employment and average earnings in both the private and public sectors. As can be seen, there is a clear trend for more jobs to be created in

the public sector, indicating that the severe economic conditions which the private sector has faced in the last few years have curtailed the requisite capability for job creation. This feature of sustained growth of public sector

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1979-1984

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1979-1984*	1983-84*	1979-84*	1983-84*
PRIVATE SECTOR—				
Agriculture and Forestry	-6.3	2.4	70.8	11.8
Mining and Quarrying	29.2	23.8	45.4	8.9
Manufacturing	6.9	2.2	69.8	7.6
Electricity and Water				
Construction	-16.7	-13.6	50.3	8.3
Trade, Restaurants and Hotels	22.9	6.2	62.0	10.9
Transport and Communications	-13.7	-4.9	76.1	18.0
Finance, Insurance, Real Estate and Business Services	36.3	6.1	54.4	10.3
Community, Social and Personal Services	20.1	3.7	81.7	22.9
Total Private Sector	5.6	2.3	75.4	11.7
PUBLIC SECTOR—				
Agriculture and Forestry	-10.9	0.6	10.2	3.4
Mining and Quarrying	136.8	7.1	37.2	.0.6
Manufacturing	26.5	5.4	66.4	9.2
Electricity and Water	77.4	2.3	64.9	13.6
Construction	-23.1	-23.3	51.1	16.0
Trade, Restaurants and Hotels	29.6	-1.8	97.5	2.6
Transport and Communications	8.1	0.4	50.8	3.8
Finance, Insurance, Real Estate and Business Services	56.6	22.9	80.4	11.7
Community, Social and Personal Services	39.7	3.1	51.3	5.3
Total Public Sector	26.3	1.6	53.7	7.6
Total Public and Private	14.6	2.0	65.6	9.5
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	12.1	-2.3	50.0	3.8
Teachers Service Commission	39.0	6.5	70.4	9.4
Parastatal Bodies**	34.4	2.9	42.3	12.8
Majority Control by the Public Sector	57.3	6.7	67.5	26.5
Local Government . .	41.7	5.5	61.5	-3.3
TOTAL PUBLIC SECTOR	26.7	2.0	53.7	7.6

*Provisional.

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

employment is more pronounced in finance, insurance, real estate and business services; and in water and electricity. The picture is, however, somewhat different in respect to average earnings, with the private sector recording higher growth rates than the public sector. There is, evidently, considerable variation within each sector as between different activities in the two sectors, such variations being more pronounced in the private sector.

4.16. The preceeding analysis of average earnings has been on nominal terms. Table 4.11 gives percentage changes of the values adjusted to show the effect of price inflation. As elaborated below, inflationary pressure eased considerably in the last two years. However, average real earnings increased by only 0.7 per cent in 1984 as the inflation rate fell to 9.1 per cent compared with 14.6 per cent in 1983 and the all-time high of 22.3 per cent in 1982. Thus, the average wage earner's purchasing power was just barely sustained in 1983.84 period.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1981-1984

Table 4.11 *Percentage*

	1981	1982	1983*	1984*
Wage employment	1.8	21	4.5	2.0
Current price average earnings	16.6	6.8	6.7	9.5
Consumer prices**	12.6	22.3	14.6	9.1
Real average earnings	3.6	-12.5	-6.9	0.7

*Provisional.

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

4.17. Details of changes in real earnings in the public and private sectors are set out in Table 4.12. A discernible feature of the small gains in real earnings is that it was felt more in the private sector of the economy. This happened in all the activities except in manufacturing where there was a drop in real earnings. The persistent decline of public sector real average earnings that has obtained for some time did not change appreciably in 1984.

Wage Awards

4.18. There has not been any change in the wage guidelines that came in 1982, setting basic minimum wages for the private sector. In 1984, 260 collective wage agreements with an average duration of 25 months and covering 120,208 unionisable employees were registered with the Ministry of Labour. This compares with 245 such agreements involving 54,000 employees registered in 1983. Of the 260 agreements registered in 1984, 132 were in manufacturing. Following these agreements the effective minimum monthly wages in the establishments affected rose to KSh. 612, KSh. 1,169 and KSh. 3,140 for the lower, middle and upper income groups, respectively.

ESTIMATED REAL AVERAGE WAGE EARNINGS** PER EMPLOYEE, 1981-1984

Table 4.12

	1981	1982	1983	1984*
PRIVATE SECTOR—				
Agriculture and Forestry	119.6	102.2	96.4	98.9
Mining and Quarrying	207.1	175.3	158.6	158.7
Manufacturing	491.6	388.4	371.6	367.1
Electricity and Water	388.5	364.7	346.8	
Construction	407.6	298.1	287.5	286.0
Trade, Restaurants and Hotels	560.4	470.9	439.5	447.7
Transport and Communications	569.6	530.1	481.7	522.1
Finance, Insurance, Real Estate and Business Services ..	695.8	712.2	660.5	669.0
Community, Social and Personal Services	275.5	233.1	216.2	244.0
Total Private Sector	346.0	301.6	282.9	290.2
PUBLIC SECTOR—				
Agriculture and Forestry	219.0	189.1	182.4	173.2
Mining and Quarrying	909.1	842.2	723.3	660.5
Manufacturing	421.2	357.1	352.2	353.4
Electricity and Water	515.0	398.4	369.7	385.6
Construction	315.8	296.8	280.7	299.0
Trade, Restaurants and Hotels	640.4	576.3	557.3	524.8
Transport and Communications	622.7	578.9	529.3	504.6
Finance, Insurance, Real Estate and Business Services	1,093.2	947.9	837.7	859.1
Community, Social and Personal Services	440.6	377.8	346.6	335.2
Total Public Sector	433.0	387.1	350.1	345.8
TOTAL	378.1	338.6	315.4	317.5
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	453.1	394.6	361.3	344.4
Teacher's Service Commission	362.0	326.2	300.4	301.7
Parastatal Bodies**	513.9	417.3	394.9	409.2
Majority Control by the Public Sector	418.5	366.7	342.1	397.4
Local Government	357.1	357.8	339.9	302.0
Total Public Sector	433.0	387.1	350.1	345.8

*Provisional.

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

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

Consumer Prices

4.19. With the adoption of a deflationary monetary policy by the Government since 1983, inflationary pressures further eased in 1984. For the first time since 1980 the inflation rate, as measured by the Nairobi consumer Price indices, reached a single digit level of 9.1 per cent in 1984. As shown

in Table 4.13, the Nairobi consumer price indices increased by 10.3, 8.9 and 8.0 per cent for the lower, middle and upper income groups, respectively, during the year under review. This reflects a marked decline after reaching a peak of 22.3 per cent in 1982 and a drop to 14.6 per cent in 1983. However, by March, 1985, inflation was showing a rising trend.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1981—MARCH, 1985

Table 4.13

Income Group	1981/80	1982/81	1983/82	1984/83	March 1984 to March, 1985
Nairobi Lower Income Index	11.7	20.6	11.4	10.3	15.3
Nairobi Middle Income Index	13.8	25.9	15.2	8.9	11.9
Nairobi Upper Income Index	12.3	20.3	16.9	8.0	8.4
Average Increases	12.6	22.3	14.6	9.1	11.9

*For the purpose of the index:

1. The lower income group comprises households with monthly earnings below KSh. 699.
2. The middle income group comprises households with monthly earnings between KSh. 700 —KSh. 2,499.
3. The upper income group comprises households with monthly earnings of KSh. 2,500 and above.

4.20. The drought conditions in the first nine months of the year, together with the increases in prices of food items and producer prices of crops, had an impact on the food index. Food, being a significant item in the consumption patterns, the influence on the overall index was substantial. In 1984, the food index increased by 10.9 per cent for the lower income group, 9.3 per cent for the middle income group and 10.5 per cent for the upper income group. Substantial increases were also recorded in the clothing and footwear index for all the income groups. In addition, the health and personal care index and the household operations and services index had pronounced increases affecting the lower and middle income groups. Table 4.14 shows the Nairobi consumer price indices together with the components for food, rent and other items. It can be seen that increases in the food index are relatively high.

4.21. Consumer price indices for Mombasa, Kisumu and Nakuru are shown in Table 4.15. Analysis of the 1984 quarterly data for these urban centres reckons inflation rates to be 7.4 per cent for Mombasa, 11.1 per cent for Kisumu and 9.8 per cent for Nakuru. Similar to Nairobi, the food price increases were relatively high, and were recorded as 12.8, 10.7 and 14.7 per cent for Mombasa, Kisumu and Nakuru, respectively. These towns also had relatively higher increases in the health and personal care and the transport and communications indices.

NAIROBI CONSUMER PRICE INDICES, 1981-1985

January-June, 1975 = 100

Income Group	Food	Rent	Others	All Groups
LOWER INCOME—				
December.1981	219.7	277.6	224.1	239.0
December.1982	243.5	315.8	264.9	271.8
December.1983	262.3	346.0	288.1	297.9
December.1984	303.4	383.6	310.7	330.4
March.1985	339.8	412.1	321.1	355.1
MIDDLE INCOME.				
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
December.1984	287.8	352.1	313.4	312.6
March.1985	303.6	362.7	318.4	321.9
UPPER INCOME				
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
December.1984	295.9	307.4	316.1	307.0
March.1985	314.8	317.7	323.7	317.3

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU

Table 4.15 1976 = 100

	Mombasa	Kisumu	Nakuru
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
1984 June ..	265.2	258.6	254.3
December ..	276.5	271.0	265.8

*These indices refer to households in the lower/middle income groups and exclude rent.

4.22. The Central Bureau of Statistics is revising the consumer price indices incorporating adjustment of the "market basket" of goods and services, the weighting system and the classification of income groups. The revision exercise is the culmination of the 1982/83 Household Budget Survey, the results of which will soon be forthcoming.

CHAPTER 5—MONEY, BANKING AND FINANCE

Overall Trends

The overall performance of the country's monetary system improved considerably in 1984. The balance of payments position continued to improve while domestic credit, after a contraction in the first half, expanded during the second half of the year. Consequent upon recording an inflation rate of 9.1 per cent in 1984—calculated as the proportional change between the average of the monthly price indices for that year and the average of the monthly price indices for the previous year-real interest rates turned positive after many years of negative returns. Total aggregates of the banking system in real terms likewise expanded.

5.2. Table 5.1 highlights the main monetary indicators. The net foreign assets rose during the first half of the year to reach K£27 million by June, chiefly due to increased export earnings and use of IMF credit and other loans. In the second half, however, net assets declined due to increased imports and repayments to reach K£20 million in December, 1984. There was therefore an improvement of K£31 million over the previous year since the net foreign assets were positive the year round compared with 1983 when they were mainly negative. The fall in net foreign assets after June, 1984 helped reduce the impact of the large increase of domestic credit on money supply.

MONETARY INDICATORS, 1981-1984

Table 5.1

Date	Net Foreign Assets K£mn	DOMESTIC CREDIT K£Mn			Money** Supply K£mn	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
		Private*	Govern. ment	Total			
1981 December	15.02	674.97	293.91	968.88	918.22	21	84.1
1982 December	.100.95	768.24	484.13	1,252.37	1,066 21	25	79.6
1981 December	.11.33	861.88	391.47	1,253.35	1,118.24	21	83.5
1984 December	20.18	952.85	436.00	1,388.85	1,262.10	25	82.1
1984 March	6.38	865.46	313.17	1,178.63	1,082.44	24	79.9
June	27.34	891.75	341.91	1,233.66	1,110.82	20	85.1
September	2.58	918.34	451.70	1,370.04	1,205.08	24	81.3
December	20.18	952.85	436.00	1,388 85	1,262.10	25	82.1

Source: Central Bank of Kenya.

*Includes parastatal bodies.

***See* Table 5.2 for Coverage.

5.3. Total credit to the domestic economy rose substantially in the last half of 1984. By the end of 1984 total domestic credit was K£1,389 million compared with K£1,253 million for the corresponding period in the previous year, an increase of 10.9 per cent, implying growth in real terms since the

inflation rate measured only 9.1 per cent. Having remained at below 25 per cent for the period up to 1980, the share of Central Government borrowing from the banking system expanded to reach 30 per cent in 1981; 39 per cent in 1982; and 30 per cent in 1983. Despite cutbacks in public expenditure both in 1983 and 1984, by September, 1984 the percentage stood at 41; and at 39 by December, 1984.

5.4. The improvement in the net foreign assets and the expansion in domestic borrowing meant an overall increase in money supply which rose from K£1,118 million in December, 1983 to K£1,262 million at the end of 1984, representing a 13 per cent increase. Expansion occurred mainly in the second half of the year. The money supply breakdown is shown in Table 5.2. Money proper and quasi-money increased by 9 and 17 per cent respectively over the whole year.

MONEY AND QUASI-MONEY SUPPLY, 1981-1984

Table 5.2 *K£million*

As at end of	Money*	Quasi. Money**	Total
1981	555.28	362.94	918.22
1982	667.61	398.60	1,066.21
1983	696.52	421.72	1,118.24
1984	765.14	496.96	1,262.10
1984 January	702.01	423.21	1,125.22
February	705.92	417.83	1,123.75
March	669.95	412.49	1,082.44
April	687.58	427.25	1,114.83
May ..	685.90	431.87	1,117.77
June ..	670.85	439.97	1,110.82
July ..	693.01	453.04	1,146.05
August	725.68	458.26	1,183.94
September	741.87	463.21	1,205.08
October	715.62	471.42	1,187.04
November	756.50	491.92	1,248.42
December	765.14	496.96	1,262.10

*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. More detailed information on money (notes, coins and demand posits); quasi-money (time and savings deposits); and on assets is shown able 5.3, giving the consolidated balance sheet of the banking system, and deposits have been increasing steadily in nominal value year after five year. However, the 16.5 per cent growth in 1984 was the fastest in the last but the end-of-year. Currency in circulation displayed seasonal variations in 1984 the end-of-year figure showed an increase of 10 per cent over the previous year. In the 12 months ending December, 1984 deposits (savings and

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1980 - 1984

Table 5.3 *K£million*

	As at the end of							
	1980	1981	1982	1983	1984			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES.								
1. Money:								
1.1 Demand Deposits	290.69	318.72	339.89	382.01	390.45	394.50	436.68	445.04
Other	67.11	79.01	141.38	130.27	126.55	103.07	107.38	114.88
1.2 Currency in Circulation:.								
Notes	167.23	194.04	202.06	227.19	218.49	206.01	206.92	249.91
Coins	4.97	5.47	5.92	6.27	6.26	6.32	6.33	6.58
Sub-Total	530.00	597.24	689.25	745.74	741.75	709.90	757.31	816.41
2. Quasi-Money:								
2.1 Savings Deposits	147.38	175.04	196.63	230.79	239.22	248.30	253.58	279.68
2.2 Time Deposits	168.04	187.90	201.98	190.94	173.28	191.67	209.63	217.28
3. Other Items (Net)	47.73	23.72	63.55	74.55	30.75	111.13	152.10	95.66
Sub-Total	363.15	386.66	462.16	496.28	443.25	551.10	615.31	592.62
TOTAL	893.15	983.90	1,151.41	1,242.02	1,185.00	1,261.00	1,372.62	1,409 03
ASSETS—								
4. Net Foreign Assets	113.23	15.02	.100.95	.11.33	6.38	27.34	2.58	20.18
5. Domestic Credit:								
5.1 Central Government (Net)	165.97	293.91	484.12	391.47	313.17	341.91	451.70	436.00
5.2 Private Sector	587.93	651.26	717.83	768.98	761.15	771.82	808.76	847.18
5.3 Other Public Bodies	26.02	23.71	50.41	92.90	104.30	119.93	109.58	105.67
TOTAL	893.15	983.90	1,151.41	1,242.02	1,185.00	1,261.00	1,372.62	1,409.03

Source: Central Bank of Kenya.

time) recorded rises of 21 per cent and 14 per cent respectively. Net foreign assets recorded considerable improvement over the previous two years as they remained positive throughout the year. Central Government borrowing increased by 11.4 per cent; that of private sector by 10.2; and other public bodies by 13.7 per cent.

5.6. The "Sources of Changes" part of Table 5.4 shows that net foreign assets as a component of the structure underlying money supply is highly volatile. Between 1980 and 1982, foreign reserves fell consecutively, reflect. ing an adverse balance of payments position then. However, in 1983 and 1984 the net foreign assets increased by K£90 million and K£32 million respectively resulting from surpluses in the balance of payments. There was an increase of K£45 million in Central Government borrowing in 1984 compared with a drop of K£93 million in the previous year. Overall there was an expansion in domestic credit to all sectors with the private sector receiving most of it

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1980-1984

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

	1980	1981	1982	1983	1984
MONEY SUPPLY.					
1. Currency plus demand deposits	+11.33	+67.24	+ 92.00	+56.49	+ 70.67
2. Quasi-money and other items	+ 10.66	+23.50	+75.50	+34.12	+96.33
3. Total money supply* ..	+21.99	.90.75	+167.50	+90.61	+167.00
SOURCES OF CHANGES—					
4. Net foreign assets	-66.17	-98.21	-115.97	+89.62	+31.51
5. Domestic credit.					
(a) to Central Government (net)	+ 9.84	+127.94	+190.21	-92.65	+44.52
(b) to the public sector	-20.90	-2.31	+26.70	+42.50	+12.77
(c) to private sector	-99.22	+63.33	+66.57	+51.15	+78.20
(d) all domestic credit ..	+88.16	+188.96	+283.48	+0.99	+135.49
6. Total sources of changes	+21 99	+90.75	+ 167.50	+90.61	+167.00

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 continued to recover remarkably despite large expenditures for drought related food imports. They rose from K£254 million in 1983 to K£312 million in 1984 as shown in Table 5.8 a growth of 23 per cent. The rise in foreign exchange reserves is mainly attributed to higher export earnings, largely from tea and coffee and also to receipts of the IMF credit and some other external loans. The increase in liabilities was due to increase in the use of IMF credit.

5.8. The index of Nairobi Consumer Prices is used to examine the growth of the monetary and financial system in real terms; the adjustment attempts to remove the influence of rising prices. As can be seen from Table 5.5, the real value of all variables increased during 1984. The most dynamic part of the financial system is shown to be the non-bank institutions whose total liabilities have been rising steadily over the years. Between 1980 and 1984 there was an increase of 58 per cent. During the same period, an interesting trend emerges. While the total liabilities of the banking system declined by an average of 2 per cent per year, those of the non-bank financial institutions grew by an average of 9.5 per cent. The deflated data show that non bank financial institutions are increasingly becoming important as compared with commercial banks. The total liabilities of these non-bank institutions were 61.5 per cent of the total banking system in 1984, compared with their share of 35.8 per cent in 1980.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1980-1984

Table 5.5 *K£million in constant* (1976) *prices*

	1980	1981	1982	1983	1984**
1. Money	319.13	318.60	312.70	284.88	286.89
2. Quasi-money	203.37	207.87	186.70	172.48	186.34
3. Total liabilities of banking system	575.85	563.52	539.30	507.98	528.32
4. Commercial bank credit to private sector	359.41	341.80	313.20	291.53	298.54
5. Total commercial bank credit	424.20	421.40	396.17	369.93	395.16
6. Total liabilities of non-bank financial institutions	205.96	223.40	240.19	256.37	324.83
Memorandum Item					
7. Line 6 as per cent of line 3	35.8	39.6	44.5	50.5	61.5

*Deflated by average price increases given in Table 4.11.

** Provisional.

Interest Rates

5.9. In pursuit of the Government monetary policy to stimulate the private sector through bank credit, interest rates were reduced in the 1984/85 fiscal year. The maximum lending rate of the Central Bank was lowered from 12.5 per cent per annum to 11.0 per cent while the maximum interest rate on savings placed with banks was similarly reduced from 12.5 per cent to 11.0 per cent. The maximum lending rate chargeable by non-bank financial institutions was scaled down from 20 per cent to 19 per cent; and the

maximum lending rate chargeable by commercial banks was lowered from 15 to 14 per cent. Commercial banks were given a margin of 3 percentage points above the Central Bank's minimum lending rates. The revised rates are set out in Table 5.6.

PRINCIPAL INTEREST RATES, 1982-1984

Table 5.6 *Percentages*

	31ST DECEMBER		
	1982	1983	1984
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	13.35	15.00	12.50
Advances against Treasury Bills	14.50	14.50	12.00
Bills and Notes under Crop Finance Scheme:			
Discounts	13.75	13.75	11.25
Advances	14.00	14.00	11.50
Other Bills and Notes:—			
Discounts	14.50	14.50	12.00
Advances	15.00	15.00	12.50
KENYA COMMERCIAL BANKS			
Time Deposits:—			
12 months (KSh. 250,000 1,000.000)	12.50	12.50	11.75-12.00
Savings Deposits	12.50	12.50	11.00
Loans and Advances (Maximum)* ..	16.00	15.00	14.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits .	10.00	11.00	11.00
Agricultural Finance Corporation, Loans			
(a) Land Purchase	12.00	12.00	12.00
(b) Seasonal Crop Loan	14.00	14.00	14.00
(c) Other	13.00	13.00	13.00
Hire-Purchase Companies and Merchant Banks:—			
Deposits (time)	13.25-16.25	14.00-16.50	13 .00-14.50
Loans	Up to 16.00	20.00	19.00
Building Societies:—			
Deposits	15.25	15.00-15.50	13.00-14.25
Loans	16.00	16.00	16.00

Source: Central Bank of Kenya.

* Loans and advances for less than 3 years.

5.10. When allowance is made for inflation, then real interest rates are now positive for both savers and borrowers. The pattern of real interest rates is shown in Table 5.7. Overall, it appears that the objectives of the interest rate revisions are being met.

TRENDS IN SELECTED REAL INTEREST RATES. 1980.1984

Table 5.7 *Percentages*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposit	1980	6.0	12.8	-6.8
	1981	10.0	12.6	-2.6
	1982	12.5	22.3	-9.8
	1983	12.5	14.5	-2.0
	1984	11.0	9.1	+1.9
2. Commercial bank loans and advances (max)	1980	11.0	12.8	-1.8
	1981	14.0	12.6	+1.4
	1982	16.0	22.3	-6.3
	1983	15.0	14.5	+0.5
	1984	14.0	9.1	+4.9
3. POSB deposits	1980	6.0	12.8	-6.8
	1981	10.0	12.6	-2.6
	1982	10.0	22.3	-12.3
	1983	11.0	14.5	-3.5
	1984	11.0	9.1	+1.9
4. Building society loans (max)	1980	14.0	12.8	+1.2
	1981	14.0	12.6	+1.4
	1982	16.0	22.3	-6.3
	1983	160	14.5	+1.5
	1984	16.0	9.1	+6.9

*Taken from Table 4.11.

**Nominal interest rate minus inflation rate.

Central Bank of Kenya-Assets and Liabilities

5.11. Assets and liabilities of the Central Bank are shown in Table 5.8. The Bank's balance continued to rise, from K£219 million in December. 1983 to K£255 million in December. 1984. Although the rise in 1984 was less spectacular than that in 1983, yet the 1984 balances were then fourfold those of 1982. There were some seasonal fluctuations within 1984. The Bank's investment in foreign treasury bills increased from K£15 million at the end of 1983 to K£28 million at the end of the 4th quarter of 1984. This underlines the Bank's ability to earn extra foreign exchange through interest bearing instruments. Other foreign investments by the Bank increased to K£28 million at the end of 1984 compared with K£20 million a year earlier, an increase of 40 per cent. On the other hand, Special Drawing Rights dropped sharply from K£19 million at the end of 1983 to K£2 million at the end of 1984. As a consequence of these changes, the Central Bank's overall holdings of foreign exchange increased from K£273 million in 1983 to K£313 million in 1984. The rise reflects the improved performance on the current account as well as further drawing from the IMF.

CENTRAL BANK OF KENYA-ASSETS AND LIABILITIES. 1980.1984

Table J.8

K£million

	1980	1981	1982	1983	1984			
					1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
ASSETS								
1. Foreign Exchange—								
1.1. Balances with External Banks ..	136.58	70.76	57.03	218.58	252.19	270.45	250.30	254.88
1.2 Treasury Bills	13.44	17.85	54.20	14.96	5.91	19.75	23.97	28.29
1.3 Other Investments	26.34	30.56	24.03	20.38	32.66	32.69	29.67	28.61
1.4 Special Drawing Rights	9.73	5.62	9.60	19.25	0.30	15.53	4.37	1.69
TOTAL	186.09	124.79	144.86	273.17	291.06	338.42	308.31	313.47
2. Securities Guranteed by Kenya Government	52.94	48.77	25.71	261.22	261.22	265.83	261.33	262.33
Advances and Discounts								
3. Advances to Kenya Government	57.09	10.00	375.78	61.73	31.20	13.18	67.93	65.81
4. Other Assets including Kenya Treasury Bills	40.43	218.11	24.52	36.11	71.41	74.35	30.83	35.46
TOTAL ASSETS	336.56	401 .67	570.87	632.23	654.89	691.78	668.40	677.07
LIABILITIES								
1. Capital and General Resources Fund	7.19	8.52	10.54	15.25	15.25	19.91	19.88	19.88
2. Currency in Circulation—								
2.1 Notes	167.23	194.04	202.06	227.19	218.49	206.01	206.92	249.91
2.2 Coins	4.97	5.47	5.92	6.26	6.26	6.32	6.33	6.58
TOTAL CURRENCY	172.20	199.51	207.98	233.45	224.75	212.33	213.25	256.49
3. Deposits.								
3.1 Kenya Government	-	5.15	-	-	-	-	-	-
3.2 Kenya Banks	40.02	28.03	69.80	38.41	58.28	41.76	40.73	40.87
3.3 External Banks	80.12	112.39	227.05	299.06	288.50	313.91	305.19	300.14
3.4 Other	15.11	9.04	12.11	11.08	19.86	37.05	39.44	17.84
TOTAL	135.25	154.61	308.96	348.55	366.64	392.72	385.36	358.85
4. Revaluation Account	11.07	24.53	12.47	7.30	7.30	11.91	12.35	12.35
5. Other Liabilities	10.85	14.50	30.92	27.68	40.95	54.91	37.56	29.50
TOTAL LIABILITIES ..	336.55	401.67	570.87	632.23	654.89	691.78	668.40	677.07

Source: Central Bank of Kenya.

5.12. From the same Table it can be observed that direct advances to the Government rose from K£62 million in 1983 to K£66 million in 1984 whereas holdings of Kenya treasury bills dropped from K£36 million in 1983 to K£35 million in 1984. On the other side of the balance sheet (Liabilities side) deposits by foreign banks, though showing a strong upward trend in the previous years, did not increase appreciably such that the level of K£300 million in 1984 only differed marginally from that in 1983.

Commercial Bank Credit and Liquidity

5.13. By December, 1984, total bills, loans and advances extended by the Commercial Banks had risen to K£1,054 million from K£904 million at the end of the previous year, or by 16.5 per cent. All sectors recorded increases in borrowing except agriculture, and private households which declined in 1984 as can be seen in Table 5.9. A record amount

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1980-1984

Table 5.9 *K£million*

	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.
PUBLIC SECTOR—					
Central Government	0.23	0.02	0.11		0.02
Local Government	0.35	0.43	0.90	0.80	0.87
Enterprises, Parastatal bodies and other Public entities	16.87	16.65	27.00	56.90	76.30
Treasury Bills ,.	46.66	76.07	114.19	92.74	144.04
TOTAL PUBLIC SECTOR	64.11	93.17	142.20	150.44	221.23
PRIVATE ENTERPRISES—					
Agriculture	102.36	110.59	112.89	138.49	136.47
Mining and Quarrying	10.54	10.39	9.78	6.27	7.08
Manufacturing	128.28	159.33	175.07	177.11	180.34
Building and Construction	36.23	33.91	42.90	42.41	51.81
Transport, Storage and Communication	28.23	34.30	33.01	26.97	27.45
Trade:					
Exports	24.52	29.73	30.85	37.67	49.05
Imports	32.39	28.13	35.38	25.61	39.62
Domestic	62.39	70.46	74.85	80.92	118.12
Financial Institutions ..	16.29	11.83	29.92	53.92	41.65
Other Business	116.23	108.11	124.03	123.43	144.62
TOTAL PRIVATE ENTERPRISES	557.46	596.78	668.68	712.80	796.21
PRIVATE HOUSEHOLDS. (including non-profit making institutions)	36.36	45.80	34.94	41.25	36.45
TOTAL BILLS, LOANS AND ADVANCES	657.93	735.75	845.82	904 49	1,053 89

Source: Central Bank of Kenya.

was invested in Treasury bills in 1984 in contrast to the decline registered in 1983. Treasury bills worth K£144 million and K£93 million were purchased in 1984 and 1983 respectively. These bills are the main form of commercial bank lending to Central Government. Trade, manufacturing and agriculture continued to be the major recipients of commercial bank loans and respectively took 26 per cent, 17 per cent and 13 per cent of the total credit in 1984. Under normal circumstances, the banking system is required to lend 17 per cent of the loans to the agricultural sector as opposed to the 13 per cent given in 1984. The trade sector with 20 per cent, took the largest portion of credit in 1984. overtaking manufacturing which took the lead in 1983. Within the trade sector, domestic trade credit increased by 46 per cent, import credit by 55 per cent and export credit by 30 per cent.

5.14. Overall borrowing demand by the public sector from commercial banks has increased rapidly in recent years, such that this accounted for 21 per cent of total loans and advances in 1984, compared with shares of 10 per cent and 13 per cent in 1980 and 1981 respectively. Between 1980 and 1984. lending to the Public Sector has grown by an average of 28 per cent per year and to the private sector by an average of 7 per cent.

5.15. Subsequent to the rise in the commercial banks' holding of Treasury bills, their liquid assets increased by 36 per cent at the end of 1984 over 1983, rising from K£170 million in 1983 to K£233 million in 1984. Deposit liabilities increased to K£962 million in 1984 from K£840 million a year earlier, an increase of 15 per cent. Table 5.10 details the deposit liabilities and liquid assets of commercial banks. The liquidity ratio at the end of 1984 was 25 per cent which was 5 points above the statutory minimum of 20 per cent. The liquidity ratio for commercial banks showed variation during the year so that at times shortage of credit was indicated. The rise in liquid assets by the year end 1984 reflects a favourable external payments out-turn due to higher export earnings from coffee and tea.

Non-Banking Financial Institutions

5.16. Table 5.11 sets out liabilities and assets of non-banking financial institutions. These institutions have continued to expand as can be seen from their total assets and liabilities which grew from K£627 million in 1983 to K£866 million in 1984, an increase of around 40 per cent. This expansion is much faster than that of commercial banks. Consequently investment, loans and advances by these institutions are becoming very important. It can be seen in Table 5.5 that total liabilities of non-bank financial institutions were 61.5 per cent of total liabilities of the banking system in 1984 as compared with 35.8 per cent in 1980 and 50.5 per cent in 1983 indicating the phenomenal growth of these institutions.

COMMERCIAL BANKS-LIQUID ASSETS, 1981-1984

Table 5.10

	Deposit Liabilities* *K£mn*	Liquid Assets+ *K£mn*	Current Liquidity Ratio** *Per cent*
1981 December	686.13	138.02	21
1982 December	826.02	213.59	25
1983 December	840.23	170.39	21
1984 December	961.74	232.75	25
1984.			
January	850.52	191.07	22
February	842.56	205.58	24
March	869.09	198.64	24
April	866.58	195.94	23
May	866.44	187.13	23
June	868.25	172.68	20
July	892.32	215.16	22
August	928 43	219.96	23
September	959.73	233.48	24
October	943.15	233.23	25
November	979.41	246.93	24
December	961.74	232.75	25

Source: Central Bank of Kenya.

*Includes notes and coins, balances at Central Bank, net inter-bank balances in Kenya and Overseas (included only if positive) and Treasury bills. 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.

ASSeTS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1980-1984

Table 5.11 *K£million*

	As at end of				1984			
	1980	1981	1982	1983	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
Deposits.—								
Central and Local Government	24.97	27.47	32.22	28.95	28.70	30.48	27.22	25.64
Other Public Sector	67.50	85.94	138.82	136.90	151.51	160.67	166.35	161.17
Other Depositors	150.16	171.17	187.78	267.75	294.37	335.50	392.36	420.88
Other Liabilities	76.82	105.47	153.98	193.22	217.72	223.00	222.74	258.64
TOTAL LIABILITIES	319.45	390.05	512.80	626.82	692.30	749.65	808.67	866.33
ASSETS:								
Cash and Banks	42.35	32.12	69.49	64.08	69.78	71.39	83.92	103.24
Other Financial Institutions	8.45	15.99	35.70	34.16	47.91	60.56	84.06	85.71
Associated Companies	37.45	40.41	12.09	4.84	1.99	11.20	19.19	15.61
Investments, Loans. Advances, etc.—								
Public Sector	13.29	22.94	34.93	93.37	118.53	115.85	90.43	97.63
Private Sector	206.80	260.44	335.51	398.92	417.58	450.07	490.52	516.18
Other Assets	11.11	18.15	25.08	31.45	36.51	40.58	40.55	47.96
TOTAL ASSETS	319.45	390.05	512.80	626.82	692.30	749.65	808.67	866.33

Source: Central Bank of Kenya.

5.17. There has been a sizeable shift of deposits from commercial banks to non-bank financial institutions. The ratio of non-bank deposits to deposits of commercial banks stood at 54.9 per cent by end of 1984 compared with similar ratios of 34.7 and 39.0 per cent in 1980 and 1982. The shift reflects in part the competitiveness of non-banks in attracting deposits from the private sector. The non-bank financial institutions have continued to record liquidity ratios well above the statutory minimum requirement of 24 per cent of their deposit liabilities, unlike commercial banks which experienced a tight liquidity position throughout most of the year 1984. Credit by non-bank institutions has also been increasing both to private and public sector. Lending to Central Government is normaly through Treasury bills. Lending to the private sector by the non-bank financial institutions grew by an average of 20 per cent between 1980 and 1984.

Kenya's Banking System: Developments

5.18. The Kenyan financial system continued to expand in 1984. Two new private banks. Biashara Bank and Union Bank were opened during the year, increasing the number of commercial banks to twenty two. Between June. 1983 and the end of 1984. six new non-bank institutions had been licensed bringing the total number of non-bank financial institutions to forty. There are over 360 bank branches for all banks while non-bank financial institutions have nearly 50 branches in the country. In response to the District Development Focus strategy for national development, a number of bank branches will be opened in the rural areas. This should enhance active lending in addition to collecting savings, so as to support local development.

5.19. The rapid expansion in the number of commercial banks and other financial institutions shows the momentum generated by the past relatively high returns on investment in the sector. The rapid expansion of non-bank financial institutions is attributed to the fact that their operations are governed by less stringent controls than commercial banks.

CHAPTER 6-PUBLIC FINANCE

Although 1984/85 figures are still provisional, indications are that the year was a satisfactory one for Government finances. For the second year running current revenue grew faster than current expenditure, and rose by 13 per cent in comparison with a growth of 12 per cent for current ex. penditure. This led to a stagnation in current deficit at K£79 million in both 1983/84 and 1984/85. Development expenditure, on the other hand, rose by nearly 80 per cent due to the various development projects undertaken during this period. Due to the large increases in development and investment expenditures. total deficit increased substantially from K£326 million in 1983/84 to K£415 million in 1984/85. The total deficit discussed here differs from that shown in the budget out-turn by the amount of loan redemption and interest payments. The deficit was financed by using external loans and grants and domestic borrowing. External loans increased by 28 per cent while long-term domestic borrowing more than doubled in 1984/85. Despite this, 1984/85 estimates indicate that control imposed on Government finances were effective as the figures were kept relatively low considering the many development projects initiated and the severe drought conditions encountered during the year.

Overall Results

6.2. For the last five years, the Government has been making determined efforts to bring down current deficit by restraining current expenditure to keep pace with the growth of the current revenue. Despite these efforts, current expenditure for the five-year period grew faster than current revenue and this resulted in a growth in the current deficit. Details of the out-turn of revenue and expenditure for the last five years are shown in Table 6.1. Current expenditure rose by 62 per cent while current revenue had a rise of 47 per cent during the period. On the other hand, development expenditure increased by 98 per cent. Since expenditure grew faster than revenue, the total deficit went up by 65 per cent. This made it necessary to turn to various forms of borrowing to finance the deficit. The budgetary deficits were financed from external loans which increased by 64 per cent from K£127 million in 1980/81 to K£208 million in 1984/85. In contrast, long-term domestic borrowings, which had peaked at K£272 million in 1982/83 dramatically dropped to K£21 million in 1983/84. but rose again to K£53 million in the following year. The sharp decrease in the Government's domestic borrowings is in line with its policy of making more domestic savings available for the private sector's investment.

6.3. There has been a growth of development expenditure relative to current expenditure despite fluctuations in investment expenditure in the last three years. The ratio of external grants and loans to development plus investment expenditures grew to 72 per cent in 1984/85 after declining to 67 Per cent in 1983/84 from 85 per cent in 1982/83. The slightly declining

CENTRAL GOVERNMENT

OUT-TURN** OF REVENUE AND EXPENDITURE, 1980/81.1984/85

Table 6.1 *K£million*

	1980/81	1981/82	1982/83	1983/84*	1984/85*	Per cent Increase 1980/81 1984/85
Current Revenue	701.5	763.1	825.5	911.4	1,031.9	47
Current Expenditure***	685.1	825.8	967.5	989.9	1,110.5	62
Current Surplus	-16.4	-62.7	-142.0	-78.5	-78.6	—
Development Expenditure*** ..	205.2	218.5	186.0	226.6	406.8	98
External Grants	19.6	19.8	23.2	10.6	114.4	484
DEFICIT	-169.2	-261.4	-304.8	-294.5	-371.0	119
INVESTMENT EXPENDITURE. PURCHASE OF EQUITY ETC.						
Financial Enterprises	1.0	0.5	0.5	—	4.9	
Non-Financial Enterprises	4.2	6.8	5.5	0.5		
LOANS TO.						
Financial Enterprises	14.0	19.8	10.2	2.0		
Non-Financial Enterprises	47.0	30.8	11.3	10.1		
General Government	11.0	14.6	5.1	6.5	38.8	
Other	4.6	5.5	4.5	12.0		
Increase in Investment Claims	81.8	78.0	37.1	31.1	43.7	-47
TOTAL DEFICIT	-250.9	-339.4	-341.9	-325.6	-414.7	-6.5
FINANCING OF THE DEFICIT.						
External Loans	126.8	159.6	165.4	163.0	208.3	64
Long-Term Domestic Borrowing	66.4	44.0	272.2	21.4	53.0	-20
SHORT-TERM BORROWING.						
Cereals and Sugar Finance Corporation	-17.9	-47.8	6.6	+37.2		—
Tax Reserve Certificates	.-0.6		1.2	.-0.8	1.7	
Treasury Bills	+16.1	+171.7	-36.4	+109.2	137.9	—
IMF Trust Fund	3.4					
Advance from Central Bank	—	—	—	—	—	—
NET SHORT-TERM BORROWING	+1.1	+123.9	-28.6	+145.6	139.6	
CHANGES IN CASH BALANCES: INCREASE= +	-56.7	-11.9	+67.1	+4.4	-13.8	
MEMORANDUM ITEMS—						
(i) Loans to University Students on Recurrent Account included with other loans	4.1	4.5	0.1	4.8	6.4	
(ii) Development Project Earnings on Development Account included with Current Revenue	0.8	1.2	1.1	1.5	11.1	
(iii) External loans included in Recurrent Account	—	40.0	50.0	49.1	18.7	

*Provisional.

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

***Includes loan repayments plus interest.

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.

trend of total Government expenditure relative to G.D.P. at current market prices indicates that the latter has been growing slightly faster than the former, reflecting the strict financial discipline exercised by the Government in the recent past. Current revenue has also almost kept pace with the growth in the GDP at current market prices. More details on the analysis of the key fiscal trends for the last five years are shown in Table 6.2.

