

REPUBLIC OF KENYA

ECONOMIC SURVEY 1986

Central Bureau of Statistics
Ministry of Planning and National Development

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UNITS AND SYMBOLS USED

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

SUMMARY AND OUTLOOK

Overview

The world economy entered its third year of recovery in 1985. While such recovery was somewhat slower than in 1984, the upswing in activity in the OECD countries remained solid and was sustained throughout the year. Inflation has now been contained but interest rates remained high. Unemployment has remained unusually high and has yet to respond to the increased activity. While the decline in oil prices augured well for further growth, many developing countries' terms of trade suffered from low commodity prices.

The domestic economy recovered strongly from the ravages of the 1984 drought. Further, two developments towards the end of 1985 put the economy on a firm footing for further growth. The world oil prices fell remarkably; while the world price of coffee went up considerably as a result of the weather in Brazil. During the year, the Government adopted a package of fiscal measures, aimed at providing impetus to the private sector in enhancing efforts of revitalising the economy.

The GDP grew by 4.1 per cent in 1985, compared with a mere 0.9 per cent growth achieved in 1984. The two main sectors, agriculture and manufacturing grew by 3.5 and 4.5 per cent, respectively. As a result of poor exports growth, liberal import policies and food imports early in the year, the balance of payments recorded K£86 million deficit in 1985, thus moving from surplus position recorded in 1983 and 1984.

Other sectors of the economy to record respectable growth rates were distribution, transport and communications, finance and business services, and other services. The building and construction industry showed a small upward swing with plans approved signalling a better performance in 1986 and beyond.

Wage employment increased by nearly 5 per cent while the average nominal wage rose by 8.3 per cent. However, due to a higher rate of inflation, average real wages fell by 2.4 per cent. The rate of inflation went up from 9.1 per cent in 1984 to 10.7 per cent in 1985.

The International Scene

The economies of the industrial countries continued their recovery in 1985. There was however a slackening in output, compared with 1984. Nonetheless, there was noticeable buoyancy in gross business investment. The long-term rise in unemployment remained largely unabated and the volume of world trade declined. Real interest rates remained high despite a commendable decline in the rate of inflation from 13 per cent in 1980 to around 4.5 per cent in 1985.

The terms of trade of developed industrialised countries benefitted from low primary commodity prices and the recent decline of oil prices. However, for developing countries, the high interest rates, low primary commodity prices and general paucity of loanable funds adversely affected their economies. Their export earnings fell and thus greatly reduced their demand for imports. The overall effect was further weakening of their current account balances which further compounded their indebtness. In sub-Sahara Africa, the advent of generally good weather led to improved economic performance in 1985 compared with 1984.

The prospects for 1986 are good as there is still confidence for further growth. The developed industrial countries are expected to continue to benefit from low oil prices, low inflation and the easing of their overall deficits. The proposed global economic talks during the year are expected to pave the way for a new world economic order. There is hope that higher primary commodity prices will lead to better export earnings for non-oil developing countries. In particular, coffee exporting countries like Kenya, expect to benefit from the high prices that started rising at the close of 1985.

Domestic Economy

Favourable weather conditions, government budgetary discipline and improved economic management policies enabled Kenya to achieve a significant growth of 4.1 per cent in its real gross domestic product in 1985. This was a satisfactory rise above the 0.9 per cent increase witnessed during the drought year of 1984. The momentum of growth appears to have picked up in all sectors except in the "ownership of dwellings", the only sector with a negative growth in 1985. Agriculture recovered from the real decline of 3.7 per cent it suffered during the drought of 1984; it recorded an increase of 3.5 per cent in 1985. Manufacturing sector's real value added rose by 4.5 per cent in 1985 compared with a growth of 4.3 per cent in 1984. The building and construction sector, which had recorded negative contributions to real GDP during 1981.84, registered a positive growth of 1.1 per cent in 1985.

Gross Fixed capital formation at constant prices grew by 2.5 per cent in 1985. This growth was wholly attributed to the public sector which increased its real gross fixed capital formation by 13.6 per cent in 1985 compared with a drop of 6.0 per cent in 1984. In real terms, the private sector's gross fixed capital formation declined further by 4.2 per cent in 1985 compared with a negligible growth in 1984.

Aggregate domestic consumption (at current prices) grew by 24 per cent in 1985 compared with the rise of 6 per cent in 1984. Meanwhile, domestic savings suffered a decline of 11 per cent, contrasting with an increase of 4 per cent in 1984.

Contraceptive Prevalence Survey

In 1984, the Central Bureau of Statistics (CBS) carried out the Kenya Contraceptive Prevalence Survey. The principal objective of the survey was to provide up-to-date information on knowledge, use and and availability of contraceptives as well as shedding more light on the understanding of levels and determinants of fertility among women aged between 15.49 years. This was a major research undertaking covering 6,581 eligible women. The results from the survey augments those obtained from the Kenya Fertility Survey undertaken in 1978 and are invaluable in designing and implementing family planning programmes.

The survey findings show that awareness of family planning is widespread, although the level of contraceptive use did not change appreciably between 1978 and 1984. There was a notable increase in the proportion of women who were current users of contraceptives from 7 per cent in 1978 to 17 per cent in 1984. The survey also found out that higher education attainment by women was associated with small family sizes, fewer number of desired children, shorter breastfeeding intervals and high knowledge and use of contraceptives. Women in urban areas reported smaller family sizes than their rural counterparts.

Employment, Earnings and Consumer Prices

There was considerable improvement in employment in 1985 compared with 1984. Wage employment in the modern sector increased by 54,700 new jobs or by nearly 5 per cent. The Urban Informal Sector grew by an even higher 9.2 per cent compared with a growth of 8.1 per cent in 1984.

The total wage payments increased by nearly 14 per cent while the average nominal wage rose by 8.3 per cent. However, due to a higher rate of inflation, the average real wage rate actually declined by 2.4. per cent.

As forecast in last year's "Economic Survey", the rate of inflation drifted upwards from 9.1 per cent in 1984 to 10.7 per cent in 1985.

Money, Banking and Finance

The main developments in the financial sector in 1985 were the amendments of the Central Bank Act and the enactment of the Banking Act. There was an increase in the deposits held by the Commercial Banks and an expansion in domestic credit. The Central Bank holding of foreign exchange reserves increased slowly by 5 per cent, while its balance with external banks rose considerably during the year.

Total domestic credit expanded from K£1,389 million at the end of 1984 to stand at K£1,569 million at the end of 1985. Private sector borrowing grew faster, by recording a 14.4 per cent growth during the year compared with 9.7 per cent expansion of the central government borrowing. The money supply grew at a slower rate of 6.7 per cent during 1985.

The banking system recorded an increase in total liabilities and assets, which grew from K£1,409 million in 1984 to K£1,501 million at the end of 1985.There was a decline in net foreign assets. Commercial bank credit expansion showed changes, with the lending to public sector declining for the first time since 1980, largely due to to the decrease in the buying of Treasury bills.

Public Finance

There was encouraging improvement in Government finances in 1985 following the drought effects experienced in 1984. Current revenue rose by 15 per cent while current expenditure rose by only 7 per cent. Consequently, the current account deficit declined by a notable 45 per cent from K£158 million in 1984/85 to K£89 million in 1985/86. Expenditure on development, equity and loans rose by an impressive 30 per cent, but due to the satisfactory balance between current revenue and expenditure, the overall budget increased by a marginal one per cent compared with 23 per cent the previous year.

As a result of measures undertaken by the Government, the ratio of total domestic debt to total public debt declined. Government borrowing from the commercial banks went down by 30 per cent in conformity with its stated policy of making more loanable funds available to the private sector. The external debt service ratio rose from 13.4 per cent in 1984 to 16.0 per cent in 1985.

External Trade and the Balance of Payments

Following the faster growth in imports relative to the expansion in exports, Kenya's external trade and balance of payments position deteriorated after two years of improvement. In total, a balance of payments deficit amounting to K£86 million was recorded compared with the K£39 million and K£68 million surpluses recorded in 1984 and 1983, respectively. This was largely as a result of poor exports growth, liberal import policies and food imports early in the year; all of which led to the decline in the balance of trade and the growth of the current account deficit. The current deficit rose from K£147 million in 1984 to K£169 million in 1985. The country continued to receive international capital support, especially from the IMF, which enabled Kenya to cope with the deterioration in the balance of payments.

Due to poor export prices, the terms of trade declined by 16 per cent in 1985. Overall export volumes went up, while import volumes declined significantly. Trade with the African region, particularly within the Preferential Trade Area (P.T.A.), continued to show improvement. The value of Kenya's exports to P.T.A. member countries grew from K£135 million in 1984 to K£145 million in 1985.

As in 1984, the Kenya Shilling depreciated against the major currencies, during 1985, this time by a higher margin. The Shilling depreciated by 16.8 per cent against the S.D.R. in 1985; by 27.5 per cent against the Pound Sterling; by 31.6 per cent against the French Franc; by 31.4 against the Deutsche Mark; and by 3.2 per cent against the US dollar. Overall, however, it declined by 23.0 per cent in trade weighted terms.

Agriculture

In 1985, the agricultural sector performed far better than 1984 as a result of adequate long rains in most parts of the country. Real value added rose by 3.5 per cent compared with a fall of 3.7 per cent in 1984. Production of major crops rose substantially as both tea and maize hit record production levels of 147 thousand tonnes and 27 million bags respectively. Similarly, production of wheat and milk rose substantially from their 1984 drought depressed levels.

The value of recorded marketed production at current prices dropped in 1985. Prices of purchased agricultural inputs continued to rise suggesting an unfavourable movement in the terms of trade for the agricultural sector for the third consecutive year but the terms of trade index in 1985 remained at the same level as in 1984, thanks to upward revision of producer prices for some key commodities.

Natural Resources and Environment

The Government continued with efforts towards environmental control in the fields of water supplies, forestry, fisheries, mining and land utilisation.

Rural water supplies received a substantial boost in terms of development spending. Between 1984/85 and 1985/86 expenditure on rural water supplies including self-help water supplies increased by K£3.2 million, representing a rise of 23 per cent.

The improvement of ecological conditions in 1985 as a result of good rains led to a mild recovery of the fishing industry. Total fish landings increased from 90,976 tonnes in 1984 to 91,740 tonnes in 1985. The value of fish landed also rose, though by a small margin of 2 per cent.

In its efforts to arrest the negative impacts of soil erosion and desertification, the Government expanded the forest plantations from 165,000 hectares in 1984 to 167,000 hectares in 1985. This spatial expansion was augmented by developments in agro-forestry practices and the rural afforestation and extension programme which led to the planting of 22.6 million seedlings in 1985.

Energy

A welcome development in 1985 was the dramatic decline in crude oil prices. The world market price of crude petroleum fell to below US$20 in 1985.

However, the amount of oil imported rose by 5.7 per cent compared with 1984 while the value of the imported crude oil increased by nearly 20 per cent: mainly due to the depreciation of the Kenya Shilling against the US dollar. Exports of petroleum products to neighbouring countries declined as they substituted imports from Kenya by direct imports from the Middle East.

Electricity generation increased by 17 per cent compared with 1984 while efforts were made to diversify energy sources through the "New and Renewable Energy Programme". There was an intensification of oil exploration and by the close of the year, 19,200 sq. km. were under exploration.

Manufacturing

A fair increase in domestic consumption of manufactured goods due to the improved performance in agriculture, coupled with further improvement in the allocation of foreign exchange and import licence for imported inputs contributed to a modest increase in growth of the manufacturing sector in 1985. In real terms, the output of the sector grew by 4.6 per cent compared with 4.3 and 4.5 per cent in 1984 and 1983, respectively. Among the industries that recorded relatively large increases in output were meat and diary products, canned vegetables, oils and fats. However, wood products and transport equipment were outstanding among the few industries which experienced declines in production.

There was a decline in the volume of exports of manufactured goods while the high cost of imported capital goods and low domestic savings inhibited further investment in the sector.

Average productivity per worker went up by about one percentage point but wage employment rose appreciably by 3.7 per cent.

Building and construction

The performance of the building and construction sector improved slightly in 1985 after a sluggish performance between 1981 and 1984. Employment in the sector increased marginally from 49,200 in 1984 to 49,900 in 1985 or by 1.4 per cent. Cement consumption recorded an appreciable rise of 12.5 per cent due to its increased use in some of the big projects, and the continued building of extra standard 8 classrooms. The overall building and construction cost index went up by 10.9 per cent in 1985 which was attributed to a rise in prices of materials and the increase in the minimum wage rates. The value of all building plans approved during 1985 increased by 25 per cent which portends an even better perfomance in 1986.

Tourism

Notwithstanding the small increases in both visitor-departures and the total number of visitor-days, earnings from the tourism sector rose substantially. The nominal foreign exchange earnings from tourism increased by 38 per cent from K£152 million in 1984 to K£209 million in 1985. This large increase in earnings was mainly attributable to conference tourism resulting from three major conferences held in the country during the year. Indeed, the number of delegates attending the 35 conferences held during the year increased nearly five-fold from 6 thousand in 1984 to 29 thousand in 1985. Europe continued to be the major source of tourists to Kenya as it represented 55 per cent and 59 per cent of total departing visitors in 1984 and 1985, respectively.

Transport, Storage and Communications

There was a marked improvement in the transport and communications sector in 1985 compared with 1984. Total output at current prices grew by 19 per cent while the number of new vehicles registered in 1985 increased by 4 per cent compared with 1984. Earnings from road traffic increased by 19 per cent in 1985 with road passenger traffic contributing the major share. Freight handled by Kenya Railways and the port of Mombasa declined by 11 per cent and 3 per cent, respectively. Earnings from freight handled by the Kenya Ports Authority rose by 10 per cent while earnings from freight carried by Kenya Railways dropped by a similar percentage. The throughput of the pipeline increased by 4 per cent while revenue earned went up by 11 per cent in 1985 compared with 1984. The performance of commercial airlines including Kenya Airways improved by recording higher capacity utilization through increases in the number of passengers carried and the volume of freight handled.

The most significant expansion, however, was recorded in communications where the value of output went up steeply by 44 per cent in 1985 compared with 1984. Telecommunications and postal facilities and services improved considerably with substantial increases in the number of post offices, exchange connections, and the number of public call boxes installed. International telecommunications recorded increased numbers in paid minutes for both incoming and outgoing calls although telegraph usage continued to decline as telephone and telex services expanded.

The Social Scene

The Government expenditure on social services rose by 23 per cent from K£347 million in 1984/85 to K£426 million in 1985/86. The recurrent expenditure on education increased by 30 per cent while development expenditure rose by 24 per cent. A welcome development during the year was the setting up of the Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond.

Primary school enrolment rose from 4.4 million in 1984 to 4.7 million in 1985 while the number of classes increased by 12 per cent from 121,783 in 1984 to 136,851 in 1985. These increases were due to normal growth as well as the continued implementation of the 8.4.4 system. Conversely, enrolment in secondary schools declined from 502 thousand in 1984 to 437 thousand in 1985 due to the absence of Form I classes. The upturn in enrolment in technical and vocational training institutes continued in 1985.

Hospital beds and cots increased mainly as a result of completion of "Nyayo Wards" at various hospitals. To ensure availability of essential drugs in adequate quantities, a new management system-Drugs Supplies to Rural Health Facilities—was introduced during the year. First visits to maternal child health and family planning clinics increased by 6 per cent in 1985 over 1984. Indications are that these clinics are being utilised more for child welfare than for family planning services.

Among other social services, enrolment in adult education dropped by 21 per cent over 1984; National Youth Service had 7,151 servicemen and service-women; the National Social Security Fund (N.S.S.F.) increased membership of both registered employers and employees; contributions to the Fund totalled K£43.8 million in 1985. In the area of youth development, the number of youth polytechnics increased by 33 in 1985 although enrolment declined owing to the introduction of the 8 4 4 educational system.

Outlook for 1986

Available indicators for 1986 show that the O.E.C.D. economies will further strengthen their recovery. The growth rates for the O.E.C.D. countries as a group in 1986 should not be very different from those experienced in 1985. Inflation has already come down to low levels and has stabilised. Unemployment seems set to remain a problem in the longer term, apparently as a result of structural changes in industrial production.

After rising to record levels, the value of the dollar has now depreciated and provided this holds, it should have beneficial effects on the world currency markets. Interest rates have continued to be disturbingly high.

The reduction in oil prices, coupled with the related savings in production costs of export items, can be expected to ease the task many developing countries now face in controlling deficits. This eventuality should encourage world trade even though the impact may be felt only towards the end of the year and in 1987.

In Kenya, the early part of 1986 has been characterised by very favourable economic conditions: the fall in world price of oil coupled with high export prices for coffee together with plentiful and widespread long rains. The combined effects of these factors augur well for agriculture,

manufacturing, distributive trades, and transport, although the volatility of world prices will dictate caution. Furthermore, Government revenues should rise while the balance of payments position is set to improve. Trade with African countries should also pick up measurably, especially with a return to stability in Uganda. The year 1986 is, therefore, expected to show a higher growth in GDP and a revival of investment.

Inflation is expected to be lower than in 1985 and may rise no higher than 8 per cent. The fiscal and monetary policies adopted by the Government in 1985 should have their full effects in 1986. Thus, it is expected that controlled domestic borrowing by the Government should ensure adequate provision for the private sector's requirements.

Under these circumstances, the GDP is expected to grow by around 5 per cent.

KEY ECONOMIC AND SOCIAL INDICATORS, 1981-1985*

Table 1

		1981	1982	1983	1984	1985**	
1. Population	(million)	17.3	18.0	18.8	19.5	20.2	
2. Growth of gdp at constant prices	(per cent)	6.0	2.4	3.1	0.9	4.1	
3. GDP at market prices	(K£mn)	3,023	3,411	3,826	4,046	4,763	
4. Net cost of petroleum products	(K£mn)	200	179	214	185	257	
5. Trade balance	(K£mn)	-497	-430	-313	-373	-445	
6. Money supply	(K£mn)	918	1,066	1,118	1,262	1346	
7. Total domestic credit	(K£mn)	969	1,252	1,253	1,389	1,569	
8. Balance of payments (current account)	(K£mn)	-336	.253	-89	-147	-159	
9. Coffee marketed production	(000 tonnes)	91	88	95	119	97	
10. Tea marketed production	('000 tonnes)	91	%	119	116	147	
11. Maize marketed centrally	('000 tonnes)	473	571	636	561	583	
12. Wheat marketed centrally	('000 tonnes)	203	235	242	135	194	
13. Sugar-cane production	('000 tonnes)	3,822	3,108	3,286	3,611	3,463	
14. Milk sold centrally	(mn litres)	223	260	274	190	231	
15. Manufacturing output	(K£mn)	1.804	2,054	2,426	2,957	3336	
16. Construction output	(K£mn)	403	402	411	437	461	
17. Cement consumption	('000 tonnes)	653	579	511	541	610	
18. Petroleum consumption	('000 tonnes)	1.585	1,491	1,373	1,482	1,497	
19. Electricity consumption	(Mn Kwh)	1.663	1,701	1,747	1,845	2,014	
20. Tourism earnings	(K£mn)	90	118	122	152	209	
21. New registration of vehicles	(Number)	18,115	15,061	13,940	15,694	16,320	
22. Rail height	(Mn tonnes/km)	2.241	2,097	2,091	2,034	1,858	
23. Air passangers handled	('000)	1,972	1,900	1.928	2,058	2,108	
24. Wage employment	('000)	1,024	1,046	1,093	1,126	1,174	
25. Education-primary enrolment	(000)	3.981	4.184	4.324	4,380	4,700	
26. Education—secondary enrolment	('000)	411	438	494	498	437	
27. Education—post secondary enrolment	('000)	23	22	22	23	24	
28. Hospital beds and cots	(Number)	28,108	29,044	29,294	30,886	30,936	
29. Registered doctors and dentists	(Number)	2,254	2,390	2,614	2,752	2,842	
INDEX NUMBERS: (1982 = 100)							Annual % Rate of change 1982.1985
Export volumes		103	100	96	95	99	-0.3
Import volumes		118	100	79	93	86	-4.9
Terms of trade		105	100	94	110	92	-2.7
Consumer prices		82	100	115	125	138	11.3
Real wages		112	100	93	94	91	-3.1
Agricultural terms of trade		104	100	98	94	94	-2.0

*More precise measures are given in individual chapters.
** Provisional.

CHAPTER 1—INTERNATIONAL SCENE

The industrial countries entered their third year of recovery in 1985. The upswing of activity in the Organization of Economic Co-operation and Development area (OECD) remained solid and sustainable during the year. However, there was some slowdown in the recovery as reflected by the deceleration of growth in the USA. While output growth has slackened, confidence of further growth remains, arising from the fact that gross business fixed investment has been buoyant relative to output growth. The phenomenon has been noticeable both in the USA, Japan and in Europe. Further confidence is generated by the fact that inflation has been falling in the three years of recovery with no signs of any important supply constraints. World trade grew by little over 2 per cent in 1985, while it grew only slowly in the OECD area compared with 1984. The lopsided growth within the OECD has led to continued increase of protectionist sentiment, particularly in the USA, while two other features remain a problem within the area; these features are the long-term rise in unemployment, and the continued high level in real interest rates. Developing countries have continued to suffer from protectionism, high real interest rates, and the additional problem of poor primary commodity prices.

1.2. A significant development in the international scene has been the bringing down of inflation from a peak of 13 per cent in early 1980 to some 4.5 per cent by end of 1985. This has largely been a result of medium-term approach to economic policy, the basic strategy being the pursuit of steady and cautious monetary and fiscal policies aimed at reducing inflation and keeping it low; another feature has been to bring budget deficits and public spending under control, and increasing profits and profitability so as to strengthen investment. Low commodity prices and the fall in the prices of oil have also led to more favourable terms of trade for the developed industrial countries. Non-OECD demand has weakened and will remain so as long as their commodity prices remain low. The dollar value rose relative to other main currencies in the first quarter of 1985 and then began to decline. The effect of the fall is likely to be felt by the developing countries in 1986. Of concern to these countries is that interest rates remain high in real terms; there is growing protectionism, while slow progress was made in 1985 to deal with the debt situation both in terms of adjustments and flow of loanable funds.

1.3. In September, 1985, a group of five major economies—the USA, the UK, Japan, West Germany and France, met and agreed on making concerted efforts to bring an orderly appreciation of the main non-dollar currencies against the dollar. This was deemed as a necessary step if the balance and the durability of OECD recovery is to be realized. The measure could also defuse protectionist pressure in the USA, where the lower dollar could increase the USA's competitiveness, but a sharp decline has the danger of boosting inflation and putting a break to the world

recovery. The dollar decline was fast, and by October, it had declined by 16 per cent from its February peak. The appreciation of the Japanese Yen, the German Mark and the British Sterling were to a large extent a result of the fall in the US dollar. This was a welcome development during the year as it ensures stability of international markets and also helps to curb protectionism. The Yen was also strengthened by an increase in interest rates. The action by the group of five shows concerted efforts by these nations to work for continued growth. It raises the hope that continued co-operation by developed industrial countries will help tackle the economic problems of the 1980's.

1.4. The main developments and projections of key industrial countries are summarized in Table 1.1. The outcome of the performance of these countries in 1985 has led to revisions of the growth in real GNP downwards. Real Gross National Product (GNP) for OECD is expected to grow at 2.75 per cent in 1986, and then slow down to 2.5 per cent in the first half of 1987. The rates are similar to those of the USA, whose growth rate of 2.5 in 1985 was weaker than expected, mainly due to weak exports and destocking. Japan continues to show resilience in its growth even though it now faces the prospects of weak exports and investments. It's GNP grew at a fact pace of 5 per cent in 1985, but is expected to slow down to 3.5 per cent in 1986. Europe's GNP growth rate in 1985 was inhibited by severe winter early in the year mainly due to a reduction of activity in construction works. It recorded a growth rate of 2.25 per cent during the year, and it is expected to remain steady at the same rate in 1986 and early 1987. Low commodity and energy prices could lead to favourable terms of trade for these countries, but it also implies sluggish demand for their exports. Consumer spending in these countries is being hampered by the rise in personal household liabilities which has taken 82 per cent of personal income. Debt repayments and interest burdens are therefore likely to lead to curtailed consumer spending.

1.5. As is evident in Table 1.1, there has been major success in combating inflation among the large OECD countries. Among them, only Japan recorded a small increase in 1985, which is expected to fall. The rate fell to 4.75 per cent from 5.0 per cent for the whole of the OECD area. However, it still remains a problem in the smaller high inflation countries, even though it levelled out in 1984/85 and is expected to decline further in 1986 and in the first half of 1987. It is expected to rise marginally in the USA due to the depreciation in the dollar, while it will continue to decline in Europe.

1.6. Unemployment remains Europe's biggest challenge. Despite the three years of recovery, Europe has continued to record increases in her unemployment levels. The level, estimated in 1985 at 11 per cent, is associated with the slow European recovery and the strong tendency to undertake labour saving investments. The USA's unemployment level declined to 7.25 per cent in 1985 and is expected to level out. Overall, the

OECD unemployment is expected to steady up at the current level of 8.25 per cent. In West Germany for example, recovery owes much to high

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

Table 1.1

	1984	1985	1986	1987 (1st half)
	(percentage changes from preceding period)			
Real GNP—				
United States	6.8	2.5	2.75	2.5
Japan	5.8	5	3.5	3.25
OECD European members	2.4	2.25	2.25	2.25
Total OECD membership	4.9	2.75	2.75	2.5
Real total domestic demand—				
United States	8.7	3.5	2.75	2.25
Japan	4.0	3.75	4	3.25
OECD European members	1.7	2	2.5	2
Total OECD membership	5.1	3	2.75	2.25
Inflation (private consumption deflator)—				
United States	3.2	3	3.25	3.5
Japan	2.1	2.5	1.5	1.5
Germany, Federal Republic of	2.5	2.25	1.25	1.25
France, United Kingdom, Italy and Canada	6.9	6	4.5	4.25
High-inflation smaller countries**	38.4	35.25	30	28.25
Total OECD membership	5.0	4.75	4.5	4.5
Current balances—	(billion US dollars)			
United States	-101.5	-128	-146	-147
Japan	35.0	48	57	57
Total OECD membership	-63.8	-72	-64	-69
Unemployment—	(per cent of labour force)			
United States	7.5	7.25	7.25	7.25
Japan	2.7	2.5	2.25	2.75
OECD European members	10.7	11	11	11
Total OECD membership	8.4	8.25	8.25	8.25

*Source: OECD Economic Outlook No. 38.

*Assumptions underlying the projections include:
- no change in actual and announced policies;
- unchanged exchange rates from 5th November, 1985;
- no significant change in dollar price for internationally traded oil to mid.1987;

**Greece, Iceland. Portugal, Turkey.

The cut-off date for information used in the compilation of the forecasts was 18th November, 1985.

export growth, around 8 per cent overall, but domestic demand remains weak mainly as a result of less growth in investment; this pattern of growth does not generate employment.

1.7. The last two years of recovery have seen the narrowing of the current balances which rose significantly in the earlier part of the 1980's. Fiscal policy in the USA has, however, remained expansionary while budget tightening has been eased in the other OECD countries. Total OECD area current account deficit rose only slightly in 1985, rising from $63.8 billion to $72 billion in 1985. The increase is largely accounted for by the large USA deficit which grew by $26.5 billion in 1985 from the 1984 level of $101.5 billion. Japan and West Germany continued to increase their current account surpluses by recording $48 billion and $13 billion respectively. The prospects for 1986 show an easing of the overall deficit due to lesser growth in the USA deficit and the surpluses recorded by Japan, West Germany and other European countries are also slackening.

1.8. Trade and current account balances for non-oil developing countries weakened in 1985. Their export revenue declined because of poor primary commodity prices. With lesser earnings, these countries had also to cut down on their imports. The OPEC countries import demand also declined due to lesser earnings as a result of poor prices and static demand for oil. These developments, coupled with the poor showing within the OECD area, led to the low growth of world trade during the year. The non-oil countries' current account balance deficit increased to $26 billion in 1985, and is expected only to rise slightly to $33 billion in 1986, which is well below the level recorded before 1983.

1.9. As can also be seen in Table 1.2, the Eastern countries' current balance also declined considerably in 1985. Their balances stood at a surplus $3 billion compared with $11 billion recorded in 1983 and 1984 and are expected to double in 1986, mainly as a result of faster growth in exports relative to imports. The OPEC's deficit in the current account balance stood at $26 billion in 1985, but is expected to ease as adjustments are made in 1986 and 1987.

1.10. The rise in the prices of primary commodities which began in 1983 started to show weakness towards the end of 1984 and declined in 1985. Food and industrial materials showed a decline with non-food agricultural commodities having the highest decline. Among the beverages, cocoa prices were steady despite the 127,000 tonnes surplus in the 1984/85 harvest; tea prices in London fell by 59 per cent from the record levels in 1984 due to a return to plentiful supplies, while coffee prices were low up to November when fears of short-fall resulting from drought in Brazil pushed prices up 50 per cent in December, 1985 to over 200 dollar cents a pound. Grain prices declined as a result of bumper harvests. Soya beans recorded their lowest price at below $5 in nine years, while prices of oil seeds also fell sharply. Sugar prices fell but then recovered during the year. Record cotton crop

SUMMARY OF BALANCE OF PAYMENTS ON CURRENT ACCOUNT OF OECD AREA AND OTHER MAJOR WORLD GROUPINGS*

$ billion

Table 1.2

	1983	1984	1985	1986	1987 ** (1st half)
Trade balance	-16	-42	-53	-37	-38
OECD	49	52	36	39	46
OPEC	-20	1	-1	-5	-3
Non-oil developing countries	17	16	7	9	9
USSR and Eastern countries	29	27	-10	7	13
Total***					
Services and private transfers, net	17	4	8	2	0
OECD	-66	-68	-60	-57	-55
OPEC	-29	-35	-39	-42	-44
Non-oil developing countries	-6	-5	-4	-3	-3
USSR and Eastern countries	-84	-103	-95	-100	-103
Total***					
Balance on goods, services and private transfers	0	-38	.45	-35	-39
OECD	-17	-16	-24	-18	-10
OPEC	-49	-33	-40	-47	-47
Non-oil developing countries	11	11	3	6	6
USSR and Eastern countries	-55	-76	-106	-93	-89
Total***					
Official transfers, net	-23	-26	-27	-28	-30
OECD	-3	-2	-2	-2	-2
OPEC	12	13	13	14	15
Non-oil developing countries	0	0	0	0	0
USSR and Eastern countries	-13	-15	-16	-17	-17
Total***					
Current balance	-23	-64	-72	-63	-69
OECD	-20	-18	-26	-20	-11
OPEC	-37	-20	-26	-33	-32
Non-oil developing countries	11	11	3	6	6
USSR and Eastern countries	-69	-92	-122	-110	-107
Total***					

Source: OECD Outlook No. 38

*Historical data for the OECD area are aggregates of reported balance of payments data by each individual country. For non-OECD groupings the data are estimated: in particular, for the derivation of trade balance of these country groups use is made of trade statistics reported by OECD countries, one important advantage being that such data are reported with much shorter time lag than non-OECD countries own trade statistics. Because of various statistical problems as well as a large number of non-reporters among non-OECD countries, trade and current balances estimated on the basis of these countries own balance of payments records may differ from corresponding estimates shown in this table.

**Seasonally adjusted at annual rates.

***Reflects statistical errors. Given the very large gross flows of world balance of payments transactions, statistical errors give rise to world totals (balances) that are significantly different from zero.

harvest led to prices falling to a nine year low, while prices also remained depressed as was also the case of rubber and timber. Metal prices were weak, with various indices showing a drop of over 4 percentage points. Selected commodity price indices are shown in Table 1.3.

1.11. The oil price downward trend that began in 1984 continued into 1985. The OPEC seemed to have lost total control of the oil market as its

SELECTED WORLD COMMODITY PRICE INDICES, 1981-1985
(1980=100)

Table 1.3

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities
1981	76.8	90.6	84.4	85.7	113.4	89.4
1982	834	86.7	77.8	82.0	116 8	80.0
1983	84.9	104.3	74.6	79.5	102.2	85..2
1984	93.7	155.2	76.3	72.6	99.3	86.6
1985	88.6	89.1	68.7	72.0	97.7	75.9

Source: IMF, *International Financial Statistics.* (March, 1986).
*All Coffee (New York).
**Average Auction (London).
***East African (London).
+E.E.C. Import Price.
++Saudi Arabia (Ras Tanura).
+++World (Non fuel Commodities)
*+October, 1985

efforts to control either the price or quotas failed. For the first time since 1979, the price fell to below the $20 a barrel threshold. There were fears that the price would fall towards $10 a barrel by early 1986—in fact spot market prices had dropped to less than $12 by the end of March, 1986. Consumption was estimated at around 45.1 million barrels a day in 1985, with the OPEC's net exports standing at 14.1 million barrels a day. Total demand of the Western countries is expected to remain at around 45.3 million barrels per day, continuing the trend that began in 1982. The key question in 1986 is how far the price will fall? It has been noted that apart from North Sea oil, other areas have increased production, notably China, India and Brazil. Some producers, mainly the big debtor countries within and outside the OPEC such as Mexico, are also making deals that involve oil which in turn makes it difficult for the OPEC to instil production discipline.

1.12. Even though not much progress was made in dealing with the debt and situation, the problem continued to be of concern both to the creditors and debtors. There were 29 cases of the use of IMF standby arrangements while the Fund also made three extended financing arrangements involving Brazil, Chile and Malawi. The Baker proposals at the IMF/IBRD annual meeting held in Seoul, South Korea in October, 1985 generated much interest. Under the proposals, the central role of the IMF would be maintained, although increased lending by the World Bank and other multilateral banks in support of growth oriented structural adjustment policies of the debtor countries would be undertaken. Commercial banks would also be encouraged to lend more money. It was proposed that $20

billion would be made available for the next three years, as an initial step, with commercial banks also being expected to match this. With new procedural arrangements being proposed, the idea is still gaining support; the only major criticism so far is that the funds being made available under the plan are in fact inadequate, given the needs of major debtors. What is, however, significant is that these proposals have the aim of putting the debt situation on to a more sustainable footing.

1.13. Africa's economic performance grew at the rate of 2 per cent in 1985. Much of the increase is attributed to improved weather, which enabled agriculture to rise by around 2.5 per cent. Cereals harvested are estimated at 14 million tonnes over the 1984 yields. Only a few countries, namely Angola, Botswana, Mozambique, Ethiopia and the Sudan require food relief. Export crops, notably coffee and cocoa also show recovery but minerals remain weak due to poor prices. Total external debt stands at 170 billion dollars, and with a debt servicing ratio of 25 per cent, the continent is heavily indebted. With problems of decreasing oil revenue, Nigeria now ranks high among indebted countries as also do Zaire, Ivory Coast and Morocco. The Economic Commission for Africa (ECA) projects economic growth in Africa at around 2 per cent in 1986. It is possible that with better commodity prices, coupled with increased efficiency in the manufacturing sector, a more optimistic growth of 3 per cent could be achieved.

CHAPTER 2—DOMESTIC ECONOMY

Overview

Kenya's economy was beset by serious problems in the beginning of the 1980s. Wide Government budget deficits coupled with high private expenditure proceeding from the "coffee boom" of the late 1970s created huge excesses of aggregate demand over overall supply. As a result, inflation accelerated rapidly to peak at 22 per cent in 1982. Growth in real earnings stayed far below the inflation growth rate.

2.2. Besides those structural problems, import restrictions placed much of the private sector in difficulties—impeding profitability, stagnating production and discouraging investment. This weak economic growth slowed the increase in public sector revenue.

2.3. Since 1983, the Government has introduced measures to realign economic activities in the country. All fundamental imbalances in the economy have been tackled simultaneously. Public sector expenditure has been reduced significantly thereby considerably reducing the budgetary deficit. Inflation has been controlled and both nominal and real interest rates raised. Imports have been liberalized allowing increased importation of the essential industrial inputs. The export compensation rate was increased from 10 per cent to 20 per cent. These were among the major economic policies which stimulated economic growth in the recent past. However, a significant deterioration in the terms of trade, a worsening balance of payments position, and the decline in private sector domestic savings did not augur well for further economic growth.

2.4. Save for 1984 when a serious drought caused the country's real GDP to grow by a mere 0.9 per cent, the outcome for the period 1983.1985 has been favourable. Real GDP rose by 4.1 per cent in 1985 compared with 3.1 per cent in 1983. Inflation decelerated remarkably from 22 per cent in 1982 to only 11 per cent in 1985. Real value added for manufacturing rose from 4.3 per cent in 1984 to 4.5 per cent in 1985. Agricultural GDP, which had retreated to negative growth of 3.7 per cent in 1984, accelerated by 3.5 per cent in 1985.

Sectoral Contribution

2.5. Absolute contributions of the various sectors to the GDP and their rates of growth are set out in Tables 2.1 and 2.2 respectively. In real terms, agricultural value added had an annual growth of 2.2 per cent during 1981.1985. Sufficient rains in 1981 and 1982 enabled this sector's GDP to achieve an annual growth of 4.4 per cent in 1981.1983. The sector suffered a decline of 3.7 per cent during the drought year of 1984. Owing to the return of adequate long rains in 1985, the sector made a welcomed recovery by registering over 3.5 per cent growth.

GROSS DOMESTIC PRODUCT, 1982-1985

Table 2.1 *K£million*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1982	1983	1984	1985*	1982	1983	1984	1985
A. TRADITIONAL ECONOMY								23.89
Forestry	21.71	24.95	28.97	32.93	21.71	22.48	23.21	1.36
Fishing	1.03	1.11	1.25	1.28	1.03	1.19	1.29	54.85
Building and Construction	48.96	58.99	68.41	75.42	48.96	50.58	52.02	20.63
Water Collection	19.29	21.77	24 89	28.05	19.29	19.58	20.34	82.65
Ownership of Dwellings	73.59	90.01	103.96	118.52	73.59	76.52	79.55	
TOTAL TRADITIONAL ECONOMY	164.58	196.83	227.48	256.20	164.58	170.35	176.41	183.38
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								943.02
Agriculture	907.16	1,030.61	1,083.89	1,198.98	907.17	945 65	910.77	25.27
Forestry	22.58	26.84	27.95	29.50	22.58	23.74	24.48	11.63
Fishing	8.33	9.02	10.34	10.67	8.33	11.05	10.94	9.43
Mining and Quarrying	6.61	7.37	8.51	10.04	6.61	7.28	8.16	424.07
Manufacturing	372.32	408.26	460.96	518.40	372.32	389.07	405.84	103.57
Building and Construction	120.58	143.70	150.52	150.86	120.58	109.96	102.48	52.45
Electricity and Water	46.98	47.15	51.91	61.06	46.98	49.45	50.55	351.12
Trade, Restaurants and Hotels	299.40	381.89	422.56	524.71	299.40	307.78	324.83	206.54
Transport, Storage and Communications**	195.87	195.26	235.86	264.11	161.93	201.51	202.29	130.00
Finance, Insurance, Real Estate and Business Services	206.92	248.84	269.15	304.16	206.92	223.58	234.04	77.23
Ownership of Dwellings	140.69	154.24	168.19	180.82	140.69	135.18	134.77	108.21
Other Services***	62.68	70.17	81.93	96.50	62.68	68.46	72.02	
Less: Imputed Bank Service Charges	-84.19	-114.51	-120.18	-133.64	-84.19	-102.88	-104.50	
TOTAL	2,305.94	2,608.84	2,851.59	3,216.17	2,305.94	2,369.83	2,376.67	2,472.40
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	32.75	35.71	44 89	52.80	32.75	34.88	37.16	39.74
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration	90.87	95.34	106.16	119.72	..	..	..	..
Defence	17.75	18.28	17.44	21.62	..	..	..	..
Education	200.04	212.55	240.98	264.43	..	..	..	..
Health	48.22	52.31	57.79	66.83	..	..	..	..
Agricultural Services	31.73	34.62	37.67	42.66	..	..	..	..
Other Services	52.75	62.15	70.54	85.77	..	..	..	..
TOTAL	441.36	475.25	530.58	601.03	441.35	459.89	473.13	494.31
TOTAL MONETARY ECONOMY	2,780.04	3,119.80	3,427.06	3,870.00	2,780.04	2,864.60	2,886.96	3,006.45
TOTAL TRADITIONAL AND MONETARY ECONOMY	2,944.62	3,316.63	3,654.54	4,126.20	2,944.62	3,034.95	3,063.37	3,289.83
GROSS DOMESTIC PRODUCT PER CAPITA	163.23	176.89	189.60	203.68	163.23	161.86	157.26	157.60

*Provisional.
**Estimates have been revised upwards to include "mini buses" from 1981. These revisions, however, have had very little impact on the annual growth rates
***Later data and observations indicate that these estimates will be revised upwards.

2.6. However, the 1985 agricultural recovery fell short of expectations because of several factors. The short rains were inadequate. Hence the harvest of the second rains' crops was far below the earlier anticipated levels. Coffee production appeared not to have recovered from the previous year's drought as it requires a longer period; deliveries to the Coffee Board fell by some 20 per cent. Prices of coffee and tea fell significantly in the world market, although coffee prices picked up towards the end of the year when it was learnt that drought was likely to ravage Brazil's coffee output.

2.7. To some appreciable extent, growth in manufacturing output depends on demand conditions and availability of imported intermediate inputs. Thus manufacturing in real terms was sluggish during 1981 and 1982 when there were high inflation and excessive import restrictions due to lack of foreign exchange. Trade liberalization combined with the curbing of inflation are among major instruments which have helped manufacturing to accelerate its growth. The sector had a yearly growth of 4.4 per cent between 1982.1984, and a further 4.5 per cent increase in 1985.

2.8. Several factors militated against further growth in the manufacturing sector in 1985. Intensification of the Ugandan war, which led to the closure of the "Northern Corridor", implicitly reduced the volume of manufactured exports from Kenya to Uganda, Rwanda, Burundi and Zaire. Reluctance of farmers to sell their beef cattle (in a bid to increase their herds which had contracted drastically during the 1984 drought) meant less economic activity in the meat industry. Thus in 1985, manufacturing recorded a real growth of 4.5 per cent, compared with 4.3 per cent in 1984.

2.9. As shown in Table 2.2, the growth contribution of the building and construction sector was negative between 1981 and 1984. The growth in this industry is primarily determined by the level of investment activity. The dismal performance of the industry since 1981 may partly be attributed to the decreased propensity to invest by the private sector. The building and construction ratio (i.e. the share of gross capital formation in building and construction in real GDP) declined from 2.6 per cent in 1982 to 0.6 per cent in 1984. There was however, a positive growth of one per cent in 1985 due to increased public sector's investment in non-residential buildings and other construction works.

2.10. The declining trend in the gross capital formation of residential buildings may have had a negative "spillover" to the ownership of dwellings' sector. The latter has not contributed a positive growth to GDP since 1982.

2.11. The distribution sector has generally displayed a rising trend since 1983. In real terms, it increased by about 3 per cent in 1983, by 5 per cent in 1984 and by a further 8 per cent in 1985. The boom in the tourism industry greatly contributed to the good performance of internal trade, restaurants and hotels. Tourists to Kenya rose from 324,000 to 541,000 between 1982 and 1985. As a result, hotel bed-nights went up by 4 per cent over the same

GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH, 1982—1985

Table 2.2 *Percentage*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1982-83	1983-84	1984-85*	1981-85**	1982-83	1983-84	1984-85*	1981-85*
A. TRADITIONAL ECONOMY								
Forestry	14.9	16.1	13.7	14.4	3.6	3.3	2.9	3.3
Fishing	7.8	12.6	2.4	11.8	15.5	8.4	5.4	13.5
Building and Construction	20.5	16.0	20.9	15.7	3.3	2.9	5.5	3.3
Water Collection	12.9	14.3	12.7	13.2	1.5	3.9	1.4	1.9
Ownership of Dwellings	22.3	15.5	14.0	15.2	4.0	4.0	3.9	4.0
TOTAL TRADITIONAL ECONOMY	19.6	15.6	15.8	15.0	3.5	3.6	6.9	4.2
B. MONETARY ECONOMY								
1. Enterprises and Non- Profit Institutions								
Agriculture	13.6	5.2	10.6	10.9	4.2	-3.7	3.5	2.2
Forestry	18.9	4.1	18.2	15.5	5.1	3.1	3.2	36
Fishing	8.3	14 6	3.2	13.0	32.7	1.0	6.3	8.8
Mining and Quarrying	11.5	15.5	18.0	14.2	9.1	12.1	15.6	14.7
Manufacturing	9.7	12 9	12.5	12.1	4.5	4.3	4.5	3.8
Building and Construction	19.2	4.8	0.2	5.3	.0.1	-6.8	1.1	7.2
Electricity and Water	2.4	10.1	18.7	9.9	5.3	2.2	4.9	3.8
Trade, Restaurants and Hotels	27.6	10.7	24.2	17.6	2.8	5.5	81	1.9
Transport, Storage and Communications	0.3	20.8	12.0	16.2	2.9	0.4	2.1	3.1
Finance, Insurance, Real Estate and Business Services	20.3	8.2	13.0	15.8	16.8	4.7	5.2	6.4
Ownership of Dwellings	9.6	9.0	7.5	9.2	-3.9	-0.3	.0.9	-4.3
Other Services	12.0	16.8	17.8	14.5	9.2	5.2	7.2	6.8
Total (Excluding imputed bank service charges) ..	13.1	9. 3	12.8	12.3	2.8	0.3	4.0	2.2
2. Private Households (Domestic Services)	9.0	25.7	17.6	16.5	6.5	6.5	6.9	6.8
3. Producers of Government Services								
Public Administration	4.9	11.3	12.8	8.2	..	..	..	..
Defence	3.0	.46	24.0	10.9	..	..	..	..
Education	6.3	13.4	9.7	10.8	..	..	..	..
Health	8.5	10.5	15.6	12.6	..	..	..	..
Agricultural Services	9.1	8.8	13.3	11.4	..	..	..	..
Other Services	17.8	13.5	21.6	20.2	..	..	..	..
TOTAL	7.7	11.6	13.3	11.4	4.2	2.9	4.5	3.8
TOTAL MONETARY ECONOMY	12.2	9.9	12.9	12.3	3.0	0.8	4.1	2.6
TOTAL TRADITIONAL AND MONETARY ECONOMY	12.6	10.2	12.9	13.9	3.1	0.9	4.1	2.6
GROSS DOMESTIC PRODUCT PER CAPITA	3.4	6.1	8.6	9.5	-0.8	-2.8	0.2	1.2

*Provisional.
**Cummulative.

period. The increased aggregate domestic demand (see Table 2.6) also had considerable influence in improving the activity of the distribution sector.

2.12. The countrywide economic recovery had profitable effects for the "Transport, Storage and Communication" sector whose growth of its contribution to its real GDP increased from 0.4 per cent in 1984 to 2.1 per cent in 1985. A large proportion of this rise was observed in the road transport industry which contributed nearly 32 per cent of the value added in the sector.

2.13. The production account in Table 2.3 shows the gross output of the different sectors and the claims to this output. The rise in the country's nominal gross output was 17 per cent in 1985 compared with 16 per cent in 1984. The increase in the ratio of intermediate inputs to gross output from 52 per cent in 1982 to 55 per cent in 1985 may be explained by import liberalization which has significantly increased the availability of imported supplies to the private sector.

2.14. A sectoral breakdown of operating surplus (basically the gross profit of productive units) shows that agriculture and distribution sectors had the largest share (58 per cent) of the gains. However, this information need great care in its interpretation since operating surplus in these sectors comprise returns to self-employed and family labour.

2.15. Sectoral percentage shares in the GDP are detailed in Table 2.4. In the past five years, the share of building and construction sector in the overall economy has declined substantially. In real terms, it retreated from 4.7 per cent in 1981 to 3.2 per cent in 1985. Between 1981 and 1985, value added contributed by the agriculture and manufacturing sectors were almost stagnant at 30 and 13 per cent respectively. Over the same period, public sector's contribution to the overall GDP was dormant at 15 per cent. The financial sector performed relatively well during that period; its share to the total GDP rose from 6.7 per cent in 1981 to 7.7 per cent in 1985.

2.16. Kenya has a sizeable traditional sector. This sector accounts for slightly less than 6 per cent of the overall GDP at factor cost. The dominant activity in this sector is the ownership of dwellings which forms about half of the gross product for the sector.

Terms of Trade Effects

2.17. The decline in world prices of coffee and tea, augmented by the 7.5 per cent growth in world price of Kenya's imports contributed to the remarkable decline of 16 per cent in the overall terms of trade (TOT) in 1985 (see Table 7.3). The deterioration in TOT not only greatly weakened the balance of payments but also disabled the country from acquiring higher real incomes for its residents. Table 2.5 compares per capita incomes growth rates before and after adjusting for the effects of TOT When

PRODUCTION ACCOUNTS, 1984 AND 1985

Table 2.3 *K£million*

	1984					1985*				
	Gross Output at approx. Basic Prices***	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)			Gross Output at approx. Bask Prices***	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus"
A. TRADITIONAL ECONOMY	294.47	66.99	227.48	3.62	223.86	329.24	73.04	256.20	480	251.40
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	1,253.13	169.24	1,083.89	99.51	984 34	1,431.95	232.97	1,198.98	102.55	1,096.43
Forestry	31.43	3.48	27.95	17.48	10.47	33.37	3.87	29.50	18.08	11.42
Fishing	11.26	0.92	10.34	2.81	7.53	11.49	0.82	10.67	2.87	7.80
Mining and Quarrying	30.42	21 91	8.51	5.08	3.43	32.14	22.10	10.04	6.09	3.95
Manufacturing	2,796.93	2,335.97	460.96	205.54	255.42	3,382.97	2,864.57	518.40	22976	288.64
Electricity and Water	108.83	56.92	51.91	14.16	37.75	118.04	56.98	61.06	17.13	43.93
Building and Construction	431.94	281.42	150.52	105 36	45.16	446.36	295.50	150.86	105.60	45.26
Trade. Restaurants and Hotels	780.11	357.55	422.56	185.87	236.69	953.58	428.87	524.71	234.78	289.93
Transport. Storage and Communi-cations	554.04	318.18	235.86	138.22	97.64	656.48	392.37	264.11	152.42	111.69
Finance, Insurance. Real Estate and Business Services	356.73	87.58	269.15	118.87	150.28	409.02	104.86	304.16	133.68	170.48
Ownership of Dwellings	185.43	17.24	168.19		168.19	199.36	18.54	180.82		170.48
Other Services	154.00	72.07	81.93	71.28	10.65	181.39	84.89	96.50	83.96	12.54
Less: Imputed Bank Service Charges		120.18	-120.18		-120.18		133.64	-133.64		-133.64
TOTAL	6,694.25	3,842 66	2,851.59	964.18	1,887.41	7,856.15	4,639.98	3,216.17	1,086.92	2,129.25
2. Private Households (Domestic Services)	44 89		44.89	44.89		52.80		52.80	52.80	—
3. Producers of Government Services	830.25	299.67	530.58	528.71	1.87	927.36	326.33	601.03	597 06	3.97
TOTAL MONETARY ECONOMY	7,569.39	4,142.33	3,427 06	1,537.78	1.889.28	8,836.31	4,966.31	3,870.00	1,736.78	2,133.22
TOTAL MONETARY AND TRADI-TIONAL ECONOMY	7,863 86	4,209.32	3,654.54	1,541 40	2,113.14	9,165.55	5,039.35	4,126.20	1,741 58	2384.62

* Provisional.