ANALYSIS OF KEY FISCAL TRENDS. 1980/81.1984/85

Table 6.2

	1980/81	1981/82	1982/83	1983/84	1984/85*
1. Current surplus as % of current revenue	2.3	-8.2	-17.2	-8.6	-7.6
2. Current surplus as % of development plus investment expenditure	5.7	-21.1	-63.6	-30.5	-17.4
3. Ratio of development expenditure to current expenditure	30.0	26.4	19.2	22.9	36.6
4. Total deficit as % of current revenue"	-35.7	-44.5	-41.4	-35.7	-40.2
5. Total deficit as % of total expenditures"	-25.8	-30.2	-28.7	-26.1	-26.6
6. External grants and loans as % of development plus investment expenditures	51.0	60.5	84.5	67.4	71.6
7. Net short-term borrowing as % of develop. ment plus investment expenditure***	20.1	45.8	-42.9	54.8	31.0
8. Current revenue as % of G.D.P. at current market prices+	31.3	29.1	28.1	26.0	24.0
9. Total Government expenditure as % of G.D.P. at current market prices+	43.4	43.3	40.6	32.2	36.4

*Provisional.
**External grants are excluded from revenue in these calculations.
**Net short-term borrowing less increases in cash balances,
+ Fiscal year data have been related to the G.D.P. of the year during which the fiscal year commenced, e.*g.* 1984/85 has been related to 1984 G.D.P.

6.4. Comparison of the original budget estimates with the actual out-turn for 1981/82 to 1984/85 is detailed in Table 6.3. Large discrepancies which were in the current expenditure in 1981/82 were drastically reduced in 1982/83, 1983/84 and 1984/85. Forecasting of the current revenue has been reasonably accurate except for 1982/83 when it was off target by K£78 million.

6.5. In 1982/83 and 1983/84 external finances were below the anticipated and, as a result, capital expenditure fell considerably. Partly due to higher current deficit balances and partly due to higher capital expenditures, the financing requirement from domestic resources has consistently remained above the budgeted estimates.

6.6. Table 6.4 shows that receipts on the recurrent account went up by 7 per cent in 1984/85 in comparison with 31 per cent increase in the previous year. The shift by the Government from direct taxes to indirect taxes continued into 1984/85. Direct taxes contributed 27 per cent in 1982/83, 23 per cent in both 1983/84 and 1984/85, of the total receipts in the recurrent account. On the other hand, indirect taxes contributed on the average about 52 per cent of the total receipts over the same period.

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1981/82-1984/85

Table 6.3

K£million

	1981/82			1982/83		
	Budget	Actual	Difference	Budget	Actual	Difference
Current revenue	763.8	763.1	-0.7	903.7	825.5	-78.2
Current expenditure	694.7	825.8	+131.1	946.4	967.5	+21.1
Current balance	69.1	-62.7	-131.8	-42.7	-142.0	-99.3
Capital expenditure	286.5	296.5	+10.0	361.8	223.1	-138.7
External financing	165.5	179.4	+ 13.9	303 9	188.6	-115.3
Balance for domestic financing	51.9	179.8	+127.9	100.7	176.5	+75.8

	1983/84			1984/85		
	Budget	Actual	Difference	Budget	Actual*	Difference
Current revenue	903.4	911.4	+8.0	1,032.2	1,031.9	-0.3
Current expenditure	987.4	989.9	+2.5	1,106.2	1,110.5	+4.5
Current balance	-84.1	-78.5	+5.6	-74.0	-78.6	-4.6
Capital expenditure	270.4	257.7	-12.7	357.0	450.5	+93.5
External financing	240.3	173.6	-66.7	335.2	322.7	-12.5
Balance for domestic financing	114.2	162.6	+48.4	95.8	192.6	+96.8

*Preliminary forecast only.

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GROSS RECEIPTS ON RECURRENT ACCOUNT**, 1980/1981.1984/1985

Table 6.4 *K£million*

	1980/81	1981/82	1982/83	1983/84*	1984/85*
DIRECT TAXATION—					
Income Tax	197.58	199.67	231.23	251.15	270.00
Other	0.68	1.45	0.55	0.60	—
TOTAL	198.26	201.12	231.78	251.75	270.00
INDIRECT TAXATION.					
Sales Tax	179.39	194.80	195.87	253.72	302.25
Import Duties	145.97	183.71	165.29	171.22	174.85
	60.24	63.96	73.95	79.43	85.00
	3.3	5.29	6.83	10.05	14.00
Licences and Fees Under Traffic Act	6.50	5.92	7.59	8.78	12.00
Other	15.10	21.35	21.96	23.16	29.61
TOTAL	410.33	475.03	471.49	546.36	617.71
Compulsory Fees, Fines and Penalities	11.33	5.64	11.82	11.13	14.52
Income From Property	38.68	33.97	53.69	53.69	52.47
Current Transfers	1.21	1.59	2.61	1.74	2.39
Charges for Goods and Services	32.79	34.63	35.86	34.61	40.17
Internal Borrowing	.2.32	123.88	.28.53	145.56	139.62
Loan Repayments	3.36	3.99	6.20	5.41	6.00
Other***	4.76	45.92	60.95	54.19	36.24
GRAND TOTAL ..	698.40	925.77	845.87	1,104.44	617.71

*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, K£49 million for 1983/84 and K£19 million for 1984/85 as credit purchase receipts for ministry of defence.

6.7. Sales tax continued to be the largest single source of revenue in 1984/85 and contributed 26 per cent of the gross receipts. There has been a steady increase in receipts from sales tax in the last five years. In 1984/85 receipts from sales tax increased by 19 per cent from K£254 million in 1983/84 to K£302 million in 1984/85; while income tax, the other important source of revenue, increased by 8 per cent over the same period.

6.8. Receipts from import duties on food, drinks and tobacco increased six-fold from K£4 million in 1983 to K£23 million in 1984. There was a decline in duty collection from basic materials as an incentive to local manufacturers. Despite this, duty collected from chemicals, metals, transport equipment and machinery continued to increase as they still have some high import content. Details of import duty collections which went up by 33

per cent are set in Table 6.5. Despite the drought, foreign exchange was made easily available to import intermediate inputs thereby stopping the rest of the economy from suffering the full impact. The result can be seen in the increased duty collections.

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IMPORT DUTY COLLECTIONS, 1980-1984

Table 6.5 *KÃmillion*

END USE CATEGORY	1985	1980	1981	1982	1983	1984*
Food, drink and tobacco	7.9	6.4	4.3	4.4	3.5	22.4
Basic materials	8.9	5.0	11.5	10.5	13.0	8.9
Fuels	18.3	23.6	24.9	22.1	21.5	22.5
Chemicals	27.1	15.4	19.6	22.9	25.3	28.8
Textiles	4.0	6.8	5.5	4.8	3.4	4.4
Semi-manufactures	12.4	8.9	9.4	10.0	8.1	10.0
Metals	23.8	17.1	18.3	20.8	17.0	21.3
Transport Equipment	22.5	22.4	18.2	19.6	18.3	21.7
Machinery	34.7	26.1	30.3	36.7	34.6	40.8
Miscellaneous commodities	7.8	0.1	7.4	6.8	6.4	8.7
TOTAL	167.4	141.8	149.4	158.6	151.1	188.1

*Provisional.

6.9. Excise revenue by commodities is detailed in Table 6.6. The revenue from cigarettes increased by 3 per cent in 1984 in comparison with an increase of 22 per cent in 1983 and 14 per cent in 1982. During the period 1980.84, revenue from cigarettes contributed about half of the total excise revenue. Revenue from beer and spirits wents up by 9 per cent in 1984 after decreasing in the previous two years. Sugar is also becoming a major source of revenue, having contributed 23 per cent in 1982, 28 per cent in 1983 and 22 per cent in 1984 of the total excise revenue.

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EXCISE REVENUE bY COMMODITIES, 1980-1984

***Table* 6.6** K£'000

	1980	1981	1982	1983	1984*
Beer and spirits	17,649	19,030	18,480	16,334	17,572
Sugar	17,326	15,817	15,700	22,576	17,573
Cigarettes	25,251	29,789	34,091	41,609	43,002
Other commodities**.	31	36	109	39	350
TOTAL	60,257	64,672	68,380	80,558	78,297

*Provisional.

*Includestransfer adjustments not allocated by commodity.

6.10. In the last five years, development plus investment expenditure grew by 57 per cent from K£278 million in 1980/81 to K£451 million in 1984/85. The growth in 1984/85 alone was 75 per cent due to the many notable development projects: establishment of Moi University; implementation of the 8.4.4 education system and district focus for rural development; and the current petroleum exploration in Northern Kenya. Financing of the development and investment account is detailed in Table 6.7. External loans and grants continued to be the major source of finance with long-term domestic borrowing and Treasury bills financing a substantial portion of the balance. Provisional figures for 1984/85 indicate that external loans and grants financed 72 per cent of the development and investment account.

CENTRAL GOVERNMENT

FINANCING OF DEVELOPMENT AND INVESTMENT ACCOUNT, 1980/81.1984/85

Table 6.7 *K£million*

	1980/81	1981/82	1982/83	1983/84*	1984/85*
EXPENDITURE—					
DEVELOPMENT Expenditure	205.2	218.5	186.0	226.6	406.8
Investment Expenditure	81.8	78.0	37.1	31.1	43.7
TOTAL	287.0	296.5	223.1	257.7	450.5
FINANCING—					
Surplus on Current Account	16.4	-62.7	-142.0	-78.5	-78.6
External Loans	126.8	159.6	165.4	163.0	208.3
External Grants	19.6	19.8	23.2	10.6	114.4
Long-Term Domestic Borrowing	66.4	44.0	272.2	21.4	53.0
Treasury Bills	16.1	171.7	-36.4	109.2	137.9
Other Short-Term Borrowing	-15.0	47.8	7.8	36.4	1.7
Cash Balances	56.7	11.9	-67.1	-4.4	13.8
TOTAL	287.0	296.5	223.1	257.7	450.5

*Provisional.

Analysis of Government Expenditure

6.11. Over the last four years, Government expenditure rose by 39 per cent from K£1,122 million in 1981/82 to K£1,561 million in 1984/85. There was a steep rise in Government expenditure in 1984/85 mainly due to drought and the various development projects undertaken during this period. Despite this, the control imposed on Government expenditure was effective in that spending did not accelerate inflation nor was the private sector crowded out of the funds market.

6.12. Table 6.8 details statistics of expenditure by the Government on the main services. There was substantial growth in the expenditure on general administration, education, welfare and economic services. Following the

CENTRAL GOVERNMENT

EXPENDITURE ON MAIN SERVICES, 1981/82.1984/85

	1981/82			1982/83			1987/84*			1984/85*		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recur. rent Account	Development Account	Total
GENERAL PUBLIC ADMINISTRATION—												
General Administration	66.09	30.62	96.71	64.77	21.77	86.54	69.42	25.78	95.20	86.63	26.45	113.08
External Affairs	10.26	0.47	10.73	12.20	0.01	12.21	13.83	0.34	14.17	15.66	1.66	17.32
Public Order and Safety	53.96	7.86	61.82	34.40	6.63	41.03	55.93	6.72	62.65	60.10	8.80	68.90
TOTAL	130.31	38.95	169.26	111.37	28.41	139.78	139.18	32.84	172.02	162.39	36.91	199.30
Defence	122.37	8.77	131.14	130.55	7.20	137.75	129.51	10.54	140.05	102.92	12.00	114.92
Education	180.60	17.07	197.67	192.14	14.29	206.43	210.34	9.60	219.94	238.32	29.69	268.01
Health	59.83	11.30	71.13	61.99	7.71	69.70	61.14	11.84	72.98	70.73	16.01	86.74
Housing and Community Welfare	2.77	11.76	14.53	2.96	7.49	10.45	3.10	2.98	6.08	3.34	6.92	10.26
Social Welfare	15.12	10.05	25.17	17.29	15.47	32.76	19.81	15.37	35.18	24.01	22.73	46.74
ECONOMIC SERVICES—												
General Administration	11.67	10.78	22.45	10.65	9.22	19.87	11.64	20.29	31.93	12.46	91.84	104.30
Agriculture, Forestry and Fishing	45.30	58.48	103.78	58.61	47.10	105.71	54.08	39.39	93.47	91.35	62.09	153.44
Mining, Manufacturing and Construction	13.99	15.50	29.49	15.02	9.60	24.62	17.11	19.01	36.12	23.63	20.23	43.86
Electricity, Gas, Steam and Water	13.69	31.06	44.75	13.10	17.05	30.15	16.36	28.10	44.46	16.09	29.74	45.83
Road	19.80	57.85	77.65	16.11	49.93	66.04	19.61	46.99	66.00	11.39	55.97	67.36
Transport and Communications	7.37	5.20	12.57	7.88	4.00	11.88	7.33	11.96	19.29	81.4	8.09	16.23
Other Economic Services	15.09	3.70	18.79	13.44	1.44	14.88	13.04	4.04	17.08	16.68	6.04	22.72
TOTAL ECONOMIC SERVICES	126.91	182.57	309.48	134.81	138.34	273.15	139.17	169.78	308.95	179.74	274.00	453.74
OTHER SERVICES; INCLUDING PUBLIC DEBT	192.34	11.60	203.94	316.55	4.11	320.66	292.40	—	292.40	381.30	–	381.30
TOTAL	830.25	292.07	1,122.32	967.66	223.02	1,190.68	994.65	252.95	1,247.60	1,162.75	398.25	1,561.00

*Provisional.

formal collapse of the East African Community, the Government paid K£22 million to the Government of Uganda in compensation for the assets it lost to Kenya. The Government also incurred extra expenditure on provision of education services, particularly in the implementation of the new 8.4.4 education system. Construction of district stadia, the national sports complex, enhancement of electric power generation and its distribution, exploration of petroleum products, distribution of food imports and enhancement of food storage facilities, were other projects and services which the Government undertook. All these services and projects inevitably resulted in an increase on Government expenditure.

6.13. Economic analysis of expenditure in Table 6.9 reveals that increases occurred both in current and capital expenditure in 1984/85. On the side of current expenditure, there were moderate increases on labour, and interest payments, but a decline in transfers. Capital expenditure, on the other hand, surged upwards to rest at K£514 million. Loan repayments, which had dropped in 1983/84, were above the 1982/83 level, and gross fixed capital formation more than doubled. This is a welcome economic development.

Public debt

6.14. Over the last five years, total outstanding debt more than doubled from K£858 million in 1980 to K£2,210 million in 1984. The sharp increase is largely attributed to the external debt which more than trebled during the 1980.84 period. The total debt rose by 20 per cent in 1984 in comparison with a rise of 40 per cent in 1983. Again, it is the external debt which rose faster as detailed in Table 6.10.

6.15. Sources of unfunded debt are indicated in Table 6.11. The total unfunded debt rose three-fold between 1980 and 1984, with a rise of 31 per cent in 1984. The main lending countries continue to be U.S.A., West Germany, Japan and Netherlands. The I.B.R.D. and the I.D.A. are the major lending international organizations although the E.E.C., and I.M.F. and the African Development Bank also play an important role.

6.16. Table 6.12 details the holders of funded debt during 1981 to 1984. Major holders of funded debt were the National Social Security Fund with 41 per cent; the Central Bank with 39 per cent; the Central Government with 7 per cent; and the former East African Community corporations with 4 per cent. Other notable institutions are the Post Office Savings Bank, insurance companies and other companies. In order to control credit creation and therefore reduce inflation, the Government decreased its domestic borrowings from the commercial banks from K£31 million in 1981 to K£12 million in 1984.

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1981/82.1984/85

Table 6.9

K£million

	1981/82	1982/83	1983/84*	1984/85*
CURRENT EXPENDITURE .				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—				
Labour Costs	224.43	230.05	263.39	296.49
Other Goods and Services	311.49	281.10	328.24	364.42
TOTAL	535.92	511.15	591.63	660.91
SUBSIDIES	1.56	0.04	1.74	1.97
INTEREST	118.54	145.93	173.59	189.55
TRANSFERS TO.				
Households and Unincorporated Enterprises including Private Non-profit Institutions	16.96	22.96	19.75	
Financial and Non-Financial Enterprises	8.36	8.41	11.10	194.90
General Government	150.67	167.09	165.06	
Rest of the World	2.34	5.07	5.27	
Funds	0.47	0.73	1.46	
TOTAL TRANSFERS	178.80	204.26	202.64	194.90
OTHERS	0 .03	0.02	0.01	-
TOTAL CURRENT EXPENDITURE	834.85	861.40	969.61	1,047.33
CAPITAL EXPENDITURE—				
Gross Fixed Capital Formation	123.54	134.90	126.82	284.66
Purchase of Equity in Enterprises	7.35	5.99	0.51	4.88
Loans	70.69	31.15	30.65	38.77
Transfers	18.42	7.05	10.61	29.51
Loan Repayments	66.26	150.19	105.71	155.85
Transfer to Funds	1.20	—	3.70	—
TOTAL CAPITAL EXPENDITURE	287.46	329.28	278.00	513.67
TOTAL EXPENDITURE	1,122.31	1,190.68	1,247.60	1,561.00

*Provisional.

CENTRAL GOVERNMENT

PUBLIC DEBT. 1980-1984

K£million

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	Ex-ternal	In-ternal	Total	Ex-ternal	In. ternal	Total	Ex-ternal	In-ternal	Total
1980	3.1	347.1	350.2	497.3	10.1	507.4	500.4	357.2	857.6
1981	-	403.3	403.3	644.3	10.0	654.3	644.3	413.3	1,057.6
1982	-	444.3	444.3	859.3	10.0	869.3	859.3	454.3	1,313.6
1983	-	660.9	660.9	1,167.7	10.0	1,177.7	1,167.7	670.9	1,838.6
1984	-	668.5	668.5	1,531.9	10.0	1,541.9	1,531.9	678.5	2,210.4

Source: Central Bank of Kenya.
*Excluding Short-Term Borrowing.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1980-1984

Table **6.11** *K£million*

Outstanding as at June, 30th	1980	1981	1982	1983	1984
EXTERNAL DEBT—					
Lending Countries.					
United Kingdom	–	–	–	–	–
U.S.A.	17.3	300	51.1	56.3	101.4
West Germany	52.1	50.9	74.9	89.6	98.8
Japan	19.5	29.0	35.8	59.2	63.9
Netherlands	9.9	9.3	23.8	35.2	45.3
Denmark	8.7	7.9	9.5	12.7	17.5
Finland	–		–	–	–
Other*	237.1	285.3	339.3	402.9	443.6
TOTAL ..	345.3	412.4	534.4	655.9	770.5
International Organizations—					
I.B.R.D.	60.4	79.0	119.2	188.1	413.9
I.D.A.	58.2	105.4	140.9	236.4	2601
African Development Bank	5.5	9.5	10.4	15.4	200
O.P.E.C	1.8	2.5	4.9	7.4	8.0
E.E.C	6.5	8.5	14.6	22.5	21.4
I.M.F.	17.9	24.9	32.8	39.6	32.1
Arab League	1.8	2.2	2.0	2.4	2.6
Badea..	—	–	—		3.3
TOTAL	152.1	232.0	324.8	511.8	761.4
TOTAL EXTERNAL	497.4	644.4	859.2	1,167.7	1,531.9
INTERNAL DEBT—					
Central Bank of Ken>a	10.0	10.0	10.0	10.0	10.0
Other	0.1	—		–	–
TOTAL INTERNAL	10.1	10.0	10.0	10.0	10.0
TOTAL UNFUNDED DEBT	507.5	654.4	869.2	1,177.7	1,541.9

*Includes defence loans amounting to K£132.5 million in 1980, K£127.0 million in 1981, K£108.5 million in 1932, K£126.9 million in 1983 and K£109.4 million in 1984.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1981-1984

Table 6.12 *K£million*

	1981	1982	1983	1984
INTERNAL:				
PUBLIC BODIES—				
National Social Security Fund	214.61	250.78	268.67	272.81
Central Government	35.00	40.17	42.24	46.74
Local Government	0.55	0.56	0.56	0.52
Kenya Post Office Savings Bank	20.80	16.07	15.17	15.17
Former E.A. Community Institutions*	17.96	30.40	28.53	28.53
Central Bank	42.36	42.36	261.78	261.65
Other Public Sector	9.84	2.78	2.67	2.67
OTHER INTERNAL—				
Commercial Banks	31.37	30.84	12.37	12.37
Insurance Companies	13.82	13.77	12.30	11.33
Other Companies	16.64	16.48	16.51	16.57
Private Individuals	0.31	0.14	0.12	0.10
EXTERNAL	—	—	—	—
TOTAL	403.26	444.35	660.92	668.46

*And their successors.

Source: Central Bank of Kenya.

6.17. Table 6.13 provides further information on debt servicing charges. The net servicing charges rose from K£68 million in 1980 to K£259 million in 1984, thereby placing a heavy burden on Government revenue. The decline in the exchange value of the Kenya Shilling relative to the major international currencies over the last four years has adversely affected external public debt repayment, servicing charges, and external borrowing. External debt service charges as a percentage of exports of goods and services rose from 5.6 per cent in 1980 to 19.4 per cent in 1984 as set in Table 6.14.

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1980-1984

Table 6.13 *K£million*

Year ending 30th June	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
	Ex. ternal	In. ternal	Total*	Ex. ternal	In. ternal	Total	Ex. ternal	In. ternal	Total
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	93.13	224.05		17.32	17.32	130.92	75.81	206.73
1984	218.65	54.01	272.66	—	13.50	13.50	218.65	40.51	259.16

*Includes interest payments of *K£million*—

1980-48.05; 1981-68.68; 1982-118.54; 1983-145.93; 1984-173.59.

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1980. 1984

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£miilion	*K£million*	
1980	41.9	753.3	5.6
1981	70.7	773.7	9.1
1982	107.6	847.0	12.7
1983	130.9	975.7	13 4
1984	218.7	1,128.8	19.4

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

Local Authorities

6.18. Provisional data in Table 6.15 for 1984 indicate that there was a decline of 6 per cent in expenditure by local authorities. Municipalities registered a decline of 7 per cent and Town. Urban and County Councils had a drop of 2 per cent in 1984.

EXPENDITURE ON LOCAL AUTHORITIES, 1980-1984

Table 6.15 *K£million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1980	35.36	17.93	53.29	11.05	64.34
1981	44.05	20.78	64.83	13.32	78.15
1982	50.07	24.42	74 49	16.79	91.28
1983	65.22	39.57	104.79	20.23	125.02
1984*	60.55	36.59	97.14	19.85	116 99

*Provisional.

6.19. Details of the expenditure of municipal councils on the main services for the last five years are in Table 6.16. Expenditure on community services declined by 38 per cent since there were reductions on roads and sanitary services by 47 per cent and 17 per cent respectively in 1984. Overall, there

were no significant change of expenditures for social services apart from expenditure on education which increased by 26 per cent due to the implementation of the new 8.4.4 education system. Health, which is a major social service, accounted for 32 per cent of the total social services expenditure. Water undertakings expenditure increased by 9 per cent and accounted for 60 per cent of the total expenditure on economic services. This was in response to demand for clean water by consumers within the municipal councils.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1980-1984

Table 6.16 *K£million*

	1980	1981	1982	1983	1984*
Administration	9.4	8.8	10.3	10.0	11.6
COMMUNITY SERVICES:					
Roads	31	4.3	5.2	9.3	4 9
Sanitary	6.4	6.8	9 4	10 9	9.1
Other	2.4	2.7	1.5	4.8	1.5
TOTAL	11.8	13.8	16.1	25.0	15 5
SOCIAL SERVICES:					
Education	7.8	9 3	10.8	12 9	16.2
Health	51	5.9	6.7	7.9	8.0
Other	0.5	1.9	0 4	3.8	0.8
TOTAL	13.4	17.1	17 9	24.6	25 0
ECONOMIC SERVICES:					
General Administration	1.2	1.5	1.6	2 9	2.1
Water Undertakings	5.2	10.5	15 4	24.7	26.8
Housing Estates (including Staff Housing)	6.0	6.6	5.7	8.7	7.4
Other	6.2	6.6	7.5	8 9	8.7
TOTAL	18.6	25.2	30.2	45.2	45.0
TOTAL EXPENDITURE	53.3	64.8	74.5	104.8	97.1

*Provisional.

6.20. Over the period 1980-1984, current expenditure by municipal councils increased by 88 per cent while capital expenditure rose by 74 per cent. Table 6.17 also shows that current expenditure in 1984 increased by 3 per cent while capital expenditure decreased by 19 per cent. The major reason for the latter's decline was lack of funds rather than desirable capital projects. With no more grants from the Central Government and the other sources of revenue almost stagnating, most municipal councils find themselves in difficult financial positions.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1980-1984

Table 6.17 *K£million*

	1980	1981	1982	1983	1984*
CURRENT EXPENDITURE—					
Labour Costs	18.99	24.43	28.23	32.13	31.77
Other Goods and Services	10.82	13.30	17.76	23.07	25.21
Transfer to Households and Enterprises	0.69	0.95	0.74	0.79	0.76
Transfer to Funds (Current)	0.32	0.36	0.26	0.45	0.30
Interest					
TOTAL	30.82	39.04	46.99	56.44	58.04
CAPITAL EXPENDITURE—					
Gross Fixed Capital For. mation	16.59	19.65	20.54	40.19	24.70
Loan Repayment**	5.38	5.61	6.37	7.21	14.18
Transfer to Funds (capital)	0.50	0 55	0 59	0.97	0.23
TOTAL	22.47	25.81	27.50	48.37	39.11
TOTAL EXPENDITURE	53.29	64.85	74.49	104.81	97.15

*Provisional.

**Includes Interest.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1980-1984

Table 6.18 *K£million*

	1980	1981	1982	1983	1984*
CURRENT REVENUE					
Direct Taxes (Rates**)	8.36	14.96	21.23	21.49	22.57
Indirect Taxes (Licences and cesses)	1.03	1.24	1.71	2.18	2.24
Income from Property	0.54	0.59	2.47	0.63	2.05
Current Transfers	2.68	2.28	2.64	4.25	3.76
Sale of Goods and Services	19.61	18.48	23.14	33.25	32.58
TOTAL	32.22	37.54	51.19	61.80	63.20
CAPITAL REVENUE —					
Loans Raised	7.68	12.25	14.76	17.79	15.59
Loan Repayments	0.04	0.04	0.06	0.06	0.07
TOTAL	7.72	12.29	14.82	17.84	15.66
TOTAL REVENUE	39.94	49.84	66.01	79.65	78.86

*Provisional.

**Paid by households and enterprises.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE 1980-1984

Table 6.19 *K£million*

	1980	1981	1982	1983	1984*
CURRENT EXPENDITURE					
Labour Costs	5.56	6.54	7.96	10.08	10.43
Other Goods and Services	1.99	2.04	2.62	4.26	3.97
Transfer to Households and Enterprises	0.25	0.41	0.32	0.56	0.65
Transfer to Funds (current)	0.18	0.19	0.17	0.17	0.28
Interest					
TOTAL	7.98	9.18	11.07	15.07	15.33
CAPITAL EXPENDITURE.					
Gross Fixed Capital Formation	2.62	3.76	5.47	4.44	3.63
Loan Repayments**	0.34	0.26	0.18	0.47	0.53
Transfer to Funds (capital)	0.11	0.13	0.07	0.26	0.36
TOTAL	3.07	4.15	5.72	5.17	4.52
TOTAL EXPENDITURE	11.05	13.33	16.79	20.24	19.85
CURRENT REVENUE					
Direct Taxes (Rates***)	0.91	1.32	0.92	1.43	2.40
Indirect Taxes (Licences and cesses)	4.57	4.36	6.08	6.12	6.65
Income from Property	0.83	0.98	1.30	1.48	1.74
Current Transfers	0.71	0.74	1.37	1.38	0.70
Sale of Goods and Services	3.43	3.15	3.48	4.62	5.51
TOTAL	10.45	10.55	13.15	15.03	17.00
CAPITAL REVENUE.					
Loans Raised	0.78	1.54	1.70	2.86	0.42
Loans Repayments	0.03	0.02	0.01	0.04	0.02
TOTAL	0.81	1.56	1.71	2.90	0.44
TOTAL REVENUE	11.26	12.11	14.86	17.93	17.44

*Provisional.

**Includes Interest.

***Paid by households and enterprises.

6.21. Available data in Table 6.18 reveal that the total revenue by municipal councils in 1984 was slightly lower in comparison with 1983. Direct taxes and sale of goods and services remained the major sources of current revenue. Current revenue increased by only 2 per cent while direct taxes rose by 5 per cent and sale of goods and services went down by 2 per cent in 1984. On the other hand, capital revenue dropped slightly due to failure by municipalities to raise loans for their capital projects.

6.22. Table 6.19 sets out expenditure and revenue by Town, Urban and County Councils for 1980.1984. Like the municipalities, these councils had a drop in their capital expenditure but a slight increase in current expenditure. Total expenditure therefore dropped by 2 per cent in 1984 in comparison with an increase of 20 per cent in 1983. Capital expenditure has been showing a downward trend since reaching a peak in 1982 in contrast to a steady increase in current expenditure. This change can be attributed to the upgrading of various trading centres to urban councils and urban councils to town councils. Unlike the municipalities, these councils get most of their current revenue from indirect taxes which contributed 39 per cent of the current revenue in 1984.

CHAPTER 7—EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

An impressive improvement was recorded in Kenya's external trade in 1984 with an increase of 19 per cent in the value of exports and 21 per cent in that of imports. The high tea and coffee prices in the export market and the declaration of 1984 as "the export year" contributed to the rise in the export receipts. The rise in the value of imports is attributable to liberalised import policies pursued and special food imports during the year. There was also an improvement in the balance of payments position supported by increased inflows of grants, long-term capital and the IMF credit.

Balance of Trade

7.2. Consequent upon food imports, the balance of trade deficit reversed its narrowing trend experienced over the previous three years. The trade deficit was K£318 million in 1984 against K£253 million in the previous year. The reduction of deficit in the past few years was a result of restraint in imports rather than increase in exports. Table 7.1 shows a summary of the changes in the external trade. Total exports increased from K£652 million in 1983 to K£777 in 1984 while total imports rose from K£906 million in 1983 to K£1,095 million in 1984.

BALANCE OF TRADE, 1980-1984

Table 7.1 *K£million*

	1980	1981	1982	1983	1984*
EXPORTS—					
Domestic Exports	487.64	513.86	545.74	633.08	754.81
Re.exports	28.06	23.36	22.91	19.10	22.09
Total	515.70	537.23	568.64	652.18	776.91
IMPORTS—					
Commercial	889.17	849.44	843.35	852.56	1,047.78
Government	69.86	82.97	56.96	53.06	46.99
Total	959 03	932.41	900.30	905.62	1,094.77
BALANCE OF TRADE	.443.33	.395.18	.331.66	.253.44	.317.86

*Provisional.

7.3. The overall trade deficit increased by K£64 million mainly as a result of special food imports necessitated by the effects of the drought prevailing in the mid six months of the year. It was also in part due to relaxation of import restriction policies by the Government. The price of crude oil remained fairly stable throughout 1984 although the oil import bill increased over 1983. The increase here is attributable to the appreciating value of the US dollar during the year, coupled with the 4.5 per cent increase in

the quantity of crude oil imported. The Preferential Trade Area (PTA) clearing house which became operational in February 1984 in Harare should benefit Kenyan exporters. The arrangement is designed to minimise the use of convertible currencies and to increase the use of national currencies which should also benefit Kenya's balance of payments.

Price Changes

7.4. Table 7.2 details the price indices (1982 base) for the years 1980 to 1984. The average export prices for all commodities rose by 20 per cent in 1984, the same as in 1983. Notable rises were recorded in the export prices of food and products from live animals, by 33 per cent; machinery and transport equipment, by 25 per cent; and beverages and tobacco, by 22 per cent. All items except inedible crude materials show increases in export prices for 1984. The increase in the price of food and live animals is due to exceptionally good export prices (valued f.o.b.) for tea and coffee, which rose by 68 per cent and 19 per cent, respectively. Non-oil exports had an overall price increase of 24 per cent.

PRICE INDICES, 1980-1984

Table 7.2 1982=100

	1980	1981	1982	1983	1984
EXPORTS.					
Food and live animals	95	95	100	126	167
Beverages and tobacco	90	98	100	108	132
Crude materials, inedible	88	96	100	107	107
Mineral fuels	58	81	100	107	112
Animal and vegetable oils and fats	67	80	100	115	127
Chemicals	72	76	100	120	125
Manufactured goods	80	91	100	123	128
Machinery and transport equipment	80	87	100	179	223
Miscellaneous manufactured articles	96	76	100	125	170
All Exports	83	91	100	120	144
Non-oil Exports	91	93	100	124	154
IMPORTS—					
Food and live animals	97	120	100	111	116
Beverages and tobacco	72	81	100	104	141
Crude materials, inedible	94	88	100	111	130
Mineral fuels	59	85	100	108	112
Animal and vegetable oils and fats	125	109	100	245	216
Chemicals	77	89	100	153	156
Manufactured goods	65	83	100	137	140
Machinery and transport equipment	71	84	100	139	145
Miscellaneous manufactured articles	64	86	100	105	108
All Imports	68	87	100	128	131
Non-oil Imports	75	89	100	140	143

7.5. The overall import price index rose by 2.3 per cent, whereas the non-oil import prices rose by 2.1 per cent. All import items except animal and vegetable oils and fats recorded increases in prices. Prices of animal and vegetable oils and fats declined by 12 per cent.

Terms of Trade

7.6. Table 7.3 shows that terms of trade shifted in Kenya's favour in 1984. Overall, the terms of trade moved in Kenya's favour by 17 per cent in 1984 over 1983 and was 10 per cent above the 1982 level. The high tea and coffee prices boosted the terms of trade for food and live animal products by 44 per cent above the 1982 level. The terms of trade for machinery and transport equipment was raised by some 60 per cent over the 1982 level. On the other hand, the terms of trade for manufactured goods dropped by 9 per cent below the 1982 level, while the non-oil terms of trade increased by 23 per cent over 1982.

TERMS OF TRADE. 1980-1984

Table 7.3 1982 = 100

	1980	1981	1982	1983	1984
All Items	122	105	100	94	110
Non-oil Items	121	104	100	88	108

Volume Changes

7.7. Table 7.4 sets out new quantum indices (1982 base) on imports and exports from 1980 to 1984. Despite the recovery in the volume of imports in 1984, they are still at a lower level of 91 per cent when compared with the quantity of imports in 1982. The volume of all exports stands at 95 per cent when compared with 1982 whereas that of non-oil exports stands at 98 per cent.

7.8. The overall volume of exports dropped by one per cent in 1984. The decline in the volume of exports of beverages and tobacco was 32 while the volume of animal and vegetable oils and fats recorded the highest increase of 195 per cent in 1984. The increase was mainly a result of accelerated exports of cotton seed and sunflower oils.

7.9. The overall volume of imports increased by 15 per cent in 1984 while non-oil imports increased by 26 per cent. The imports of food and live animals went up by 86 per cent, reflecting special food imports for famine relief. Imports of machinery and transport equipment rose by 40 per cent. The increases are also a result of relaxation of imports control in the year. On the other hand, the volume of imports of beverages and tobacco drop. ped by 36 per cent and that of animal and vegetable oils and fats declined by 13 per cent.

QUANTUM-INDICES, 1980-1984

Table 7.4 1932 = 100

	1980	1981	1982	1983	1984
EXPORTS—					
Food and live animals	80	89	100	105	102
Beverages and tobacco	135	81	100	155	105
Crude materials, inedible	117	116	100	101	110
Mineral fuels	185	140	100	85	84
Animal and vegetable oils and fats	178	211	100	156	460
Chemicals	127	125	100	92	94
Manufactured goods	111	89	100	83	78
Machinery and transport equipment	154	102	100	51	38
Miscellaneous manufactured articles	120	108	100	76	82
All Exports	109	103	100	96	95
Non-oil Exports	92	94	100	100	98
IMPORTS—					
Food and live animals	122	63	100	85	158
Beverages and tobacco	191	117	100	72	46
Crude materials, inedible	97	123	100	138	134
Mineral fuels	130	107	100	92	
Animal and vegetable oils and fats	68	83	100	72	63
Chemicals	135	119	100	85	87
Manufactured goods	190	119	100	72	91
Machinery and transport equipment	160	124	100	60	84
Miscellaneous manufactured articles	216	171	100	73	103
All Imports	151	118	100	79	91
Non-oil Imports	153	117	100	72	91

Composition of Exports

7.10. Details on exports analysed by broad economic categories are set out in Table 7.5. The substantial increase in the value of exports of food products and beverages reduced the relative share of the value of exports of the remaining components in the total as compared with the previous year. While the share of the former category rose from 56.7 per cent in 1983 to 61.9 per cent in 1984, the share of all other categories declined as can be seen in the Table. The overall increase in earnings of 30 per cent in 1984 in the value of exports of food products and beverages was caused by higher quantity of coffee exported and increases in the average prices of both coffee and tea. The declining trend in the share of fuel and lubricants is conspicuous. Whereas in 1980 the share was one third of all exports, by 1984 the share was less than one fifth.

BROAD ECONOMIC CATEGORY, 1980-1984

Table 7.10 *K£million*

	1980	1981	1982	1983	1984**
1. Food and Beverages	212.55	234.26	278.51	358.53	467.06
Primary	181.46	191.87	246.05	319.51	420.70
For Industry	109.90	112.72	147.80	166.23	208.58
For Household Consumption	71.56	79.15	98.25	153.28	212.12
Processed	31.09	42.39	32.46	39.02	46.37
For Industry	13.87	20.43	5.59	5.02	3.79
For Household Consumption	17.22	21.96	26.87	34.00	42.58
2. Industrial Supplies (Non-Food)	89.67	92.85	95.03	110.31	113.21
Primary	48.39	52.38	46.89	60.22	58.68
Processed	41.28	40.48	48.14	50.09	54.53
3. Fuel and Lubricants .	162.53	163.74	149.35	134.37	142.19
Primary	0.02	0.02	0.02	0.02	0.01
Processed	162.51	163.72	149.33	134.36	142.18
Motor Spirit	19.65	21.93	23.09	27.78	31.91
Other	142.86	141.80	126.24	106.58	110.26
4. Machinery and other Capital Equipment	2.48	1.97	1.58	2.60	2.16
Machinery and Other Capital Equipment	2.14	1.72	1.38	2.15	1.83
Parts and Accessories	0.35	0.25	0.21	0.45	0.30
5. Transport Equipment	1.66	2.16	1.29	1.03	1.24
Passenger Motor Vehicles	0.01		—	—	—
Other	0.69	0.35	0.41	0.29	0.14
Industrial	0.52	0.31	0.39	0.26	0.14
Non-Industrial	0.18	0.04	0.02	0.03	—
Parts and Accessories	0.96	1.81	0.89	0.74	1.10
6. Consumer floods not elsewhere specified	18.39	18.68	19.88	26.09	28.42
Durable	0.90	0.65	0.65	0.47	0.53
Semi-Durable	4.06	4.22	4.19	4.95	7.11
Non. Durable	13.43	13.81	15.03	20.67	20.78
7. Goods not elsewhere Specified	0.37	0.21	0.10	0.15	0.54
TOTAL	487.64	513.86	545.74	633.08	754.81
PERCENTAGE SHARES:					
1. Food and Beverages	43.6	45.6	51.0	56.7	61.9
2. Industrial Supplies (Non-Food)	18.4	18.1	17.4	17.4	15.0
3. Fuel and Lubricants.	33.3	31.9	27.4	21.2	18.8
4. Machinery and other Capital Equipment	0.5	0.4	0.3	0.4	0.3
5. Transport Equipment	0.3	0.4	0.3	0.2	0.1
6. Consumer Goods not elsewhere specified	3.8	3.6	3.6	4.1	3.8
7. Goods not elsewhere specified	0.1	—	—	—	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0

*Excluding Re-exports.

**Provisional.

7.11. The statistics in Table 7.6 give further details on exported quantities for selected items. Agricultural commodities exhibit mixed performance in 1984. Those whose export increased considerably were coffee, pineapples, meat and meat products and sisal. Meat and meat products recorded the highest rise of 81 per cent, largely because of increased beef exported to the U.K., West Germany and Uganda. The export of tea, maize, butter, ghee, beans and peas dropped in the year. The export of soda ash and fluorspar increased while that of cement dropped.

QUANTITIES OF PRINCIPAL EXPORTS, 1980-1984

Table 7.6

	Unit	1980	1981	1982	1983	1984*
Coffee	Tonnes	80,086	86,171	100,995	90,457	96,914
Tea	,,	74,799	75,350	80,413	99,938	91,198
Petroleum Products	Million Litres	1,825	1,411	1,000	765	795
Pyrethrum products	Tonnes	759	570	640	1,147	843
Meat Products	,,	1,253	1,890	2,916	2,367	4,294
Sisal	,,	40,415	36,397	40,445	38,942	39,120
Hides and skins	,,	8,485	12,964	11,136	9,158	9,055
Soda Ash	,,	192,821	113,659	136,468	125,487	222,880
Fluorspar	,,	100,674	59,303	74,889	48,899	52,180
Cement	,,	530,393	668,037	737,422	736,318	602,933
Maize (raw)	,,	20	991	949	122,514	47,434
Canned pineapples	,,	38,453	40,884	39,935	47,752	50,216
Butter and ghee	,,	230	565	878	1,179	438
Beans and peas	,,	10,137	6,960	37,814	91,657	14,626
Cotton (raw)	"	4,020	2,557	—	726	131
Wool	"	1,706	1,113	1,453	1,182	1,701
Animal feeds	"	5,201	7,794	11,706	30,818	16,676

*Provisional.

7.12. Table 7.7 sets out details of unit prices in Kenya Shillings for selected exports. The prices of coffee and tea rose highest with that of tea rising faster than that of coffee. The coffee price nearly reached that of 1977 and tea price was the highest ever. The price of coffee rose by 19 per cent whereas that of tea shot up by 68 per cent. Generally, all exports except soda ash, cement, cotton, pyrethrum and wattle extract showed increases in prices.

EXPORT PRICES, 1980-1984

Table 7.7 *K.Sh./Unit*

	Unit of Quantity	1980	1981	1982	1983	1984*
Coffee, unroasted	Kg.	27.01	25.40	28.64	35.40	42.03
Tea	Kg.	15.51	16.22	19.30	24.70	41.55
Petroleum products	1,000 Lt.	1,663.94	2,233.20	2,832.72	3,236.65	3,311.44
Maize (raw)	100 Kg.	406.42	136.44	689.46**	198.48	249.91
Meat and meat products	Kg.	25.25	27.61	31.11	33.78	34.51
Pyrethrum extract	Kg.	633.82	802.98	896.06	808.55	776.01
Sisal	100 Kg.	438.08	483.38	536.89	621.22	643.09
Hides and skins (undressed)	Kg.	22.50	14.20	14.19	13.83	15.73
Wattle extract	Kg.	3.56	5.17	7.24	9.30	10.60
Soda ash	100 Kg.	81.07	126.83	112.39	115.91	93.82
Fluorspar	100 Kg.	64.50	121.08	125.68	126.92	128.84
Cement	100 Kg.	38.29	42.96	52.36	59.08	58.12
Beans, peas, etc.	Kg.	2.99	5.55	3.33	3.02	3.36
Wool	Kg.	11.15	17.52	16.78	15.94	16.49
Animal feeds	100 Kg.	121.56	98.87	124.75	134.18	157.85
Cotton (raw)	Kg.	12.96	12.80	—	23.78	22.65
Pineapples (canned)	Kg.	4.60	5.87	7.26	8.75	10.33
Butter and ghee	Kg.	15.89	20.66	23.24	25.22	29.59
Wattle bark	100 Kg.	95.21	146.78	128.56	202.97	183.84

*Provisional.

**Seed Maize Price.

7.13. Export change in value, quantity and price of commodities is shown in Table 7.8. Both coffee and tea recorded substantial increases in value. The coffee value increased by 27 per cent and tea value by 54 per cent. The increase in the value of coffee was due to both quantity and price rises while the rise in tea export value was only due to price rise which outweighed the quantity decrease of 9 per cent. It is mentioned in Chapter 1 that commodity prices are weakening in the world market though the price of coffee still remains favourable. Partly due to the good quality of the Kenya tea, it is projected that tea would overtake coffee as Kenya's major export commodity in 1985.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE*, 1983-1984

Table 7.8

	VALUE K.£'000			PERCENTAGE CHANGE IN		
	1983	1984**	Changes	Value	Quantity	Price
Coffee, unroasted	160,086.6	203,622.9	43,536.3	27.2	7.1	18.7
Tea	123,420.8	189,477.6	66,056.8	53.5	—8.7	68.2
Petroleum products	123.749.5	131,636.1	7,886.6	6.4	4.0	2.3
Meat and meat products	3,997.5	7,408.9	3,411.4	85.3	81.4	2.2
Pyrethrum extract	8,916.1	9,682.2	766.1	8.6	13.1	—4.0
Sisal	12,095.6	12,578.8	483.2	4.0	0.5	3.5
Hides and skins (undressed)	6,330.6	7,122.2	791.6	12.5	—1.1	13.7
Wattle extract	2,808.5	3,423.5	615.0	21.9	7.0	14.0
Soda ash	7,272.7	10,455.1	3,182.4	43.8	77.6	—19.1
Fluorspar..	3,103.1	3,361.6	258.5	8.3	6.7	1.5
Cement	21,749.8	17,519.8	—4,230.0	—19.4	—18.1	—1.6
Beans, peas, etc.	13,850.4	2,454.5	—11,395.9	—82.3	—84.0	11.3
Wool	942.1	1,402.5	460.4	48.9	43.9	3.5
Animal feeds	2,067.6	1,316.2	—751.4	—36.3	—45.9	17.6
Cotton (raw)	863.8	148.2	—715.6	—82.8	—82.0	—4.8
Pineapples (canned)	20,886.3	25,943.7	5,057.4	24.2	5.2	18.1
Butter and ghee	1,486.4	648.2	—838.2	—56.4	—62.8	17.3
Wood carvings	584.8	1,285.3	700.5	119.8	77.2	24.0
Metal scrap	396.3	517.6	121.3	30.6	—5.1	37.6
Wattle bark	86.0	46.0	—40.0	—46.6	—41.0	—9.4
All other item	118,384.0	124,762.5	6,378.5	5.4		—
TOTAL	633,078.5	754,813.4	121,734.9	19.2	82.0	

*Excluding Re-exports.
**Provisional.

The Composition of Imports

7.14. The analysis of imports by broad economic categories is provided in Table 7.9. Although the overall pattern of imports did not change significantly in 1984, there were increases in the relative proportions of imports of food and beverages; machinery and other capital equipment; and transport equipment; while the relative shares of fuels and lubricants, industrial supplies, declined. Proportions for the rest of the commodity groups increased.

7.15. The largest increase in value terms in 1984 occurred in imports of transport equipment. These rose by 80 per cent from K£63 million in 1983 to K£113 million in 1984; some towing equipment and passenger cars account. ed for most of the rise. Within the same category, while the value of the imports of passenger motor vehicles went up by 45 per cent, that of other transport equipment rose by 114 per cent.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1980-1984

Table 7.10 *K£million*

	1980	1981	1982	1983	1984*
1. Food and Beverages .	41.26	44.33	52.81	82.78	117.13
Primary	11.84	12.20	20.48	19.05	64.84
For Industry	7.23	6.33	16.04	13.36	58.49
For Household Consumption	4.61	5.88	4.44	5.70	6.35
Processed	29.42	32.12	32.34	63.73	52.29
For Industry	20.49	23.93	25.36	52.08	37.89
For Household Consumption	8.93	8.19	6.97	11.65	14.40
2. Industrial Supplies (Non-Food)	261.57	240.38	224.93	250.64	289.13
Primary	33.95	15.38	19.22	13.25	15.29
Processed	227.62	225.00	205.71	237.39	273.84
3. Fuels and Lubricants	322.40	343.67	332.61	331.70	340.45
Primary	282.70	314.26	303.17	277.76	303.81
Processed	39.71	29.41	29.43	53.94	36.64
Motor Spirit ..	4.66	1.67	9.67	11.39	4.05
Other	35.04	27.74	19.77	42.55	32.59
4. Machinery and other Capital Equipment . .	154.61	165.34	159.13	140.35	184.89
Machinery and other Capital Equipment	109.40	116.34	108.05	100.86	129.14
Parts and Accessories	45.22	49.00	51.09	39.49	55.75
5. Transport Equipment	121.15	88.15	85.58	63.14	113.46
Passenger Motor Vehicles	18.72	8.16	8.89	9.11	13.21
Other	59.75	48.97	36.49	27.86	59.52
Industrial	58.16	45.61	35.43	27.37	58.40
Non-Industrial	1.59	3.36	1.06	0.49	1.13
Paris and Accessories	42.68	31.02	40.20	26.16	40.73
6. Consumer Goods not elsew here specified	57.74	47.66	43.94	36.67	47.40
Durable	13.38	10.55	9.59	6.64	9.90
Semi-Durable	16.58	11.99	9.56	4.69	8.77
Non-Durable	27.78	25.11	24.79	25.34	28.74
7. Goods not elsewhere specified	0.30	2.89	1.30	0.35	2.30
TOTAL	959.03	932.41	900.30	905.62	1.094.77
PERCENTAGE SHARES:					
1. Food and Beverages	4.3	4.7	5.9	9.1	10.7
2. Industrial Supplies (Non-Food)	27.3	25.8	25.0	27.7	26.4
3. Fuels and Lubricants	33.6	36.9	36.9	36.6	31.1
4. Machinery and other Capital Equipment	16.1	17.7	17.7	15.5	16.9
5. Transport Equipment	12.7	9.5	9.5	7.0	10.4
6. Consumer Goods not elsewhere specified	6.0	5.1	4.9	4.1	4.3
7. Goods not elsewhere specified	—	0.3	0.1	—	0.2
TOTAL	100.0	100.0	100.0	100.0	100.0

*Provisional.

7.16. The value of imports of primary fuels including crude petroleum rose by 9 per cent from K£278 million in 1983 to K£304 million in 1984, chiefly due to the appreciation of the US dollar. The value of food and beverages imported rose from K£83 million in 1983 to K£117 million in 1984. This increases was chiefly due to special imports of maize and wheat. Industrial supplies imports increased from K£251 million in 1983 to K£289 million in 1984. Most items show increases in imports which reflect the liberal import policy adopted by the Government in 1984. Further details on selected imports are found in Table 7.10.

SELECTED IMPORTS, 1980-1984

Table 7.10 *K£million*

	1980	1981	1982	1983	1984*
Crude Petroleum	281.72	312.77	299 81	275.24	300.44
Industrial Machinery (including Electrical)	145.42	152.08	149.61	137.22	173.58
Iron and Steel	50.47	36.95	40.65	48.39	62.98
Motor Vehicle and Chassis	67.56	44.97	38.57	32.29	55.08
Petroleum Products refined	38.47	28.44	29.15	53.66	35.74
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	20.74	17.59	19.65	21.81	33.01
Pharmaceuticals	15.90	17.69	18.36	19.62	19.96
Fertilizers	15.84	24.07	15.61	25.09	13.89
Agricultural Machinery and Tractors	10.16	11.59	11.07	6.15	11.04
Wheat	5.00	4.47	13.91	9.29	20.20
Paper and Paper Products	12.91	14.35	12.03	11.76	9.36
Rice	0.23	1.24	2.73	10.04	8.16

*Provisional.

Direction of Trade

7.17. Kenya's exports by region and principal countries are shown in Table 7.11. The EEC and African countries continued to take most of Kenya's exports. They received 45 and 26 per cent of total exports respectively. All the EEC countries except France imported more from Kenya in 1984 than in 1983. Within the EEC, the U.K. received 40 per cent followed by West Germany which took 28 per cent of Kenya's exports.

7.18. Kenya's exports to African countries increased by only 4 per cent in value compared with the 22 per cent increase experienced in the previous year. In 1984, Uganda alone received 33 per cent of Kenya's exports to Africa.

7.19. The third most important market for Kenya exports is the Far East. Exports to these countries increased by 23 per cent in 1984. China, Japan and Australia increased their imports from Kenya while India bought less in 1984 than in 1983.

7.20. The value of Kenya exports to the Middle East rose by 27 per cent. The rest of the market (although small) received more of Kenya exports in value terms in 1984 than in the previous year. This comprises of other Western Europe, Eastern Europe and Canada.

7.21. Details of Kenya's imports by areas and principal countries of origin are shown in Table 7.12. The EEC countries accounted for 36 per cent of the total value of imports in 1984 compared with 32 per cent in 1983. Among the EEC states, the United Kingdom continued to be the main supplier, contributing 38 per cent of all imports from the EEC countries. The value

of imports from the rest of Western Europe (excluding the EEC) and the USA declined by 28 and 10 per cent respectively in 1984. On the other hand, the value of imports from Eastern Europe and Canada increased by 44 and 21 per cent respectively.

DESTINATION OF TOTAL EXPORTS*, 1980-1984

Table 7.11 *K£miilion*

	1980	1981	1982	1983	1984**
E.E.C.—					
United Kingdom	58.85	59.81	72.25	96 25	142.27
West Germany	56.02	58.42	60.83	82.01	98.05
Italy	23.73	20.12	15.20	14.76	21.28
France	6.35	5.88	5 99	11.35	11.18
Netherlands	17.69	21.05	27.76	32.57	52.58
Other	12.47	12.63	15.14	17.90	22.94
TOTAL	175.11	177.91	197.17	254.84	348.30
Other Western Europe, Total	23.55	18.92	21.53	24.94	33.69
Eastern Europe, Total	4.94	6.95	8.11	5.48	6.78
U.S.A	16.93	19.52	35.18	39.10	38.82
	5.07	4.02	4.70	5.13	5.91
AFRICA—					
Tanzania	5.22	6.31	6.84	6.29	9.73
Uganda	66.38	52.61	58.47	71.48	67.58
Zambia	4.95	2.16	1.94	1 .64	0.86
Other	64.45	96.25	92.84	116.31	124.63
TOTAL	141.00	157.33	160.09	195.72	202.80
MIDDLE EAST—					
Saudi Arabia	2.51	1.88	5.50	2.42	3.79
United Arab Emirates	1 .90	1. 44	1.82	1.86	2.28
Iran	1 .19	1.78	0.25	0.30	
Other	13.75	20.28	20.52	15.19	19.06
TOTAL	19.35	25.38	28.09	19.77	25.13
FAR EAST AND AUSTRALIA—					
Australia	1.62	2.38	1.22	1.74	2.72
Japan	3.83	3.74	3.46	4.63	6.13
India	4.08	4.53	4.53	4.70	3.08
China (Mainland)	1.96	0.63	0.31	1 .88	3.29
Other	56.49	61.02	44.37	52.30	64.86
TOTAL	67.98	72.30	53.89	65.25	80.08
ALL OTHER COUNTRIES	3.55	2.96	1.14	5.56	3.62
AIRCRAFT AND SHIPS STORES	58.22	51.93	58.75	36.39	31.77
ALL EXPORTS	515.70	537.23	568.64	652.18	776.91

*Excluding gold and currency but including Re-Exports.
**Provisional.

7.22. The Middle East comes second to the EEC as the major source of Kenya's imports and accounts for 29 per cent of all imports. This is mainly because it is the main source of imports of crude petroleum. Imports from the Middle East in 1984 rose to K£317 million, an increase of 12 per cent over 1983.

ORIGIN OF TOTAL IMPORTS, 1980-1984

Table 7.12 *K£million*

	1980	1981	1982	1983	1984*
E.E.C.—					
United Kingdom	162..37	156.85	135.76	121.56	152.34
West Germany	77.66	75.11	75.63	70.32	98.06
Italy	37.68	25.23	22.96	15.68	34.10
France	32.69	31.15	28.11	38.63	56.00
Netherlands	22.88	21.10	23.21	27.69	29.31
Other	21.05	20.09	17.01	17.19	28.77
TOTAL	354.33	329.53	302.68	291.07	398.58
Other Western Europe, Total	39.07	44.94	36.08	55.20	39.69
Eastern Europe, Total	6.61	6.21	5.40	4.05	5.83
U.S.A	60..96	63.65	54.38	56 64	50.87
CANADA	5.12	11.73	13.40	7.56	9.12
AFRICA.					
Tanzania	0.31	0.27	0.86	1.02	3.02
Uganda	1.21	1.01	1.39	0.86	1.15
Zambia	1.52	1.59	1.37	1.04	1.84
Other	26.41	14.53	59.20	19.31	15.95
TOTAL	29.45	17.40	62.82	22.23	21.96
MIDDLE EAST.					
Saudi Arabia	168.14	183.27	134.26	68.68	78.90
United Arab Emirates	24.82	86.27	84.10	119.80	128.75
Iran	20.58	15.63	14.33	50.53	69.90
Other	88.63	36.83	54.62	45.06	39.06
TOTAL	302.17	322.00	287.31	284.07	316.61
FAR EAST AND AUSTRALIA—					
Australia	6.13	8.40	3.31	6.72	13.25
Japan	88.41	73.46	70.14	85.84	111.76
India	13.01	10.14	12.22	6.67	11.96
China (Mainland)	7.19	8.18	6.61	3.08	8.52
Other	36.34	33.29	40.21	76.05	102.79
TOTAL	151.08	133.47	132.49	178.36	248.28
All other Countries	10..24	3.49	5.74	6.45	3.83
Parcel Post and Special Transactions					0.01
TOTAL	959.03	932.41	900.30	905.62	1,094.77

*Provisional.

7.23. The Far East and Australia constitute the next most important suppliers of imports. They supplied K£248 million worth of imports in 1984 in comparison with K£178 million in the previous year, an increase of 39 per cent. Japan alone accounted for about 45 per cent of the supply, and imports from that country are prominent because of its large supply of motor vehicles.

7.24. Table 7.13 shows Kenya's trade with the African countries. The Preferential Trade Area (PTA) countries accounted for most of the African trade. Exports to these countries increased slightly by 1.2 per cent whereas imports from them increased by 20.1 per cent. Among these countries, Uganda remains Kenya's most important trading partner. Trade with Tanzania,

TRADE WITH AFRICAN COUNTRIES, 1980-1984

Table 7.13 K£'000

	EXPORTS					IMPORTS				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
PREFERENTIAL TRADE AREA*.										
Uganda	66,378	52,611	58,466	71,476	67,583	1,206	1,010	1,390	855	1,149
Tanzania	5,216	6,307	6,836	6,285	9,727	309	273	859	1,015	3,019
Zambia	4,948	2,160	1,937	1,641	862	1,518	1,592	1,372	1,040	1,836
Ethiopia	2,365	1,580	2,319	2,982	2,858	2,526	4,259	14,019	4,424	3,755
Burundi	7,329	12,909	13,311	14,699	14,927	115	273	189	331	775
Somalia	4,738	1,961	4,117	2,734	2,981	44	30	33	40	36
Rwanda	12,638	21,568	21,907	24,758	26,644	2,623	3,690	2,311	3,391	2,253
Malawi	285	519	760	510	472	554	587	371	129	92
Mauritius	3,605	5,231	4,192	2,687	3,674	137	192	91	49	111
Swaziland	782	236	720	1,056	808	259	1,143	1,772	2,738	3,703
Zimbabwe	46	362	205	799	255	378	855	799	251	418
Comoros	2,258	2,226	1,899	831	1,920				1	
Djibouti	4,935	10,493	4,638	2,506	1,974	4	9	10	10	3
Lesotho	26	47	57	165	9	6	1			
TOTAL P.T.A	115,549	118,210	121,364	133,129	134,694	9,679	13,914	23,216	14,274	17,150
Other African Countries.										
Sudan	9,949	12,426	18,882	24,602	20,999	8	22	18	17	2,397
Zaire	3,909	5,538	5,304	6,963	7,712	157	720	987	1,214	1,413
Mozambique	570	10,541	742	6,363	4,253	18,916	2,547	10,488		155
Egypt	3,074	3,271	6,525	9,494	18,900	129	49	27,063	6,687	3
Algeria and Libya	2,588	228	235	560	1,061			1,009		2
Ghana and Nigeria	1,713	2,138	1,387	2,783	110	12	29	17	22	56
Reunion	1,090	2,022	2,212	5,122	3,871	7		3		
Madagascar and Seychelles	1,172	1,597	997	3,327	3,114	14	5	5	1	101
All Other African Countries	1,391	1,362	2,438	3,372	8,086	525	111	17	17	682
Total	25,456	39,123	38,722	62,596	68,106	19,768	3,483	39,607	7,958	4,809
TOTAL	141,005	157,333	160,086	195,725	202,800	29,447	17,397	62,823	22,232	21,959
Percentage of all Exports/Imports	27.3	29.3	28.2	30.1	26.1	31	1.9	7.0	2.5	2.0

*The Eastern and Southern Africa Preferential Trade Area became operational on 1st July, 1984, Tanzania became a member in March, 1985.

Rwanda and Burundi increased while trade with Zambia declined. The PTA countries took 66 per cent of Kenya's exports to Africa. Out of Kenya's imports from Africa, 78 per cent were from the PTA. The inter-African trade is expected to increase as the PTA activities become increasingly developed, and this could be enhanced by improvement of transport and communication systems among these countries. Tanzania's decision to join the PTA early in 1985 will have far reaching effects, in view of its geographical position as an important corridor for trade among the PTA countries.

7.25. Sudan and Egypt in Africa are the most important trade partners with Kenya outside the PTA countries. Kenya exported less to Sudan but more to Egypt in 1984 than in 1983. The reverse was true for Kenyan imports from these countries. The drought in the Sub-Saharan countries as a whole has affected trade.

Balance of Payments

7.26. Table 7.14 shows that Kenya had an overall balance of payments surplus of K£39 million in 1984 compared with K£68 million in 1983. The drop in the surplus is attributable to accelerated food imports for famine relief and the liberalisation of import policies mentioned earlier. Increased merchandise export earnings from K£616 million in 1983 to K£745 million in 1984, and external grants helped keep the surplus; although the deficit on merchandise account increased.

7.27. The invisible transactions performed generally satisfactorily, recording an overall net surplus of K£243 million compared with K£224 million in 1983. Furthermore, this improvement in the surplus occurred in spite of remittances of dividends and profits abroad. Such outflows result in an increase in net payments of international investment income.

7.28. Further details of the balance of payments out-turn are shown in Tables 7.14 and 7.15. Both export earnings and the import bill increased substantially by K£129 million and K£187 million, respectively. Net earnings on services declined by K£11 million while inflow of grants rose by K£30 million. The current account thus declined by K£39 million. Net earnings from tourism increased by K£20 million while the net outflow of investment income increased by K£24 million, reflecting the rising debt servicing repayments.

7.29. The Government long-term receipts rose from K£57 million in 1983 to K£72 million. Private long-term capital inflow increased by K£7 million while government corporations capital inflow declined. The current account deficit financed by capital inflows and monetary movements is estimated at K£129 million in 1984 against K£89 million in 1983. The basic balance therefore had a surplus of only K£8 million in 1984 compared with K£42 million in 1983 as a result of more imports.

KENYA BALANCE OF PAYMENTS, 1982-1984

Table 7.14 *K£million*

	1982+			1983*			1984*		
	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.)	939.93	509 90	Dr.430.03	929.05	615.80	Dr.313.25	1,116.12	745.14	Dr. 370.98
2. Freight and Insurance	0.80	28.80	28.00	7.40	42.01	34.61		29.25	29.25
3. Other Transportation	20.20	136.40	116.20	29.90	142.67	112.77	28.29	137.82	109.53
4. Foreign Travel	4.90	122.90	118.00	10.55	130.00	119.45	11.78	151.65	139.87
5. International Investment Income	161.33	32.08	*Dr.* 129.25	144.10	24.10	Dr. 120.00	173.40	29.69	Dr.143.71
6. Government Transactions n.e.s.	15.70	26.60	10.90	11.70	25.50	13.80	22.21	46.12	23.81
7. Other Services	37.10	25.90	*Dr.* 11.20	36.47	23.70	*Dr.* 12.77	45.03	22.78	*Dr.* 22.25
8. Private Transfer	19.30	14.80	*Dr.* 4.50	20.00	16.20	*Dr.* 3.80	22.13	24.74	2.61
9. Government Transfer**	2.50	43.80	41.30	3.00	83.30	80.30	4.54	108.15	103.61
TOTAL CURReNT ACCOUNT	1,201.76	941.18	Dr.260 58	1,192.17	1,103.28	*Dr.* 88.89	1,423.60	1,295.34	*Dr* 128.26
of which: Visible Balance	939.93	509.90	*Dr.* 430.03	929.05	615.80	Dr.313.25	1.116.12	745.14	Dr.370.98
Invisible Balance	261.83	431.28	169.45	263.12	487.48	224.36	307.48	550.20	242.72
B. CAPITAL MOVEMENTS									
10. Private Long-term	6.37	70.86	64.49	2.60	61.20	58.60	2.05	68.03	65.98
11. Government Long-term	—	57.10	57.10	—	57.33	57.33	6.05	77.57	71.52
12. Government Corporations***	—	15.00	15.00	—	14.70	14.70	—	*Dr.* 1.26	*Dr.* 1.26
13. Short-term	9.62	25.99	16.37	2.83	30.28	27.45	4.85	36.54	31.69
TOTAL	15 99	168.95	152.96	5.43	163.51	158.08	12.95	180.88	167.93
C. MONETARY MOVEMENTS									
14. Transactions with I.M.F.	3.97	116.21	112.24	—	63.90	63.90	—	16.62	16.62
15. Other Changes in Assets and Liabilities	13.90	6.48	*Dr.* 7.42	127.10	*Dr.* 5.00	Dr.132.10	57.96	2.30	Dr. 55.66
TOTAL	17.87	122.69	104.82	127.10	58.90	*Dr.* 68.20	57.96	18.92	Dr. 39.04
D. ERRORS AND OMISSIONS			2.80			*Dr.* 0.99			*Dr.* 0.63

*Provisional.

**Includes capital grants.

***Former E.A. Community Corporations only.

+Revised.

CHANGES IN KEY BALANCE OF PAYMENTS MAGNITUDES*, 1982-1984

Table 7.15 *K£miilion*

	1982	1983	1984
1. Exports (f.o.b.)	+ 35.10	+ 105.90	+129.34
2. Imports (c.i.f.)	-31.87	-10.88	+187.07
3. Services (net)	+14.65	+15.21	-11.36
4. Transfers (net)	-6.10	+39.70	+29.72
5. Change on Current Account	+ 75.52	+171.69	-39.37
6. Private long-term capital (net)	-6.81	-5.89	+7.38
7. Public long-term capital (net)	-50.50	-0.07	-1.77
8. Change on basic balance (net balance on lines 5.7)	+18.21	+165.73	-33.76
9. Short-term capital and errors and omis. sions (net)	-23.93	+7.29	+4.60
10. Net change on all above items (monetary movements)	-5.72	+173.02	-29.16

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

7.30. Tables 7.14, and 7.16 show that after drawing down a standby credit from the IMF, foreign reserves increased to K£312 million in 1984 over the previous year's K£254 million (Table 7.16). At the end of the year, the overall net transactions with the IMF stood at K£17 million against K£64 at the end of 1983.

International Liquidity

7.31. As may be observed from Table 7.16, total net foreign reserves of the Central Bank have been increasing since 1981. In 1984. the reserves increased by 14 per cent from K£269 million in 1983 to K£307 million. The increase can be attributed to favourable balance of payments position and the net use of the IMF credit which eased slightly by K£1.7 million. Foreign liabilities other than to the IMF increased by 60 per cent from K£3.8 million in 1983 to K£6.1 million in 1984. Special Drawing Rights (SDRs) showed fluctuations, dropping off sharply from end of 1983, then rising to a peak in May 1984 before dropping off at the end of the year. In the early part of 1984, Kenya purchased a further SDR 23.8 million under the standby arrangements. However, total liabilities to the IMF by the end of June, 1984 remained unchanged, reflecting further purchases. Sharp rises and drops in the middle of the year in both the SDRs and other liabilities show acquisition of credit and subsequent use of it in repayments and payments for imports. Table 7.16 also shows that Kenya's subscription to the IMF increased from K£102.4 million in March, to K£105.0 million in June, 1984 when the subscription stabilized up to the end of the year.

7.32. By December, 1984, the Kenya Shilling was valued at SDR 1 = KSh. 15.19, compared with SDR 1 = KSh. 14.42 in December 1983, a de. preciation of 5.3 per cent over the year.

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1980-1984

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			
	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*	Counter-part Liability+ S.D.R. Account
1980	9.73	176.36	2.22	183.87	3.10	186.97	49 99	132.57	-73.58	14.47
1981	5.62	119.18	2.30	122.50	3.93	126.43	61.84	166.49	-104.65	22.10
1982	9.60	135.26	8.78	136.08	1.73	137.81	72.76	289.72	-216.96	26.00
1983	19.25	253.92	3.78	269.39	0.18	269.57	102.38	382.54	-280.16	26.66
1984.										
January	3.88	271.90	3.71	272.07	0.10	272.17	102.38	379.38	-277.00	26.66
February	1.94	287.98	3.90	286.02	0.74	286.76	102.38	373.16	-270.78	26.66
March	0.30	290.77	3.81	287.26	0.55	287.81	102.38	371.94	-269.56	26.66
April	4.52	306.32	3.97	306.87	1.07	307.94	103.45	373.07	-269.62	26.94
May	20.28	319.57	3.55	336.30	0.37	336.67	103.45	383.54	-280.09	26.94
June	15.53	322.90	18.10	320.33	0.86	321.19	105.01	385.30	-280.29	27.35
July	4.68	319.59	18.32	305.95	0.62	306.57	105.01	383.66	-278.65	27.35
August	4.37	312.11	4.03	312.45	0.18	312.63	105.01	394.40	-289.39	27.35
September	4.37	303.94	4.32	303.99	0.45	304.44	105.01	390.36	-285.35	27.35
October	4.37	294.59	4.70	294.26	0.86	295.12	105.01	387.59	-282.58	27.35
November	1.93	299.48	5.29	296.12	0.39	296.51	105.01	387.59	-282.58	27.35
December	1.69	311.78	6.07	307.40	0.28	307.68	105.01	383.56	-278.55	27.35

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

7.33. Table 7.17 details foreign exchange rates of the Kenya Shilling. It can be observed that the US dollar continued to appreciate in 1984 against other currencies with the Kenya Shilling depreciating 14.7 per cent. The shilling also depreciated by 5.8 per cent against the Japanese Yen but appreciated against the Sterling Pound, the Deutsche Mark, the French Franc, the Swiss Franc, the Dutch Guilder and a few other currencies. The overall weighted index shows a slight fall of 2.2 per cent during the year.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1980-1984

Table 7.17

Currency	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1980	31st Dec. 1981	31st Dec. 1982	31st Dec. 1983	31st Dec. 1984**
1 US Dollar	7.568	10.286	12.725	13.760	15.781
1 Pound Sterling	18.081	19.677	20 627	19 995	18.401
1 Deutsche Mark	3.859	4.576	5.344	5.062	5.039
1 French Franc	1.672	1.788	1.889	1.653	1.641
1 Swiss Franc	4.258	5.727	6.356	6.331	6 099
1 Dutch Guilder	3.549	4.169	4.844	4.503	4.461
1 Swedish Kroner	1.728	1.854	1.741	1.722	1.766
1 Norwegian Kronor	1.469	1.770	1.806	1.790	1.743
1 Zambian Kwacha	9 431	11 .667	13.727	11.338	
1 Austrian Schilling	0.548	0.648	0 763	0.717	0.716
1 Belgian Franc	0.241	0.266	0.264	0.243	0.249
1 Danish Kronor	1.263	1.406	1.516	1.402	1.402
1 Canadian Dollar	6.356	8.667	10.325	11.070	11.959
1 Finish Marka	1.971	2.351	2.412	2.368	2.418
1 Australian Dollar	8.934	11.618	12.489	12.389	13.061
100 Japanese Yen	3.737	4 685	5.440	5.961	6.306
100 Italian Lire	0 816	0 856	0 930	0.833	0.821
1 Indian Rupee	0.977	1.141	1.235	1.315	1.275
1 Pakistan Rupee	0.767	1 038	0 990	1.022	1 029
100 Burundi Francs	8.440	11 .429	14.139	11.750	12.188
100 Rwanda Francs	8.183	11.080	13.705	14.037	15.065
Overall Weighted Index* 1976 = 100	115.89	133.43	147.20	145.64	142.39

*Trade weighted Fisher's Ideal.

**Zambian Kwacha not included.

CHAPTER 8—AGRICULTURE

A major factor affecting the agricultural sector in 1984 was the total failure of the long rains in most parts of the country. In particular, many parts of the Rift Valley, Central and Eastern provinces were hard hit by drought. Adequate rains were recorded only in parts of Nyanza, Western and Coast provinces. As a result, there were production short-falls particularly of cereal crops, leading to substantial imports of food. Maize production fell by 35 per cent and wheat by 43 per cent compared with 1983. Modest increases in production were recorded for coffee, sisal and sugar-cane. Due to lack of pasture and water, rampant livestock deaths were reported for both ranch and dairy cattle. A more welcome development during the year was the improvement of commodity prices which meant that the farmer's gross revenue was enhanced. In particular, the world market price of tea more than doubled, while that of coffee improved by 10 per cent.

8.2. Table 8.1 sets out in summary, details of output and input and value added for the agricultural sector between 1980 and 1984. Output rose by 6 per cent at current prices between 1983 and 1984.well below the rate of inflation at 9.1 per cent. At the same time inputs at current prices rose by 11.8 per cent and value added by a modest 5.2 per cent. Looking at the trend from 1980 to 1984, value added at current prices has been growing at an average of 9.5 per cent per annum, implying no real growth if account is taken of inflation. At constant (1982) prices, total output from the agri. cultural sector fell by 2.9 per cent in 1984 compared with 1983. Total inputs rose by 2.3 per cent and value added actually declined by 3.7 per cent.

AGRICULTURAL OUTPUT AND INPUT, 1980-1984

Table 8.1 — *Value in K£million*

	1980	1981	1982	1983	1984*
AT CURRENT PRICES—					
Total Output	791.19	917.48	1,048.82	1,182.01	1,253.13
Less Inputs	103.05	125.74	141 66	151.40	169.24
Value Added	688.13	791.74	907.16	1,030 61	1,083.89
AT CONSTANT (1982) PRICES—					
Total Output	945.56	1,010.12	1,048.82	1,088.18	1,056.60
Less Inputs	127.90	142.80	141.66	142.53	145.83
Value Added	817.66	867.32	907 16	945.65	910.77
Quantum Indices (1982 = 100)					
Output	91.6	97.3	100.0	109.6	106.3
Input.	103.9	95.0	100.0	98.2	109.4
Price Indices (1982 = 100)					
Output**	83.7	90.8	100.0	108.6	118.6
Input	87.1	116.0	100.0	114..9	116.0

*Provisional.

***see* Table 8.8.

This compares with a rise in constant price value added of 4.1 per cent between 1982 and 1983. From 1980 to 1984 constant-price value added (1982 prices) has been growing at an average of 2.2 per cent per annum which is lower than the rate of population growth.

Marketed Production

8.3. The values of marketed agricultural production at current prices are detailed in Table 8.2. Value of total recorded and marketed production rose by 42 per cent compared to 1983. This unexpected rise is attributable to favourable commodity prices of tea and coffee. Permanent crops registered a substantial increase in marketed value of 74 per cent. The value of marketed tea more than doubled, while that of coffee increased by 37 per cent. However, the value of cereals declined by 12 per cent but

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1980-1984

Table 8.2 *K£million*

	1980	1981	1982	1983	1984*
CEREALS—					
Maize	10.39	23.64	30.78	48.95	49.05
Wheat	17.67	17.87	22.02	26.92	17.84
Others	7.19	6.64	6.90	5.54	4.52
Total	35.25	48.15	59.70	81 41	71.41
TEMPORARY INDUSTRIAL CROPS.					
Sugar-cane	29.52	30.88	29.40	34.34	40.99
Pyrethrum	9.73	13.39	14.78	5.03	1.94
Others	9.97	8.78	9.76	11.87	15.53
Total	49.22	53.05	53 94	51.24	58 46
OTHER TEMPORARY CROPS ..	8.07	9.83	10 64	11.96	9.57
PERMANENT CROPS.					
Coffee	118.86	102.47	122.87	166.25	227.67
Tea	71.51	80.59	93.19	130.31	301.12
Sisal	9.71	8.51	12.59	15.54	17.34
Others	4.42	4.05	4.25	4.52	5.62
Total	204.50	195.62	232.90	316.62	551.75
TOTAL CROPS	297.04	306.65	357.18	461.24	691.19
LIVESTOCK AND PRODUCTS—					
Cattle and Calves	33.71	47.49	52.26	51.81	58.95
Dairy Product	15.00	22.80	28.51	32.80	25.78
Others	7.34	9.94	10.97	9.64	12.86
Total	56.05	80.23	91.74	94.25	97.59
TOTAL	353 09	386.88	448.92	555.49	788.78

* Provisional.

rose by 14 per cent for temporary industrial crops. With regard to livestock and livestock products, the value increased by a modest 4 per cent from K£94 million in 1983 to K£98 million in 1984. In 1984, the value of cattle and calves sold increased by 14 per cent compared to 1983. Owing to widespread drought, more cattle were sold to avoid loss through deaths and this greatly depleted the size of herds. The concomitant consequence of this was a reduction in the value of marketed dairy products as evidenced by a decline of 21 per cent from K£33 million in 1983 to K£26 million in 1984.

8.4. The price and quantum indices of sales to the various agricultural marketing boards are shown in Table 8.3. The indices have been re-calculated using 1982 as the base year instead of 1976. The overall quantum index stood at 117.9 in 1984 compared with 110.7 in 1983. However, there is a noticeable rise in the index for livestock which stood at 168.5. As discussed in the previous paragraph, this does not necessarily reflect a healthy growth as the increase in cattle intake by the Kenya Meat Commission (KMC) was due to the effects of drought. With regard to price indices, it is clear that there were significantly better commodity prices in 1984 than in 1983 with the exception of temporary industrial crops whose index was 101.8 in 1984 compared with 100.7 in 1983. The increases in value of marketed production were mainly due to higher prices rather than to increased volume of production. The overall price index stood at 197.5.

PRICE AND VOLUME OF SALES TO MARKETING BOARDS, 1980-1984

Table 8.3 1982=100

	1980	1981	1982	1983	1984*
QUANTUM INDICES—					
Cereals	58.7	85.5	100.0	105.8	83.4
Temporary Industrial Crops	126.5	121.4	100.0	95.6	104.8
Permanent Crops	108.2	99.8	100.0	116.4	125.9
TOTAL	102.4	106 8	100 0	111.4	115.3
Livestock and Products	80 6	82.0	1000	100.3	168.5
TOTAL GROSS MARKETED PRODUCTION	95.2	98.9	100 0	110.7	117.9
PRICE INDICES.					
Cereals	90.3	93.9	100.0	129.8	144.6
Temporary Industrial Crops	71.0	79.8	100.0	100.7	101.8
Permanent Crops	91.9	84.1	100.0	118.0	190.5
TOTAL CROPS	83.8	85 6	1000	130 6	198.4
Livestock and Products	73.8	85.9	100.0	100.3	122.5
TOTAL GROSS MARKETED PRODUCTION	79.6	84.0	100.0	128.4	197.5

*Provisional.