**Including consumption of fixed capital.

***After deduction of indirect taxes less subsidies from total of output.

GROSS DOMESTIC PRODUCT

SECTOR SHARES AT CONSTANT (1982) PRICES, 1981-1985

Table 2.4 *Percentage*

	1981	1982	1983	1984	1985*
TRADITIONAL ECONOMY					
Forestry	0.7	0.7	0.7	0.8	0.8
Fishing	–	–	–	–	–
Building and Construction	1.8	1.7	1.7	1.7	1.7
Water Collection	0.7	0.7	0.7	0.7	0.6
Ownership of Dwellings	2.5	2.5	2.5	2.6	2.6
TOTAL TRADITIONAL ECONOMY	5.5	5.6	5 6	5.8	5.7
MONETARY ECONOMY					
1. Enterprises and Non- Profit Institutions					
Agriculture	30.6	30.8	31.2	29.7	29.6
Forestry	0.7	0.8	0.8	0.8	0.8
Fishing	0.2	0.3	0.4	0.4	0.4
Mining and Quarrying	0.2	0.2	0.2	0.3	0.3
Manufacturing	12.7	12.6	12.8	13.2	13.3
Electricity and Water	1.6	1.6	1.6	1.7	1.6
Building and Construction	4.7	4. 1	3.6	3.3	3.2
Trade, Restaurants and Hotels	11.2	10.2	10.1	10.6	11.0
Transport, Storage and Communications	5.5	6.7	6.6	6.6	6.5
Finance, Insurance, Real Estate and Business Services	6.5	7.0	7.4	7.6	7.7
Ownership of Dwellings	4.9	4.8	4.5	4.4	4. 1
Other Services	2.2	2.1	2.3	2.4	2. 4
Less Imputed Bank Service Charges	-2.8	-2.9	-3.4	-3.4	-3.4
TOTAL	77.9	78.3	78.1	77.6	77.5
2 Private Households (Domestic Services)	1.1	M	1.2	1.2	1.2
3. Producers of Government Services	..	..	..	..	..
Public Administration	..	..	..	..	..
Defence	..	..	..	..	..
Education	..	..	..	..	..
Health	..	..	..	..	..
Agricultural Services	..	..	..	..	..
Other Services	..	..	..	..	..
TOTAL	15.1	15.0	15.2	15.4	15.5
TOTAL MONETARY ECONOMY	94.2	94 4	94.4	94.2	94. 3
TOTAL MONETARY AND TRADITIONAL ECONOMY	100.0	100.0	100.0	100.0	100.0

*Provisional.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1982-1985

Table 2.5

	1982	1983	1984	1985*
1. Unadjusted GDP at constant Factor Cost (K£mn.)	2,944.62	3,034.95	3,063.37	3,189.80
2. Adjustment for changes in terms of trade (K£mn.)	–	-108.89	+78.73	-71.54
3. Adjusted GDP (K£mn.) ..	2,944.62	2,926 06	3,142.10	3,118.26
4. Growth in unadjusted per capita GDP per cent	-1.6	-0.8	-2.8	+0.2
5. Growth in adjusted per capita GDP per cent	-3.3	-2.9	+4.5	-4.5

*Provisional.

adjusted for the TOT, the real increase of 0.2 per cent in 1985, is reversed to a negative growth of 4.5 per cent. Thus in 1985, the worsened TOT reduced the GDP per capita income from K£157 to K£154.

Resource Allocation

2.18. Aggregate resources available and their users are shown in Table 2.6. At current prices, GDP at factor cost grew by 13 per cent in 1985. Due to rapid growth in indirect taxes, which rose by 62 per cent, GDP at market prices increased from K£4,046 million in 1984 to K£4,763 million in 1985-a rise of 18 per cent. Export of goods and services rose by some 24 per cent during 1983-1985. This rise may partly be the result of the decline in Kenya shilling vis-a-vis major currencies such as the pound sterling and the dollar and the increase in the rates of export compensation from 10 per cent to 20 per cent introduced in June, 1985. Import liberalization policy facilitated a faster increase of 30 per cent in the imports of goods and services in

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1982 - 1985

Table 2.6 *K£million*

	1982	1983	1984	1985*
G.D.P. at Factor Cost	2,944.62	3,316.63	3,654.54	4,126.20
Of which—				
Traditional	164.58	196.83	227.48	256.20
Monetary	2,780.04	3,119.80	3,427.06	3,870.00
+Indirect Taxes	467.73	510.99	393.37	639.00
-Subsidies	1.58	1.67	1.81	1.96
=G.D.P. at Market Prices	3,410.77	3,825.95	4,046.10	4,763.24
+Import of goods and services	1,005.23	1,019.67	1,244.81	1,325.34
-Export of goods and services	847.00	979.56	1,143.70	1,211.26
=Import Surplus	158.23	40.11	101.11	114.08
Total Resources available for Domestic Investment and Consumption	3,569.00	3,866.06	4,147.21	4,877.32
Gross Fixed Capital Formation	668.33	720.89	765.40	848.46
Change in Stocks	96.20	89.46	150.49	34.11
Gross Investment	764.53	810.35	915.89	882.57
Public Consumption	647.44	739.43	784.61	863.72
Private Consumption	2,157.03	2,316.28	2,446.71	3,131.03
TOTAL CONSUMPTION	2,804.47	3,055.71	3,231.32	3,994.75

*Provisional.

1983-1985. As a consequence, import surplus rose three-fold in the same period. These developments gave a 26 per cent rise in total resources available for consumption and investment during 1983.1985.

2.19. In 1985, the nominal private consumption went up by 28 per cent compared with the 6 per cent observed in 1984. Several Government policy measures may have stimulated domestic demand in 1985; these included the suspension of capital gains tax, reduction of taxable income, increase in real wages, trade liberalization and stabilization programme which restrained inflation from increasing significantly.

2.20. Gross investment suffered a nominal decrease of 4 per cent to K£883 million in 1985. This decline was wholly occasioned by the steep fall in stock accumulation. Due to increased domestic demand, there was a considerable de-stocking which is inferred from the fact that stocks only increased by K£34 million in 1985 against an increase of K£150 million in 1984. The ratio of gross investment to the overall GDP at market prices dropped from 23 per cent in 1984 to 19 per cent in 1985. This was the effect of increased domestic consumption which rose by 24 per cent in 1985; 18 percentage points above the rise in 1984.

2.21. The financing of gross capital formation is given in Table 2.7. The share of domestic savings in financing gross capital formation declined from 82 per cent in 1983 to 75 per cent in 1984 and, further to 70 per cent in 1985. Likewise, domestic savings as a percentage of overall GDP (at market prices) decelerated from 17 per cent in 1984 to 13 per cent in 1985. The fall by some 12 per cent in domestic savings in 1985 may be the result of accelerated private consumer spending, which rose by 28 per cent. The slight rise in the rate of inflation in 1985 lowered the real interest rates (although they continued to remain positive), a factor which tends to discourage savings.

FINANCING OF CAPITAL FORMATION, 1982-1985

Table 2.7 *K£million*

	1982	1983	1984	1985*
GROSS CAPITAL FORMATION—				
Gross Fixed Capital Formation	668.33	720.89	765.40	848.46
Changes in Stocks	96.20	89.46	150.49	34.11
TOTAL	764.53	810.35	915.89	882.57
FINANCING—				
Grants from Abroad	25.50	59.80	78.53	84.58
Net borrowing from Abroad	260.58	89.01	146.55	179.79
Domestic Saving	478.45	661.54	690.81	618.20
TOTAL	764.53	810.35	915.89	882.57

*Provisional.

Factor Incomes and National Product

2.22. The classification of value added by factor incomes is set out in Table 2.8. The total renumeration of employees at current prices rose by 13 per cent to K£1,737 million in 1985, while inflation rate increased by 10.7 per cent in the same year. Thus on the average, compensation of employees grew faster than the inflation rate, implying a rise in real incomes to the employees. This scenario contrasts that of 1982 when overall nominal earnings of employees went up by 13 per cent but inflation grew by 22 per cent, resulting in a considerable deterioration of the employees' real income.

2.23. Between 1982 and 1985, the net factor incomes paid abroad increased from K£139 million to K£177 million or by 21 per cent. Despite this increased net outflow of factor incomes, nominal Gross National Product (the income available to the residents of Kenya), went up by about 40 per cent over the period.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1982-1985

Table 2.8 *K£million*

	1982	1983	1984	1985*
FACTOR INCOMES—				
A. Traditional Economy	164.58	196.83	227.48	256.20
B. 1. Remuneration of Employees:				
Enterprises	770.37	842.68	964.18	1,086.92
Private Households	32.75	35.71	44.89	52.80
Producers of Government Services	439.99	474.26	528.71	597.06
TOTAL	1,243.11	1,352.65	1,537.78	1,736.78
2. Rental Surplus (including depreciation)	140.69	154.24	168.19	180.82
3. Other Operating Surplus (including depreciation)	1,396.24	1,612.91	1,721.09	1,952.40
TOTAL MONETARY ECONOMY	2,780.04	3,119.80	3,427.06	3,870.00
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT	2.944.62	3,316.63	3,654.54	4,126.20
Add: Indirect Taxes	467.73	510.99	393.37	639.00
Deduct: Subsidies	1.58	1.67	1.81	1.96
GROSS DOMESTIC PRODUCT AT MARKET PRICES	3,410.77	3,825.95	4,046.10	4,763.24
Add: FACTOR INCOMES RECEIVED FROM ABROAD	35.58	28.10	33.69	42.54
Deduct: FACTOR INCOMES PAID ABROAD	174.93	153.50	185.35	219.82
GROSS NATIONAL PRODUCT	3,271.42	3,700.55	3,894.44	4,585.96

*Provisional.

Trends in Capital Formation

2.24. Trends in gross fixed capital formation by type of asset are observed in Table 2.9. The declining trend in real gross fixed capital formation, which persisted during 1981.1984, was reversed in 1985. Real gross fixed capital formation grew by over 3 per cent in 1985. The positive growth was chiefly occasioned by the rise of 14 per cent in the gross fixed capital formation of the public sector. Strong growth in gross fixed capital formation was particularly observed in transport equipment where the Kenya Railways Corporation acquired new locomotive engines and rolling stock in 1985, thus increasing the public sector's investment in transport equipment from K£10 million to K£26 million between 1984 and 1985. The significant growths in the gross fixed capital formation of non-residential and other construction works are explained by the continued increase in the Central Government expenditure on the construction of Moi University, teacher training colleges, Nyayo Wards and the Kasarani national sports complex in Nairobi.

2.25. Adequate long rains in 1985 played a major role in improving the stocks of breeding and dairy cattle from a decline of 3 per cent in the drought year of 1984 to a rise of 2 per cent.

2.26. In spite of the lower inflation rate and improved business climate, private sector's gross fixed capital formation at constant prices has been declining since 1981. On the other hand industrial production grew somewhat, so it is likely that the private establishments have been increasing their production through increased utilization of existing capacity rather than new investments.

2.27. Gross fixed capital formation by industry is shown in Table 2.10. The modern sector's real gross fixed capital formation recovered from the decline of 3.7 per cent in 1984 to record an appreciable increase of 3.3 per cent in 1985. As elsewhere explained, the growth was mainly witnessed in the public sector. Traditional and private (monetary) sectors registered declines of 3 per cent and 4 per cent respectively. Agriculture was the only major area in the private sector to record an increase. Owing to good weather, agriculture's gross fixed capital formation was 12 per cent higher in 1985 compared with a drop of 7 per cent the previous year.

Table.2.9

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET 1982-1985

K£million

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1982	1983	1984	1985*	1982	1983	1984	1985*
DWELLINGS- PRIVATE								
Traditional.	54.18	66.42	77.75	85.73	54.18	59.35	65.01	62.99
Modern	47.69	27.64	30.57	34.03	47.69	24.70	25.56	25.01
TOTAL.	101.87	94.06	108.32	119.76	101.87	84.05	90.57	88.00
Public	23.59	18.57	24.49	21.61	23.59	16.60	20.48	15.87
TOTAL.	123.46	112.62	132.81	141.17	125.46	100.65	111.05	103.87
NON-RESIDENTIAL BUILDINGS.								
PRIVATE.	29.30	38.95	31.46	44.31	29.29	35.67	26.48	33.67
	58.70	48.09	54.39	87.25	58.71	44.04	.45.78	66.30
TOTAL.	88.00	87.04	85.85	13156	88.011	79.71	72.26	99.97
OTHER CONSTRUCTION WORKS—								
PRIVATE	10.85	21.13	18.46	14.87	10.85	18.83	13.57	10.06
	138.16	111.83	116.20	136.09	138.16	99.67	85.44	92.08
PUBLIC								
TOTAL	149.01	132.96	134.66	150.96	149.01	118.50	99.01	102.14
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT	**5.92**	6.46	7.14	7.73	5.92	7.09	5.83	7.07
PRIVATE	**2.91**	3.38	5.42		291	2.87	2.50	1.25
PUBLIC								
TOTAL.	**8.83**	9.84	12.56	1063	883	996	8.33	8.32
TRANSPORT EQUIPMENT— PRIVATE	**57.48**	63.76	68.15	61.22	57.48	48.60	48.16	39.54
PUBLIC	**16.28**	9.80	13.89	40.72	16.28	7.47	982	26.31
TOTAL.	**73.76**	73.56	82.04	101.94	73.76	56.07	57.98	65.85
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	**162.84**	221.68	24683	243.59	162.84	155.13	168.95	155.85
PUBLIC.	**61.21**	82.48	74.25	66.28	61.21	57.72	50.82	42.19
TOTAL.	224.05	304.16	321.08	309.87	224.05	212.85	219.77	197.24
BREEDING STOCK AND DAIRY CATTLE- PRIVATE	-0.78	0.70	3.60	2.13	-0.78	0.63	.344	1.92
TOTAL								
Traditional Dwellings	**54.18**	66.42	77.75	85.73	54.18	59.35	65.01	62.99
		380.32	399.01	407.90	313.29	290.66	285.11	272.32
OTHER	367.48	646.74	476.76	493.63	367.47	35001	350.12	335.31
TOTAL PRIVATE TOTAL PUBLIC**	**300.85**	274.15	288.64	354.83	300.86	238.37	214.84	244.00
TOTAL PRIVATE AND PUBLIC	**668.31**	*720.89*	765.40	848.46	668.33	578.38	564.96	579.31

*Provisional
**Includes Central Government, municipalities,councils and parastatals

prices increased from K£4,046 million in 1984 to K£4,763 million in 1985-a rise of 18 per cent. Export of goods and services rose by some 24 per cent during 1983-1985. This rise may partly be the result of the decline in Kenya shilling vis-a-vis major currencies such as the pound sterling and the dollar and the increase in the rates of export compensation from 10 per cent to 20 per cent introduced in June, 1985. Import liberalization policy facilitated a faster increase of 30 per cent in the imports of goods and services in

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1982 - 1985

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=Import Surplus	158.23	40.11	101.11	114.08
Total Resources available for Domestic Investment and Consumption	3,569.00	3,866.06	4,147.21	4,877.32
Gross Fixed Capital Formation	668.33	720.89	765.40	848.46
Change in Stocks	96.20	89.46	150.49	34.11
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Public Consumption	647.44	739.43	784.61	863.72
Private Consumption	2,157.03	2,316.28	2,446.71	3,131.03
TOTAL CONSUMPTION	2,804.47	3,055.71	3,231.32	3,994.75

*Provisional.

CHAPTER 3 — HIGHLIGHTS FROM THE 1984 CONTRACEPTIVE SURVEY

Background

The demographic transition in Kenya since 1948 has been one of continuous growth in the size and rate of growth of the population. The recorded total population of Kenya at the time of the first national census in 1948 was 5.4 million, in the 1962 and 1969 censuses, the total population had risen to 8.6 million and 10.9 million. The recent census, conducted in 1979, reported a total population of 15.3 million, adjusted for under-enumeration to 16.1 million, implying that the total population of Kenya had approximately trebled in 31 years. The national growth rates derived from the census data rose from about 2.5 per cent per annum, in 1948 to 2.8 per cent in 1962, 3.3 per cent in 1969 and 3.8 per cent in 1979. This rapid increase in Kenya's population growth rate is attributed to high and increasing levels of fertility combined with low and declining mortality, both associated with improved health and welfare of the population. The total fertility rate which was estimated at 6.8 children per woman in the 1962 census had increased by 1.1 children to about 7.9 children per woman by 1979. On the other hand, the crude death rate declined from about 25 deaths per 1,000 population in 1948 to 14 deaths per 1,000 population in 1979.

3.2,Population will continue to increase as a result of positive differences between death and crude birth rates. Owing to past high fertility, the current population is a youthful one and, with slightly over 50 per cent of the population aged under 15 years, a large proportion of future mothers have been built into the population.Therefore, even were fertility to decline to 2 births per woman, or replacement level, the population would still continue to increase as a result of the number of births from the current large numbers of young women as they continue to enter reproductive ages.

3.3. Due to the high rate of population growth, the Government of Kenya was among the first African nations to recognize the adverse effects of rapid population growth on social and economic development. The Government initiated official support for family planning programmes in 1967 in response to recommendations made by the 1966 Population Council Advisory Mission. To emphasize its commitment to family planning, the Government established the National Council for Population and Development in the Office of the Vice-President and ministry of Home Affairs in 1982. The Council has overall responsibility for formulating population policies and for co-ordinating activities relating to population programmes. It operates through government agencies such as the Ministry of Health and the Ministry of Culture and Social Services, and non-governmental agencies to promote population management and family planning programmes. It has recently been responsible for preparing Sessional paper No. 4 of 1985 on Population policy Guidelines.

3.4. In 1984, the Central Bureau of Statistics conducted the Kenya Contraceptive Survey (KCPS), using a probability sample in which 6,581 women between the ages 15 and 49 years were interviewed. The survey was intended to provide up-to-date information on the knowledge, use and availability of contraceptives as well as other information on fertility and background characteristics of respondents. The KCPS was also intended to determine whether contraceptive prevalence had changed since the 1977-78 Kenya Fertility Survey (KFS) as a result of the increased Government initiative in the field of family planning, the results of the KCPS provide valuable information for assessing the extent of knowledge and practice of family planning as well as the prospects for fertility reduction in Kenya. The purpose of this chapter is to highlight the major findings of the KCPS. Detailed information is available in both the Kenya Fertility Survey and the Kenya Contraceptive Prevalence Survey Reports.

Nuptiality

3.5. Marriage in kenya is nearly universal. The KCPS results indicate that only one out of four respondents in the survey had never married. Of the 75 per cent married about 90 per cent were currently married, legally or consensually, while the balance were either divorced, separated or widowed. Table 3.1 shows the distribution of respondents by marital status and by age group. The results suggest that women tend to marry at very early ages. The proportion never married falls steeply with age from 74 per cent in the 15-19 age group to six per cent among women aged 25.29 years and then declines further to about one per cent among women aged 40 to 49 years, suggesting that few women in Kenya go through life without getting married.

DISTRIBUTION OF WOMEN AGED 15.49 BY MARITAL STATUS AND AGE, 1984

Table 3.1

Age	MARITAL STATUS *(Percentage)*			
	Currently married	Never married	Widowed, divorced or separated	Total
15.19	23.5	73.8	2.7	1000
20.24	70.3	23.5	6.2	100.0
25.29	86.6	6.2	7.3	1000
30.34	86 4	3.6	100	100.0
35.39	85.8	21	12.1	1000
40.44	88.8	0.5	10.6	1000
45.49	82.7	1.4	16.0	1000
TOTAL	66.9	255	7.6	1000

3.6. The proportion of women reporting that they had been married in the past increases from about 3 per cent for women aged 15-19 to 16 per cent among women aged 45-49. As a result, the proportion of currently married women increases rapidly with age, then levels off, and finally decreases at the oldest age group. In recent years, there has been an upward trend in the proportion of young women who are single. Teenage marriages have decreased while the average age at marriage of women has increased since 1977/78 KFS. There has been an upward trend in the proportion of women aged less than 25 who are single since the 1962 census. This phenomenon is probably due to the increasing enrolment of women in higher education. However, the median age at first marriage among ever-married women in 20.49 age groups does not seem to vary much by cohort.

3.7. A comparison of the proportions of currently married women aged 15.49 in polygamous unions reported in 1977/78 KFS and the 1984 KCPS reveals that polygamy is declining in Kenya. Only 25 per cent of currently married KCPS women aged 15-79 were in polygamous unions in 1984 as compared with 30 per cent in 1977/78. The prevalence of polygamous unions appears to increase with age and negatively with educational attainment of the wife. The KCPS proportions of women in polygamous unions range from 17 per cent at age group 20-24 to 34 per cent at age group 45-49. Only 11 per cent of currently married women with some secondary education were in polygamous unions compared with almost one-third of currently married women with no education. Thus, further declines in polygamy can be expected as educational attainments by Kenyan women increase.

Fertility Trends

3.8. In addition to mortality and migration, fertility constitutes one of the most important factors affecting. the demographic change in any population. Fertility in Kenya is high by both world and African standards. It has been rising in recent decades apparently because of the breakdown of the traditional practice of extended period of abstinence from sexual relations following the birth of a child. The high fertility recorded is also the result of a combination of the distribution of age-specific fertility rates; the large number of young women; the early age at marriage; and the stability of marriages. A comparison of the KCPS mean number of children ever born with 1979 census and other surveys' results is presented in Table 3.2. Generally, the results are almost identical for the youngest age group 15.19, and slightly higher for KCPS than for the other sources for women over 20 years. The average number of children ever born by age of women increased between 1962 and 1984. However, cumulative fertility (the average number of children that women give birth to throughout their reproductive period) measures past fertility experience of the women and it is not possible to estimate how much of the increase in fertility is due to better reporting of children ever born and how much reflects recent actual

MEAN NUMBER OF CHILDREN EVER BORN REPORTED AT CENSUS AND SURVEY, BY AGE OF MOTHER, 1962- 1984

Table 3.2

AGE	CENSUS/SURVEY					
	1962 Census	1969 Census	1977 NDS*	1977.78 KFS**	1979 Census	1984 KCPS***
15-19	0.36	0.36	0.33	0.35	0.32	0.35
20-24	1.65	1.88	1.83	1.84	1.85	1.96
25-29	3.01	3.65	3.72	3.76	3.65	3.96
30-34	4.20	5.11	5.55	5.55	5.38	5.70
35-39	5.07	6.00	6.67	6.82	6.47	7.04
40-44	5.61	6.44	7.25	7.59	7.02	7.84
45-49	5.90	6.69	7.46	7.88	7.17	8.15

*National Demographic Survey.
**Kenya Fertility Survey.
***Kenya Contraceptive Prevalence Survey.

increase in fertility. The data indicate that, by the time women have completed their child-bearing years, they have given birth to 8.2 children. Another cause of high fertility is the low incidence of primary infertility. According to KCPS, only 3 per cent of all women over 35 had borne no child.

3.9. A comparison of the reported current age-specific fertility rates for the censuses and surveys as shown in Table 3.3 reveals that peak fertility occurs in the age groups 20 to 29 and age-specific rates decline beyond this age group. Results from the 1984 KCPS indicate that current fertility may have declined slightly as compared with results from the KFS. The total fertility rate of 7.9 reported in 1977/78 KFS and estimated from the 1979 census by indirect estimation had declined to 7.7 by 1984. This decline points to some possibility that the family planning programme in Kenya may have been successful and this can be considered as an impressive achievement for a high fertility country such as Kenya.

3.10. Although the data on national level of fertility are important for certain aspects of social and economic planning, more detailed planning and the need for a better understanding of the factors affecting fertility require information at the lower levels of disaggregation. Table 3.4 presents the total fertility rates by three selected characteristics derived from the KFS and KCPS. It will be noted from the information that fertility is highest in the Rift Valley Province at 8.8 and 8.6 in both periods and lowest in Nairobi. Total fertility rates seem to have declined substantially in Western and Central Provinces since 1977/78.

AGE-SPECIFIC FERTILITY RATES BASED ON WOMEN BEARING CHILDREN 12 MONTHS BEFORE THE CENSUS/SURVEY, 1962-1984

Table 3.3

	CENSUS/SURVEY					
AGE	1962 Census	1969 Census	1977 NDS	1977.78 KFS	1979 Census*	1984 KCPS
15-19	0.083	0.111	0.135	0.177	0.179	0.143
20-24	0.207	0.284	0.365	0.369	0.368	0.358
25-29	0.223	0.290	0.361	0.356	0.372	0.338
30-34	0.203	0.253	0.316	0.284	0.311	0.291
35-39	0.163	0.200	0.231	0.216	0.226	0.233
40-44	0.109	0.121	0.133	0.132	0.105	0.109
45-49	0.063	0.060	0.016	0.051	0.014	0.066
TOTAL FERTILITY RATE	5.3	6.6	8.0	7.9	7.9	7.7

*Arrived at by using indirect estimation techniques.

DIFFERENTIAL TOTAL FERTILITY RATES FOR 1977-78 AND 1984 BY VARIOUS CHARACTERISTICS

Table 3.4 *Number*

Characteristic	1977 KFS*	1984 KCPS
PLACE OF RESIDENCE.		
Nairobi/Mombasa	5.7	4.7
Other Urban	6.8	5.3
Rural	8.4	8.1
EDUCATION LEVEL.		
None	8.8	8.5
1-4 years	9.0	9.0
5-8 years	8.1	7.9
9+ years	7.3	5.4
PROVINCE—		
Nairobi	6.1	5.6
Coast	7.2	6.7
Eastern	8.2	8.0
Central	8.6	7.8
Rift Valley	8.8	8.6
Nyanza	8.0	8.2
Western	8.2	6.3
TOTAL	8.2	7.7

Based on births in the five years before the survey.

3.11. In addition to regional variations, fertility is lower in urban areas than in rural areas. The total fertility rate for urban women is about 5 children as compared with 8 for women living in rural areas. As can be observed in Table 3.4, total fertility rates decrease with increasing educational attainment. This is explained by the fact that through increased female education, child survival increases, the desired number of children is smaller and at the same time the period spent in school raises both the age at marriage and at first birth, both of which contribute to lowering the level of the total fertility rate. Women with one to four years of schooling have slightly higher fertility than women with no education; otherwise, fertility rates decrease from 8.5 for women with no education to 5.4 for women who have nine or more years of schooling. Any rise in fertility associated with the introduction of primary education among women may be attributed to improved health conditions resulting in a reduction in sterility due to better nutrition for expectant women, and also to a decline in foetal losses due to control of diseases. It is likely that differential improvements in health conditions will continue to contribute to regional and social fertility differentials both because the diseases that significantly decrease fertility are mainly concentrated in certain ecological areas or cultural groups and because of the limited coverage of the country by health services.

Reproductive Intentions

3.12. In order to gain insight into women's child-bearing intentions, women in the KCPS sample were asked questions regarding the number of children desired and their desire to stop child-bearing and to space births. The data in Table 3.5 show that 32 per cent of Kenyan women who are currently married and fecund do not want any more children. This is almost double the proportion (17 per cent) reported in 1977/78. This result has important implications for the provision of family planning services in Kenya. The desire for more children is strongly related to age and education of women. The proportion of women who do not want any more children is low at the younger age groups of women and high at the older age groups. There has been a large increase at each group since 1977/78 in the proportion of women who want no more children. The educational attainment along with age provides an interesting picture as a factor in reproductive intention. At ages of women below 30, there are considerably smaller percentages of women with secondary education or above who want no more children compared with women with no education.

3.13. The KCPS results indicate that women in Kenya ideally would like to have 5.8 children, compared with the total fertility rate of 7.7. Family size ideals have declined somewhat in recent years. The mean desired family size for ever-married women which stood at 7.2 children in the 1977/78 has declined substantially to 6.2 children due to changes in attitudes towards family sizes. Nevertheless, the desired family size still remains fairly high especially among older, rural and uneducated women.

DISTRIBUTION OF CURRENTLY MARRIED FECUND WOMEN 15-49 WHO DO NOT WANT MORE CHILDREN BY AGE AND EDUCATION LEVEL

Table 3.5 *Percentage*

AGE	1977-78 KFS	1984 PREVALANCE SURVEY				
		EDUCATIONAL LEVEL				
		None	1-4 years	5-8 years	9+ years	Total
15-19	2	6.3	2.3	3 4	3.6	3.8
20-24	4	11.2	11.3	10.3	9.5	10.7
25-29	12	20 4	26.6	29.2	17.6	23.4
30-34	19	32.8	52.2	62.1	48.2	45.0
35-39	25	47.9	63.9	48.1	80.8	53.7
40-44	40	65.7	69.3	71.9	46.0*	66.6
45-49	42	66.6	89.7	92.8*	100.0*	75.9
TOTAL	17	34.8	37.1	27.7	23.0	31.5

*Fewer than 20 unweighted cases.

Knowledge of Family Planning

3.14. Knowledge of family planning methods is wide-spread among Kenyan women. When asked if they had heard of anything that people do to avoid pregnancy, 81 per cent of all respondents in the KCPS replied that they know of at least one family planning method (Table 3.6). This percentage is slightly lower than the level of 88 per cent reported in 1977/78. The results further point out that the never-married women are the least likely to know of any method of family planning, while currently married women are the most likely to know of a method. Knowledge of any family planning method was slightly higher in urban areas (85-86 per cent) than in the rural areas (80 per cent). This rural-urban variation in knowledge may be due to easier access among urban than rural women to mass media, including posters and calendars, as well as to health facilities. The youngest women aged 15 to 19 years and the oldest women 40 to 49 years were the least likely to know about family planning methods, while over 85 per cent women in their prime reproductive ages, 20 to 39 years, know at least one family planning method. Knowledge about family planning methods was higher across all age groups of women in the urban areas than among the women in rural areas. Significant variations exist by province with knowledge of family planning methods among ever-married women being lowest in Rift Valley and Western provinces (69 and 76 per cent, respectively), intermediate in Coast and Nyanza provinces (82 and 88 per cent, respectively), and is over 90 per cent in Nairobi, Eastern and Central provinces. These inter-provincial variations may reflect the limited cover-age of the country by health services and can partly be attributed to differentials in the levels of socio-economic development.

PROPORTION OF ALL WOMEN AGED 15-49 KNOWING AT LEAST ONE FAMILY PLANNING METHOD BY MARITAL STATUS AND PLACE OF RESIDENCE, 1984

Table 3.6 *Percentage*

MARITAL STATUS	RESIDENCE			
	Nairobi/Mombasa	Other Urban	Rural	Total
Never married	73.5	74.7	71.8	72.2
Widowed, divorced or separated	94.2	88.9	80.5	81.8
Currently married	90.4	92.2	83.3	84.3
TOTAL	85.3	86.1	80.3	81.0

Prevalence of Contraceptive Use

3.15. The 1984 KCPS indicates that 15 per cent of women aged 15 to 49 were currently using a method of family planning, the usage being almost equal between modern and traditional methods. Table 3.7 presents a comparison of KFS and KCPS. The data shows that among currently married women, current use has more than doubled from 7 per cent in 1977/78 to 17 per cent in 1984. A similar increase is apparent among currently married, fecund, non-pregnant women, 9 per cent of whom were using family planning in 1977/78, compared with 19 per cent in 1984. Although the increase in current use was relatively greater for traditional than for modern methods, this reflects a significant step forward for Kenya's family planning programme. Given the apparent slight decline in fertility between KFS and KCPS, the probability of a change in current use of contraception as revelaed by the KCPS is anticipated. The increase in current use of family planning since 1977/78 is more or less uniform across age groups and has almost doubled in each age group with the largest increase occuring in the 25.29 age group.

3.16. A substantial difference in current use by urban-rural place of residence also exists. Table 3.8 shows that in all urban areas, 21 per cent of all women were current users, compared with only 14 per cent of rural women. Women in urban areas were more likely to use modern methods rather than traditional. In Nairobi/Mombasa, five times as many women were using modern methods as compared with traditional methods, while in rural areas, a slightly higher proportion of women were using traditional methods. Since data on contraceptive use by education indicate a strong positive relationship between education and use of contraception, the large proportion of highly educated women in urban areas partly explains more

contraceptive usage in such urban centres. The reason why women in urban areas are more likely to use modern methods, rather than traditional, is that knowledge of modern contraceptives is more wide-spread in the urban areas than in rural areas, coupled with the decline of traditional customs and beliefs.

PROPORTION OF ALL WOMEN, CURRENTLY MARRIED WOMEN AND CURRENTLY MARRIED, FECUND NON-PREGNANT WOMEN CURRENTLY USING A FAMILY PLANNING METHOD, 1977 - 78 AND 1984

Table 3.7

TYPE OF WOMEN	1977.78 KFS	1984 KCPS	Ratio KCPS/KFS
	Percentage		
Currently married	7.0	17.0	2.4
Currently married, fecund, non-pregnant	9.2	19.0	2.1
Using modern methods	5.9	9.3	1.6
Using traditional methods	3.3	9.7	2.9
All women	NA	15.0	

3.17. The prevalence by contraceptive method indicate that the pill is the most frequently used modern contraceptive, followed by the IUD and female sterilization. Overall, the two most widely used methods are rhythm (4 per cent) and the pill (3 per cent). Table 3.8 further indicates that the three most popular methods in urban areas are the pill, IUD and rhythm; while in the rural areas, the ranking is the rhythm, abstinence and the pill.

3.18. There is a wide variation in current use of family planning among currently married women by province (Table 3.9). The highest level of use (34 per cent) is in Central Province, followed by Nairobi and Eastern Provinces with prevalence rates of 28 per cent and 26 per cent, respectively. The provinces with the lowest current use rates are Western (5 per cent), Nyanza (9 per cent) and Coast (11 per cent). However, the comparatively greater use of traditional methods in Eastern and Central provinces contributes to their high contraceptive prevalence rates. When use of modern methods alone is examined, Nairobi has the highest prevalence rate. A seven-fold differential in use of contraceptives by province as evidenced by the KCPS results has important implications for family Planning programme implementation. Although the data imply that Programme expansion in western Kenya might be useful, a more comprehensive look at the data regarding desired family size, future fertility decisions. and availability services should precede any programme

PROPORTION OF ALL WOMEN AND CURRENTLY MARRIED WOMEN USING SPECIFIC CONTRACEPTIVE METHODS BY PLACE OF RESIDENCE, 1984

Table 3.8 *Percentage*

METHOD	NAIROBI/MOMBASA		OTHER URBAN		RURAL		TOTAL	
	All women	Currently married	All women	Currently married	All women	Currently married	All women	Currently married
Pill	7.6	8.3	5.6	4.2	2.4	2.7	2.9	3 1
IUD	7.0	9.3	5.2	5.8	1.9	2.4	2.5	3.0
Female sterilization	1.7	2.4	2.3	3.8	1.9	2.6	1.9	2.6
Other modern	1.5	2.1	1.3	1.9	0.6	0.8	0.7	0.9
Rhythm	2.4	3.0	3.8	5.0	3.9	3.7	3.8	3.8
Abstinence	-0.9	1.1	2.5	0.7	2.7	2.9	2.6	2.7
Other traditional	0.3	0.5	0.1	0.2	0.7	1.0	0.5	0.8
None	78.6	73.3	79.1	78.3	86.0	84.0	85.5	83.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

PROPORTION OF CURRENTLY MARRIED WOMEN USING FAMILY PLANNING METHOD BY TYPE OF METHOD AND PROVINCE, 1984

Table 3.9

PROVINCE	TYPE OF METHOD *(Percentage)*			M/T Ratio*
	Any	Modern	Traditional	
Nairobi	28.3	22.9	5.4	4.24
Coast	10.5	6.8	3.7	1.84
Eastern	26.3	14.2	12.1	1.17
Central	34.1	20.7	13.5	1.53
Rift Valley	15.1	5.4	9.6	0.56
Nyanza	8.6	5.5	3.0	1.83
Western	4.6	3.5	1.1	3.18

*Ratio of modern to traditional methods.

3.19. Education is highly correlated with contraceptive use. An examination of the effect of this important policy instrument on current use of family planning methods among currently married women showed that the prevalence rate increases from 12 per cent among currently married women with no education to 36 per cent among those with nine or more years of schooling. The ratio of modern to traditional methods also increases with educational level. The less educated women were more likely to use traditional methods while the highly educated were more likely to use modern methods. In Nairobi/Mombasa, women with nine or more years of schooling are six times more likely to use modern methods over traditional. Contraceptive use was also positively associated with work status of respondent, literacy and the number of living children.

Sources of Contraceptive Methods

3.20. Ministry of Health clinics and hospitals play a major role in the provision of family planning services. The Ministry of Health provides free family planning services through its Maternal and Child Health Family Planning (MCH/FP) programme. By the end of 1984, there were, throughout the country, 719 family planning clinics, including Service Delivery Points (SDPs), but excluding private practitioners, distributed as follows: 12 per cent in Nairobi and Mombasa; 19 per cent in Central Province; 7 per cent in the rest of Coast Province; 15 per cent in Eastern Province; 15 per cent in Nyanza Province; 10 per cent in Western Province; 20 per cent in Rift Valley and one per cent in North-Eastern Province.

3.21. In order to assess the availability of family planning services, the KCPS collected information on knowledge of contraceptive outlets including the identification of specific sources, perceived waiting time, mode of transportation, and attitudes towards contraceptive services. Approximately 90 per cent of the users of modern methods obtained their method from a hospital or clinic while 10 per cent obtained their method from some other source (Table 3.10). A further look at the types of sources by place of current residence shows that, for users of supply methods (i.e. methods that require periodic supplies such as pill, condom, female scientific methods and injection), the most frequently mentioned sources are the hospital and the clinic. Forty-six per cent of urban users and 59 per cent of rural users mentioned the hospital while 39 per cent of urban users and 34 per cent of rural users mentioned the clinic as their source of supply. The distribution of users of clinical methods (i.e. the IUD and female or male sterilization) by source is generally similar to that for supply method users. Urban users are considerably more likely than rural users to cite private doctors as the source for clinical methods.

3.22. The results of the KCPS highlight the fact that Government-run services such as the Ministry of Health clinics and hospitals play a major role in the contraceptive distribution. About 58 per cent of all users of modern methods obtained their supplies through Government sources while the second most important source (27 per cent) was the Family Planning Association of Kenya (FPAK). Much smaller proportions of women obtained services from private or church outlets. These results, therefore, point out that the private sector in Kenya plays a very insignificant role in the distribution of contraceptive services and supplies.

DISTRIBUTION OF CURRENT USERS OF MODERN METHODS BY SOURCE, WHERE METHOD OBTAINED AND PLACE OF RESIDENCE, 1984

Table 3.10 *Percentage*

SOURCE	RESIDENCE					
	All Urban		Rural		Total	
	S	C	S	C	S	C
Hospital	46.2	66.9	59.0	83.1	55.1	78.9
Clinic	39.0	16.9	33.6	101	35.2	11.8
Mobile Clinic	–	–	1.2	0.8	0.9	0.6
Field Educator	–	–	10	0.0	0.7	0.0
Pharmacy/Shop	8.8	0.0	1.3	0.0	3.6	0.0
Private Doctor	6.1	16.1	2.3	3.0	3.5	6.3
Other	–	–	ts.4	3.1	10	2.3
Not Stated	–	–	0.2	0.0	0.1	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

NOTE.—S=Supply methods.
C=Clinical methods.

3.23. The travel time to reach a family planning source was much longer in rural than in urban areas. Table 3.11 shows that only 36 per cent of rural users could reach a family planning source compared with 78 per cent of urban users within one hour. This distance barrier partially explains the low contraceptive prevalence rate in the rural areas. Convenience and ease of access to a source may be one of the reasons women use modern contraception. About 80 per cent of users of modern contraception in rural areas said that the source is convenient, despite much longer travel times, and 93 per cent of users in the urban areas said that it is easy to get to a source perhaps because transportation is more convenient, travel times are shorter and more source points are available.

3.24. In order to get information on problems that current users of modern methods face in obtaining services, current users were asked reasons why persons interested in family planning would not want to obtain services at the sources where they obtain their services. Cost was mentioned as a reason by 30 per cent of users, followed by long distance (24 per cent) and fear of young nurses (25 per cent) and 13 per cent were concerned about the poor quality of services delivered.

DISTRIBUTION OF CURRENT USERS OF MODERN FAMILY PLANNING METHODS BY PLACE OF RESIDENCE AND TIME TAKEN TO REACH SOURCE OF SUPPLY, 1984

Table 3.11

TIME TAKEN TO REACH SOURCE (MINUTES)	RESIDENCE (*Percentage*)		
	All Urban	Rural	Total
0-14	32.1	4.6	12.3
15-29	21.1	10.7	13.6
30-59	24.5	20.5	21.6
60 or more	20.0	59.3	48.3
Not stated	2.3	4.9	4.2
TOTAL	100.0	100.0	100.0

CHAPTER 4—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

There was considerable improvement in employment in 1985. Job creation in the modern sector increased by 4.9 per cent over 1984, double the growth rate recorded in the previous year. Average nominal wages rose by 8.3 per cent, lower than the 9.5 per cent increase recorded for 1984. However, due to an increase in inflation, average real wages decreased by 2.5 per cent. The inflation rate, measured by the Nairobi Consumer Price Index, increased to 10.7 per cent in 1985 compared with 9.1 and 14.5 per cent recorded for 1984 and 1983, respectively.

Employment

4.2. The importance of employment creation to sustain the fast growing population has been stressed in both the Fifth Development Plan (1984-1988) and Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth. During 1985, the employment situation improved considerably. Estimates shown in Table 4.1, recorded an increase of 73,500 jobs over the year; a 5.4 per cent increase in the total number of persons engaged. This compares favourably with 58,500 new jobs created in 1983 before the 1984 drought. Both the modern and urban informal sectors of the economy, which provide around 80 and 15 per cent of the total employment, respectively, played significant roles in the creation of new jobs.

4.3. Wage employment in the modern sector was estimated at 1,174 thousand in 1985 compared with 1,120 thousand in 1984. This represents a 4.9 per cent increase or 54,700 new jobs during the year, which is above the 42,000 new jobs set out in the Fifth Development Plan. The performance of the urban informal sector establishments has also been encouraging with the number employed in the sector rising by 18,100 new jobs to 216 thousand in 1985; a 9.2 per cent increase compared with increase of 8.1 and 6.2 per cent in 1984 and 1983. The number of self-employed and unpaid family workers reported the lowest increase of 2.2 per cent. However, this was in contrast to almost a 50 per cent drop in 1984 partly caused by continued partitioning of large farms into small holdings, thus leading to a change in the coverage of farms.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1982-1985

Table 4.1 *'000's*

	1982	1983	1984	1985*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	1,046.0	1,093.3	1,119.7	1,174.4
Self-employed and unpaid family workers	62.7	63.2	32.4	33.1
Urban Informal Sector	172.2	182.9	197.8	215.9
TOTAL	1,280.9	1,339.4	1,349.9	1,423.4

*Provisional.

4.4. As shown in Table 4.2, community, social and personal services was the largest contributor to the growth of employment in 1985. It was followed by agriculture and forestry; manufacturing; and trade activities in that order. While total wage employment in the private sector increased by 3.7 per cent in 1985 as compared with 2.2 per cent in 1984, employment in the agriculture and forestry, the largest employer in the private sector, only increased by 2.4 per cent; but a substantial increase occurred in mining and quarrying activity, whose employment, though small, increased by 23 per per cent—almost equal to the 1984 increase. On the other hand, the decrease in private sector construction employment was more than offset by the increase in the public sector's construction employment. A 2 per cent increase was recorded for the transport and communication activity, in contrast to the 5 per cent decrease recorded in 1984. The general improvement in employment is both the result of improved weather condition resulting in good harvests and increased incomes.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1982-185

Table 4.2 *'000's*

	1982	1983	1984	1985*
PRIVATE SECTOR—				
Agriculture and Forestry	167.5	177.3	181.3	186.0
Mining and Quarrying	1.8	2.1	2.6	3.2
Manufacturing	116.0	117.1	119.7	123.6
Electricity and Water	0.2	0.1	-	-
Construction	32.1	31.4	27.1	25.8
Wholesale and Retail Trade, Restaurants and Hotels	69.3	74.6	79.2	83.8
Transport and Communications	19.7	21.1	20.1	20.5
Finance, Insurance, Real Estate and Business Services	34.7	36.1	38.3	40.1
Community, Social and Personal Services	99.1	105.7	109.6	116.8
TOTAL	540.4	565.5	578.2	599.8
PUBLIC SECTOR—				
Agriculture and Forestry	56.3	53.8	54.1	54.9
Mining and Quarrying	1.2	1.4	1.5	1.6
Manufacturing	30.8	31.7	33.4	35.2
Electricity and Water	13.8	17.1	17.5	17.7
Construction	28.3	28.8	22.1	24.1
Wholesale and Retail Trade, Restaurants and Hotels	5.6	5.7	5.6	5.9
Transport and Communications	33.1	33.9	34.0	35.2
Finance, Insurance, Real Estate and Business Services	9.0	9.6	11.8	13.3
Community, Social and Personal Services	327.5	345.8	361.5	386.7
TOTAL	506.6	527.8	541.5	574.6

*Provisional.

4.5. Table 4.3 portrays wage employment in the public sector. Overall wage employment in 1985 in the sector increased by 33,100 jobs over the previous year, an increase of 6.1 per cent compared with 2.6 per cent recorded in 1984. Wage employment by the Central Government expanded by 9 per cent or 20,900 new jobs. This big increase was mainly a result of absorbing casuals into permanent jobs and recruitment of new graduates. The Teachers Service Commission (T.S.C.) generated new jobs for 18,800 employees most of whom were required for the implementation of the 8 4 4 education system. These increases by Central Government and the T.S.C. were partly offset by reductions in employment by parastatal bodies and Local Government which reduced their employment by 5,000 and 2,100 employees, respectively, due to financial constraints, and the quest for efficiency.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1982-1985

Table 4.3

'000's

	1982	1983	1984	1985*	Annual Percentage Change 1984/85*
Central Government	216.7	226.4	231.1	252.0	9.0
Teachers Service Commission	119.0	124.1	132.2	151.0	14.2
Parastatal Bodies**	95.7	97.6	95.4	90.4	-5.2
Majority Control by the Public Sector	32.9	34.5	35.1	35.6	1.4
Local Government	41.3	45.2	47.7	45.6	-4.4
TOTAL	505.6	527.8	541.5	574.6	6.1

*Provisional.

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

4.6. Details of wage employment in the modern sector by province are set out in Table 4.4. In terms of employment generation, the Rift Valley province led with an increase of 15,200 employees, a result of favourable weather conditions and agriculture being the predominant activity in the province. This was in contrast to the poor performance in 1984 due to the drought. Nairobi generated 10,500 new jobs whilst Central, Nyanza and Coast provinces accounted for 7,400, 6,800 and 5,300 new jobs, respectively. The North-Eastern province, though creating only 700 new jobs, recorded the highest percentage increase.

4.7. The total number of wage employees in urban areas of Kenya accounted for 50 per cent of the country's total employment in 1985. Table 4.5 details wage employment in major towns for the six dominant activities for 1980 and 1985. Over the five-year period, wage employment in urban areas for the six dominant activities increased by 15.8 per cent; however, towns designated as "others" and Nairobi reported above average increases

WAGE EMPLOYMENT BY PROVINCE, 1982-1985

Table 4.4 *'000's*

Province	1982	1983	1984	1985*	Percentage Change 1984/85*
Nairobi	292.3	309.8	316.7	327.2	3.3
Coast	140.6	140.9	143.4	148.7	3.7
North Eastern	9.3	9.4	9.7	10.4	7.2
Eastern	84.5	89.1	92.3	97.3	5.4
Central	153.5	155.6	157.7	165.1	4.7
Rift Valley	228.1	241.4	242.5	257.7	6.3
Nyanza	83.4	90.5	94.7	101.5	7.2
Western	54.3	56.6	62.7	66.5	6.1
TOTAL	1,0460	1,093.3	1,119.7	1,174.4	4.9

*Provisional.

of 26.9 and 17.3 per cent, respectively. Over the period, some 81 thousand new jobs were generated in urban areas with employment increasing from 510,900 in 1980 to 591,600 in 1985. Most activities recorded increases. The highest increase was in finance, insurance, real estate and business services which grew by over 33 per cent; trade, restaurants and hotels activity by 23.4 per cent; and community, social and personal services activity recorded 21.6 per cent growth. The construction activity, in contrast, recorded a decrease of 8.1 per cent since this sector is very vulnerable to the state of economy and slow to recover from shocks but it is noteworthy that it grew in "other" towns. In terms of importance, community, social and personal services activity accounted for 42.2 per cent of total urban wage employment, whilst manufacturing and trade activities occupied 20.9 and 12.4 per cent, respectively.

4.8. Analysis of wage employment by industry and sex is shown in Table 4.6. Female participation in wage employment has remained low despite a gradual rising trend. In overall terms, the proportion of women increased from 17.8 in 1983 to 18.7 per cent in 1984 and then to 19.7 per cent in 1985. Between 1984 and 1985, the number of employed women increased by 10.4 per cent or 21,800 while employment of males increased by 3.6 per cent or 32,900. Over the year, the number of women employed increased in all the activities; much higher in activities traditionally dominated by females, for example community, social and personal services. However, female employment in construction decreased by 23.5 per cent. For men, increases were recorded in all industries, the highest being in public administration and education services for which 16,600 and 8,600 jobs were created respectively. Of the new jobs, 60 per cent were taken by men. The table also shows the classification of employees by regular and casual status of employment. Regular employment increased by 5.0 per cent while casual employment increased by only 3.8 per cent. Females recorded the highest increase in regular employment: 11.2 per cent compared with 3.6 per cent

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1980 AND 1985

Table 4.5 *'000's*

Town	Manufacturing		Construction		Trade. Restaurants and. Hotels		Transport and Communica-tio ns		Finance. Insurance. Real Estate and Busines Services		Comm unity. Social and Personal Services		Total Six Industries	
	1980	1985*	1980	1985*	1980	1985*	1980	1985*	1980	1985*	1980	1985*	1980	1985*
Nairobi	53.4	61.2	31.1	27.6	33.3	42 1	21.1	23.1	26.5	36.8	94 9	114.5	260.3	305.3
Mombasa	19.7	19.9	4.5	4.2	11.1	12.8	24.3	20.9	7.0	7.4	25.1	31.2	91 7	96.4
Kisumu	3.8	3.5	1.5	0.9	1.5	2.0	1.2	1.4	0.8	1.1	8.6	11.2	17.4	20.1
Nakuru	5.5	5.6	1.7	1.2	2.7	3.0	0.6	1.3	0.9	1.0	7.9	84	19.3	20.5
Thika	9.0	94	0.3	0.4	0.7	1.3	0.1	0.2	0.6	0.5	3.2	3.1	13.9	149
Eldoret	7.2	7.4	1.4	0.4	1.1	1.3	0.4	0.6	0.5	1.2	4.1	4.7	14.7	15.6
Others	12.4	16.6	5.1	7.2	9.1	10.9	3.2	4 1	2.3	3.5	61.5	76.5	93.6	118.8
TOTAL	111.0	123.6	45.6	41.9	59.5	73.4	50.9	51.6	38.6	51.5	205.3	249-6	510-9	591-6

*Provisional

Earnings

4.9. Details of total wage payments by industry and sector are presented in Table 4.7. Total wage payments increased by 13.6 per cent in 1985; an increase slightly higher than that between 1983 and 1984. At 13.3 per cent, the wage bill for the private sector increased at a slightly lower rate than the public sector which rose by 13.8 per cent. All activities recorded increased wage bills. The highest percentage wage bill increases in the private sector were for the mining and quarrying activity which increased by 28.5 per cent and the community, social and personal services activity which grew by 17.1 per cent. In the public sector, finance, insurance, real estate and business services increased by 14.7 per cent. The large increases in wage bill are positively related to increases in employment shown on Table 4.2.