8.5. Table 8.4 shows average gross commodity prices paid to the farmers for selected commodities. Again, the price of tea stands out prominently due to the behaviour of the Indian tea market which caused the average price to more than double between 1983 and 1984. As mentioned earlier, favourable world prices coupled with generally high quality of Kenyan grown tea contributed to this increase. Apart from tea, the prices of most of other commodities also rose appreciably. In particular, the unit price of cotton went up by 21 per cent while that of coffee, sisal, maize and wheat went up by 10 per cent, 7.8 per cent, 13.6 per cent and 21.2 per cent, respectively between 1983 and 1984. While unit prices of sugar-cane, pyrethrum and milk remained unchanged during the reference period, that of beef dropped slightly mainly due to the quality of beef rather than the actual pricing policy.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1980-1984

Table 8.4 *KSh. per stated unit*

	Unit	1980	1981	1982	1983	1984
Coffee	100kg.	2.634	2,258	2,780	3,488	3.844
Tea		1,591	1.774	1,941	2,184	5,184
Sisal		414	41?	503	625	674
Sugar-cane	tonne	133	145	170	227	227
Pyrethrum (extract equivalent)	kg.	1,200	1,150	1,150	1.150	1,150
Seed Cotton	100kg.	331	341	352	369	448
Maize		95	100	107	154	175
Wheat		164	167	188	222	269
Rice Paddy		151	150	150	178	178
Beef (third grade)		795	960	1,100	1,138	1,101
Bacon Pigs		859	975	1,373	1,459	1,482
Milk	100 litre	146	186	215	240	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. For tea, the price reflects export prices for made tea rather than green leaf.

8.6. Table 8.5 provides data on the value of sales to marketing boards by type of farm. It gives some indication of the share of marketed production to the boards by these farms. In 1982, the percentage share of small farms and large farms was 51.7 and 48.3, respectively; the corresponding figures for 1983 were 51.2 and 48.8, while for 1984 the figures were 51.0 and 49.0. These figures suggest that the proportions have remained somewhat constant with the small farms contributing a slightly higher share of marketed production.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1980-1984

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
1980	168.77	13.9	184.53	11.7	353.30	12.7	52.2
1981	178.61	5.8	208.30	12 9	386.91	9.5	53.8
1982	216.67	21.3	232.25	11.5	448.92	16 0	51.7
1983	271.34	25.2	284.10	22.3	555.44	23.7	51.2
1984*	386.22	42.3	402.53	41.7	788.75	42 0	51 0

*Provisional.

8.7. The quantity and price indices for agricultural inputs are shown in Table 8.6. The overall quantum and price indices for 1984 are both around

AGRICULTURAL INPUT INDICES**, 1980-1984

Table 8.6 1982 = 100

	1980	1981	1982	1983	1984*
QUANTUM INDICES.					
Fertilizers ...	141.4	110 6	100.0	95.8	109 9
Fuel and Power	151.6	136.3	100.0	91.2	104.2
Bags	78.0	104.0	100.0	96.5	125.2
Manufactured Feeds	88.4	128.2	100.0	110.8	116.4
Purchased Seeds	37.3	39.4	100.0	93.5	123.8
Other Material Inputs	106.6	103.5	100.0	99 0	111.8
Total Material Input	104.7	85.4	100.0	93.5	112.7
Service Inputs	95.9	98.2	100.0	99 8	101.3
TOTAL INPUTS	100.3	91.8	100.0	96.7	107.0
PRICE INDICES.					
Fertilizers	67.5	93.2	100.0	104.4	105.0
Fuel and Power	69.6	89.2	100.0	108.8	121.1
Bags	81.9	92.0	100.0	113.7	128.4
Manufactured Feeds	107.8	107.7	100.0	88.5	155.8
Purchased Seeds	92.9	97.8	100.0	115.7	133.8
Other Material Inputs	112.9	117.5	100.0	143.3	153.3
TOTAL MATERIAL INPUT	70.7	117.0	100.0	105.4	124.0
NON-FACTOR SERVICE INPUTS	93.7	96.5	100.0	103.5	106.0
TOTAL NON-FACTOR INPUTS	94.2	97.4	100.0	104.2	107.3

*Provisional.

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

107 but there are noticeable differences in individual input indices. Quantum and price indices of total material inputs rose by 20.5 per cent and 17.6 per cent, respectively, between 1983 and 1984. The increase in the overall quantum index is explained by large increases in quantities of bags and seeds which rose, respectively, by 29.7 per cent and 32.4 per cent in the same period. Similarly, the main source of increase in the overall price index was from manufactured feeds which increased by 7b per cent. The sharp increase in price of manufactured feeds occasioned the quantity index for this input to rise by only 5.1 per cent during the same period.

8.8. Values of purchased agricultural inputs are shown in Table 8.7. Apart from "other agricultural chemicals", and "other material inputs", all other inputs went up in value in 1984. Exceptionally high increases were recorded for purchased seeds, manufactured feeds and livestock drugs and medicines. More modest increases were recorded in the value of fertilizers, fuel, power and bags. Overall, the value of purchased agricultural inputs rose by 34 per cent from K£85 million in 1983 to K£114 million in 1984. This overall rise in the value of inputs reflects the continued rise in prices of inputs relative to quantities purchased. The Government, however, continues to explore means by which essential inputs such as fertilizers and seeds can be made available to the farmers at prices which they can afford. In addition to making the prices affordable, it is equally important to ensure that such important inputs are available at the time that the farmers need them. The newly formed Kenya Grain Growers Cooperative Union (KGGCU) is ex. pected to play this role more efficiently than was the case in the past.

PURCHASED AGRICULTURAL INPUTS**, 1980-1984

Table 8.7 *K£million*

	1980	1981	1982	1983	1984*
MATERIAL INPUTS.					
Fertilizers	13.69	14.79	14.68	14 34	16.55
Other Agricultural Chemicals	9.86	11.90	12.27	12.76	11.38
Livestock Drugs and Medicines	4.60	5.05	5.80	5.33	8.65
Fuel and Power	14.72	16.75	15.26	16 63	20.25
Bags	3.70	5.54	5.85	6 36	9.32
Manufactured Feeds	9 49	13.75	10.53	9.78	18.06
Purchased Seeds	3.68	4 09	4.46	6.14	17.58
Other Material Inputs	4.22	4.28	4.66	5.08	4.00
Total	63.96	76.15	73.51	76.42	105.79
SERVICE INPUTS TOTAL	8.76	9.03	9.84	8.95	8.24
TOTAL INPUTS	72.72	85.18	83.35	85.37	114.03

*Provisional.

**Except Labour.

8.9. Data on agricultural terms of trade between 1980 and 1984 are given in Table 8.8. The long-term trend of deteriorating terms of trade in agri. culture continued in 1984 with the index standing at 94.4 compared with 98.1 in 1983. It should, however, be noted that the base year has been changed from 1976 to 1982 and hence the series differ from those contained in the 1984 "Economic Survey". Despite an improvement in commodity prices, there was no improvement in the terms of trade that was hoped for. While the index on agricultural output prices rose by 9.2 per cent between 1983 and 1984, the index for prices paid by farmers increased sub. stantially by 13.5 per cent. In spite of a lower rate of domestic inflation in 1984, the agricultural sector, however, remained disadvantaged relative to the rest of the economy.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1980-1984

Table 8.8 1982=100

	1980	1981	1982	1983	1984*
PRICES RECEIVED.					
Total Crops	83.6	86 9	100.0	117.0	140.1
Domestic	89.4	92.8	100.0	138.2	144.4
Export	81.1	84.3	100.0	107.9	138.3
Livestock and Products	74.6	85.3	100 0	97.8	115.1
WEIGHTED AVERAGE OF ABOVE	82.5	87..3	100.0	115..9	135.7
General index of agricultural output prices**	83.7	90.8	100.0	108.6	118.6
PRICES PAID.					
Purchased Inputs	94.2	97.4	100.0	103.5	106.0
Index of Purchased Consumer Goods.					
Rural Areas	69.9	82.7	100.0	113.8	134.0
INDICES OF PRICES PAID	77.2	87.1	100.0	110.7	125.6
Agricultural Sector Terms of Trade ..	108.4	104.2	100.0	98.1	94.4

*Provisional.

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

8.10. Widespread dry weather conditions in 1984 had an adverse effect on food crop production, particularly maize, wheat, beans and potatoes. Consequently, the Government was forced to import such foodstuffs as maize and wheat to cover the production shortfall. Provisional import data show that nearly 4.5 million bags of maize were imported at a cost of K£44 million while 1.6 million bags of wheat costing K£20 million were imported. Table 8.9 shows that maize production in 1984/85 dropped by almost 35 per cent compared to 1983/84. The production of beans and potatoes was much.

lower at one quarter and one half of the 1983/84 production figures, respectively. The traditional beans and potato growing areas in Central and Eastern provinces were affected by failure of the long rains in 1984, hence the poor harvests.

ESTIMATED PRODUCTION FOR SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1980/81.1984/85

(Based on Crop Forecast Surveys)

Table 8.9 *million bags*

Crop	1980/81	1981/82	1982/83	1983/84	1984/85*
Maize	17.60	21.86	26.10	24.20	15.80
Beans	1.34	2.22	3.20	3 00	0.76
Potatoes	2.40	4.24	6.10	5.10	2.59

*Provisional.

8.11. The production of millet and sorghum is estimated at 300 thousand and 500 thousand bags, respectively. Although these are drought resistant crops, their production was none the less much lower than in the preceding season. There has been a noticeable trend for farmers, even in the marginal areas, to shift from these hardy cereals to the more staple maize. However, this trend needs to be reversed, especially through vigorous encouragement by extension staff and research in favour of higher yielding varieties.

Production by Crop

8.12. *Maize.*—As mentioned above, the estimated production of maize dropped by nearly 35 per cent from 24.2 million bags in 1983/84 to 15.8 million bags in 1984/85. Maize deliveries to the National Cereals and Produce Board (NCPB) declined by about 40 per cent to nearly 4 million bags. During the last few years there has been an unwelcome downward trend in the total production of maize as well as declining average yields. A maize yield survey carried out recently by the NCPB shows that while the average yield per hectare for the whole country was 26 bags in 1981, corresponding figures for 1983 and 1984 were 24 and 12 bags respectively. While this phenomenon is mainly due to dry weather conditions, serious efforts need to be stepped up towards improving productivity per unit area, particularly in the main maize growing areas of Rift Valley and Western Kenya.

8.13. Table 8.10 gives sales of major crops to marketing boards. The figures reflect calendar year deliveries but not necessarily the same calendar years' production. Sale of maize amounted to 560,600 tonnes or 6.2 million bags. However, as indicated in the previous paragraph, only about 4 million bags of maize were delivered to the NCPB from the 1984/85 crop.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1980-1984

Table 8.10

Crop	Unit	YEAR				
		1980	1981	1982	1983	1984*
Maize	'000 tonnes	217.9	472.9	571.3	636 0	560.6
Wheat		204.6	203.4	234.7	242.3	135.4
Rice Paddy		36.4	38.7	38.6	36.6	36.4
Cotton		38.1	25.5	24.3	25.8	22.8
Coffee		91.3	90.7	88.4	95.3	118.5
Tea ..		89.9	90 9	95.6	119.3	116.2
Sisal		46.9	41.3	50.0	49.7	51.4
Sugar-cane	million tonne	4 0	3.8	3.1	3.2	3.6
Pyrethrum (Extract Equi. valent)	tonnes	162	241	258	87	34

*Provisional.

8.14. *Wheat.*—The production of wheat in 1984 declined sharply by 43 per cent from 251 thousand tonnes in 1983 to 144 thousand tonnes in 1984. Table 8.11 sets out details on production, imports and consumption of wheat between 1980 and 1984. As a result of production shortfall, wheat imports shot up from 82 thousand tonnes in 1983 to 140 thousand tonnes in 1984. Wheat flour consumption declined by nearly 18 per cent from 272 thousand tonnes to 224 thousand tonnes during the same period. The decline in flour consumption in 1984 is clearly a result of a drop in supply rather than a decline in demand. The demand for wheat continues to outstrip production, thus necessitating substantial wheat imports.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1980-1984

Table 8.11 '000 *Tonnes*

Year	Wheat Production**	Wheat Imports	Flour Consumption
1980	215.7	92.4	244.2
1981	214.4	139.4	216.7
1982	247.5	154.3	266.7
1983	251.3	81.9	271.7
1984*	144.4	140 3	224.0

*Provisional.

**Includes retention for seed.

8.15. *Coffee.—In* 1984 a total of 118,500 tonnes of coffee was delivered to the Coffee Board of Kenya, representing a 24 per cent improvement over the 1983 figure of 95,300 tonnes. From this, it would seem that coffee was hardly affected by drought. It must, however, be noted from Table 8.12 that the acreage under coffee in 1983/84 was nearly 10 per cent more than in 1982/83. Some increase in production could have come from coffee trees

maturing during the period. The producer price rose from KSh. 3,488 per 100 kilogrammes in 1983 to KSh. 3,844 in 1984.a rise of 10 per cent. This price incentive could also have helped to stimulate supply. As a result of the increased production and improved prices, coffee sales earned farmers K£228 million in 1984 compared with K£166 million in 1983.an increase of 37 per cent.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD OF GROWER, 1979/80-1983/84

Table 8.12

	1979/80	1980/81	1981/82	1982/83	1983/84
Area (Ha) '000.					
Co-operatives	71.2	84.7	97.5	103.1	114.2
Estates	31.2	32.9	33.6	33.6	35.7
Total	102.4	117.6	131.1	136.7	149.9
Production (tonnes) '000.					
Co-operatives	51.9	64.0	52.5	54.1	61.5
Estates	39.1	34.7	34.4	33.1	49.0
Total	91.0	98.7	86.9	87.2	110.5
Quota (tonnes)	82.0	78.0	84.0	78.0	83.4
Average yield (kg..					
Co-operatives	729	756	539	509	539
Estates	1,252	1,057	1,023	981	1,372

8.16. Table 8.12 provides additional details on area under coffee, production and average yields by type of grower as well as export quotas for Kenya coffee. In terms of area under coffee, the co-operatives have the lion's share with some 75 per cent. However, in terms of productivity, the estates have much higher average yields due to superior husbandry methods. For example, while the average yield for co-operatives rose from 509 kg per hectare in 1982/83 to 539 kg in 1983/84 or by 6 per cent, the average yield for estates rose by a commendable 40 per cent from 981 kg to 1,372 kg. These figures suggest that there is more potential remaining to be tapped by the co-operative coffee farmers. The data on quota allocations show that while Kenya produced 110,500 tonnes of coffee during 1983/84, her allocation of 83,400 tonnes left 27,100 tonnes or nearly one quarter of production to be sold in the non-quota markets.

8.17. *Tea.*—Between 1983 and 1984, the production dropped by 2.5 per cent from 119 thousand tonnes in 1983 to 116 thousand tonnes in 1984, as shown in Table 8.10. This drop was mainly occasioned by drought which affected the main tea growing zones in the country. An important feature of the tea industry, however, is the contribution to the production of made-tea by the small holders. Table 8.13 gives details of small holder tea production.

DEVELOPMENT OF SMALL HOLDER TEA, 1979/80-1983/84

Table 8.13

	Total Hec. tares at end of year	Number of growers at end of year	Production of ready. made tea *(tonnes)*	Average size of holding per grower (Hectares)	Average yield per hectare (kg.)
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
1983/84 ..	56,173	149,555	47,058	0 38	838

While the total number of growers increased slightly by 3.4 per cent from 145 thousand in 1982/83 to 150 thousand in 1983/84, the area under small holder tea increased by an even smaller margin of 1.8 per cent from 55 thousand hectares in 1982/83 to 56 thousand hectares in 1983/84. Similarly, production of made-tea rose marginally by 2.2 per cent from 46 thousand tonnes in 1982/83 to 47 thousand tonnes in 1983/84, again highlighting the impact of the drought in 1983/84. The average size of holding has re. mained constant at 0.38 hectares for the last three seasons while yield per hectare, which has been increasing since 1979/80, dropped slightly from 842 kg in 1982/83 to 838 kg in 1983/84. This drop further emphasizes the impact of the drought in 1984.

8.18. A major development in the tea industry during 1984 was the unprecedented rise in the export price of tea. The price more than doubled leading to increased earnings for tea farmers. The price went up from KSh. 2,184 per 100 kg in 1983 to KSh. 5,184 in 1984. This meant that tea farmers earned a total of K£301 million compared with K£130 million in 1983. The prospects for tea production in 1985 are good due to the favourable long rains.

8.19. *Cotton.*—Although production of cotton picked up in 1983, it drop. ped slightly in 1984 partly due to drought. From the estimated production of 25,800 tonnes in 1983, the 1984 production fell by 12 per cent to 22,800 tonnes as indicated in Table 8.10.

8.20. The Government revises prices of major commodities annually and the price of seed cotton was raised by 21.4 per cent from KSh. 369 per 100 kg in 1983 to KSh. 448 in 1984. These producer price adjustments coupled with fieldextension services by the Cotton Lint and Seed Marketing Board will, no doubt, encourage farmers to increase production in 1985, especially in the weather conditions remain favourable.

8.21. *Sugar-cane.*—Production of sugar-cane, which has been on the rise since 1982 continued with the upward trend in 1984. While cane production rose by 6 per cent between 1982 and 1983, a much higher rise of 10 per cent from 3.2 million tonnes to 3.6 million tonnes was recorded between 1983 and 1984. As in the previous year, small holders remain the major producers of cane, accounting for 48 per cent of the total production in 1984. The percentage share of total production and actual quantity of cane produced by smallholders has been on the increase since 1982. The interesting point in 1984 is that for the smallholders and settlement schemes, production is virtually back to the 1981 level, while large farmers have decreased production.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1980-1984

Table 8.14 '000 *tonnes*

	1980	1981	1982	1983	1984*
Factory Estates	925.0	839.4	847.4	789.3	729.3
Large Farms	556.0	675.7	496.9	617.8	599 9
Small-Holders	1,772.3	1,720.5	1,331.7	1,448.3	1,718.8
Co-operative Societies	310.7	260 8	165.5	197.6	218.4
Settlement Schemes	408.3	325.5	266.2	232.6	344.8
TOTAL	3,972.3	3,821.9	3,107.7	3,285.6	3,611.2

*Provisional.

8.22. Table 8.15 presents data on production, imports, consumption and exports of sugar between 1980 and 1984. In 1984, production of sugar reached 370,900 tonnes which was 14 per cent higher than the 1983 figure. Although production has been on the rise after 1982, the 1984 production was still about 8 per cent lower than the 1980 record production of 401,300 tonnes. Since consumption has been rising faster than production, it became necessary to import a small quantity of sugar amounting to 1,500 tonnes in 1984. However, no exports of sugar was recorded in 1984, confirming the fact that Kenya remained barely self-sufficient in sugar.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1980-1984

Table 8.15 '000 *tonnes*

Year	Production	Imports	Consumption	Exports
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
1984	370.9	1.5	379.8	—

8.23. *Horticulture.*—The volume and value of exports of fresh horticultural produce rose marginally by 1.0 and 1.1 per cent, between 1983 and 1984. The corresponding increases between 1982 and 1983 were 17.5 and 28.5 per cent. The rather modest rises between 1983 and 1984 may be accounted for by the fact that there was drought in 1984 and export prices did not rise appreciably. The United Kingdom remained the major importer of horticultural produce from Kenya followed by West Germany and France in that order. The share of total exports from Kenya by these countries was 47.3 per cent, 11.4 per cent and 9.4 per cent, respectively.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1980-1984

Table 8.16

Year	Volume '000 tonnes	Value K£million
1980	22.3	11.35
1981	23.3	12.58
1982	24.6	13.63
1983	28.9	17.52
1984	29.2	17.71

8.24. *Pyrethrum.*—The production of pyrethrum continued the downward trend started in 1983. Production dropped sharply from 87,000 kg of pyreth. rum extract equivalent in 1983 to 34,000 kg or by 61 per cent in 1984. In addition to drought, the pyrethrum industry continued to be plagued by marketing problems as well as stagnating prices.

8.25. *Sisal.*—Production of sisal increased slightly from 49,700 tonnes in 1983 to 51,400 tonnes in 1984 or by 3.4 per cent. The producer price went up from KSh. 625 per 100 kg in 1983 to KSh. 674 in 1984.an increase of 7.8 per cent. As a result, sisal farmers earned K£17 million compared with K£16 million in 1983.

Livestock Production

8.26. It is estimated that livestock production went down by approximately 25 per cent following severe drought in the first nine months of 1984 which led to high livestock mortality. Although no major study has been conducted to determine precisely the extent of loss due to drought, it is reckoned around a quarter of the livestock either starved or were slaughtered in the most drought stricken parts of Eastern, Central and Rift Valley provinces in 1984. The Government and the Kenya Meat Commission arranged to transport as many cattle as possible to the slaughter-house in order to give some return to the farmers.

SALE OF DAIRY AND LIVESTOCK PRODUCTS TO PUBLIC ENTERPRISES, 1980-1984

Table 8.17

	Unit	1980	1981	1982	1983	1984*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	186.8	222.9	260.3	274.2	189.9
Milk Processed						
Wholemilk and cream ..	Mn. Litres	186.8	222.3	235.5	215.2	229.8
Butter and ghee	Tonnes	2,174	2,729	3,160	3,721	2,301
Cheese		150	210	157	227	203
Evaporated milk		44	—	—	—	—
Dried Wholemilk powder		128	1,334	2,350	1,693	205
Dried skim-milk Powder		80	469	1,715	1,921	206
Other Products		270	131	71	—	71
KENYA MEAT COMMISSION						
Intake of:						
Cattle and calves	000 Head	56	61	71	84	222
Sheep		6	7	10	4	3
Lambs			1	1	1	—
Goats		1	1	3	2	10
TOTAL PRODUCTION OF CARCASS BEEF	'000 Tonnes	6.4	8.4	9.8	10.7	38.4
UPLANDS BACON FACTORY						
Intake of pigs for:						
Bacon	000 Head	20	13	12	13	19
Pork		5	2	1	1	2
Manufactures		2	2	2	1	1

*Provisional.

**Including sale licensed by the Kenya Dairy Board.

8.27. Milk production went down by 32 per cent between 1983 and 1984. This was to be expected since not only did livestock numbers go down but the remaining herds had meagre pasture and water, leading to lower yields in recorded milk production. Milk processed by the Kenya Co-operative Creameries also fell by 27 per cent from 315 million litres in 1983 to 230 million litres in 1984. The price of milk, however, remained constant at KSh. 4.90 per litre during 1984 but was raised to KSh. 5.50 early in 1985.

Irrigation

8.28. The details contained in Table 8.18 relate to seven major irrigation schemes which were operational as of 1984. The area under crops dropped slightly from 9,900 hectares in 1983 to 9,518 hectares in 1984 or by 4 per cent. This could have been as a result of the dry weather conditions prevailing in 1984. Despite the smaller acreage, the gross value of output and payment to plot-holders increased by 18 and 15 per cent, respectively. The area crop. ped and the number of plot-holders rose marginally in Mwea, the largest of the seven schemes. The production of paddy at Mwea rose by 2 per cent from 28,751 tonnes in 1982/83 to 29,336 tonnes in 1983/84. Cotton pro. duction in the Tana scheme rose by 6 per cent while at Perkera the pro. duction of chillies more than doubled, otherwise production declined on the schemes.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1979/80.1983/84

Table 8.18

	1979/80	1980/81	1981/82	1982/83	1983/84*
MWEA—					
Area cropped—*Hectares*	5,767	5,771	5,782	5,784	5,820
Plot-holders—*Number*	3,150	3,150	3,150	3,151	3,173
Gross value of output—K£'000	1,637	2,029	2,331	3,563	4,213
Payments to plot.holders—K£'000	1,412	1,425	1,746	1,788	2,198
ALL (7) SCHEME AREAS—					
Area cropped-*Hectares*	9,538	9,753	9,417	9,900	9,518
Plot-holders—*Number*	5,553	5,735	5,669	6,115	6,361
Gross value of output—K£'000	2,496	3,267	4,715	5,150	6,056
Payments to plot.holders.K£'000	1,870	1,896	2,314	2,495	2,858
CROPS PRODUCED-*Tonnes*					
Mwea-Paddy	29,202	31,041	29,848	28,751	29,336
Ahero-Paddy	4,106	4,326	3,963	3,388	3,324
W. Kano-Paddy	3,379	3,583	3,519	2,935	2,302
-Sugar-cane	—	11,395	11,871	5,715	5,594
Bunyala-Paddy	789	995	1,283	1,338	1,293
Tana-Cotton	1,242	2,337	1,684	1,478	1,559
Bura-Cotton	—	—	—	1,633	1,482
Perkera-Onions	1,127	1,256	834	967	975
Chillies	603	244	139	45	94

*Provisional.

Agricultural Training

8.29. Details on enrolment at the major agriculture-related training institutions are contained in Table 8.19. The combined enrolment in the faculties of Agriculture and Veterinary Medicine of the University of Nairobi dropped by 3.2 per cent from a total of 981 students in 1983 to 950 in 1984. The enrolment at Egerton College stood at 1,428 students in 1984 compared with 1,578 in 1983; a 9.5 percentage drop. However, the enrolment in 1984 was still 32 per cent higher than the 1,082 recorded in 1982.

TOTAL ENROLMENTS IN AGRICULTURAL TRAINING INSTITUTIONS, 1980-1984

Table 8.19

	1980	1981	1982	1983	1984*
DEGREE LEVEL.					
University of Nairobi-Faculty of Agriculture	408	450	550	613	592
Faculty of Veterinary Met	325	301	385	368	358
DIPLOMA LEVEL.					
Egerton College	860	938	1,082	1,578	1,428
CERTIFICATE LEVEL.					
Bukura Institute of Agriculture	150	170	135	254	338
Embu Institute of Agriculture	150	150	167	210	481
Animal Health and Industry Training Institute**	275	536	665	512	548
SHORT-TERM VOCATIONAL COURSES.					
Naivasha Dairy Training School	1,160	1,059	948	1,029	1,029
Athi River M.T. School		198	61	130	74

*Provisional.

**Includes Students at Kabete and Nyahururu.

8.30. Despite a decline in enrolment in the major agricultural training institutions as noted above, there were commendable improvements in enrolment at Bukura and Embu agricultural institutes. This augurs well for the District Focus for Rural Development as graduates of these institutes form the core of field extension staff who are in close contact with the farmers. The Jomo Kenyatta College of Agriculture and Technology continued to offer courses in agricultural engineering and horticulture and food processing. In addition, a course is offered in irrigation with a total enrolment of 48 students. Total enrolment for the courses mentioned above stood at 258 in 1984.

Co-operatives

8.31. Table 8.20 presents data on the total number of co-operative societies and unions by type between 1980 and 1984. A striking feature of this table is the significance of agricultural co-operatives. Out of the total number of societies and unions operating in both 1983 and 1984, agriculture-based co-operatives are predominant. And in this category, the most significant were multi-produce societies which in 1984 accounted for 29 per cent of all agricultural societies. Even among the country-wide cooperatives, agriculture. based societies and unions continue to play a major role and contribute more than any other type of co-operative to the welfare of the members, particularly in the rural areas. The country-wide co-operatives which could be mentioned are the Kenya Co-operative Creameries and Kenya Grain Growers Co-operative Union.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1980-1984

Table 8.20

Type of Society	1980	1981	1982	1983	1984
Coffee	161	169	175	181	183
Sugar-cane	46	64	71	73	74
Pyrethrum	51	54	59	58	58
Cotton	39	40	54	53	57
Dairy	103	103	109	114	121
Multiproduce	275	335	337	410	437
Farm Purchase	305	219	212	211	206
Other Agricultural Societies	390	332	165	320	326
Fisheries	—	—	—	51	53
Total	1,370	1,316	1,182	1,471	1,515
Savings and Credit	787	797	928	1,088	1,187
Other Non-Agricultural Societies	257	263	454	279	299
Total	1,044	1,060	1,382	1,367	1,486
Unions and Country-wide Co-operatives*	59	54	54	63	63
TOTAL	2,473	2,430	2,618	2,901	3,064

*Includes KCC and KGGCU.

8.32. In order to highlight the contribution of agricultural co-operatives, data on sales of selected agricultural produce by co-operatives are presented in Table 8.21. Sales figures in this table are extracted from Table 8.2 and show sales by agricultural co-operatives to marketing boards. It is interesting to note that between 1980 and 1984, the share of sales by co-operatives has been rising steadily from around 50 per cent in 1980 to 75 per cent in 1984. Cotton, pyrethrum and dairy co-operatives had the highest share in 1984 followed by sugar-cane and coffee co-operatives. In terms of value of sales, however, coffee co-operatives have consistently remained the most important since 1980 and in 1984 accounted for 73 per cent of total sales by the co-operatives.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE*, 1980-1984

Table 8.21

Year	Coffee	Sugar-cane	Pyrethrum	Cotton	Dairy Products	Total
	Sale K£million					
1980	70.10	2.05	4.95	4.55	6.45	88.10
1981	66.10	1.90	7 20	4 40	13.70	93.30
1982	75.35	5 90	12.25	4.20	26.55	124.25
1983	93.25	22.45	3 00	4.55	31.90	155.15
1984	136 60	25.90	0 90	4.80	18.65	186.85
	Percentage Share					
1980	58	7	60	72	43	51
1981	64	6	60	78	54	54
1982	61	20	80	79	93	62
1983	56	62	59	95	96	63
1984	60	63	87	95	72	75

*Marketed Production in Table 8.2.

CHAPTER 9—NATURAL RESOURCES AND ENVIRONMENT

The natural resource base of any country is of vital importance in the process of economic development. However, in order for a country to achieve optimal gains, there must be both the prudent exploitation of those resources as well as judicious conservation for future use and for the maintenance of the correct environmental balance. Thus, the Government continues to emphasise re-afforestation, protection of water catchment areas and soil conservation. In addition, efforts are directed towards the development of fisheries as well as mining. In recent years, the Government has also intensified work on exploration and prospecting for oil.

Water Supplies

9.2. Water, among other habitat factors, provides the basis for biological life and leads to the evolution of diverse colonies of fauna and flora. The need for water to sustain human and livestock requirements, irrigation and industrial purposes including transportation have been major considerations in the location of human settlements. In historical perspective, water is known to have had an overriding influence on the rise of ancient civilizations in Rome, Egypt and Persia, while the current world's settlement and population distribution clusters around water resources and areas of adequate precipitation.

9.3. As the pace of world industrialization increases and as most water resources become heavily polluted by chemical and solid effluents, the emphasis on water supplies has shifted from a simple requirement of proximity to a water resource, to the need for access to clean and safe drinking water. The U.N. Habitat Conference held in Vancouver, Canada in 1976 echoed this concern and called on all governments to provide clean water for all by the year 1990. In a subsequent special U.N. Water Conference in Argentina, the need for clean water was articulated further by the declaration of the International Drinking Water Supply and Sanitation Decade, whose goals for provision of clean water have been modified by the Government in order to conform to the realities of Kenya's development experience.

9.4. The Ministry of Water Development has intensified efforts to provide clean water supplies in order to achieve the objectives of the "Clean Water and Sanitation Decade." In this respect, a number of construction activities for new water supplies continued in several areas including Kukuma in Turkana; Kapkong, Kabluk, Keitegam Kisanana and Ndabibi in Baringo; Moi Teachers' College and Moi Barracks in Uasin Gishu and Litein in Kericho among others. In the arid and semi-arid regions of Kajiado, Tana River, Lamu, Kwale, Narok, Baringo and Taita-Taveta the provision of ranch water supplies continued under the Livestock Development Programme. Other activities in progress included the rehabilitation of old water supplies as well as the design and planning of anticipated programmes.

9.5. The data in Table 9.1 show the development expenditure on water supplies and related services incurred by the Central Government and other public authorities during the period 1980/81 to 1984/85. One of the Government's main development strategies is to provide for the increased basic rural infrastructural amenities in order to improve the quality of life for the vast majority of Kenyans. In the spirit of commitment to this strategy, the Government increased the development expenditure on rural water supplies in 1984/85 by the significant amount of K£4.33 million representing a percentage rise of 38.4. The overall development expenditure on water supplies and related services rose by a bigger margin of 52.5 per cent having increased from K£22.14 million in 1983/84 to K£33.76 million in 1984/85. In relative terms, however, the overall expenditure on water supplies and related services as a proportion of the whole government's development expenditure was around 10 per cent-back to the 1981/82 level when the International Drinking Water Supply and Sanitation Decade was launched.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1980/81-1984/85*

Table 9.1 K£'000

	1980/81	1981/82	1982/83	1983/84	1984/85
Water Development	12,338	970	558	845	1,165
Training of Water Development Staff	307	360	56	–	370
Rural Water Supplies	4.151	9,511	5,252	11,272	15,600
Self-Help Water Supplies	3,110	5,199	2,900	4,541	3,822
County Council and Urban Water Supplies	3,110	11,600	5,591	4,734	6,967
Miscellaneous and Special Water Programmes	939	4,828	2,698	745	5,838
TOTAL	23,955	32,468	17,055	22,137	33,762

*Provisional.

9.6. The provincial distribution of rural water supply schemes between 1983 and 1985 is indicated in Table 9.2. The number of schemes increased by 19 between 1984 and 1985 compared with a mere 9 between 1983 and 1984.

9.7. The Water Quality and Pollution Control Division diversified its activities in 1984 and opened offices in Embu, Nyeri, Nakuru and Kakamega in addition to the existing ones in Mombasa and Kisumu. Water laboratories have already been established in three centres in Mombasa, Kisumu and Kakamega to serve the respective provinces. The Central Water Laboratory in Nairobi continued to serve North Eastern, Eastern, Central and Rift Valley provinces. The divisional activities involved water pollution control, inspection, enforcement of the Water Act in as far as the water pollution is concerned, monitoring the quality of the surface and ground waters, as well as the analysis of samples submitted to the central and provincial water laboratories. In the enforcement of the Water Act Chapter 372, relating

to the contravention of the water pollution and allied sections of the Act, a total of eight cases were taken to court and six of those were successfully prosecuted. Most of those cases involved water pollution through the discharge of raw coffee effluent into receiving waters.

NUMERICAL AND COST DISTRIBUTION OF RURAL WATER SUPPLY SCHEMES, 1983-1985

Table 9.2

Province	NUMBER			COST (K£'000)		
	1983	1984	1985*	1983	1984	1985*
Coast	11	11	11	454	454	454
North-Eastem	15	15	15	157	157	157
Eastern	23	24	25**	3,740	4,640	5,090
Central	18	20	25**	8,985	11,385	12,835
Rift Valley	34	39	52**	1,309	7,484	14,402
Nyanza	16	16	16	6,698	6,698	6,698
Western	11	12	12	5,335	6,435	6,435
TOTAL	128	137	156	26,678	37,253	46,071

*Provisional.

**Includes Rural Water Supply Schemes expected to be operational in June, 1985.

9.8. The majority of water samples analysed in 1984 were received in the Central Water Quality Laboratory. The number of samples amounted to 3,302 out of which 55.5 per cent were sediment assessment samples, while ground water, surface water and waste water samples represented 8.2 per cent, 27.3 per cent and 11.0 per cent respectively. The Kisumu and Kakamega water laboratories received and analysed a total of 428 samples including raw and potable water, effluent and bacteriological samples.

Fisheries

9.9. The fishing industry experienced a substantial decline following the drought conditions which afflicted the country last year. As rivers dried up and lake shorelines receded, the resulting ecological disequilibria led to impaired breeding and feeding habits of most fresh water species. In areas where large factories discharged their chemical wastes into river basins, the reduction in water volume meant that the concentration of the chemical effluents remained high and liable to inflict lethal damage to aquatic life.

9.10. The data in Table 9.3 indicate that the drop in fish landing was dramatic. The overall fish catch dropped from a peak tonnage of 97,461 in 1983 to 78,442 tonnes in 1984, representing a percentage drop of 19.5. The loss in terms of fishermen's income was equally substantial. The aggregate value of fish landed dropped by an unprecedented 19.4 per cent from K£11.13 million in 1983 to K£8.97 million in 1984.

QUANTITY AND VALUE OF FISH LANDED, 1980-1984

Table 9.3

	1980	1981	1982	1983	1984*
Quantities *Tonnes:*.					
Freshwater fish.					
Lake Victoria	26,914	38,179	60,958	77,327	59,500
Lake Turkana	12,384	10,529	11,040	10,113	10,008
Other areas	3,584	2,677	2,019	3,628	3,916
TOTAL	42,882	51,385	74,017	91,068	73,424
Marine fish	4,905	5,546	6,622	5.798	3,910
Crustaceans	400	384	426	474	248
Other marine products	31	37	68	121	860
GRAND TOTAL	48,218	57,352	81,133	97,461	78,442
Value K£'000:.					
Freshwater fish	3,959	6,362	8,447	8,329	6,945
Marine fish	1,156	1,486	2,049	2,062	1,405
Crustaceans	341	338	413	539	273
Other marine products	9	14	80	204	345
TOTAL	5,465	8,200	10,989	11,134	8,968

*Provisional.

9.11. Despite the constraints faced by the fishing industry in 1984, Lake Victoria remained the country's largest source of fish production. Its share in the total fish production, however, dropped from 79.3 per cent in 1983 to 75.8 per cent in 1984. The share of Lake Turkana and other fresh water sources rose by small margins, thereby raising the overall contribution of fresh water catches to nearly 94 per cent of production in 1984. This rise in the share of fresh water catches, though marginal, meant that the contribution of marine fish production would continue a declining trend which started way back in 1982.

9.12. The need to expand and diversify food production has influenced the Government's decision to boost fisheries development programmes as an intergral strategy of increasing national food production. In collaboration with multilateral aid agencies, the Government has launched several projects designed to enhance production, storage and marketing of fish. Intensive aqua-culture development programmes have been part of those efforts and have been undertaken in order to raise the present hectarage of water coverage from 3,000 to an estimated 7,000 hectares of water which would increase fish production by an additional 3,500 metric tonnes per annum. Collaborative research has also been in progress in order to identify new species which have faster growth potential, disease resistance and ability to utilise natural fish foods from fish ponds.

9.13. Apart from aqua-culture development, efforts have also been made to boost marine fishing technology. About 50 fishing motor-boats are ex. pected to be built and fitted with appropriate fishing gear, including 20 units of gillnets of 81m x 9m each. Most of these boats will be operated south of Mombasa where the need for sea-worthy vessels is greatest. The vessels are expected to boost fish production by enabling fishermen to increase their fishing range and the average number of fishing days per year. The production of other marine products is expected to benefit from the experience of the mari-culture project for rearing prawns at Malindi. This pilot project, sponsored jointly by FAO and UNDP, is designed to serve as a demonstration scheme for marine fish farming activities.

Forestry

9.14. Forests are important elements of the natural ecosystem. They serve to ameliorate the climate by depressing local temperatures and producing thick layers of moisture which cloud and precipitate in their environs as convectional rainfall. In addition to this influence on climate and the conservation of surface water catchments, forests serve as traditional sources of fuel wood, building materials, and provide among other things, a base for the establishment of sawn timber, pulp and paper industries. Thus, propel forestry management is an important prerequisite for economic use and the maintenance of the right ecological balance. With the threat of desertification in most of Africa, this point cannot be over-emphasised.

9.15. The Forestry Department continued to expand the country's forest plantation area in order to satisfy the growing demand for various forest products and preserve the state of natural environment. The data in Table 9.4 indicate that the total area of forest plantation increased from 159,800 hectares in 1983 to 165,000 hectares in 1984 or by 3.2 per cent. The plantation area of indigenous soft and hardwoods remained virtually constant while most of the exotic varieties experienced marginal increases ranging from zero to 7 per cent. The magnitude of change in the overall plantation area is anticipated to remain, at best, fairly small. As food production assumes priority considerations in national development, the emphasis on forest development has shifted gradually from mere spatial expansions, to the development of agro-forestry practices which are destined to optimise the use of existing land resources.

9.16. The rural afforestation programmes achieved some measure of success in 1984 despite the constraints of the drought which led to the drop in the number of operational tree nurseries in the country. A survey of 24 districts in the country indicated that while tree nurseries dropped by 12.8 per cent, the number of tree seedlings planted in 1984 increased by 22.2 per cent, having risen from 18 million in 1983 to 22 million in 1984. The increased planting in 1984 was due, in part, to the rush for seedlings during the

October's short rains which terminated the lengthy drought. Most of the tree seedlings planted were given out by the Forest Department, schools, local administration and the Green Belt Movement.

FOREST PLANTATION AREA, 1980-1984

Table 9.4 '000 *Hectares*

	1980	1981	1982	1983	1984*
Indigeneous softwood	8 0	8.2	9.4	9.7	9.7
Indigeneous hardwood	10.1	10.2	11.3	11.6	11.6
Exotic softwoods.					
Cypress	52.6	55.1	57.5	59.2	62.7
Pines	62.1	63.5	65.2	67.2	68.3
Exotic hardwoods.					
Timber	3.4	3.3	3.5	3.6	3.6
Fuel	7.3	7.1	8.3	8.5	9.1
TOTAL AREA	143.5	147.4	155.2	159.8	165.0

*Provisional.

9.17. Table 9.5 indicates the recorded sale of forest products between 1980 and 1984. The sale of softwood timber continued an upward trend which marks a significant recovery from a depression experienced in 1982. Hardwood timber sale decreased on the other hand by 24.3 per cent, but this drop was more than offset by the substantial increase in the softwood timber with the consequence that overall timber sale increased by the small margin of 5.4 per cent in 1984. Despite an abrupt drop in sale during 1981, power and telegraph poles maintained a rising momentum in response to increasing rural electrification and expansion of communication networks. Charcoal and fuelwood sale increased by 33.3 and 27.3 per cent respectively in 1984, but their trend in past years has been rather unstable.

RECORDED SALE OF FOREST PRODUCTS, 1980-1984

Table 9.5

	1980	1981	1982	1983	1984*
Timber '000 *true cu. metres.*					
Softwood	436	352	312	464	567
Hardwood	78	125	383	263	199
TOTAL	514	477	695	727	766
Fuel '000 *stacked cu. metres.*					
Fuelwood	69	59	50	33	42
Charcoal	1	2	11	9	12
Power and Telegraph Poles. *numbers*	12,364	10,200	15,365	21,146	25,606

*Provisional.

Mining

9.18. The data in Table 9.6 indicate that the quantity of mineral output in 1984 dropped by a significant margin of 7.0 per cent. The production decline in 1984 meant that the output rise in 1983 was apparently the beginning of a slow and fluctuating recovery likely to be constrained by the weather and the market forces in the mining industry. The value of total mineral output fell by 3.8 per cent from K£20.23 million in 1983 to K£19.46 million in 1984. The largest drop in the total mineral output value was, however experienced in 1981 when the total value dropped by K£3.66 million re. presenting a percentage drop of 22.7.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1980-1984

Table 9.6

	1980	1981	1982	1983	1984*
Quantities *Tonnes:*.					
Minerals.					
Soda Ash	203,768	157,870	161,310	193,690	226,000
Flourspar	93,378	90,099	88,726	59,084	50,883
Salt	48,796	27,796	26,823	83,427	49,449
Limestone Products**	37,658	33,063	26,646	34,150	20,855
Other	35,394	20,052	4,475	41,475	35,818+
TOTAL	418,994	328,880	307,980	411,826	383,005
Value K£'000:.					
Soda Ash***	9,615	5,884	8,150	7,273	10,455
Fluorspar***	2,871	4,443	5,530	3,099	3,361
Salt	711	223	630	2,963	1,481
Limestone Products	570	522	353	480	662
Other	2,300	1,338	1,230	1,738	1,500+
TOTAL	16,067	12,410	15,893	15,553	17,459

*Provisional.

**Excluding limestone used as input into cement product.

***Export value only.

+Rough estimates only.

9.19. Despite the drop in the quantity of total mineral output, the production of soda ash continued an increasing trend set in 1982. While total mineral output fell by 7.0 per cent in 1984, the production of soda ash rose by 16.7 per cent and constituted 59 per cent of the total mineral production. Flour. spar remained the second most important mineral despite the quantity and value declines experienced in 1984. The quantity of all other minerals including salt and limestone products dropped by proportions ranging from 13.6 per cent in the case of other minerals to 40.7 per cent in the case of salt.

9.20. The average export price of soda ash declined further in 1984 due to sluggish market conditions in Asian countries. At K£47 per tonne in 1984. the average export price was marginally below that in 1981.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1980-1984

Table 9.7 *K£ per tonne*

	1980	1981	1982	1983	1984*
Soda Ash	51.2	48.9	63.5	58.0	47.0
Fluorspar	33.1	52.1	62.8	63.5	64.5

*Provisional.

9.21. The Mines and Geological Department continued with the programme of mineral exploration using geophysical surveys and geochemical sample assessments in order to identify potential mineral areas. While geological mapping has been completed in Samburu-Marsabit, Embu-Meru-Kitui and Kilifi-Mombasa among other areas, geophysical work is in progress in Kakamega, Sotik, Belgut, Chemagel and Chepalungu in order to assess the potential for sulphide minerals and gold. In the Coast Province, a geochemical survey is being carried out and a total of 5,710 soil samples have been collected for base metal assessment over an area of 88 square kilometres. Other major programmes include the assessment of certain industrial minerals including limestone at Songhor, Koru and West Pokot; kaolin at Gathuini and Karundu areas of Nyeri; wollastonite in Kajiado and phosphates at Ikutha and Homa Bay areas.

Resource assessment and monitoring activities

9.22. In 1984, the Kenya Rangeland Ecological Monitoring Unit (KREMU) continued the use of remote sensing technology, aerial photography and ground surveys to monitor and assess the country's natural resources. Emphasis was placed on land use mapping and the forecast of maize yields and expected harvest. The data management system is expected to be improved in the middle of 1985 by the installation of a geographical information system (GIS) computer which will facilitate efficient data analysis in the study of different resources.

9.23. The potential for economic development depends not only on the stock of natural resources, but also on sound management in the use of such resources. Continuous assessment of land use patterns is an important management exercise which provides a basis for determining expected levels of productivity. Table 9.8 shows the broad patterns of land use in selected districts in the period 1983 and 1984. A total of 11 districts have now been surveyed and their land use maps and inventories of major land use types

have been compiled from aerial photographs and LANDSAT (satellite) imageries. Agriculture remains the predominant form of land use and accounts for 73.0 per cent of the total land area in the districts surveyed. A further analysis shows that on average, over 50 per cent of the agricultural land is under pasture. The data indicate that South Nyanza has the greatest proportion of agricultural land while Bungoma tops in the proportion of forest cover. Land use surveys in the high potential and marginal areas including Kilifi, Embu, Kiambu, Uasin Gishu, Baringo and Elgeyo/Marakwet are expected to continue in 1985. The exercise will be repeated in future for the same districts in order to determine changes in land use patterns in response to increasing human activity on land resources.

BROAD PATTERNS OF LAND-USE BY DISTRICT, 1983-1984

Table 9.8 *Sq. Km.*

District	TYPE OF LAND-USE			Total
	Forest*	Agricultural Land	Non-Agricultural Land	
Meru	1,488	4,961	3,473	9,922
Nyandarua	529	2,118	883	3,530
Trans-Nzoia	333	1,496	249	2,078
Kericho	753	4,103	34	4,890
Kisumu	—	1,800	293	2,093**
Kisii	175	1,867	154	2.196
Siaya	—	2,540	988	3.528
South Nyanza	23	5.280	411	5,714**
Kakamega	352	3,133	35	3,520
Bungoma	922	2,029	123	3,074
Busia	—	1,519	247	1,766
TOTAL	4,575	30,846	6,890	42,311

*Forest includes large areas of trees visible from LANDSAT but excludes small woodlots.
**Represents land surface area only.

Other activities for preserving the environment

9.24. During 1984, the National Environment and Human Settlements Secretariat (NEHSS) was involved in several activities designed to enhance the state of natural environment. The main concern of the secretariat is to ensure that environmental considerations are incorporated in the design, planning and implementation of development programmes. The production of district environment assessment profiles has been part of this effort. In 1984, the NEHSS completed and published environment assessment reports for Kilifi and Nakuru while similar reports for Kwale, Mombasa, Lamu, Tana River, Meru and Kirinyaga districts are expected to be published in 1985.

9.25. Environment assessment profiles have indicated that the most common problem in several districts is soil erosion resulting from poor land use practices including crop production and livestock farming. In view of this, a pilot programme on soil erosion monitoring was launched in Kiambu in 1981 and extended to Murang'a in 1984. The aim of the programme is to develop a methodology of monitoring soil erosion with a view to adopting appropriate remedial measures applicable in several affected areas. Several other environmental problems have been identified in specific study areas, including marine pollution in Coast Province, wildlife menace and deforestation in Kwale, Kilifi and Lamu districts as well as environmental health problems of poor and inadequate sanitation, water, sewerage and recreational facilities in over-crowded urban shanties.

9.26. The success of environment-based programmes depends, to a large measure, on the people's awareness of the need to conserve their environment. In 1984, the NEHSS made determined efforts to create this awareness through a series of environment education programmes. Several activities including drama, films, slides, choirs, prayers, processions and speeches were organised as part of the celebrations to mark the World Environment Day on June 5, 1984. In addition to the routine radio programme on "Focus on Habitat" and a series of lectures to schools, the secretariat co-ordinated the writing of a national paper on Human Settlements presented to the 7th UN Commission on Human Settlement Conference held in Libreville, Garbon in April/ May, 1984.

9.27. The Kerio Valley Development Authority was established by an act of Parliament in 1979, in order to explore and co-ordinate the development programmes of the Kerio and Turkwell valleys. The authority has made substantial efforts to harness the valley's vast potential for crop production, forest development, mineral exploitation and the production of hydro-electricity. In this respect, a chain of programmes has been initiated including a forestry project and irrigation schemes for horticultural crop. development in Sigor, Tot and Arror, mineral exploration in the Elgeyo/ Marakwet escarpment and a 120 mw hydro-electric power project in the Turkwell gorge.

CHAPTER 10—ENERGY

Overall Trends

The dominance of both fossil and hydro electricity as the main source of commercial energy, in the past years, continued into 1984. Both accounted for about 94 per cent of the total energy supply in modern sector in 1984. However, hydro power generation last year fell marginally due to the long and severe drought experienced in 1984. Quantity of crude oil imported dec. lined from 1,940 thousand tonnes valued at K£289 million in 1983 to 1,933 thousand tonnes valued at K£300 million in 1984. Despite the relatively small increase in crude oil import bill, it still posed considerable burden on the country's balance of payments. The national per capita consumption of commercial energy in terms of kilograms of oil equivalent rose from 103 in 1983 to 107 in 1984. In order to realise the current "energy diversification policy", the Government through the Ministry of Energy and Regional Development, has intensified its efforts in developing more renewable sources of energy.

10.2. Total oil import bill of all petroleum fuels increased by 7.8 per cent to K£393 million in 1984. Export receipts also increased from K£655 million in 1983 to K£778 million in the following year. It follows therefore that whereas in 1983, oil import bill claimed 55.7 per cent of total export earnings, its proportion fell to 50.6 per cent in 1984. The extent of success of the Government policy in reducing energy burden on the economy is remark. able. Whereas in 1983 export earnings from both coffee and tea financed some 80 per cent of total oil import bill, the percentage rose to 99 in 1984. Improved earnings of these commodities, especially tea, and continued reduction of volume of oil imports, were the main factors for the improvement.

10.3. Table 10.1 shows growth rates of the monetary GDP and energy consumption. While the growth rate of the monetary GDP has steadily increased over the eight-year period up to 1983, those of both total energy and petroleum consumption declined in 1982 and 1983, but rose in 1984. Indices of consumption of various forms of energy rose by 2 per cent in 1984 above the base period, 1982. The index of consumption of petroleum products in 1984 was at the 1976 level. Consumption of fossil fuels rose by 12 per cent while total energy consumed registered an increase of 6 per cent above the 1982 level. Rising energy consumption serves as an indicator of improving economic activities in the country. The success of the Government policy in reducing dependence on imported forms of energy is evident in the growing monetary GDP. coupled with stable or declining petroleum consumed.

INDICES OF GROWTH IN MONETARY ECONOMY AND ENERGY CONSUMPTION, 1976-1984

Table 10.1 1982 = 100

Year	Index of Monetary GDP at Constant Prices	Index of Consumption of Oil, Coal and Coke and Electricity	Index of Consumption of Petroleum Products
1976	73	89	99
1977	80	93	102
1978	85	98	106
1979	88	102	106
1980	92	106	112
1981	97	105	106
1982	100	100	100
1983	104	95	92
1984*		102	99

*Provisional.

Petroleum

10.4. Table 10.2 lays out the quantity and value of both imports and exports of petroleum products for the period 1980.84. The volume of fossilised energy imported continued to fall and registered yet another decline in 1984. The quantity of crude oil and petroleum products imported decreased by 4.2 per cent, from 2,159 thousand tonnes in 1983 to 2,069 thousand tonnes in 1984, largely due to cuts in petroleum fuels. The latter have tended to fluctuate from year to year. The effect of reduced imports is reflected in lower values at K£334 million in 1984.a drop of K£8 million below the 1983 figure. The value of imports would have been lower had it not been for an increase in crude petroleum which rose from K£289 million in 1983 to K£300 million in 1984.

10.5. The trend of exported quantity is on the decline despite an increase of 8 per cent in 1984 over 1983. The largest rise was registered in petroleum fuels which rose from 631 thousand tonnes in 1983 to 685 thousand tonnes in 1984. Export receipts increased from K£128 million to K£142 million, equivalent to 10.9 per cent and the biggest rise was shown by petroleum fuel. The increment in both export quantity and value was mainly influenced by the reopening of the Kenya/Tanzania border which resulted in more trade both in petroleum products and other general merchandise.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLeUM PRODUCTS, 1980-1984

Table 10.2

	QUANTITY ('000 TONNES)					VALUE (K£'Mn)				
	1980	1981	1982	1983	1984*	1980	1981	1982	1983	1984*
IMPORTS.										
Crude Petroleum		2,611.1	2,162.5	1,940.2	1,932.7	256.58	338.15	299.81	289.46	300.44
Petroleum Fuels	166.5	85.1	101.6	195.9	100.6	19.69	8.17	22.12	45.55	21.12
Lubricating Oil	54.8	50.4	20.0	22.5	35.4	0.92	11.72	5.77	7.25	12.54
Lubricating Greases	0.1	0.2			0.1	0.08	0.13	0.07	0.06	0.09
TOTAL	3,296.9	2,746.8	2,284.1	2,158.6	2,068.8	277.27	358.15	327.77	342.32	334.19
EXPORTS—										
Petroleum Fuels	1,581.8	1,169.5	868.0	630.8	685.3	150.56	152.28	141.68	118.24	131.72
Lubricating Oils	35.5	15.8	14.7	17.1	16.7	9.98	5.50	7.06	9.65	9.48
Lubricating Greases	1.1	0.5	0.4	0.9	0.4	0.35	0.23	0.25	0.49	0.30
TOTAL	1,618.4	1,185.8	883.1	648.8	702.4	160.89	158.01	148.99	128.38	141.50
NET BALANCE	1,678.5	1,561.0	1,401.0	1,509.8	1,366.4	116.38	200.14	178.78	213.94	192.69

*Provisional.

10.6. Both in 1983 and 1984 the average price of crude imports remained unchanged at US$28.40 per barrel. However, during the years Murban crude oil showed a marginal decrease in the average spot price from US$29.56 per barrel in 1983 to US$29.46 per barrel in 1984. Despite this marginal price decline, Murban crude remained the most highly priced followed by the Zakum crude. Table 10.3 details the eleven types of crude imported during the past two years.

PRICES OF CRUDE OIL IMPORTED BY TYPE, DECEMBER, 1981 TO DECEMBER, 1984

Table 10.3 *US$ per Barrel*

Crude Oil Type	December 1981	December 1982	December 1983	December 1984
Arabian Light	34.99	34.00	29.00	29.00
Arabian Medium	33.00	32.40	27.30	27.30
Arabian Berri	—	—	29.52	29.52
Arabian Heavy	31.50	31.00	26.00	26.00
Iranian Light	34.60	31.20	28.00	28.00
Iranian Medium	33.40	29.30	27.10	27.10
Qatar Marine	35.50	34.30	—	—
Qatar Durkhan	35.65	34.49	29.49	29.49
Kuwait	33.00	32.30	27.30	27.30
Zakum	35.60	34.46	29.46	29.46
Basrah	34.71	34.21	—	—
Murban	35.70	34.56	29.56	29.56
Dubai	33.86	33.86	—	
Abu Bukhoosh	35.75	—	—	—
Oman	36.00	34.00	29.00	29.00
Average	34.52	33.08	28.40	28.40

10.7. The crude intake by the Kenya Oil Refinery, Mombasa increased to 2,020 thousand tonnes in 1984, representing 2 per cent rise over the 1983 quantity. Table 10.4 shows that Murban crude, which took the lead over Arabian light in 1983 as the main type imported, maintained its position in 1984. It accounted for 27 per cent of the total crude intake, followed by Iranian medium contributing the next 17 per cent. The Arabian light berri replaced the Arabian light as the major crude imported in 1984.

CRUDE OIL INTAKE BY TYPE, 1980-1984

Table 10.4 '000 *Tonnes*

Crude intake	A.P.I. Gravity	1980	1981	1982	1983	1984*
Arabian Light	33.4	876.0	785.2	699.8	281.6	58.2
Arabian Medium	31.0	673.2	658.7	40.9	67.0	3.6
Arabian Heavy	27.9	73.5	75.5	198.1	208.3	244.5
Arabian Light Spike Crude	—	—	—	73.6	—	—
Arabian Light Berri	—	—	—	—	57.9	314.8
Iranian Light	33.9	—	67.5	53.8	242.1	76.9
Iranian Medium	—	92.6	65.7	65.3	97.8	343.7
Qatar Marine	36.7	523.6	34.2	—	—	100.7
Qatar Durkhan	41.2	52.0	52.6	64.8	64.6	—
Kuwait	32.0	383.9	67.5	53.4	53.5	55.3
Zakum	40.1	292.9	50.9	81.3	226.2	268.3
Basrah	34.1	—	—	—	—	—
Murban	39.6	63.8	584.7	522.0	520.2	552.9
Dubai	32.4		66.8	—	—	0.1
Abu A1 Bukhoosh	—					—
Oman	—	—	195.0	199.2	100.7	—
Suez Mix	—	—	—	212.9	64.4	—
Slops	—	7.1	4.5**	3.6**	0.9	0.9
TOTAL ..	—	3,038.6	2,708.8	2,268.7	1,985.4	2,019.9

* Provisional.

**Estimated.

10.8. The Gulf States continued to be the only source of Kenya's crude oil in 1984, a long standing scenario. Saudi Arabia maintained its role as the largest single source of Kenya's crude oil. Volume of oil imported from that country increased from 615 thousand tonnes in 1983 to 621 thousand tonnes in 1984. However, its share of sale to Kenya remained unchanged at 31 per cent. Iran, which used to be the major source of crude oil for Kenya prior to the current Middle East conflict, supplied 421 thousand tonnes. Kuwait and Qatar are the other Gulf States whose intake have been greatly reduced in the past few years.

10.9. Throughput and output of petroleum products from the Kenya Oil Refinery is set in Table 10.5. The general downward trend in throughput was reversed in 1984. resulting in an increase recorded at 2,020 thousand tonnes in the year. The output of all the petroleum products increased, except fuel oil and premium motor gasoline. The output of regular motor gasoline increased from 159 thousand tonnes in 1983 to 169 thousand tonnes in 1984. Light diesel oil, used mainly by transport vehicles and tractors, increased by 4 per

cent over 419 thousand tonnes registered in 1983. This is attributable to the increased transportation of special grain imports from Mombasa to destinations inland. The other factor is the increased number of diesel propelled vehicles, which have proved to be relatively cheaper to run than petrol operated ones. Both illuminating kerosene and jet/turbo fuel increased by 9 per cent after regaining their long upward trend which was only interrupted in 1983. The steady fall in the production of the premium motor spirit is due to its replacement by gasohol in Nairobi and its surroundings. However, the decline of 4 per cent is much less than the 23 per cent recorded in 1983. Finally, the refinery usage which had been declining since 1980, increased in 1984 to 71 thousand, albeit the drop may be temporary.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1980-1984

Table 10.5 '000 *tonnes*

	1980	1981	1982	1983	1984*
OUTPUT.					
Liquefied petroleum gas	24.1	22.3	20.0	20.3	23.0
Motor gasoline premium	274.4	213.9	182.8	141.2	135.4
Motor gasoline regular	154.6	155.4	139.6	159.4	168.7
Illuminating kerosene Jet/turbo fuel	436.5	474.8	378.0	326.6	357.2
Light diesel oil	523.8	466.6	409.0	419.3	437.1
Heavy diesel oil Marine diesel oil	84.7	68.2	54.7	28.9	31.6
Fuel oil	851.3	647.6	619.2	604.6	611.6
Export residues	561.4	542.3	347.3	191.5	155.5
Bitumen	31.0	33.1	29.3	26.3	30.7
Intermediates	0.4	-3.2	4.8	.2.1	.2.1
Refinery usage	97.2	87.8	84.0	69.4	71.1
THROUGHPUT =TOTAL OUTPUT	3,038.6	2,708.8	2,268.7	1,985.4	2,019.9

* Provisional.

**Excludes lubricants.

10.10. Table 10.6 shows the percentage of both domestic and export sale of petroleum fuels. The latter component earns the country the much needed foreign exchange and thus helps in financing the oil import bill. Export share, which set on the decline path in 1980, levelled-out. If the data in the last two years are used as a yardstick, then it may be concluded that approximately 70 per cent of the refinery products could be reserved for domestic consumption. The optimism expressed on the anticipated increased sales of petroleum products to Northern Tanzania after re-opening of the border had not been realised fully by 1984. There are, however, positive signs of this being met in the near future.

SALE OF OIL REFINERY PRODUCTS, 1980-1984

Table 10.6 *Percentages*

Year	Domestic	Export	Total
1980	52.8	47.2	100.0
1981	58.8	41.2	100.0
1982	64.3	35.7	100.0
1983	69.6	30.4	100.0
1984*	69.4	30.6	100.0

*Provisional.

10.11. Sale of petroleum fuels is given in Table 10.7. The level of sale which had been declining in the immediate last four years was halted in

PETROLEUM SUPPLY AND DEMAND BALANCE, 1980-1984

T*able* 10.7 '000 *Tonnes*

	1980	1981	1982	1983	1984*
DEMAND.					
Liquefied petroleum gas ..	21.5	21.1	20 9	19 9	21.6
Motor spirit premium and regular	300.8	298.5	269.3	256 4	257.7
Aviation spirit	5.6	6.1	6.1	6.1	5.6
Jet/turbo fuel**	347.9	343.5	281.8	250.1	259.4
Illuminating kerosene	85.6	88.6	82.2	81.8	81.4
Light diesel oil	408.5	375.6	373.1	388.9	420.1
Heavy diesel oil	38.9	30.7	27.6	23.2	25.2
Fuel oil	462.1	420.4	428.3	346.7	411.4
TOTAL	1,670 9	1,584.5	1,489.3	1,373.1	1,482.4
Refinery usage	97.2	87.8	84.0	69.4	71.1
TOTAL DOMESTIC DEMAND	1,768.2	1,672.3	1,573.3	1,442.4	1,553.5
Exports of Petroleum fuels	1,581.8	1,169.5	868.5	630.8	685.3
TOTAL DEMAND	3,349.9	2,841.8	2,441.3	2,073.3	2,238.8
SUPPLY.					
Imports:					
Crude oil	3,075.5	2,611.1	2,162.5	1,940.2	1,932.7
Petroleum fuels	166.5	85.1	101.6	195.9	100.6
TOTAL	3,242.0	2,696.2	2,264.1	2,136.1	2,033.3
Adjustment***	107.9	145.6	.177.2	.62.8	205.5
TOTAL SUPPLY	3,349.9	2,841.8	2,441.3	2,073.3	2,238.8

*Provisional.

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

***Adjustment for inventory changes and losses in production.

1984. The rise resulted in an increase of 109 thousand tonnes over 1983 and recorded 1,482 thousand tonnes in 1984. Sale of all products except aviation spirit and illuminating kerosene increased in 1984. Liquified petroleum gas which declined by 5.2 per cent in 1983, increased by 8.5 per cent to 21,600 tonnes in 1984. Fuel oil sales registered an increase of 411,400 tonnes sold compared with 346,700 tonnes recorded in the previous year. Jet/Turbo fuel registered 3.7 per cent increase above the 250,100 tonnes sold in 1983. The modest rise in sale of jet/turbo fuel was mainly influenced by increased air traffic handled at the airports in Kenya. The light diesel oil, used by both heavy vehicles and tractors, continued with its upward trend which started in 1981. Some 420 thousand tonnes of this fuel was sold, the highest quantity in the five-year period.

10.12. An index of petroleum products by consumption is set in Table 10.8. The total oil consumption which had been declining since 1980 reached its lowest point in 1983 when it recorded a decline of 7.8 per cent but rose to 99.5 per cent in 1984. The indices of all the fuels except aviation spirit and illuminating kerosene recorded increments, though some were fairly modest. Indices of liquified petroleum gas and light diesel have shown a strong tendency to rise and are the only two products whose consumption is above the 1982 level. The consumption of the latter product increased due to the transportation of maize from Mombasa by heavy commercial vehicles. Increase in the former fuel product was due to substitution of electricity with fuel gas especially for domestic use after the former's price hike. The index of heavy diesel oil, although higher than in 1983, still fell by 8.7 per cent below the 1982 consumption. The consumption of motor spirits remained stable, thus indicating the effect of "rationing by the purse". All in all, total consumption of petroleum products has remained below the 1982 level since 1983.

INDEX OF PETROLEUM PRODUCTS BY CONSUMPTION, 1980-1984

Table 10.8 1982=100

PRODUCT	1980	1981	1982	1983	1984*
Liquefied petroleum gas	102.9	101.0	100.0	95.2	103.3
Motor spirit: Premium and Regular	111.7	110.8	100.0	95.2	95.7
Aviation spirit	91 8	100.0	100.0	1000	91.8
Jet/Turbo fuel	123.5	121.9	100.0	88.8	92.1
Illuminating kerosene	104.1	107.8	100.0	99.5	99.0
Light diesel oil	109.5	100.7	100.0	104.2	112.6
Heavy diesel oil	140.9	111.2	100.0	84.1	91.3
Fuel oil	107.9	98.2	100.0	80.9	96.1
TOTAL	112.2	106.4	100.0	92.2	99.5

*Provisional.

10.13. Net domestic sale of petroleum fuels by type of user is on Table 10.9. Retail-pump outlets and road transport continued to be the dominant fuel consumer, and this category alone accounted for 38 per cent of total consumption in 1984. Industrial and commercial sector, the second largest fuel consumer, accounted for the next 31 per cent. Tourism sector, though small, increased its consumption from 8,000 tonnes in 1983 to 9,300 tonnes. The rise was consistent with the increased number of tourists recorded in 1984. Rail transport consumption increased marginally in 1984 for the first time since 1980. 43 thousand tonnes was purchased by the corporation in 1984 compared with the lowest figure of 41 thousand tonnes bought in the previous year. This rise was due to the increased number of diesel propelled engines in contrast with coal heated engines used in the past. Consumption by the Government increased by 9 per cent above 48 thousand tonnes used in the previous year. It was, however, still less than the consumption in 1980 and 1981 when 93 and 95 thousand tonnes were used respectively. Power generation consumption increased to 55 thousand tonnes in 1984 from 44 thousand tonnes in the previous year. This rise was due to the long and severe drought experienced in the year when the water levels in the power generating dams were drastically reduced and hydro electricity generation subsequently declined. In order to meet the demand for domestic electricity, increased fuel consumption was necessary to generate such electricity.

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1980-1984

Table 10.9 '000 *Tonnes*

USER	1980	1981	1982	1983	1984*
Agriculture	69.1	71.9	45.8	45.5	44.0
Retail pump outlets and road transport	520 8	515.7	507.4	520.5	568.7
Rail Transport	70.7	45.2	41 9	40 9	42.5
Tourism	—	—	8.5	8 0	9.3
Marine (Excl. Naval Forces)	142 4	182.0	144.1	201.7	158.9
Aviation (excl. Government)**	372.1	349.6	283.2	250.6	258.8
Power Generation	150.7	109 9	95.6	43.6	54.5
Industrial, Commercial and Other	497.3	464.0	445.2	4160	452.6
Government	92.5	95.3	51 2	47.7	51 8
Balancing Item	244.7	249.1	133.6	201 .5	.158.7
TOTAL	1,670 9	1,584.5	1,489.3	1,373.1	1,482.4

*Provisional.

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

10.14. Wholesale prices of all the petroleum products at Mombasa were raised by the Government on 27th April, 1984. Although the OPEC members announced small cuts in the prices of some petroleum crude types, the domestic prices were revised up-wards to defray both transport and refining costs which had increased. As a consequence of the revisions, the wholesale prices of the

products increased by 5.8 per cent for liquified petroleum gas and 12.1 per cent for illuminating kerosene. The last column of Table 10.10 gives the percentage price changes between 1973 and 1984. The sharpest price increases were recorded in both power kerosene and the industrial diesel oil, with nearly nine-fold rise. On the other hand, the lowest rise, about three-fold, was registered by liquified petroleum gas. The price of premium motor gasoline increased from KSh. 10,116 per tonne by 3rd December ,1983 to KSh. 10,869 per tonne by 27th April, 1984. a rise of 7.4 per cent. The price of regular motor gasoline on the respective dates was KSh. 9,738 per tonne and KSh. 10,512 per tonne, representing 7.9 per cent increase.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973-1984

Table 10.10 *KSh. per tonne*

	30-9-1973	5-11-1981	3 -12-1982	3-12-1983	27-4-1984	Ratio 1984/73 (Percent)
Liquefied petroleum gas	2,060	6,050	6,050	6,050	6,399	310.6
Premium motor gasoline	1,551	9,434	10,116	10,116	10,869	700.7
Regular motor gasoline	1,468	9,037	9,738	9,738	10,512	716.1
Illuminating kerosene	736	4.205	4.333	4.333	4.859	660.2
Power kerosene (Blended	763	5,571	5,954	5,954	6,555	859.1
Light diesel oil ..	892	5.529	5,886	5,886	6,365	713.6
Industrial diesel oil	471	3,666	3,666	3,666	4,019	853.3
Fuel oil	334	2,180	2,195	2,195	2,408	721.0

*Including duties and sales taxes.

10.15. Table 10.11 shows the Nairobi retail prices between April, 1979 and April, 1984. It will be observed that prices have more than doubled since 1979. However, since December, 1982 the increases have tended to be moderate. The cost per litre of premium and gasohol motor spirit, whose prices are the same, rose from KSh. 8.0 in December. 1982 to 8.61 in 1984.

NAIROBI RETAIL PRICES. 1979-1984

Table 10.11 *KSh. per litre*

Date	MOTOR SPIRIT		Gas Oil
	Premium/ Gasohol*	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
27.4.84	8.61	8.13	5.94

***Gasohol was introduced from 1983.**

cent over 419 thousand tonnes registered in 1983. This is attributable to the increased transportation of special grain imports from Mombasa to destinations inland. The other factor is the increased number of diesel propelled vehicles, which have proved to be relatively cheaper to run than petrol operated ones. Both illuminating kerosene and jet/turbo fuel increased by 9 per cent after regaining their long upward trend which was only interrupted in 1983. The steady fall in the production of the premium motor spirit is due to its replacement by gasohol in Nairobi and its surroundings. However, the decline of 4 per cent is much less than the 23 per cent recorded in 1983. Finally, the refinery usage which had been declining since 1980, increased in 1984 to 71 thousand, albeit the drop may be temporary.

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1980-1984

Table 10.5 '000 *tonnes*

	1980	1981	1982	1983	1984*
OUTPUT.					
Liquefied petroleum gas	24.1	22.3	20.0	20.3	23.0
Motor gasoline premium	274.4	213.9	182.8	141.2	135.4
Motor gasoline regular	154.6	155.4	139.6	159.4	168.7
Illuminating kerosene Jet/turbo fuel	436.5	474.8	378.0	326.6	357.2
Light diesel oil	523.8	466.6	409.0	419.3	437.1
Heavy diesel oil Marine diesel oil	84.7	68.2	54.7	28.9	31.6
Fuel oil	851.3	647.6	619.2	604.6	611.6
Export residues	561.4	542.3	347.3	191.5	155.5
Bitumen	31.0	33.1	29.3	26.3	30.7
Intermediates	0.4	-3.2	4.8	.2.1	.2.1
Refinery usage	97.2	87.8	84.0	69.4	71.1
THROUGHPUT =TOTAL OUTPUT	3,038.6	2,708.8	2,268.7	1,985.4	2,019.9

* Provisional.

**Excludes lubricants.

10.10. Table 10.6 shows the percentage of both domestic and export sale of petroleum fuels. The latter component earns the country the much needed foreign exchange and thus helps in financing the oil import bill. Export share, which set on the decline path in 1980, levelled-out. If the data in the last two years are used as a yardstick, then it may be concluded that approximately 70 per cent of the refinery products could be reserved for domestic consumption. The optimism expressed on the anticipated increased sales of petroleum products to Northern Tanzania after re-opening of the border had not been realised fully by 1984. There are, however, positive signs of this being met in the near future.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1980-1984

Table 10.13 *Million KWH*

	1980	1981	1982	1983	1984
DEMAND—					
Domestic and Small Commercial	402	438	455	484	514
Large Commercial and Industrial	1,014	1,096	1,121	1,144	1,206
Off-peak	111	118	114	109	116
Street Lighting	11	11	11	10	9
TOTAL	1,538	1,663	1,701	1,747	1,845
Transmission losses and unallocated demand	238	256	284	294	276
TOTAL DEMAND-TOTAL SUPPLY	1,776	1,919	1,985	2,041	2,121
of which imports from Uganda	315	194	212	179	215
Net generation	1,461	1,725	1,773	1,862	1,906

10.18. At the peak of the drought, there were fears that more oil thermal capacity was to be installed to replace the idle hydro capacity grounded due to water shortage. This fear did not materialise due to the efficient and economical utilization of the available low water levels in the generating dams. The result was remarkable as the oil based units generated increased by only 61 GWH, much less than had been anticipated. The trend which was started in 1983, whereby geothermal units generated accounted for more than 50 per cent of the total thermal units was maintained in 1984. However, the proportion of the geothermal units generated was only 51 per cent in 1984 compared with 62 per cent of total thermal generation in 1983.

10.19. The total electricity demand continued with its up-ward trend in 1984. The total demand grew from 1,538 GWH in 1980 to 1,845 GWH in 1984, representing an increase of 20 per cent over the five year-period. This increase has been caused by high rise in the number of customers which rose from 156,600 in 1980 to 188,900 in 1984. Some 6,054 service lines were installed which resulted in much higher increase in demand of 6 per cent compared with a modest 3 per cent rise registered in 1983.

10.20. Large commercial and industrial customers continued to be the major consumers in 1984. This sector alone used 1,206 GWH or 65 per cent of the total. The second highest users consist of domestic and small commercial category. This group accounted for 28 per cent of the total consumption, the same level recorded in the previous year. The other two groups of main users were off peak and street lighting. Both have jointly accounted for about 8 per cent of the total demand over the period 1980.84. The off. peak demand which had declined in both 1982 and 1983, recorded an upturn in 1984. when it increased to 116 GWH from 109 GWH registered in

1983. The street lighting demand stagnated at 11 GWH in the three years, 1980.82; it marginally declined in 1983 to 10 GWH and dropped further in 1984 to 9 GWH. In order to meet the domestic demand, electricity has continued to be imported from Uganda. The quantity has continued to decline over the years, in pursuit of domestic self-sufficiency. Whereas in 1980 some 315 GWH was imported from Uganda, the units declined to 215 GWH in 1984. This implies that Kenya supplies 90 per cent of its electricity.

Total Energy Supply and Demand

10.21. Despite the concerted efforts by the Government to reduce the heavy dependence on oil, Kenya still relies heavily on imported fuel. Table 10.14 gives the types and sources of fuels. Liquid fuels, which is wholly imported, continued to be the dominant type of energy. Out of 2,081 thousand tonnes of oil equivalent consumed in 1984, liquid fuels accounted for

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1980—1984

Table 10.14 '000 *Tonnes Oil Equivalent*

	1980	1981	1982	1983	1984*
COAL AND COKE CONSUMPTION	60.0	91.2	75.0	91 0	118.2
OIL—					
Imports of crude oil	3,075.5	2,611.1	2,165.5	1,940.2	1,932.7
Net exports of petroleum fuels	1,415.3	-1,084.4	-766.2	-434.9	-584.7
Stock changes and balancing item	108.0	145.6	-177.2	-62.9	205.5
TOTAL CONSUMPTION OF LIQUID FUELS	1,768.2	1,672.3	1,573.3	1,442.4	1,553.5
HYDRO ENERGY—					
Local production of hydro power	254.4	331.4	335.3	354.7	357.8
Imports of hydro power	75.6	46.6	50..9	43.0	51.6
TOTAL CONSUMPTION OF HYDRO ENERGY	330.0	378.0	386.2	397.7	409.4
TOTAL LOCAL ENERGY PRODUCTION	254.4	331.4	335.3	354.7	357.8
TOTAL IMPORTS	1,795.8	1,664.5	1,522.8	1,639.3	1,517.8
Use of stock and balancing item	108.0	145.6	177.2	-62.9	205.5
TOTAL ENERGY CONSUMPTION	2,158.2	2,141.5	2,034.5	1,931.1	2,081.1
LOCAL PRODUCTION AS PER. GENTAE OF TOTAL	11.8	15.5	16.5	18.4	17.2
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	135	126	108	103	107

*Provisional.

**Modern sector only: fuelwood and charcoal are excluded.

75 per cent. The total energy production which has been increasing slowly but steadily, accounted for 358 thousand tonnes of oil equivalent in 1984 compared with 355 thousand tonnes of oil equivalent in 1983. Due to the drought experienced in 1984. the hydro electricity imported increased by 20 per cent to 52 thousand tonnes oil equivalent after falling by 16 per cent in 1983.

10.22. Coal consumed increased by 30 per cent from 91 thousand tonnes of oil equivalent used in 1983 to 118 thousand tonnes in 1984. The rise has been mainly influenced by the increased consumption by Bamburi Portland Cement Company which has re-designed its plants to use more of this fuel. Coal still remained the smallest source of energy consumed in the country compared with both fossil and electricity, despite the large rise in 1984. The small share of coal arises because it cannot effectively substitute oil as the source of power; hence most firms are bound to continue using liquid fuel. However, in clay industries, coal has proved to be quite suitable and this has partially accounted for the steady rise in its consumption after the 1982 oil crisis. Swaziland and Mozambique, traditional sources of coal, continued to maintain their role as the major suppliers to Kenya in 1984.

10.23. The total energy consumption which had declined in the last two consecutive years increased by 8 per cent to 2,081 thousand tonnes oil equivalent in 1984. The three types of energy, viz coal, oil and electricity, each registered increment of 30 per cent, 8 per cent, and 3 per cent, respectively. This re-emphasizes the current duality of energy conservation policy which aims at solving the problem from both demand and supply sides.

Household Energy Use

10.24. The energy problem is not unique to urban sector, rather, it encompasses the rural households as well. The main types of energy used by the households are paraffin, biomass and other renewable energy sources such as biogas, solar and windmills. As both the need for and cost of imported fuels have been escalating rapidly, there has been much pressure on wood resources. Both the urban and rural households often experience shortages of charcoal. Due to pressure of demand, a number of related problems such as deforestation, deterioration of soil conditions, and low agricultural productivity have emerged.

10.25. Wood has long served as the traditional source of fuel in Kenya. In order to close the gap between energy demand and supply, the problem must be tackled from both demand and supply sides. The demand side approach entails improved woodstoves, charcoal "jikos," and charcoal production kilns. The Government, through the Ministry of Energy and Rural Development, has established a number of demonstration centres based on ecological regions for efficient equipment testing. Since wood has many competing uses for domestic and industrial purposes, a balance has to be struck in its distribution. Concerted efforts are being made on agroforestry, replanting of forests and improved management of natural forests.