4.10. Total wage payments by the various public sector domains are shown in Table 4.8. The Central Government, the T.S.C. and parastatal bodies, all combined, accounted for 86 per cent of the total wage bill in the public sector. In 1985, the wage bill of the Central Government increased by 14.3 per cent; of the T.S.C. by 18.1 per cent; of the parastatal bodies by 12.6 per cent; of the Local Government by 7.3 per cent and of companies in which the Government has majority control by 9.1 per cent. Overall, the

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1984 AND 1985

Table 4.6 *000's*

INDUSTRY	MALES		FEMALES		TOTAL	
	1984	1985*	1984	1985*	1984	1985*
Agriculture and Forestry	196.9	197.7	38.7	43.2	235.6	240.9
Mining and Quarrying	4.0	4.7	0.1	0.1	4.1	4.8
Manufacturing	138.1	143.0	15.0	15.8	153.1	158.8
Electricity and Water ..	16.2	16.3	1.3	1.4	17.5	17.7
Construction	47.5	48.6	1.7	1.3	49.2	49.9
Trade, Restaurants and Hotels	71.2	75.6	13.6	14.1	84.8	89.7
Transport and Communications	47.3	48.8	6.8	6.9	54.1	55.7
Finance, Insurance, Real Estate and Business Services	40.9	42.5	9.3	10.9	50.2	53.4
Community, Social and Personal Services—						
Public Administration	118.6	128.5	23.4	30.1	142.0	158.6
Education Services ..	134.2	139.4	56.1	59.5	190.3	198.9
Domestic Services	42.4	42.1	14.8	17.1	57.2	59.2
Other Services	53.3	56.3	28.3	30.5	81.6	86.8
TOTAL	910.6	943.5	209.1	230.9	1,119.7	1,174.4
Of which: Regular	798.4	827.2	183.6	204.2	982.0	1,031.4
Casual	112.2	116.3	25.5	26.7	137.7	143.0

*Provisional, also the enumeration methodology for males changed.

ESTIMATED TOTAL WAGE PAYMENT BY INDUSTRY AND SECTOR, 1982-1985

Table 4.7 *K£million*

	1982	1983	1984	1985*
PRIVATE SECTOR				
Agriculture and Forestry	41.59	47.48	54.36	61.5
Mining and Quarrying	0.75	0.93	1.23	1.58
Manufacturing	109.39	119.53	132.99	148.62
Electricity and Water	0.17	0.12		
Construction	23.28	25.05	23.44	24.10
Wholesale and Retail Trade, Restaurants and Hotels	79.22	91.16	107.58	121.76
Transport and Communications	25.39	28.29	29.21	32.84
Finance, Insurance, Real Estate and Business Services	59.96	66.28	77.61	89.84
Community, Social and Personal Services	56.12	65.87	80.90	94.72
Total	395.87	444.71	507.32	575.01
PUBLIC SECTOR—				
Agriculture and Forestry	25.87	27.27	28.35	30.34
Mining and Quarrying	2.57	2.89	3.06	3.37
Manufacturing	26.74	29.87	35.71	39.61
Electricity and Water	13.36	17.61	20.35	22.70
Construction	20.40	22.48	20.01	22.83
Wholesale and Retail Trade, Restaurants and Hotels	7.87	8.77	8.89	9.56
Transport and Communications	46.49	49.82	53.65	57.88
Finance, Insurance, Real Estate and Business Services	20.60	22.34	30.72	38.94
Community, Social and Personal Services	300.50	332.46	366.72	420.56
Total	464.40	513.51	567.46	645.79
TOTAL PRIVATE AND PUBLIC	860.27	958.22	1,074.78	1,220.80

*Provisional.

entire public sector's wage bill rose by 13.8 per cent in 1985 as compared with 10.5 per cent in 1984. This was as a result of both the Civil Service Salary Review and the rise in the number in paid employment.

4.11. Analysis of average earnings per employee by sector and activity are presented in Table 4.9. The table shows that overall average annual earnings increased by 8.3.per cent from K£959.9 per annum in 1984 to K£1,039.5 per annum in 1985. This increase was lower than the 9.5 per cent recorded in 1984 and the 1985 inflationary rate of 10.7 per cent meant that real earnings declined.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR,1982-1985

Table 4.8 *K£million*

	1982	1983	1984	1985*
Central Government	207.71	227.31	236.68	270.56
Teachers Service Commission	94.30	103.60	120.66	142.48
Parastatal Bodies'*	97.10	107.10	124.28	139.90
Majority Control by the Public Sector	29.30	32.80	42.21	46.04
Local Government	35.90	42.70	43.63	46.81
TOTAL	464.31	513.51	567.46	645.79

*Provisional.

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

4.12. The average wage earnings in the private sector increased at a higher rate of 9.3 per cent as compared with 7.2 per cent for the public sector. These increases were, however, lower than the ones recorded in 1984. As in the previous years, the absolute average pay of the employees in the public sector remained higher than their counterparts in the private sector largely because of a large number of unskilled workers in the private agricultural sector. The per capita earnings in all the domains of the public sector recorded substantial increase—a phenomenon that is partly explained by the Civil Service Salaries Review.

4.13. In general, average wage earnings per employee increased in all the activities for both the public and private sectors. In the private sector, the highest increases were recorded for finance, insurance, real estate and business services; agriculture and forestry and the transport and communication activities—all increasing by over 10 per cent. As in the private sector, finance, insurance real estate and business services within the public sector registered the highest increase at 12.5 per cent.

4.14. An analysis of the trend in employment and average earnings in both the private and public sector is presented in Table 4.10. In both sectors the growth of employment between 1980 and 1985 was markedly high in mining and quarrying; finance, insurance, real estate and business services; and in the services—especially education. In contrast, both sectors have had almost an equivalent growth rates in average earnings but with considerable variations between the different activities within each sector.

4.15. The preceeding analysis of average earnings per employee was in nominal terms. Tables 4.11 and 4.12 give changes of the value adjusted to snow the effect of price inflation. Details of changes in real average earnings in the private and public sectors of the economy are set out in Table 4.11. During 1985, real earnings declined for all the activities in both

AVERAGE WAGE EARNINGS PER EMPLOYMENT, 1982-1985

Table 4.9 *K£*

	1982	1983	1984	1985*
PRIVATE SECTOR.				
Agriculture and Forestry	248.2	267.8	299.4	330.9
Mining and Quarrying	425.8	440.7	480.1	499.0
Manufacturing	943.4	1,032.7	1,110.7	1,165.9
Electricity and Water	885.9	963.7		
Construction	724.1	799.0	865.3	934.4
Trade, Restaurants and Hotels	1,143.8	1,221.5	1,354.7	1.452.4
Transport and Communications	1,287.6	1,338.6	1,453.2	1,602.9
Finance, Insurance, Real Estate and Business Services	1,727.9	1,835.5	2,024.5	2,243.1
Community, Social and Personal Services	566.1	786.3	738.2	810.7
Total Private Sector	732.5	786.3	877.4	958.7
PUBLIC SECTOR.				
Agriculture and Forestry	459.4	507.0	524.2	552.8
Mining and Quarrying	2,045.7	2,010.0	1,998.8	2,082.4
Manufacturing	867.3	978.8	1,069.3	1,126.5
Electricity and Water	967.8	1,027.4	1,166.7	1,278.4
Construction	721.0	780.1	904.8	948.0
Trade, Restaurants and Hotels	1,399.9	1,548.0	1,588.0	1,624.2
Transport and Communications	1,406.1	1,471.0	1,577.9	1,645.1
Finance, Insurance, Real Estate and Business Services	2,301.4	2,328.1	2,599.6	2,925.6
Community, Social and Personal Services	918.6	963.1	1,014.4	1,087.5
Total Public Sector	918.5	972.9	1,047.9	1,123.9
TOTAL	822.4	876.5	959.9	1,039.5
MEMORANDUM ITEMS IN PUBLIC SECTOR.				
Central Government	958.5	1,004.0	1,024.1	1,073.5
Teachers Service Commission	792.4	834.8	912.9	943.6
Parastatal Bodies"	1,013.6	1,097.3	1,238.3	1,547.6
Majority Control by the Public Sector	890.6	950.7	1,202.6	1,293.3
Local Government	869.2	944.7	913.8	1,026.5
Total Public Sector	918.5	972.9	1,047.9	1,123.9

*Provisional.

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

private and public sectors except for finance, insurance, real estate and business services of the public sector, which registered a small increase of 1.4 per cent. Private sector real earnings declined by 1.5 per cent whilst the public sector earnings declined by 3.3 per cent. Table 4.12 indicates that inflationary pressures have generally eased since the peak reached in 1982, although in 1985, inflation rose modestly, resulting in a 2.5 per cent decrease of real average earnings, thus reducing the purchasing power of the wage earners.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1980-1985

Table 4 .10

	EMPLOYMENT		AVERAGE EARNINGS	
	1980/1985*	1984/1985*	1980/1985*	1984/1985*
PRIVATE SECTOR-				
Agriculture and Forestry	7.8	2.4	54.3	10.5
Mining and Quarrying	88.2	23.1	46.2	3.9
Manufacturing	10.9	3.3	57.2	5.0
Electricity and Water				
Construction	-18.6	-4.8	31.9	8.0
Trade, Restaurants and Hotels	27.0	5.8	43.1	7.2
Transport and Communications	-10.7	2.0	63.8	10.3
Finance, Insurance,Real Estate and Business Services	25.7	4.7	50.3	10.8
Community, social and Personal Services	21.8	6.6	65.7	9.8
Total Private Sector	12 3	3.7	56.7	9.3
Public SECTOR-				
Agriculture and Forestry	-6.8	1.5	39.6	5.5
Mining and Quarrying	166.7	6.7	26.5	4.7
Manufacturing..	17.7	5.4	42.9	5.3
Electricity and Water	77.0	1.1	64.0	9.6
Construction	-23.5	9.0	98.6	4.8
Trade, Restaurants and Hotels	31.1	5.4	58.4	2.3
Transport and Communications	9.3	3.5	52.1	4.3
Finance, Insurance, Real Estate and Business Services	70.5	12.7	59.9	12.5
Community, Social and personal Services	30.6	7.0	51.9	7.2
Total Public Sector	21.9	6.1	57.1	7.2
TOTAL PUBLIC AND PRIVATE	16.8	4.9	57.4	8.3
MEMORANDUM ITEMS IN PUBLIC SECTOR.				
Central government	17.3	9.0	50.1	4.8
Teachers Service Commission	56.6	14.2	39.5	3.4
Parastatal Bodies**	-0.2	-5.2	105.0	25.0
Majority Control by the Public Sector	18.7	1.4	72.4	7.5
Local Government	15.2	-4.0	47.8	12.3
Total Public Sector	21.9	6.1	57.1	7.2

*Provisional

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

***The weighting pattern changed between 1980 and 1985 in favour of public sector with higher average earnings

ESTIMATED REAL AVERAGE WAGE EARNINGS** PER EMPLOYEE, 1982-1985

Table 4.11 *K£*

	1982	1983	1984	1985*
PRIVATE SECTOR—				
Agriculture and Forestry	102.2	96.4	98.9	98.5
Mining and Quarrying	175.3	158.6	158.7	148.6
Manufacturing	388.4	371.6	367.2	377.2
Electricity and Water	364.7	346.8	-	-
Construction	298.1	287.5	286.0	278.3
Trade, Restaurants and Hotels	470.9	439.5	447.7	432.5
Transport and Communications	530.1	481.7	480.2	477.3
Finance, Insurance, Real Estate and Business Services	712.2	660.5	669.0	668.0
Community, Social and Personal Services	233.1	216.2	244.0	241.4
Total Private Sector	301.6	282.9	289.9	285.5
PUBLIC SECTOR—				
Agriculture and Forestry	189.1	182.4	173.2	164.6
Mining and Quarrying	842.2	723.3	660.5	620.1
Manufacturing	357.1	352.2	353.4	335.5
Electricity and Water	398.4	369.7	385.6	380.7
Construction	296.8	280.7	299.0	282.3
Trade, Restaurants and Hotels	576.3	557.3	524.8	483.7
Transport and Communications	578.9	529.3	521.4	489.9
Finance, Insurance, Real Estate and Business Services	947.9	837.7	859.1	871.2
Community, Social and Personal Services	377.8	346.6	335.2	323.9
Total Public Sector	387.1	350.1	346.3	334.7
TOTAL	338.6	315.4	317.2	309.6
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	394.6	361.3	338.4	319.7
Teacher's Service Commission	326.2	300.4	301.7	281.0
Parastatal Bodies	417.3	394.9	409.2	460.5
Majority Control by the Public Sector	366.7	342.1	397.4	385.1
Local Government	357.8	339.9	302.0	305.7
Total Public Sector	387.1	350.1	346.3	334.7

*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.

Wages Awards

4.16. The existence of good industrial relations is partly reflected by the ability of Trade Unions to negotiate successfuly with employers for improved

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1982-1985

Table 4.12 *Percentage*

	1982	1983	1984	1985*
Wage employment	2.1	4.5	2.4	4.9
Current price average earnings	6.8	6.7	9.5	8.3
Consumer prices'*	22.3	14.5	9.1	10.7
Real average earnings	-12.5	-6.9	0.7	-2.7

*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.

work conditions for. employees without the need arising to lodge trade disputes. These negotiations have led to increasing registration of collective agreements with the Industrial Court. In 1985, the Industrial Court registered 297 collective agreements which benefitted 52,177 unionisable employees in all the three income groups i.e. lower, middle and upper. These compare with 260 agreements registered in 1984 which benefitted 120,208 unionisable employees and 245 agreements registered in 1983 benefitting 54,000 employees. Of the 297 collective agreements registered in 1985, slightly more than a half were in the manufacturing sector.

Consumer Prices

4.17. Since the adoption of deflationary monetary and fiscal policies, the Government has succeeded in moderating inflationary pressures. Inflation rate, as measured by the Nairobi Consumer Price Indices, reached a peak of 22.3 per cent in 1982 after which it has been declining substantially and reached a trough of 9.1 per cent in 1984. In 1985, inflation showed a modest rise of 10.7 per cent with estimated growth rates of 13.0, 11.1 and 8.0 per cent for the lower, middle and upper income groups, respectively, as shown in Table 4.13. Domestic production cost pressures contributed to the rise in inflation.

4.18. Despite the long rains in 1985 leading to increased agricultural output, the food price index recorded relatively high increases as can be seen in Table 4.14. The price increases on basic food items announced by the minister of Finance during the first and third quarters of the year had an impacton the food index. Food, being a significant item in the consumption patterns, its influence on the overall index was substantial. The food index over 12 month period increased by 19.2 per cent for the lower income group; 13.5 per cent, for the middle income group; and 11.9 per cent for the upper income group. Marked increases were recorded for the health and personal care and the fuel and power indices for all income groups. In addition, the miscellaneous goods and services and the transport and

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES', 1982—MARCH, 1986

Table 4.13

Income Group	1982/81	1983/82	1984/83	1985/84	March 1985 to March 1986
Nairobi Lower Income Index	20.6	11.4	10.3	13.0	3.4
Nairobi Middle Income Index	25.9	15.2	8.9	11.1	8.9
Nairobi Upper Income Index	20.3	16.9	8.0	8.0	6.5
Average Increases for 12 Months	22.3	14.5	9.1	10.7	6.3

*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.

NAIROBI CONSUMER PRICE INDICES, 1982-1986

Table 4.14 *January-June, 1975=100*

Income Group	Food	Rent	Others	All Groups
LOWER INCOME—				
December 1985	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
December—1985	334 0	423.3	326.3	364.6
March—1986	347.4	426 2	338.3	367.1
MIDDLE INCOME—				
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
December—1985	313.6	392.3	312.3	348.4
March—1986	310.5	394.7	355.4	350.5
UPPER INCOME—				
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
December—1985	324.7	333.7	343.6	333.3
March—1986	321.9	338.2	353.8	337.9

communication indices had pronounced increases affecting the lower and middle income groups, respectively.

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU, 1981-1985

Table 4.15 *1976=100*

	Mombasa	Kisumu	Nakuru
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
1985 June	283.8	286.3	276.3
December	286.6	290.9	279.5

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

4.19. Consumer price indices for the urban centres of Mombasa, Kisumu and Nakuru are shown in Table 4.15. Inflation rates for these centres which peaked in 1982 have been declining substantially since then are well below those recorded in Nairobi. Analysis of the 1985 quarterly data shows that food index had a relatively high increases of 11.2 per cent for Mombasa, 10.7 per cent for Kisumu and 10.4 per cent for Nakuru. Substantial increases were also recorded for the drinks and tobacco, health and personal care, fuel and power, and recreation and entertainment indices for these centres.

CHAPTER 5—MONEY, BANKING AND FINANCE

Overall Trends

There were two important landmarks within the financial sector during 1985: the first was the amendment of the Central Bank Act, while the close of year also saw the enactment of the Banking (Amendment) Act, 1985. The new Acts aim at serving two tasks, namely, strengthening the monetary authority's control mechanism over banks, financial institutions, and building societies and to protect the depositors. By tightening the procedures of licensing institutions that operate within the banking industry, the Government aims to ensure stability of the monetary system. The Acts will instil the confidence needed in the industry and ensure a healthy growth of the financial sector. Other developments within the sector indicate that real interest rates remained positive for the second year running, despite being eroded by the small rise in inflation to 10.7 per cent; while there was an increase in deposits held by commercial banks and an expansion in domestic credit.

5.2. Table 5.1 sets out key monetary indicators. It shows that net foreign assets turned negative by mid-1985 after remaining positive throughout 1984. Net foreign assets declined by K£130 million from K£61 million recorded in March, 1985. The decline could largely be accounted for by the increase in imports relative to the growth in exports during the year, and indicates a further increase in foreign liabilities. With a rise in domestic credit of about 13 per cent, the fall in net foreign assets helped offset the overall expansion in money supply.

MONETARY INDICATORS, 1982—1985

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*	Government	Total			
1982 December	-100.95	768.24	484.13	1,252.37	1,066.21	25	79.6
1983 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
1985 December	-68 22	1,090.52	478.48	1,569.00	1,346.45	22	85.0
1985 March	61.30	978.24	340.14	1,318.38	1,230.88	27	81.6
June	-6.66	1,000 25	385.94	1,386.19	1,235.94	20	85.4
September	-67.21	1,054.58	430.91	1,485.49	1,271.87	21	89.2
December	-68.22	1,090.52	478.48	1,569.00	1,346.45	22	85.0

Source: Central Bank of Kenya.

*Includes parastatal bodies.

***See* Table 5.2 for Coverage.

5.3. There was a marked rise in total domestic credit during 1985. Total credit rose from K£1,389 million in December, 1984 to K£1,569 million at the end of 1985. The expansion of credit to the private sector was more significant, being 14.4 per cent above that to the Central Government, whose borrowing increased by 9.7 per cent. There was in fact a contraction in Government borrowing in the first nine months of the year, the expansion occurred only in the last quarter, a period coinciding with general salary increases in the public sector. Nonetheless, a study of quarterly figures of the last two years still shows restraint in Government borrowing, with levels consistently below the K£391 million recorded in December, 1983. The liquidity ratio of commercial banks rose from 25 per cent in December, 1984 to 27 per cent in March, 1985 before falling to 21 and 22 per cent in June and December, respectively. The ratio of advances to deposits remained high during the year and stood at 81.2 per cent and 85.0 per cent at the year ends of 1984 and 1985.

5.4. Money supply contracted from K£1,262 million in December, 1984 to K£1,236 million in June, 1985, before rising to stand at K£1,346 million in December, 1985, or an annual rise of only 6.7 per cent. The low rate of growth in money supply helped to limit the growth in inflation, notwithstanding a rapid growth in credit expansion. In fact, money supply had expanded by 13 per cent in the previous year. As in the past year, expansion was more rapid in the second half of the year, with the last quarter recording the highest increase. Detailed information on money and quasi-money is shown in Table 5.2. Quasi-money expanded faster by recording a 13 per cent growth, while money proper grew by only 3 per cent during the year.

MONEY AND QUASI-MONEY SUPPLY, 1982-1985

Table 5.2 *K£million*

As at end of	Money*	Quasi. Money**	Total
1982	667.61	398.60	1,066.21
1983	696.52	421.72	1,118.24
1984	765.14	496.96	1,262.10
1985	787.03	559.42	1,346.45
1985 January	786.36	488.81	1,275.17
February	761.17	520.37	1,281.54
March	722.55	508.33	1,230.88
April	764.45	508.00	1,272.45
May	753.92	514.19	1,268.11
June	723.53	512.41	1,235.94
July	767.81	539.12	1,306.93
August	774.28	532.94	1,307.22
September	746.47	525.40	1,271.87
October	798.14	536.92	1,335.06
November	814.36	562.29	1,376.65
December	787.03	559.42	1,346.45

*Currency in circulation plus all demand deposits at and 7 days notice time deposits, except those of Central Government and Non-Resident Banks.

other deposits except those of Central Government and Non-Resident Banks.

*Source: Central Bank of Kenya.

5.5. The consolidated balance sheet of the banking system is set out in Table 5.3. The total liabilities and assets recorded amounted to K£1,501 million at the end of 1985 compared with K£1,409 million at the end of 1984, thus showing an increase of 6.5 per cent. On the liabilities side, the steady rise in the components of money (notes, coin and demand deposits) and quasi-money (time and savings deposits) which was evident in the previous years continued during 1985. Assets continued to show changes in their structure. Domestic credit components—Central Government (net), private sector and other public bodies—showed continued growth, while the big change was in the movement of net foreign assets which deteriorated and turned negative as was the case in 1983 and 1982.

5.6. An analysis of the changes in money supply and the sources of changes is shown in Table 5.4. It is evident that the change in money supply is of the same magnitude as those in 1981 and 1983; with 1982 and 1984 having recorded above normal jumps from the average increase of around K£91 million to around K£167 million. It can also be observed that "Quasi-money and Other Items" growth showed their smallest increase in the last five years. Looking at the "sources of changes", it is noted that net foreign assets reverted to the 1980.1982 trend, after increases in 1983 and 1984. The deterioration reflects the situation that 1985 was a difficult year for the balance of payments. There was a further increase of Central Government borrowing of around K£43 million, while the private sector borrowing rose significantly by K£123 million compared with K£78 million increase recorded in 1984. The overall increase in domestic credit was, however, still below the peak levels of 1981 and 1982.

5.7. The Central Bank holding of foreign exchange reserves recorded a marginal increase of 5 per cent, by rising from K£313 million at the end of 1984 to K£329 million at the end of 1985. The low growth compared with the previous two years is largely accounted for by the lesser growth of only 2.2 per cent in export earnings, while the early part of the year continued to experience the effects of the 1984 drought. The increase in reserves is largely a result of drawing from the IMF under a Standby Arrangement agreed in February, 1985. Details are given in Table 5.8 and also in Chapter 7, Table 7.16.

5.8. Table 5.5 attempts to present the real value of selected financial aggregates using the index of Nairobi Consumer Prices as the deflator. Half the variables—money, total liabilities of the banking system and total commercial bank credit—did not expand as fast as the rate of inflation. The decline was, however, marginal given that prices only grew by 10.7 per cent in 1985 compared with the 9.1 per cent recorded in 1984. Quasi-Money, commerical bank credit to private sector, and the total liabilities of non-bank financial institutions all recorded growth with the third of these variables indicating the highest real growth of about 4 per cent. The increase in real terms in total liabilities of the non-bank financial institutions, coupled with the decline of the total liabilities of the banking system, led to the rise in share of these institutions.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1981-1985

Table 5.3 *K£million*

	As at the end of							
					1985			
	1981	1982	1983	1984	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES—								
1. Money:								
1.1 Demand Deposits	318.72	339.89	382.01	445.04	474.05	445.91	445.45	460.94
Other	79.01	141.38	130.27	114.88	105.24	110.31	108.52	137.55
1.2 Currency in Circulation:								
Notes	194.04	202.06	227.19	249.91	238.33	233.69	242.01	291.49
Coins	5.47	5.92	6.27	6.58	7.32	6.87	6.98	9.13
Sub-Total	597.24	689.25	745.74	816.41	824.94	796.78	802.96	899.11
2. Quasi-Money:								
2.1 Savings Deposits	175.04	196.63	230.79	279.68	280.73	293.87	302.95	334.27
2.2 Time Deposits	187.90	201.98	190.94	217.28	227.60	218.55	222.45	225.15
3. Other ltems(Net)	23.72	63.55	74.55	95.66	46.41	70.33	89.72	42.25
Sub-Total	386.66	462.16	496.28	592.62	554.74	582.75	615.32	601.67
TOTAL	983.90	1,151.41	1,242.02	1,409.03	1,379.68	1,379.53	1,418.28	1,500.78
ASSETS—								
4. Net Foreign Assets	15.02	-100.95	-11.33	20.18	61.30	-6.66	-67.21	-68.22
5. Domestic Credit:								
5.1 Central Government (Net)	293.91	484.12	391.47	436.00	340.14	385.94	430.91	478.48
5.2 Private Sector	651.26	717.83	768.98	847.18	868.52	885.23	939.62	970.66
5.3 Other Public Bodies	23.71	50.41	92.90	105.67	109.72	115.02	114.96	119.86
TOTAL	983.90	1,151.41	1,242.02	1,409.03	1,379.68	1,379.53	1,418.28	1,500.78

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1981-1985

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

	1981	1982	1983	1984	1985
MONEY SUPPLY—					
1. Currency plus demand deposits	+67.24	+92.00	+56.49	+70.67	+82.70
2. Quasi-money and other items	+23.50	+75.50	+34.12	+96.33	+9.05
3. Total money supply*	+90.75	+167.50	+90.61	+167.00	+91.75
SOURCES OF CHANGES—					
4. Net foreign assets	-98.21	-115.97	+89.62	+31.51	-88.40
5. Domestic credit—					
(a) to Central Government (net)	+127.94	+190.21	-92.65	+44.52	+42.48
(b) to other public sector	-2.31	+26.70	+42.50	+12.77	+14.19
(c) to private sector	+63.33	+66.57	+51.15	+78.20	+123.48
(d) all domestic credit	+188.96	+283.48	+0.99	+135.49	+180.15
6. Total sources of changes	+90.75	+167.50	+90.61	+167.00	+91.75

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

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1981-1985

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

	1981	1982	1983	1984	1985**
1. Money	318.60	312.70	284.88	286.89	266.61
2. Quasi-money	207.87	186.70	172.48	186.34	189.50
3. Total liabilities of banking system	563.52	539.30	507.98	528.32	508.39
4. Commercial bank credit to private sector	341.80	313.20	291.53	298.54	308.64
5. Total commercial bank credit	421.40	396.17	369.93	395.16	391.19
6. Total liabilities of non. bank financial institutions	223.40	240.19	256.37	324.84	337.63
Memorandum Item					
7. Line 6 as per cent of line 3	39.6	44.5	50.5	61.5	66.4

*Deflated by average price increases given in Table 4.11.

**Provisional.

Interest rates

5.9. Following the revision of interest rates in the financial year 1984/85, the rates have remained unchanged except for the discount rate for Treasury bills. The latter was revised upwards, rising from 12.50 per cent to 14.14 per cent. The rates are shown in Table 5.6. The lowering of the

PRINCIPAL INTEREST RATES, 1983-1985

Table 5.6 *Percentage*

	31ST DECEMBER		
	1983	1984	1985
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	15.00	12.50	14.14
Advances against Treasury Bills	14.50	12.00	12.00
Bills and Notes under Crop Finance Scheme:			
Discounts	13.75	11.25	11.25
Advances	14.00	11.50	11.50
Other Bills and Notes:			
Discounts	14.50	12.00	12.00
Advances	15.00	12.50	12.50
KENYA COMMERCIAL BANKS			
Time Deposits:			
12 months (KSh. 250,000-1,000,000)	12.50	11.75-12.00	11.75-12.00
Savings Deposits	12.50	11.00	11.00
Loans and Advances (Maximum)*	15.00	14.00	14.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	11.00	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)	14.00-16.50	13.00-14.50	13.00-14.50
Loans	20.00	19.00	19.00
Buildings Societies:			
Deposits	15.00-15.50	13.00-14.25	13.00-14.25
Loans	16.00	16.00	16.00

Source: Central Bank of Kenya.

*Loans and advances for less than 3 years.

domestic rates in 1983 was aimed at bringing them in line with those in the majority of industrial countries, and hence to encourage capital inflows. The further reduction in 1984 was to encourage the private sector to borrow more from banks in order to undertake investments. The latter seems to be picking up, as credit to the private sector has been rising.

Real interest rates are shown in Table 5.7. The modest increase in me inflation rate in 1985 had the effect of lowering the real interest rate. Despitethe decline, however, real rates as has been observed remained Positive for the second year. It is expected that these rates will continue to encourage savings and in turn make loanable funds available.

TRENDS IN SELECTED REAL INTEREST RATES, 1981-1985

Table 5.7 *Percentage*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposit	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
	1985	11.0	10.7	+0.3
2. Commercial bank loans and advances (max)	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
	1985	14.0	10.7	+3.3
3. POSB deposits	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
	1985	11.0	10.7	+0.3
4. Building society loans (max)	1981	14.0	12.6	+1.4
	1982	16.0	22.3	-6.3
	1983	16.0	14.5	+1.5
	1984	16.0	9.1	+6.9
	1985	16.0	10.7	+5.3

*Taken from Table 4.11.
**Nominal interest rate minus inflation rate.

Central Bank of Kenya—Assets and Liabilities

5.11. Table 5.8 sets out the assets and liabilities of the Central Bank. The bank's balance with external banks continued its upward movement rising remarkably in the first quarter of 1985 to K£293 million, before declining in the other three quarters to stand at K£280 million at the end of 1985. Treasury bills holdings declined from K£28 million at the end of 1984 to K£18 million at the end of 1985. Other investments increased slightly while Special Drawing Rights (SDRs) holdings fell to stand at K£1.7 million and K£0.7 million at the end of 1984 and of 1985. Holdings of securities guaranteed by the Government fluctuated while falling slightly; while advances to the Government and other assets (including Treasury bills) increased. Foreign exchange reserves increased, and this, in addition to the increase in the other assets from K£364 million at the end of 1984 to K£506 million at the end of 1985, led to an overall increase in assets to K£835 million in 1985 compared with K£677 million at the end of 1984.

5.12. On the liabilities side, capital and general-resources fund continued to grow by registering a rise of 23 per cent; while currency grew from K£256 million at the end of 1984 to K£301 million or by 18 per cent at the end of

CENTRAL BANK OF KENYA—ASSETS AND LIABILITIES, 1981-1985

Table 5.8 *K£million*

ASSETS	1981	1982	1983	1984	1985			
					1st Qr	2nd Qr	3rd Qr	4th Qr.
1. Foreign Exchange—								
1.1 Balances with External Banks	70.76	57.03	218.58	254.88	292 81	281.80	237.78	279.95
1.2 Treasury Bills	17.85	54.20	14.96	28.29	25.85	28.81	14.95	18.33
1.3 Other Investments	30.56	24.03	20.38	28.61	28 91	28.99	29.94	29.99
1.4 Special Drawing Rights	5.62	9.60	19.25	1.69	8.68	2.39		0.65
TOTAL	124 79	144.86	273.17	313.47	356.25	341 99	282.67	328.92
2. Securities issued or Guaranteed* by Kenya Government Advances and Discounts	48.77	25.71	261.22	26.33	262.08	261.06	275.86	261.06
3. Advances to Kenya Government	10.00	375.78	61.73	65.81	110.00	66.58	87.17	160.78
4. Other Assets including Kenya Treasury Bills	218.11	24.52	36.11	35.46	92.50	72.74	58.66	84.53
TOTAL ASSETS	401.67	570.87	632 23	677.07	720.83	742.39	704 36	835 29
LIABILITIES								
1. Capital and General Resources Fund	8.52	10.54	15.25	19.88	19.88	24.36	24.36	24.36
2. Currency in Circulation—								
2.1 Notes	194.04	202.06	227.19	249.91	238.33	233.69	242.01	291.48
2.2 Coins	5.47	5.92	6.26	6.58	7.32	6.87	6.98	9.13
TOTAL CURRENCY	199 51	207 98	233.45	256.49	245.65	240.56	248.99	300.61
3. Deposits—								
3.1 Kenya Government	5.15				9.07			
3.2 Kenya Banks	28.03	69.80	38.41	40.87	66.75	48.21	39.18	55.17
3.3 External Banks	112.39	227.05	299.06	300.14	315.81	353.53	365.75	408.13
3.4 Other	904	12.11	11.08	17.84	14.24	13.86	14.67	10.86
TOTAL	154 61	308%	348.55	358.85	405.87	415.60	419.60	474.16
. 4. Revaluation Account	24.53	12.47	7.30	12.35	12.36	6.76		
5. Other Liabilities	14.50	30.92	27.68	29.50	37.07	55.09	11.41	36.16
TOTAL LIABILITIES	401.67	570.87	632.23	677.07	720.83	742.37	704.36	835.29

Source: Central Bank of Kenya.

*These were stocks issued by the former East African Community. The last of these, issued by the East African Railways and Harbours matured in May, 1984.

1985. Practically all deposits increased, with external banks recording a remarkable growth to K£408 million at the end of 1985 compared with K£300 million at the end of the previous year, a rise of 36 per cent.

Commercial Bank Credit and Liquidity

5.13. As shown in Table 5.9, commercial bank lending increased from K£1,054 million in 1984 to K£1,155 million or by 9.6 per cent". "Notable was the decline in the lending to the public sector which went down to K£197 million at the end of 1985 from its level of K£221 million in 1984. This drop of about 12 per cent is the first such decline since 1980, and like in that year, is largely accounted for by the decrease in the buying of Treasury bills. Total private enterprises and households borrowing increased, with the latter increasing its borrowing to K£46 million in 1985 compared with K£36 million in the previous year.

5.14. Commercial bank lending to the private sector increased from K£796 million to K£911 million at the end of 1984 and 1985 respectively, or by 14.4 per cent. All sectors within the private enterprises received more credit—with agriculture, manufacturing and trade receiving increases of 9, 22 and 12 per cent respectively. Of the credit extended in 1985, agriculture received 13 per cent, while manufacturing received 19 per cent. In the trade sector, lending to importers increased sharply by 39 per cent. Lending to financial institutions in the trade sector grew by 34 per cent after a decline in the previous year. During 1985, lending to private households also grew significantly by recording an increase of 27 per cent over the 1984 figure of K£36 million, and reached the 1981 peak level of K£46 million.

5.15. Between December, 1984 and December, 1985, commercial banks deposits rose from K£962 million to K£1,037 million or by 8 per cent. Comparing the two years, liquid assets declined from K£233 million to K£223 million. The decline in liquid assets was recorded after increases in the first quarter and could be associated with reduced holdings of Treasury bills. The liquidity ratio built up in the last quarter of 1984 and continued in the first quarter of 1985 peaking in March, then fell rapidly to around the stipulated legal minimum of 20 per cent in the rest of the year. Details are given in Table 5.10.

Non-Banking Financial Institutions

5.16. Assets and liabilities of non-bank financial institutions are shown in Table 5.11. These institutions continued to grow with their total assets and liabilities increasing to K£997 million in 1985 from K£866 million recorded in the previous year, or by 15 per cent. There was one additional institution opened in 1985, although both the growth of and increase in these institutions seem to have slowed down. Deposits from the Central Government have levelled off. The deposits of "other public sector"

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1981-1985

Table 5.9 *K£million*

	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.
PUBLIC SECTOR—					
Central Government	0.02	0.11		0.02	0.05
Local Government	0.43	0.90	0.80	0.87	0.89
Enterprises, Parastatal bodies and other Public entities	16.65	27.00	56.90	76.30	86.73
Treasury Bills	76.07	114.19	92.74	144.04	109.81
TOTAL PUBLIC SECTOR	93.17	142.20	150.44	221.23	197.48
PRIVATE ENTERPRISES—					
Agriculture	110.59	112.89	138.49	136.47	148.39
Mining and Quarrying	-10.39	-9.78	6.27	7.08	8.54
Manufacturing	159.33	175.07	177.11	180.34	220.14
Building and Construction	33.91	42.90	42.41	51.81	58.70
Transport, Storage and Communication	34.30	33.01	26.97	27.45	36.30
Trade:					
Exports	29.73	30.85	37.67	49.05	51.67
Imports	28.13	35.38	25.61	39.62	55.04
Domestic	70.46	74.85	80.92	118.12	124.54
Financial Institutions	-11.83	29.92	53.92	41.65	55.74
Other Business	108.11	124.03	123.43	144.62	152.03
TOTAL PRIVATE ENTERPRISES	596.78	668.68	712.80	796.21	911.09
PRIVATE HOUSEHOLDS— (including non-profit making institutions)	45.80	34.94	41.25	36.45	46.22
TOTAL BILLS, LOANS AND ADVANCES	735.75	845.82	904.49	1,053.89	1,154.79

Source: Central Bank of Kenya.

continued to grow in mid-year, then declined so that by the year's end there was an overall decline of nearly 4 per cent over 1984; perhaps a reflection of Public sector sentiments leading to amendments of the Banking Act. conversely, "other depositors" grew by 23 per cent to reach nearly K£520 million in December, 1985.

5.17. The assets of the non-bank institutions as indicated in Table 5.11 show that cash and bank foldings, assets in other financial institutions, and assets in associated companies all declined in 1985; by 4 per cent, 12 per cent and 34 per cent respectively. Investment, loans and advances made to the public and private sectors, however, rose, with the public sector recording a faster growth of 45 per cent compared with the private sector's growth rate of 19 per cent.

COMMERCIAL BANKS—LIQUID ASSETS, 1982-1985

Table 5.10

	Deposit Liabilities* *K£mn*	Liquid Assets+ *K£mn*	Current Liquidity Ratio** *Per cent*
1982 December	826.02	213.59	25
1983 December	840.23	170.39	21
1984 December	961.74	232.75	25
1985 December	1,037.28	223.19	22
1985—			
January	975.50	240.40	26
February	983.73	263.00	27
March	995.60	245.55	27
April	986.92	228.14	24
May	976.44	206.63	22
June	972.89	188.98	20
July	999.44	213.82	20
August	998.56	203.04	22
September	991.32	207.36	21
October	1,014.93	202.78	20
November	1,044.52	220.37	23
December	1,037.28	223.19	22

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 per cent.

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

Banking System: Developments

5.18. The Government is aiming at more effective control of the monetary system by ensuring that the control mechanisms of the monetary authorities are strengthened. The amendment of the Central Bank of Kenya Act brought building societies and other non-bank financial institutions under direct supervision of the bank. There have, in the recent past, been fears that operations of these institutions do not meet certain necessary standards and in effect are risky investments. It has also been felt that if there are no checks, these institutions are likely to lead to instability in the financial sector and the monetary system as a whole. The decision by public institutions to withdraw their funds from some of these institutions may have been borne out of these fears.

5.19. The Banking (Amendment) Act covers both banks and financial institutions. However, the Minister for Finance has assured the industry that implementation will be in stages and co-operation is needed for the benefit of both investors and depositors.

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1981-1985

Table 5.11

K£million

	As at end of				1985			
	1981	1982	1983	1984	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
LIABILITIES:								
Deposits—								
Central and Local Government	27.47	32.22	28.95	25.64	27.26	27.09	26.70	26.92
Other Public Sector	85.94	138.82	136.90	161.17	165.02	173.29	166.61	155.04
Other Depositors	171.17	187.78	267.75	420.88	444.03	473.52	503.43	519.75
Other Liabilities	105.47	153.98	193.22	258.64	253.16	249.33	265.84	294.97
TOTAL LIABILITIES	390.05	512.80	626.82	866.33	889.47	923.23	962.58	996.68
ASSETS:								
Cash and Banks	32.12	69.49	64.08	103.24	90.89	67.24	85.40	98.91
Other Financial Institutions	15.99	35.70	34.16	85.71	81.91	82.84	73.56	75.31
Associated Companies	40.41	12.09	4.84	15.61	4.99	11.64	19.42	10.38
Investments, Loans, Advances, etc.—								
Public Sector	22.94	34.93	93.37	97.63	140.10	150.80	136.81	141.18
Private Sector	260.44	335.51	398.92	516.18	526.48	559.87	592.99	614.52
Other Assets	18.15	25.08	31.45	47.96	45.10	50.84	54.40	56.38
TOTAL ASSETS	390.05	512.80	626.82	866.33	889.47	923.23	962.58	996.68

Source: Central Bank of Kenya.

5.20. The opening of two new banks in 1985 brought the number of commercial banks operating in the country to 24. The number of service centres of commercial bank now number 400 of which 240 are full branches and sub-branches. An additional non-bank financial institution opened in 1985 which in effect brought their number to 48 with 60 branches.

CHAPTER 6—PUBLIC FINANCE

The fiscal policy adopted by the Government during 1985/86 was geared towards stimulating economic growth as a follow up of the 1984 drought and the recessionary effects proceeding from the 1979 oil crisis; a combination of factors which had adverse effects on national economic growth. In its endeavour to return the economy to a continuous and sustainable growth path, the Government announced a package of fiscal measures, aimed at providing impetus to the private sector and enhancing its complementary role to the Government's efforts of revitalizing the economy. Towards this end, the Government, declared its commitment to pursuing a domestic borrowing policy that would not result in the private sector being crowded out of the domestic credit market. In addition, the Government announced budget rationalization measures aimed at not only optimizing returns from public investments but also reducing the budget deficit to manageable levels.

6.2. In pursuance of the above measures, the Government reduced its borrowing from commercial banks from K£12.4 million in 1984 to K£8.8 million in 1985, while the growth of the budget deficit was moderated resulting in a marginal growth in 1985/86. The total budget deficit increased by only 1 per cent in 1985/86 compared with 23 per cent in 1984/85. This scenario was mainly due to the decline of the current account which almost returned to the 1983/84 level after increasing by 99 per cent in 1984/85.

Overall Results

6.3. Details of the budget out-turn from 1981/82 to 1985/86 are shown in Table 6.1. Provisional results show that 1985/86 was a very satisfactory year for Government revenues. Current revenue increased by K£154 million in 1985/86 compared with K£100 million in 1984/85. At the same time, current expenditure increased by K£86 million in 1985/86 compared with K£178 million in 1984/85. The smaller increase in current expenditure results in a reduction of the deficit on current account from K£158 million in 1984/85 to million in 1985/86, a decrease of 56 per cent. The ratio of the increase of recurrent expenditure to development expenditure in 1985/86 is estimated to be 24 per cent compared with 65 per cent in 1984/85 suggesting that much more resources were allocated to development oriented activities in 1985/86. Development expenditure registered an increase of over 30 per cent from K£273 million in 1984/85 to K£359 million in 1985/86. During the same period investment expenditure showed a growth of 27 per cent to K£51 million in 1985/86 as against K£40 million in 1984/85.

6.4. The deficit on the current account of K£89 million, together with the increase in investment expenditure of K£11million, continued the pressure of deficit financing. The Government therefore resorted to various forms of borrowing to finance the overall deficit of K£397 million. An equivalent million was raised from external sources and K£50 million in the

CENTRAL GOVERNMENT
OUT-TURN** OF REVENUE AND EXPENDITURE, 1981/82-1985/86

Table 6.1 *K£million*

	1981/82	1982/83	1983/84	1984/85*	1985/86*	Per cent Increase 1981/82 to 1985/86
Current Revenue	763.1	825.5	912.1	1,012.1	1,166.2	53
Current Expenditure***	825.8	967.5	991.4	1,169.8	1,255.3	52
Current Surplus	-62.7	-142.0	-79.3	-157.7	-89.1	
Development Expenditure	218.5	186.0	219.9	273.4	358.9	64
External Grants+	19.8	23.2	10.6	78.6	102.0	415
DEFICIT	-261.4	-304.8	-288.6	-352.5	-346.0	32
INVESTMENT EXPENDITURE—						
PURCHASE OF EQUITY ETC.						
Financial Enterprises	0.5	0.5		5.4	10.3	
Non-Financial Enterprises	6.8	5.5	0.5			
LOANS TO—						
Financial Enterprises	19.8	10.2	2.0	17.1	40.6	
Non-Financial Enterprises	30.8	11.3	10.1	5.1		
General Government	14.6	5.1	6.5	3.9		
Other	5.5	4.5	12.1	8.6		
Increase in Investment Claims	78.0	37.1	31.2	40.1	50.9	-35
TOTAL DEFICIT	-339.4	-341.9	-319.8	-392.6	-396.9	17
FINANCING OF THE DEFICIT-						
External Loans	159 6	165.4	166.0	213.2	102.7	-36
Long-term Domestic Borrowing	44.0	272.2	21.4	53.2	50.0	13
SHORT-TERM BORROWING—						
Cereals and Sugar Finance Corporation	-47.8	6.6	+37.2	-4.6	-68.0	
Tax Reserve Certificates		1.2	-0.8	0.5	-0.9	
Treasury Bills	+171.7	-36.4	+109.2	84.9	214.2	
IMF Trust Fund	—	—	—	—	—	
Advance from Central Bank	—	—	—	—	—	
NET SHORT-TERM BORROWING	+123.9	-28.6	+ 145.6	+80.8	+ 145.2	
CHANGES IN CASH BALANCES: INCREASE= +	-11.9	+67.1	+13.2	-45.4	-99.0	
MEMORANDUM ITEMS—						
(i) Loans to University Students on Recurrent Account included with other loans	4.5	0.1	4.8	6.4	7.3	
(ii) Development Project Earnings on Development Account included with Current Revenue ..	1.2	1.1 50.0	1.5	3.0	9.0	
(iii) External loans included in Recurrent Account	40.0		49.1	18.7	16.7	

*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:—

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.

***Equals recurrent expenditure plus loan repayments,

+Programme grants are excluded for fixed fiscal years 1981/82, 1982/83 and 1983/84.

form of Government stocks which were floated on the local capital market for subscription. Long-term domestic borrowing from commercial sources therefore diminished in importance in line with the Government's policy. External loans which declined to **K£103** million from a peak figure of **K£213** million were at their lowest since **1981/82.** Borrowing from the Cereals and Sugar Finance Corporation posted a net liability of K£68 million against only K£5 million in **1984/85.** Overall, net short-term borrowing rose from K£81 million in **1984/85** to K**£145** million in **1985/86.**

6.5. Table **6.2** details the relationships of key fiscal characteristics. Total deficit as a percentage of current revenue declined from a high figure of 45.8 per cent in **1984/85** to **34.0** per cent in **1985/86.** The importance of external grants and loans as an input in Government's development and investment activities has declined substantially during the last four years. From a peak of **84.5** per cent in **1982/83,** external loans and grants dropped to 50.0 per cent of investment plus development expenditure in **1985/86** underscoring the success of the Government's efforts in marshalling domestic resources for economic development. The proportion of short. term borrowing to these expenditures has been reduced significantly from 62.8 per cent in **1983/84** to **25.8** per cent and **35.4** per cent in **1984/85** and 1985/86, respectively.

6.6. Comparison of initial budget estimates with the actual out-turns for 1982/83 to **1985/86** is detailed in Table **6.3.** Provisional results show that revenue out-turn will be more than anticipated underscoring the robustness of the economy in its ability to pick up.

6.7. Table **6.4** shows gross receipts on recurrent account for the period 1981/82 to **1985/86.** Recurrent revenue **performed** satisfactorily in **1985/86,**

Table 6.2

ANALYSIS OF KEY FISCAL TRENDS, 1981/82-1985/86

	1981/82	1982/83	1983/84	1984/85	1985/86*
1.Current surplus as % of current revenue .	-8.2	-17.2	-8.7	-156	-7.6
2.Current surplus as % of development plus investment expenditure	-21.1	-63.6	-34.2	-50.3	-21.7
3.Ratio of development expenditure to current expenditure	26 4	19-2	24.1	27.0	28 6
4.Total deficit as % of current revenue**	-44.5	-41 4	-35-1	-45.8	-34.0
5.Total deficit as % of total expenditures	-30.2	-28.7	-25.7	-31.2	-23.9
6.External grants and loan as % of development plus investment expenditure	605	84.5	76.1	70.6	50-0
7.Net short-term borrowing as % of development plus investment expenditure***	458	-42.9	62.8	25.8	35.4
8.Current revenue as % of G.D.P at current market prices +	—	22-8	23.1	22.9	—
9.Total Government expenditure as % of G.D.P at current market prices+.	—	32.9	315	33.6	—

**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 G.D.P. by averaging G.D.P.'s for two successive calendar years, e.g. 1984/85 to the average G.D.P. of 1984 and 1985.

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1982/83-1985/86

Table 6.3 *K£million*

	1982/83			1983/84		
	Budget	Actual	Difference	Budget	Actual	Difference
Current revenue	903.7	825.5	-78.2	903.4	912.1	+ 8 . 7
Current expenditure	946.4	967.5	+ 2 1 . 1	987.4	991.4	+ 4 . 0
Current balance	-42.7	-142.0	-99.3	-84 .1	-79.3	+ 4 . 8
Capital expenditure**	361.8	223.1	-138.7	270.4	251.1	-19.3
External financing	303.9	188.6	-115.3	240.3	176.6	-63.7
Balance for domestic financing	100.7	176.5	+ 7 5 . 8	114.2	153.8	+ 3 9 . 6
		1984/85			1985/86	
	Budget	Actual	Difference	Budget	Actual*	Difference
Current revenue	1,032.2	1,012.1	-20.1	1,138.3	1,166.2	+ 2 7 . 9
Current expenditure	1,106.2	1,169.8	+ 6 3 . 6	1,196.4	1,255.3	+ 5 8 . 9
Current balance	-74.0	-157.7	-83.7	-58.1	-89.1	-31.0
Capital expenditure**	357.0	313.4	-43.6	388.8	409.8	+ 2 1 . 0
External financing	335.2	221.4	.113.8	219.2	204.7	-14.5
Balance for domestic financing	95.8	249.7	+153.9	227.7	294.2	+66.5

*Preliminary forecast only.
**Equals development plus investment expenditures.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT**, 1981/1982-1985/1986

Table 6.4 *K£million*

	1981/82	1982/83	1983/84	1984/85*	1985/86*
DIRECT TAXATION—					
Income Tax	199.67	231.23	251.15	300.97	325.00
Other	1.45	0.55	0.60	–	–
TOTAL	201.12	231.78	251.75	300.97	325.00
INDIRECT TAXATION—					
Sales Tax	194.80	195.87	253.72	273.55	307.10
Import Duties	183.71	165.29	171.22	152.18	170.00
Excise Duties	63.96	73.95	79.43	78.78	96.00
Export Duties	5.29	6.83	10.05	27.04	39.50
Licences and Fees Under Traffic Act	5.92	7.59	7.61	8.12	12.90
Other	21.35	21.96	23.06	32.45	32.39
TOTAL	475.03	471.49	545.09	572.12	657.89
Compulsory Fees, Fines and Penalities	5.64	11.82	13.56	17.71	15.64
Income From Property	33.97	53.69	54.17	54.68	75.39
Current Transfers	1.59	2.61	1.88	2.59	2.58
Charges for Goods and Services	34.63	35.86	36.02	52.97	48.96
Internal Borrowing	123.88	-28.53	145.56	80.72	145.20
Loan Repayments	3.99	6.20	5.77	4.31	9.96
Other***	45.92	60.95	51.41	22.45	38.61
GRAND TOTAL	925.77	845.87	1,105.21	1,108.52	1,319.25

*Provisional.

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

Includes K£50 million for 1982/83, K£49 million for 1983/84, K£19 million for 1984/85 and K£17 million for 1985/86 as credit purchase receipts for Department of Defence.

increasing by 19 per cent in 1985/86 compared with a negligible change in 1984/85. All sources of the Government revenue registered favourable results. This is attributed to measures which were announced during the 1985/86 budget speech; especially the widening of tax brackets, increase of the amount of tax free pension income and the suspension of capital gains tax

6.8. Income tax once again proved to be the largest source of revenue, contributing 25 per cent of total receipts and equalling almost half of the indirect receipts in 1985/86. Receipts from sales tax are estimated to have increased by 12 per cent to K£307 million in1985/86 up from K£274 million in 1984/85.

6.9. Details of import duty collections by item from 1981 to 1985, shown in Table 6.5, show that import duty decreased by 11 per cent from 1984 and that duty from machinery remained the most important. The decline of 11 per cent was occasioned by a reduction of 12 per cent of import duty on capital goods as an incentive to the manufacturing and construction sectors and the long-term policy of evening out the rates to reduce the very high levels of effective protection enjoyed by some industries. Other major earners of import duty revenue are chemicals, metals, transport equipment and fuels. Import duty from food and drinks dropped sharply from a record

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1981-1985

Table 6.5 *K£million*

END USE CATEGORY	1981	1982	1983	1984	1985*
Food, drink and tobacco	4.3	4.4	3.5	22.4**	6.6
Basic materials	11.5	10.5	13.0	8.9	8.9
Fuels	24.9	22.1	21.5	22.5	18.3
Chemicals	19.6	22.9	25.3	28.8	27.2
Textiles	5.5	4.8	3.4	4.4	4.0
Semi-manufactures	9.4	10.0	8 1	10.0	12.4
Metals	18.3	20.8	17.0	21.3	23.8
Transport Equipment	18.2	19.6	18.3	21.7	22.4
Machinery	30.3	36.7	34.6	40.7	34.7
Miscellaneous commodities	7.4	6.8	6.4	7.3	8.7
TOTAL	149.4	158.6	151.1	188.1	167.0

*Provisional.

**The substantial increase of duty in 1984 from food, drinks and tobacco was mainly due to special food imports as a result of the drought.

collection of K£22 million in 1984 compared with K£7 million in 1985; a decrease of 71 per cent. Import duty collections on basic materials, i.e. semi-manufactures, metals and transport equipment, increased by 11 per cent. The reasons for this positive change are two-fold: easy availability of foreign exchange for inputs in conformity with the structural adjustment programme and the tariff rationalization measures undertaken during 1985.

6.10. Table 6.6 details sources of excise revenue collections from 1981 and 1985. Cigarettes continued to be the largest source of this revenue, accounting for 58 per cent of total collections compared with 55 per cent in 1984. The increased share of excise revenue from cigarettes revenue was in response to an overall weighted average of 12.1 per cent excise duty imposed on all brands of cigarettes with 62 per cent of the increased receipts going to the exchequer. Excise revenue from cigarettes has increased by over one-and-a-half times between 1981 and 1985. This is because the demand for this commodity is price inelastic. There was a two-fold increase in excise revenue from unclassified commodities, i.e. "other commodities",

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1981-1985

	1981	1982	1983	1984	1985*
Beer and spirits	19.030	18.480	16,334	17,572	18,934
Sugar	15.817	15,700	22,576	17,373	17,205
Cigarettes	29.789	34,091	41,609	43,002	50,652
Other commodities**	36	109	39	350	714
TOTAL	64,672	68,380	80.558	78,297	87,505

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

mainly due to the introduction of excise duty on matches in 1985. The trend discerned in excise revenue between 1981 and 1985 is that of a gradual but steady growth, with an average overall annual growth rate of 8 per cent. Total excise revenue which declined by 3 per cent in 1984, recovered to record an increase of 12 per cent in 1985.

6.11. Financing of the development and investment account is detailed in Table 6.7. Total investment and development expenditure increased by 37 per cent from K£297 million to K£410 million during the five year period. Development expenditure increased by 64 per cent during the same period while investment expenditure decreased by 33 per cent. The decline in investment expenditure is attributed to the reduction of loans to financial and non-financial enterprises from K£70 million in 1981/82 to K£41 million in 1985/86. Treasury Bills which increased from K£85 million in 1984/85 to K£214 million in 1985/86, became the most important source of finance followed by external loans which declined from K£213 million to K£103 million. Provisional data show that domestic resources financed 50 per cent of the development and investment expenditure in 1985/86 compared with 29 per cent in 1984/85.

Analysis of Government Expenditure

6.12. Apart from its responsibility of stimulating economic growth and maintaining economic stability, the Government shoulders the responsibil- y of providing essential public services many of which, by their very 1985/86, cannot be provided by the private sector. Between 1982/83 and K£1,665 million, Government expenditure increased from K£1,191 million to K£1,665 million, representing an annual growth rate of about 10 per cent.

6.13. Table 6.8 shows expenditure by Government on main services, Expenditure on educationcontinued to rise as the Government intensified efforts to implement the 8-4-4 education programme and construction

CENTRAL GOVERNMENT
FINANCING OF DEVELOPMENT AND INVESTMENT ACCOUNT, 1981/82-1985/86

Table 6.7 *K£million*

	1981/82	1982/83	1983/84	1984/85*	1985/86*
EXPENDITURE—					
Development Expenditure	218.5	186.0	219.9	273.4	358.9
Investment Expenditure	78.0	37.1	31.2	40.1	50.9
TOTAL	296.5	223.1	251.1	313.5	409.8
FINANCING—					
Surplus on Current Account	-62.7	-42.0	-79.3	-157.7	-89.1
External Loans	159.6	165.4	166.0	213.2	102.7
External Grants	19.8	23.2	10.6	78.6	102.0
Long-Term Domestic Borrowing	44.0	272.2	21.4	53.2	50.0
Treasury Bills	171.7	-36.4	109.2	84.9	214.1
Other Short-Term Borrowing	-47.8	7.8	36.4	-4.1	-68.9
Cash Balances	11.9	-67.1	-13.2	-45.4	99.0
TOTAL	296.5	223.1	251.1	313.5	409.8

*Provisional.

work on Moi University and other institutions of learning, particularly teacher training colleges. As a consequence, development expenditure on education almost doubled in 1985/86 over 1984/85. Expenditure on housing and community welfare rose by more than six times due to the construction of the national sports complex at Kasarani in Nairobi. The highest proportion of Government expenditure continues to be on the provision of public services.

6.14. Table 6.9 shows the economic analysis of expenditure. Both current and capital expenditure increased in 1985/86. On current expenditure, labour costs increased by K£49 million compared with K£25 million in 1984/85. This increase was mainly due to salary increases awarded to civil servants as a result of the recommendations of the Civil Service Salary Review Committee. Interest payments and transfers on current expenditure rose by 27 per cent. Gross fixed capital formation, purchase of equity, loan to enterprises and transfers registered increases. Capital formation which accounted for 56 per cent of total capital expenditure increased by 42 per cent from K£179 million in 1984/85 to K£255 million in 1985/86. Expenditure on loan repayments registered K£61 million decline. The data roughly show the ratio of the increase in current costs to total capital expenditure between 1982/83 and 1985/86 is 0.24, suggesting that for each K£4 spent on development, K£1 must be provided for recurrent cost.

CENTRAL GOVERNMENT
EXPENDITURE ON MAIN SERVICES. 1982/83-1985/86

Table 6.8 *K£million*

	1982/83			1983/84			1984/85			1985/1986*		
	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total	Recurrent Account	Development Account	Total
GENERAL PUBLIC ADMINISTRATION—												
General Administration	64.77	21.77	86.54	62.28	21.84	84.12	84.21	38.26	122.47	74.60	59.67	134.27
External Affairs	12.20	0.01	12.21	13.84	0.46	14.30	15.60	1.66	17.26	20.13	14.11	34.24
Public Order and Safety	34.40	6.63	41.03	56.22	6.72	62 94	59.62	7.84	67.46	69.99	1.29	71.29
TOTAL	111.37	28.41	139.78	132.34	29.02	161.36	159.43	47.76	207 19	164.72	75.07	239.80
Defence	130.55	7.20	137.75	129.49	10.54	140.03	100.67	10.84	111.51	105.18	13.98	119.16
Education	192 14	14.29	206.43	210.51	9.56	220.07	245.17	14.34	259.51	310.60	27.66	338.26
Health_	61.99	7.71	69.70	64 44	11 85	73.29	72.48	7.30	79.79	70.55	17.49	88.04
Housing and Community Welfare	2.96	7.49	10.45	3.10	2.97	6.07	3.34		3 34	4.41	16.34	20.75
Social Welfare	17.29	15.47	32.76	20.62	15.46	36.08	23.43	27.15	50.58	27.15	22.25	49.40
ECONOMIC SERVICES—												
General Administration	10.65	9.22	19.87	11.67	20.19	31.86	9.58	61.21	70.79	16.72	26.94	43.66
Agriculture, Forestry and Fishing	58.61	47.10	105.71	54.08	39.71	93.79	97.82	42.67	140.49	65.91	80.69	146.60
Mining, Manufacturing and Construction	15.02	9.60	24.62	17.03	19.01	36.03	25.70	26.72	52.43	34.36	20.93	55.29
Electricity, Gas, Steam and water	13.10	17.05	30.15	16.36	28.10	44.46	15.97	21.30	37.27	18.65	35.59	54.23
Road	16.11	49.93	66.04	19.63	47.73	67.36	9.61	38.95	48 56	7.45	51.59	59.04
Transport and Communications	7.88	4.00	11.88	7.35	4 12	11.47	8.23	3.56	11.79	11.79	14.77	26.56
Other Economic Services	13.44	1.44	14.88	13.04	4.04	17.08	20.10	3.22	23.32	16.36	6 40	22.75
TOTAL ECONOMIC SERVICES	134. 81	138.34	273.15	139.16	162.90	302.05	187.01	197.63	384 .65	176.24	236.87	413.09
OTHER SERVICES; INCLUDING PUBLIC DEBT	316.55	4.11	320.66	299.51	3.98	303.49	384.41	2.28	386.69	339.64		339.64
TOTAL	967.66	223.02	1,190.68	996.17	246.26	1,242.43	1,175.94	307.29	1,483.22	1,255.20	409.80	1,665.10

*Provincial.

ECONOMIC ANALYSIS OF EXPENDITURE, 1982/83-1985/86

Table 6.9 *K£million*

	1982/83	1983/84	1984/85*	1985/86*
CURRENT EXPENDITURE—				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—				
Labour Costs	230.05	264.65	290.46	339.13
Other Goods and Services	281.10	329.55	316.00	360.68
TOTAL	511.15	594.20	606.46	699.81
SUBSIDIES	0.04	1.74	1.88	2.04
INTEREST	145.93	173.59	195.31	247.87
TRANSFERS TO—				
Households and Unincorporated Enterprises including Private Non-profit Institutions	22.96	19.78	25.31	
Financial and Non-Financial Enterprises	8.41	11.10	0.43	
General Government	167.09	165.07	211.40	258.27
Rest of the World	5.07	5.27	28.88	
Funds	0.73	1.46	1.82	
TOTAL TRANSFERS	204.26	202.68	267.84	258.27
OTHERS	0.02	0.01	0.11	-
TOTAL CURRENT EXPENDITURE	861.40	972.22	1,071.60	1,207.99
CAPITAL EXPENDITURE—				
Gross Fixed Capital Formation	134.90	118.95	179.03	254.64
Purchase of Equity in Enterprises	5.99	0.51	5.42	10.34
Loans	31.15	30.67	34.64	40.58
Transfers	7.05	10.66	25.44	49.32
Loan Repayments	150.19	105.71	167.10	102.13
Transfer to Funds	-	3.70	-	-
TOTAL CAPITAL EXPENDITURE	329.28	270.21	411.63	457.01
TOTAL EXPENDITURE	1,190.68	1,242.43	1,483.23	1,665.10

*Provisional.

Public Debt

6.15. Total outstanding public debt, which had exhibited an accelerated growth by more than doubling between 1981 and 1984, declined by K£26 million from K£2,210 million in 1984 to K£2,185 million in 1985. The reversed trend is due to the decrease in domestic debt, from K£678 million in 1984 to K£642 million in 1985; a decrease of K£36 million. The ratio of

total domestic debt to total public debt declined from 39 per cent in 1981 to 29 per cent in 1985 underscoring the Government's commitment of increasing domestic credit available to the private sector. The details of public debt between 1981 to 1985 are set out in Table 6.10.

6.16. The sources of unfunded debt are shown in Table 6.11. Bilateral sources continued to hold the major share of the unfunded debt. However, the share held by multilateral sources trebled during 1981 to 1985, while that from bilateral sources almost doubled. The share of multilateral debt in the total unfunded debt rose sharply from 36 per cent in 1981 to 49 per cent in 1985. West Germany dislodged U.S.A. from the top position to regain its position as the major source of bilateral funding which it had lost the previous year. The major multilateral lenders continued to be IDA and I.B.R.D., though the share held by the latter declined from an all time record of K£414 million in 1984 to K£333 million in 1985, a decline of 20 per cent. Concessionary IDA funds increased by 29 per cent or K£74 million. Lending from the African Development Bank has increased substantially from K£10 million in 1981 to K£25 million in 1985, a two-and-a-half increase; this underscores the increased role the bank is playing in Kenya's economy.

6.17. Details of the holders of public funded debt from 1982 to 1985, shown on Table 6.12, show that the major holders of this debt continue to be the National Social Security Fund with 44 per cent and the Central Bank with 39 per cent. The relative share held by the two major holders rose by 2 per cent over 1984. In its continued effort to control credit creation and reduce the inflation rate, the Government reduced its domestic borrowing from commercial banks from almost K£31 million in 1982 to below K£9 million in 1985. This is in line with the previously mentioned policy of making more of the privately generated investible resources available to the private sector.

6.18. Tables 6.13 and 6.14 provide information relating to debt servicing charges from 1981 to 1985. Net debt servicing charges increased from K£109 million in 1981 to K£345 million in 1985. While the debt service ratio rose from 9.1 to 16.0 per cent over the same period. Movements in the exchange rate and high interest rates, to some extent, explain these trends.

Local Authorities

6.19. The total expenditure of the local authorities, comprising municipal, town, urban and county councils, is shown in Table 6.15. The expenditure by local authorities has been increasing with fluctuations. by 6 per cent in 1983; authorities increased by 17 per cent in 1982; declined declined by 6 per cent in 1983; then increased by 36 per cent in 1984; and finally declined by 6 per cent in 1985. Total expenditure by local authorities which increased by 41 per cent from K£78 million in 1981 to K£110 million in 1985

CENTRAL GOVERNMENT
PUBLIC DEBT, 1981-1985

Table 6.10 *K£million*

as at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
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
1985	_	632.4	632.4	1,542.5	10.0	1,552.5	1,542.5	642.4	2,184.9

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

CENTRAL GOVERNMENT
SOURCES OF UNFUNDED DEBT, 1981-1985

Table 6.11 *K£million*

Outstanding as at June, 30th	1981	1982	1983	1984	1985
EXTERNAL DEBT—					
Lending Countries—					
	30.0	51.1	56.3	101.4	122.2
West Germany	50.9	74.9	89.6	98.8	123.5
Japan	29.0	35.8	59.2	63.9	82.7
Netherlands	9.3	23.8	35.2	45.3	48.5
Denmark	7.9	9.5	12.7	17.5	21.1
Finland	—	—	—	—	1.9
Other*	285.3	339.3	402.9	443.6	382.6
TOTAL	412.4	534.4	655.9	770.5	782.6
International Organizations—					
I.B R D	79.0	119.2	188.1	413.9	332.8
I.D.A.	105.4	140.9	236.4	260.1	334.3
African Development Bank	9.5	10.4	15.4	20.0	25.0
O.P.E.C	2.5	4.9	7.4	8.0	8.4
E.E.C	8.5	14.6	22.5	21.4	22.3
I.M.F.	24.9	32.8	39.6	32.1	29.2
Arab League	2.2	2.0	2.4	2.6	2.7
Badca	—	—	ð	3.3	3.6
I.F.A.D	—	—	—	—	1.7
TOTAL	232.0	324.8	511. 8	761.4	760.0
TOTAL EXTERNAL	644.4	859.2	1,167.7	1,531.9	1,542.5
INTERNAL DEBT—					
Central Bank of Kenya	10.0	10.0	100	10.0	10.0
Other	—	—	—	—	—
TOTAL INTERNAL	10.0	10 0	10.0	10 0	10.0
TOTAL UNFUNDED DEBT	654.4	869.2	1,177.7	1,541.9	1,552.5

*Includes defence loans amounting to K£127.0 million in 1981, K£108.5 million in 1982, K£126.9 million in 1983, K£109.4 million in 1984 and K£100.7 million in 1985.

is attributed to the increased demand of services offered by local authorities occasioned by rapid urbanization and the considerable rise in costs in delivering even the same levels of service.

6.20. Expenditure of the municipal councils on main services, show in Table 6.16, show that total expenditure declined by 7 per cent from K£97 million in 1984 to K£90 million in 1985. Only expenditure on community services registered positive growth in 1985, increasing by 10 per cent. Expenditure on social and economic services declined by 25 per cent and 9 per cent respectively, as a result of the unsatisfactory financial out-turn for local authorities and Teachers Service Commission taking over responsibility of teachers' salaries.

6.21. Expenditure of municipal councils by economic categories is detailed in Table 6.17. Both current and capital expenditure declined in

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1982-1985

Table 6.12 *K£million*

	1982	1983	1984	1985
INTERNAL:				
PUBLIC BODIES—				
National Social Security Fund	250.78	268.67	272.81	298.33
Central Government	40.17	42.24	46.74	46.43
Local Government	0.56	0.56	0.52	0.40
Kenya Post Office Savings Bank	16.07	15.17	15.17	11.39
Former E.A. Community Institutions*	30.40	28.53	28.53	25 02
Central Bank	42.36	261.78	261.65	265.65
Other Public Sector	2.78	2.67	2.67	2.74
OTHER INTERNAL—				
Commercial Banks	30.84	12.37	12.37	8.77
Insurance Companies	13.77	12.30	11.33	9.60
Other Companies	16.48	16.51	16.57	16.57
Private Individuals	0.14	0.12	0.10	0.10
EXTERNAL	—	ð	ð	ð
TOTAL	444.35	660.92	668.46	685.00

*And other successors.

Source: Central Bank of Kenya

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1981-1985

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
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	153.27	119.40	272.67	–	14.20	14 20	153.27	105.20	258.47
1985	193.70	161.14	354.84		9.69	9.69	193.70	151.45	345.15

*Includes interest payments of *K£million*—
1980—48.05; 1981-68.68; 1982-118.54; 1983—145.93; 1984-173.59.

1985, with falls of 9 and 5 per cent, respectively. The major reason for these decreases is the reduced grants to local authorities and the decline of revenue from other sources. Labour cost accounted for 54 per cent of current expenditure in 1985, followed by other goods and services, accounting for 44 per cent.

6.22. As detailed in Table 6.18, current revenue has fluctuated between 74 and 80 per cent of total revenue over the five years, 1981 to 1985. Comparing tables 6.17 and 6.18, there was a surplus on the current account of K£4.1 million in 1985 which was K£1.1 million less than the 1984 surplus. Municipal councils maintained their total deficit at K£18 million.

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1981.1985

Table 6.14

	Debt Service Charges on External Debt*	Export of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	K£million	*K£million*	
1981	70.7	773.7	9.1
1982	107.6	847.0	12.7
1983	130.9	979.6	13.4
1984	153.3	1,143.7	13.4
1985**	193.7	1,211.3	16.0

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

EXPENDITURE ON LOCAL AUTHORITIES, 1981-1985

Table 6.15 *K£million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1981	44.05	20.78	64.83	13.32	78.15
1982	50.07	24.42	74.49	16.79	91.28
1983	48.54	25.19	73.73	12.49	86.22
1984	60.55	36.59	97.14	19.85	116.99
1985*	56.86	32.99	89.85	20.50	110.35

*Provisional.

6.23. Table 6.19 details expenditures and revenues of town, urban and county councils between 1981 and 1985. Except for 1985 when they registered a very small deficit on current account, they have been registering surpluses since 1981. In contrast to the municipalities, which registered decreases for both current and capital expenditures, these councils registered a 71 per cent growth in capital expenditure.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1982-1985

Table 6.12 *K£million*

	1982	1983	1984	1985
INTERNAL:				
PUBLIC BODIES—				
National Social Security Fund	250.78	268.67	272.81	298.33
Central Government	40.17	42.24	46.74	46.43
Local Government	0.56	0.56	0.52	0.40
Kenya Post Office Savings Bank	16.07	15.17	15.17	11.39
Former E.A. Community Institutions*	30.40	28.53	28.53	25 02
Central Bank	42.36	261.78	261.65	265.65
Other Public Sector	2.78	2.67	2.67	2.74
OTHER INTERNAL—				
Commercial Banks	30.84	12.37	12.37	8.77
Insurance Companies	13.77	12.30	11.33	9.60
Other Companies	16.48	16.51	16.57	16.57
Private Individuals	0.14	0.12	0.10	0.10
EXTERNAL	—	ð	ð	ð
TOTAL	444.35	660.92	668.46	685.00

*And other successors.

Source: Central Bank of Kenya

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1981-1985

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
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	153.27	119.40	272.67	–	14.20	14 20	153.27	105.20	258.47
1985	193.70	161.14	354.84		9.69	9.69	193.70	151.45	345.15

*Includes interest payments of *K£million*—
1980—48.05; 1981-68.68; 1982-118.54; 1983—145.93; 1984-173.59.

1985, with falls of 9 and 5 per cent, respectively. The major reason for these decreases is the reduced grants to local authorities and the decline of revenue from other sources. Labour cost accounted for 54 per cent of current expenditure in 1985, followed by other goods and services, accounting for 44 per cent.

6.22. As detailed in Table 6.18, current revenue has fluctuated between 74 and 80 per cent of total revenue over the five years, 1981 to 1985. Comparing tables 6.17 and 6.18, there was a surplus on the current account of K£4.1 million in 1985 which was K£1.1 million less than the 1984 surplus. Municipal councils maintained their total deficit at K£18 million.

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1981-1985

Table 6.14

	Debt Service Charges on External Debt*	Export of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	K£million	*K£million*	
1981	70.7	773.7	9.1
1982	107.6	847.0	12.7
1983	130.9	979.6	13.4
1984	153.3	1,143.7	13.4
1985**	193.7	1,211.3	16.0

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

EXPENDITURE ON LOCAL AUTHORITIES, 1981.1985

Table 6.15 *K£million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Total		
1981	44.05	20.78	64.83	13.32	78.15
1982	50.07	24.42	74.49	16.79	91.28
1983	48.54	25.19	73.73	12.49	86.22
1984	60.55	36.59	97.14	19.85	116.99
1985*	56.86	32.99	89.85	20.50	110.35

*Provisional.

6.23.Table 6.19 details expenditures and revenues of town, urban and county councils between 1981 and 1985. Except for 1985 when they registereda very small deficit on current account, they have been registering surpluses since 1981. In contrast to the municipalities, which registered decreases for both current and capital expenditures, these councils registered a 71 per cent growth in capital expenditure.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1981-1985

Table 6.16 *K£million*

	1981	1982	1983	1984	1985*
Administration	8.8	10.3	10.3	11.6	13.1
COMMUNITY SERVICES:					
Roads	4.3	5.2	3.6	4.9	5.4
Sanitation	6.8	9.4	8.3	9 1	10.0
Other	2.7	1.5	1.6	1.5	1.6
TOTAL	13.8	16.1	13.5	15.5	17.0
SOCIAL SERVICES:					
Education	9.3	10.8	12.2	16.2	9.6
Health	5.9	6.7	7 1	8.0	8.4
Other	1.9	0.4	1.2	0.8	0.7
TOTAL	17.1	17.9	20.5	25.0	18.7
ECONOMIC SERVICES:					
General Administration	1.5	1.6	1.7	2 1	1.9
Water Undertakings	10.5	15.4	15.5	26.8	26.8
Housing Estates (including Staff Housing)	6.6	5.7	4.6	7.4	3.6
Other	6.6	7.5	7.8	8.7	8.8
TOTAL	25.2	30.2	29.6	45.0	41.1
TOTAL EXPENDITURE	64.8	74.5	73.7	97.1	89.9

*Provisional.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1981-1985

Table 6.17 *K£million*

	1981	1982	1983	1984	1985*
CURRENT EXPENDITURE—					
Labour Cost	24.43	28.23	29.89	31.77	28.56
Other Goods and Services	13.30	17.76	19.60	25.21	23.13
Transfer to Households and Enterprises	0.95	0.74	0.67	0.76	0.75
Transfer to Funds (Current) Interest	0.36	0.26	0.39	0.30	0.23
TOTAL	39.04	46.99	50.55	58.04	52.67
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	19.65	20.54	16.30	24.70	21.29
Loan Repayment"	5.61	6.37	6.58	14.18	15.65
Transfer to Funds (capital)	0.55	0.59	0.29	0.23	0.24
TOTAL	25.81	27.50	23.17	39.11	37.18
TOTAL EXPENDITURE	64.85	74.49	73.73	97.15	89.85

*Provisional.
**Includes Interest.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1981-1985

Table 6.18 *K£million*

	1981	1982	1983	1984	1985*
CURRENT REVENUE—					
Direct Taxes (Rates**)	14.96	21.23	21.27	22.57	21.86
Indirect Taxes (Licences and cesses)	1.24	1.71	1.88	2.24	2.40
Income from Property	0.59	2.47	1.41	2.05	0.51
Current Transfers	2.28	2.64	0.99	3.76	4.12
Sale of Goods and Services	18.48	23.14	27.18	32.58	27.85
TOTAL	37.54	51.19	52.73	63.20	56.74
CAPITAL REVENUE—					
Loans Raised	12.25	14.76	17.79	15.59	14.71
Loan Repayments	0.04	0.06	0.05	0.07	0.09
TOTAL	12.29	14.82	17.84	15.66	14.80
TOTAL REVENUE	49.84	66.01	70.57	78.86	71.54

*Provisional.
**Paid by households and enterprises.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1981-1985

Table 6.19 *K£million*

	1981	1982	1983	1984	1985*
CURRENT EXPENDITURE—					
Labour Cost	6.54	7.96	8.25	10.43	8.46
Other Goods and Services	2.04	2.62	2.77	-3.97	3.37
Transfer to Households and Enterprises	0.41	0.32	0.27	0.65	0.66
Transfer to Funds (current)	0.19	0.17	0.36	0.28	0.27
Interest					
TOTAL	9.18	11.07	11.66	15.33	12.76
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	3.76	5.47	0.55	3.63	7.13
Loan Repayments**	0.26	0.18	0.22	0.53	0.40
Transfer to Funds (capital)	0.13	0.07	0.06	0.36	0.21
TOTAL	4.15	5.72	0.83	4.52	7.74
TOTAL EXPENDITURE	13.33	16.79	12.49	19.85	20.50
CURRENT REVENUE—					
Direct Taxes (Rates***)	1.32	0.92	1.07	2.40	1.70
Indirect Taxes (Licences and cesses)	4.36	6.08	5.59	6.65	5.11
Income from Property	0.98	1.30	1.54	1.74	1.45
Current Transfers	0.74	1.37	0.63	0.70	0.19
Sale of Goods and Services	3.15	3.48	4.11	5.51	4.24
TOTAL	10.55	13.15	12.94	17.00	12.69
CAPITAL REVENUE—					
Loans Raised	1.54	1.70	2.86	0.42	3.38
Loan Repayments	0.02	0.01	0.01	0.02	0.02
TOTAL	1.56	1.71	2.87	0.44	3.40
TOTAL REVENUE	12.11	14.86	15.81	17.44	16.09

*Provisional.
**Includes Interest.
***Paid by households and enterprises.

CHAPTER 7 — EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

The balance of payments out-turn for 1985 deteriorated after two years of improvement. This was largely due to the weakening of the balance of trade, with the current account deficit in the balance of payments rising from K£147 million in 1984 to K£169 million in 1985. Imports grew faster relative to exports mainly due to continued liberal import policies as well as food imports early in the year, while poor export prices contributed to lower growth in export earnings. To cope with this situation already foreseen in the previous year, the Government began negotiations for standby arrangement with the International Monetary Fund (I.M.F.). This culminated in the signing of an agreement in February, 1985 under which the Government received financial support of Special Drawing Rights (S.D.R.s) 85.2 million during 1985.

Balance of Trade

7.2. As a result of the decline in export prices of tea and coffee during most of 1985, there was marginal growth in overall export earnings which, coupled with a moderate growth in imports, led to further deterioration in the trade deficit from K£320 million in 1984 to K£399 million in 1985. As Table 7.1 shows, total value of exports grew from K£777 million in 1984 to K£802 million in 1985 or by 3.3 per cent. Over the same period, imports grew faster by 9.5 per cent recording K£1,201 million in 1985 compared with K£1,097 million in 1984.

7.3. During 1985, trade deficit expanded by K£79 million compared with the K£67 million deficit growth recorded in 1984. Between 1983 and 1984 exports and imports grew by 19 and 21 per cent respectively, suggesting that

BALANCE OF TRADE, 1981-1985

Table 7.1

K£million

	1981	1982	1983	1984	1985*
EXPERTS—					
Domestic Experts	513.86	545.74	633.08	754.81	776.01
Re-exports	23.36	22.91	19.10	22.09	26.33
Total	537.23	568.64	652.18	776.91	802.34
IMPORTS—					
Commercial	849.44	843.35	852.56	1,050.22	1,158.08
Government	82.97	56.96	53.06	46.99	43.05
TOTAL	932.41	990.30	905.62	1,097.21	1,201.13
BALANCE OF TRADE	-395.18	-331.66	-253.44	-320.30	-398.78

*Provisional.

external trade performance in 1985 was generally poor. Notable, however, is the continued growth in trade between Kenya and other preferential Trade Area (P.T.A.) countries, and to an extent, with some other African countries. It is also significant to note that world trade slowed down during the year, and Kenya, like other developing countries suffered from poor commodity prices.

Price Changes

7.4. The export and import price indices are set out in Table 7.2. For the first time since 1981, the overall export price index declined although only by slightly over 1 per cent in 1985. Non-oil export prices fell by a slightly higher margin of 2 per cent in 1985. The price indices show that the overall decline was due to a fall in the prices of food and live animals, machinery and transport equipment, and miscellaneous manufactured articles. These exports recorded declines of 7 per cent for the first two categories and a half percentage point, respectively, between 1984 and 1985. Price increases

PRICE INDICES, 1981-1985

Table 7.2 *1982=100*

	1981	1982	1983	1984	1985
EXPORTS—					
Food and live animals	95	100	126	167	155
Beverages and tobacco	98	100	108	132	146
Crude materials, inedible	%	100	107	107	117
Mineral fuels	81	100	107	112	114
Animal and vegetable oils and fats	80	100	115	127	142
Chemicals	76	100	120	125	134
Manufactured goods	91	100	123	128	154
Machinery and transport equipment	87	100	179	223	208
Miscellaneous manufactured articles	76	100	125	170	169
All Exports	91	100	120	144	142
Non-oil Exports	93	100	124	154	151
IMPORTS—					
Food and live animals	120	100	111	116	102
Beverages and tobacco	81	100	104	141	190
Crude materials, inedible	88	100	111	130	169
Mineral fuels	85	100	108	112	127
Animal and vegetable oils and fats	109	100	245	216	213
Chemicals	89	100	153	156	258
Manufactured goods	83	100	137	140	175
Machinery and transport equipment	84	100	139	145	156
Miscellaneous manufactured articles	86	100	105	108	141
All Imports	87	100	128	131	155
Non-oil Imports	89	100	140	143	173

were recorded for all the other exports, with particularly large increases of 11 and 20 per cent being recorded for beverages and tobacco, and manufactured goods, respectively. The decline in prices of exports suggests that the increase in the overall export earnings could have been due partly to variations in the exchange rates and partly to an increase in volume of exports.

7.5. The import price index shows that food and live animals prices in shilling terms declined by 12 per cent while that for animals and vegetable oils and fats fell marginally by 1 per cent between 1984 and 1985. The index for all imports rose by 18 per cent, but non-oil imports price index rose by 21 per cent. Large increases were recorded for chemicals, 65 per cent; beverages and tobacco, 35 per cent; inedible crude materials, 30 per cent; and manufactured goods, 25 per cent. During the year the value of the Kenya shilling against the currencies of its main trading partners declined by about 23 per cent.

Terms of Trade

7.6. Since the terms of trade measures the movement of export prices relative to import prices, an overall decline in export prices and continued growth in import prices between 1984 and 1985 implies that Kenya's terms of trade deteriorated during 1985. The overall terms of trade declined by 16 per cent returning to the slow downward trend since 1977 which was interrupted by an improvement due to the tea price rise between 1983 and 1984. When imports and exports of petroleum products are excluded, a decline of 19 per cent is noted. It is expected that the terms of trade will improve in 1986, in the light of better coffee prices during the year. The improvement will, however, only be significant if other export prices improve as well. The terms of trade indices are shown in Table 7.3.

Volume Changes

7.7. Volume indices for exports and imports are set out in Table 7.4. The overall quantum index for exports increased from 95 to 99. Apart from mineral fuels, animal and vegetable oils and fats and manufactured goods, all other exports recorded increases in volume. Similarly non-oil exports grew by 10 per cent between 1984 and 1985, the highest annual growth in volume since 1981.

TERMS OF TRADE, 1981-1985

Table 7.3

1982=100

	1981	1982	1983	1984	1985
All Items	105	100	94	110	92
Non-oil Items	104	100	88	108	87

QUANTUM-INDICES, 1981-1985

Table 7.4 *1982=100*

	1981	1982	1983	1984	1985
EXPORTS—					
Food and live animals	89	100	105	102	114
Beverages and tobacco	81	100	155	105	231
Crude materials, inedible	116	100	101	110	116
Mineral fuels	140	100	85	84	69
Animal and vegetable oils and fats	211	100	156	460	201
Chemicals	125	100	92	94	106
Manufactured goods	89	100	83	78	77
Machinery and transport equipment	102	100	51	38	44
Miscellaneous manufactured articles	108	100	76	82	104
All Exports	103	100	96	95	99
Non-oil Exports	94	100	100	98	108
IMPORTS—					
Food and live animals	63	100	85	206	158
Beverages and tobacco	117	100	72	46	53
Crude materials, inedible	123	100	138	134	107
Mineral fuels	107	100	92	90	91
Animal and vegetable oils and fats	83	100	72	63	86
Chemicals	119	100	85	87	74
Manufactured goods	119	100	72	91	82
Machinery and transport equipment	124	100	60	84	77
Miscellaneous manufactured articles	171	100	73	103	83
All Imports	118	100	79	93	86
Non-oil Imports	117	100	72	94	83

7.8. Arising from large increases in exports of tea and coffee during 1985, the overall quantum index for beverages and tobacco rose by an unprecedented 120 per cent. Other notable increases were recorded in chemicals and miscellaneous manufactured articles, while the volume of exports for animal and vegetable oils and fats declined by more than a half, largely as a result of a decline in the number of animals for slaughter following the 1984 drought.

7.9. Import volumes declined significantly in 1985. Overall, all imports indicated a decline in volume of 8 per cent, with non-oil imports declining faster by 12 per cent. Food and live animals index was lower at 158 in 1985 compared, with 206 in the previous year as a result of favourable weather conditions necessitating fewer imports. Other declines were recorded in inedible crude materials, chemicals, manufactured-goods, machinery and transport equipment, and miscellaneous manufactured articles. The rest of

the import categories recorded small increases in volume, suggesting that the rise in Kenya's import bill during 1985 was largely due to a rise in the prices of imports rather than in volume.

7.10. The decline in the quantity of imports in 1985, although still above the depressed levels of 1983, is a matter of concern since intermediate inputs to industry are largely imported. In part the contraction can be explained by the price rises discussed above such as crude materials (inedible), chemicals and machinery.

Composition of Exports

7.11. Table 7.5 shows the value of exports by broad economic categories.

TOTAL EXPORTS' BY BROAD ECONOMIC CATEGORY. 1981-1985

Table 7.5 *K£million*

	1981	1982	1983	1984	1985**
1. Food and Beverage	234.6	278.51	358.53	467.06	492.38
Primary	191.87	246.05	319.51	420.70	445.86
For Industry	112.72	147.80	166.23	208.58	233.22
For Household Consumption	79.15	98.25	153.28	212.12	212.63
Processed	42.39	32.46	39.02	46.37	46.53
For Industry	20.43	5.59	5.02	3.79	1.66
For Household Consumption	21.96	26.87	34.00	42.58	44.87
2. Industrial Supplies (Non-Food)	92.85	95.03	110.31	113.21	136.93
Primary	52.38	46.89	60.22	58.68	63.50
Processed	40.48	48.14	50.09	54.53	73.43
3. Fuel and Lubricants	163.74	149.35	134.37	142-19	108.97
Primary	0.02	0.02	0.02	0-01	0.01
Processed	163.72	149.33	134.36	142.18	108.96
Motor Spirit	21.93	23.09	27.78	31.91	27.05
Other	141.80	126.24	106.58	110.26	81.91
4. Machinery and other Capital Equipment	1.97	1.58	2.60	2.16	2.63
Machinery and Other Capital Equipment	1.72	1.38	2.15	1.85	2.16
Parts and Accessories	0.25	0.21	0.45	0.30	0.48
5.Transport Equipment	2.16	1.29	1.03	1-24	1.57
Passenger Motor Vehicles					
Other	0.35	0.41	0.29	0.14	0.37
Industrial	0.1	0.39	0.26	0.14	0.34
Non-Industrial	0.04	0.02	0.03		0.03
Parts and Accessories	1.1	0.89	0.74	1.10	1.19
6. Consumer Goods not elsewhere specified	18 68	19.88	26.09	28.2	33.5
Durable	0.65	0.65	0.47	0.53	0.64
Semi-Durable	4.22	4.19	4.95	7.11	10.35
Non-Durable	13.81	15.03	20.67	20.78	22.36
7. Goods not elsewhere Specified	0.21	0.10	0.15	0.54	0.17
TOTAL	513.86	545.74	633.08	754.81	776.01
PERCENTAGE SHARES:					
	45.6	51.0	56.7	61.9	63.5
2. Industrial Supplies (Non-Food)	18.1	17.4	17.4	15.0	17.7
3. Fuel and lubricants	31.9	27.4	21.2	18.8	14.0
4. Machinery and other Capital Equipment	0.4	0.3	0.4	0.3	0.3
5. Transport Equipment	0.4	0.3	0.2	0.1	0.2
6. Consumer GOODS not elsewhere specified	3.6	3.6	4.1	3.8	4.3
7. Goods not elsewhere specified				0.1	
TOTAL	100.0	100.0	100.0	100.0	100.0

Increases were recorded in all export categories except fuel and lubricants which registered a substantial decline. Food and beverages rose by 5 per cent, with the share rising from 61.9 per cent in 1984 to 63.5 per cent in 1985. Following the previous trend, primary exports for industry had the largest share, and rose by 6 per cent — a higher margin than the overall increase of 3 per cent. Exports of non-food industrial supplies rose by 21 per cent, while fuel and lubricants declined sharply by 23 per cent and reached the lowest level in five years. As a result of the decline in the latter category, its share dropped from 18.8 in 1984 to 14.0 per cent in 1985. The share of export earnings from fuel and lubricants has been falling rather rapidly, while the decline in the non-food industrial supplies exported was broken for the first time in five years. Other categories of exports continued to bring in small export earnings.

Quantities of Principal Exports

7.12. The quantities of principal exports are shown in Table 7.6. It is evident that agricultural products did better during 1985 than in 1984. The two principal commodities, coffee and tea recorded increases of 8 and 38 per cent respectively. Other modest increases were recorded for sisal, hides and skins, fluorspar and raw cotton. Several export commodities recorded a decline, the most notable ones being soda ash, cement, canned pineapples, raw maize, beans and peas, and animal feeds.

QUANTITIES OF PRINCIPAL EXPORTS, 1981-1985

Table 7.6

	Unit	1981	1982	1983	1984	1985*
Coffee	Tonnes	86,171	100,995	90,457	96,914	104,662
Tea		75,350	80,413	99,938	91,198	126,086
Petroleum Products	Million Litres	1,411	1,000	765	795	688
Pyrethrum products	Tonnes	570	640	1,147	843	742
Meat products		1,890	2,916	2,367	4,294	3,669
Sisal		36,397	40,445	38,942	39,120	39,999
Hides and skins		12,964	11,136	9,158	9,055	10,451
Soda Ash		113,659	136,468	125,487	222,880	198,130
Fluorspar		59,303	74,889	48,899	52,180	60,726
Cement		668,037	737,422	736,318	602,933	485,799
Maize (raw)		991	949	122,514	47,434	17,683
Canned pineapples		40,884	39,935	47,752	50,216	44,469
Butter and ghee		565	878	1,179	438	275
Beans and peas		6,960	37,814	91,657	14,626	1,576
Cotton (raw)		2,557	—	726	131	1,705
Wool		1,113	1,453	1,182	1,701	689
Animal feeds.		7,794	11,706	30,818	16,676	9,731

*Provisional.

Export Prices

7.13. Details of unit prices of selected exports are shown in Table 7.7. The unit price of coffee rose slightly from KSh. 42.03 to KSh. 44.07 per kilogramme, while that of tea declined significantly from KSh. 41.55 in 1984 to KSh. 30.36 per kilogramme in 1985. There were slight declines in the unit prices of petroleum products, and wattle bark. Higher declines were recorded for raw maize and animal feeds. It is important to note that coffee prices only picked up significantly late in 1985 and the increase is likely to be reflected in 1986. The tea price drop from the exceptional 1984 levels, associated with the absence of Indian teas on the world market, restored the level to the long-term rising trend. Again the movement of the exchange rate may account for some of the increased shilling unit values overall.

7.14. Table 7.8 details export changes in value, quantity and price. The value of coffee increased by 13 per cent, largely as a result of the 8 per cent increase in quantity coupled with a rise of 5 per cent in the price. Tea export value increased by only 1 per cent, as a result of a remarkable increase in quantity of 38 per cent and a price fall of 27 per cent during 1985. Petroleum products registered declines in value due to a fall in both quantity and price. Sisal, hides and skins, fluorspar, raw cotton, and scrap metal all recorded increases in both unit price, quantity and overall values.

Composition of Imports

7.15. The year 1985 showed the expected shift from the drought effected levels in the previous year. The upward movement in the value of food and beverages imports came to a halt, with the share of this category falling

EXPORT PRICES, 1981-1985

Table 7.7

KSh./Unit

	Unit of Quantity	1981	1982	1983	1984	1985*
Coffee, unroasted	Kg.	25.40	28.64	35.40	42.03	44.07
Tea	Kg.	16.22	19.30	24.70	41.55	30.36
Petroleum products	1,000 Lt.	2,233.20	2,832.72	3,236.65	3,311.44	3,149.67
Maize (raw)	100 Kg.	136.44	689.46**	198.48	249 91	140.32
Meat and meat products	Kg.	27.61	31.11	33.78	34.51	37.37
Pyrethrum extract	Kg.	802.98	896.06	808.55	776.01	907.34
Sisal	100 Kg.	483.38	536.89	621.22	643.09	720.94
Hides and skins (undressed)	Kg.	14.20	14.19	13.83	15.73	19.11
Wattle extract	Kg.	5.17	7.24	9 30	10.60	12.20
Soda ash	100 Kg.	126.83	112.39	115.91	93.82	132.64
Fluorpar	100 Kg.	121.08	125.68	126.92	128.84	133.93
Cement	100 Kg.	42 96	52.36	59.08	58.12	63.48
	Kg.	-5.55	3.33	3.02	3.36	7.98
	Kg.	17.52	16.78	15.94	16.49	21.42
Animal feeds	100 Kg.	98.87	124.75	134.18	157.85	122.77
Cotton (raw)	Kg.	12.80	—	23.78	22.65	22.78
Pineapples (canned)	Kg.	5.87	7.26	8.75	10.33	10.97
Wattle bark	Kg.	20.66	23.24	25.22	29.59	33.35
	100 Kg.	146.78	128.56	202.97	183.84	169.93

*Provisional

**Seed Maize Price

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE*, 1984-1985

Table 7.8

	Value K£'000			Percentage Change in		
	1984	1985**	Changes	Value*	Quantity	Price
Coffee, unroasted	203,622.9	230,600.2	26,977.3	13 2	8.0	4.9
Tea	189,477.6	191,409.6	1,932.0	1.0	38.3	-26.9
Petroleum products	131,636.1	108,276.3	-23,359.8	-17.7	-13.5	-4.9
Meat and meat products	7,408.9	6,855.9	-553.0	-7.5	-14.6	8.3
Pyrethrum extract	9,682.2	9,515.4	-166.8	-1.7	-15.9	16.9
Sisal	12,578.8	14,418.5	1,839.7	14.6	2.2	12.1
Hides and skins (undressed)	7,122.2	9,988.6	2,866.4	40.2	15.4	21.5
Wattle extract	3,423.5	3,817.6	394.1	11.5	-3.1	15.1
Soda ash	10,455.1	13,139.7	2,684.6	25.7	-11.1	41.4
Fluorspar	3,361.6	4,066.7	705.1	21.0	16.4	4.0
Cement	17,519.8	15,419.5	-2,100.3	-12.0	-19.4	9.2
Beans, peas, etc	2,454.5	628.6	-1,825.9	-74.4	-89.2	137.5
Wool	1,402.5	737.9	-664.6	-47.4	-59.5	29.9
Animal feeds	1,316.2	597.3	-718.9	-54.6	-41.7	-22.2
Cotton (raw)	148.2	1,942.2	1,794.0	1,210.5	1,202.8	0.6
Pineapples (canned)	25,943.7	24,386.3	-1,557.4	-6.0	.11.4	6.2
Butter and ghee	648.2	457.9	-190.3	-29.4	-37.3	12.7
Wood carvings	1,285.3	1,152.7	-132.6	-10.3	-29.9	28.0
Metal scrap	517.6	823.7	306.1	59.1	49.9	6.2
Wattle bark	46.0	21.2	-24.8	-53.9	-50.0	-7.6
All other items	124,762.5	137,753.1	12,990.6	10.4		
TOTAL	754,813.4	776,008.9	21,195.5	2.8		

*Excluding Re-exports
**Provisional.

back to the 1983 level. There was a policy induced jump in the value of imports of non-food industrial supplies whose share rose from 26.4 per cent in 1984 to 29.7 per cent in 1985. Fuel and lubricants also rose significantly even though their share remained at roughly the same level as in 1984. The other, categories also recorded increases, the only decline being in machinery and other capital equipment which remained well above the 1983 level. These details are set out in Table 7.9.

7.16. Further analysis of Table 7.9 shows that the value of imports of food and beverages fell mainly as a result of the decline in the imports of primary goods for both the industry and household consumption being mainly drought related maize and wheat imports. The value of these goods dropped by 39 and 55 per cent respectively between 1984 and 1985. The increase in non-food industrial supplies also rose since higher imports of processed commodities were brought to support local industries; while the decline in machinery and other equipment was largely explained by a fall in the sub-category classified as 'machinery and other capital equipment'.

7.17. Information on values of selected import items is shown in Table 7.10. Crude petroleum continues to take a large share of the import bill; its value rose from K£292 million in 1984 to K£349 million in 1985, or by 19 per cent. Other notable increases were in fertilizers, with an import bill in 1985 equivalent to the value for the three previous years combined. Paper and paper products and motor vehicles and chassis also increased their import bills. There were declines of 5 and 8 per cent respectively in the import

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1981-1985

Table 7.9 *K£million*

	1981	1982	1983	1984	1985*
1. Food and Beverages	44.33	52.81	82.78	127.58	109. 00
Primary	12.20	20. 48	19.05	83. 41	50 .74
For Industry	6. 33	16.04	13.36	77.06	34.49
For Household Consumption	5.88	4.44	5.70	6.35	16. 25
Processed	32.12	32.34	63.73	44.18	58.26
For Industry	23. 93	25.36	52.08	37.89	45.13
For Household Consumption	8.19	6.97	11.65	6.29	13.13
2. Industrial Supplies (Non-Food)	240.38	224.93	250.64	289.14	357.37
Primary	15.38	19.22	13 25	15.30	13.59
Processed	225. 00	205. 71	237.39	273.84	343.78
3. Fuel and Lubricants	343.67	332.61	331.70	332.43	377.27
Primary	314.26	303.17	277.76	295.78	353.11
Processed	29.41	29.43	53.94	36.65	24.16
Motor Spint	1.67	9.67	11.39	4. 05	4 69
Other	27.74	19.77	42.55	32. 59	19.48
4. Machinery and other Capital Equipment	165.34	159.13	140.35	184.89	180.19
Machinery and Other Capital Equipment	116.34	108.05	100.86	129.14	124.44
Pans and Accessories	49.00	51.09	39. 49	55.75	55.76
5. Transport Equipment	88.15	85.58	63.14	113.46	122.16
Passenger Motor Vehicles	8.16	8.89	9.11	13.21	19 35
Other	48.97	36.49	27.86	59.52	56.60
Industrial	45 61	35 43	27.37	58.40	55.39
Non-Industrial	3.36	1.06	0.49	1.13	1.21
Parts and Accessories	31.02	40.20	26.16	40.73	46.20
6. Consumer Goods not elsewhere specified	47.66	43.94	36.67	47.40	53.79
Durable	10.55	9.59	6.64	9.90	10.60
Semi-Durable	11.99	9.56	4.69	8.77	10 44
Non-Durable	25.11	24.79	25.34	28.74	32.75
7. Goods not elsewhere Specified	2.89	1.30	0.35	2.30	1.35
TOTAL	932.41	900.30	905.62	1,097.21	1.201.13
PERCENTAGE SHARES:					
1. Food and Beverages	4.7	5.9	9.1	11.6	9.1
2. Industrial Supplies (Non-Food)	25.8	25.0	27.7	26.4	29.7
3. Fuel and Lubricants	36.9	36.9	36.6	303	31.4
4. Machinery and other Capital Equipment	17.7	17.7	15.5	16.9	15.0
5. Transport Equipment	9.5	9.5	7.0	10.3	10.2
6. Consumer Goods not elsewhere specified	5.1	4.9	4.1	4.3	4.5
7. Goods not elsewhere specified	0.3	0.1	—	0.2	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0

*Provisional

value of industrial machinery (including electrical) and wheat, this last commodity still reflecting post drought requirements.