CHAPTER 11—MANUFACTURING

The manufacturing sector recorded a modest growth in real terms of 4.3 per cent towards the GDP in 1984. Although slightly lower than the increase in the previous year, it was well above the 3.0 per cent target set for 1984 in the current Development Plan. The decline in agricultural production, due to prolonged drought in 1984, decreased some agricultural earnings with the result that domestic demand was reduced for manufacturing products. However, this fall was more than offset by improvement in other sub-sectors within the manufacturing sector. Foreign exchange reserves rose mainly due to high international prices of Kenya's major exports, particularly tea. This and the Government policy on trade liberalisation, enabled a large number of import licence approvals to be granted for the raw materials required in this sector. Cutbacks in Government's domestic commercial borrowings made available more credit to the private sector although this may have affected other manufacturing industries as will be shown later in the chapter. Other contributory factors for the modest rise in output were the reductions in domestic interest rates and moderate increases in prices of many manufactured consumer non-luxury products.

11.2. Growth rates of production in individual sub-sectors varied widely. More than half of the industries in this sector recorded increases in volume of output with significant rises registered by miscellaneous manufactures, clay and glass products, petroleum and chemicals, and sugar and confectionery industries. Those which recorded falls of more than 12 per cent include meat and dairy products, transport equipment, and leather and footwear industries.

11.3. Wage earnings in the manufacturing sector increased by 13 per cent from K£149 million in 1983 to K£169 million in 1984. Employment too. increased to 153 thousand persons in 1984 from 149 thousand persons in 1983. This may be due to the ease in acquisition of import licences for the needed raw materials. The manufacturing sector possibly concentrated in utilising available production capacity, for the value of additions to fixed assets as measured by the Business Expectations Enquiry (BEE) declined by 21 per cent from K£101 million in 1983 to K£80 million in 1984.

11.4. Estimated manufacturing sales at current prices stood at K£1,704 million in 1984 compared with K£1.560 million for 1983. A decline in value of sales occurred in the clothing, furniture and fixtures, basic industrial chemicals, clay and glass products and miscellaneous manufactures industries. A majority of the remaining industries in this sector registered increases which were, however, lower than the corresponding ones in 1983. The value of stocks in manufacturing sector were estimated to be K£370 million in the period under review as against a revised figure of K£347 million in 1983.

Changes in production in 1984

11.5. The values of output, intermediate consumption and contribution of value added by the manufacturing sector at current prices are noted in Table 11.1. There was an increase of 22 per cent in value of output which was higher than the 18 per cent observed in 1983. The value of intermediate consumption and value added grew more rapidly than in 1983. A substantial rise in the share of intermediate consumption in gross output during 1984 accounts for the lower rise in value added at current prices compared with the rise for gross output.

MANUFACTURING SECTOR—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES*
1982-1984

Table 11.1 *K£million*

	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1982**	2,054.06	1,663.02	391.04	136.13
1983**	2,425.58	1,996.47	429.11	149.40
1984***	2,956.67	2,471.97	484.70	168.72

*Includes tea processing.

** Provisional.

***Early Estimates.

11.6. Quantum indices of output of the sector in the period 1982 to 1984 are shown in detail in Table 11.2. As already indicated, the overall rise of 4.1 per cent was impressive. Since the sector weathered the adverse effects of the drought to some extent, it is likely to do better in 1985 particularly with the arrival of the long rains in time.

11.7. Despite the difficult weather conditions during 1984. food processing industry recorded a 7.3 per cent increase compared with the 5.8 per cent increase attained in 1983. This rise may be attributed to unusually high imports of unmilled maize and wheat, coupled with increases in output of sugar and confectionery.

11.8. The Kenya Meat Commission (KMC) received large deliveries of cattle, sheep and goats in 1984 mainly due to acute drought during the year that forced farmers to sell their livestock to avert big losses arising from deaths. As a result, output of beef, mutton and goat meat increased substantially. Beef alone increased to 28 thousand tonnes in 1984 from 18 thousand tonnes in 1983. Exports of canned beef more than doubled, increasing from 1,748 tonnes in 1983 to 3,897 tonnes in 1984, earning the country some K£7 million compared with K£3 million in 1983. But output of dairy products declined significantly. As a result of the drought, production of liquid milk declined to 197 million litres in 1984 from 304 million litres recorded in the previous year. Consequently, the overall index of the meat and dairy products

fell by 15.3 per cent in 1984 compared with a sharp rise of 28.2 per cent attained in 1983. To meet local demand, 46 tonnes of whole milk powder were imported during the year compared with only 7 tonnes in 1983.

QUATUM INDEX OF MANUFACTURING PRODUCTION, 1982-1984

Table 11.2 1976 = 100

	1982	1983	1984*	Percentage Change 1984/83*
Meat and Dairy Products	62.6	80.2	67.9	-15.2
Canned Vegetables, Fish, Oils and Fats	152.0	183.5	167.7	-8.6
Grain Mill Products	176.6	154.4	164.2	+6.3
Bakery Products	93.4	111.8	109.6	-1.9
Sugar and Confectionery	144.8	153.0	189.1	+23.6
Miscellaneous Foods	128.4	121.7	126.6	+4.0
Food Manufacturing	112.9	119.5	128.2	+7.3
Beverages	127.9	117.2	127.6	+8.9
Tobacco	142.9	174.2	161.7	-7.2
Beverages and Tobacco	129.3	128.3	134.7	+5.0
Textiles	134.0	146.8	166.6	+13.5
Clothing	388.5	406.8	369.5	-9.2
Leather and Footwear	92.8	93.1	81.3	-12.7
Wood and Cork Products	131 9	109 6	91.5	-16.5
Furniture and Fixtures	64.9	67.1	69.8	+4.0
Paper and Paper Products	142.8	129 5	137.1	+5.9
Printing and Publishing	268.5	284.1	317.3	+11.7
Basic Industrial Chemicals	166.5	150.5	167.8	+11 5
Petroleum and Other Chemicals	187.4	196.6	245 0	+24.6
Rubber Products	152.6	195.0	227.5	+16.6
Plastic Products	163.8	176.6	186.3	+5.5
Clay and Glass Products	181.5	216.8	282.3	+30.2
Non-Metallic Minerals	124.7	122.2	108 4	-11.3
Metal Products	89.2	.97.4	89.4	-8.2
Non-Electrical Machinery	97.7	100.1	103.1	+3.0
Electrical Equipment	139.7	138.2	147.2	+6.5
Transport Equipment	774.1	904.2	774.9	-14.2
Miscellaneous Manufactures ..	107 9	118.8	157.7	+32.7
Total Manufacturing	156.5	163.6	170.3	+4.1

*Provisional.

11.9. Notwithstanding fair increases in output of canned fruits and edible oils, the output of canned vegetables, fish, oil and fats industry declined by 8.6 per cent in 1984. Two main factors accounted for the decline: drought conditions which affected off-shore fishing grounds; and a temporary stoppage in the production of edible oils by a leading domestic producer of the product.

11.10. Although deliveries of major cereals—maize and wheat to the National Cereals and Produce Board (NCPB)—decreased substantially as a result of the drought in 1984, the overall output index increased by 6.3 per cent compared with an increase of 12.6 per cent in the previous year. Imports of maize and wheat, and particularly the timely arrival of the former averted an overall decline in output of this industry. While the output of wheat flour fell from 272 thousand tonnes in 1983 to 222 thousand tonnes in 1984, that of maize meal increased to 302 thousand tonnes from 228 thousand tonnes in 1983. Other increases in output that helped achieve the modest rise in output of this industry came from such products as wheat offals, maize germ, maize offals and bran. Details of the output of the main grain mill products since 1980 are shown in Table 11.3.

PRODUCTION OF GRAIN MILL PRODUCTS, 1980-1984

Table 11.3 '000 *tonnes*

Year	Commodity			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
1980	276·5	191·4	23·4	2·0
1981*	290·1	216·7	23·2	3·4
1982	337·0	266·7	19·4	1·3
1983	227·5	271·7	21·8	0·7
1984**	302·2	221·6	20·7	1·0

***Revised.**
****Provisional.**

11.11. The decline in the output of wheat flour resulted in the fall in output of bread from 181 thousand tonnes in 1983 to 151 thousand tonnes in 1984. In spite of large increases in the output of scones and biscuits in response to good domestic and export demand, overall output of the bakery products industry declined by 1.9 per cent in 1984 against a rise of 19.7 per cent in 1983. This is because the latter are minor products in the bakery industry. Exports of biscuits rose to 354 tonnes in 1984 from 271 tonnes in 1983.

11.12. There were minor decreases in output of confectionery and chocolate products such as sweets and chewing gum in 1984. Nevertheless, the output of sugar and molasses increased substantially thus accounting for the large increase of 23.6 per cent in output of sugar and confectionery. Increased deliveries of sugar-cane to the mills may be attributed both to increases in producer prices and to an increase in the fleet of transport for carrying the cane to the factories.

11.13. The overall output of the miscellaneous food industry went up moderately by 4.0 per cent during the year under review. Good export prices for coffee and tea enhanced domestic production of these commodities. In particular, high export prices of tea, resulting from India's reduction of its tea exports, may have contributed substantially to the rise in domestic processing of that commodity. Output of black tea increased by 3 per cent from 104 thousand tonnes in 1983 to 107 thousand tonnes in 1984, while that of milled and roasted coffee rose to 100 thousand tonnes from 78 thousand tonnes in 1983. Other products in this sub-sector, notably salt, cashew nuts, cattle and pig feeds, also recorded increases in output. However, there were decreases in output of instant coffee, poultry and pet foods.

11.14. Despite increases in the price of beer and cigarettes during the year under review, the combined output of beverages and tobacco rose by 5.0 per cent. Tobacco alone declined by 7.2 per cent while beverages increased by 8.9 per cent, thereby mitigating the decline in tobacco to give the modest rise in the industry. Increase in output of beverages is attributed to good domestic consumption. While the value of domestic exports of alcoholic beverages remained stagnant for 1983 and 1984. that of non-alcoholic beverages declined from K£115 thousand in 1983 to K£65 thousand in 1984. Value of imports of alcoholic beverages declined during the year, reflecting the Government policy of reducing luxury consumer goods. The BAT has a programme of increasing supplies of local tobacco to save foreign exchange on importation of unmanufactured tobacco. Production of beverages and tobacco for the years 1980 through 1984 is detailed in Table 11.4.

PRODUCTION OF BEVERAGES AND TOBACCO, 1980-1984

Table 11.4

Year	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	'000 litres	Million litres	Million litres	Million
1980	463.0	232.4	142.9	4,556
1981*	607.8	228.3	150.8	4,972
1982	458.1	233.7	137.8	4,904
1983	510.3	217.5	118.8	5,584
1984**	530.2	230.3	137.9	5,391

*Revised.
**Provisional.

11.15. The textile industry continued its upward trend with growth rising by 13.5 per cent in 1984 compared with 9.6 per cent in the previous year. Increased utilization of the available plant capacity as a result of improvement in import licence approvals during the year, and the import policy on importation of textile products, helped the industry attain an increase in output. Moderate decreases in output of made-up textiles, knitted materials and rope and twine were more than offset by relatively large increases in output of cotton wooven fabrics, polyester fabrics, towelling materials, cotton lint and ginned cotton. However, to meet local demand, certain textile materials continue being imported. For instance, importation of textile fibres and synthetic fibres suitable for spinning increased from 5,500 tonnes in 1983 to 8,300 tonnes in 1984. Two textile firms, namely, Rivatex and Kicomi (1983), received further financial support from development finance institutions as loans or equity during the year for their expansion and modernisation and acquisition of raw materials.

11.16. Except for uniforms and overalls, all other products of the clothing industry recorded decreases in output during 1984 and hence the 9.2 per cent decline recorded for the industry. In particular, output of vests, singlets and underwear together declined substantially from some 310,000 dozen in 1983 to 221,000 dozen in 1984. Consequently, the value of imported articles of apparel and clothing accessories rose by 6.2 per cent to K£850 thousand in 1984. Besides, imports of men's and boys' outer garments of textile fabrics nearly doubled during the year.

11.17. The output of leather and footwear fell by 12.7 per cent following a marginal increase of 0.3 per cent in 1983. This is attributed to sharp declines in such products as finished leather, sole leather and leather shoes. In particular, production of leather shoes fell to one million pairs in 1984 compared with two million pairs produced in 1981.

11.18. Continued restrictions on the felling of trees by the Government in its forest conservation policy, and high transportation costs, further affected the growth of the wood and cork products industry. As a result, the industry registered a negative growth of 16.5 per cent compared with a decline of 16.9 per cent in 1983. Sawn timber, for example, fell from 108 thousand cubic metres in 1983 to 90 thousand cubic metres in 1984. But output of furniture and fixtures went up by 4 0 per cent, which probably was due to increased demand from construction of Standard 8 classes in the country. The number of chairs, desks and cupboards increased moderately. Also, employment in the formal furniture and fixtures sub-sector increased from 2,652 persons to 2.759 persons in 1984.a moderate rise of 4.0 per cent.

11.19. Output of paper and paper products increased moderately by 5 9 per cent. The rise is attributed to increases in production of kraft paperboard, wrapping paper, corrugated paper containers, cartons, cardboards and toilet

paper rolls. There was, however, a large decline in the output of exercise books, probably due to cutbacks in Government expenditure. However, domestic demand necessitated importation of paper and paperboard while exports for similar products declined in both value and quantity. A plan by a local paper mill to expand its plant at a cost of K£2.5 million will further enhance output of paper and paper products.

11.20. The output of both locally made paper and newsprint increased substantially with the overall output of the printing and publishing industry rising by 11.7 per cent in 1984. Instituting Standard 8 classes in primary schools that needed new text books further explains the growth in this industry. The industry will get a further boost from the new secondary school levels that would also require new textbooks. Locally made paper increased from 25 thousand tonnes in 1983 to 28 thousand tonnes in 1984.

11.21. Growth rates of the individual products of the basic industrial chemicals varied widely. Output of methylated spirits, wattle extract, pyrethrum extract, fertilizer, herbicides and vaccines declined. Conversely, there were impressive increases in output of such products as oxygen, electrodes, both liquid and solid insecticides, which more than offset the above decreases to give 11.5 per cent increase in output of the entire basic industrial chemicals industry. Output of fertilizer is provisionally estimated to have fallen from 69 tonnes in 1983 to 48 tonnes in 1984. Imports of manufactured fertilizer dropped, probably due to high prices and the drought conditions that affected the area under crop during 1984.

11.22. The petroleum and other chemicals sub-sector registered a significant growth of 24.6 per cent in 1984, only rivalled by the 18.3 per cent rise in output attained in 1980 for the last five years. In this sub-sector, there were decreases in output of paints, varnishes, lacquers, pharmaceuticals, hard soap, toothpaste, matches, and fuel oil and residue. But large increases in output of other petroleum products namely, shoe polish, powdered soap, liquid and tablet drugs and distempers explain the steep growth in output of this sub-sector. A fall in output of local production of pharmaceuticals is attributed to competition with imports. However, increased output of refined petroleum products could be due to good export demand. The value of domestic exports of refined petroleum products went up by K£8 million in 1984 from K£134 million in 1983.

11.23. The rubber industry continued its upward trend with volume of output rising by 16.6 per cent which was, however, below the 27.8 per cent recorded in 1983. Output of individual products in this industry except rubber soles increased. The increases, apart from that of new bicycle tyres and retreaded vehicle tyres, were modest compared with relatively bigger increases for similar products in the previous year.

11.24. Increases in output of plastic shoes and plastic crates, for which local demand is good, offset declines in output of PVC pipes and polythene

bags to give a moderate rise of 5.5 per cent for the plastic products industry. However, higher import duties charged on raw materials used in the plastics industry make its products less competitive in the export markets. Production of plastic shoes rose from 1.3 million pairs in 1983 to 1.8 million pairs in 1984, an increase of 38.5 per cent. The launching of "nileflex", a locally manufactured coffee processing and drying PSV material will help the country save K£750 thousand annually in foreign exchange and boost growth in this industry.

11.25. A dramatic rise of 30.2 per cent in the output of clay and glass products in 1984 surpassed the 19.4 per cent increase in 1983. The explanation for this is to be found in a more rapid growth in output of glass bottles, jars and plates which together have been estimated to have grown from 222 thousand units in 1983 to 289 thousand units in 1984. There was also good export demand, particularly for glassware. Exports of glassware increased more than three-fold from 831 tonnes in 1983 to 2,778 tonnes. Output of this industry will be enhanced appreciably through the opening of the Kenya Breweries' own plant for making glass bottles.

11.26. The declining trend in the production of non-metallic mineral products continued into 1984. This reflects the continued depression in the building and construction sector. Output of cement in particular fell from a revised estimate of 1,280 thousand tonnes in 1983 to 1,134 thousand tonnes in 1984. Apart from the depressed local market, cement production faced other problems: the world-wide cement glut and reduction of cement prices in dollar terms to suit some markets; and loss of export markets due to irregular supply of cement to importers arising from delays in securing raw materials such as gypsum. Although exports to both Uganda and Tanzania have been increasing since 1982. the quantity of cement exported to those countries is quite small. Table 11.5 gives detailed information on the production and utilization of cement since 1980.

CEMENT PRODUCTION AND UTILIZATION, 1980-1984

Table 11.5 '000 *tonnes*

Year	PRODUCTION	IMPORTS FROM		CON-SUMPTION AND STOCKS	EXPORTS TO	
		Uganda and Tanzania	Overseas		Uganda and Tanzania	Overseas
1980	1,279.8	-	0.9	729.5	20.9	530.3
1981	1,280.3	-	-	611.7	16.2	652.4
1982*	1,238.1	-	-	500.7	18.8	718.6
1983*	1,280.1	-	1.9	545.7	20.0	716.3
1984**	1,134.5	-	-	531.5	28.8	574.2

*Revised.
**Provisional.

11.27. Following a rise of 9.2 per cent in output of the metal industry in 1983, growth in 1984 declined by 8.2 per cent. This is explained by relatively bigger decreases in output of most of the products in this sub-sector, notably, iron rods and bars, "jembes", padlocks, metal cans and tins, and metal furniture. None the less modest increases in output were registered in such products as "sufurias". barbed wire, welded mesh, and steel drums and pails.

11.28. Output of non-electrical machinery increased by 3.0 per cent in 1984, thus maintaining an upward trend from a rise of 2.4 per cent in the previous year. Employment in this industry rose from 1,271 persons in 1983 to 1,309 persons in 1984. Both output of power and hand mills increased while animal and tractor operated ploughs declined.

11.29. For electrical machinery, a growth of 6.5 per cent in 1984 was impressive following a decline of 1.1 per cent in the previous year. Moderate increases in output of dry cells, assembled radios and motor vehicle batteries explain the rise. Domestic exports of batteries for torches and transistor radios rose to 4.6 million in 1984, compared with 1.9 million batteries in 1983.

11.30. Transport equipment sub-sector performed rather poorly as the index on Table 11.2 shows. Growth in this industry fell steeply by 14.2 per cent as against a rise of 16.8 per cent in 1983. This is explained by large decreases in output of assembled vehicles and lorry bodies. Increase in output of coaches and buses reflected more domestic demand for these types of vehicles. The number of locally assembled coaches and buses rose from 313 in 1983 to 459 in 1984. Restrictions on imports of second hand cars led to increased importation of unassembled cars and buses. Out of 874 buses and cars imported during the year under review, 744 were unassembled.

11.31. Output of spectacles continued declining while other products in the miscellaneous manufacturing industry rose substantially to give the highest growth of 32.7 per cent in output among all other sub-sectors in the manufacturing sector during 1984. The sub-sector includes ballpoint pens, household and industrial brushes, water metres and sun-glasses.

Development of Manufacturing Enterprises

11.32. During 1984, the development finance institutions charged with providing loans and equity participation in new plants and expansion of existing ones, concentrated their activities in rehabilitation and expansion of existing industrial plants. The combined commitments by these institutions amounted to K£12 million, well above their commitments in the previous year but still less than K£20 million spent in 1981. The number of projects approved continued to decline (*see* Table 11.6).

11.33. The world-wide recession in the past few years and the need to subject projects to vigorous and thorough appraisal before approval affected the IDB's activities during the year. Although the number of projects approved

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1982-1984

Table 11.6

Institution	Number of Projects			Approved Expenditure K£million		
	1982	1983	1984	1982	1983	1984
Industrial Development Bank Limited (IDB)	9	2	6	3.86	2.68	2.46
Development Finance Company of Kenya (DFCK)	27	22	12	2.39	2.60	3.72
Kenya Industrial Estates Limited (K.I.E.)	137	139	114	2.48	2.41	2.08
Industrial and Commercial Development Corporation (ICDC)	6	7	8	1.42	1.33	3.56
TOTAL	179	170	140	10.15	9.02	11.82

by the bank increased to 6 from 2 in 1983, total commitments declined from K£2.68 million in 1983 to K£2.46 million in 1984. The bank concentrated its activities on monitoring, supervision and rehabilitation of the existing projects to ensure improved performance and continued economic benefits. The activities mainly centred on electrical appliances, chemicals, fuels, leather, textiles and paper products industries. These activities are expected to create additional employment for 155 persons.

11.34. Total commitments by the DFCK during 1984 were K£3.72 million, a rise of 43 per cent above commitments in the previous year. But the number of projects declined drastically from 22 in 1983 to only 12 in 1984. While the DFCK approved 10 entirely new projects in 1983, the number was 4 in 1984. Most of its activities were in consolidation and expansion of existing projects. Indeed, commitments totalling K£2.82 million or 76 per cent went into the existing industries. Over 60 per cent of the DFCK's total commitments centred in the chemicals, leather and leather products and food and beverage industries. Unlike the previous year, projects approved in 1984 were mostly in Nairobi and Mombasa. The activities of the DFCK in 1984 are expected to generate additional employment for 826 people.

11.35. The KIE continued its role of assisting in the establishment of small scale enterprises during the year. Its commitments totalled K£2.08 million in 114 projects of which 38 projects, or 33 per cent, were in the grain milling industry. Of the 114 projects approved in 1984, 87 were entirely new. The KIE relaxed its policy of only assisting projects within its estates by approving 90 projects outside its estates. It also continued with industrial decentralisation as a total of K£1.08 million in 80 projects went into areas outside Nairobi and Mombasa. A total of 1,178 jobs are likely to be created as a result of the KIE's activities in 1984.

11.36. For the fourth year running, the ICDC continued with its strategy of consolidation and rehabilitation of on-going industrial projects. The corporation committed K£3.56 million in 8 projects during the year which was substantial compared with K£1.33 million in 7 projects in the previous year. Among others, the ICDC invested K£820 thousand in a vegetable processing plant in order to manufacture dehydrated vegetables and other foodstuffs. This will also create additional employment as well as serve nearly 3,000 surrounding farms. The corporation's other activities are mainly centred on the textile and leather industries.

11.37. The Kenya Tea Development Authority (KTDA) ended its factory development programme with the completion of the remaining 5 small-holder factories during 1984, thus finalising the targetted 39 factories planned. The resultant production capacity will handle approximately 300,000 tonnes of green leaf annually. Efforts are being made by the Authority in collaboration with the ministries of Agriculture and Livestock Development, Environment and of Natural Resources to convert several factories from using fuel oil to fuel-wood as a measure to save foreign exchange. This is in line with the Government's policy of utilising more of the domestic resources. The KTDA is embarking on a new spectrum of consolidation and specialisation to ensure optimum utilization of the factories constructed.

Labour Costs and Productivity

11.38. Information pertaining to trends in average manufacturing productivity, wage costs and employment for the period 1982, through 1984 are given in Table 11.7. Employment in the manufacturing sector improved in 1984, although the rise in employment of 2.9 per cent was below a 3.4 per cent rise in 1981. It was, however, higher than the increase attained in 1983. indicating a further upturn in the sector.

INDICATORS OF LABOUR COSTS AND PRODUCTIVITY IN MANUFACTURING, 1982-1984

Table 11.7 *Per cent*

	1982	1983	1984*
1. Change in the quatum index of manufacturing	+2.2	+4.5	+4.1
2. Change in numbers of employed in manufacturing	+0.3	+1.3	+2.9
3. Implicit change in labour productivity	+1.9	+3.2	+1.2
4. Wage costs as percentage of gross output	6.6	6 1	5.7
5. Wage costs as percentage of value added	34.8	34.7	34.8

*Provisional.

11.39. Wage costs continued to decline as a proportion of gross output. From 6.8 per cent in 1981, there was a drop to 5.7 per cent in 1984 further confirming that in the manufacturing sector labour costs have been a minor component of the cost structure. As a percentage of value added, the wage costs have remained nearly a third of the total value added.

CHAPTER 12—BUILDING AND CONSTRUCTION

One of the indicators in the improvement of the economy is the level of construction activities in the building and construction sector. Construction activities, generate demand for and transportation of building materials such as stones, ballast, sand, timber, furniture, cement, paints, etc. In turn, the production of such materials require additional labour input which create demand for consumer goods. Over the last five years, there has been a slow-down in building and construction activities. Increasing building costs, credit squeeze by financial institutions, and the recent past austerity measures taken by the Government partly explain the decline in activities in the sector.

12.2. Some indicators of the building and construction sector are presented in Table 12.1. Cement consumption which declined by 12 per cent in 1983, increased by 6 per cent to 541 thousand tonnes in 1984, at least partly due to the construction of Standard 8 classes. Consequently, the consumption index rose from 119.9 to 127.0. Meanwhile, the index of Government expenditure on roads registered 108.0 in 1984 compared with 127.2 in 1983. Similarly, the indices of reported private building works completed in the main towns registered a downward trend. In general, the downward trend in indices displayed since 1981 is attributable to the gloomy economic conditions after the 1979 second oil price rise. The only exception is the trend of reported public building works completed which has been upward since 1981. Essentially, this upward trend is due to the sustained Government effort to supply an adequate number of dwellings, particularly in the urban areas. Employment in the sector which has been steady at around 60 thousand people over the last four years declined to 49 thousand in 1984.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1980-1984

Table 12.1 1976=100

	1980	1981	1982	1983	1984**
"Index" of reported private building work completed in main towns***	203.8	206 8	164.4	105.5	--
"Index" of reported public building work completed in main towns***	98.4	69.3	72.2	93.5	--
"Index" of Government expenditure on roads	125.6	149.6	142.9	127.2	108.0
Cement consumption ('000 tonnes)	691.2	652.5	579.3	511.0	541.1
"Index"	159.4	149.7	134.3	119.9	127.0
Employment ('000)	63.2	61 4	60.4	60.2	49.2
"Index"	134.0	130.1	128.2	127.7	104.5

*Actuals deflated by various buildings or construction cost indices.

**Provisional.

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

12.3. Provisional results of the Business Expectations Enquiry (BEE) indicate that total receipts by private contractors declined from K£170 million in 1983 to K£165 million in 1984, or by 3 per cent. Declines and stagnations in the value of stocks held by contractors reflects the difficult prevailing economic climate in the building and construction sector. Private sector employment has similarly gone down.

12.4. As can be observed in Table 12.2, the combined building and construction cost index increased by 12.7 per cent in 1984 compared with 5.2 per cent in 1983. A breakdown of the cost index reveals that the large rise in 1984 was attributable to 43.5 per cent increase in labour costs. This rise in labour cost index is due to a change in using "basic income" as opposed to the "wage guideline" which was being used earlier. The former is a better measure since it includes annual increments, leave allowance, and other fringe benefits on top of basic salary. The cost index for "all buildings" materials increased by less than 1 per cent while the cost of materials for "other" construction rose by 11.6 per cent. The total cost index covering the aggregate of materials and labour, for "other" construction amounted to 21.2 per cent in 1984.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*. 1982-1984

Table 12.2

	MATERIAL.			LABOUR			TOTAL COST		
	1982	1983	1984	1982	1983**	1984	1982	1983	1984
Residential Buildings	12.7	8.2	0.8	22.3	—	43.5	14.1	6.9	6.9
Non-Residential Buildings	11.7	5.1	0.7	22.3	—	43.5	13.7	4.1	8 9
All Buildings ..	12.2	6.7	0.8	22.3	—	43.5	13.9	5.6	7.8
"Other" Construction	17.0	6.8	11.6	22.3	—	43.5	18.7	4.7	21.2
TOTAL COST INDEX	14.6	6 8	4.2	22.3	—	43.5	15.6	5.2	12.7

*From December to December.
**No change between December, 1982 and December, 1983

12.5. A summary of the value of plans approved by the Nairobi City Commission and other towns is presented in Table 12.3. In the last five years, the downward trend in the value of all plans approved reached a trough in 1983 but the development of other towns is now more than compensating for the continued contraction in Nairobi. The total value of all reported plans approved in 1984 increased by 8 per cent and recorded K£89 million. Whereas the value of building plans approved by other towns increased by 54 per cent between 1983 and 1984, those approved by the Nairobi City Commission declined from K£48 million in 1983 to K£37 million in 1984. Due to the

increasing construction activities all over the country as a result of the introduction of both the 8.4.4 education system and the district focus for rural development, the up-turn is likely to be sustained. Furthermore, the last Budget reduction of the interest rates payable by borrowers is already having a stimulating effect as evidenced by the increased loans advanced to this sector in 1984 (Chapter 5 Table 9).

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1980-1984

Table 12.3 ***K£million***

Year	Nairobi	Other Towns	Total
1980	102.80	33.80	136 60
1981	91.10	38.30	129.40
1982	70.14	44.28	114.42
1983	47.83	33.88	81.71
1984*	36.53	52.25	88.78

***Provisional.**

12.6. A comparison of private sector value of building plans approved and buildings completed is detailed in Table 12.4. Over the last five years, the value of building plans approved declined by a third whereas the value of buildings completed increased from K£26 million in 1980 to K£50 million in 1981. Since then, there has been a steady decline recording the lowest value of K£11 million in 1984. As is evident, there is a wide and apparently growing disparity between approvals and completions. Since plans approved are early indicators of the future situation, there is optimism about the performance of this sector judged by an increase in 1984 approvals. It is likely that the provisional values shown for 1984 will increase appreciably after all returns are submitted and final values compiled.

COMPARISON OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1980-1984

Table 12.4 ***K£million***

Year	Plans Approved	Building Work Completed
1980	120.71	26.24
1981	116.72	4995
1982	91.17	39.87
1983	66 50	28.25
1984*	80.19	11.08

****Provisional.**

12.7. Details of the value and number of residential buildings completed by the private sector in the main towns are set out in Table 12.5 and Table 12.6. Both the value and the number of units completed have steadily declined since 1982. Overall, the total value of all reported private buildings completed declined from K£31 million in 1983 to K£13 million in 1984. Although all the towns revealed declines in the value of completions, Nairobi revealed a uniquely dramatic decline from K£21 million in 1983 to K£7 million in 1984. It is, however, expected that when the outstanding returns for 1984 are received, the value for all private completions will be higher than the provisional figures.

VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1980-1984

Table 12.5 *K£million*

Year	Nairobi	Mombasa	Kisumu	Nakuru	Thika	Eldoret	Kitale	Others	Total
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	20.83	6.85	—	2.38	0.11	—	—	0.33	30.50
1984**	6.86	5.28	—	0.84		0.03	—	—	13.01

*Including the value of detentions.
**Provisional.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1980-1984

Table 12.6

Year	NUMBER		ESTIMATED COST *K£million*		
	Residential	Non. Residential	Residential	Non. Residential	Total
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	981	58	15 46	12.79	28.25
1984** ..	451	28	7.53	3.55	11.08

*Excluding the value of extensions.
**Provisional.

12.8. Although many approved building plans normally get completed after some time lag, not all plans approved get off the ground. The value of new residential and non-residential buildings completed has therefore been persistently lower in relation to the value of plans approved. Building plans approved and completions are compared in Table 12.7. While the total value of all residential buildings approved during the period 1980.1984 amounted to K£260 million, the value of plans completed during the same period was only K£104 million, that is, roughly a third of the approved

value. The poor rate of completions can be attributed to failure of many developers to arrange for adequate financing. Moreover, increasing costs tend to lead to abandonment of plans.

PRIVATE BUILDING PLANS APPROVED AND COMPLETIONS BY TYPE, 1980-1984

Table 12.7 *K£million*

Year	RESIDENTIAL		NON-RESIDENTIAL	
	Plans	Completions	Plans	Completions
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	33 00	15.46	33.50	12.79
1984	33.05	7.53	47.14	3.55
TOTAL	260.47	103.80	214.67	51.44
Proportions*	36.4 Percent		27.5 Percent	

*Completions related to plans, excluding plans for 1984 and completions in 1980.

12.9. Both the number and the value of new public buildings are detailed in Table 12.8. The number of units of both residential and non-residential public buildings completed declined by nearly 80 per cent between 1983 and 1984. Despite the sharp fall in the number of completed residential units from 790 to 155, their value increased from K£9 million in 1983 to K£13 million in 1984, because of increased prices for input materials. The units completed for 1984 were more costly compared with the units in 1983. Over the five year period, the value of new completed residential units were lowest in 1981, then gradually picked up thereafter. The value of non-residential units fluctuated widely over the period under review. Since non-residential buildings are large, late returns have a particularly important influence on the figures for the completion of new public buildings. It follows therefore, that the final revised data for 1984 are likely to rise significantly above the provisional figures presented in Table 12.8.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS IN MAIN TOWNS, 1980-1984

Table 12.8

YEAR	Number		COST *K£million*			TOTAL*
	Residential	Non. Residential	Residential	Non. Residential	Total	
1980	481	58	7.55	13.30	20.85	21.54
1981	206	21	3.72	0.93	4.65	5.37
1982	443	101	5 00	4 49	9.49	9.51
1983	790	33	9 05	15.90	24.95	24 95
1984**	155	19	12.59	2.04	14.63	14 63

*Including the value of extensions.
**Provisional.

12.10. In order to realise the current policy of easing the prevailing housing shortage in the urban areas and provide adequate shelter in the rural areas, the Government has taken the lead in initiating investment in this sector. Table 12.9 shows the value of direct expenditure by the Central Government on housing. Total approved expenditure increased from K£6 million in 1983/84 to K£10 million in 1984/85 or nearly doubled. Approved expenditure on housing as a percentage of development expenditure has fluctuated between 2.8 and 3.9 per cent from 1979/80 to 1984/85. This underlines the importance attached by the Government to the provision of housing despite the recent financial austerity measures.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1979/80-1984/85

Table 12.9 *K£million*

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1979/80	9.09	7.30	3.9
1980/81	8.05	7.30	3.5
1981/82	812	8.00	3.2
1982/83	10.13	5.07	3.7
1983/84	6.35	6.85	3.3
1984/85	10.02		2.8

12.11. The National Housing Corporation is the main executing agency for the Government housing policy. It implements government financed public and private housing development projects with funds channelled to it through the Ministry of Works, Housing and Physical Planning. Private houses include site-and-service and tenant purchase schemes, while public houses are built by the Corporation for rental. It is through the private schemes that the National Housing Corporation has been most instrumental in the provision of dwellings. Table 12.10 presents the number and value of housing units completed by the Corporation over the last five years. It is heartening to observe that a total of 2,398 units valued at K£6,326 thousand were completed in 1984 compared with only 687 units valued at K£2,080 thousand completed in 1983. The number of site-and-service plots completed also increased almost four-fold from 598 units in 1983 to 2,099 in 1984. Over the entire period under review, 1983 was a particularly bad year for the National Housing Corporation partly due to the economic recession which reached its bottom in 1982. Units completed by province indicate that 284 tenant purchase houses valued at K£4,106 thousand were completed at Onyonka Estate in Nairobi; 199 units valued at K£550 thousand were completed in Rift Valley; and 1,900 units valued at K£1,500 thousand were completed in Kisumu urban area within Nyanza Province. North Eastern, Central and Western provinces reported no completions in 1984.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1980-1984

Table 12.10

	1980	1981	1982	1983	1984
Units completed					
PROVINCE.					
Nairobi	616	1,072	2,311	—	284
Coast	350	—	13	50	13
North Eastern	—	—	—	—	—
Eastern	249	—	70	98	2
Central	337	—	—	187	—
Rift Valley	1,417	1,577	354	302	199
Nyanza	286	106	180	—	1,900
Western	272	—	—	50	—
TOTAL NUMBER	3,527	2,755	2,928	687	2,398
Of which site and service.	2,454	2,719	2,550	598	2,099
Value of units completed K£'000					
Nairobi	1,604	963	2,031	—	4,106
Coast	875	—	155	116	166
North Eastern	—	—	—	—	—
Eastern	331	—	263	215	4
Central	370	—	—	330	—
Rift Valley	1,666	1,821	1,333	908	550
Nyanza	612	185	432	—	1,500
Western	206	—	—	511	—
TOTAL VALUE	5,664	2,969	4,214	2,080	6,326

12.12. Site-and-service plots continued to constitute the bulk of the schemes put up by the National Housing Corporation. In 1984, for instance, out of 2,398 reported completions, 2,099 units were site-and-service plots, equivalent to 88 per cent. Since 1980, site-and-service plots have accounted for over 70 per cent of the total completions by the Corporation. Indeed, the site-and-service scheme has proved to be an effective method of fulfilling the Government policy of providing shelter to the majority of the low-income group.

Roads and other construction works

12.13. The Government continues to make a concerted effort to construct and maintain the road network system. New roads are being built while old ones are maintained. By July, 1984 the length of the national road network was 54,500 km. of which 6,700 km. were classified as bitumen, leaving 47,800 km. or 88 per cent of the total under earth or gravel. Out of the total length of the classified road network in 1980, some 2,900 km. of bitumised road were classified as either International trunk or National trunk road. This figure increased to 3,500 km. by 1984. Details of roads by type and classification for the two years are shown in Table 12.11.

KILOMETRES OF ROAD AS AT 1ST JULY, 1980 AND 1ST JULY, 1984 BY TYPE AND CLASSIFICATION

Table 12.11 *'000Km.*

Type of Road	1980		1984	
	Bitumen*	Earth Gravel**	Bitumen*	Earth Gravel**
A—International Trunk	1.9	1.5	2.3	1.3
B—National Trunk	1.0	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	19 9	0.4	26.2
F—Special Purpose	0.5	7.4	0 1	2.6
TOTAL	5 5	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.

12.14. Through the Ministry of Transport and Communications, the Government continues to emphasise the construction of rural access roads. In 1984/85, approved expenditure for this scheme was K£5 million out of a total expenditure on roads of K£75 million. By October, 1984, the road network constructed under the Rural Access Roads Scheme covered 7,626 km., with some 40 per cent gravelled.

12.15. Table 12.12 details the total expenditure on roads by the Ministry of Transport and Communications for the period 1982/83 through 1984/85. While total expenditure on roads increased from K£73 million in 1983/84 to K£75 million in 1984/85, expenditure on primary, unclassified and miscellaneous roads declined marginally during the same period, and expenditure on maintenance showed a modest rise.

TOTAL EXPENDITURE ON ROADS, 1982/83-1984/85

Table 12.12 *K£million*

	1982/83	1983/84	1984/85*
DEVELOPMENT—			
Trunk Roads	34.57	24.35	28.13
Primary Roads	11.74	13.82	12.41
Secondary	2.36	2.50	3.43
Unclassified Roads	2.90	2 05	1.32
Miscellaneous Roads	10.95	11.98	11.14
Total	62.52	54.70	56.43
RECURRENT (maintenance and repair)	15.48	17.95	18.60
TOTAL	78.00	72.65	75.03

**Provisional.

12.16. Two major road projects were completed by July, 1984. These were: Mau Summit-Kericho-Kisumu which covered 136 km. of bitumen at a cost of K£11 million and Kapsabet-Nabkoi which covered 44 km. of bitumen at a cost of K£5 million. A number of major road projects were in progress by July, 1984. These included: Kakuma-Sudan border; Garissa-Garsen and Thuchi-Nkubu at costs of K£19 million, K£19 million and K£14 million, respectively. The 33 km. Mumias-Kakamega bitumen was another major road started in July, 1984 with an expected cost of K£3 million.