Direction of Trade

7.18. Despite the fall in export earnings from the E.E.C., this region remained the most important destination for Kenya's exports. Exports to the region declined for the first time between 1981 and 1985 even though the fall was marginal. France alone in the region recorded a significant 143

SELECTED IMPORTS, 1981-1985

Table 7.10 *K£million*

	1981	1982	1983	1984	1985*
Crude Petroleum	312.77	299.81	275.24	292.42	349.27
Industrial Machinery (including Electrical)	152.08	149.61	137.22	173.58	164.64
Iron and Steel	36.95	40.65	48.39	62.98	64.77
Motor Vehicle and Chassis	44.97	38.57	32.29	55.08	63.78
Petroleum Products refined	28.44	29.15	53.66	35.74	27.88
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	17.59	19.65	21.81	33.01	37.40
Pharmaceauticals	17.69	18.36	19.62	19.96	23.31
Fertilizers	24.07	15.61	25.09	13.89	52.01
Agricultural Machinery and Tractors	11.59	11.07	6.15	11.04	13.80
Wheat	4.47	13.91	9.29	20.81	19.07
Paper and Paper Products	14.35	12.03	11.76	9.36	15.73
Rice	1.24	2.73	10.04	0.05	0.10

*Provisional.

per cent, K£16 million, increase while exports to Eastern Europe doubled. These details are set out in Table 7.11.

7.19. African countries continued to increase their share of intake of Kenyan exports. Exports to these destinations rose for the ninth year in succession and recorded a 2 per cent rise in 1985. Uganda continued to take most of the exports, but more significant was the sharp rise in the value of exports to Tanzania. An increase of 97 per cent from K£9.7 million in 1984 to K£19.2 million in 1985 was the highest level in ten years.

7.20. Exports to the Far East, which have been growing in value since 1982, continued with this upward trend and recorded a 5 per cent rise in 1985. Exports to Japan and India rose while Australia and China both recorded declines in 1984. Other countries within the region improved their intake by buying 5 per cent more of exports in 1985.

7.21. There were increases in exports to the Middle East and North American destinations. In North America, exports to the USA increased by 39 per cent to record the highest value ever, while the value of exports to Canada dropped slightly by 8 per cent. Exports to the Middle East increased only marginally by 5 per cent from K£25 million in 1984 to K£26 million in 1985. Within the region, there was an increase in the value of exports to Saudi Arabia, while all other destinations registered declines.

7.22. Table 7.12 gives details of the sources of Kenya's imports. There was an increase of imports from all regions, except the Far East and Australia. Imports from the E.E.C. increased by 3 per cent, while those from other Western Europe and Eastern Europe increased by 60 per cent and 41 per cent, respectively. Among the E.E.C. countries, imports from the U.K. increased by 8 per cent. But there was a decline in imports from

DESTINATION OF TOTAL EXPORTS*, 1981-1985

Table 7.11 *K£million*

	1981	1982	1983	1984	1985**
E.E.C —					
United Kingdom	59.81	72.25	96.25	142.27	135.45
West Germany	58.42	60.83	82.01	98.05	93.44
Italy	20.12	15.20	14.76	21.28	17.78
France	5.88	5.99	11.35	11.18	27.20
Netherlands	21.05	27.76	32.57	52.58	52.66
	12.63	15.14	17.90	22.94	19.47
TOTAL	177.91	197.17	254.84	348.30	346.00
Other Western Europe, Total	18.92	21.53	24.94	33.69	35.45
Eastern Europe, Total	6.95	8.11	5.48	6.78	13.74
U.S.A	19.52	35.18	39.10	38.82	54.03
CANADA	4.02	4.70	5.13	5.91	5.42
AFRICA—					
Tanzania	6.31	6.84	6.29	9.73	19.18
Uganda	52.61	58.47	71.48	67.58	70.07
Zambia	2.16	1.94	1.64	0.86	1.65
Other	96.25	92.84	116.31	124.63	116.01
TOTAL	157.33	160.09	195.72	202.80	206.91
MIDDLE EAST—					
Saudi Arabia	1.88	5.50	2.42	3.79	9.11
United Arab Emirates	1.44	1.82	1.86	2.28	2.20
Iran	1.78	0.25	0.30	—	0.11
Other	20.28	20.52	15 19	19.06	14.91
TOTAL	25.38	28.09	19.77	25.13	26.33
FAR EAST AND AUSTRALIA—					
Australia	2.38	1.22	1.74	2.72	2.42
Japan	3.74	3.46	4.63	6.13	6.23
India	4.53	4.53	4.70	3.08	5.12
China (Mainland)	0.63	0.31	1.88	3.29	2.38
Other	61.02	44.37	52.30	64.86	67.90
TOTAL	72.30	53.89	65.25	80.08	84.05
ALL OTHER COUNTRIES	2.96	1.14	5.56	3.62	0.96
Aircraft and Ship's Stores	51.93	58.75	36.39	31.77	29.45
ALL EXPORTS	537.23	568.64	652.18	776.91	802.34

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

West Germany, France and Italy. The value of imports from the USA increased by 30 per cent; from Africa by 28 per cent; and from the Middle East by 19 per cent.

7.23. Among the Middle East Countries, imports from United Arab Emirates nearly doubled, while the value of imports from Saudi Arabia decreased substantially by 42 per cent. Imports from Iran declined after an increase in 1984. Since imports from the region are mainly crude petroleum and petroleum products, the trend implies the increasing importance of the United Arab Emirates as a source of these imports to Kenya.

7.24. Imports from all the major Far East and Australia region grew during 1985. Those from Japan continued to rise while imports from India

ORIGIN OF TOTAL IMPORTS, 1981-1985

Table 7.12 *K£million*

	1981	1982	1983	1984	1985*
E.E.C —					
United Kingdom	156.85	135.76	121.56	152.34	164.25
West Germany	75.11	75.63	70.32	98.06	95.66
France	31.15	28.11	38.63	56.00	33.29
Italy	25.23	22.96	15.68	34.10	42.04
Netherlands	21.10	23.21	27.69	29.31	32.56
Other	20.09	17.01	17.19	28.77	41.35
TOTAL	329.53	302.68	291.07	398.58	409.15
Other Western Europe, Total	44.94	36.08	55.20	39.69	63.40
Eastern Europe, Total	6.21	5.40	4.05	5.83	8.21
U.S.A	63.65	54.38	56.64	51.05	66.19
CANADA	11.73	13.40	7.56	9.12	11.21
AFRICA-					
Tanzania	0.27	0.86	1.02	3.02	1.71
Uganda	1.01	1.39	0.86	1.15	2.58
Zambia	1.59	1.37	1.04	1.84	1.71
Other	14.53	59.20	19.31	15.95	22.06
TOTAL	17.40	62.82	22.23	21.96	28.06
MIDDLE EAST—					
United Arab Emirates	86.27	84.10	119.80	123.62	49.47
Saudi Arabia	183.27	134.26	68.68	85.09	223.47
Iran	15.63	14.33	50.53	60.83	53.65
Other	36.83	54.62	45.06	39.05	41.76
TOTAL	322.00	287.31	284.07	308.59	368.35
FAR EAST AND AUSTRALIA—					
Japan	73.46	70.14	85.84	111.76	120.01
Australia	8.40	3.31	6.72	13.25	13.52
India	10.14	12.22	6.67	11.96	15.42
China (Mainland)	8.18	6.61	3.08	8.52	10.88
Other	33.29	40.21	76.05	113.06	81.27
TOTAL	133.47	132.49	178.36	258.55	241.10
ALL OTHER COUNTRIES	3.49	5.74	6.45	3.83	5.47
Parcel Post and Special Transactions				0.01	
TOTAL	932.41	900.30	905.62	1,097.21	1,201.13

*Provisional.

picked up to be just slightly below the K£15.8 million peak level recorded in 1978. There was however, a decline in the overall imports from this region, as a result of the decline in imports from countries within the region categorized as 'Other'.

7.25. The value of imports from African countries grew even though this value is still below that recorded in 1982. As Table 7.13 further details, imports from the Preferential Trade Area (P.T.A.) grew by 43 per cent, while imports from the rest of Africa declined by 28 per cent. The decrease in imports from 'Other African countries' was largely accounted for by a major fall in imports from Sudan. The growth in imports from the P.T.A. member states was high enough to offset declines from the 'Other African Countries', hence the increase in imports from African countries. There was a significant growth in imports from Uganda, Rwanda, Burundi, Swaziland and Zimbabwe. There were, however, sizeable declines in the imports from Tanzania and Ethiopia.

TRADE WITH AFRICAN COUNTRIES, 1981—1985

Table 7.13

K£'000

	EXPORTS					IMPORTS				
	1981	1982	1983	1984	1985**	1981	1982	1983	1984	1985**
PREFERENTIAL TRADE AREA*—										
Uganda	52,611	58,466	71,476	67,583	70,071	1,010	1,390	855	1,149	2,585
Tanzania	6,307	6,836	6,285	9,727	19,176	273	859	1,015	3,019	1,713
Zambia	2,160	1,937	1,641	862	1,654	1,592	1,372	1,040	1,836	1,712
Ethiopia	1,580	2,319	2,982	2,858	3,780	4,259	14,019	4,424	3,755	3,030
Burundi	12,909	13,311	14,699	14,927	8,832	273	189	331	775	1,613
Somalia	1,961	4,117	2,734	2,981	5,526	30		40	36	71
Rwanda	21,568	21,907	24,758	26,644	25,291	3,690	2,311	3,391	2,253	6,711
Malawi	519	760	510	472	1,368	587	371	129	92	61
Mauritius	5,231	4,192	2,687	3,674	2,953	192	91	49	111	358
Swaziland	236	720	1.056	808	868	1,143	1,772	2,738	3,703	4,121
Zimbabwe	362	205	799	255	750	855	799	251	418	2,624
Comoros	2,226	1,899	831	1,920	965	—	—	1	—	—
Djibouti	10,493	4,638	2,506	1,974	3,988	9	10	10	3	5
Lesotho	47	57	165	9	29	1	—	—	—	—
TOTAL P.T.A	118,210	121,364	133,129	134,694	145,251	13,914	23,216	14,274	17,150	24,604
OTHER AFRICAN COUNTRIES—										
	12,426	18,882	24,602	20,999	30,047	22	18	17	2,397	12
Zaire	5,538	5,304	6,963	7,712	6,808	720	987	1,214	1,413	2,543
Mozambique	10,541	742	6,363	4,253	1,156	2,547	10,488	—	155	14
Egypt	3,271	6,525	9.494	18,900	13,016	49	27,063	6,687	3	92
Algeria and Libya	228	235	560	1,061	330	—	1,009	—	2	—
Ghana and Nigeria	2,138	1,387	2,793	110	374	29	17	22	56	293
Reunion	2,022	2,212	5,122	3,871	2,867	—	3	—	—	—
Madagascar and Seychelles	1,597	997	3,327	3,114	4,000	5	5	1	101	5
All Other African Countries	1,362	2,438	3,372	8,086	3,059	111	17	17	682	493
Total	39,123	38,722	62,596	68,106	61,657	3,483	39,607	7,958	4,809	3,452
TOTAL	157333	160,086	195,725	202,800	206,908	17397	62,823	22,232	21,959	28,056
Percentage of all Exports/Imports	29..3	28.2	30.1	26.1	25.8	1.9	7.0	2.5	2.0	2.3

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

**Provisional.

7.26. Exports to the P.T.A. members and 'Other African Countries' followed a trend similar to that of imports. The value of exports to the P.T.A. members grew form K£135 million in 1984 to K£145 million in 1985 or by 8 per cent. There were notable increases in exports to Uganda, Tanzania, Somalia and Djibouti; while modest increases were also recorded in the exports to Zambia, Ethiopia and Malawi. There was significant decline in exports to Burundi and Rwanda mainly due to the war in Uganda during the second half of 1985. A solution to the closure of the route through Uganda was the reviving of a ferry service in Lake Victoria, and then road transport through northern Tanzania. As for exports to 'Other African countries' there was a major improvement in the value of exports to Sudan while there was also a notable decline in exports to Egypt. Overall, trade with other African countries outside the P.T.A. member states declined by 9 per cent.

Balance of Payments

7.27. The balance of payments situation, as observed in the opening remarks, turned adverse in 1985. An overall deficit of K£86 million was recorded compared with the K£39 million and the K£68 million surpluses registered in 1984 and 1983 respectively. The poor out-turn in the balance of payments, as Tables 7.14 and 7.15 show, was a result of the considerable slowdown in exports growth, with imports expanding at a faster rate and lower expansion in net services and transfers. There was also a marked drop in the flow of long-term capital.

7.28. Table 7.14 also shows that invisible transactions improved by recording a surplus of K£276 million in 1985 compared with K£227 million in 1984 or an increase of 22 per cent. This increase helped considerably to offset the deficit in merchandise account.

7.29. As Table 7.15 further shows, the expansion in exports by K£29 million was the smallest increase since 1981. Imports, however, recorded their second highest level of increase in five years by registering a growth of K£101 million-Net earnings from services and transfers also increased by K£33 million and K£16 million, respectively. The surplus in the basic balance shows that Kenya's economy continues to do well and that the country enjoys confidence from its creditors, despite the rise in her external debt.

7.30. Looking at capital movements which are shown in Table 7.14, it is evident that Government net long-term borrowing declined substantially to K£9 million in 1985 compared with K£72 million in 1984. Private long-term capital, however, rose slightly from K£77 million in 1984 to K£80 million in 1985. Allowing for capital receipts, errors and ommissions, the size of the overall deficit met by monetary movements was K£86 million in 1985.

7.31. Kenya's foreign reserves stood at K£328 million at the end of 1985

Table 7.14 *K£million*

	1983+			1984*			1985*		
	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.)	929.05	615.80	Dr. 313.25	1,118.56	745.14	Dr. 373.42	1,219.38	774.02	Dr. 445.36
2. Freight and Insurance	7.40	42.01	34.61	—	28.24	28.24	—	31.06	31.06
3. Other Transportation	29.90	142.67	112.77	54.90	153.77	98.87	35.79	132.62	96.83
4. Foreign Travel	10.55	130.00	119.45	11.78	151.65	139.87	12.40	209.35	196.95
5. International Investment Income	147.96	27.98	Dr. 119.98	173.40	29.69	Dr. 143.71	207.26	38.44	Dr. 168.82
6. Government Transactions n.e.s	11.70	25.50	13.80	22.31	46.12	23.81	31 98	51.29	19.31
7. Other Services	36.47	23.70	Dr. 12.77	49.21	22.78	Dr. 26.43	38.35	17.02	Dr. 21.33
8. Private Transfer	20.00	16.20	Dr. 3.80	22.13	24.74	2.61	17.87	24.30	6.43
9. Government Transfer**	3.00	83.30	80.30	4.54	106.15	103.61	3.19	118.81	115.62
TOTAL CURRENT ACCOUNT	1,196.17	1,107 16	Dr. 89.01	1,456.83	1310.28	Dr. 146.55	1,566.22	1,396.91	Dr. 169.31
of which: Visible Balance	929.05	615.80	Dr. 313.25	1,118.56	745 14	Dr. 373.42	1,219 38	774.02	Dr. 445.36
Invisible Balance	267.12	491 36	224.24	338.27	565 14	226.87	346.84	622.89	276.05
B.—CAPITAL MOVEMENTS									
10. Private Long-term	3.55	65 51	61.96	2.05	79.03	76.98	12.37	92.24	79.87
11. Government Long-term	—	57.33	57.33	6.05	77.57	71.52	6.25	15.46	9.21
12. Government Corporations***	—	14.70	14.70	—	Dr. 1.26	Dr. 1.26	—	Dr. 7.92	Dr. 7.92
13. Short-term	8.95	33 52	24.57	4.85	41.54	36.69	12.26	16.96	5.08
TOTAL	12.50	171.06	158.56	12.95	196.88	183.93	30.88	116.82	85 94
C.—MONETARY MOVEMENTS									
14. Transactions with I.M.F	—	63.90	63.90	—	16.62	16.62	10.88	110.87	99.99
15. Other Changes in Assets and Liabilities	127.10	Dr. 5.00	Dr. 134.50	57.96	2.30	Dr. 55.66	15.72	1.98	Dr. 13.74
TOTAL	127.10	58 90	Dr. 68.20	57.96	18.92	Dr. 39.04	26.60	112.85	86.25
D.—ERRORS AND OMISSIONS			Dr. 1.35			Dr. 1.66			Dr. 2.88

*Provisional.

**Includes capital grants.

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

+Revised.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES,* 1983-1985

Table 7.15 *K£million*

	1983	1984	1985
1. Export (f.o.b.)	+105.90	+129.34	+28.88
2. Imports (c.i.f.)	+10.88	-189.51	-100.82
3. Services (net)	+15.23	-27.23	+33.35
4. Transfers (net)	+39.70	+29.72	+15.83
5. Change on Current Account	+171.57	-57.54	-22.76
6. Private long-term capital (net)	-2.53	+15.02	+2.89
7. Public long-term capital (net)	-0.07	-1.77	-68.97
8. Change on basic balance (net balance on lines 5.7)	+168.97	-44.29	-88.84
9. Short-term capital and errors and omissions (net)	+4.05	+15.13	-36.15
10. Net change on all above items (monetary movements)	+173.02	-29.16	-125.29

*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.

compared with K£312 million at the end of the previous year. The country drew from the stand-by arrangements negotiated with the I.M.F. and concluded in February 1985. As table 7.14 shows, net transactions from the I.M.F. were K£100 million. Under the IMF stand-by arrangement Kenya received a total of SDR 85.2 million, which was drawn by December, 1985.

International Liquidity

7.32. Table 7.16 gives the foreign exchange reserves of the monetary authorities. Total net foreign exchange reserves held by the Central Bank continued to increase as has been the case since 1981. The increase in 1985 was sluggish, at 4 per cent, having risen from K£307 million at the end of December 1984 to K£321 million in December 1985. There was an increase in net foreign liabilities, other than to the I.M.F., from K£6 million in December 1984 to K£8 million at the end of 1985. Subscription to the I.M.F. rose from K£105 million in 1984 to K£126 million in December 1985.

7.33. The Kenya Shilling depreciated by 16.8 per cent during 1985, from KSh. 15.19 = 1SDR as at December 1984 to KSh. 17.74 = 1 SDR in December 1985. All the currencies within the SDR valuation basket i.e. US dollar (comprising 42 per cent), Deutsche mark (19 per cent), French Franc (13 per cent), Japanese Yen (13 per cent) and Pound Sterling (13 per cent) appreciated as can be seen in Table 7.17.

7.34. During 1985, there were considerable movements in the exchange rates of the major currencies. As table 7.17 shows, the Shilling depreciated considerably against the Pound Sterling, the Japanese Yen and the

Central Monetary Authorities: Foreign Exchange Reserves, 1981-1985

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
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	1.69	311.78	6.07	307.40	0.28	307.68	105.01	383.56	-278.55	27.35
1985—										
January	0.50	275.87	5.45	270.92	0.78	271.70	107.83	392.17	-284.34	28.95
February	12.67	290.87	5.65	297.89	0.69	298.58	107.83	414.80	-306.97	29.24
March	8.68	347.57	5.38	350.87	0.38	351.25	112.87	429.84	-316.97	29.40
April	2.99	328.55	7.43	324.11	1.27	325.38	113.43	425.85	-312.42	29.55
May	7.17	338.10	7.39	337.88	1.38	339.26	113.43	442.86	-329.43	29.71
June	2.39	339.60	7.95	334.04	1.39	335.43	114.66	443.23	-328.57	29.87
July	3.77	317.42	8.07	313.12	1.12	314.24	114.66	435.39	-320.73	31.65
August	1.69	314.58	7.63	308.64	1.12	309.76	125.94	478.22	-352.28	32.81
September	–	282.65	7.83	274.83	0.63	275.46	125.94	465.17	-339.23	32.79
October	6.44	262.89	8.04	261.29	0.83	262.12	125.94	473.42	-347.48	32.80
November	4.32	244.16	8.32	240.16	0.94	241.10	125.94	473.42	-347.48	32.80
December	0.65	328.27	8.05	320.87	0.55	321.42	125.94	507.34	.381.40	33.00

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.

Deutsche Mark. The Kenya Shilling depreciated by 27.5 per cent against the Pound Sterling, by 28.8 per cent against the Japanese Yen and by 31.6 and 31.4 per cent against the French Franc and the Deutsche Mark, respectively and by a moderate 3.2 per cent against the US dollar. The movement of these leading currencies against each other is discussed in Chapter 1. Overall, the weighted index showed a decline of 23 per cent during 1985. The revised overall weighted index, with 1982 as the base year, is shown in Table 7.17.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1981-1985

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1981	31st Dec. 1982	31st Dec. 1983	31st Dec. 1984**	31st Dec. 1985
1 US Dollar	10.286	12.725	13.796	15.781	16.284
1 Pound Sterling	19.677	20.627	10.059	18.401	23.466
1 Deutsche Mark	4.576	5.344	5.083	5.039	6.621
1 French Franc	1.788	1.889	1.662	1.641	2.159
1 Swiss Franc	5.727	6.356	6.340	6.099	7.863
1 Dutch Guilder	4.169	4.844	4.523	4.461	5.876
1 Swedish Kroner	1.854	1.741	1.730	1.766	2.150
1 Norwegian Kronor	1.770	1.806	1.790	1.743	2.151
1 Zambian Kwacha***	11.667	13.727	11.338		2.867
1 Austrian Schilling	0.648	0.763	0.717	0.716	0.940
1 Belgian Franc	0.266	0.272	0.244	0.251	0.324
1 Danish Kronor	1.406	1.516	1.402	1.402	1.817
1 Canadian Dollar	8.667	10.325	11.086	11.959	11.648
1 Finish Marka	2.351	2.412	2.368	2.418	3.002
1 Australian Dollar	11.618	12.489	12.389	13.061	11.106
100 Japanese Yen	4.685	5.440	5.958	6.306	8.120
100 Italian Lira	0.856	0.930	0.834	0.821	0.971
1 Indian Rupee	1.141	1.235	1.315	1.275	1.348
1 Pakistan Rupee+	1.038	0.990	1.022	1.029	
100 Burundi Francs***	11.429	14.139	11.750	12.188	14.540
100 Rwanda Francs***	11.080	13.705	14.037	15.065	17.370
Overall Weighted Index* 1982=100	90.5	100.0	99.2	97.2	119.5

*Trade weighted Fisher's Ideal.
**Zambian Kwacha not included.
***P.T.A. Exchange Rates (Zambia, Rwanda and Burundi)
+Pakistan Rupee not included.

CHAPTER 8 — AGRICULTURE

The early onset of long rains in most parts of the country during 1985 led to a general recovery of the agricultural sector following the 1984 drought. High and in some cases record production levels were recorded during 1985 e.g., maize and tea registered record production levels of 27 million bags and 147 thousand tonnes, respectively. Similarly, production of wheat, rice paddy, cotton and milk increased substantially in excess of 10 percentage points over the drought depressed levels of 1984. However, coffee production fell below the 1984 level while world tea prices dropped drastically following the record prices prevailing in 1984. Overall, the agricultural sector recorded a real growth rate of 3.5 per cent between 1984 and 1985 compared with a decline of 3.7 per cent between 1983 and 1984.

8.2. Table 8.1 provides an insight into the impact of the favourable weather in 1985 and its effect on agricultural output and value added. Output and value added at current prices rose by 14.3 and 10.6 per cent respectively between 1984 and 1985. At constant prices, the corresponding increases were 4.2 per cent and 3.5 per cent, respectively. The growth of 3.5 per cent in value added is an indication of the recovery of the agricultural sector and a boost to the overall performance of the economy. The marginal growth in agriculture in 1985 is partly due to the high prices of inputs in addition to fluctuating world market prices as witnessed in the tea industry.

AGRICULTURAL OUTPUT AND INPUT, 1981-1985

Table 8.1 *Value in K£million*

	1981	1982	1983	1984	1985*
AT CURRENT PRICES—					
Total Output	917.48	1,048.82	1,182.01	1,253.13	1,431.95
Less Inputs	125.74	141.66	151.40	169.24	232.97
Value Added	791.74	907.16	1,030.61	1,083.89	1,198.98
AT CONSTANT (1982) PRICES—					
Total Output	1,010.12	1,048.82	1,088.82	1,056.60	1,101.50
Less Inputs	142.80	141.66	142.53	145.90	158.48
Value Added	867.32	907.16	945.65	910.70	943.02
Quantum Indices (1982=100)					
Output	97.3	100.0	109.6	106.3	140.2
Input	95.0	100.0	98.2	109.4	106.6
Price Indices (1982=100)					
Output**	90.8	100.0	108.6	118.6	130.0
Input	116.0	100.0	114.9	116.0	147.0

*Provisional.
***See* Table 8.8.

Market Production

8.3. Table 8.2 presents data on the value of marketed production at current prices. For the first time in several years, there was a drop in the

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1981-1985

Table 8.2 *K£million*

	1981	1982	1983	1984	1985*
CEREALS—					
Maize	23.64	30.78	48.95	49.05	54.56
Wheat	17.87	22.02	26.92	17.84	26.26
Others	6.64	6.90	5.54	4.52	10.19
Total	48.15	59.70	81.41	71.41	91.01
TEMPORARY INDUSTRIAL CROPS					
Sugar-cane	30.88	29.40	34.34	40.99	46.75
Pyrethrum	13.39	14.78	5.03	1.94	2.92
Others	8.78	9.76	11.87	15.53	16.24
Total	53.05	53.94	51.24	58.46	65.91
OTHER TEMPORARY CROPS	9.83	10.64	11.96	9.57	17.27
PERMANENT CROPS—					
Coffee	102.47	122.87	166.25	227.67	191.89
Tea	80.59	93.19	130.31	301.12	247.60
Sisal	8.51	12.59	15.54	17.34	15.03
Others	4.05	4.25	4.52	5.62	4.86
Total	195.62	232.90	316.62	551.75	459.38
TOTAL CROPS	306.65	357.18	461.24	691.19	633.57
LIVESTOCK AND PRODUCTS—					
Cattle and Calves	47.49	52.26	51.81	58.95	70.36
Dairy Produce	22.80	28.51	32.80	25.78	36.26
Others	9.94	10.97	9.64	12.86	12.37
Total	80.23	91.74	94.25	97.59	118.99
TOTAL	386.88	448.92	555.49	788.78	752.56

*Provisional.

total value of marketed production. The overall value of marketed production was 4.6 per cent lower in 1985 than in 1984. This drop is mainly due to the impact of the downward slide in world tea prices following the 1984 'boom'; and also due to the drop in the production of coffee as is evident in Table 8.12. While the value of marketed production of coffee dropped by 15.7 per cent between 1984 and 1985, that of tea dropped by 17.8 per cent from K£301 million in 1984 to K£248 million in 1985. However, despite the lower figures in 1985 compared with 1984, on a longer term trend, these figures compare quite favourably with those recorded between 1981 and 1983. The value of marketed production of both cereals and temporary industrial crops went up by 27.4 and 12.7 per cent

respectively, reflecting not only the effect of favourable weather in 1985, but also the impact of price incentives to farmers. Similarly, the value of marketed production of livestock and products went up by 21.9 per cent. This rise in value is accounted for mainly by high prices offered to farmers in 1985 following the 1984 drought when very large numbers of the livestock were slaughtered for sale. In 1985, there was a general shortage of livestock for slaughter as farmers were reluctant to sell the balance of their stock, preferring to take advantage of good rains and increased pasture to fatten stock in anticipation of better prices in the future.

8.4. A clear indication of the impact of the 1984 drought and the subsequent favourable long rains in 1985 is evident from Table 8.3 which provides data on volume and price indices. A major feature of this table is the generally fluctuating trend of both volume and price indices. In particular, quantum indices have fluctuated markedly during the last five years as a result of changing and unpredictable weather pattern. The impact of the drought is still evident from the very high quantum index of livestock and products for 1984 following unprecedented deliveries of livestock to the Kenya Meat Commission (K.M.C.) and other slaughter houses. In addition, the impact of the 1984 world tea prices 'boom' is conspicuous in the 1984 price index for permanent crops. The index of 185.7 for 1984 is the

PRICE AND VOLUME OF SALES TO MARKETING BOARDS, 1981-1985

Table 8.3 *1982=100*

	1981	1982	1983	1984	1985*
QUANTUM INDICES—					
Cereals	85.5	100.0	105.8	86.7	96.6
Temporary Industrial Crops	121.4	100.0	95.6	104.3	100.5
Permanent Crops	99.8	100.0	116.4	122.0	122.3
TOTAL CROPS	106.8	100.0	111.4	102.0	104.3
Livestock and Products	82.0	100.0	100.3	145.9	88.9
TOTAL GROSS MARKETED PRODUCTION	98.9	100.0	110.7	117.9	89.0
Price Indices—					
Cereals	93.9	100.0	129.8	139.8	179.8
Temporary Industrial Crops	79.8	100.0	100.7	127.6	137.4
Permanent Crops	84.1	100.0	118.0	185.7	154.0
TOTAL CROPS	85.6	100.0	130.6	178.8	154.9
Livestock and Products	85.9	100.0	100.3	105.0	134.1
TOTAL GROSS MARKETED PRODUCTION	84.0	100.0	128.4	118.6	137.9

*Provisional.

highest recorded price index in more than five years and is comparable in magnitude only to the 1977-78 'coffee boom' period when coffee prices more than doubled. But the price indices for 1985 point towards a general recovery in commodity prices, with cereals showing the highest index at 179.8. The drop in the value of the index for permanent crops reflects the effect of the downward slide in the world tea prices during 1985. The high cereals prices affected the 1985/86 crop which, for maize is a record.

8.5. The general recovery in commodity prices mentioned in the last paragraph can be derived from data in Table 8.4. Apart from tea and pyrethrum, all the other commodities showed marked increases in unit prices between 1984 and 1985 ranging from 3.3 per cent in the case of coffee to 92 per cent for rice paddy. These increases fall into two categories. First, there are those increases which are due to the influence of world market prices such as those of coffee, tea, and sisal. Secondly, there are the increases which are due to specific government intervention through upward revision of producer prices, e.g. maize, wheat, sugar-cane and cotton. Similarly, prices of milk and beef are also generally determined by the Government. The problem with pyrethrum prices mentioned in the previous 'Surveys' remains unresolved and, as will be noted later, has affected the production of this export commodity.

8.6. Table 8.5 classifies sales to marketing boards by large and small farms. The overall drop of 4.6 per cent in the value of recorded marketed production noted in paragraph 8.3 is now more evident. In particular, for the first time since 1981, the value of recorded marketed production from the large farms dropped by 10.4 per cent between 1984 and 1985. This drop is, as was mentioned earlier, clearly due to the overall production shortfall in coffee, coupled with the downturn in the price of tea, which together

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1981-1985

Table 8.4 — *KSh. per stated unit*

	Unit	1981	1982	1983	1984	1985
Coffee	100kg.	2,258	2,780	3,488	3,844	3,972
Tea	"	1,774	1,941	2,184	5,184	3,366
Sisal	"	412	503	625	674	707
Sugar-cane	tonne	145	170	227	227	270
Pyrethrum (extract equivalent)	kg.	1,150	1,150	1,150	1,150	1,150
Seed Cotton	100kg.	341	352	369	448	480
Maize	"	100	107	154	175	187
Wheat	"	167	188	222	269	271
Rice Paddy	"	150	150	178	178	342
Beef (third grade)	"	960	1,100	1,138	1,101	1,990
Bacon Pigs	"	975	1,373	1,459	1,482	1,330
Milk	100 litre	186	215	240	240	285

*These prices are for calendar year and may differ from those based on crop years. In the case of tea and coffee, the prices are for made tea and processed coffee respectively.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1981-1985

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
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
1985*	345.89	-10.4	406.67	1.0	752.56	-4.6	54.0

*Provisional.

account for more than half the recorded value of marketed production. The marginal rise in the value of marketed production by small farms is a reflection of higher yield levels among small holders.

8.7. A major factor determining the quantity of production and yield rates is the availability and affordability of farm inputs. Table 8.6 presents data on quantum and price indices of agricultural inputs. One important feature of this table is the sudden and steep rise in the quantum index for fertilizers for 1985. Available data on fertilizers suggest that the total quantity of fertilizers imported and used during 1985 was the highest in recent years and nearly double the 1982 figure. This is partly due to the fact that the Government considerably relaxed procedures for importing fertilizers. Considerable efforts were also made to ensure that farmers got the fertilizers in good time for planting. Other inputs, however, showed no appreciable movement in quantity as reflected by the rest of the quantum indices which recorded marginal changes. Price indices rose considerably between 1984 and 1985 with the price of fertilizers again showing a rise of over 35 per cent above the 1984 level. Overall, the price indices have risen much faster than quantum indices, suggesting that many farmers may have been discouraged by the higher prices. In addition to fertilizers, it would appear that inputs such as bags and purchased seeds were not available in sufficient quantities during 1985 and this may account for the high price indices for those inputs.

8.8. Some further information from Table 8.6 is reflected in Table 8.7 which presents data at current prices on the values for purchased agricultural inputs. The input values have maintained an upward trend. Between 1981 and 1983, the overall value was relatively stable but in 1984 it shot up by some 40 per cent from K£85 million to K£120 million. At K£153 million the 1985 figure was higher even though the actual percentage rise between 1984 and 1985 was slightly less, at 27 per cent. These increases are

AGRICULTURAL INPUT INDICES**, 1981-1985

Table 8.6 *1982=100*

	1981	1982	1983	1984	1985*
QUANTUM INDICES—					
Fertilizers	110.6	100.0	95.8	109.9	186.9
Fuel and Power	136.3	100.0	91.2	104.2	107.9
Bags	104.0	100.0	96.5	125.2	94.6
Manufactured Feeds	128.2	100.0	110.8	116.4	100.2
Purchased Seeds	39.4	100.0	93.5	123.8	97.8
Other Material Inputs	103.5	100.0	99.0	111.8	87.5
Total Material Input	85.4	100.0	93.5	112.7	107.8
Service Inputs	98.2	100.0	99.8	101 3	105.7
TOTAL INPUTS	91.8	100.0	96.7	107.0	106.8
PRICE INDICES—					
Fertilizers	93.2	100.0	104.4	105.0	142.5
Fuel and Power	89.2	100.0	108.8	121.1	129.8
Bags	92.0	100.0	113.7	128.4	155.2
Manufactured Feeds	107.7	100.0	88.5	155.8	158.5
Purchased Seeds	97.8	100.0	115.7	133.8	147.9
Other Material Inputs	117.5	100.0	143.3	153.3	77.0
TOTAL MATERIAL INPUT	117.0	100.0	105.4	124.0	145.1
NON-FACTOR SERVICE INPUTS	96.5	100.0	103.5	106.0	112.6
TOTAL NON-FACTOR INPUTS	97.4	100.0	104.2	107.3	114.7

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

accounted for partly by the additional quantity of fertilizers and other inputs and partly by price changes between 1984 and 1985.

8.9. Table 8.8. presents data on price and terms of trade indices for the agricultural sector. Although the overall indices for prices paid retain the upward trend — mainly because of the annual upward revisions of producer prices coupled with recent increases in world prices of export commodities — the general index of agricultural output prices has been increasing more modestly and at a rate much lower than that of the index of input prices. Consequently, the terms of trade for agriculture have been declining and have remained unfavourable for the last five years. However in 1985, for the first time in five years the terms of trade for agriculture remained virtually the same which could suggest a possible turn-about of this vital index.

PURCHASED AGRICULTURAL INPUTS**, 1981-1985

Table 8.7 *K£million*

	1981	1982	1983	1984	1985*
MATERIAL INPUTS—					
Fertilizers	14.79	14.68	14.34	21.12	39.38
Other Agricultural Chemicals	11.90	12.27	12.76	12.06	18.36
Livestock Drugs and Medicines	5.05	5.80	5.33	8.87	9.68
Fuel and Power	16.75	15.26	16.63	18.17	19.88
Bags	5.54	5.85	6.36	9.32	8.61
Manufactured Feeds	13.75	10.53	9.78	17.98	17.70
Purchased Seeds	4.09	4.46	6.14	17.59	15.77
Other Material Inputs	4.28	4.66	5.08	6.64	8.17
Total	76.15	73.51	76.42	111.75	137.55
SERVICE INPUTS TOTAL	9.03	9.84	8.95	8.24	15.06
TOTAL INPUTS	85.18	83.35	85.37	119.99	152.61

*Provisional.
**Except labour.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1981-1985

Table 8.8 *1982=100*

	1981	1982	1983	1984	1985*
PRICES RECEIVED—					
Total Crops	86.9	100.0	117.0	140.1	170.8
Domestic	92.8	100.0	138.2	144.4	181.2
Export	84.3	100.0	107.9	138.3	147.3
Livestock and Products	85.3	100.0	97.8	115.1	109.5
WEIGHTED AVERAGE OF ABOVE	87.3	100.0	115.9	135.7	150.2
General index of agricultural output prices**	90.8	100.0	108.6	118.6	130.0
PRICES PAID—					
Purchased Inputs	97.4	100.0	103.5	106.0	114.6
Index of Purchased Consumer Goods— Rural Areas	82.7	100.0	113.8	134.0	147.7
INDICES OF PRICES PAID	87.1	100.0	110.7	125.6	137.8
Agricultural Sector Terms of Trade	104.2	100.0	98.1	94.4	94.3

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

8.10. Table 8.9 confirms the impact of the 1985 favourable weather conditions on the production of basic food crops, namely, maize, beans and potatoes. In the case of maize and potatoes, production nearly doubled while in the case of beans, production actually more than doubled between 1984/85 and 1985/86. Allowing for estimation errors, the production figure for maize lies between 25 and 29 million bags. Beans production did not do as well as was expected especially because of the rather poor performance of the 1985 short rains in Eastern and Central Provinces. Potatoes, on the other hand, did as well as during the 1983/84 season and in the last five years is only exceeded by the peak performance of the 1982/83 season.

Production by Crop

8.11. Data on deliveries of selected major crops to the respective marketing boards are shown in Table 8.10. Apart from maize, sales figures

ESTIMATED PRODUCTION FOR SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1981/82-1985/86

(Based on Crop Forecast Surveys)

Table 8.9 *million bags*

Crop	1981/82	1982/83	1983/84	1984/85	1985/86*
Maize	21.86	26.10	24.20	15.80	27.00
Beans	2.22	3.20	3.00	0.76	1.97
Potatoes	4.24	6.10	5.10	2.59	5.90

*Provisional

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1981-1985

Table 8.10

Crop	Unit	YEAR				
		1981	1982	1983	1984	1985*
Maize	'000 tonnes	472.9	571.3	636.0	560.6	582.9
Wheat		203.4	234.7	242.3	135.4	193.5
Rice Paddy		38.7	38.6	36.6	36.4	39.5
Cotton		25.5	24.3	25.8	22.8	38.0
Coffee		90.7	88.4	95.3	118.5	96.6
Tea	"	90.9	95.6	119.3	116.2	147.1
Sisal	"	41.3	50.0	49.7	51.4	45.0
Sugar-cane	million tonne	3.8	3.1	3.2	3.6	3.5
Pyrethrum (Extract Equivalent)	tonnes	241	258	87	34	50

*Provisional.

shown in this table reflect total production. However, it should be noted that the figures reflect calendar year deliveries as opposed to agricultural year production. It is therefore possible that deliveries from different seasons overlap. This aspect, however, need not obscure the fact that 1985 was a relatively better year than 1984 in terms of production. The deliveries of maize went up by 4.0 per cent, thus the deliveries in 1985 were only bettered by those in the 1983 peak year. Deliveries of wheat, cotton and tea rose by substantial margins. The deliveries of wheat, cotton and tea tonnes and tea at 147 thousand tonnes in 1985 were 67 per cent and 27 per cent, respectively, above the 1984 levels — in both cases the highest records for these commodities during the last five years. Sisal and sugar-cane production was slightly lower in 1985 than in 1984. However, pyrethrum production rose slightly from 34 tonnes in 1984 to 50 tonnes in 1985 though the level is only one-fifth of the peak reached in 1982.

8.12. Maize—As a result of adequate' long rains and generally favourable weather conditions during 1985, production of maize reached a peak during 1985/86 season when it topped the previous bumper crop realized during 1982/83 season. At 27 million bags, the figure was nearly double the 1984/85 season when drought conditions led to widespread crop failure. Following this favourable crop year, the National Cereals and Produce Board (N.C.P.B.) estimates purchases of the crop from farmers at over 9 million bags, more than double the purchases during the 1984/85 agricultural year. Yield rates also increased substantially during the 1985/86 season, and it is estimated that the overall average yield per hectare stood at 25 bags. Apart from favourable weather conditions, farmers prepared their land early and also benefitted from a substantial increase in the availability of inputs such as fertilizers.

8.13. Wheat—Table 8.11 shows that there was an improvement in the production of wheat during 1985. However, the production level of 194 thousand tonnes, although higher than the 1984 figure by 34 per cent, was still below the production levels achieved between 1981 and 1983. Flour consumption, on the other hand, rose by a margin of 31 per cent from 224 thousand tonnes during 1984 to 293 thousand tonnes during 1985. This was, in part, due to a substitution away from yellow maize which was imported during the drought. Consequently, wheat imports rose by 2.5 per cent in 1985 over 1984.

8.14. Coffee—Production of coffee dropped substantially during 1985 as a consequence of the previous year's unfavourable weather. From the peak production of 119 thousand tonnes recorded in 1984, production in 1985 declined by 18.5 per cent to 97 thousand tonnes. Coffee, unlike tea, does not respond quickly to favourable weather conditions and adequate rains hence the impact of the 1985 rainfall will therefore be felt during the 1986 and 1987 seasons. This is supported by the fact that although 1984 was generally regarded as a drought year, coffee production during that year was the highest in recent years.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1981-1985

Table 8.11 *'000 Tonnes*

Year	Production**	Imports	Flour Consumption
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
1985*	193.5	143.8	292.6

*Provisional.
**Includes retention for seed.

8.15. A break-down of coffee production by type of grower is shown in Table 8.12. An interesting observation about this table is the different trends in yield rates between the co-operatives and estates. Thus, while the co-operatives recorded a slightly higher average yield rates of 556 kg in 1985 compared with 539 kg in 1984, estates recorded a substantial drop by 41 per cent from 1,372 kg in 1984 to 809 kg in 1985. The changes in yield rates led to a rise in production of 10 per cent for the co-operatives from 62 thousand tonnes in 1984 to 68 thousand tonnes in 1985 and a fall of 41 per cent for the estates — equivalent to the decline in yield rates. Although it may be too early to determine whether the shift in yield rates and production from estates in 1985 will continue, it seems clear that improved crop husbandry combined with intensification of farming among small-scale coffee growers is yielding favourable results.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD OF GROWER, 1980/81-1984/85

Table 8.12

	1980/81	1981/82	1982/83	1983/84	1984/85
Area (Ha) '000—					
Co-operatives	84.7	97.5	103.1	114.2	116.3
Estates	32.9	33.6	33.6	35.7	35.7
Total	117.6	131.1	136.7	149.9	152.0
Production (tonnes) '000—					
Co-operatives	64.0	52.5	54.1	61.5	67.7
Estates	34.7	34.4	33.1	49.0	28.9
Total	98.7	86.9	87.2	110.5	96.6
Quota (tonnes)	78.0	84.0	78.0	83.4	79.8
Average yield (kg.)—					
Co-operatives	756	539	509	539	556
Estates	1,057	1,023	981	1,372	809

8.16. Tea—Production of "made tea" rose to an unprecedented 147 thousand tonnes in 1985, as shown in Table 8.10. This is the highest production figure in the last five years and is 27 per cent higher than the 1984 production level of 116 thousand tonnes. Compared with coffee, tea responds faster to changes in weather conditions and the results suggest that ideal rains were received in the tea growing areas in 1985. In addition, the 1984 tea 'boom' created a further incentive for farmers who responded by increasing hectarage under tea, as well as improving the quality of production as shown in Table 8.13.

DEVELOPMENT OF SMALL HOLDER TEA, 1980/81-1984/85

Table 8.13

	Total Hectares at end of year	Number of growers at end of year	Production of ready. made tea *(tonnes)*	Average size of holding per grower (Hectares)	Average yield per hectare (kg)
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
1984/85	56,497	150,088	62,934	0.38	1,114

8.17. Both the production and hectarage by the small-holders increased substantially between 1983/84 and 1984/85. Although total hectarage under small-holder tea and total number of growers increased only marginally during this period, production of "made tea" increased by 33.7 per cent from 47,058 tonnes in 1983/84 to 62,934 tonnes in 1984/85. A striking feature of the small-holder tea industry is the sharp rise in yield per hectare by 33 per cent from 838 kg in 1983/84 to 1,114 kg during the 1984/85 season. Apart from incentives arising from improved prices during the period under review, it would appear that small-scale tea growers, like their coffee counter-parts, have improved farming and crop husbandry practices, resulting in higher yields. Tea export prices in 1985, however, plummeted from the 1984 levels following the re-entry of India into the world tea market and the subsequent increase in the supply of tea. The prices have now somewhat stabilized at slightly below half of the 1984 levels.

8.18. Cotton—A production figure for cotton of 38 thousand tonnes during 1985 — as indicated in Table 8.10 — was the highest since 1980, up by two-thirds compared with the 23 thousand tonnes recorded in 1984. This is a major recovery in the cotton industry which had experienced lower production levels of around 25 thousand tonnes between 1981 and 1983. The combined effect of the upward revision of producer prices from KSh. 4.48 per kg in 1984 to KSh. 4.80 per kg in 1985 together with prompt payment to farmers and favourable weather conditions during 1985, led to the recovery.

8.19. Sugar-cane—During the last five years, production of sugar-cane has fluctuated considerably. In 1985, some 3.5 million tonnes of cane were produced compared with 3.6 million in 1984. Data in Table 8.14 show that production shortfalls arose from large farms, small-holders and settlement schemes, while factory estates produced 27.7 per cent more cane in 1985 than in 1984. Since the small-holder remains the important single producer of sugar-cane, the production shortfall of about 12 per cent for this group gives cause for concern.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1981-1985

Table 8.14 *'000 tonnes*

	1981	1982	1983	1984	1985*
Factory Estates	839.4	847.4	789.3	729.3	931.1
Large Farms	675.7	496.9	617.8	599.9	485.7
Small-Holders	1,720.5	1,331.7	1,448.3	1,718.8	1,517.5
Co-operative Societies	260.8	165.5	197.6	218.4	221.7
Settlement Schemes	325.5	266.2	232.6	344.8	307.0
TOTAL	3,821.9	3,107.7	3,285.6	3,611.2	3,463.0

*Provisional.

8.20. A clearer picture of the implications of low cane production in the sugar industry is brought out in Table 8.15. Production of sugar dropped by 7 per cent from 372 thousand tonnes in 1984 to 346 thousand tonnes in 1985, while sugar consumption rose by 10 per cent from 341 thousand tonnes in 1984 to 377 thousand tonnes in 1985. The result of the shortfall in production in relation to consumption was that 42 thousand tonnes of sugar were imported during 1985. The large quantity of sugar import was necessary partly to offset the shortfall and partly to ensure provision of necessary strategic minimum reserves.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1981-1985

Table 8.15 *000 tonnes*

Year	Production	Imports	Consumption	Exports
1981	366.8	1.8	324.1	69.1
1982	308 0	—	328.2	18.3
1983	325.2	—	333.0	4.0
1984	372.1	4.0	341.4	4.0
1985	345.9	41.8	376.9	–

8.21. Horticulture—Table 8.16 provides data on volume an value of horticultural produce exported to various parts of the world. The volume of exports increased only marginally by 2.7 per cent from 29 thousand tonnes in 1984 to 30 thousand tonnes in 1985. Thus the upward trend in the volume of exports has continued. However, the value of exports went up considerably and, at K£24 million in 1985, was nearly a third higher than the 1984 level. This is the first time that the value of exports of horticultural crops has exceeded the K£20 million mark. As in the last few years, the UK remains the major importer of the produce from Kenya, accounting for nearly 50 per cent of the total export market.

8.22. Pyethrum—Production of this crop continues to fluctuate in response to unstable world prices and lack of incentives to farmers. Although the production of pyrethrum extract rose by 47 per cent from 34 tonnes in 1984 to 50 tonnes in 1985, the figure is far short of the 1982 level.

8.23. Sisal—Production of sisal has remained somewhat constant between 40 and 50 thousand tonnes during the last five years despite annual upward revision of producer prices by the Government. The pattern seems to follow annual swings from low to high production. The production figure of 45 thousand tonnes in 1985 was 12 per cent lower than the 1984 figure of 51 thousand tonnes as shown in Table 8.10.

Livestock Production

8.24. Livestock heards in 1985 recovered following the 1984 drought and it is now estimated that there are about 8 million heads of cattle. The original estimate of 10 million heads of cattle for 1983 is believed to have been reduced to about 7 million in 1984 as a result of the severe drought. But favourable weather conditions leading to improved pasture in 1985 account for the upsurge in the number of livestock during 1985. The increase can also be partly due to reduced deliveries of cattle and calves to the K.M.C. which dropped by nearly 50 per cent in 1985 compared with 1984. There was also competition from other slaughter houses for the available stock which would in part, account for the drop in the K.M.C. off-take.

Exports of Fresh Horticultural Produce, 1981-1985

Table 8.16

Year	Volume '000 tonnes	Value K£million
1981	23.3	12.58
1982	24.6	13.63
1983	28.9	17.52
1984	29.2	17.71
1985	30.0	23.46

8.25. Some of the points raised in the above paragraph are evident from Table 8.17 which presents data on sale of dairy and livestock products to public enterprises. Milk production went up by 22 per cent from 190 million litres in 1984 to 231 million litres in 1985, emphasising the impact of adequate rains and pasture in 1985. Consequently, the quantity of wholemilk and cream, butter and ghee as well as other processed milk products rose substantially during 1985.

SALE OF DAIRY AND LIVESTOCK PRODUCTS TO PUBLIC ENTERPRISES, 1981-1985

Table 8.17

	Unit	1981	1982	1983	1984	1985*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	222.9	260.3	274.2	189.9	231.4
Milk Processed:						
Wholemilk and cream	Mn Litres	222.3	235.5	215.2	229.8	249 4
Butter and ghee	Tonnes	2,729	3,160	3,721	2,301	3,424
Cheese		210	157	227	203	252
Dried wholemilk powder	"	1,334	2350	1,693	205	970
Dried skim-milk powder		469	1,715	1,921	206	766
Other products	"	131	71		71	—
KENYA MEAT COMMISSION	"					
Intake of:						
Cattle and calves	000 Head	61	71	84	222	116
Sheep		7	10	4	3	—
Lambs		1	1	1		—
Goats		1	3	2	10	—
TOTAL PRODUCTION OF CARCASS BEEF	'000 Tonnes	84	98	10.7	38.4	25.5
UPLANDS BACON FACTORY						
Intake of pigs for:						
Bacon	000 Head	13	12	13	19	4
Pork	"	2	1	1	2	2
Manufactures	"	2	2	1	1	—

*Provisional.
**Including sale licensed by the Kenya Dairy Board.

Irrigation

8.26. Data on irrigation at the seven irrigation schemes are shown in Table 8.18. Although the area cropped at Mwea rose marginally, production of rice paddy actually dropped by 6.1 per cent from 29,336 tonnes in 1983/84 to 27,538 tonnes in 1984/85. This, therefore, led to a drop in gross value of output and payments to plot holders by 3.1 and 9.4 per cent, respectively. Overall, however, for the seven irrigation schemes, both gross value of output and payments to small holders rose slightly by 8.0 and 15.1 per cent respectively. The total number of small-holders also rose by 4.0 per cent from 6,361 in 1982/83 to 6,617 in 1984/85. Apart from Tana River and Bura which registered major increases in cotton production, all the other schemes registered decreases which are partly explained by the drop in area cropped as well as problems with financing and marketing.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1980/81-1984/85

Table 8.18

	1980/81	1981/82	1982/83	1983/84	1984/85*
MWEA—					
Area cropped—*Hectares*	5,771	5,782	5.784	5,820	5,837
Plot-holders—*Number*	3,150	3,150	3,151	3,173	3,236
Gross value of output—*K£'000*	2,029	2,331	3,563	4,213	4,081
Payments to plot-holders—*K£'000*	1,425	1,746	1,788	2,198	1,991
ALL (7) SCHEME AREAS—					
Area cropped—*Hectares*	9,753	9,417	9,900	9,518	9,137
Plot-holders—*Number*	5,735	5,669	6,115	6,361	6,617
Gross value of output—*K£'000*	3.267	4,715	5,150	6,056	6,539
Payments to plot.holders—*K£'000*	1,896	2,314	2,495	2,858	-3,290
CROPS PRODUCED—*Tonnes*					
Mwea—Paddy	31,041	29,848	28,751	29,336	27,538
Ahero—Paddy	4,326	3,963	3,388	3,324	2,265
W. Kano—Pady	3,583	3,519	2,935	2,302	2,059
—Sugar-cane	11,395	11,871	5,715	5,594	2,359
Bunyala—Paddy	995	1,283	1,338	1,293	1,087
Tana—Cotton	2,337	1,684	1,478	1,559	2,347
Bura—Cotton	–	–	1,633	1,482	4,325
Perkera—Onions	1,256	834	967	975	988
Chillies	244	139	45	94	104

*Provisional.

Agricultural Training

8.27. Data on enrolment at different agricultural institutions throughout the country are given in Table 8.19. Slight increases were recorded in the enrolment at the University of Nairobi (Faculty of agriculture, 10.5 per cent and Faculty of Veterinary Medicine, 0.6 per cent) between 1984 and 1985. Enrolment at the Egerton College dropped once again in 1985 by 192 students following a drop of 150 students in 1984. However, enrolment at certificate level at Bukura and Ahiti institutes rose by 108 and 57 students respectively, while a minor drop in enrolment was recorded at Embu. Short-term courses at Naivasha and Athi River also registered increases. If enrolment at the Jomo Kenyatta College of Agriculture and Technology is taken into account, the overall picture with regard to agricultural training is encouraging and will enhance the policy of posting trained agricultural extension staff to the field.

Co-operatives

8.28. Data on co-operatives are in Tables 8.20 and 8.21. The co-operative movement continued to play an important role in the economy, both in terms of membership as well as volume of business transacted. In

TOTAL ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS, 1981-1985

Table 8.19 *Number*

	1981	1982	1983	1984	1985*
DEGREE LEVEL—					
University of Nairobi.. Faculty of Agriculture	450	550	613	592	654
Faculty of veterinary Medicine	301	385	368	358	360
DIPLOMA LEVEL—					
Egerton College	938	1082	1,578	1,428	1,236
CERTIFICATE LEVEL—					
Bukura Institute of Agriculture	170	135	254	356	464
Embu Institute of Agriculture	150	167	210	293	280
Animal Health and Industry Training Institute"	536	665	512	548	605
SHORT-TERM VOCATIONAL COURSES—					
Naivasha Dairy Training School	1,059	948	1,029	1.029	1,038
Athi River M.T. School	198	61	130	74	95

*Provisional.
**Includes Students at Kabete and Nyahururu.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1981-1985

Table 8.20

Type of Society	1981	1982	1983	1984	1985
Coffee	169	175	181	183	189
Sugar-cane	64	71	73	74	77
Pyrethrum	54	59	58	58	53
Cotton	40	54	53	57	58
Dairy	103	109	114	121	139
Multiproduce	335	337	410	437	470
Farm Purchase	219	212	211	206	217
Other Agricultural Societies	332	165	320	326	298
Fisheries	—	—	51	53	56
Total	1,316	1,182	1,471	1,515	1,557
Savings and Credit	797	928	1,088	1,187	1,352
Other Non-Agricultural Societies	263	454	279	299	340
Total	1,060	1,382	1,367	1,486	1,692
Unions and Country-wide Co-operatives*	54	54	63	63	65
TOTAL	2,430	2,618	2,901	3,064	3,314

*Includes KCC and KGGCU.

particular, the total number of agricultural co-operatives continues to increase annually. In 1985, the number rose by 42 from 1,515 societies in 1984 to 1,557 in 1985. In general, the total number of agricultural co-operatives has been growing at an average annual growth rate of 4.3 per cent. Out of a total national figure of 3,314 co-operative societies and unions operating in 1985, nearly 50 per cent were agricultural co-operatives.

Apart from agricultural co-operatives, the only other significant group is the savings and credit societies which, at 1,352 in 1985 accounted for 41 per cent of all co-operatives. Within the agricultural co-operatives themselves, multi-produce societies accounted for 30 per cent in 1985.

8.29. Table 8.21 highlights the proportion of Gross Farm Revenue or total recorded and marketed production that accrues to the co-operative movement through sale of selected agricultural produce. In 1985, coffee, sugar-cane, pyrethrum, cotton and dairy co-operative societies between them sold produce worth K£194 million to the various marketing boards. This figure represents a 25.8 per cent share of the total value of purchases by these boards (from Table 8.2). Considering only purchases of the commodities listed above, the figure of K£194 million represents a market share of 68 per cent. The comparative figures for 1983 and 1984 were 63 and 75 per cent respectively. Coffee co-operatives continue to be the most important in terms of the value of sales.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE*, 1981-1985

Table 8.21

Year	Coffee	Sugar-cane	Pyrethrum	Cotton	Dairy Products	Total
	Sale K£million					
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
1985**	134.45	22.35	119	8.68	27.39	194.06
	Percentage Share					
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
1985**	70	48	41	95	76	68

*Marketed Production in Table 8.2.
**Provisional.

CHAPTER 9—NATURAL RESOURCES AND ENVIRONMENT

The complex process of economic development entails the optimal and efficient use of natural and man-made resources to produce goods and services. The stock of natural resources comprises both renewable and non-renewable resources. For renewable resources, the main consideration is the maintenance of a healthy balance between exploitation and conservation, while for non-renewable resources like minerals, emphasis should be judicious exploitation over time. The Government as well as Non-Governmental Organizations continue to lay special emphasis on programmes and projects aimed at enhancing the natural resource base, and the maintenance of correct environmental balance. In particular, activities related to the prevention of soil erosion and the protection of water catchment areas continue to assume important dimensions in the face of increasing population pressure, and the resultant decline of the potential for population supporting capacity.

Water Supplies

9.2. Economic and demographic forces embracing rapid industralization, agricultural development and urbanization have imposed heavy demands on the use of water resources. Industrial processes use vast quantities of water while urban settlements require similar if not greater quantities for domestic uses including sewage disposal. The provision of clean and safe drinking water for human population and livestock has therefore been an inescapable commitment of the Government.

9.3. There are 23 rural water supply projects under construction in different parts of the country, several of which are expected to be completed by the end of 1986. Some of the major projects under this scheme include Kikoneni in Kwale, Kibauni in Machakos, Ndarugu in Kiambu, Karatina and Mukurueni in Nyeri and Kipsigot-Cheptembo and Lekwa in Elgeyo Marakwet. Other programmes undertaken by the Ministry of Water Development include construction of dams and pans as well as the drilling of boreholes all over the country.

9.4. 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 1981/82 to 1985/86. In conformity with the aspirations of the District Focus for Rural Development, the Government has continued with the strategy of improving the rural areas by increasing investment in basic infrastructure. Expenditure on rural water supplies has increased continuously since 1982/83. Between 1984/85 and 1985/86, the expenditure on those programmes including self-help water supplies rose by K£3.2 million representing a percentage rise of 23. Whereas the two water programmes accounted for 47 per cent of the total development expenditure in 1984/85, their percentage share rose to 52 per cent during 1985/86. The overall development expenditure on water supplies and related services increased from K£29.6 million in 1984/85 to K£33.3 million

in 1985/86, a 12.4 per cent increase compared with 5.5 per cent increase in 1984/85 over 1983/84. Between 1981/82 and 1985/86 fiscal years, overall expenditure on water and related services grew by 1.7 per cent per annum.

9.5. The provision of piped water was accompanied by a close surveillance of quality of water in order to safeguard human life against potential hazzards of polluted water. The water Quality and Pollution Control Division continued to monitor the quality of water using samples submitted for analysis at its water quality assessment laboratories in Nairobi, Mombasa, Nyeri, Kisumu and Kakamega.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1981/82-1985/86

Table 9.1 *K£'000*

	1981/82	1982/83	1983/84	1984/85**	1985/86*
Water Development	246	558	638	1,050	505
Training of Water Development Staff	67	56	44	270	65
Rural Water Supplies	9,235	5,252	7,470	8,782	10,819
Self-Help Water Supplies+	5,586	2,900	5,924	5,169	6,358
County Council and Urban Water Supplies	11,672	5,591	9,350	8,756	10,508
Miscellaneous and Special Water Programmes	4,259	2,698	4,651	5,592	5,025
TOTAL	31,065	17,054	28,077	29,619	33,280

*Provisional.
**Estimate.
+lncludes only contributions by the Ministry of Water Development.

9.6. Water conservation is an important component in the overall management of water resources. A total of 26 dams and pans with a reservoir capacity of 779 thousand cubic metres of water have already been constructed. Most of those dams and pans have been constructed in Samburu, Baringo and Kericho districts.

9.7. Irrigation and flood control activities include the Yala canal, Taveta irrigation, Nzoia flood control, Nzoia drainage and Nyando flood control. The Nzoia flood protection project is currently protecting an area of 100 square kilometres against floods while the Taveta irrigation and drainage project supplies water to 100 small holder families as well as to a 500 hectare sisal estate. The five projects have been constructed at a total cost of K£2.7 million.

Fisheries

9.8. The onset of adequate rains in 1985 helped to restore the aquatic

equilibrium hitherto impaired by the drought in 1984. With rising water levels and the re-emergence of riverine vegetation, several fresh water fish species regained their normal feeding and breeding habits. Migratory shoals from the deep sea waters began drifting ashore while estuarine communities swam upstream in response to the enhanced ecological environment. The overall improvement in the surroundings led to a mild recovery in the fishing industry. Table 9.2 shows that the overall fish landings increased marginally by 1 per cent from 90,976 tonnes in 1984 to 91,740 tonnes in 1985 despite a 16 per cent decline in marine fish catch. The quantity declines, amid sustained demand for fish in 1984, led to higher unit prices which raised the aggregate value of fish from K£11.1 million in 1983 to K£12.5 million in 1984. The trend of high unit prices continued in 1985 and the value of fish landed rose by nearly 2 per cent between 1984 and 1985.

9.9. Lake Victoria continued to make the largest contribution to the country's fish production. Its share in the total fish landings in 1985 was restored to the 1983 position although at a lower amount. Lake Turkana and other fresh water areas made the second largest contribution to total fish landings. Their percentage share have averaged 13 per cent over the last 3 years. The least contribution was, however, made by marine sources in which the percentage share of fish production amounted to only 7 per cent 1985.

QUANTITY AND VALUE OF FISH LANDED, 1981-1985

Table 9.2

	1981	1982	1983	1984	1985*
Quantities *Tonnes:*					
Freshwater fish—					
Lake Victoria	38,179	60,958	77,327	71,854	72,752
Lake Turkana	10,529	11,040	10,113	8,448	8,400
Other areas	2,677	2,019	3,628	3,898	4,050
TOTAL	51,385	74,017	91,068	84,200	85,202
Marine fish	5,546	6,622	5,798	6,069	5,115
Crustaceans	384	426	474	607	558
Other marine products	37	68	121	100	865
GRANDTOTAL	57,352	81,133	97,461	90,976	91,740
Value K£'000:					
Freshwater fish	6,362	8,447	8,329	9,336	9,645
Marine fish	1,486	2,049	2,062	2,205	2,020
Crustaceans	338	413	539	801	751
Other marine products	14	80	204	175	348
TOTAL	8,200	10,989	11,134	12,517	12,764

*Provisional.

9.10. The Fisheries Department continued to implement the various fisheries development programmes. With the support of multilateral agencies including the EEC and IDA, the Department has been involved in the building of fishing centres with complete cold storage facilities at Lamu, Shimoni and Kisumu. A fish farming demonstration programme is also in progress at Kabonyo in Kisumu district. The Kabonyo farm consists of 24 fish ponds of 2.7 hectares each, intended to serve as a demonstration scheme for fish farming activities including the provision of "seed" fish to farmers and the training of Fisheries Department personnel.

Forestry

9.11. The encroachment of the desert and the frequent change in the weather patterns have increased the need to conserve forests in tropical and sub-saharan Africa. The impulse of this conservation effort has also emenated from the changing perception that forests are not just economic assets for extractive uses, but they also constitute necessary environmental amenities. They form conditions which host millions of animal species thereby providing an equilibrium base for natural ecosystems. The maintenance of such an equilibrium is not only relevant in terms of a country's natural heritage, but it is also a necessary safeguard against soil denudation, desertification and deterioration which adversely affect the natural balance of flora and fauna.

9.12. The data in Table 9.3 indicate that the Forestry Department continued to expand the forest plantation area in order to satisfy the growing demand for various forest products and preserve the natural environment. The total forest plantation area increased by a small margin of 2,700 hectares to 167,700 hectares in 1985. The area of both indigeneous softwood and hardwood has virtually remained constant over the last three years. Other woods, on the other hand, experienced slight expansions

FOREST PLANTATION AREA, 1981-1985

Table 9.3 *'000 Hectares*

Type of Forest	1981	1982	1983	1984	1985*
Indigeneous softwood	8.2	9.4	9.7	9.7	9.7
Indigeneous hardwood	10.2	11.3	11.6	11.6	11 6
Exotic softwoods—					
Cypress	55.1	57.5	59.2	62.7	63.5
Pines	63.5	65.2	67.2	68.3	69.2
Exotic hardwoods—					
Timber	3.3	3.5	3.6	3.6	3.7
Fuel	7.1	8.3	8.5	9.1	10.0
TOTAL AREA	147.4	155.2	159.8	165.0	167.7

*Provisional.

ranging from 1,700 hectares in the case of exotic softwoods to 1,000 hectares in the case of exotic hardwoods. The magnitude of change in the overall plantation area is likely to remain fairly low. As food production assumes priority consideration in national development, the emphasis on forest development has shifted gradually form mere spatial expansion to the development of agro.forestry practices which are destined to optimise the use of existing land resources.

9.13. The Rural Afforestation and Extension Division of the Forest Department continued to promote afforestation programmes including the management of tree nurseries and the provision of tree seedlings. A survey of 19 districts in the country indicates that while the number of tree nurseries dropped by 5.5 per cent between 1984 and 1985, the number of seedlings given out for planting rose by 8.6 per cent. A total of 22.6 million seedlings were given out for planting during 1985, out of which 20.3 million were distributed by the Forest Department.

9.14. Table 9.4 shows the recorded sale of forest products between 1981 and 1985. Most of the forest products experienced a decline in the quantity of sale ranging form 4.7 per cent in the case of fuelwood to 21.0 per cent in the case of timber. The sale of hardwood timber has continuously declined since the beginning of 1983 partly because of supply constraints caused by legitimate conservation measures. The number of power and telegraph poles continued to increase in response to increasing government investment in rural electrification and communication networks. The sale of charcoal increased substantially by 16.7 per cent for 1985 over 1984.

Mining

9.15. Table 9.5 sets out details of the quantity and value of mineral production during the period 1981.1985. The mineral production trend in

RECORDED SALE OF FOREST PRODUCTS, 1981-1985

Table 9.4

Forest Product	1981	1982	1983	1984	1985*
Timber '000 *true cu. metres*—					
Softwood	352	312	464	572	452
Hardwood	125	383	263	204	161
TOTAL	477	695	727	776	613
Fuel '000 *stacked cu. metres*—					
Fuelwood	59	50	33	42	40
Charcoal	2	11	9	12	14
Power and Telegraph Poles *numbers*	10,200	15,365	21,146	25,606	25,875

•Provisional.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1981-1985

Table 9.5

Mineral	1981	1982	1983	1984	1985*
Quantities *Tonnes:*					
Minerals—					
Soda Ash	157,870	161,310	193,690	226,000	227,760
Fluorspar	90,099	88,726	59,084	50,883	58,174
Salt	27,796	26,823	83,427	49,449	34,348
Limestone Products**	33,063	26,646	34,150	20,855	39,040+
Other	20,052	4,475	41,475	35,818	37,202+
TOTAL	328,880	307,980	411,826	383,005	396,524
Value K£'000:					
Soda Ash***	5,884	8,150	7,273	11,836	13,180
Fluorspar***	4,443	5,530	3,099	2,951	3,897
Salt	223	630	2,963	1,481	1,029
Limestone Products	522	353	480	662	1,239+
Other	1,338	1,230	1,738	1,500	1,558+
TOTAL	12,410	15,893	15,553	18,430	20,903

*Provisional.
**Excluding limestone used as input into cement product.
***Export value only.
+Rough estimates only.

1985 experienced a mild rise which represents a continuation of the sluggish recovery of the mining industry. The total production rose by a small margin of 3.5 per cent mainly as a result of substantial increases in the production of fluorspar and limestone products. As a result of overall price increases from K£48.1 and K£52.7 per tonne, the value of total mineral output increased by 13.4 per cent from K£18.4 million in 1984 to K£20.9 million in 1985.

9.16. Soda ash continued to make the largest contribution in the total mineral output. However, despite a marginal increase in soda ash production, its share in total mineral output dropped from 59.0 per cent in 1984 to 57.4 per cent in 1985 as a result of larger increases in production of other minerals. Fluorspar remains the second most important mineral and its share in total mineral output amounted to 14.6 per cent in 1985. Fluorspar production increased substantially from 50,883 tonnes in 1984 to 58,174 tonnes in 1985, a 14.3 per cent rise. The production of limestone products on the other hand experienced the highest increase in both quantity and value, while salt production slumped sharply for the second year in succession.

9.17. Table 9.6 indicates the average export prices of soda ash and fluorspar in the period 1981 to 1985, the export prices of the two minerals were most favourable in 1985 and experienced increases ranging from 8.0 per cent in the case of soda ash to 15.5 per cent in the case of fluorspar.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1981-1985

Table 9.6 K£ *per tonne*

Mineral	1981	1982	1983	1984	1985*
Soda Ash	48.9	63.5	58.0	61.0	65.9
Fluorspar	52.1	62.8	63.5	58.0	67.0

*Provisional.

9.18. The Mines and Geological Department continued with programmes of mineral exploration in various parts of the country. Among the projects which were completed in 1985 include the Samburu-Marsabit field mapping which aims at producing geological data for an area of 125,152 sq. kilometres. Revision of mapping continued in the Embu-Meru-Kitui mapping project, while the geochemical sampling and mapping work on the 1:50,000 Ishiara and Kimbere sheets was completed by the end of 1985. The geological mapping and geochemical sampling work which aimed at assessing the potential for base metals and gold in Sotik, Belgut, Chemagel and Chepalungu areas (in Kericho) has now been finalised. Reports for the limestone deposits at Songhor, Koru and West Pokot have been scrutinized and the limestone has been found suitable for use in cement manufacture. The report of the geochemical analysis of the Kisii stone has indicated that the stone qualifies for use in the manufacture of paper, ceramic tiles and chalk, among others. Reports on other industrial minerals including Karundu Kaolin and bentonite deposit at Timau/Isiolo areas, have also been submitted and analysis is in progress.

Resource assessment and monitoring activities

9.19. The importance of continuous monitoring and assessment of the status of the natural environment cannot be over-emphasised. Through a carefully designed monitoring system, valuable data and information is generated and used for planning purposes. In 1985, the Kenya Rangeland Ecological Monitoring Unit (KREMU) continued to monitor natural resources. The main activities during the year included land use mapping, forecasts of maize yields and harvests and undertaking censuses of both livestock and wildlife. Land use data for Nandi, Uasin Gishu and Murang'a districts were collected using aerial photography. Follow-up surveys will be undertaken in the same districts in order to measure changes in area under crops, crop distribution, forest cover and density of housing and human settlement.

Other Activities for Preserving the Environment

9.20. The process of economic development requires intensive use of resources. The use of such resources is sometimes indiscriminate leading to environmental decay and dictated more by private economic motives rather than considerations of long run social welfare. In developing economies, there is usually an overwhelming pressure to sacrifice the environment on the excuse of raising levels of wage employment, Government revenue or household incomes. Although these are desirable goals, experience has shown that economic development, however desirable, must fit within a pattern of a healthy environment. Appropriate assessment of the state of the environment is therefore necessary in order to design suitable conservation and preventive measures compatible with intended economic objectives.

9.21. The National Environment and Human Settlements Secretariat (NEHSS) was established to administer such environmental matters and to ensure that environmental considerations are not over-looked in drawing up development programmes. In trying to achieve this goal, the Secretariat has been involved in the production of district environment assessment profiles which portray regional "anatomies" of resource endowments including environmental potential and problems. By the end of 1985, the Secretariat had completed environment assessment profiles for Kajiado, Nyeri, Kitui, Murang'a, Kisii, Nakuru, Kwale, Kilifi, Tana River, Lamu and Mombasa districts.

CHAPTER 10 — ENERGY

Overview

There were two important developments in the energy industry in 1985: the fall in world prices in December 1985 and the intensification of oil exploration. After rising to US30 dollars per barrel in 1979, the world market price for oil came down to below US20 dollars per barrel in December 1985. The full beneficial impact of this fall will be felt in 1986 and beyond. Consequent upon the enactment of the Petroleum (Exploration and Production) Regulation of 1984, the Government signed contracts with oil companies for oil exploration in the northern part of the country; and some 19,200 sq. km were under exploration by the end of 1985.

10.2. The value of imports of all petroleum products recorded an increase of 15 per cent in 1985, to K£375 million from K£326 million paid in 1984. This increase was chiefly due to the depreciation of the Kenya shilling against the US dollar in which oil prices are denominated.

10.3. Generation of electricity, the major indigenous commercial source of energy, increased by 17 per cent above the 1,724 GWH generated in 1984. The major contributor to this increase was geothermal generation, resulting from the installation of an extra 15 MW capacity. The Government has also intensified its effort through the "New and Renewable Energy Program" in order to achieve diversification of energy sources. A number of agro-forestry projects have come up and many biomass plants have been installed as a result.

Petroleum

10.4. Both quantity and value of imports and exports of petroleum products for the period 1981 to 1985 are shown in Table 10.1. The downward trend in the quantity of oil imports which started at the end of 1981 was reversed in 1985, with imported quantities slightly higher than in 1984. Petroleum fuels and lubricating oil declined by 36.1 per cent, while crude petroleum increased by 5.7 per cent, rising to 1,981 thousand tonnes in 1985. The value of all petroleum imported in 1985 rose by 15.1 per cent to a five year record level of K£375 million.

10.5. Exports of petroleum products, which help to cushion the oil import bill, declined both in quantity and value in 1985. The quantity decreased from 702 thousand tonnes in 1984 to 612 thousand tonnes in 1985, while the value fell by 17 per cent from K£142 million in 1984 to K£118 million in 1985. Petroleum fuels, the main product exported to the neighbouring countries, recorded the highest drop of 13 per cent in quantity and was 597 thousand tonnes in 1985, almost half the quantity recorded in 1981. The value of lubricating oil also recorded a slight decline. The declining trend of petroleum exports arises from the fact that Kenyan

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1981-1985

Table 10.1

	QUANTITY ('000 TONNES)					VALUE (K£'Mn)				
	1981	1982	1983	1984	1985*	1981	1982	1983	1984	1985*
IMPORTS—										
Crude Petroleum	2,611.1	2,162.5	1,940.2	1,874.3	1,980.7	338.13	299.81	289 46	292.42	349.27
Petroleum Fuels	83.1	101.6	195.9	100.6	51.9	8.17	22.12	45.55	21.12	12.57
Lubricating Oil	50.4	20.0	22.5	35.4	35.0	11.72	5.77	7.25	12.54	13.41
Lubricating Greases	0.2			0.1	0.1	0.13	0.07	0.06	0.09	0.14
TOTAL	2,746.8	2,284.1	2,158.6	2,010.4	2,067 7	358.15	327.77	342.32	326.17	375.39
EXPORTS—										
Petroleum Fuels	1,169.5	868.0	630.8	685.3	596.8	152.28	141.68	118.24	131.72	108.58
Lubricating Oils	15.8	14.7	17.1	16.7	14.8	5.50	7.06	965	9.48	9.12
Lubricating Greases	0.5	0.4	0.9	0.4	0.3	0.23	0.25	049	0.30	0.33
TOTAL	1,185.8	883.1	648.8	702 4	611.9	158.01	148.99	128.38	141.50	118.03
NET BALANCE	1,561.0	1,401.0	1,509.8	1,308.0	1,455 8	200.14	178.78	213.94	184.67	257.36

*Provisional.

export prices are higher than imports from the Middle East, and, as a result, Kenya is losing the neighbouring markets to the Middle East countries. Disturbances in Uganda, particularly in the second half of 1985, also contributed significantly to the lower exports.

10.6. Table 10.2 gives data on crude oil intake by type, for the period 1981 to 1985. Apart from the intake in 1984, the declining trend continued in 1985 to a record low of 1,942 thousand tonnes. Major declines were in Arabian Heavy, Arabian light Berri, and Iranian Medium. However, crude types which registered significant increases were Murban and Zakum. While heavy crude types registered declines, lighter crude types recorded notable increases—a reflection of the Refinery design characteristics which are better suited for processing lighter crudes. Thus the four lightest crudes together accounted for 68 per cent of intake in 1985, compared to a 26.7 per cent share in 1981.

10.7. The oil refinery output of petroleum products remained depressed in 1985, a feature first recorded in 1982. Output of petroleum products, as shown in Table 10.3 declined, from 2,709 thousand tonnes in 1981 to 1,942 thousand tonnes in 1985. There was, however, varied performance in the

CRUDE OIL INTAKE BY TYPE, 1981-1985

Table 10.2 *'000 Tonnes*

Crude intake	A.P.I. Gravity	1981	1982	1983	1984	1985*
Arabian Light	33.4	785 2	699.8	281.6	58.2	38.2
Arabian Medium	31.0	658.7	40.9	670	3.6	38.6
Arabian Heavy	27.9	75.5	198.1	208.3	244.5	93.5
Arabian Light Spike Crude	–	–	73.6	–	–	–
Arabian Light Bern	–	–	–	*57.9*	314.8	66.2
Iranian Light	33.9	67.5	53.8	242.1	76.9	–
Iranian Medium	–	657	65.3	97.8	343.7	217.1
Qatar Marine	36.7	342	—	–	100 7	72.4
Qatar Durkhan	41.2	*52.6*	64.8	646	–	104.2
Kuwait	32.0	67.5	53.4	53.5	55.3	34.9
Zakum	40.1	50.9	81.3	226.2	268.3	305.9
Upper Zakum	–	–	–	—	–	58.4
Murba	39.6	584.7	522.0	520.2	552.9	840.7
Dubai	32.4	66.8	–		0.1	71.3
Oman	–	195.0	199.2	100.7	–	–
Suez Mix	–	–	212.9	64.4	—	–
Slops	–	4.5**	3.6**	1.1	0.9	0.4
TOTAL	–	2,708.8	2,268.7	1,985.4	2,019.9	1,942.0

*Provisional.

**Estimated.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1981-1985

Table 10.3 *'000 Tonnes*

	1981	1982	1983	1984	1985*
OUTPUT—					
Liquefied petroleum gas	22.3	20.0	20.3	23.0	21.8
Motor gasoline premium	213.9	182.8	141.2	135.4	136.6
Motor gasoline regular	155.4	139.6	159.4	168.7	182.5
Illuminating kerosene					
Jet/turbo fuel	474.8	378.0	326.6	357.2	351.3
Light diesel oil	466.6	409.0	419.3	437.1	466.4
Heavy diesel oil					
Marine diesel oil	68.2	54.7	28.9	31.6	32.1
Fuel oil	647.6	619.2	604.6	613.0	412.8
Export residues	542.3	347.3	191.5	154.3	240.2
Bitumen	33.1	29.3	26.3	30.7	27.0
Intermediates	-3.2	4.8	-2.1	-2.1	2.9
Refinery usage	87.8	84.0	69.4	71.1	68.3
THROUGHPUT=TOTAL OUTPUT	2,708.8	2,268.7	1,985.4	2,019.9	1,942.0

*Provisional.
**Excludes lubricants.

output of component products. Among the products which recorded noticeable increases in 1985 were regular motor gasoline and light diesel oil. Increases in both products were influenced by the increase in the number of new motor vehicles registered and the improved performance in agricultural activities during the year.

10.8. The upturn in the domestic sales of petroleum fuels recorded in 1984 was maintained in 1985. Total domestic sales of all petroleum fuels rose marginally from 1,482 thousand tonnes in 1984 to 1,497 thousand tonnes in 1985. Table 10.4 shows demand and supply trends for the period 1981 to 1985. Motor spirit and light diesel oil, which increased by 3.9 per cent and 6.6 per cent, respectively, were the main contributors in the overall increase in total fuel demand, as explained above. Illuminating kerosene also registered an 11.7 per cent rise in 1985 to record the highest demand since 1981, at 91 thousand tonnes.

10.9. Sale of petroleum fuels by consumer category is a useful indicator for determining the level of activity in the various economic sectors. Total fuel consumption by all categories have continued to increase since 1983 when it reached its lowest point of 1,373 thousand tonnes. Transport sector (comprising road, rail, marine and aviation) is the major fuel consumer in Kenya. Its share of total consumption has ranged from 68.9 per cent in 1981

PETROLEUM SUPPLY AND DEMAND BALANCE, 1981-1985

Table 10.4 *'000 Tonnes*

	1981	1982	1983	1984	1985*
DEMAND—					
Liquefied petroleum gas	21.1	20.9	19.9	21.6	22.4
Motor spirit premium and regular	298.5	269.3	256.4	257.7	267.8
Aviation spirit	6.1	6.1	6.1	5.6	5.9
Jet/turbo fuel	343.5	281.8	250.1	259.4	261.0
Illuminating kerosene	88.6	82.2	81.8	81.4	90.9
Light diesel oil	375.6	373.1	388.9	420.1	447.7
Heavy diesel oil	30.7	27.6	23.2	25.2	25.1
Fuel oil	420.4	428.3	346.7	411.4	376.5
TOTAL	1,584.5	1,489.3	1,373.1	1,482.4	1,497.3
Refinery usage	87.8	84.0	69.4	71.1	68.3
TOTAL DOMESTIC DEMAND	1,672.3	1,573.3	1,442.4	1,553.5	1,565.6
Exports of petroleum fuels	1,169.5	868.0	630.8	685.3	596.8
TOTAL DEMAND**	2,481.8	2,441.3	2,073.3	2,238.8	2,162.4
SUPPLY—					
Imports:					
Crude oil	2,611.1	2,162.5	1,940.2	1,874.3	1,980.7
Petroleum fuels	85.1	101.6	195.9	100.6	51.9
TOTAL	2,696.2	2,264.1	2,136.1	1,974.9	2,032.6
Adjustment***	145.6	177.2	-62.8	263.9	129.8
TOTAL SUPPLY**	2,841.8	2,441.3	2,073.3	2,238.8	2,162.4

*Provisional.
**Difference is due to rounding.
***Adjustment for inventory changes and losses in production.

to 70.7 per cent in 1985. Table 10.5 further shows that road transport alone accounted for 41 per cent of total fuel consumption in 1985 compared with 33 per cent in 1981, emphasizing the growing dominance of this sector as a user of petroleum fuels. As a result of good rainfall in 1985, there was improvement in the performance of the agricultural sector, and this helped reverse the hitherto declining trend in fuel consumption. Consequently, there was an increase from 44 thousand tonnes consumed in 1984 to 49 thousand tonnes in 1985. Industrial and commercial sectors are the second highest fuel consumers even though their consumption has stagnated, chiefly due to their more intensive use of electric energy. Consumption for the power generation which went up by 25 per cent to 55 thousand tonnes in

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1981-1985

Table 10.5 *'000 Tonnes*

USER	1981	1982	1983	1984	1985*
Agriculture	71.9	45.8	45.5	44.0	48.9
Retail pump outlets and road transport	515.7	507.4	520.5	568.7	616.6
Rail Transport	45.2	-41.9	40.9	42.5	35.0
Tourism"	–	8.5	8.0	9.3	9.4
Marine (excl. Naval Forces)	182.0	144.1	201.7	158.9	147.1
Aviation (excl. Government)	349.6	283.2	250.6	258.8	260.4
Power Generation	109.9	95.6	43.6	54.5	27.4
Industrial, Commercial and Other	464.0	445.2	416.0	452.6	452.7
Government	95.3	51.2	47.7	51.8	46.7
Balancing Item	-249.1	-133.6	-201.5	-158.7	-146.9
TOTAL	1,584.5	1,489.3	1,373.1	1,482.4	1,497.3

*Provisional.
**Comprises sales to tour operators.

1984 as a result of drought, dropped by almost half in 1985 due to sufficient rainfall during the year. The public sector's fuel consumption has dropped considerably since 1982, in line with strict Government stand on curbing its expenditure; as a result, the consumption of petroleum fuels in 1985 was less than one half of its 1981 level.

10.10. Table 10.6 provides data for major fuel products at wholesale prices in Mombasa. The last change in the wholesale prices of petroleum products occured in April, 1984 and the prices have remained operational throughout 1985. Between 30th September, 1973 to the end of 1985, changes in wholesale prices of all the petroleum fuels range from three-fold increase for liquefied petroleum gas to about nine-fold increase for power kerosene. Since oil products are among the major input components in two key sectors—agriculture and manufacturing—the exceptional increase of oil prices have had some adverse effects on the rate of growth of the economy as a whole.

10.11. Retail pump prices of motor gasoline in Nairobi have more than doubled since September 1979. Table 10.7 gives the dates on which retail oil prices have changed in Nairobi since 8th April, 1979. Prices in other towns in the country vary minimally from those in Nairobi to allow for cost of transportation. Since the beginning of 1981 to the end of 1985, prices of premium, regular gasoline and gas oil have risen by 40 per cent, 42 per cent and 51 per cent, respectively. However, as a result of the plunge in crude oil prices in December, 1985, cuts in prices of oil products were announced by the Government in March, 1986. The highest decrease, at 8 per cent, was in gas oil price

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

Table 10.6 KSh. *per tonne*

	30-9-1973	5-11-1981	3-12-1982	3-12-1983	27-4-1984**	Ratio 1984/73 (Per cent)
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	9738	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.

**These prices were still in force throughout 1985.

NAIROBI RETAIL PRICES, 1979-1984

Table 10.7 *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	615	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.

**These prices were still in force throughout 1985.

Electricity

10.12. Table 10.8 gives the total installed capacity and generation of both hydro and thermal electricity. After stagnating in both 1983 and 1984, the installed generating capacity increased by 2.8 per cent in 1985. This increase was due to the commissioning of the 15 MW Olkaria geothermal project. The hydro installed capacity has, however, remained unchanged at 353.5 MW since 1981. In spite of the high water level in the power dams due to above average rainfall the Kenya Power and Lighting Company maintained the oil-based thermal capacity at 160.2 MW.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1981-1985

Table 10.8

Year	INSTALLED CAPACITY* MW**				GENERATION*GWH***			
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal Oil	Geother-mal	Total
1981	353.5	171.6	15.0	540.1	1,381.0	334.0	39.0	1,754.0
1982	353.5	171.6	30.0	555.1	1,397.0	311.0	96.0	1,804.0
1983	353.5	160 2	30.0	543.7	1,478.0	164 0	262.0	1,904.0
1984	353.5	160.2	30.0	543.7	1,491.0	225.0	233.0	1,949.0
1985	353.5	160.2	45.0	558.7	1,680.0	139.0	336.0	2,155.0

*Includes estimates for industrial establishment with generation capacity.
**1 megawatt=million watts=1,000 kilowatts.
***gigawatt hour =1,000,000 kilowatt hours.

10.13. Domestic electricity consumption has kept on rising steadily due to diversification and the rural electrification programme. In order to cater for this, domestic electricity generation has also been on the increase to keep pace with demand. Total electricity generated in 1985 increased to 2,155 GWH or by 10.6 per cent; this was the highest rise during the 1981 to 1985 period. Hydro-electricity generated registered an increase of 12.7 per cent, rising from 1,491 GWH in 1984 to 1,680 GWH in 1985 which is attributed to adequate rainfall in 1985. As a result of the additional installed capacity in geothermal source, units of geothermal electricity generated increased by 44 per cent to 336 GWH in 1985. Oil based thermal generation, however, declined from the drought induced level of 225 GWH in 1984 to 139 GWH.

10.14. Total demand which is equivalent to total supply increased to 2,324 GWH in 1985, from 2,121 GWH in 1984. Table 10.9 shows that

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1981-1985

Table 10.9 *Million KWH*

	1981	1982	1983	1984	1985
DEMAND—					
Domestic and Small Commercial	438	455	484	514	545
Large Commercial and Industrial	1,096	1,121	1,144	1,206	1,354
Off-peak	118	114	109	116	106
Street Lighting	11	11	10	9	9
TOTAL	1,663	1,701	1,747	1,845	2,014
Transmission losses and un-allocated demand	256	284	294	276	310
TOTAL DEMAND=TOTAL SUPPLY	1,919	1,985	2,041	2,121	2,324
of which imports from Uganda	194	212	179	215	215
Net generation	1,725	1,773	1,862	1,906	2,109

imports from Uganda remained at the 1984 level of 215 GWH. The large commercial and industrial sector continued to be the main consumer, accounting for 58.3 per cent of the total, while the domestic and small commercial sector maintained its second position. Off-peak demand, after rallying to 116 GWH in 1984, dropped to the lowest level yet, of 106 GWH in 1985. This could be attributed to the effect of the current appeal by the Government to the public to conserve energy by switching off lights when not in use. Street lighting demand remained at 9 GWH as in 1984.

Energy Balance

10.15. Liquid fuels continue to be the major energy consumed in 1985, in spite of the efforts to reduce its dominance in the economy. However, its share is gradually being reduced, from 78.8 per cent in 1981 to 72.5 per cent in 1985. Table 10.10 provides figures on total commercial fuel demand and supply from both local and external sources. Total primary energy

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1981-1985

Table 10.10 *000 Tonnes Oil Equivalent*

	1981	1982	1983	1984	1985*
COAL AND COKE CONSUMPTION	63.8	52.5	63.7	82.7	59.9
OIL:—					
Imports of crude oil	2,611.1	2,165.5	1,940.2	1,932.7	1,980.7
Net exports of petroleum	1,084.4	-769.4	-434.9	-584.7	-544.9
Stock changes and balancing item	145.6	-177.2	-62.9	205.5	129.8
TOTAL CONSUMPTION OF LIQUID FUELS	1,672.3	1,573.3	1,442.4	1,553.5	1,565.6
HYDRO AND GEOTHERMAL ENERGY:					
Local production of hydro power	331.4	335.3	354.7	357.8	403.2
Local production of geothermal power	9.4	23.0	-62.9	55.9	80.6
Imports of hydro power	46.6	50.9	43.0	51.6	51.6
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	387.4	409.2	460.6	465.3	535.4
TOTAL LOCAL ENERGY PRODUCTION	340.8	358.3	417.6	413.7	483.8
TOTAL NET IMPORTS	1,637.1	1,499.5	1,612.0	1,482.3	1,547.3
TOTAL ENERGY CONSUMPTION	2,123.5	2,035.0	1,966.7	2,101.5	2,160.9
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	16.0	17.6	21.2	19.7	22.4
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	12.3	11.3	10.5	10.8	10.7

*Provisional.
**Modern sector only; fuelwood and charcoal are excluded.

generated has been on the increase, from 341 thousand tonnes oil equivalent in 1981 to 484 thousand tonnes oil equivalent in 1985; an increase of 42 per cent over the period.

10.16. Coal, which is relatively cheaper to import but is less efficient in energy generation, accounted for only 3 per cent of the total energy consumption in 1985. In its endeavour to diversify energy sources and save more foreign exchange on fuel imports, the Government has commissioned a study whose terms of reference include examining the possibility of using more coal and less oil in the economy.

10.17. Total energy consumption in 1985 amounted to 2,161 thousand tonnes oil equivalent, representing an increase of 2.8 per cent over 1984. Electricity and oil energy increased by 15.1 per cent and 0.7 per cent, respectively. Coal consumption, however, declined by 28 per cent, from 83 thousand tonnes oil equivalent in 1984 to 60 thousand tonnes oil equivalent in 1985. The local share of total energy supply has continued its ascent, reaching 22.4 per cent in 1985 compared with 16.0 per cent in 1981. This is wholly explained by increased hydro and geothermal generation which have been rising over the years. The per capita commercial primary energy consumption declined marginally from 108 kg of oil equivalent in 1984 to 107 kg of oil equivalent in 1985.

Household Energy Use.

10.18. Household energy shortage has, in the recent past, attracted public attention. While both the urban and rural population have felt the shortage, the rural people have of late been the most affected due to the dwindling fuelwood supply. Currently, the Government through the relevant Ministries is tackling this problem through both supply and demand approaches. The supply side approach is being pursued by means of more afforestation and the agro-forestry programme while the reduction in the energy demand is tackled through the introduction of more efficient energy equipment which include improved stoves, kilns and "jikos". These two approaches should play a role in solving the household fuel problem in the future.

10.19. In November, 1985, a sample survey on Household Fuel Use was conducted in Nairobi, Mombasa, Nakuru and Kisumu town. It was found that the average price per kilogramme of charcoal was lowest in Nakuru and most expensive in Nairobi. The high charcoal price in Nairobi is attributed to the long distances from the source which extend as far as Laikipia, Mtito Andei and Mau Narok, an average distance of 200 km. On the other hand most of the charcoal used in Nakuru comes from Baringo where the average distance is 80 km. Distances to sources for Mombasa and Kisumu lie between these two extremes.

CHAPTER 11—MANUFACTURING

The manufacturing sector recorded a modest growth in 1985. At constant prices, its contribution to Gross Domestic Product increased by 4.6 per cent compared with 4.3 and 4.5 per cent in 1984 and 1983, respectively. Increased agricultural output resulting from the good short rains in 1984 and adequate long rains in 1985 made the domestic market fairly liquid which consequently raised domestic consumption of manufactured goods. This, coupled with an improvement in the availability of imported inputs through better provision of import licences and foreign exchange allocation as well as the incentives announced during the 1985 Budget, may account for the modest increase in the output of the sector. An even higher growth would have been achieved, but for the falling commodity prices, particularly tea prices, in the international markets during the year. In addition, the depreciation of the Kenya Shilling *vis-a-vis* the major foreign currencies inhibited substantial imports of essential inputs for the sector, which at the same time acted as a deterrent to further investment and modernization of the sector. Increases in prices of consumer manufactured non-luxury goods once again rose moderately, which augured well with increased local consumption of goods of the sector.

11.2. Most industries in the sector recorded increases in output during the year, with the growth rates moderate, but well above the 3 per cent target for the entire sector set in the current Development Plan. Notable growth rates were recorded for miscellaneous manufatures, meat and dairy products, canned vegatables, oils and fats and miscellaneous foods. However, there was a substantial decline in output of products in the wood and cork industry, and moderate falls in output of transport equipment, sugar and confectionery and tobacco industries.

11.3. One of the indicators in assessing the performance of an economy is its ability to create additional employment opportunities. In 1985, the modern manufacturing sector recorded the highest increase in wage employment since 1979. The number increased from 153,100 persons in 1984 to 158,800 persons in 1985, an addition of 5,700 persons. Average wage earnings rose by 11.6 per cent which, although lower than the 13 per cent recorded in the previous year, was slightly above the rise in consumer prices, thus enabling increased domestic consumption of manufactured goods.

11.4. Investment in the sector continued being sluggish, a result of low domestic savings coupled with the high cost of imported capital goods. Further, foreign investment which would have come as a result of an expanded regional market in the Preferential Trade Area (P.T.A.) did not come because of the P.T.A.'s rules of origin structure, a requirement that at present only favours products from firms with local majority ownership in Kenya although some other member states are permitted greater foreign ownership. Consequently, the value of additions to fixed assets, as

measured by the Business Expectations Enquiry (BEE) which covers firms with employment of twenty or more persons in the manufacturing sector, declined further to K£49 million from a revised figure of K£70 million in 1984.

11.5. Data obtained from the BEE also indicate fairly high growth rates in the value of sales at current prices, in the metal products, meat and dairy products, canned vegetables, and oils and fats. Other industries excluding wooden furniture and fixtures and sugar and confectionery industries realized moderate growth rates. The total value of sales in the sector improved from a revised figure K£1,788 million in 1984 to a provisional figure of K£1,979 million in 1985, a percentage rise of 11 per cent compared with an increase of 15 per cent attained in 1984. This slower growth rate is attributable to a decrease in the volume of exports of manufactured goods during the year. Consequently, the value of stocks in this sector is estimated to have grown to K£394 million in 1985 compared with a revised figure K£377 million in the previous year.

Changes in production in 1985

11.6. Details of estimated values of output, intermediate consumption, value added and wages paid at current prices, in the manufacturing sector are given in Table 11.1. The value of output rose by almost 20 per cent in 1985, compared with an increase of 22 per cent in 1984. Similarly, the values of intermediate consumption and value added grew at a slower pace than for 1984. While the volume of output has increased by 16 per cent since 1981, that of value of output has risen by 96 per cent, indicating a relatively fast rise in prices of manufactured goods. In addition, the share of intermediate consumption over the same period increased even faster, namely, 105 per cent during the five-year period.

11.7. The indices of output of manufacturing sector are detailed in Table 11.2. Except for 1982, when the lowest growth in volume of output was recorded, the sector has grown continuously at a rate of over 4 per cent per

MANUFACTURING SECTOR*—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES 1983-1985

Table 11.1 *K£million*

	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1983**	2,425.58	1,996.47	429.11	149.40
1984**	2,956.67	2,471.97	484.70	168.72
1985***	3,535.62	2,992.82	542.80	188.24

*Includes tea processing.
**Provisional. Awaiting final figures from the 1982 Census of Industrial Production.
***Early Estimates.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1983-1985

Table 11.2 *1976=100*

	1983	1984	1985*	Percentage change 1985/1984*
Meat and Dairy Products	80.2	67.9	81.0	+19.3
Canned Vegetables, Fish, Oils and Fats	183.5	167.7	194.9	+16.2
Grain Mill Products	154.4	164.2	177.4	+8.0
Bakery Products	111.8	109.6	120.9	+10.3
Sugar and Confectioner	153.0	189.1	177.6	-6.1
Miscellaneous Foods	121.7	126.6	142.8	+ 12.8
Food Manufacturing	119.5	128.2	135.7	+5.8
Beverages	117.2	127.6	141.9	+11.2
Tobacco	174.2	161.7	151.8	-6.1
Beverages and Tobacco	128.3	134.7	144.6	+7.3
Textiles	146.8	166.6	174.3	+4.6
Clothing	406.8	369.5	352.5	-4.6
Leather and Footwear	93.1	81.3	80.1	-1.5
Wood and Cork Products	109.6	91.5	66.4	-27.4
Furniture and Fixtures	67.1	69.8	71.6	+2.6
Paper and Paper Products	129.5	137.1	147.1	+7.3
Printing and Publishing	284.1	317.3	330.8	+4.3
Basic Industrial Chemicals	150.5	167.8	163.3	-2.7
Petroleum and Other Chemicals	196.6	245.0	257.2	+5.0
Rubber Products	195.0	227.5	247.2	+8.9
Plastic Products	176.6	186.3	198.0	+6.3
Clay and Glass Products	216.8	282.3	289.1	+2.4
Non-Metallic Mineral Products	122.2	108.4	121.9	+12.5
Metal Products	97.4	89.4	94.8	+6.0
Non-Electrical Machinery	100.1	103.1	109.6	+6.3
Electrical Equipment	138.2	147.2	154.5	+5.0
Transport Equipment	904.2	774.9	674.8	-12.9
Miscellaneous Manufactures	118.8	157.7	202.1	+28.1
Total Manufacturing	163.6	170.3	178.2	+4.6

*Provisional.

annum. The rise of 4.6 per cent in 1985 was welcome, considering the sharp decrease in the international prices of tea prevailing in 1985.

11.8. Despite the impressive increases in output of meat and dairy products; canned vegetables, oils and fats; and miscellaneaous food industries; the overall volume of output of the food processing industry rose by only 5.8 per cent in 1985 compared with 7.3 per cent recorded in 1984. This slower growth is a result of the decrease in output of the sugar and

confectionery industry which had recorded a significant increase of 23.6 per cent in 1984. Nevertheless, the food processing industry is expected to improve further following the timely onset of the long rains and the current sharp rise in coffee prices.

11.9 During 1985, there was a sharp decrease in sale of animals for slaughter, particularly to the Kenya Meat Commission (K.M.C.). The timely rains received in 1985 may have encouraged farmers to fatten their cattle, sheep and goats prior to selling as well as retaining stock to replenish the drought depleted herds. Consequently, output of beef fell from a revised figure of 32 thousand tonnes in 1984 to 21 thousand tonnes in 1985. The output of mutton, goat meat, pork, hides and skins also decreased substantially. Export of canned beef subsequently declined in order to meet the increased local demand for meat products. In contrast, the output of dairy products increased significantly, thus giving an overall rise of 19.3 per cent for the combined meat and dairy products industry. Production of liquid milk rose by 33.5 per cent from 197 million litres in 1984 to 263 million litres in 1985.