CHAPTER 13-TOURISM

Tourism in developing countries has not felt the impact of the economic recovery that has occurred in industrialised countries which are the major tourist markets. The high cost of international travel, coupled with the recession, have made the share of tourist industry in developing countries remain small. Tourists from developing countries now prefer spending their holidays in places closer to home and have a tendency to make shorter their stay while they are away.

13.2. Table 13.1 sets out the details of the number of visitors arriving by purpose of visit in each of the quarters between 1980 and 1984. Between 1983 and 1984, incoming visitors registered a marginal increase of about

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1980-1984

Table 13.1 '000

Quarter/Purpose	1980	1981	1982	1983	1984*
1st Qr. Holiday	83.2	74.5	85.5	85.4	86.6
Business	12.3	11.5	11.4	13.3	13.5
Transit	12.9	9.5	7.7	9.5	9 6
Other	—	—	3.5	1.7	1.7
TOTAL	108.4	95.5	108.1	109.9	111.4
2nd Qr. Holiday	65.3	44.5	53.7	42.3	42.9
Business	15.5	13.3	12.7	11.8	11.9
Transit	16.7	10.4	10.3	9 4	9.5
Other	—	—	3.7	1.6	1.6
TOTAL	97.5	68.2	80.4	65.1	65. 9
3rd Qr. Holiday	63.5	77.5	69.5	66.2	67.1
Business	9.7	12.8	11.0	8.6	8.7
Transit	11.9	12.6	11.4	8 9	9.0
Other		—	2.5	1.8	1.8
TOTAL	85.1	102.9	94.4	85.5	86.6
4th Qr. Holiday	78.7	77.4	85.3	81.4	82.5
Business	11.4	10.4	12 8	9.7	9.8
Transit	12.2	10.8	9.6	6.6	6.7
Other		—	1.5	0.9	0.9
TOTAL	102.3	98.6	109.2	98.6	99.9
Year Holiday	290.7	273.9	294.0	275.4	279.1
Business	48.9	48.0	47.9	43.4	43.9
Transit	53.7	43.3	39 0	34 4	34.8
Other			11.2	5.9	6.0
TOTAL	393.3	365.2	392.1	359.1	363.8

**Provisional.

one per cent. However, during the five year period the number of visitor arrivals has been fluctuating. Of the total arrivals, about 75 per cent are for holiday, 12 per cent for business, 10 per cent on transit while around 3 per cent come for other purposes. On the average, 55 per cent of the arrivals come in the first and fourth quarters, which coincide with the cold months in the northern hemisphere where most visitors originate.

13.3. Table 13.2 provides details of visitor departures by purpose of visit. Between 1980 and 1984, total visitor departures were also fluctuating, the fluctuations being more pronounced in 1983 and 1984. The number of visitors departing dropped by 16 per cent from 362 thousand in 1982 to 306 thousand in 1983 but again increased sharply by 17 per cent from the 1983 total to stand at 359 thousand in 1984. This increase has meant the number of

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1980-1984

Table 13.2 '000

Quarter/Purpose	1980	1981	1982	1983	1984*
1st Qr. Holiday	93.4	92.7	85.8	78.0	91 .3
Business	9.1	8.1	9 0	9.7	10.8
Transit	10.7	10.1	8.7	8.8	9.8
Other	—	—	3.5	0.8	2.2
TOTAL	113.2	110.9	107.0	97.3	114.1
2nd Qr. Holiday	53.6	49.7	50.0	42.0	49.2
Business	7.7	10 9	11.2	8.1	9.1
Transit	11.6	9 4	10.3	8.5	9.7
Other	—	—	3.4	1.0	2 0
TOTAL	72.9	70.0	74.9	59.6	70.0
3rd Qr. Holiday	65.7	64.5	63.3	66.6	78.1
Business	6.6	10.1	8.1	7.1	7.9
Transit	11.6	12.0	10 9	9 9	11.0
Other.. ..	—	—	2.4	1.1	2.2
TOTAL	83.9	86.6	84.7	84.7	99.2
4th Qr. Holiday	69.3	65 0	68.2	50.1	58.7
Business	12 6	9 3	14.0	7.2	8.1
Transit	10.7	10.5	11.7	6.4	7.3
Other	—	—	1.9	0.9	1.1
TOTAL	92.6	84.8	95.8	64.6	75.2
Year Holiday	282.1	272.0	267.3	236.7	277.3
Business	35 9	38.4	42.3	32.2	35 9
Transit	44.6	41.9	41.6	33.6	37.8
Other.	—	—	11.2	3.8	7.5
TOTAL	362.6	352.3	362.4	306.3	358.5

**Provisional.

visitors who departed in 1984 was more or less equal to the level of departures in earlier years before the sharp decrease in 1983. Departing visitors who were on holiday, like holiday-visitor arrivals, comprise the largest proportion, averaging 75 per cent of all visitor departures.

13.4. Table 13.3 gives details of departing visitors by country of residence and by purpose of visit. Visitor departures to all countries except Switzerland and Israel increased substantially in 1984 compared with 1983. Although the departures to Europe went up by about 8 per cent from 185 thousand visitors in 1983 to 199 thousand in 1984, their share declined from 60 per cent to 55 per cent of all departures. Departing visitors to West Germany which is the most tourist-generating nation to Kenya, increased only marginally by one per cent between 1983 and 1984. It is of concern that the number of tourists from West Germany has been on the decline in the recent past. Departures to most European countries, however, recorded substantial increases, particularly of visitors who were on holiday in 1984.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1983-1984

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1983	1984*	1983	1984*	1983	1984*	1983	1984*
West Germany	56.8	56.2	1.2	1.5	2.0	2.6	60.0	60.5
United Kingdom .	28.4	33.0	4.7	5.8	3.0	3.7	36.2	42.6
Switzerland	27.1	24.2	0.5	0.7	0.6	0.7	28.2	25.6
Italy	18.9	18.5	0.6	0.7	0.8	1.1	20.3	20.4
France	12.5	13.3	0.9	1.0	0.7	0.9	14.1	15.3
Scandinavia	4.6	8.4	0.8	0.8	0.9	0.9	6.3	10.1
Other Europe	16.4	20.6	1.5	1.7	1.5	1.6	19.4	24.0
TOTAL EUROPE	164.6	174.2	10.2	12.2	9.5	11.5	184.5	198.5
U.S.A	25.5	28.7	2.8	2.9	2.8	2.6	31.1	34.3
Canada	3.0	4.4	0.5	0.5	0.5	0.5	4.1	5.4
TOTAL NORTH AMERICA	28.5	33.1	3.3	3.4	3.3	3.1	35.2	39.7
Uganda	9.2	8.2	4.3	3.7	2.1	1.6	18.3	18.4
Tanzania	3.0	17.6	1.9	4.0	0.3	1.4	5.9	24.4
Zambia	0.9	3.6	0.6	0.9	1.8	3.1	3.2	7.7
Other Africa	12.6	18.3	8.7	8.0	11.8	11.0	33.4	37.6
TOTAL AFRICA	25.8	47.7	15.5	16.6	16.0	17.1	60.7	88.1
India	2.6	3.6	0.7	0.7	1.7	2.4	5.0	6.7
Japan	2.9	3.6	0.9	0.9	0.4	0.4	4.2	4.9
Israel	2.5	1.6	01	0.1	0.2	0.2	2.8	1.9
Other Asia	7.3	8.0	1.1	1.2	2.0	2.3	10.5	11.6
TOTAL ASIA	15.4	16.8	2.8	2.9	4.3	5.3	22.6	25.1
Australia and New Zealand	1.3	2.8	0.2	0.3	0.2	0.4	1.7	3.5
All Other Countries	1.1	2.7	0.2	0.5	0.3	0.4	1.6	3.6
TOTAL	236.7	277.3	32.2	35.9	33.6	37.8	306.3	358.5

*Provisional.

**The total also includes "Other Visitors" category.

13.5. The share of all departing visitors to North America remained virtually unchanged at approximately 11 per cent between 1983 and 1984. The recorded 39,700 visitor-departures in 1984 is comparatively small but since the number has been increasing steadily, there is greater potential for faster growth here. The number of visitors from Asia has, by contrast, been fluctuating widely in the past except those from Japan and the Arab countries that have increased yearly. This is also a direct pointer for increased potential in the Middle-East and Far East markets. However, this potential remains hindered by the cost of air travel which is so high that most of those would-be tourists who can afford a holiday here would pay air fares that are in excess of the cost of staying for two weeks. This situation calls for concessionary tourist air-travel to attract those who can actually afford holidays but are inhibited by the high cost of international travel.

13.6. The decline in tourists from the African region has been largely due to the economic difficulties prevailing in the recent past. Notwithstanding this, in 1984 the number of departing visitors to African countries shot up by 45 per cent to reach an all-time record of 88,100 visitors. This was due to the re-opening of the border between Kenya and Tanzania and the inception of the Preferential Trade Area (P.T.A.) of countries in the east and central Africa region. It made it easier to travel from Kenya through Tanzania and on to other neighbouring countries.

13.7. The total number of days stayed and the average length of stay per visitor from 1980 to 1984 are shown in Table 13.4. After an increase in 1982 to 16.2 days from 15.0 in 1981. the average length of stay declined to 15.9 days in both 1983 and 1984. As regards total stay, after a drop of 15 per cent from 5.7 million days in 1982 to 4.8 million in 1983, the number went up sharply again by 16 per cent to reach 5.6 million days in 1984. This move is also reflected in the number of days spent by holiday makers who account for over 85 per cent of total stay. Visitors in transit, however, stayed over for fewer days in both 1983 and 1984 than in earlier years. The total stay of 5.6 million days in 1984 is much higher than the 4.7 million days shown as bed-nights occupied in Table 13.5.

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1980-1984

Table 13.4 '000

Purpose	1980	1981	1982	1983	1984**
Holiday	5,039.2	4.735.0	4,998.7	4,277.4	4.991 4
Business	512.4	445.0	544.4	436.2	470.3
Transit	145.7	118.3	139.1	110.7	109.6
TOTAL	5,697.3	5,298.3	5,682.2	4,824.3	5,571.3
Average length of stay in days	15.7	15.0	16.2	15.9	15.9

*Excludes days stayed by 'Other Visitors'.

**Provisional.

13.8. There was a marked increase in tourist receipts rising by 24 per cent from K£122 million in 1983 to K£152 million in 1984. Tourists are now required to pay for services in foreign exchange and, in order to realise increased earnings, reforms are under way to monitor and enforce this measure. As stated earlier, since a large number of tourists do not stay in tourist hotels, their expenses are not adequately reflected and, therefore, enhanced efforts are needed to have all their expenses fully recorded.

13.9. Details of hotel bed-nights occupied by visitors' country of residence are shown in Table 13.5. After the declines of 1981 to 1983, hotel bed-nights occupied in 1984 shows an upturn as a result of improved economic performance. The number of bed-nights occupied in 1984 went up by 4.4 per cent

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE. 1980-1984

Table 13.5 '000

	1980	1981	1982	1983	1984**
Permanent Occupants*	410.3	364.2	311 8	288.3	272.4
West Germany	1,123.4	1,143.1	1,187.2	1,051.2	1.097.2
Switzerland	457.3	450.0	462.6	484.0	495.5
United Kingdom	490.7	496.8	454.9	418.4	458.5
Italy	140.9	185 0	180.9	203.6	210.0
France	91.5	145.8	146.2	153.8	161.8
Scandinavia	193.0	91.5	87.7	75.3	71.9
Other Europe .	269.2	248.1	253.7	216.9	234.9
EUROPE	2,766.0	2,760.3	2,773.2	2,603.2	2,729.8
Kenya Residents	788 8	793.5	772.8	814.1	842.9
Uganda	79.8	70.4	55.1	58.8	56.2
Tanzania	18.1	19.5	19.1	21.4	34.3
Other Africa .	141.2	163.2	147.6	145.5	150.4
AFRICA	1,027.9	1,046.6	994.6	1,039.8	1,083.8
U.S.A. .	250 0	267.5	266.8	303.5	378.1
Canada	45 4	44.5	47.0	33.2	34.9
NORTH AMERICA	295 4	312.0	313.8	336.7	413 0
Asia	109.4	109.7	121.8	117.2	108.1
All Others	108.3	98.2	113.3	86.9	77.2
TOTAL OCCUPIED	4,717.3	4,691.0	4,628.5	4,472.1	4,684.3
TOTAL AVAILABLE	8.324 9	8,525.5	9,011.0	9,207.5	9,203.8
Occupancy rate %	56.7	55.0	51.4	48.6	50.9

*Persons staying one month or more in one hotel-includes some block booking for air-crew.

**Provisional.

from 4.5 million occupied in 1983 to 4.7 million in 1984. The hotel capacity which grew continuously since 1980, declined marginally in 1984. Over the same period, bed-occupancy declined steadily up-to 1983 but increased modestly in 1984.

13.10. Visitors from Tanzania and Uganda together with Kenyan permanent residents account for only 25 per cent of all bed-nights occupied. The number of bed-nights occupied by foreigners increased by 6 per cent from 3.3 million in 1983 to 3.5 million in 1984. West Germany still stands out as the single most important tourist-generating country followed by Switzerland and the United Kingdom. The number of bed-nights taken by Kenya and Tanzania residents went up by 4 per cent and 60 per cent, respectively, between 1983 and 1984 while Uganda residents occupancy declined by 4 per cent. The large increase in the number of Tanzanian visitors is, no doubt, as a result of the re-opening of the border between Kenya and Tanzania.

13.11. Table 13.6 shows the distribution of hotel occupancy in various geographical zones. Nairobi and coastal hotels account for over 80 per cent of total bed-nights occupied in 1984, while beach hotels alone accounted for nearly 45 per cent. Nairobi area hotels accounted for about 30 per cent of total occupancy in 1984. The number of hotel bed-nights occupied in the Nyanza basin. Western and Northern Kenya is still significantly small in absolute terms because the areas lack the necessary tourist facilities and attractions that are found in other regions.

HOTEL BED-NIGHTS OCCUPIED BY AREA, 1980-1984

Table 13.6 '000

	1980	1981	1982	1983	1984*
Coastal-Beach	2,055.3	2,039.1	2,096.9	2,000.3	2,080.6
.Other	345.5	344.2	328.1	336.2	337.5
Coast Hinterland	134.9	131.2	115.9	106.6	115.4
Nairobi-High Class	609.8	586.9	543.7	497.9	553.9
.Other	904.3	890.0	857.0	829.4	843.5
Central	318.4	343.8	329.9	331.1	353.3
Masailand	193.5	193.3	211.7	224.1	243.3
Nyanza Basin	101.5	104.7	89.6	86.6	91.6
Western	43.2	48.5	47.6	51.1	56.3
Northern	10.9	9.3	8.1	8.8	8.9
TOTAL OCCUPIED	4,717.3	4,691.0	4,628.5	4,472.1	4,684.3
TOTAL AVAILABLE	8,324.9	8,525.5	9,011.0	9,207.5	9,203.8

*Provisional.

13.12. Details of hotel occupancy by country of residence and the major tourist zones are given in Table 13.7. In 1984, nearly 72 per cent of all tourists from Europe stayed at the coast. In particular, about 85 per cent. 84 per cent and 69 per cent of the tourists from West Germany, Switzerland and Italy, respectively, stayed at the coast. More visitors from the United Kingdom spend their holidays in Nairobi than visitors from other European countries. On the other hand, those from U.S.A. and Asia prefer to stay in Nairobi or in the game lodges. In 1984, over 25 per cent of all the visitors who stayed in game lodges were from U.S.A.

HOTEL BED-NIGHTS OCCUPIED BY AREA AND COUNTRY OF RESIDENCE, 1984*

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	227.0	32.8	1.1	11.5	272.4
West Germany	80.1	927.1	79.3	10.7	1,097.2
Switzerland	26.6	416.5	46.8	5.6	495.5
United Kingdom	149.4	233.5	52.6	23.0	458 5
Italy	32.0	144.4	27.3	6.3	210.0
France	36.9	75.7	41.5	7.7	161.8
Scandinavia	36.8	22.4	7.2	5.5	71.9
Other Europe	64.3	136.4	27.4	6.8	234.9
Kenya	261.9	297.9	53.4	229.7	842.9
Uganda	42.4	10.2	0.2	3.4	56.2
Tanzania	25.5	7.8	0.2	0.8	34.3
Other Africa	120.3	24.3	2.4	3.4	150 4
U.S.A	166.0	41.4	128.8	41.9	378.1
Canada	17.1	8.0	7.4	2.4	34.9
Asia	67.0	19.7	14.3	7.1	108.1
All Other Countries	44.0	20.2	9.7	3.3	77.2
TOTAL	1,397.3	2,418.3	499.6	369.1	4,684.3

*Provisional.

**Persons staying one month or more in one hotel-includes some block booking for air-crew,

13.13. Table 13.8 shows the number of bed-nights occupied in both game reserves and the national parks. The number was falling from 1981 to 1983 but then in 1984 it rose sharply to reach an all-time high figure of 445 thousand bed-nights. This represents a rise of 19 per cent in 1984 over 1983. Whereas the occupancy in game reserves has been increasing continuously, the number of bed-nights in national parks has, in the past, been decreasing among foreign residents, indicating perhaps that the popularity of holiday. making in the latter is on the wane. On the other hand, residents of East Africa are increasingly visiting and staying in national parks than in game reserves. Both foreign and East African patrons pre-dominatly prefer lodges and parks that offer full catering to those that are self-service only.

GAME LODGES** OCCUPANCY, 1982-1984

Table 13.8 '000

Lodge Locality/Type	BED-NIGHTS OCCUPIED					
	Foreign Residents			E. A Residents		
	1982	1983	1984*	1982	1983	1984*
Game Reserves	223.0	228.6	242.8	14.4	14.1	12.0
National Parks	157.1	146.7	202.0	31.4	33.2	42.9
TOTAL	380.1	375.3	444.8	45.8	47.3	54.9
Of which full catering.	356.5	351.5	419.5	36.2	39.0	46.9
Self Service	23.6	23.8	25.3	9.6	8.3	8.0

*Provisional.

**Lodges in National Parks]and Game Reserves only.

13.14. Table 13.9 shows the details of visitors to national parks between 1980 and 1984. Since 1979, the number of visitors to these parks has been increasing. After a small decline of 2 per cent in 1983, the number of visitors to national parks shot up to reach 868 thousand visitors in 1984. This is an increase of 9 per cent over the number recorded in 1983. The larger national parks that have continually recorded more visitors include Lake Nakuru, Mara, Aberdare and Mount Kenya national parks. Those

NUMBER OF VISITORS TO NATIONAL PARKS, 1980-1984

Table 13.9 '000

	1980	1981	1982	1983	1984*
Nairobi	124.6	147.8	151.3	133.5	128.3
Amboseli	82.1	93.5	136.3	134.9	135.5
Tsavo (West)	117.8	113.8	135.0	112.1	118.7
Tsavo (East)	60.6	62.6	79.0	71.2	75.8
Lake Nakuru	88.7	91.7	83.8	99.1	122.2
Mara National Park	36.8	36.8	56.1	78.1	109.9
Aberdare	39.6	43.9	46.2	45.3	47.5
Marine	38.0	47.1	44.6	45.4	41.9
Lake Bogoria	8.7	30.8	27.1	20.4	27.8
Meru	22.4	23.4	21.2	16.4	15.5
Shimba Hills	15.8	16.3	14.7	12.0	13.4
Mount Kenya	7.4	8.4	8.7	11.0	11.3
Samburu				7.3	7.3
Kisite Mpunguti	3.9	4.8	3.6	3.2	3.5
Mount Elgon	3.6	2.9	3.2	3.0	4.2
Ol-Donyo Sabuk	1.6	2.1	3.5	2.6	2.4
Marsabit	2.7	2.2	2.2	1.5	1.8
Saiwa Swamp	1.4	2.0	1.9	1.3	0.8
TOTAL	655.7	730.1	818.4	798.3	867.8

*Provisional.

that recorded higher number of visitors in 1984 than in 1983 are Tsavo West, Tsavo East, Lake Bogoria and Shimba Hills national parks. The number of visitors in Nairobi, Amboseli, Marine and Meru national parks went down in 1984 compared with 1983 figures.

13.15. Table 13.10 shows the number of visitors to museums, scenic and historic sites. The numbers visiting these attractions has increased considerably over the past five-year period, and particularly in 1983 and 1984. The number of visitors to these facilities reached an all-time record of 851 thousand visitors in 1984, an increase of 43 per cent over 594 thousand visitors recorded in 1983. In 1984, visitors to the National Museum, Snake Park and Fort Jesus increased by 38 per cent, 85 per cent and 20 per cent, respectively, over 1983. The Snake Park recorded 43 thousand more visitors than the National Museum, thus, becoming the leading attraction in 1984. With the exception of Gedi ruins, Jumba la Mtwana and Kitale museum which have experienced some noticeable declines in the number of visitors, especially in the last two years, all other museums and sites of attraction have continued to draw huge crowds. Most of this phenomenal rise in the numbers visiting the museums is due to an increased awareness in schools which nowadays organize visiting parties in an effort to expose the youth to both the indigeneous and exotic plant and wildlife heritage of Kenya.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1980 -1984

Table 13.10 '000

	1980	1981	1982	1983	1984*
National Museum (Main Gate)	175.0	160.1	148.5	185.0	255.0
National Museum (Snake Park)	127.2	117.0	120.9	161.5	298.3
Fort Jesus	140.9	129.6	131.1	152.1	182.6
Kisumu Museum	12.6	24.9	40.5	30.8	44.1
Gedi	34.1	31.8	33.4	21.8	26.2
Lamu	15.7	15.2	11.0	12.7	15.2
Jumba la Mtwana	5.5	5.1	9.4	10.5	8.6
Olorgessaile	5.1	4.7	4.8	5.2	6.3
Kitale Museum	5.7	7.6	7.1	8.8	5.8
Kariandusi	3.1	2.9	1.4	3.3	4.0
Hyrax Hill	1.7	1.5	1.4	2.3	2.7
Meru Museum					1.9
TOTAL	526.6	500.4	509.5	594.0	850.7

*Provisional.

13.16. Conference tourism has declined sharply since 1982. Only 5,768 delegates attended 40 conferences at the Kenyatta International Conference Centre (KICC) in 1984. This compares with 13.970 delegates who attended 36 conferences in 1983 and with the highest-ever of 18,050 delegates who attended 29 conferences in 1982. The details of conference tourism are shown in Table 13.11. The number of conference-days, similarly, declined from 176 recorded in 1983 to 160 days in 1984. Despite an increase in the number of

conferences, the fact that the number of conference-days decreased and conferences were attended by fewer delegates suggests that there were smaller and shorter conferences in 1984 than in 1983 and much more so than in 1982. The occupancy rate for the Kenyatta International Conference Centre, therefore dropped from 48 per cent in 1983 to 44 per cent in 1984.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1980-1984

Table 13.11

	1980	1981	1982	1983	1984*
Number of Conferences	38	40	29	36	40
Number of Conference days..	273	263	218	176	160
Attendance (Number of Delegates)	10,670	9,500	18,050	13,970	5,768
Percentage of Occupancy	74.6	72.1	59.0	48..2	44.0

*Provisional.

13.17. Many forms of domestic tourism promotion are under way. In addition to the country's annual agricultural fairs, radio programmes to promote domestic tourism were started in mid.1984. Information offices have been opened in Nairobi and Mombasa and one will be opened soon at Malindi. Tourist hotels now charge 25 per cent less to local tourists during low season. As regards travel. Kenya Airways is now offering the "Msafiri" low fares between Nairobi, Mombasa and Kisumu and the Kenya Railways has reduced fares significantly and plans are afoot to increase the number of coaches.

13.18. On international tourism, conference and business tourism have not been fully tapped and all efforts are being marshalled to market these types of tourism through advertising and increasing contacts with major conference cities of the world. In this connection, new tourist promotion offices have been opened in Ottawa, Canada and in Jeddah, Saudi Arabia; Japan, Hong Kong, Australia and New Zealand will soon be having offices for the same purpose.

13.19. On provision of the domestic infrastructure and facilities, equity investment in the tourist industry by the Kenya Tourist Development Corporation remained constant at K£5.4 million per annum for the third year running. Loans disbursed during the year, however, increased marginally from K£5.0 million in 1983 to K£5.2 million in 1984, an increase of 4 per cent. Disbursements under the commercial loan programme increased from K£3.1 million to K£3.4 million while outlays under the revolving fund programme decreased from K£1.9 million to K£1.8 million in 1984. About K£1 million has already been approved for disbursement in 1985. New tourist circuits in Western Kenya are also being opened. Kakamega National Park which was established at a cost of KSh. 14 million is now operational and additional hotels are under construction in Kericho, Homa Bay, Siaya and Kisii.

CHAPTER 14-TRANSPORT, STORAGE AND COMMUNICATIONS

Despite little change in both wage employment and personal earnings in some segments, gross output of the transport, storage and communications sector rose by 8 per cent in 1984. The sector thus contributed 5.6 per cent of the GDP. Combined revenues from road and rail transportation grew by 12 per cent in 1984 compared with 1983. Air transport likewise recorded higher activity in 1984 than in 1983. Freight handled at the port of Mombasa has been static during the last three years at around 6.5 million tonnes per year, while the performance of the Kenya Pipeline was rather indifferent in 1984. For the fourth consecutive year, the number of new registrations of motor vehicles declined. Postal services increased while there was no marked change in communications.

14.2. The annual nominal value of output of the transport and communications sector between 1980 and 1984 is shown in Table 14.1. Disregarding the separate declines experienced in different years among the listed activities presented in the table, total sector output went up significantly between 1980 and 1984. The sector output in 1984 was valued at K£552 million. The overall growth in output of 8 per cent in 1984 was, however, much lower than the 11 per cent growth in the output in 1983 when compared with 1982 and the 13 per cent growth recorded in 1982 over 1981.

TRANSPORT AND COMMUNICATIONS-VALUE OF OUTPUT, 1980-1984

Table 14.1 *K£million*

	1980	1981	1982	1983	1984*
Road Transport	138.5	141.5	172.3	172.2	196.1
Railway Transport	32.9	42.5	50 0	58.2	61.9
Water Transport	62.7	65.3	54.6	67.5	79.5
Air Transport	41 .6	39 9	48.4	69.1	72.9
Services Incidental to Transport	31.2	37.5	40.3	42.5	37.4
Total	306.9	326.7	365.6	409.5	447.8
Pipeline	18.6	18.5	20.1	19.1	21.0
Communications	57.5	63.5	74.9	84.0	82.9
TOTAL	383.0	408.7	460.6	512.6	551.7

*Provisional.

14.3. The value of output for both road and railway transport has continuously grown since 1980. Between 1983 and 1984 the value of output in road transport went up by 14 per cent from K£172 million to K£196 million, while the value of railway transport output increased by 6 per cent

from K£58 million to K£62 million. Apart from the decline recorded in 1982, the value of output of water transport went up sharply to reach K£80 million in 1984. Similarly, the value of output of air transport dropped in 1981 but has been growing since 1982, and in 1984 it recorded a slightly lower growth of 6 per cent over 1983. The value of output in services incidental to transport, on the other hand, has increased steadily over the period only to drop by 12 per cent from K£42 million in 1983 to K£37 million in 1984. Whereas the value of output of pipeline transport has fluctuated around K£20 million between 1982 and 1984, the value of output in communications has been rising steadily but recorded a marginal drop from K£84 million in 1983 to K£83 million in 1984.

14.4. Table 14.2 sets out details of earnings from road and railway transport between 1980 and 1984. Throughout this period, total earnings from both road and railway traffic rose substantially. There was an increase of 12 per cent from K£230 million in 1983 to K£258 million in 1984. As can be observed, earnings by road transport is the larger component, accounting for over 90 per cent of passenger traffic and nearly 60 per cent of freight traffic annually. Total rail earnings went up by 6 per cent while total road earnings rose by 14 per cent between 1983 and 1984. The reported increases in total earnings were largely due to repeated upward revisions of freight tariff, particularly in railway transport, the last of which was effected in April, 1984.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1980-1984

Table 14.2 *K£million*

	1980	1981	1982	1983	1984*
Passenger Traffic.					
Road	72.9	72.8	93.2	102.7	120.9
Rail	3.1	4.2	4.4	5.1	4.5
Total	76.0	76.9	97.6	107.8	125.4
Freight Traffic.					
Road	65.6	68.7	79.1	69.5	75.2
Rail**	29.7	38.4	45.6	53.0	57.4
Total	95.3	107.1	124.7	122.5	132.6
TOTAL ROAD TRAFFIC	138.5	141.5	172.3	172.2	196.1
TOTAL RAIL TRAFFIC	32.9	42.5	50.0	58.2	61.9
TOTAL	117.4	184.0	222.3	230.4	258.0

*Provisional.

**Includes other revenue.

Road Transport

14.5. Table 14.3 highlights details on new registration of road vehicles between 1980 and 1984. As can be noticed, the total number of newly registered vehicles has been falling since 1980. The total number of newly registered vehicles dropped by 22 per cent from a total of 23 thousand vehicles in 1980 to 18 thousand in 1981. The number further declined by 17 per cent or by three thousand vehicles to stand at 15 thousand vehicles in 1982. Registration of new vehicles declined further by 7 per cent between 1982 and 1983 and by the end of 1984 the total number of such vehicles stood at 14 thousand, representing a decrease of 3 per cent between 1983 and 1984. The breakdown reveals that, the total number of new registration of both saloon cars and station wagons have been increasing since 1981. However, registration of most other types and categories of vehicles have persistently dropped year after year since 1980. This is particularly true of vehicles used for industrial, commercial and business purposes.

NEW REGISTRATION OF ROAD VEHICLES, 1980-1984

Table 14.3 *Number*

	1980	1981	1982	1983	1984*
Saloon Cars	6,881	2,751	3,018	3,214	3,418
Station Wagons	2,298	1,560	1,527	1,781	1,769
Panel Vans, Pick-ups, etc.	7,454	6,599	5,447	4,415	4,190
Lorries/Trucks	2,255	2,091	1,355	1,355	1,167
Buses and Coaches	208	247	330	304	418
Mini Buses	217	434	295	280	285
Special Purposes Vehicles	163	163	103	75	28
Trailers	763	868	524	491	417
Rollers, Graders, Cranes	207	178	96	184	63
Wheeled Tractors	1,023	1,217	822	843	737
Crawler Tractors	14	47	26	31	20
Motor and Auto Cycles	1,749	1,945	1,506	965	1,027
Three Wheelers	14	15	12	2	2
ALL VEHICLES ..	23,246	18,115	15,061	13,940	13,541

*Provisional.

14.6. Table 14.4 details the total number of licences issued for vehicles on hire for passenger and freight transport. Licences issued for vehicles on hire have been fluctuating since 1980 when a total of 8,883 licences were issued, it reached a peak in 1982 with 9,333 licences issued. This figure dropped again by 16 per cent to 7,838 licences in 1983. By the end of 1984, a total of 8,747 licences were issued, representing an increase of 12 per cent over 1983. Licences issued to passenger service and freight transport vehicles behaved in a similar manner.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1980-1984

Table 14.4 *Number*

	1980	1981	1982	1983	1984*
Passenger Service Vehicles	2,952	2,938	3,134	2,565	2,879
Freight Transport Vehicles ..	5,931	5,733	6,199	5,273	5,868
TOTAL	8,883	8,671	9,333	7,838	8,747

*Provisional.

14.7. It is now appreciated that *matatus* and other mini-buses handle a significant share of passenger road transport. It has, therefore become necessary that an attempt be made to measure the contribution of this mode of transport to the gross domestic product. In an attempt to do so, the Central Bureau of Statistics conducted a pilot survey in January 1983 on *matatus* and mini-buses starting and terminating within Nairobi city boundary. The preliminary results from this survey show that on the average, each *matatu*/mini-bus employed two persons who earn K£750 per annum each. It was also estimated that each *matatu* collected an average revenue of K£13 thousand per annum from fares charged. In 1984, through an Act of Parliament, all *matatus*/mini-buses were required to obtain Public Service Vehicle (P.S.V.) licences in order to operate. Consequently, between October, 1984 and January, 1985, a total of 5,457 *matatu*/mini-buses were issued with the P.S.V. licences. When late issues and additions are taken into account, it is estimated that approximately 6,000 *matatu*/mini-buses are operating as passenger carriers in the country. It can, therefore, be estimated that this sector engages about 12 thousand persons who earn approximately K£9 million per annum and collecting revenue for the operators in the region of K£75 million per annum. If it is assumed that 30 per cent of total fare revenue constitutes gross product, then this sector contributed well over K£22 million to gross domestic product in 1984. For the first time, the operations of *matatus* have been incorporated in our GDP.

Railway Transport

14.8. Details of freight and passengers carried and revenue earned by the Kenya Railways Corporation between 1980 and 1984 are shown in Table 14.5. The total freight tonnage handled has been declining steadily by about 4 per cent annually between 1980 and 1983. There was, however, a moderate increase of 4 per cent in freight carried in 1984 over 1983, although the volume was still below that of 1982. Freight tonnes per kilometre also fell continuously between 1980 and 1983 but there was a 7 per cent increase in 1984 when compared with 1983. The rise in freight carried in 1984 was mainly due to increased imports of foodstuffs that was necessitated by the 1984 drought. On the other hand, both total revenue earned and revenue per

tonne per kilometre have substantially increased since 1980. Total freight revenue increased by 19 per cent from K£47 million in 1983 to K£56 million in 1984 while revenue per tonne per kilometre increased sharply by 20 per cent from 45 cents in 1983 to 54 cents in 1984.

RAILWAY TRAFFIC, 1980-1984

Table 14.5

	Unit	1980	1981	1982	1983	1984*
Freight:						
Tonnes	'000	4,287	4,248	4,065	3,894	4,040
Tonne/Km	million	2,277	2,241	2,097	2,091	2,246
Revenue	K£million	27.40	36.10	39.70	46.75	55.60
Revenue per tonne/km.	cts.	24	32	39	45	54
Passengers:						
Journeys	'000	2,401	2,356	2,346	2,283	1,803
Passenger/Km	million	704.2	777.6	771.8	727.6	520.0
Revenue	K£million	2.85	3.90	4.50	4.85	4.50
Revenue per passenger/km.	cts.	8	10	12	13	19

*Provisional.

14.9. As with the volume of freight carried, the number of passengers carried by the Kenya Railways has been declining since 1980. The total number of passengers carried in 1980 was 2.4 million. This decreased to. around 2.3 million during the next three years. However, the total number of passengers carried sharply declined by 21 per cent from 2.3 million in 1983 to only 1.8 million in 1984. Revenue earned from passenger traffic, however, continued to rise throughout 1980 to 1983 but recorded a drop of 8 per cent from K£4.9 million in 1983 to K£4.5 million in 1984. The annual increase in revenue has been possible only through upward adjustments of tariffs. It is hoped that the reduced passenger tariff announced towards the end of 1984 will attract back passengers who might have opted to travel by other modes of transport. As can also be seen from Table 14.5, while the total number of passenger journeys and the total number of passengers per kilometre have been decreasing, revenue per passenger per kilometre has been increasing since 1980. It was announced in 1984 that, in order to reduce the wear and tear and thereby reduce the heavy cost of repair on Kenyan roads, the Kenya Railways would be expected to take over most of the haulage of heavy freight including transportation of all types of petroleum products outside the pipeline.

Harbours and Shipping

14.10. Data on freight handled at the port of Mombasa from 1980 to 1984 are presented in Table 14.6. Total port throughput rose from 7.5 million tonnes in 1980 and peaked at 8.4 million tonnes in 1981 but declined in 1982 and 1983. In 1984, freight handled totalled 6.6 million tonnes, showing a

marginal increase of only 2 per cent over the 6.5 million tonnes recorded in 1983. The volume of exports handled at the port has been declining since 1981, and at 2.0 million tonnes in 1984, the level of exports was nearly the same as the levels recorded in 1979 and 1980. The level of imports, on the other hand, went up in 1981, declined in 1982 but recovered in 1983, rising to 4.5 million tonnes by the end of 1984.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1980-1984

Table 14.6 '000 *Tonnes*

	1980	1981	1982	1983	1984*
Loaded.					
Dry Cargo	1,438	1,531	1,675	1,785	1,537
Bulk Liquids	598	1,274	689	411	506
Total	2,036	2,805	2,364	2,196	2,043
Landed.					
Dry Cargo	2,003	2,060	1,489	1,607	1,971
Bulk Liquids	3,467	3,567	2,705	2,681	2,572
Total	5,470	5,627	4,194	4,288	4,543
TOTAL FREIGHT HANDLED	7,506	8,432	6,558	6,484	6,586

*Provisional.

14.11. Dry cargo exports have been increasing steadily since 1980 but fell from 1.8 million tonnes in 1983 to 1.5 million tonnes in 1984. Dry cargo imports have fluctuated around 2.0 million tonnes since 1980; it fell dramatically by 28 per cent to 1.5 million tonnes in 1982 but rose again to nearly 2.0 million tonnes in 1984. After a more than double increase in the volume of bulk liquids exported from 0.6 million tonnes in 1980 to 1.3 million tonnes in 1981, the total quantity of bulk liquids exported went down sharply in 1982 and 1983. The increase of 23 per cent in 1984 over 1983 does not say much since the absolute tonnage involved was small. The amount of bulk liquids imported increased only between 1980 and 1981 but has since been declining steeply. The only significant value, therefore, is the rise in the amount of dry cargo imported which includes imported foodstuffs due to the severe drought in 1984.

14.12. Transit cargo handled through the port of Mombasa to neighbouring countries decreased from 495 thousand tonnes in 1983 to 489' thousand tonnes in 1984. Exports from these countries through the port rose from 218 thousand tonnes to 220 thousand tonnes while their imports fell from 277 thousand tonnes to 269 thousand tonnes between 1983 and 1984.

Whereas imports by Uganda, Sudan, Burundi and Zaire fell and those to Rwanda and Tanzania increased, exports from Uganda, Sudan, Tanzania, Burundi and Rwanda went up while exports of Zaire went down between 1983 and 1984.

14.13. The number of cargo ships arriving at the port of Mombasa has been going down steeply since 1980. In 1984 only 1,220 ships handled cargo at the port compared with 1,284 such ships in 1983. The fall in the number of ships compared with the reported increase in the amount of freight handled suggests that the port of Mombasa is increasingly handling larger ships now than before.

14.14. Containerized freight haulage through Mombasa has increased dramatically since 1980 and it is expected to increase further in the future. Container throughput increased by 10 per cent from 84 thousand twenty-foot equivalent units in 1983 to 92 thousand twenty-foot equivalent units in 1984.

Pipeline Transport

14.15. Table 14.7 shows details of the performance of the Kenya Pipeline Company from 1980. The transported total throughput of 1.5 million cubic metres of white petroleum products in 1980 is the highest since the pipeline was commissioned in 1978. The transported throughput dropped by 2 per cent to 1.4 million cubic metres in 1981 and further fell drastically by 13 per cent to 1.3 million cubic metres in 1982. The volume of through-put transported has since increased, first by 7 per cent in 1983 and by 4 per cent in 1984 to stand at 1.4 million cubic metres at the end of 1984. Apart from jet fuel whose handling has been on the decline, the volume of throughput of all other types of petroleum products has been fluctuating widely since 1980. The increase observed in 1984 over 1983 was largely due to increased throughput of regular motor spirit and light diesel oil. Gross revenue earned by the Kenya Pipeline Company reached K£20 million in 1982 but fell slightly to K£19 million in 1983 only to increase again to K£21 million by the end of 1984.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1980-1984

Table 14.7 '000 *Cubic Metres*

	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumina-ting Oil	Light Diesel Oil	Jet fuel	Total
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
1984	231.5	238.8	110.0	502.3	316.4	1,399.0

Air Transport

14.16. Table 14.8 portrays the number of passenger-kilometres covered and the freight per kilometre carried in 1983 and 1984 for both domestic and international flights. Between 1983 and 1984, passenger-kilometres covered increased by 7 per cent and 6 per cent for domestic and international flights respectively. Total passenger-kilometres covered was therefore 6 per cent higher in 1984 than in 1983. Passenger capacity utilization increased from 55 per cent in 1983 to 72 per cent in 1984 for domestic flights, while the utilization for international flights decreased from 67 per cent to 56 per cent during the same period. Total freight carried per kilometre increased by 3 per cent from 121 million kg./km. in 1983 to 124 million kg./km. in 1984. This is wholly accountable by increased international freight handling since domestic freight handling decreased by 4 per cent. Overall, therefore, freight capacity utilization went up marginally while passenger utilization rose by 5 per cent, indicating improved levels of utilization for both passenger and freight capacities between 1983 and 1984.