11.10. The canned vegetables, fish, oils and fats industry which recorded a decrease of 8.6 per cent in 1984 rose by 16.2 per cent in 1985. Favourable weather improved production from the orchards and off-shore fishing grounds. In support, a leading producer of edible fats and margarine had expanded its storage facilities to handle the increased output. The output of canned fruits, in particular, rose to 156 thousand tonnes in 1985 from 123 thousand tonnes in 1984. There were notable increases in the output of edible fats and margarine, jams and marmalades, fruits and vegetable juices. Consequently, export of fruit and vegetable juices, edible fats and margarine increased substantially over the year. The industry's output will be further boosted by the reopening of the Pan African Vegetable Products factory in Naivasha in 1985.

11.11. Agricultural production of cereals improved tremendously in 1985, a result of the good rains received and the timely arrival of the requisite inputs. This led to larger deliveries of grain to the millers, with a resultant output increase of 8.0 per cent in 1985 for the grain mill products industry compared with a rise of 6.3 per cent in 1984. This was enhanced by the increase in both producer and consumer prices for maize and wheat announced during the year. The output of wheat flour, in particular, rose substantially to 293 thousand tonnes in 1985 from 222 thousand tonnes in 1984. Moreover, the output of wheat and rice were the highest recorded for the last five years. However, for maize flour, the output decreased from 302 thousand tonnes in 1984 to 242 thousand tonnes in 1985. Nevertheless, this represents normal production requirements, as 1984 was a drought year and the consumption pattern was affected to a large extent in favour of maize flour. Table 11.3 shows the production of grain mill products in the previous five years.

PRODUCTION OF GRAIN MILL PRODUCTS, 1981-1985

Table 11.3 *tonnes*

Year	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
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
1985*	242.3	292.6	24.0	0.4

*Provisional.

11.12. The bakery industry, represented by bread, scones, cakes and biscuits, recorded an increase in output of 10.3 per cent compared with a fall of 2.0 per cent in 1984. The output of bread alone, the major product of this industry, rose by 15.9 per cent from 151 thousand tonnes in 1984 to 175 thousand tonnes in 1985, a reflection of a better performance in output of wheat flour. Output of the other products recorded decreases due to the inadequate domestic demand and a fall in the output of other complementary products, particularly sugar. However, exports of biscuits, which enjoys good export demand from Uganda, Tanzania and Djibouti, increased.

11.13. The Output of sugar and confectionery industry fell by 6.1 per cent following a substantial increase of 23.6 per cent recorded in 1984. It seems that the sugar industry did not take advantage of the price increases announced during the year. Inspite of relatively small increases in output of confectionery products, the delivery of sugar-cane to sugar mills fell and consequently the output of sugar and molasses decreased.

11.14. The Miscellaneous foods industry, represented by processed tea, coffee, refined salt, cashew nuts, manufactured animal feeds, curry powder amongst others, recorded an appreciable growth in volume of output of 12.8 per cent compared with a modest rise of 4.0 per cent in the previous year. Although there was a sharp decline in international prices of tea, output of local processed tea increased as a result of increased production of green leaf. The output of manufactured animal feeds, however, declined due to adequate stocks of raw animals feeds. The industry will benefit further from the current sharp increases in international prices for coffee.

11.15. Details of beverages and tobacco production are shown in Table 11.4. The recorded output of spirits in 1985 was the lowest in the last five years, a reflection of contracting local consumption because of increased prices for these products. In spite of the price increases in 1985, output of beer and cigarettes rose: the former enjoys both good domestic and export

PRODUCTION OF BEVERAGES AND TOBACCO, 1981-1985

Table 11.4

Year	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	'000 Litres	Million litres	Million litres	Million
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
1985*	448.8	263.3	146.0	5,661

*Provisional.

demand. Indeed, the recorded output of beer in 1985 was the highest in the last five years and enjoys export demand from Uganda, Tanzania, Sudan and Britain. During the year, exports of beer alone earned the country some KSh. 55 million compared with only KSh. 5 million earned in 1984. Although production of cigarettes rose, that of manufactured tobacco fell, thus giving a negative growth for the tobacco industry. The fall in output of manufactured tobacco and spirits was offset by relatively big increases in the products mentioned above, thus giving an overall rise in output of 7.3 per cent for the beverages and tobacco industry, an improvement over the 5.0 per cent registered in 1984. Price increases for soft drinks may have enhanced production in 1985 so that output of mineral waters continued with its upturn in the second year in succession.

11.16. The textile industry, except for polyester viscose fabrics, knitted products, cotton lint and ginned cotton, recorded increases in the volume of output, with an increase of 4.6 per cent compared with 13.5 per cent in 1984. Export demand for both cotton woven fabrics and blankets shows an upward trend which should spur further output of these products. Some products have not penetrated the export market due to being less competitive in terms of quality. A leading producer of ropes and twines made a KSh. 80 million operational modernization in a bid to use local raw materials. This is in line with the Government's policy of increased use of local raw materials, and will also enhance output of the entire textile industry.

11.17. For the second year, the output of the clothing industry declined, although moderately. Modest increases occurred in output of shirts, uniforms, overalls and men's suits which were, however, offset by large decreases in the output of trousers, dresses, vests and singlets, leading to an overall decrease in the output. Exports of most products of the clothing industry have been maintained at their 1984 level while clothing imports

declined substantially. This further augurs well with the Government's policy of increased local consumption of locally available competitive goods.

11.18. The output of leather products and footwear registered a decrease of 1.5 per cent which was a slowing down of the 1984 rate of decline of 12.7 per cent. Substantial decreases were recorded for sole leather, PVC leather, cloth, sheep and goat skins, but were countered by moderate growth in production of finished and unfinished leather, sporting balls and leather shoes. The output of leather shoes grew from 1.2 million pairs in 1984 to 1.3 million in 1985, an increase of 8.3 per cent. The value of imported footwear fell from KSh. 29 million in 1984 to only KSh. 5 million in 1985, indicating increased consumption of locally manufactured footwear.

11.19. The Government's restrictions on felling of trees in its conservation policy continued, thus adversely affecting the wood and cork products industry. A sharp decrease in output of 27.4 per cent was recorded in 1985, following a decrease of 16.5 per cent in the previous year. A further deterioration is likely, given the implementation of a price increase for timber towards the end of 1985, resulting from the Government's increase in royalty fees by 28 per cent during the middle of the year. The output of sawn timber, the main product of this industry, fell substantially by 28 per cent from 90 thousand cubic metres in 1984 to 65 thousand cubic metres in 1985. Output of wooden furniture and fixtures rose more slowly compared with 1984.

11.20. In spite of decreases in the output of kraft paperboard, corrugated packing containers and envelopes, the paper and paper products industry registered a 7.3 per cent growth, an improvement over the 5.9 per cent rise attained in 1984. The improvement was a result of fairly large increases in production of exercise books, carbon, cardboards, paper bags and sacks. In particular, the number of exercise books produced more than doubled from 1.5 million in 1984 to 3.5 million, reflecting increased school enrolment. To meet local demand, imports of paper and paperboard more than doubled to 27 thousand tonnes in 1985.

11.21. The production of locally made paper is provisionally estimated to be at the 1984 level. That of newsprint rose moderately to account for the 4.3 per cent growth in the output of the printing and publishing industry. This growth was, however, slower than the 11.7 per cent attained in 1984. Nevertheless, to satisfy local demand, 2,553 tonnes of newsprint was imported in 1985, mainly from Sweden.

11.22. Most products in the basic industrial chemicals industry recorded relatively moderate decreases in output, resulting in a decrease of 2.7 per cent and hence a year of poor performance. Nevertheless, the output of oxygen, pyrethrum extract, cattle dips, herbicides and vaccines increased. The rise in output of pyrethrum extract by 62 per cent from 74 tonnes in

1984 to 120 tonnes in 1985 was due to recent growth of export demand from the United Kingdom and the United States of America. The output of locally manufactured fertilizer is estimated to have remained at the 1984 level, whilst the fertilizer imports rose substantially; a total of 268 thousand tonnes was imported compared with 74 thousand and 151 thousand tonnes in 1984 and 1983, respectively.

11.23. The petroleum and other chemicals industry, after an impressive increase in output of 24.6 per cent in 1984 registered a minor growth of 5.0 per cent in 1985. The modest gains in output of distempers, varnishes and lacquers, tablet drugs, soap, liquid detergents, cosmetics and matches were mitigated by falls in output of all petroleum products except fuel oil, shoe polish, liquid drugs, pharmaceuticals and paints, to give this slight increase. The increase in the output of detergents and soap was a reflection of good local demand. In response to decreased output of petroleum products, exports of refined petroleum products except for fuel oil also declined. Indeed, the value of exported refined petroleum products declined from K£142 million in 1984 to K£118 million in 1985.

11.24. The output of the rubber products grew more slowly, increasing by 8.9 per cent compared with a rise of 16.6 per cent in 1984. The production of new motor vehicle tyres which numbered 348 thousand in 1983, was 381 thousand in 1984 and 409 thousand in 1985, resulting in increases of 9.5 and 7.3 per cent in 1984 and 1985, respectively. There were increases in the output of new bicycle tyres and tubes and a large decline in output of rubber soles. In order to make quality goods, one of the local producers of bicycle tyres launched a new puncture proof bicycle tube which may enhance both local and export demand. The output of rubber shoes rose from 5 million pairs in 1984 to 6 million in 1985, and their exports nearly doubled with good export demand from Burundi, Uganda and Tanzania.

11.25. The plastic products industry, except for PVC pipes, recorded increases in volume of output. In particular, impressive output occurred in the production of plastic crates and plates and PVC floor tiles. Consequently, a rise of 6.3 per cent was recorded during the year which compares favourably with an increase of 5.5 per cent attained in 1984. Being dependent upon imported synthetic raw materials, the prices of the final products tend to be less competitive in the export markets.

11.26. After a substantial rise in output of 30.2 per cent in 1984, the clay and glass products industry registered a further meagre 2.4 per cent growth in 1985. The increases in the output of glass and windscreen were offset by a sharp decline in production of floor and wall tiles from 2.2 million pieces in 1984 to 1.6 million or by 27 per cent.

11.27. The output of non-metallic mineral products improved, rising by 12.5 per cent against a fall of 11.3 per cent recorded in 1984. An appreciable

growth in output of roofing tiles, clinker and steel wool was recorded whilst output of cement further declined, a result of high prices in the export markets. Decreases were also recorded for concrete pipes and blocks. In contrast to the fall in export demand, local consumption of cement increased significantly, recording the highest figure since 1981, a result of the upturn in the local construction industry. The increase in exports of cement to both Uganda and Tanzania was the highest recorded since 1972. Details on the production and utilization of cement since 1981 are shown in Table 11.5.

11.28. The metal industry registered an increase in output with notable growth for padlocks, jembes, pangas, gas cylinders, razor blades, metal beds, exhaust pipes and silencers. This, couple with more moderate increases in output of steel drums and pails, metal cans and tins, iron bars and rods and barbed wire, accounts for the 6.0 per cent rise in output recorded compared with a fall of 8.2 per cent registered in 1984. Subsequently, exports of jembes, padlocks and iron bars and rods increased during the year.

11.29. The upward trend in output of non-electrical machinery was maintained in 1985, with the volume of output rising by 6.3 per cent. In particular, production of wheel barrows rose from 10 thousand in 1984 to 15 thousand in 1985 in response to increased local demand. There was an increase in output of animal operated ploughs, whose exports increased four-fold to 2,714 in 1985.

11.30. The growth in the electrical equipment industry slackened, recording an increase of 5.0 per cent compared with 6.5 per cent in 1984. Although substantial increases were recorded in the production of battery

CEMENT PRODUCTION AND UTILIZATION, 1981-1985

Table 11.5 *'000 tonnes*

Year	PRODUCTION	IMPORT FROM		CON-SUMPTION AND STOCKS	EXPORTS TO	
		Uganda and Tanzania	Overseas		Uganda and Tanzania	Overseas
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	–	0.4	531.9	28.8	574.2
1985**	1,115.4	–	0.3	629.6	74.0	412.1

*Revised.
**Provisional.

plates and relatively small rises in the output of dry cells, motor vehicle batteries and electrical lamps, a sharp fall in output of electric cookers and smaller declines in those of assembled radio-cassetes, radios and gramophone records were recorded. Indeed, the output of gramophone records has declined by half since 1981 when 2.4 million records were produced. This is due to the falling domestic demand as prices of records have soared.

11.31. Output in the transport equipment industry, comprising of assembled vehicles, coaches, buses and lorry bodies, fell once again. The number of assembled vehicles declined from 9,792 in the previous year to 8,459 in 1985. Similarly, those for coaches and buses were 459 and 401 in 1984 and 1985, respectively. The local production of assembled vehicles declined due to the reduction of import duty on imported vehicles announced during the 1985 Budget, thus attracting more competitive imports. The industry continued venturing into assembly of more types of vehicles hitherto imported when fully assembled.

11.32. The miscellaneous manufactured industry registered another impressive but slower growth in output of 28.1 per cent, attributable to lower growth in the output of various products in this industry and smaller decreases in volume of output for others. Output of lenses and sunglasses, among others, declined in 1985 while those of carbon paper and ball point pens only increased slowly. A notable increase in output was recorded in the output of water meters which rose five-fold to 5,374 in 1985. The overall rise in volume of output of this industry was incidentally the highest among other industries in the manufacturing sector in 1985. Fairly large quantities of spectacles and sun glasses were imported in 1985 to help meet local demand.

Development of Manufacturing Enterprises

11.33. A notable feature of the manufacturing sector continues to be the extent of involvement of new investments which among others have been the responsibility of the Industrial Development Bank (I.D.B.), Development Finance Company of Kenya (D.F.C.K.), Kenya Industrial Estates (K.I.E.), and the Industrial and Commercial Development Corporation (I.C.D.C.). For the last few years, these institutions have suffered from depressed economic conditions in both Kenya and abroad and have, therefore, directed resources into rehabilitating and helping expand on-going projects. With economic recovery in the industrialized countries and improvement of the Kenyan economy in 1985, the institutions, to some extent, improved on their activities. Together they approved a total of 257 projects with total expenditure amounting to K£13.8 million, the highest commitment in the last three years. Table 11.6 gives detailed information on the number of projects approved by these four institutions and total commitments since 1983.

11.34. The I.D.B. continued directing its activities on closer monitoring,

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1983 -1985

Table 11.6

Institution	Number of Projects			Approved Expenditure K£million		
	1983	1984	1985	1983	1984	1985
Industrial Development Bank Limited (I.D.B.) .	2	6	6	2.68	2.46	3.32
Development Finance Company of Kenya (D.F.C.K.)	22	12	13	2.60	3.72	6.59
Kenya Industrial Estates Limited (K.I.E.)	139	114	229	2.41	2.08	2.07
Industrial and Commercial Development Corporation (I.C.D.C.)	7	8	9	1.33	3.56	1.85
TOTAL	170	140	257	9.02	11.82	13.83

debt collection and rehabilitation of on-going projects to improve performance and maintain continuity of economic benefits like employment, value added and savings/earnings for Kenya. The bank approved 6 projects of which 4 were new in 1985. The bank activities were concentrated in the food processing industries but were also spread to the chemicals and plastic industries. As a result of its activities in 1985, an additional 395 persons are expected to be employed.

11.35. The D.F.C.K. approved 13 projects in 1985 compared with 12 in the previous year. Its total commitments, however, rose sharply from K£3.7 million in 1984 to K£6.6 million in 1985, an increase of 77 per cent. Of the 13 projects approved, 10 were entirely new projects to D.F.C.K. In line with the Government's policy of industrial decentralization, most of these projects were outside Nairobi and Mombasa, and centred on the food, beverages, paper and printing industries. Other industries that benefitted were engineering and construction, wood and cork products and tourism. A total of 1,675 additional employment opportunities are expected to be generated as a result of the D.F.C.K.'s activities in 1985.

11.36. The K.I.E. approved 229 projects, the greatest number for the last few years. However, total commitments remained unchanged in the last two years due to K.I.E.'s approval of many small projects with little loan requirements in 1985. In fact, 147 projects approved were for grain mills (posho mills) in the rural areas, followed by the wood and furniture industry. K.I.E.'s commitments were, however, well spread in the manufacturing sector particularly in the clothing, textiles, metal fabrication and bakery products industries. It also continued expanding its activities

into areas outside Nairobi and Mombasa, since 215 projects were located outside these areas. The emphasis was on new projects 205 in number. In addition, the K.I.E. continued approving more projects outside its estates. Additional employment expected from its activities in 1985 is 1,557 persons.

11.37. Once again the I.C.D.C. continued with the rehabilitation of on-going projects by provision of loans to projects having problems in acquisition of raw materials, those expanding their production capacity and those with excessive debt servicing. The corporation made commitments totalling K£1.9 million for 9 projects in 1985, smaller than for the 8 projects in 1984. The Corporation gave priority to the textiles, food and plastic industries. It also assisted the leather and footwear, fish and mining industries.

11.38. All the 39 Kenya Tea Development Authority (K.T.D.A.) factories were operational in 1985. During its financial year 1984/85, the K.T.D.A., as a result of favourable weather in late 1984 and good prices in mid 1984, handled a record crop of 278 thousand tonnes of green leaf, thereby producing 64 thousand tonnes of tea, exceeding the 50 thousand tonnes in 1983/84 year. Since India once again returned to the world tea markets in 1985 there was a steep decline in international tea prices. The KTDA is undertaking factory expansion and extensive machinery renovations and replacements in order to alleviate congestion in processing facilities. Gradual adaption from fuel oil to fuel wood is aimed at reducing production costs. It is also experimenting the use of lined paperbag in tea packaging as traditionally used, tea-chests have become dearer.

Labour Costs and Productivity

11.39. Table 11.7 gives trends in average manufacturing productivity, wage costs and employment since 1983. Employment in the modern manufacturing sector rose appreciably by 3.7 per cent, thus improving further on the 2.9 per cent recorded in 1984 and revealing an upturn of the sector. The proportion of wage costs which have remained a minor component of the total cost structure in the manufacturing sector fell further in 1985. Productivity of labour has also continued declining. Wage costs as a percentage of value added have oscillated around 35 per cent.

Indicators of Labour Cost and Productivity in Manufacturing, 1983 -1985

Table 11.7 *Per cent*

	1983	1984	1985*
1. Change in the quatum index of manufacturing	+4.5	+4.1	+4.6
2. Change in numbers of employed in manufacturing	+1.3	+2.9	+3.7
3. Implicit change in labour productivity	+3.2	+1.2	+0.9
4. Wage cost as percentage of gross output	6.1	5.7	5.3
5. Wage cost as percentage of value added	34.7	34.8	34.7

**Provisional.

CHAPTER 12—BUILDING AND CONSTRUCTION

Building and construction sector plays a crucial role in the development of a country's economy by creating investment opportunity for individuals, firms and government. Besides, it provides essential infrastructural facilities such as roads and housing. The available statistics indicate that the sector had a sluggish performance between 1981 and 1984 but it experienced slight improvement in 1985.

12.2. Some of the major economic indicators for the sector are presented in Table 12.1. The series show that employment which has been on the

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1981-1985

Table 12.1 *1976=100*

	1981	1982	1983	1984	1985**
"Index" of reported private building work completed in main towns***	206.8	164.4	108.3	72.5	..
"Index" of reported public building work completed in main towns***	69.3	92.6	143.7	112.0	..
"Index" of Government expenditure on roads	149.6	142.9	127.2	108.0	96.7
Cement consumption ('000 tonnes)	652.5	579.3	511.0	542.5	610.1
"Index" ..	149.7	134.3	119.9	127.3	143.2
Employment ('000)	61.4	60.4	60.2	49.2	49.9
"Index"	130.1	128.2	127.7	104.5	105.8

*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.

decline since 1981 increased marginally from 49,200 in 1984 to 49,900 in 1985, a rise of 1.4 per cent. Cement consumption recorded a notable increase of 12.5 per cent from 542.5 thousand tonnes in 1984 to 610.1 thousand tonnes in 1985; the 1985 level of consumption was therefore the highest since 1981. This is due to its increased use in some big projects such as the Kasarani Sports Complex, continued building of extra Standard 8 class rooms and other infrastructures such as roads and bridges. Meanwhile, the index of Government expenditure on roads continued to decline. However, the fall was less pronounced in 1985 than in 1984. As shown later in the chapter, the value of completions of private building work was at a higher level in 1985 than in 1984, but still remained lower than that recorded in 1983. The provisional value of public building work showed a decline, but the finalized data for 1985 when available,are likely to show a significant rise.

12.3. The provisional results for Business Expectations Enquiry (B.E.E) indicate that in 1985 total receipts for work done by private contractors increased by 10 per cent, that the contractors reported stocks and work in progress of K£21 million in 1985 compared with K£18 million in 1984 — a further indication of improvement in the building and construction activities in 1985.

12.4. Table 12.2 highlights annual percentage increases in building and construction cost indices between 1983 and 1985. The overall index rose by 10.9 per cent in 1985 compared with 12.7 per cent in 1984. The rise is attributed to higher cost of both labour and material. The labour cost which had not changed in 1983 rose by 43.5 per cent in 1984. The main cause of this high rise in 1984 is the change in using "basic income" as opposed to the "wage guideline" which was being used earlier. The 10.7 per cent rise in 1985 is mainly due to the Government decree to increase minimum wage rates. The cost of materials such as cement, aggregate and concrete products contributed to an 11.0 per cent rise in 1985. The cost index for "all buildings" rose by 12.4 per cent while that for the "other construction" rose by 8.7 per cent. In 1985, the building cost of residential buildings rose faster than that of non-residential buildings mainly due to dearer materials for the residential buildings.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1983-1985

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1983	1984	1985	1983**	1984	1985	1983	1984	1985
Residential Buildings	8.2	0.8	14.5		43.5	10.7	6.9	6.9	13.8
Non-Residential Buildings	5.1	0.7	10.8	—	43.5	10.7	4.1	8.9	10.8
All Buildings	6.7	0.8	12.9	—	43.5	10.7	5.6	7.8	12.4
"Other" Construction	6.8	11.6	7.6	—	43.5	10.7	4.7	21.2	8.7
TOTAL COST INDEX	6.8	4.2	11.0		43.5	10.7	5.2	12.7	10.9

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

12.5. The total value of all reported plans approved by local authorities reached its lowest level in 1983 but has since continued to rise as is evident from Table 12.3. Thus the value of plans approved in 1985 rose by 25 per cent and reached K£175 million—a new record. The value of building plans approved by the Nairobi City Commission rose by 58 per cent in 1985, thus showing the best performance since 1982. The other towns have also shown signs of activity as the value of approvals in 1985 were three-fold those of 1981 or equal to the entire value of approvals between 1981 and 1983 as shown in Table 12.3. The change in status of some of the towns from town

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1981-1985

Table 12.3 *K£million*

Year	Nairobi	Other Towns	Total
1981	91.10	38.30	129.40
1982	70.14	44.28	114.42
1983	47.83	33.88	81.71
1984	36.53	103.81	140.34
1985*	57.64	117.85	175.49

*Provisional.

council to municipality, combined with industrial promotion, has led to an increased demand for houses. In 1985, the Commerical Banks advanced loans amounting to K£59 million to private enterprises in building and construction. In 1983 and 1984, similar loans advanced were K£42 million and K£52 million respectively (See Table 5.9 in Chapter 5). This had a stimulating effect on building activities for the last three years as evidenced by the number of plans approved during the same period.

12.6. A comparison of private sector value of plans approved and buildings completed is set out in Table 12.4. Between 1981 and 1983 the value of building work completed was around 40 per cent of approvals but there has been a sizeable decline in 1984 and 1985 since only 15 per cent of plans approved were completed. This indicates that only a small proportion of the building plans approved are implemented without delay. The value of reported buildings completed nearly doubled from K£14 million in 1984 to K£25 million in 1985 after a decline of 50 per cent in 1984, while the value of building plans approved in 1985 increased by 30 per cent from K£131 million in 1984, denoting that there was an improvement in both the value of plans approved and building work completed.

COMPARISON OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1981-1985

Table 12.4 *K£million*

Year	Plans Approved	Building Work Completed
1981	116.72	49.95
1982	91.17	39.87
1983	66.50	28.25
1984	131.36	14.09
1985*	170.32	25.11

**Provisional.

12.7. Tables 12.5 and 12.6 provide data on reported private buildings including extension work for the last five years. The figures indicate the role of private developers in providing buildings which have an insatiable demand in the main towns. Nairobi and Mombasa, with the highest population and industrial growth, reported the highest value of private building work completed. The provisional figures for the reported completion of buildings in 1985 indicate that there was a notable growth in the construction of non-residential buildings which rose from 38 units in 1984 to 50 units in 1985.

12.8. Some of the main building projects completed in 1985 include Fedha House, Corner House and Fox Drive-in Estate — all in Nairobi. A secondary school for the physically disabled was also built at Bamburi in Mombasa. The following buildings are in progress: The National Social Security Fund and Electricity Houses in Mombasa; and Post Office Savings Bank Headquarters, Harambee Co-operative House. Jomo Kenyatta Memorial Library and Juja Road Estate (which will supply 500 units of residential houses) in Nairobi. All these when completed will ease demand for both residential and non-residential houses,

VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1981-1985

Table 12.5

K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Thika	Eldoret	Kitale	Others	Total
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	—	—	2.83	44.67
1983	20.83	6.85	–	2.38	0.11	—	—	0.33	30.50
1984	9.63	5.40	–	0.85	—	0.44		—	16.32
1985**	12.20	13.72	—	2.17	—	0.01	—	—	28.10

*Including the value of extensions.
**Provisional.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1981-1985

Table 12.6

Year	NUMBER		ESTIMATED COST *K£million*		
	Residential	Non. Residential	Residential	Non. Residential	Total
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	646	38	10.00	4.09	14.09
1985**	444	50	11.88	13.23	25.11

*Excluding the value of extensions.
**Provisional.

12.9. The public sector continues to play a role in solving housing problems as evidenced by the number of reported public buildings completed. Both the number and value of reported completions of new public buildings in main towns are presented in Table 12.7. Over 2,200 buildings were reported as completed at a cost of over K£60 million during the last five years. Since 1983 there has been a decline in both the number and overall cost of reported public residential buildings completed. The provisional 1985 data in Table 12.7 are reckoned to seriously underestimate the public sector contribution.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS IN MAIN TOWNS, 1981-1985

Table 12.7

YEAR	NUMBER		COST *K£million*			
	Residential	Non. Residential	Residential	Non. Residential	Total	TOTAL*
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	552	42	16.73	2.71	19 44	19.44
1985**	15	13	0.17	0.63	0.80	0.80

*Including the value of extensions.
**Provisional.

12.10. The Government, through the Ministry of Works, Housing and Physical Planning, has continued to seek ways and means of providing adequate housing, which is one of the basic needs. Table 12.8 shows the direct expenditure by the Central Government on housing for the last five fiscal years. Provisional approved expenditure on housing decreased from K£12.7 million in 1984/85 to K£9.0 million in 1985/86, a decline of nearly 30

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1981/82-1985/86

Table 12.8 *K£million*

Year	Approved	Actual	Approved Expenditure as percentage of Development Expenditure
1981/82	8.12	8.00	3.2
1982/83	10.13	5.07	3.7
1983/84	6.35	6.85	3.3
1984/85*	12.65	12.02	3.6
1985/86**	9.03		2.3

*Revised.
**Provisional.

per cent, reflecting in part the austerity measures taken in 1985. Between the period 1981/82 and 1984/85, the Government has spent on average 3.4 per cent of the Development Expenditure on housing.

12.11. The National Housing Corporation (NHC) continues to play a leading role in the implementation of housing policies and programmes through site and service schemes for low income earners, rental housing development, mortgage housing, and assisting individuals to develop private houses in rural housing programmes. Table 12.9 shows the total number of housing units completed by the Coporation over the last five years. In 1985, a total of 1,009 units were completed as compared with 2,398 units in 1984. Projects completed include Kisii site and service phase one, Wundanyi rental phase two and Molo site and service scheme. Housing schemes under construction as at the end of 1985 include Migosi and Manyatta in Kisumu Municipality, Meru site and service scheme, Kiambu and Isiolo rental schemes.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1981-1985

Table 12.9

	1981	1982	1983	1984	1985
Units completed					
PROVINCE—					
Nairobi	1,072	2,311	–	284	–
Coast	–	13	50	13	50
North-Eastern					—
Eastern	–	70	98	2	—
Central	–	–	187	–	45
Rift Valley	1,577	354	302	199	745
Nyanza	106	180	–	1,900	169
Western	–	–	50	–	–
TOTAL NUMBER	2,755	2,928	687	2,398	1,009
Of which site and service	2,719	2,550	598	2.099	882
Value of units completed K£'000					
Nairobi	963	2,031		4,106	—
Coast	–	155	116	166	302
North-Eastern		—			—
Eastern	—	263	215	4	
Central	–	–	330	–	618
Rift Valley	1,821	1,333	908	550	1,737
Nyanza	185	432		1,500	210
Western	–	–	511	–	–
TOTAL VALUE	2,969	4,214	2,080	6,326	2,867

12.12. The site and service scheme is one of the housing programmes for the low income earners. It encourages people in this income group to invest in housing at substantially reduced costs. The Government provides sites, basic services, and infrastructure like roads, sanitation, water and standard plans and the public constructs the houses with permanent materials. In 1985, a total of 882 such units were completed compared with 2,099 units in 1984.

12.13. A good road network is a necessity to an economy as it stimulates the development of other sectors such as agriculture, trade and tourism. Details on the classified and special purpose road network are presented in Table 12.10 As at July 1985, the total classified and special purpose roads covered 54,200 km, of which 6,700 km or 12 per cent was classified as bitumen (paved). Between 1981 and 1985 therefore some 300 km of paved road have come into the network.

KILOMETRES OF ROAD AS AT 1ST JULY, 1981 AND 1ST JULY, 1985 BY TYPE AND CLASSIFICATION

Table 12.10 *'000Km.*

Type of Road	1981		1985	
	Bitumen*	Earth Gravel**	Bitumen*	Earth Gravel**
A—International Trunk	2.3	1 3	2.3	1.2
B—National Trunk	1.2	1.6	1.2	1.5
C—Primary	1.8	6.0	1.9	5.9
D—Secondary	0.7	10.4	0.7	10.3
E—Minor	0.2	20.6	0.4	25.8
F—Special Purpose	0.2	7.3	0 2	2.8
TOTAL	6.4	47.2	6.7	47.5

*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. The Government, through the Ministry of Transport and Communications, pays great attention to the implementation of Rural Access Roads Project (RARP), gravelling, bridging and culverting. The RARP was initiated with the aim of up-grading the earth roads to all weather roads. By July, 1985 gravel roads covered 26,400 km, including part of the rural access road network which accounted for 7,500 km.

12.15. The total expenditure on new road construction including maintenance and repair is shown in Table 12.11. There was a marginal fall in total expenditure in 1985/86 compared with 1984/85 mainly because of a

sharp decline in the development of trunk roads. Some of the major roads and bridges completed by July 1985 include Marigat-Kabarnet, Kithayoni. Kathiani, Thuchi-Nkubu and Ruiru-Nyanduma. A number of road projects were still in progress by July 1985. These include Nairobi-Thika dual carriage way, Nakuru-Nyahururu and Mumias-Kakamega which cover 39 km, 44 km and 33 km, respectively. Other construction work still in progress include the Kasarani Sports Complex and the Kiambere Hydro. Electric Project. The improvement of Uhuru Park in Nairobi was also completed.

TOTAL EXPENDITURE ON ROADS, 1983/84-1985/86

Table 12.11 *K£million*

	1983/84	1984/85	1985/86*
DEVELOPMENT—			
Trunk Roads	24.35	26.73	19.86
Primary Roads	13.82	7.66	10.82
Secondary Roads	2.50	4.67	6.56
Unclassified Roads	2.05	1.60	1.88
Miscellaneous Roads	11.98	12.25	13.26
Total	54.70	52.91	52.38
RECURRENT (maintenance and repair)	17.95	18.50	18.77
TOTAL	72.65	71.41	71.15

*Provisional.

CHAPTER 13ð TOURISM

Apart from the general economic recovery in industrialized countries, the world economy witnessed major fiscal and monetary shifts in 1985. These have been primarily due to the sharp fall in crude oil prices which now stand at nearly a third compared with the prices at the beginning of the year. In addition, the value of the US dollar and correspondingly the value of the Kenya shilling have significantly depreciated against the major world currencies particularly the German mark. These factors have led to a reduction in the cost of international travel and since over 70 per cent of all visitors to Kenya come from the industrialized countries, visitors from these countries now find it comparatively cheaper to travel to Kenya. Furthermore, 1985 was highlighted by several international conferences which were attended and covered by large numbers of visitors and delegates. The larger conferences included the Non-Governmental Organization (NGO) Forum, the UN Decade for Women Conference and the Eucharistic Congress, which were held in the months of July and August of 1985.

13.2. Details of the number of visitor arrivals by purpose of visit by each quarter are laid down in Table 13.1. During the five year period, except for 1983 in which the number of total arriving visitors dropped by 5 per cent, the number of visitor arrivals has been increasing sharply, going up by 24 per cent in 1984 and 17 per cent in 1985. Visitors arriving for holiday account for about 75 per cent of all arrivals, whereas those arriving for business comprise around 12 per cent, while 15 per cent of all arrivals are on transit and other minor purposes. Visitors who arrive during the first and the fourth quarters combined comprise some 56 per cent of all arrivals, the periods coinciding with winter in most tourist generating countries.

13.3. Table 13.2 shows the quarterly departures by purpose of visit. The number of visitors departing dropped by 11 per cent from 362,000 in 1982 to 324,000 in 1983 and has since increased sharply by 20 per cent to 541,000 in 1985 over 1984. The proportions of departing visitors by the purpose of their visit and the shares of all visitors show similar magnitudes as in visitor arrivals. It should be noted, however, that the higher percentage changes in the number of visitors in the third and fourth quarters in 1985 over earlier years reflect the exceptionally large number of delegates who attended the large conferences which characterized 1985.

13.4. The number of departing visitors by country of residence and by purpose of visit are set out in Table 13.3. There was a marked increase in the number of departing visitors to all countries except Tanzania, Zambia and Australia and New Zealand in 1985, compared with 1984. Between 1984 and 1985,visitor departures to European countries went up sharply except departures to the Scandinavian countries which rose by a modest 5 per cent in 1985 over 1984. West Germany continues to be the single leading tourist originating country followed by the United Kingdom and Switzerland. Departing visitors to these countries were 31 per cent, 22 per

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1981-1985

Table 13.1 *'000*

Quarter/Purpose	1981	1982	1983*	1984**	1985**
1st Qr. Holiday	74.5	85.5	85.4	107.5	115.9
Business	11.5	11.4	13.3	16.8	17.2
Transit	9.5	7.7	9.5	11.9	12.0
Other	_	3.5	1.7	2.1	3.1
TOTAL	95.5	108.1	109.9	138.3	148.2
2nd Qr. Holiday	44.5	53.7	44.6	60.9	68.4
Business	13.3	12.7	12.4	16.9	18.0
Transit	10.4	10.3	9.9	13.5	14.5
Other	_	3.7	1.7	2.3	3.3
TOTAL	68.2	80.4	68.6	93.6	104.2
3rd Qr. Holiday	77.5	69.5	69.6	80.9	104.4
Business	12.8	11.0	9.1	10.5	13.4
Transit	12.6	11.4	9.4	10.9	14.0
Other	_	2.5	1.9	2.1	2.9
TOTAL	102.9	94.4	90.0	104.4	134.7
4th Qr. Holiday	77.4	85.3	85.7	104.1	124.5
Business	10.4	12.8	10.2	12.3	15.7
Transit	10.8	9.6	6.9	8.4	11.5
Other	_	1.5	1 0	1.1	1.8
TOTAL	98.6	109.2	103.8	125.9	153.5
Year Holiday	273.9	294.0	285.3	353.4	413.2
Business	48.0	47.9	45.0	56.5	64.3
Transit	43.3	39.0	35.7	44.7	52.0
Other	—	11.2	6.3	7.6	11.1
TOTAL	365.2	392.1	372.3	462.2	540.6

*Revised.
**Provisional

cent and 38 per cent higher in 1985 than in 1984, respectively. All in all, visitor departures to the continent of Europe constituted around 60 per cent of all visitor departures in 1985 compared with 55 per cent in 1984, making Europe the most tourist originating continent.

13.5. Although the share of all departing visitors to North America has remained unchanged at 11 per cent for the last few years, the absolute number has been growing at a remarkable rate, rising by 24 per cent from 50,000 in 1984 to 62,000 in 1985. On the other hand, the number of departing visitors to Asia has shown considerable fluctuations in the past.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1981-1985

Table 13.2 *'000*

Quarter/Purpose	1981	1982	1983*	1984**	1985**
1st Qr. Holiday	92.7	85.8	82.7	108.2	120.9
Business	8 1	9.0	10.3	12.8	14.0
Transit	10.1	8.7	9.3	11.6	13.0
Other	–	3.5	0.8	2.6	3.0
TOTAL	110.9	1070	103.1	135.2	150.9
2nd Qr. Holiday	49.7	50.0	44.5	68.2	77.1
Business	10.9	11.2	8.6	12.6	15.5
Transit	9.4	10.3	9.0	13.4	15.6
Other	–	3.4	1 0	2.8	3.2
TOTAL	70.0	74.9	63.1	97.0	111.4
3rd Qr. Holiday	64.5	63.3	70.5	79.7	104.2
Business	10.1	8.1	7.5	8.1	11.5
Transit	12.0	10.9	10.5	11.2	15.4
Other	–	2.4	1.2	2.2	1.8
TOTAL	86.6	84.7	89.7	101.2	132.9
4th Qr. Holiday	65.0	68.2	53.1	93.1	111.7
Business	9.3	14.0	7.6	12.8	17.3
Transit	10.5	11.7	6.7	11.6	14.5
Other	–	1.9	1 0	1.7	2.5
TOTAL	84.8	95.8	68.4	119.2	146.0
Year Holiday	272.0	267.3	250.8	349.2	413.9
Business	38.4	42.3	34.0	46.3	58.3
Transit	41.9	41.6	35.5	47.8	58.5
Other	–	11.2	4.0	9.3	10.5
TOTAL	352.3	362.4	324.3	452.6	541.2

*Revised.
**Provisional.

13.6. Tourists from the continent of Africa have declined in the past few years. This has primarily been due to economic difficulties facing African countries, but the number of visitors had begun to show an upturn in 1984 compared with earlier years. However, between 1984 and 1985, there has been no significant change. It is anticipated that as the Preferential Trade Area (PTA) continues to be streamlined, there will be increased number of visitors, particularly from the East and Central African region. Visitor departures to Tanzania and Zambia have, however, decreased in 1985 compared with 1984.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1984-1985

Table 13.3 *'000*

Country of Residence	Holiday		Business		Transit		Total**	
	1984	1985*	1984	1985*	1984	1985*	1984	1985*
West Germany	71.0	92 4	1.9	2.3	3.3	3.7	76.4	100.3
United Kingdom	41.7	50.0	7.3	8.9	4.7	5.4	53.8	65.6
Switzerland	30.6	41.6	0.9	1.0	0.9	1.1	32.3	44.6
Italy	23.4	30.8	0.9	1.1	1.4	1.6	25.7	34.2
France	16.8	21.2	1.3	1.6	1 1	1.3	19.3	24.6
Scandinavia	10.5	10.4	1.0	1.4	1.1	1.3	12.8	13.4
Other Europe	26.0	29.9	2.1	2.7	2.0	2.5	30.3	35.8
TOTAL EUROPE	220.0	276.3	15.4	19.0	14.5	16.9	250.6	318..5
U.S.A	36.3	44.0	3.7	4.8	3 3	4.4	43.3	54.3
Canada	5.6	5.9	0.6	0.9	0.6	0.7	6 8	7.6
TOTAL NORTH AMERICA	41.9	49.9	4.3	5.7	3.9	5.1	50.1	61.9
Uganda	10.3	14.5	4.7	6.7	2.0	3.1	23.2	24.8
Tanzania	22.2	15.5	5.1	4.8	1.8	1.4	30.8	22.1
Zambia	4.5	3.3	1.1	1.3	3.9	3 9	9.8	8.7
Other Africa	23.2	24.5	10.1	14.0	13.9	18.6	47.5	58.2
TOTAL AFRICA	60.2	57.8	21.0	26.8	21.6	27.0	111.3	113.8
India	4.5	5.0	1.0	1.2	3.0	3.3	8.4	9.7
Japan	4.5	5.4	1.1	1.4	0.5	0.6	6.2	7.5
Israel	2.1	3.3	0.1	0.2	0.3	0.3	2.4	3.9
Other Asia	10.1	12.5	1.5	1.9	2.9	3.4	14.6	18.2
TOTAL ASIA	21.2	26.2	3.7	4.7	6.7	7.6	31.6	39.3
Australia and New Zealand	3.5	2.8	0.4	0.4	0.5	0.5	4.5	3.7
All Other Countries	3.4	2.9	0.5	0.6	0.5	0.5	4.5	4.0
TOTAL	350.2	415.9	45.4	57.2	47.7	57.6	452.6	541.2

*Provisional

**The total also includes "Other Visitors" category

13.7. Table 13.4 shows the number of days stayed and the length of stay per visitor between 1981 and 1985. During the period, the total number of days stayed rose by 7 per cent from 5.3 million days in 1981 to 5.7 million days in 1982; fell by 10 per cent to 5.1 million days in 1983; but has since gone up sharply by 38 per cent and 20 per cent to reach 7.0 million days in 1984 and 8.4 million days in 1985. On the average, holiday makers account for nearly 90 per cent of all days stayed while visitors on business and in transit account for 9 per cent and 2 per cent of total days stayed, respectively. The average length of stay per visitor only increased from 15 days per visitor recorded in 1981 to 16.2 days in 1982 and has fallen to a constant 15.9 days per visitor during the last three years. This implies that although the number of visitors has considerably gone up, they are taking shorter visits than was the case in the early 1980's. The total stay of 8.4 million days reported in 1985 is much higher than the 4.8 million days shown as bed-nights occupied in Table 13.5. The difference of 3.6 million days are spent elsewhere including private homes.

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1981-1985

Table 13.4 *'000*

Purpose	1981	1982	1983	1984	1985
Holiday	4,735.0	4,998.7	4,516.9	6,314.1	7,480.3
Business	445.0	544.4	460.6	594.9	758.1
Transit	118.3	139.1	116.9	138.6	185.4
TOTAL	5,298.3	5,682.2	5,094.4	7,047.6	8,423.8
Average length of stay in days	15.0	16.2	15.9	15.9	15.9

*Excludes days stayed by "Other Visitors".
**Provisional.

13.8. With the exception of the poor performance in tourism in 1983, earnings from tourism have been rising markedly over the five-year period. Tourist receipts went up by 24 per cent from K£122 million in 1983 to K£152 million earned in 1984 and shot up by 38 per cent to K£209 million in 1985. Although tourists are required to pay in foreign exchange for services rendered in Kenya, much still remains to be done in order to realize increased earnings from this sector, bearing in mind that over 40 per cent of days spent in Kenya are not recorded in tourists hotels as noted above. Besides, it is known that a sizeable proportion of package tours are usually prepaid in their countries of origin. There is still, hence, considerable room for amicable negotiations with tour operators and organizers to bring in the necessary reforms such that the earning potential of the tourist industry is realised.

13.9. Table 13.5 shows the number of hotel bed-nights available and occupied by country of residence of visitors. Tourist hotel capacity has somewhat stagnated at around 9 million bed-nights available during the five-year period, in fact there was a slight decrease of 2 per cent in 1985 compared with 1984 as a result of closure of some tourist hotels at the coast. Despite this, hotel bed-nights occupied have increased, but rather marginally. After a fractional drop of 1 per cent between 1981 and 1982, and a further fall of 3 per cent between 1982 and 1983, there was an increase of 5 per cent in 1984 and a modest rise of 3 per cent to reach a record 4.8 million bed-nights occupied in 1985 compared with 4.7 million bed-nights occupied in 1984. Over the same period, bed-occupancy which had been declining up to 1983, showed a rising trend of 51 per cent and 53 per cent in 1984 and 1985 respectively.

13.10. The number of bed-nights occupied by foreign residents excluding both permanent occupants and Kenya residents had gone up by 6 per cent from 3.4 million bed-nights in 1983 to 3.6 million in 1984 and by 5 per cent to 3.7 million bed-nights occupied in 1985. European residents occupy the bulk of the bed-nights, standing at nearly 60 per cent in 1985 compared with 58 per cent in 1984. The share of residents from North America has steadily

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1981-1985

Table 13.5 *'000*

	1981	1982	1983	1984	1985"
*Permanent Occupants**	364.2	311.8	288.3	272.4	261.4
West Germany	1,143.1	1,187.2	1,051.2	1,097.2	1,161.9
Switzerland	450.0	462.6	484.0	495.5	522.1
United Kingdom	496.8	454.9	418.4	458.5	480.5
Italy	185.0	180.9	203.6	210.0	211.7
France	145.8	146.2	153.8	161.8	176.0
Scandinavia	91.5	87.7	75.3	71.9	80.3
Other Europe	248.1	253.7	216.9	234.9	228.4
EUROPE	2,760.3	2,773.2	2,603.2	2,729.8	2,860.9
Kenya Residents	793.5	772.8	814.1	842.9	819.9
Uganda	70.4	55.1	58.8	56.2	58.0
Tanzania	19.5	19.1	21.4	34.3	37.5
East and Central Africa	–	–	–	–	85.2
West Africa	–	–	–		33.8
North Africa	–	–	–		16.0
Other Africa	163.2	147.6	145.5	150.4	17.8
AFRICA	1,046.6	994.6	1,039.8	1,083.8	1,068.2
U.S.A	267.5	266.8	303.5	378.1	380.9
Canada	44.5	47.0	33.2	34.9	41.2
Other America	–	–	–	–	6.5
AMERICA	312.0	313.8	336.7	413.0	428.6
Japan					10.9
India	–	–	–		7.7
Middle East	–	–			13.1
Other Asia					76.8
ASIA***	109.7	121.8	117.2	108.1	108.5
Australia and New Zealand	–	–	–	–	8.9
All Other Countries	98.2	113.3	86.9	77.2	82.0
TOTAL BEDS OCCUPIED	4,691.0	4,628.5	4,472.1	4,684.3	4,818.5
TOTAL BEDS AVAILABLE	8,525.0	9,011.0	9,207.5	9,203.8	9,024.8
Occupancy rate %	55.0	51.4	48.6	50.9	53.4

*Persons staying one month or more in one hotel—includes some block bookings for aircrew. Not included in total.

**Provisional.

***No breakdown by country is available for 1981.1984.

grown over the years; going up from 6.8 per cent in 1982, to 8.9 per cent of the total in 1985. The share of residents of Asia has, however, remained remained small at around 2 per cent of the total bed-nights occupied during the five-year period.

13.11. The distribution of hotel occupancy in various geographical zones

is shown in Table 13.6. Well over 80 per cent of all bed-nights are spent in Nairobi and coastal hotels. Although beach hotels account for nearly 45 per cent of total bed-nights occupied, the number of bed-nights occupied in 1985 at the coast increased only marginally, whereas other hotels alone showed a decline of 6.3 per cent in the number of bed-nights occupied in 1985 compared with 1984. Nairobi area hotels account for around 30 per cent of total bed-nights occupied. However, it should be noted that unlike in other zones, Nairobi area had a higher increase in the number of bed-nights occupied in 1985 compared with 1984 due to increased conference attendance. In absolute terms, the number of hotel bed-nights occupied in Nyanza basin, western and northern Kenya is significantly smaller, accounting for less than 5 per cent of the total bed-nights occupied during the period. This is primarily due to lack of adequate tourist facilities and attractions.

HOTEL BED-NIGHTS OCCUPIED BY AREA, 1981-1985

Table 13.6 *'000*

	1981	1982	1983	1984	1985*
Coastal—Beach	2,039.1	2,096.9	2,000.3	2,080.6	2,127.8
—Other	344.2	328.1	336.2	337.5	316.2
Coast Hinterland	131.2	115.9	106.6	115.4	121.6
Nairobi—High Class	586.9	543.7	497.9	553.9	6120
—Other	890.0	857.0	829.4	843.5	874.9
Central	343.8	329.9	3311	353.3	338.2
Masailand	193.3	211.7	224.1	243.3	241.6
Nyanza Basin	104.7	89.6	86.6	91 6	95.1
Western	48.5	47.6	51.1	56.3	83.1
Northern	9.3	8.1	8.8	8.9	7.9
TOTAL OCCUPIED	4,691.0	4,628.5	4,472.1	4,684.3	4,818.4
TOTAL AVAILABLE	8,525.0	9,011.0	9,207.5	9,203.8	9,024.8

*Provisional.

13.12. Table 13.7 shows hotel occupancy by country of residence and by major locations of tourist hotels. There has not been any significant shift in the distribution of the number of bed-nights occupied between 1984 and 1985. Out of the total 2.9 million bed-nights occupied by European residents in 1985,18 per cent were spent in hotels in the Nairobi area while 70 per cent were spent in coastal hotels. This implies that most European visitors prefer coastal holidays although an appreciable number of visitors from the United Kingdom still prefer to stay in Nairobi. However, most visitors from North America and Asia prefer staying around Nairobi and the game lodges. Kenyan residents themselves occupied over 60 per cent of bed-nights in hotels located in places other than Nairobi, the coast and the lodges.

HOTEL BEDNIGHTS OCCUPIED BY AREA AND COUNTRY OF RESIDENCE, 1985*

Table 13.7 *'000*

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	210.3	31.0	1.5	18.6	261.4
West Germany	74.3	985.9	84.8	16.9	1,161.9
Switzerland	81.0	388.6	48.5	4.0	522.1
United Kingdom	154.6	239.5	65.0	21.4	480.5
Italy	31.8	144.9	26.3	8.7	211.7
France	43.1	83.3	42.4	7.2	176.0
Scandinavia	42.3	23.4	8.4	6.2	80.3
Other Europe	78.2	112.9	26.7	10.6	228.4
Kenya	251.7	286.2	47.0	235.0	819.9
Uganda	43.5	11.4	0.2	2.9	58.0
Tanzania	27.7	8.4	0.5	0.9	37.5
Other East and Central Africa	78.6	2.8	1.7	2.1	85.2
West Africa	32.4	0.5	0.2	0.7	33.8
North Africa	13.2	0.3	2.1	0.4	16.0
Other Africa	14.3	2.7	0.3	0.5	17.8
U.S.A	165.5	61.7	119.6	34.1	380.9
Canada	19.3	10.6	8.8	2.5	41.2
Other America	4.9	0.3	0.5	0.8	6.5
Japan	7.9	1.6	1.0	0.4	10.9
India	5.4	1.3	0.2	0.8	7.7
Middle East	8.3	3.7	0.6	0.5	13.1
Other Asia	50.5	14.8	6.3	5.2	76.8
Australia and New Zealand	4.8	1.4	1.3	1.4	8.9
All Other Countries	43.3	26.8	8.3	3.6	82.0
TOTAL	1,486.9	2,444.0	502.2	385.4	4,818.5

*Provisional.

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

13.13. The number of bed-nights occupied in game lodges and national parks is given in details in Table 13.8. Among foreign residents, the number of bed-nights spent in these attractions went up by 22 per cent to reach 454,000 bed-nights in 1985 compared with 445,000 in 1984. On the other hand, however, among East African residents, the number of bed-nights occupied in both game reserves and national parks has been fluctuating.