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1983-1984

Table 14.8

	DOMESTIC		INTERNATIONAL		TOTAL	
	1983	1984*	1983	1984*	1983	1984*
PASSENGER						
Passenger. Km. Million ..	81.4	87.0	887.0	935.5	968.4	1,022.5
Utilisation: *Percent*	54.8	71.9	66.5	55.7	55.7	58.2
FREIGHT						
Total Carried: Kg/Km. Million	7.7	7.4	113.0	116.4	120.7	123.8
Utilisation: *Percent*	56.1	57.2	56.3	52.1	56.3	57.0

*Provisional.

14.17. The performance of commercial air traffic at Nairobi and Mombasa international airports are shown in Tables 14.9 and 14.10 respectively. Although the total number of passengers handled at Nairobi airport in 1983 increased by 12 per cent over 1982, the 1983 figure was still lower than that of 1981. The increase of 7 per cent in 1984 compared with 1983 was, however, large enough to make the total of 1.6 million passengers in 1984 the largest enough to make the total of 1.6 million passengers in 1984 the largest recorded in the five-year period. On the other hand, total freight landed and loaded at Nairobi has also been increasing at 12 and 9 per cent in 1983 and 1984, respectively. A closer examination of Table 14.9 reveals that increases have largely been confined to cargo freight while mail freight handled has remained somewhat static and generally showing signs of decline.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1980-1984

Table 14.9

	1980	1981	1982	1983	1984*
PASSENGERS.000's					
Landed	476.7	505.2	470.4	478.4	529.8
Embarked .	470.0	507.8	480.0	471.9	517.7
In Transit .	520.0	570.1	559.9	588.0	593.0
TOTAL	1,466.7	1,583.1	1,510.3	1,538.3	1,640.5
FREIGHT.'000 *tonnes*					
Cargo: Landed	7.8	7.8	7.1	8.2	10.0
Loaded	20.7	24.9	25.6	28.4	30.1
Mail: Landed	0.9	1.0	1.1	1.3	1.2
Loaded	0.7	0.8	0.9	0.8	0.8
TOTAL	30.1	34.5	34.7	38.7	42.1

*Provisional.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1980-1984

Table 14.10

	1980	1981	1982	1983	1984*
PASSENGERS.000's					
Landed	177.6	182.0	183.5	182.7	193.1
Embarked	181.9	191.2	189.7	191.5	200.7
In Transit	20.5	15.8	16.6	15.3	24.1
TOTAL	380.0	389.0	389.8	389.5	417.9
FREIGHT.'000 *tonnes*					
Cargo: Landed..	16.49	12.22	10.14	9.10	8.01
Loaded	10.20	9.84	7.50	8.43	8.22
Mail: Landed	0.09	0.08	0.08	0.12	0.10
Loaded	0.04	0.04	0.04	0.05	0.08
TOTAL	26.82	22.18	17.76	17.70	16.41

*Provisional.

14.18. The performance at Mombasa airport has not been so impressive. Whereas the number of passengers has been rather static between 1981 and 1983, the volume of freight handled has been on the decline throughout the period. The total number of passengers passing through Moi International Airport increased by 7 per cent from 390 thousand in 1983 to 418 thousand in 1984, while freight fell further by another 7 per cent from 18 thousand tonnes recorded in 1983 to only 16 thousand in 1984. Both airports together, however, handled 2.1 million passengers in 1984 representing an increase of 7 per cent above 1.9 million passengers handled in 1983.

Posts and Telecommunications

14.19. Table 14.11 shows the details of various postal and telecommunications services and facilities provided between 1980 and 1984. Both postal and telecommunications services and facilities have expanded and improved considerably between 1980 and 1984. The total number of fully fledged departmental post offices functioning by the end of 1984 totalled 796 compared with 689 in 1980. This represents an average annual increase of about 3 per cent. In addition, there has been a substantial increase in the number of sub-post offices particularly in the rural areas over the same period. Despite the increase in the number of post offices, the number of persons served per post office has increased faster over this period. This is mainly due to the fact that post offices have been increasing at a lower rate than that of the population. There were 23 thousand persons per post office in 1980 compared with 24 thousand and 25 thousand persons in 1983 and 1984. respectively.

POSTAL AND TELECOMMUNICATION SERVICES, 1980-1984

Table 14.11

	Unit	1980	1981	1982	1983	1984*
Post Offices	No	689	714	731	756	796
Private Letter Boxes	'000	151	159	168	172	177
Registered and Insured Items Posted	million	2.9	3.3	3.1	3.4	3.4
Total correspondence handled	million	188	199	206	219	228
Parcels handled	'000	412	419	371	352	361
Telephone Exchange connections	'000	74	80	88	96	106
Public Call Boxes	No	529	753	655	734	1,425
Manual Telephone Calls made	million	13.2	14.0	14.6	12.6	13.8
Subscriber Dialled Units	million	433	478	571	590	694
Telex Subscribers	'000	1.2	1.4	1.5	1.7	2.0
Telegrams Handled	'000	955	1,000	1,014	1,034	1,170

*Provisional.

14.20. Between 1980 and 1984, the number of installed private letter boxes increased by an annual average of nearly 4 per cent. Going hand-in-hand with this, the total amount of individual mail handled was 228 million letters in 1984, representing a 4 per cent rise above the 1983 figure. There has been no change in the number of registered and insured items which have remained at 3.4 million pieces for the second year running. After two years of decline, the number of parcels handled increased slightly. The increased cost of posting parcels experienced over this period may have contributed to the reduction in the number of parcels handled in the earlier period. The *Speed Post* service which was introduced in May, 1983, has been fairly successful on the domestic front and now covers most major towns.

14.21. Telecommunications facilities and services have also expanded since 1980. Telephone exchange connections went up by 10 per cent to 106 thousand lines in 1984, from 96 thousand lines in 1983. The year 1984 will be remembered as *the year of public call boxes.* Despite the reported vandalism which had, in the first instance, led to the decline in the number of public call boxes in 1982 and 1983, the additional call boxes installed in 1984 nearly doubled the total available in 1983. As modernization continues, it can be observed from Table 14.11 that the number of subscriber dialled units increased. Although the total number of manual telephone calls increased slightly, it will remain low and even decrease in future. The number of both telex subscribers and telegrams has been rising since 1980, recording relatively higher increases between 1984 and 1983 than between previous years.

14.22. On international telecommunications, the total number of paid minutes of both the outgoing and incoming telephones has been going up steadily since 1980 as detailed in Table 14.12. To improve this performance further, an international subscriber dialing system was installed and started operating in December, 1984. Whereas the international telex services have recorded impressive increases, particularly for incoming telex, the international telegraph traffic however, continues to decline.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1980-1984

Table 14.12

	1980	1981	1982	1983	1984*
Telephone service-million paid minutes.					
Outgoing	4.1	4.6	5.3	6.2	7.1
Incoming	4.5	5.0	5.9	7.5	7.8
Telex service-million paid minutes.					
Outgoing	2.5	2.6	2.9	3.1	3.1
Incoming	3.0	2.6	3.2	2.8	4.6
Telegraph service-million paid words.					
Outgoing	5.9	6.9	6.3	4.0	2.6
Incoming	6.2	6.3	5.3	3.3	2.1

*Provisional.

Information and Mass Media

14.23. Table 14.13 shows the total number of new radio and television sets sold and licenced between 1980 and 1984. The number of radio and television sets sold and licensed has been declining since 1980 with a slight up-turn in 1982. The sales in 1984 were 32 per cent lower than in 1983 while sales in 1983 were 27 per cent lower than in 1982. It is estimated that there were 2.7 million radios and 119 thousand television sets licenced in the country.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1980-1984

Table 14.13 '000

	1980	1981	1982	1983	1984*
Radios	201.3	193.5	196.1	142.9	97.9
Television Sets	11.9	10.5	11.5	8.2	8.1

*Provisional.

14.24. The Kenya Institute of Mass Communication is continually expanding in order to train manpower in various skills associated with collecting and disseminating information through the mass media. In 1984, the Institute was expanded to accommodate 350 students compared with the 300 students that could be accommodated in 1983. However, in addition to in-service trainees, 162 students enrolled for various courses in 1984 compared with 120 students in 1983.

14.25. The average daily and weekly local newspaper circulation between 1980 and 1984 is presented in Table 14.14. Whereas the average circulation of Kiswahili newspapers has remained more or less static, the average sales of English language papers has shown a rapidly rising trend since 1980. The average daily circulation of English language newspapers went up by 7 per cent from 171 thousand copies in 1983 to 183 thousand copies in 1984, while the average circulation of English language weeklies increased sharply by 22 per cent from 232 thousand in 1983 to 284 thousand in 1984. The average circulation of both daily and weekly Kiswahili newspapers, however, went up by the same rate of 13 per cent in 1984 compared with 1983, after both had been rather static between 1980 and 1983.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1980-1984

Table 14.14 '000 *Copies*

	1980	1981	1982	1983	1984*
MORNING NEWSPAPERS.					
English	153.8	163.4	167.1	171.3	183.2
Swahili	52.9	52.6	52.5	52.4	59.2
OTHER NEWSPAPERS.					
English Weeklies	184.7	191.7	216.0	232.0	283.9
Swahili	66.7	66.0	65.3	64.8	73.3

*Provisional.

CHAPTER 15 - THE SOCIAL SCENE

Government expenditure on social services is estimated to have gone up from K£275 million during the 1983/84 fiscal year to K£347 million in 1984/85, as detailed in Table 15.1. This represents an increase of 26 per cent and, hence, it underscores the continued concern of the Government to improve the welfare of the people. Likewise, local authorities incurred an estimated expenditure on social services of K£27 million in 1984, an increase of 7 per cent over the previous financial year, as indicated in Table 15.2. Thus the expenditure by the local authorities in 1984 is nearly double the level of expenditure in 1980.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES. 1981/82.1984/85

Table 15.1 *K£million*

	1981/82	1982/83	1983/84	1984/85*
RECURRENT EXPENDITURE.				
Ministry of Education, Science and Technology	165.97	177.55	172.41	217.97
Ministry of Health	59.07	61.29	57.46	68.56
Ministry of Labour	3.77	3.75	3.95	4.49
Ministry of Culture and Social Services	8.06	8.42	8.07	11.13
DEVELOPMENT EXPENDITURE.				
Ministry of Education, Science and Technology	11.26	10.19	10.44	13.90
Ministry of Health	11.10	7.48	13.94	17.14
Ministry of Labour	1.54	0.58	0.81	1.09
Ministry of Culture and Social Services	5.22	5.51	7.64	12.79
TOTAL EXPENDITURE	265.99	274.77	274.72	347.07

*Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1980-1984

Table 15.2 *K£million*

	1980	1981	1982	1983*	1984*
Education	8.30	10.00	11.66	14.51	17.17
Health	5.12	5.89	6.71	8.36	8.05
Other Social Services	0.58	1.86	1.66	2.48	1.91
TOTAL EXPENDITURE	14.00	17.75	20.03	25.35	27.13

*Provisional.

Education

15.2. As in the recent past, the development of education and expansion of educational opportunities took a share of about 30 per cent of the nation's recurrent budget in 1984/85. As the Government ushered in the 8.4.4 super. ceeding the 7.6.3 education programme, there resulted substantial increases in both recurrent and development expenditures of 26 per cent and 33 per cent, respectively, over the previous financial year, as shown in Table 15.3. Primary education continued to receive the largest share, amounting to K£131 million, or 60 per cent, of the entire Ministry's estimated recurrent expenditure. On the other hand, higher education with an allocation of K£5 million had the preponderant share of 34 per cent of the Ministry's estimated total development expenditure in 1984/85.

EXPENDITURE OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, 1981/82.1984/85

Table 15.3 *K£million*

	1981/82	1982/83	1983/84*	1984/85*
RECURRENT EXPENDITURE.				
General Administration and Planning	6.58	7.28	10.43	16.96
Pre-Primary Education	0 06	0 09	0.13	0 17
Primary Education	107.16	118.55	107.78	130 84
Secondary Education	21.77	24.88	20.78	3009
Technical Education	1.59	1.02	1.32	2.38
Teacher Training	5.46	6.88	7.53	9.74
Special Schools	0.66	0.74	0 91	1.01
Polytechnic Education	2.44	2.10	2.38	2 51
Higher Education**	18.71	14.66	16.95	23 03
Miscellaneous	1.54	1.35	4.20	1.24
TOTAL	165.97	177.55	172.41	217.97
DEVELOPMENT EXPENDITURE.				
General Administration and Planning	2.02	0.57	1.64	0 84
Pre-Primary Education	—	—	—	—
Primary Education	0.55	1.41	049	1.71
Secondary Education	2 16	3.26	2.11	2 08
Technical Education	1.12	0.15	041	1.53
Teacher Training	1.69	1.65	2.37	1.84
Special Education	0.17	0.14	0 19	0 94
Polytechnic Education	0.97	002	0 34	029
Higher Education**	2.58	2 99	2.83	4.67
Miscellaneous	—	—	006	—
TOTAL	11.26	10.19	10.44	13.90

*Estimates.

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

15.3. The Government implemented the decision to restructure the education system, introducing the 8.4.4 programme with effect from January, 1985. The objectives of the new system are as follows:.

(i) to ensure that it serves and satisfies the developmental aspirations of the country's youth as well as catering for the wider interests of national development:

(ii) to provide a practical and technical oriented curriculum that offers a wide range of employment opportunities;

(iii) to assess and evaluate students' abilities and achievements by considering final examination as well as pupils' progressive performance at school;

(iv) to provide equitable distribution of educational resources to ensure that there are more equal opportunities for all students regardless of their place of origin, creed, or race; and

(v) to promote positive attitudes of mutual respect and foster a sense of nationhood among the youth in order to uphold national values of the society.

15.4. In the new 8.4.4 educational system, there will be 8 years of primary education, 4 years of secondary education, and at least 4 years of university education. Last year's Standard 7 pupils proceeded to Standard 8 in January this year, and will be sitting for the Kenya Certificate of Primary Education (KCPE) examination in November, 1985. The first Form 1 intake under the new system will be in 1986. This class will sit for the Kenya Certificate of Secondary Education (KCSE) examination in 1989. The Certificate of Primary Education (CPE) examination was sat for the last time in 1983. The Kenya Certificate of Education (KCE) and the Kenya Advance Certificate of Education (KACE) will be taken for the last time in 1987 and 1989, respectively. In 1990, two groups of students will be considered for admission into Kenyan universities. The Form 4 students of the new system will undergo a 4.year university programme while the Form 6 of the old system will spend 3 years at university for similar courses. Thus, the last candidates of the old system will graduate from university in 1992 while the first 8.4.4 candidates will graduate in 1993.

15.5. The data in Table 15.4 show an estimated increase of one per cent in enrolment in primary schools from 4.3 million in 1983 to about 4.4 million in 1984. The pupil sex-ratio (boys to girls) tended to unity, being 109:100 in 1982, 108:100 in 1983 and 107:100 in 1984. The effect of the new educational system was, in part, manifested in Standard 7 enrolment where the largest annual increase of about 18 per cent occurred. None-theless, cohort analysis of pupils climbing the primary school ladder reveals that about 21 per cent of the pupils in Standard 1 in 1983 did not reach Standard 2 in 1984, mainly due to severe drought conditions which reduced enrolment especially in the lower primary classes. With no CPE examination in 1984, an estimated promotion rate of 87 per cent in Standard 7 was the highest in recent years.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1981-1984

Table 15.4 *Numbers*

Class	1981		1982		1983*		1984*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	436,236	408,245	467,845	440,919	460,649	429,363	447,168	417,425
Standard 2	362,849	342,150	359,794	335,417	367,667	342,994	366,073	340,866
Standard 3	325,116	300,956	334,565	320,295	340,295	321,903	339,328	319,113
Standard 4	267,822	247,773	300,035	278,781	315,770	301,918	316,797	308,642
Standard 5	238,966	222,058	250,134	234,735	276,682	260,611	282,478	274,560
Standard 6	239,096	221,402	255,141	235,416	272,177	248,493	267,188	247,611
Standard 7	208,464	160,029	210,655	160,870	216,002	169,298	250,208	202,775
TOTAL	2,078,549	1,902,613	2,178,169	2,006,433	2,249,242	2,074,580	2,269,240	2,110,992

*Provisional.

15.6. The demand for secondary education has continued to rise, bringing the total enrolment in secondary schools from 493,710 in 1983 to an estimated 498,146 in 1984. The number of secondary schools maintained by the Government increased from 597 in 1983 to 613 in 1984. There was, correspondingly, an estimated total enrolment of 220,446 pupils and 221,864 pupils in the two years. Assisted and unaided schools also continued to increase and by 1984, they were estimated to have enrolled 110,268 and 166,014 pupils, respectively. The sex-ratio in 1984 was estimated to be 196:100, 108:100 and 127:100 for maintained, assisted and unaided schools, respectively.

15.7. Tables 15.5 and 15.6 give the details of the secondary school enrolment by form, school management by type, sex and province. Of the 19 secondary technical schools operating in 1984, 15 were government maintained, 2 were assisted while 2 were unaided. The estimated enrolment of 9,785 students was an increase of 3 per cent over 1983. The maintained and assisted schools had about 243 classes with 9,078 pupils in 1984 compared with 236 classes with 8,814 pupils in the previous year. Under the new educa tional system, the Government plans to convert and restructure the present 15 government technical secondary schools into post-school technical colleges in order to increase the number of training opportunities for the school leavers.

ENROLMENT IN SECONDARY SCHOOLS BY FORM. 1983-1984

Table 15.5 *Numbers*

	1983*			1984*		
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form 1	55,566	32,251	51,797	56,270	32,663	52,229
Form II	50,393	29,248	46,975	50,625	29,669	47,243
Form III	47,598	23,386	32,042	47,428	24,148	32,657
Form IV	46,783	22,987	31,493	46,400	23,055	31,607
Form V	10,017	381	1,156	10,611	463	1,210
Form VI	10,089	384	1,164	10,530	270	1,068
TOTAL	220.446	108,637	164,627	221,864	110,268	166,014
Boys	145,975	56,817	91,368	146,974	57,339	92,968
Girls	74,471	51,820	73,259	74,890	52,929	73.046

*Provisional.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX. 1982-1984

Table 15.6 *Numbers*

Province	1982		1983*		1984*	
	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi	9,153	6,361	12,345	7,716	12,429	4,366
Coast	9,560	4,933	9,406	4,703	9,467	4,761
Eastern	17,598	9,604	21,310	10,655	21,455	10,715
North-Eastern ..	1,234	255	1,262	281	1,271	283
Central	34,646	21,440	36,618	20,697	36,867	24,162
Rift Valley	22,754	12,247	22,428	11,962	22,581	12,043
Nyanza	20,888	5,559	22,766	8,537	22,921	8,584
Western	21,018	10,042	19,840	9,920	19,983	9,976
TOTAL ..	136,851	70,441	145,975	74,471	146,974	74,890

*Provisional.

15.8. As detailed in Table 15.7, the teaching force in primary and secondary schools increased by 5 per cent in 1984 and was estimated to be 143,425

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL. 1982-1984

Table 15.7 *Numbers*

	PRIMARY			SECONDARY		
	1982	1983	1984**	1982+	1983	1984**
TRAINED.						
Graduate	5	9	11	3,693	3,923	5,420
Approved*	131	110	212	410	457	675
S1 ..	2,712	2,687	2,884	2,994	3,079	3,944
P1 ..	31,375	36,902	44,201	293	422	222
P2 ..	28,278	27,346	27,133	116	123	20
P3 ..	16,505	15,295	13,974	—	—	—
P4	828	634	488	—	—	—
Other	830		—	771	793	544
Total ..	80,664	82,983	88,903	8,277	8,797	10,825
UNTRAINED.						
Graduate	—	—	—	2,150	2,256	1,415
K.A.C.E. ..	557	661	764	6,457	6,697	6,741
K.C.E.	23,807	23,683	22,908	366	386	283
K.J.S.E.	8,147	8,482	8,428	—	—	—
C.P.E.	1,563	1,579	1,733	—	—	—
Other	356	87	27	598	824	1,398
Total ..	34,430	34,492	33,860	9,571	10,163	9,837
TOTAL ..	115,094	117,475	122,763	17,848	18,960	20,662

*An approved teacher has completed the equivalent of a University Education.
**Estimated.
+Actual from head count.

teachers of whom 86 per cent were primary school teachers. The primary school pupil/teacher ratio was 36:1. Of the primary school teachers 72 per cent were trained and the PI teachers constituted 50 per cent of the trained cadre. However, the recruitment of about 11,500 untrained primary school teachers in the first term of 1985 will reduce the percentage of the trained teachers. Such recruitment is necessary in order to meet the requirements of the new 8.4.4 system of education. The student/teacher ratio in secondary schools was 21:1 in 1984; 52 per cent of the teachers were trained and this proportion has been increasing for the last three years.

15.9. Student enrolment in the 17 colleges of primary school teacher training increased by 1,328 to reach 12,624 in 1984. Details of the qualification and sex of the trainees in these colleges in 1984 are given in Table 15.8. The sex-ratio of the trainees is still far from unity, being 142:100 in 1982, 151:100 in 1983 and 143:100 in 1984. The proportion of those enrolled with KCE or equivalent had decreased from 97 per cent in the previous two years to 95 per cent in 1984, due to an increasing proportion of KACE level joining the colleges.

STUDENT ENROLMENT IN ALL PRIMARY TEACHERS COLLEGES BY QUALIFICATION, 1984/85*

Table 15.8 *Numbers*

Qualification	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
K.A.C.E.	126	80	15	11	141	91
K.C.E	3,824	2,495	3,280	2,416	7,104	4,911
K.J.S.E	33	39	52	53	85	92
C.P.E	46	71	44	39	90	110
TOTAL ..	4,029	2,685	3,391	2,519	7,420	5,204

*Provisional.

15.10. The Government objective of producing enough qualified secondary school teachers to improve the quality of education is corroborated by an increase in number of training colleges and their enrolments. In 1984, the number of colleges had risen to eight from seven in 1983. These (including Egerton College, Njoro which trains 40 teachers annually in agriculture) were operational while Moi College, Eldoret was due to start operating. They are offering diploma courses. Kenyatta University College offers undergraduate and post-graduate teachers' courses. The total enrolment in all colleges increased from 4,978 in 1983 to 5,162 in 1984. Those colleges offering diploma courses were training 2,789 teachers in 1984 compared with 2,442 students in 1983, an increase of 14 per cent. The proportion of women students in those colleges offering diploma courses reduced from 35 per cent in 1983 to 32 per cent in 1984.

15.11. Expansion and diversification of the scope of teaching in technical and vocational subjects at post-primary and post-secondary levels are planned under the new educational system. The Government plans to re-organize the present national polytechnics, which had a total enrolment of 5,600 students in 1984, to provide further technical education and training up to higher diploma level. To provide increased training opportunities for school leavers, the Government plans to create linkages in the training programmes from the village polytechnics, through the institutes of technology and national polytechnics to the universities.

15.12. The Government realises that productivity and income-earning opportunities depend on the application of modern scientific knowledge and technical know-how which the Harambee Institutes of Technology (HIT's) are set up to facilitate. In 1984, 15 institutes were in operation with a total enrolment of 3,813 students, an increase of 4 per cent over 1983. The Rift Valley Institute of Science and Technology recorded the highest enrolment of around 900 students, representing nearly a quarter of the entire students in HIT's in 1984.

15.13. The student enrolment at the University of Nairobi and its constituent, Kenyatta University College (KUC), are detailed in Table 15.9 and 15.10, respectively. Both undergraduate and post-graduate enrolments at the University of Nairobi decreased by nearly 200 in 1984/85, thus reducing the total student population to 6,682. Practically all courses exhibited declines with the exception of engineering and law, and the number of science students contributed largely to this drop. However, the decrease of 160 in the total enrolment at KUC in 1984/85 was due to the phasing out of diploma courses. At the university, arts and education continued to dominate undergraduate and post-graduate courses respectively, each with 22 per cent of the enrolment. Female students constituted 45 per cent of the total enrolment at KUC, but only 21 per cent in the post-graduate courses in 1984/85; while at the main university the sex-ratios were 4:5,3:1 and 4:1 in diploma, undergraduate and post-graduate courses, respectively, in 1984/85. Foreign students constituted 3 per cent of the entire enrolment at the university in 1984/85.

15.14. The new Moi University at Eldoret will offer courses mainly in science and technology. It started operating in the 1984/85 year with 83 students of whom 7 were females. There were 37 in first year, 25 in second year and 21 in third year, all having been transferred from the department of forestry of the University of Nairobi. When fully operational, the new university will endeavour to meet its objectives through the undergraduate and post-graduate training and research faculties of technology, agriculture, veterinary medicine, forest resources and wildlife management science, social, cultural and development studies, information science, and health science. In addition to these faculties, a school of environmental studies, an institute of applied science and technology and a college of continuing education will operate at the university.

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1983/84-1984/85

Table 15.9 *Numbers*

Course/Faculty	1983/84			1984/85		
	Male	Female	Total	Male	Female	Total
Undergraduate Course.						
Agriculture*	382	86	468	360	94	454
Architecture and Design	197	29	226	190	29	219
Building Economics and Land Economics	113	38	151	98	36	134
Art	747	403	1,150	741	365	1,106
Commerce	333	174	507	332	163	495
Engineering	507	12	519	516	9	525
Law	192	133	325	235	141	376
Medicine	433	107	540	421	111	532
Science	719	98	817	643	85	728
Veterinary Medicine	271	36	307	255	47	302
Dental Surgery	35	35	70	31	28	59
Pharmacy	77	27	104	80	26	106
TOTAL	4,006	1,178	5,184	3,902	1,134	5,036
of which Kenya Students ..	3,945	1,165	5,110	3,853	1,118	4,971
Diploma Courses** Total ..	25	40	65	31	36	67
of which Kenya Students ..	24	38	62	31	32	63
Postgraduate Courses.						
Agriculture	121	24	145	115	23	138
Architecture and Design	46	4	50	55	6	61
Art	200	82	282	201	81	282
Commerce	55	9	64	43	8	51
Education	287	117	404	264	106	370
Engineering	39	3	42	39	2	41
Law	10	5	15	11	5	16
Medicine	205	47	252	210	45	255
Science..	231	43	274	243	25	268
Veterinary Medicine	50	11	61	48	8	56
School of Journalism	17	5	22	16	6	22
Institute of Computer Science	13	2	15	15	4	19
TOTAL	1,274	352	1,626	1,260	319	1,579
of which Kenya Students ..	972	269	1,241	1,181	295	1,476
Total Enrolment.						
All Kenya students	4,941	1,472	6,413	5,065	1,445	6,510
Students from other countries	364	98	462	128	44	172
TOTAL	5,305	1,570	6,875	5,193	1,489	6,682

*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, 1983/84.1984/85

Table 15.10 *Numbers*

Courses	1983/84			1984/85		
	Male	Female	Total	Male	Female	Total
Bachelor of Education	1,108	1,032	2,140	1,069	924	1,993
B.A. (Fine Arts)	3	1	4	7	7	14
B.Sc. (Home Economics)	3	185	188	2	87	89
Postgraduate (Including P.G.D.E.)	154	50	204	217	59	276
TOTAL	1,268	1,268	2,536	1,295	1,077	2,372

Health

15.15. The Government has continued a concerted programme of construction of new hospitals, health centres and dispensaries, while at the same time carrying out renovations, improvements and up-grading of existing health facilities. Table 15.11 shows the provincial distribution of health facilities in 1983 and 1984. The number of health sub-centres and dispensaries in 1984 increased by 60 to 1,273. There was a small decrease in the number of hospitals and health centres during 1984 due to some mission hospitals being re-graded to become health centres.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1984

Table 15.11

Province	HEALTH INSTITUTIONS				HOSPITAL BEDS AND COTS	
	Hospitals	Health Centres	Health sub. centres and Dispensaries	Total	No. of Beds and Cots	NO. per 100,000 Population
Nairobi	17	8	86	111	5,610	508
Coast	25	26	142	193	3,005	178
Eastern	31	39	227	297	4,287	125
North Eastern	3	8	21	32	414	85
Central	43	41	193	277	4,848	166
Rift Valley	50	82	406	538	5,844	141
Nyanza	28	55	150	233	4,114	117
Western	16	34	48	98	2,764	122
TOTAL 1984	213	293	1,273	1,779	30,886	158
TOTAL 1983	216	288	1,213	1,717	29,294	156

15.16. Table 15.11 further shows the number of beds and cots available in all health institutions in the country. Such beds and cots increased by around 1,600 and reached 30,886 in 1984. The increase was largely attributed to the opening of "Nyayo wards" in government hospitals at Kiambu, Embu, Nakuru, Kapsabet and Kapkatet. These projects were started by the President's personal initiative along the national credo of self-help. There are plans to construct similar wards in other areas in line with government policy of providing improved health services closer to the people.

15.17. The Ministry of Health embarked on primary health care (PHC) programme under the title "Community Based Health Care Services" in 14 districts, namely Nairobi, Kwale, Embu, Kitui, Isiolo, Murang'a, Nakuru. Baringo, Nandi, Turkana, Kisumu, Kakamega and Busia. Similar projects run by non-government organizations are operational in 11 districts, namely, Nairobi, Embu, Machakos, Meru, Nyeri, Kirinyaga, Nyandarua, Kericho, Siaya, South Nyanza and Kakamega. In collaboration with the World Health Organization, the Ministry of Health plans to review the PHC projects in Kenya with the following objectives:.

(i) to measure the progress made towards implementation of PHC in terms of the extent to which well-defined goals for improvement of acceptability, utilization and impact of health services have been achieved;

(ii) to identify obstacles to continued progress, and identify those elements of PHC which are developing well and according to plan;

(iii) to gather data which normally do not form part of a country's information system, especially data on the process of implementation not easily codified in routine data collection systems; and

(iv) to get high-level programme managers into the field and to review many overall policy questions based on their own field experience e.g. can term contracts be awarded for standardised items and arrangements made for stations to procure directly from the successful contracts or their agents in the districts as stipulated in the guidelines for district focus for development?

15.18. The National Family Welfare Centre is the management and administrative centre of the Ministry of Health charged with the responsibility of planning and implementing the National Maternal Child Health and Family Planning Programme (MCH/FP). The emphasis on this section of the Ministry is based on the realisation that the brunt of ill health problems is borne by mothers and children and especially by women in their reproductive years of life (15.49 years), and children under the age of five years. The overall objectives of the MCH/FP Programme are to reduce population growth rate and improve the health of the mothers and children. In order to achieve its goal, the centre plans and supports the following activities:.

(i) establishment of full-time maternal and child health and family planning service delivery points;

(ii) in-service training for health workers in family planning practice and training of a new cadre of health workers for MCH/FP, namely, family health field educators;

(iii) information and education activities; and

(iv) research and evaluation activities.

15.19. In 1984, the national programme of the MCH/FP had 82,167 first visitors attending the family planning clinics representing an increase of 30 per cent over 1983. The trend in the utilization of MCH/FP services indicates that more people are going for antenatal and child welfare than to family planning clinics. Table 15.12 shows the reported number of first visitors attending the child welfare clinics in 1984 in the country. The programme had 826,673 first visitors during 1984, representing a quarter of the target population.

MCH/FP ATTENDANCE BY SERVICES, 1982-1984

Table 15.12 *Numbers*

Year	CLINICS*		FIRST VISITS ONLY		
	Established	Reported	Child Welfare	Ante-Natal	Family Planning
1982	574	424	876,273	563,680	58,971
1983	645	409	845,272	597,193	63,269
1984	719	410	826,673	531,774	82,167

*All clinics give both full-time and part-time services especially in the field of family planning.

15.20. Table 15.13 details the number of registered medical personnel, including those in training institutions, in the years 1982.84. Figures for trainee doctors, dentists and pharmacists refer to all years of training. Registered nurse trainees include also those at the School of Advanced Nursing. The number of doctors rose from 2,151 in 1982 to 2,591 in 1984, an increase of 20.5 per cent. The same period has also seen the number of dentists rise from 239 in 1982 to 331 in 1984, an increase of 38.5 per cent, while the number of pharmacists rose by 52.3 per cent.

REGISTERED MEDICAL PERSONNEL, 1982-1984

Table 15.13 *Numbers*

Type of Personnel	1982	1983	1984		IN TRAINING	
	Number	Number	Number	No. per 100,000 Population	1983-84	1984-85
Doctors	2,151	2,366	2,591	13.26	500	532
Dentists	239	289	331	1.69	100	59
Pharmacists	86	113	131	0.67	120	126
Pharmaceutical Technologists	359	395	427	218	120	125
Registered Nurses	7,675	8,547	9,165	46.91	895	898
Enrolled Nurses	9,665	10,168	10,650	54.51	3,260	4,117
Clinical Officers	1,821	1,921	2,001	10.24	360	477

15.21. The training of various cadres of auxilliary and professional health workers takes place at the Medical Training Centre (MTC). The University of Nairobi maintains close links with the MTC in the teaching and examination of students and the award of diplomas and certificates in some disciplines.

15.22. It is estimated that National Hospital Insurance Fund (NHIF) had a membership of approximately 500,000 people of whom about 400.000 members are considered active, in that they renew their membership and pay contributions regularly. It is also estimated that 40 per cent of the active members claim benefits every year. Table 15.14 shows that contributions to the NHIF rose by 14.5 per cent from K£5.64 million in 1982/83 to K£6.46 million in 1983/84. During the same period, benefits rose by 18.4 per cent leaving the fund with a balance of K£1.0 million. The significant rise in benefits in the last two years is due to the increased awareness of members about benefits available in the scheme and also to the increase in the rate of benefits payable at approved hospitals.

NATIONAL HOSPITAL INSURANCE FUND, 1979/80.1983/84

Table 15.14 *K£million*

Year	Receipts*	Benefits**	Contribution Net of Benefits*
1979/80	3 00	1.81	1.19
1980/81	3.56	1.94	1.62
1981/82	5.04	2.97	2.07
1982/83	5.64	4 61	1.03
1983/84	6.46	5 46	1.00

*Includes both compulsory and voluntary contributions and other receipts.

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

Other Social Services

15.23. *Adult Education*-In the year 1984 there were 10,863 adult education centres as shown in Table 15.15. These had a total enrolment of 233,723 adult learners of whom 183,076 or nearly 78 per cent were women. Compared with 1983, the number of adult education centres dropped by some 980 centres. The number of classes also dropped by 1,313 during the same period. The decrease both in the number of classes and centres is attributed to some of voluntary teachers having left the programme. The role of non-government organizations in adult education remains significant; nearly a quarter of both adult centres and classes is supported by these institutions.

GOVERNMENT AND NON-GOVERNMENT AIDED ADULT LITERACY CENTRES, 1984

Table 15.15

Province	GOVERNMENT AIDED		NON-GOVERNMENT AIDED		TOTAL	
	Centres	Classes	Centres	Classes	Centres	Classes
Nairobi	184	181	2	3	186	184
Coast	874	874	163	163	1,037	1,037
Eastern	1,553	1,553	596	596	2,149	2,149
North Eastern	232	240			232	240
Central	1,131	1,131	84	84	1,215	1,215
Rift Valley	2,203	2,205	551	551	2,754	2,756
Nyanza	1,437	1,437	580	580	2,017	2,017
Western	861	971	412	412	1,273	1,383
TOTAL ..	8,475	8,592	2,388	2,389	10,863	10,981

15.24. *National Youth Service.*-The total strength of the service increased from 8,500 in 1983 to 9,012 in 1984, comprising of servicemen and service. women, uniformed officers and civilian staff. Nearly 2,300 servicemen and women were recruited in 1984, of whom only 307 were women. The service is engaged in various activities all over the country including building, road construction, transport and irrigation projects. Construction now in progress includes buildings at Gilgil College and at Naivasha women's camp. Road construction by the service in conjunction with the Ministry of Transport and Communications includes the road between Thika and Garissa, the Tana Basin and Kerio Valley. In conjunction with the National Irrigation Board, the service has undertaken work in Bura Settlement Scheme in the Coast Pro. vince. Also the service has helped in the transportation of famine relief foodstuff for the National Cereals and Produce Board. Courses offered in 1984 included driving and plant operation, tailoring and dressmaking, ma sonry, motor vehicle mechanics, fitting, welding, plumbing and secretarial training among others.

15.25. *Women in Development.*-The Women's Bureau has, since its creation in 1976, had the mandate to co-ordinate all women's programmes

in the country with the long-term objective of integrating women in the national development process. The need for such a department arose after the World Conference of Women in 1975 which declared the same year as the Women's Year and the period 1975.1985 as the Women's Decade. The. main objective of the Women's Decade phenomenon was to undertake programmes to encourage national government to make every effort to recognize the role of women in the development process. To this end, three main areas were to be focused on: education, employment and health among others. The forthcoming United Nations Women's Decade Conference scheduled for July, 1985 in Nairobi, will mark the end of the decade. The conference will review achievements and bottlenecks in order to come up with strategies for further integration of women in development. Meanwhile, the Women's Bureau continues to assist various women's projects all over the country with funds. The projects being supported by the bureau are mainly agricultural and income-generating small-scale enterprises.

15.26. *National Social Security Fund.*—As shown in Table 15.16, the number of employers registered by NSSF rose by 1,100 in 1984 while the number of employees went up from 1.34 million in 1983 to 1.41 million in 1984. A total of K£39.4 million was contributed in 1984 of which K£5.4 million was paid out to members as benefits over the same period. Total investment made during the year amounted to K£96.0 million of which long-term investment stood at K£12.3 million.

NATIONAL SOCIAL SECURITY FUND, 1980-1984

Table 15.16

	1980	1981	1982	1983	1984
Employers registered '000	314	30.4	31.8	33.0	34.1
Employees registered '000	1,262.5	1,226.4	1,291.4	1,341.0	1,406.7
Members paid out '000	99 0	112.4	128.4	132.4	
Annual contribution K£mn ..	28.5	34.1	35.9	36.1	39 4
Annual benefits paid K£mn ..	2.3	3.8	4.1	6.5	5.4
Total investments K£mn	53.8	69.2	78.5	86.3	96.0

15.27. *Youth Development.*-This is a programme aimed at training youth in order to make them employment oriented. It is partly being implemented through village polytechnics which produce employable or self-employed graduates. The number of village polytechnics receiving government grants virtually remained the same i.e. 288 in 1984 compared with 287 in 1983. In Central Province there were 60 such institutions, while Nairobi had only 2 and North Eastern had 7. The other provinces had between 40 and 44 village polytechnics each. Kakamega district had 20 village polytechnics which was the largest number in any one district. All the other districts had at least 2 village polytechnics except Marsabit which had only 1. The total number of instructors has changed little within the two years and their strength remains at about 1,600.

ENROLMENT IN VILLAGE POLYTECHNICS, 1983-1984

Table 15.17 *Numbers*

	Year	PROVINCES								Total
		Coast	Eastern	North Eastern	Central	Nairobi	Rift Valley	Nyanza	Western	
Number of Village Polytechnics	1983	41	44	7	59	2	43	51	40	287
	1984	40	44	7	60	2	44	51	40	288
Total Enrolment	1983	3,747	5,887	246	6,351	406	3,961	5,325	4,049	29,972
	1984	4,606	4,049	246	6,351	406	5,325	5,887	3,961	30,831
Number of Instructors	1983	218	242	30	324	16	260	267	215	1,572
	1984	217	223	33	360	18	265	260	211	1,587