13.14. Table 13.9 sets out details of visitors to national parks between 1981 and 1985. The number in 1985 went up by 4 per cent to stand at 903,000 compared with 868,000 recorded in 1984. Among the larger national parks, however, there has been a decline in the number of visitors to Nairobi National Park while Lake Nakuru National Park received nearly the same number of visitors in 1985 as in 1984. Among the medium-sized national parks, there has been an appreciable increase in the number of visitors except for Lake Bogoria which recorded a marginal fall of 3 per cent in 1985 compared with 1984. The Marine National Park has recorded significant declines in the number of visitors in the last two years. The

GAME LODGES** OCCUPANCY, 1983-1985

Table 13.8 *000*

Lodge Locality/Type	BED-NIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1983	1984	1985*	1983	1984	1985*
Game Reserves	228.6	242.8	294.0	14.1	12.0	14.7
National Parks	146.7	202.0	160.4	33.2	42.9	33.2
TOTAL	375..3	444.8	454.4	47.3	54.9	47.9
Of which full catering -	351.5	419.5	421.9	39.0	46.9	36.4
Self Service —	23.8	25.3	32.5	8.3	8.0	11.1

*Provisional.

**Lodges in National Parks and Game Reserves only.

NUMBER OF VISITORS TO NATIONAL PARKS, 1981-1985

Table 13.9 *'000*

	1981	1982	1983	1984	1985*
Nairobi	147.8	151.3	133.5	128.3	126.0
Amboseli	93.5	136.3	134.9	135.5	155.2
Tsavo (West)	113.8	135.0	1121	118.7	125.5
Tsavo (East)	62.6	79.0	71.2	75.8	76.0
Lake Nakuru	91.7	83.8	99.1	122.2	121.7
Mara National Park	36.8	56.1	78.1	109.9	119.4
Aberdare	43.9	46.2	45.3	47.5	44.0
Marine	47.1	44.6	45.4	41.9	35.4
Lake Bogoria	30.8	27.1	20.4	27.8	27.1
Meru	23.4	21.2	16.4	15.5	21.2
Shimba Hills	16.3	14.7	12.0	13.4	14.6
Mount Kenya	8.4	8.7	11.0	11.3	12.4
Samburu	–	–	7.3	7.3	6.8
Kisite Mpunguti	4.8	3.6	3.2	3.5	6.4
Mount Elgon	2.9	3.2	3.0	4.2	4.5
Ol-Donyo Sabuk	2.1	3.5	2.6	2.4	3.9
Marsabit	2.2	2.2	1.5	1.8	2.1
Saiwa Swamp	2.0	1.9	1.3	0.8	0.8
TOTAL	730.1	818.4	798.3	867.8	903.0

*Provisional.

number dropped by 8 per cent in 1984 from 1983, and again by a sharp 18 per cent in 1985 compared with 1984.

13.15. The number of visitors to museums, scenic and historic sites are set out in Table 13.10. Although the number of visitors to these attractions has been going up remarkably, between 1981 and 1984, the number fell by 5 per cent in 1985, realizing 705,000 visitors compared with 746,000 in 1984. The

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1981-1985

Table 13.10 *'000*

	1981	1982	1983	1984	1985*
National Museum (Main Gate)	160.1	148.5	185.0	201.3	194.4
National Museum (Snake Park)	117.0	120.9	161.5	221.9	177.0
Fort Jesus	129.6	131.1	152.1	182.0	171.0
Kisumu Museum	24.9	53.9	36.8	30.4	48.6
Gedi	31.8	33.4	21.8	26.2	28.6
Lamu	15.2	11.0	12.7	21.7	13.7
Jumba la Mtwana	5.1	9.4	10.5	8.6	8.8
Olorgessaile	4.7	4.8	5.2	6.3	9.0
Kitale Museum	7.6	7.4	4.8	211	20.6
Kariandusi	2.9	1.4	3.3	4.0	7.3
Hyrax Hills	1.5	1.4	2.3	2.7	5.1
Meru Museum	–	5.4	1.5	19.3	20.9
TOTAL	500.4	528.6	597.5	745.4	705.4

*Provisional.

National Museum, (Main gate and Snake Park) and Fort Jesus, attract nearly 80 per cent of visitors to all nationals parks. The number of visitors to these large parks significantly rose between 1982 and 1984, but recorded sharp declines in 1985. Visitors to the National Museum fell by 4 per cent, while visitors to Snake Park dropped sharply by 25 per cent and visitors to Fort Jesus went down by 6 per cent in 1985 compared with the numbers in 1984. The only other museum to record a significant decline was Lamu which received 8,000 less visitors in 1985 compared with 1984.

13.16. Details set out in Table 13.11 shows that the number of delegates who attended the 35 conferences held in 1985 steeply rose to an all time high of 28,844 delegates. This was primarily due to three very large conferences, namely, the NGO Forum 1985, the UN Decade for Women Conference and the 43rd Eucharistic Congress, which between them attracted 22,103 delegates. Despite a reduction in the number of conferences held, conference tourism significantly improved in 1985 compared with the performance in 1984 even when statistics pertaining to the three main conferences are not considered. All in all, the number of conference. days increase from 160 recorded in 1984 to 197 in 1985. The occupancy rate of the Kenyatta International Conference Centre thus went up from 44 per cent in 1984 to 54 per cent in 1985. In addition to these international conferences, the Centre was further occupied for another 23 days by local social events, bringing the total number of days in which the Centre was occupied to 220 days, which in turn increased the occupancy rate to 60 per cent in 1985 compared with 44 per cent occupancy rate in 1984.

13.17. For the last four years, equity investment in the tourist industry by

the Kenya Tourist Development Corporation (KTDC) has remained unchanged at K£5.4 million. However, the loan portfolio increased by 20 per cent from K£5.1 million disbursed in 1984 to K£6.1 million in 1985. Out of this, the commercial loan programme increased sharply by 43 per cent from K£3.3 million disbursed in 1984 to K£4.7 million in 1985, while outlays under the revolving fund programme decreased noticeably by 22 per cent from K1.8 million in 1984 to K£1.4 million as a result of excess recoveries over fresh disbursements. During the year, the KTDC gave technical assistance to the Nakuru Hotel project with a proposed capacity of 112 beds, and also to Nanyuki River Hotel with a capacity of 60 beds.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1981-1985

Table 13.11

	1981	1982	1983	1984	1985*
Number of Conferences	40	29	36	40	35
Number of Conference days	263	218	176	160	197
Attendance (Number of Delegates)	9,500	18,050	13,970	5,768	28,844
Percentage of Occupancy	72.1	59.0	48.2	44.0	54.0

*Provisional.

CHAPTER 14ð TRANSPORT, STORAGE AND COMMUNICATIONS

The fall of crude oil prices and the general recovery of the economy following on the drought experienced in 1984 had some beneficial effects on the transport, storage and communications sector. The gross output from this sector at current prices rose from K£554 million in 1984 to K£657 million in 1985 or by 19 per cent. Except for railway transport whose value of output declined by 3 per cent between 1984 and 1985, all other modes of transport and communications registered improved performance in 1985 compared with 1984. Revised data on new registrations of motor vehicles show that there was an increase of 13 per cent between 1983 and 1984 and a 4 per cent increase between 1984 and 1985. Freight handled at the port of Mombasa declined by 3 per cent while the pipeline throughput improved by nearly 4 per cent.

14.2. The annual nominal output of the transport and Communications sector between 1981 and 1985 is presented in Table 14.1. As has been said, the total value of output increased by 19 per cent between 1984 and 1985 from K£554 million to K£657 million. For the period under review, the average annual rate of growth of output stood at 12.6 per cent. Between 1984 and 1985, road transport grew by 19 per cent as did air transport while the communications sector grew by 44 per cent. Water transport improved by 8.5 per cent while railway transport declined by 3 per cent during the same reference period. Overall, however, the growth of 19 per cent between 1984 and 1985 was the highest during the last five years. Road transport remains the most important source of output for the sector. Its share of total nominal output has remained between 34 and 37 per cent during 1981-85.

14.3. The value of output in road transport increased markedly between 1981 and 1985, particularly in 1984 and 1985. Due to increased population in urban centres which in turn has led to increased demand for transport, the number of vehicles, especially mini-buses, has gone up significantly in the country. The value of output in road transport shown here includes estimates of contribution from the mini-buses. The value of output rose by 19 per cent from K£196 million in 1984 to K£234 million in 1985. Most of this increase is to be found in passenger road transport. Although the value of output of railway transport was on an upward trend between 1981 and 1984, there was, however, a small decline of 3 per cent between 1984 and 1985. The value of output for both water transport and air transport show a similar pattern but rose by nearly 9 per cent and 19 per cent in 1985 compared with 1984 respectively. The value of output in services incidental to transport recovered from a decline of 14 per cent between 1983 and 1984 to register an increase of 19 per cent from K£36 million in 1984 to K£43 million in 1985. The value of output of the pipeline increased by 11 per cent between 1984 and 1985, while communications as has been said, registered an impressive 44 per cent increase during the same period.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1981-1985

Table 14.1 *K£million*

	1981	1982	1983	1984	1985*
Road Transport	141.5	172.3	172.2	196.1	233.8
Railway Transport	42.5	50.0	58.2	61.9	60.0
Water Transport	65.3	54.6	67.5	81.8	88.8
Air Transport	39.9	48.4	69.1	73.8	87.9
Services Incidental to Transport	37.5	40.3	42.5	36.4	43.3
TOTAL	326.7	365.6	409.5	450.0	513.8
Pipeline	18.5	20.1	19.1	21.0	23.4
Communications	63.5	74.9	84.0	82.9	119.4
TOTAL	408.7	460.6	512.6	553.9	656.6

*Provisional.

14.4. Table 14.2 gives the details of earnings from road and railway traffic from 1981 to 1985. Except for a modest 4 per cent rise in 1983 compared with 1982, the combined earnings from both rail and road transport went up steeply between 1981 and 1985. In 1985 these earnings went up by 14 per cent to K£294 million from K£258 million recorded in 1984. The share of earnings from total road traffic was well over 75 per cent and rising steadily throughout the period to stand at 80 per cent in 1985. Earnings from passenger traffic amounted to 65 per cent of the total earnings from road traffic between 1984 and 1985; this component rose markedly from K£121 million to K£152 million or by nearly 26 per cent. On the other hand, earnings from total rail traffic went up until 1983 but remained more or less static at around K£60 million in 1984 and 1985. As can be seen from Table 14.5, both passengers and freight carried by the Kenya Railways have been declining while earnings have been sustained because of successive increases in tariffs during this period.

Road Transport

14.5. Data on the number of new road vehicles registered between 1981 and 1985 are given in Table 14.3. The registration of new road vehicles peaked during the "coffee boom" period reaching 25 thousand new vehicles registered in 1978 but the number has since declined due to high oil prices and the general recession that set in at the beginning of the 1980's. This decline continued and reached a low of 14 thousand vehicles registered in 1983 but began showing a slow recovery from 1984 and recorded 16,320 new vehicles registered in 1985. The breakdown reveals that this recovery was mainly confined to saloon cars, station wagons, panel vans, and pick-ups.The number of new registrations among other types and categories either remained indifferently static or declined during the period under review.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1981-1985

Table 14.2 *K£million*

	1981	1982	1983	1984	1985*
Passenger Traffic—					
Road	72.8	93.2	102.7	120.9	152.2
Rail	4.2	4.4	5.1	4.4	4.6
TOTAL	76.9	97.6	107.8	125.3	156.8
Freight Traffic—					
Road	68.7	79.1	69.5	75.2	81.6
Rail	38.4	45.6	53.0	57.5	55.4
TOTAL	107.1	124.7	122.5	132.7	137.0
TOTAL ROAD TRAFFIC	141.5	172.3	172.2	196.1	233.8
TOTAL RAIL TRAFFIC	42.5	50.0	58.2	61.9	60.0
TOTAL	184.0	222.3	230.4	258.0	293.8

*Provisional.
**Includes other revenue.

NEW REGISTRATION OF ROAD VEHICLES, 1981-1985

Table 14.3 *Number*

	1981	1982	1983	1984	1985*
Saloon Cars	2,751	3,018	3,214	3,571	3,802
Station Wagons	1,560	1,527	1,781	1,877	1,927
Panel Vans, Pick-ups, etc.	6,599	5,447	4,415	5,187	5,675
Lorries/Trucks	2,091	1,355	1,355	1,434	1,350
Buses and Coaches	247	330	304	651	590
Mini Buses	434	295	280	391	350
Special Purposes Vehicles	163	103	75	31	30
Trailers	868	524	491	498	499
Rollers, Graders, Cranes	178	96	184	57	59
Wheeled Tractors	1,217	822	843	852	931
Crawler Tractors	47	26	31	18	20
Motor and Auto Cycles	1,945	1,506	965	1,124	1,084
Three Wheelers	15	12	2	3	3
ALL VEHICLES	18,115	15,061	13,940	15,694	16,320

*Provisional.

14.6. Table 14.4 presents details of the total number of licences issued for vehicles on hire for both passenger and freight transport. The total number of licences issued for both vehicle types fluctuated widely since 1981. The

LICENCES ISSUED FOR VEHICLES ON HIRE, 1981-1985

Table 14.4 *Number*

	1981	1982	1983	1984	1985*
Passenger Service Vehicles	2,938	3,134	2,565	2,879	2,869
Freight Transport Vehicles	5,733	6,199	5,273	5,868	6,334
TOTAL	8,671	9,333	7,838	8,747	9,203

*Provisional.

total number of licences issued for vehicles on hire increased by 5 per cent from 8,747 vehicles licenced in 1984 to 9, 203 vehicles licenced in 1985. This increase was confined to freight transport vehicles.

14.7. The operations of mini-buses have been incorporated in the annual GDP for the second year running now. Results from the pilot survey on mini-buses carried out in 1983 showed that on the average, each mini-bus collected K£13 thousand per annum in form of fares charged and employed two persons each earning K£750 per annum. Returns from the Registrar of Motor Vehicles on the number of Public Service Vehicle (P.S.V.) licences indicate that there was a sharp rise of 17 per cent to a total of 7,012 mini-buses licenced and operating in the country in 1985 compared with an estimated 6,000 in 1984 when the exercise to issue this type of licence to all mini-buses started. In view of this, it is estimated that the sector engaged around 14,000 persons who earned approximately K£11 million in 1985 compared with 12 thousand employees who earned nearly K£9 million in 1984. Similarly, it is further estimated that this sector collected revenue amounting to K£90 million in 1985 compared with an estimated revenue of K£75 million in 1984. Assuming that 30 per cent of the total fare revenue collected is equivalent to the gross domestic product generated, then this sector contributed about K£27 million to the G D P in 1985 compared with an estimated K£22 million in 1984.

Railway Transport

14.8. Table 14.5 shows the tonnage of freight, the number of passengers carried and the revenue earned by the Kenya Railways Corporation. The tonnage of freight carried has been on the decline since 1981. Freight carried in 1985 was 3.2 million tonnes compared with 3.7 million tonnes carried in 1984. This represents a significant drop of 11 per cent. The number of tonnes-kilometres continued to decline during this five-year period. In addition to stiff competition from road transport, this decline was primarily due to reduced domestic production. The revenue accrued from freight handled therefore recorded a drop of 7 per cent from K£55 million in 1984 to K£51 million in 1985 while revenue earned per tonne-kilometre remained at 54 cents for both years.

RAILWAY TRAFFIC, 1981-1985

Table 14.5

	Unit	1981	1982	1983	1984	1985*
Freight:						
Tonnes	'000	4,248	4,065	3,894	3,655	3,239
Tone/Km	million	2,241	2,097	2,091	2,034	1,858
Revenue	K£million	36.10	39.70	46.75	54.65	50.60
Revenue per tonne/Km	cts	32	39	45	54	54
Passengers:						
Journeys	000	2,356	2,346	2,283	1,610	1,816
Passenger/Km	million	777.6	771.8	727.6	484.2	596.4
Revenue	K£million	3.90	4.50	4.85	4.40	4.55
Revenue per passenger/Km.	cts	10	12	13	18	15

*Provisional.

14.9. The number of passengers and the number of passenger/kilometres which declined from 1981 to 1984 showed an upturn in 1985. The largest declines were in 1984 over 1983 when passenger journeys declined by 30 per cent while passenger/kilometres fell by 33 per cent. The revenue earned from passenger traffic and the revenue per passenger/kilometres, however, grew over the period up to 1984 and declined in 1985. The corporation reverted to lower passenger travel tariffs from 1st March, 1985 which had an immediate pay-off with the number of passenger journeys rising by 13 per cent from 1.6 million journeys in 1984 to 1.8 million journeys in 1985. Although the revenue per passenger/kilometre went down, the revenue earned increased by 3 per cent in 1985 compared with the 1984 level.

Harbours and Shipping

14.10. The port of Mombasa continued to serve Uganda. Tanzania, Burundi, Rwanda. Zaire and Sudan in 1985. Details of freight handled through Mombasa between 1981 and 1985 are given in Table 14.6. Mombasa port activity was 25 per cent lower in 1985 compared with 1981. This trend was, however, more pronounced in the volume of exports handled which declined by an annual average of 9 per cent throughout this period. The level of imports in 1985 declined marginally compared with 1984 thus terminating the upward trend which started in 1983. Between 1981 and 1985, the volume of imports declined by around 20 per cent from 5.6 million tonnes in 1981 to a mere 4.4 million tonnes in 1985.

14.11. Whereas the volume of dry cargo handled shows some increase, the volume of bulk liquids has consistently gone down from 1981. Dry cargo exports increased from 1981, rising to 1.8 million tonnes in 1983 but slumped to 1.5 million tonnes in 1985. Dry cargo imports recorded a drop of 28 per cent in 1982 compared with 1981 but went up steadily to reach a record of 2.3 million tonnes handled in 1985. Except for 1984, again, the quantity of bulk liquid exported and imported through the port went down drastically.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1981-1985

Table 14.6 *000 Tonnes*

	1981	1982	1983	1984	1985*
Loaded—					
Dry Cargo	1,531	1,675	1,785	1,537	1,482
Bulk Liquids	1,274	689	411	521	396
Total	2,805	2,364	2,196	2,058	1,878
Landed—					
Dry Cargo	2,060	1,489	1,607	1,971	2,256
Bulk Liquids	3,567	2,705	2,681	2,502	2,181
Total	5,627	4,194	4,288	4,473	4,437
TOTAL FREIGHT HANDLED	8,432	6,558	6,484	6,531	6,315

*Provisional.

14.12. The volume of transit goods handled through the port of Mombasa fell by 20 per cent from 478 thousand tonnes in 1984 to 381 thousand tonnes in 1985. This was largely due to a 43 per cent decrease in imports by all neighbouring countries. Among the four largest users of the port, imports by Uganda, Rwanda, Burundi and Zaire experienced drastic declines with the greatest declines recorded for goods destined for Uganda and Rwanda. This was attributed to inadequate security for transport freight to these countries. Their exports, however, experienced only marginal increases although their separate absolute volumes remained small compared with their imports.

14.13. The number of cargo ships bringing merchandise at the port of Mombasa declined by 12 per cent from 1,407 vessels in 1981 to 1,245 vessels in 1985. This is in line with failing volume of freight handled at the port during this period. The ships were comparatively larger than before and they sometimes sailed away with cargo destined for other ports.

14.14. Containerized freight haulage has been on the increase worldwide. Consequently, there has been a tremendous increase in the handling of freight by this mode of packing at the port of Mombasa during the last ten years. Whereas the port handled only 3 thousand twenty-foot equivalent units in 1976; this rose to 31 thousand in 1980 and reached 84 thousand in 1983. The port handled 103 thousand equivalent units in 1985 which was 12 per cent higher than the 92 thousand twenty-foot equivalent units handled in 1984.

Pipeline Transport

14.15. Table 14.7 highlights the throughput of white petroleum products delivered by the Kenya Pipeline between 1981 and 1985. After an all time

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1981-1985

Table 14.7 *'000 Cubic Metres*

	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumina-ting Oil	Light Diesel Oil	Jet fuel	Total
1981	276.4	209.8	112.0	431.0	409.4	1,438.6
1982	241.3	186.4	103.0	392.3	335.6	1,258.6
1983	240.4	213.9	109.1	393.4	384.7	1,341.5
1984	231.5	238.8	110.0	502.3	316.4	1,399.0
1985	238.4	246.5	122.9	581.1	263.9	1,452.8

peak of 1.5 million cubic metres transported during 1980, the pipeline throughtput rapidly fell to 1.3 million cubic metres by 1982, but has since been rising slowly to stand at nearly 1.5 million cubic metres in 1985. Apart from the throughput of jet fuel which went down during the period, the throughput of all other products went up, particularly the delivery of light diesel oil and kerosene illuminating oil. In addition, power alcohol delivered in 1985 amounted to 8,140 cubic metres compared with 6,377 cubic metres delivered in 1984. Gross revenue earned by the pipeline from this activity therefore went up to just over K£23 million in 1985 thereby showing a substantial increase of 11 per cent compared with K£21 million realized in 1984.

Air Transport

14.16. Table 14.8 despicts the performance of Kenya Airways in 1984 and 1985. There was some significant improvement in the operations of Kenya Airways in 1985 compared with 1984. Overall passenger-kilometres covered by the Airways increased by 13 per cent from 1,023 million kilometres in 1984 compared with 1,152 kilometres covered in 1985. The volume of freight carried grew by only 10 per cent although freight capacity utilization went up markedly in the year. In 1985 there was a reduction in both passenger and a rise in freight capacity utilization for domestic flights while both rose for international flights.

14.17. Details of commercial air traffic at both the Nairobi and Mombasa International Airports from 1981, and 1985 are shown in Table 14.9 and Table 14.10 respectively. There was only a marginal rise in the performance of commercial air traffic at the Jomo Kenyatta International Airport, Nairobi in 1985 compared with 1984. There was a significant change in the composition of passengers handled in 1985 with a 10 per cent decline in transit passengers being offset by increases of 7 and 8 per cent in passengers landed and embarked respectively, to reach record levels.

14.18. Commercial air traffic at the Moi International Airport, Mombasa

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1984-1985

Table 14.8

	DOMESTIC		INTERNATIONAL		TOTAL	
	1984	1985	1984	1985	1984	1985
PASSENGER						
Passenger—						
Km. Million	87.0	95.6	935.5	1,055.9	1,022.5	1,151.5
Utilization: *Per cent*	71.9	69.8	55.7	61.2	58.2	61.8
FREIGHT						
Total Carried:						
Kg/Km. Million	7.4	9.1	116-4	127.2	123.8	136.3
Utilization: *Per cent*	57.2	58.2	52.1	60.6	60.8	60.4

*Provisional.

COMMERICAL TRAFFIC AT NAIROBI AIRPORT, 1981-1985

Table 14.9

	1981	1982	1983	1984	1985
PASSENGERS—000's					
Landed	505.2	470.4	478.4	529.8	567.7
Embarked	507.8	480-0	471.9	517.7	560.9
In Transit	570.1	559-9	588-0	593.0	536.5
TOTAL	1,583.1	1,510.3	1,538.3	1,640.5	1,665.1
FREIGHT—'000 *tonnes*					
Cargo: Landed	7.8	7.1	8.2	10-0	10.4
Loaded	24.9	25.6	28.4	30.1	30.7
Mail: Landed	10	1.1	1.3	1.2	1.5
Loaded	0.8	0.9	0.8	0.8	0-8
TOTAL	34.5	34.7	38.7	42.1	43.4

*Provisional.

has had a mixed performance between 1981 and 1985. The number of passengers rose from around 390 thousand passengers between 1981 and 1983 to 443 thousand in 1985 while the volume of freight handled was on the decline throughout the period. Combined, both airports handled 2 per cent more passengers and 3 per cent more freight in 1985 compared with 1984 respectively.

Posts and Telecommunications

14.19. Details of postal and telecommunications services and facilities between 1981 and 1985 are shown in Table 14.11. The Postal and Telecommunications services and facilities have expanded and improved considerably over the last five years. Although penetration levels as measured by the number of people per post office have deteriorated since

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1981-1985

Table 14.10

	1981	1982	1983	1984	1985*
PASSENGERS—000's					
Landed	182.0	183.5	182.7	193.1	204.7
Embarked	191.2	189.7	191.5	200.1	211.2
In Transit	15.8	16-6	15-3	24.1	27.0
TOTAL	389.0	389.8	389.5	417.9	442.9
FREIGHT—'000 *tonnes*					
Cargo: Landed	12.22	10.14	9.10	8.01	8.93
Loaded	9.84	7.50	8.43	8.22	7.87
Mail: Landed	0.08	0.08	0.12	0.10	0.09
Loaded Loaded	0.04	0.04	0.05	0.08	0.05
TOTAL	22.18	17.76	17.70	16.41	16.94

*Provisional.

POSTAL AND TELECOMMUNICATION SERVICES, 198-1985

Table 14.11

	Unit	1981	1982	1983	1984	1985*
Post Offices	No	714	731	796	930	
Private Letter Boxes	'000	159	168	172	177	189
Registered and Insured Items Posted	million	3.3	3.1	3.4	3.4	3.1
Total correspondence handled	million	199	206	219	228	237
Parcels handled	'000	419	371	352	361	335
Telephone Exchange connections	'000	80	88	%	106	114
Public Call Boxes	No	753	655	734	1,425	2,189
Manual Telephone Calls made	million	14.0	14.6	12-6	13-8	13.7
Subscriber Dailed Units	million	478	571	590	694	950
Telex Subscribers	'000	1.4	1.5	1.7	2.0	2.1
Telegrams Handled	'000	1,000	1,014	1,034	1,170	1,172

*Provisional.

1981, postal services and facilities have gone up appreciably. The number of departmental post offices increased from 200 in 1984 to 216 in 1985 while the number of sub-post offices went up from 596 to 614 in 1985. The total of 830 represents an increase of 4 per cent in 1985 above the 796 post offices in 1984. There was a growth of 12 thousand in the number of installed private letter boxes in 1985, while total correspondence handled increased by 4 per

cent from 228 million letters in 1984 to 237 million letters in 1985. Whereas the number of registered and insured items posted fluctuate year after year at around 3 million pieces, the total number of parcels dwindled significantly during this period. This decline is mainly a result of stiff competition from other transporters both inland and abroad. As regards remittance services, while the value of postal orders issued declined, the value of money orders rose considerably over this period and increased sharply by 71 per cent from 509 million shillings in 1984 to 871 million shillings in 1985.

14.20. Telephone services and facilities likewise have improved. The total number of both automatic and manual telephone exchanges and the associated telephone capacity have continued to grow. By the end of 1985, the number of telephone exchange connections were 114 thousand—over 40 per cent above such connections in 1981. Between 1983 and 1985 the number of public call boxes installed has trippled to 2,189. While the number of manually handled telephone calls was comparatively small in absolute terms and destined to fall further in the future, the number of subscriber dialled calls substantially increased over the period, rising by 37 per cent from 694 million units in 1984 to 950 million units in 1985. Although both the number of telex subscribers and the number of telegrams handled showed negligible increases between 1981 and 1985, the overall telephone penetration levels have substantially improved during the period.

14.21. The total international telephone traffic in terms of paid minutes grew substantially for both incoming and outgoing calls. Their total number rose by 43 per cent from 15 million paid minutes in 1984 to 21 million in 1985. While the number of paid minutes for outgoing telex increased slowly during the period, the number of paid minutes for incoming telex fluctuated around 3 million minutes except in 1984 when 4.6 million minutes were recorded. The international telegraph traffic continues to decline as people switch to telephone and telex services. Between 1984 and 1985, the number of outgoing telegraph messages increased by nearly 8 per cent while incoming messages declined by 10 per cent.

14.22. In order to improve international telecommunications, Kenya Posts and Telecommunications Corporation introduced the International Subscriber Dialling (ISD) in December 1984. This facility has already been installed in 17 main towns and enables telephone subscribers to dial certain overseas destinations directly without using the operator. Shortly prior to this, the Corporation had initiated the bureaufax service which enables customers to transmit messages by fascimile. By the end of 1985, this service was available in both Nairobi and Mombasa so that subscribers can now communicate with the United Kingdom, West Germany, India and Singapore. Details on external telecommunications traffic are shown in Table 4.12.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1981-1985

Table 14.12

	1981	1982	1983	1984	1985*
Telephone service—million paid minutes—					
Outgoing	4.6	5.3	6.2	7.1	9.8
Incoming	5.0	5.9	8.8	7.8	11.3
Telex service—million paid minutes—					
Outgoing	2.6	2.9	3.0	3 1	3.6
Incoming	2.6	3.2	3.2	4.6	2.9
Telegraph service—million paid Words.					
Outgoing	6.9	-6.3	3.5	2.6	2.8
Incoming	6.3	5.3	3.3	2 1	1.9

*Provisional.

Information and Mass Media

14.23. The number of new radio and television sets sold have declined markedly between 1981 and 1985. There was, however, a notable increase of sales in 1985 compared with 1984 as can be seen from Table 14.13. The number of new radios went up by 25 per cent from 98 thousand in 1984 to 122 thousand in 1985, while the number of television sets shot up to 12 thousand sold in 1985 compared with 8 thousand sold in 1984. While the number of television sets sold in 1985 is the highest over this period, the number of new radios sold in 1985 was still significantly lower compared with the first three years in this period. It is estimated that in 1985 the stock of all licenced radios reached 2.8 million sets while the number of all licenced television sets stood at 130 thousand. This implies that there is a radio for every 7 persons agains one television shared by 154 viewers.

14.24. In order to train more skilled manpower, the Kenya Institute of Mass communication was expanded in 1984 to accommodate 350 students compared with the previous capacity of only 300 students. Enrolment in the various technical courses in mass media increased to 302 students in 1985 compared with 162 students in 1984 or by nearly 90 per cent.

12.25. The average daily and weekly local newspaper circulation between 1981 and 1985 is presented in Table 14.14. The average circulation of both daily and weekly Kiswahili language newspapers remained static up to 1983, but their sales have since picked up considerably with the morning newspapers going up by 9 per cent and the weeklies rising by 28 per cent between 1984 and 185. On the other hand, the average daily circulation of English language morning newspapers rose steadily; the general increase in the English language weeklies has been more pronounced during the period.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1981-1985

Table 14.13 *'000*

	1981	1982	1983	1984	1985*
Radios	193.5	196.1	142.9	97.9	122.4
Television Set	10.5	11.5	8.2	8.1	11.8

*Provisional.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1981-1985

Table 14.14 *'000 Copies*

	1981	1982	1983	1984	1985*
MORNING NEWSPAPERS—					
English	163.4	167.1	171.3	183.2	204.2
Swahili	52.6	52.5	52.4	59.2	64.4
OTHER NEWSPAPERS—					
English Weelies	197.7	216.0	232.0	283.9	310.3
Swahili	66.0	65.3	64.8	73.3	93.6

*Provisional.

CHAPTER 15—THE SOCIAL SCENE

In its continued effort to enhance the welfare of the people, Government's expenditure on social services increased from K£347 million during the fiscal year 1984/85 to K£426 million in 1985/86; up by 23 per cent. The detailed breakdown of Government expenditure on social services between 1982/83 and 1985/86 is presented in Table 15.1. Expenditure on social services incurred by local authorities is shown in Table 15.2.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1982/83-1985/86

Table 15.1 *K£million*

	1982/83	1983/84	1984/85*	1985/86*
RECURRENT EXPENDITURE—				
Ministry of Education, Science and Technology	177.55	194.89	217.97	283.14
Ministry of Health	61.29	61.77	68.56	77.07
Ministry of Labour	3.75	4.06	4.49	4.92
Ministry of Culture and Social Services	8.42	8.94	11.13	10.82
DEVELOPMENT EXPENDITURE—				
Ministry of Education, Science and Technology	10.19	7.69	13.90	17.23
Ministry of Health	7.48	10.97	17.14	19.09
Ministry of Labour	0.58	0.66	1.09	1.45
Ministry of Culture and Social Services	5.51	7.82	12.79	12.49
TOTAL EXPENDITURE	274.77	296.80	347.07	426.21

*Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1981-1985

Table 15.2 *K£million*

	1981	1982	1983	1984*	1985*
Education	10.00	11.66	12.75	17.17	15.94
Health	5.89	6.71	6.43	8.05	8.29
Other Social Services	1.86	1.66	2.67	1.91	2.49
TOTAL EXPENDITURE	17.75	20.03	21.85	27.13	26.72

*Provisional.

Education

15.2. The dominant position occupied by education in national expendi-

ture is underscored by the share this service takes of the overall national budget. In 1985/86, education took slightly over 30 per cent of the nation's recurrent budget, it also accounted for 70 per cent of the Central Government expenditure on social services in 1985/86. With the implementation of the new 8 4 4 educational system, both recurrent and development expenditure are estimated to have increased by 30 per cent and 24 per cent respectively in 1985/86 over 1984/85. As indicated in Table 15.3, primary education continued to receive the largest share, amounting to K£173 million, or 61 per cent of the Ministry's estimated recurrent expenditure in 1985/86. On the other hand, higher education had the highest share of development expenditure in 1985/86 financial year.

15.3. The Government recognizes the importance of redefining the

EXPENDITURE OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, 1982/83-1985/86

Table 15.3 *K£million*

	1982/83	1983/84	1984/85*	1985/86*
RECURRENT EXPENDITURE—				
General Administration and Planning	7.28	7.04	16.96	20.06
Pre-Primary Education	0.09	0.10	0.17	0.22
Primary Education	118.55	127.44	130.84	173.03
Secondary Education	24.88	24.76	30.09	37.94
Technical Education	1.02	1.87	2.38	2.35
Teacher Training	6.88	8.72	9.74	10.80
Special Schools	0.74	0.79	1.01	1.23
Polytechnic Education	2.10	3.56	2.51	5.94
Higher Education"	14.66	19.43	23.03	30.04
Miscellaneous	1.35	1.17	1.24	1.52
TOTAL	177.55	194.89	217.97	283.14
DEVELOPMENT EXPENDITURE—				
General Administration and Planning	0.57	1.47	0.84	1.01
Pre-Primary Education	–	–	–	–
Primary Education	1.41	0.47	1.71	1.52
Secondary Education	3.26	0.96	2.08	1.29
Technical Education	0.15	0.69	1.53	0.55
Teacher Training	1.65	2.21	1.84	3.89
Special Education	0.14	0.19	0.94	0.98
Polytechnic Education	0.02	0.13	0.29	1.76
Higher Education**	2.99	1.58	4.67	5.93
Miscellaneous	–	–	–	0.29
TOTAL	10.19	7.70	13.90	17.22

*Estimates.

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

national education and manpower training objectives and has initiated policies to achieve these objectives within the framework of the new 8-4-4 educational system and District Focus for Rural Development strategy. Consideration is being given to the need to relate education to employment opportunities. The Presidential Working Party on Education and Manpower Training for the Next Decade and Beyond was set up in 1985 to. formulate a feasible programme of action to achieve these objectives with reference to recommending ways and means of:

(i) Reviewing and orienting the whole educational philosophy, policy and objectives to ensure that they are in consonance with the changing social, cultural, economic and political demands of the country; and towards learning for life and creative productivity.

(ii) Providing greater educational and manpower training opportunities, especially for the handicapped children and the drop-outs of both primary and secondary levels.

(iii) Providing sufficient and optimal allocation of human, physical and financial resources, including learning and teaching facilities and personnel capabilities so as to improve the quantity and quality of educational aspects at all levels, irrespective of institutional management type.

(iv) Co-ordinating and harmonizing curricula, examinations and certification for all educational and training institutions on national basis; and also establishing and developing centres of excellence in education, training and research, to enhance educational growth without sacrificing their quality or relevance.

15.4. The number of educational institutions by category as shown in Table 15.4 indicates a continuous growth. Since the data do not indicate the

NUMBERS OF EDUCATIONAL INSTITUTIONS, 1982-1985

Table 15.4

Category	1982	1983	1984	1985*
Schools:				
Primary	11,497	11,966	12,539	12,936
Secondary	2,131	2,230	2,396	2,413
Training Colleges:				
Primary	17	17	17	16
Secondary	4	5	5	6
TOTAL	13,649	14,218	14,957	15,371

*Provisional.

institutions' capacities, it is not possible to evaluate the net growth in facilities and the level of utilization. It is, however, possible to study the growth in primary school facilities. The number of classes increased from 113,115 in 1982 to 136,851 in 1985; and the average number of classes per institution which was constant at 9.8 increased to 10.6 in 1985 due to the introduction of the 8-4-4 programme. At primary school level, the increase in number of schools takes the same pace with the increase in number of classes.

15.5. Enrolment in primary schools increased from 4.4 million in 1984 to 4.7 million in 1985, a 6.8 per cent rise. This increase was mainly due to the introduction of Standard 8 class in primary schools. The sex ratio of pupils in primary schools has continued to improve from 109 boys to 100 girls in 1982 through to 107 boys to 100 girls in 1985. Table 15.5 indicates that enrolment of both boys and girls in Standard 1 primary schools has tended to decrease over the years covered. This is largely due to the depletion of the number of older children seeking Standard 1 places after the full introduction of free primary education.

15.6. Enrolment in secondary schools in 1985 was 437,000 compared with 502,000 in 1984. The decline is due to absence of Form I enrolment in 1985 as a result of the introduction of Standard 8 in primary education. However, the demand for secondary education has continued to rise with 437,000 pupils enrolled in Form II to Form VI in 1985 compared with 361,000 enrolled in the same grades in 1984 as shown in Table 15.6. Participation of girls in secondary schooling has lagged behind that of boys, resulting in high sex rations in schools of all management categories. In 1985 the sex ratios were 181 to 100; 126 to 100; and 161 to 100 for maintained, assisted and unaided schools respectively. These sex imbalances are depicted more clearly in Table 15.7 where maintained secondary schools are analyzed by province and sex.

15.7. The teaching force in both primary and secondary schools was around 160,000. This represents an increase of 11 per cent over 1984 compared with a 5 per cent increase in 1984 over 1983. The sharp increase was partly due to the need to increase the teaching force in primary schools to cater for the introduction of Standard 8. The increase had the effect of lowering the percentage of trained over untrained teachers from 70 per cent in 1984 to 67 per cent in 1985. The pupil teacher ratio was 34.1 in primary schools and 20.1 in secondary schools. Table 15.8 provides details of the number of teachers in schools by qualification and school level.

15.8. Table 15.9 shows that primary teacher training colleges enrolled a total of 12,720 students. This represents only an increase of 96 students over the 1984 enrolment. The table also gives details of the qualifications and sex of the trainees in 1985/86.

15.9. To ensure increasing supply of qualified secondary school teachers,

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1982-1985

Table 15.5 '000

Class	1982		1983		1984		1985 •	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	467.8	440.9	460.6	429.4	447.2	417.4	436.5	412.1
Standard 2	359.8	335.4	367.7	343.0	366.1	340.9	363.1	338.1
Standard 3	334.6	320.3	340.3	321.9	339.3	319.1	332.5	312.9
Standard 4	300.0	278.8	315.8	301 9	316.8	308.6	314.9	306.4
Standard 5	250.1	234.7	276.7	260.6	282.5	274.6	283.5	276.7
Standard 6	255.1	235.4	272.2	248.5	267.2	247.6	260.9	247.2
Standard 7	210.7	160.9	216.0	169.3	250.2	202.8	242.5	215.0
Standard 8	—	—	—	—	—	—	201.0	159.1
TOTAL	2,178.2	2,006.4	2,249.2	2,074.6	2,269.2	2,111.0	2,434.9	2,267.5

*Provisional.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1984-1985

Table 15.6 *Numbers*

	1984*			1985*		
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form I	56,270	32,663	52,229			
Form II	54,625	29,669	47,243	62,964	33,549	53,249
Form III	47,428	24,148	32,657	57,108	30,450	46,244
Form IV	46,400	23,055	31,607	56,254	25,240	34,659
Form V	10,611	463	1,210	17,563	533	1,320
Form VI	10,530	270	1,068	16,510	422	1,142
TOTAL	225,864	110,268	166,014	210,399	90,194	136,614
Boys	146,974	57,339	92,968	135,568	50,233	84,232
Girls	78,890	52,929	73,046	74,831	39,961	52,382

*Provisional.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX, 1983-1985

Table 15.7 *Numbers*

	1983*		1984*		1985*	
PROVINCE	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi	12,345	7,716	12,429	8,366	13,120	7,409
Coast	9,406	4,703	9,467	4,761	8,205	4,607
Eastern	21,310	10,655	21,455	10,715	19,638	9,107
North-Eastern	1,262	281	1,271	283	1,019	221
Central	36,618	20,697	36,867	24,162	30,850	21,501
Rift Valley	22,428	11,962	22,581	12,043	23,061	12,737
Nyanza	22,766	8,537	22,921	8,584	21,205	9,681
Western	19,840	9,920	19,983	9,976	18,470	9,568
TOTAL	145,975	74,471	146,974	78,890	135,568	74,831

*Provisional.

training institutions had an enrolment of 6,000 trainees in 1985, compared with 5,200 trainees in 1984; an increase of 800 students. The colleges offering diploma courses enrolled 3,000 teachers in 1985 compared with 2,800 in 1984, with the proportion of female students constant at 32 per cent in both years.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1983-1985

Table 15.8 *Numbers*

	PRIMARY			SECONDARY		
	1983	1984*	1985*	1983+	1984*	1985**
TRAINED—						
Graduate	9	11	29	3,923	5,420	6,116
Approved*	110	212	538	457	675	793
S1	2,687	2,884	3,217	3,079	3,944	4,245
P1	36,902	44,201	51,911	422	222	189
P2	27,346	27,133	13,405	123	20	–
P3	15,295	13,974	26,869	–	–	–
P4	634	488	233	–	–	–
Other	–	–	–	793	544	634
TOTAL	82,983	88,903	96,202	8,797	10,825	11,977
UNTRAINED—						
Graduate	–	–	–	2,256	1,415	1,347
K.A.C.E.	661	764	976	6,697	6,741	6,922
K.C.E	23,683	22,908	28,610	386	283	297
K.J.S.E.	8,482	8,428	9,802	–	–	–
C.P.E.	1,579	1,733	2,148	–	–	–
Other	87	27	38	824	1,398	1,423
TOTAL	34,492	33,860	41,574	10,163	9,837	9,989
GRAND TOTAL	117,475	122,763	137,776	18,960	20,662	21,966

*Provisional.
**Estimated.
+An approved teacher has completed the quivalent of a University Education.

STUDENT ENROLMENT IN ALL PRIMARY TEACHER COLLEGES BY QUALIFICATION, 1985/86*

Table 15.9 *Numbers*

QUALIFICATION	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
K.A.C.E.	46	33	31	18	77	51
K.C.E.	3,644	2,364	3,657	2,508	7,301	4,872
K.J.S.E.	23	47	55	53	78	100
C.P.E.	25	52	46	72	71	124
Special Education	12	3	19	12	31	15
TOTAL	3,750	2,499	3,808	2,663	7,558	5,162

*Provisional.

15.10. An increasing supply of trained technicians is an essential requirement for accelerated economic development. In 1985, there were nineteen technical schools with an overall enrolment of nearly 8,000 students. Only 8 per cent of total enrolment in technical schools were females.

15.11. An expansion and diversification of the scope of polytechnic and post-secondary education is planned to continue under the new educational system. The Kenya Polytechnic, Mombasa Polytechnic and Jomo Kenyatta College of Agriculture and Technology—the three institutions offering technical education—had an enrolment of 5,860 in 1985, an increase of 4 per cent over 1984. The Kenya Polytechnic, with 3,650 students, had the largest enrolment of whom 760 were females. The Mombasa Polytechnic enrolled 1,540 students including 200 females; the Jomo Kenyatta College of Agriculture and Technology had enrolled 670 students. The overall student sex ratio was 400 males to 100 females. Popular subjects of study at the Kenya and Mombasa polytechnics were business studies with 21 per cent of total enrolment, and electrical engineering with 20 per cent. The course in which female enrolment outnumbers males is institutional management at the Kenya Polytechnic, with 96 per cent females.

15.12. In addition to the technical and vocational training offered in the polytechnics, various Harambee Institutes of Technology (HITS) also undertake specialized post-secondary training programmes. By 1985, fifteen institutes were fully-operational with a total enrolment of 4,400 students of whom 1,120 were females. The Rift Valley HIT continued to record the highest enrolment. In 1985, it enrolled 1,200 students, an increase of 33 per cent over 1984 enrolment. This represented 27 per cent of the entire HITS student population. Other HITS with large enrolments, in descending order of total enrolment, are Ramogi, 575; Kiambu, 472; Murang'a, 360; Kimathi, 359; and Kaimosi, 285.

15.13. University of Nairobi, Moi University and Kenyatta University are the three Government institutions of higher learning offering university education. The student enrolment at the University of Nairobi is detailed in Table 15.10. Undergraduate enrolment which decreased by 148 students in 1984/85 over 1983/84, only indicated a slight increase of 48 students in 1985/86 over 1984/85. Female students constituted some 21 per cent of total enrolment, while the proportion of foreign students continued to remain low at less than 2 per cent of total undergraduate enrolment. The Faculty of Arts with 20 per cent continued to take the preponderant share of the entire enrolment, followed by the Faculty of Science with 15 per cent.

15.14. The Moi University which started operating in 1984/85 year with 83 students had its enrolment increased in 1985/86 to 112 students, of whom 14 were females. When fully operational, the university will have 7 faculties, 3 schools and 2 institutes/colleges.

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1984/85-1985/86

Table 15.10 *Numbers*

COURSE/FACULTY	1984/85			1985/86		
	Male	Female	Total	Male	Female	Total
Undergraduate Course—						
Agriculture*	360	94	454	399	116	515
Architecture and Design	190	29	219	179	28	207
Building Economics and Land Economics	98	36	134	87	37	124
Art	741	365	1,106	862	329	1,191
Commerce	332	163	495	360	132	492
Engineering	516	9	525	516	12	528
Law	235	141	376	224	149	373
Medicine	421	111	532	424	103	527
Science	643	85	728	574	69	643
Veterinary Medicine	255	47	302	262	46	308
Dental Surgery	31	28	59	32	28	60
Pharmacy	80	26	106	93	23	116
TOTAL	3,902	1,134	5,036	4,012	1,072	5,084
of which Kenya Students	3,853	1,118	4,971	3,967	1,042	5,009
Diploma Courses**Total	31	36	67	33	41	74
of which Kenya Students	31	32	63	29	36	65
Postgraduate Course—						
Agriculture	115	23	138	103	36	139
Architecture and Design	55	6	61	57	4	61
Art	201	81	282	177	85	262
Commerce	43	8	51	30	6	36
Education	264	106	370	88	40	128
Engineering	39	2	41	33	3	36
Law	11	5	16	12	5	17
Medicine	210	45	255	171	45	216
Science	243	25	268	224	39	263
Veterinary Medicine	48	8 ,	56	41	11	52
School of Journalism	16	6	22	15	6	21
Institute of Computer Science	15	4	19	17	5	22
TOTAL	1,260	319	1,579	968	285	1,253
of which Kenya Students	1,181	295	1,476	829	238	1,067
Total Enrolment—						
All Kenya students	5,065	1,445	6,510	4,825	1,316	6,141
Students from other countries	128	44	172	187	82	269
TOTAL	5,193	1,489	6,682	5,012	1,398	6,410

*Includes courses on Food Science and Technology and Forestry.
**Diploma courses were offered in Advanced Nursing and Adult Studies.

15.15. The Kenyatta University which hitherto was a constituent college of the Nairobi University, became the third Government constituted university in 1985. The 2,600 students enrolled at the college in 1985/86, therefore, became pioneering students of the new Kenyatta University. As detailed in Table 15.11, student enrolment increased by 10 per cent from 2,372 in 1984/85 to 2,606 in 1985/86.

KENYATTA UNIVERSITY STUDENTS BY COURSES AND SEX, 1984/85-1985/86

Table 15.11 *Numbers*

	1984/85			1985/86		
	Male	Female	Total	Male	Female	Total
Bachelor of Education	1,069	924	1,993	573	799	1,372
B.A. (Fine Arts)	7	7	14	577	186	763
B.Sc. (Home Economics)	2	87	89	20	165	185
Postgraduate (Including P.G.D.E)	217	59	276	223	63	286
TOTAL	1,295	1,077	2,372	1,393	1,213	2,606

Health

15.16. The Government carried out various renovations and up-grading of existing health facilities during 1985. Apart from the extensions to some hospitals for the Nyayo Wards, Kathiani Hospital in Machakos District, which was built on Harambee efforts, was completed and has become operational. Table 15.12 shows the provincial distribution of health facilities in 1985. The number of hospitals increased by 30 while the number of health centres decreased by 26. The number of health sub-centres and dispensaries also decreased by 100 to 1,173 in 1985. The decrease in number of health centres, sub-centres and dispensaries can be attributed in part to the up-grading of some of the institutions.

15.17. Table 15.12. also shows the number of beds and cots available in all health institutions in the country, irrespective of the operating agency. There was no major change in the total number of beds and cots by the end of 1985, apart from those beds and cots introduced in the Nyayo Wards in Government hospitals at Kiambu, Embu, Nakuru, Kapsabet in Nandi and Kapkatet in Kericho districts. The Nyayo Wards have a 144 bed capacity. The Nyayo Wards Harambee projects were initiated by His Excellency the President who has also personally taken keen interest in their construction.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE. 1985

Table 15.12

	HEALTH INSTITUTIONS				HOSPITAL BEDS AND COTS	
	Hospitals	Health Centres	Health sub. centres and Dispensaraies	Total	No. of Beds and Cots	No.per 100,000 Popu-lation
Nairobi	27	15	116	158	5,610	483
Coast	24	26	139	189	3,005	171
Eastern	36	35	201	272	4,337	122
North-Eastern	3	6	12	21	414	73
Central	44	40	187	271	4,848	160
Rift Valley	51	61	335	447	5,844	135
Nyanza	38	47	139	224	4,114	113
Western	20	37	44	101	2,764	117
TOTAL 1985	243	267	1,173	1,683	30,936	153
TOTAL 1984	213	293	1,273	1,779	30,886	158

15.18. Most of the drugs and equipment utilized by the health services are imported. The availability of essential drugs in adequate quantities is an important element of a health care delivery system. In response to this need, the new management system for drugs supplies to rural health facilities has been redesigned. This new system includes the supply of drugs ration kits to rural health facilities to ensure quality and efficient supplies and usage of drugs at the community level. However no results are yet available for the evaluation of the new management system.

15.19. In 1985, the national Maternal Child Health and Family Planning (MCH/FP) programme had 87,000 first visitors attending family planning clinics, a rise of 5,000 over 1984. The trend in the utilization of MCH/FP services shown on Table 15.13 indicates that more clients are using the clinics for child welfare and ante-natal services than for family planning. From the data, it is not possible to evaluate how efficiently the facilities have been utilized since only 63,57 and 52 per cent of the established clinics reported in 1983,1984 and 1985 respectively. It can however be argued that the reporting system will have to be improved and made more effective to help monitor regularly the new ambitious family planning targets of reducing the rate of population growth from 3.8 to 3.3 per cent per annum in 1988 as outlined in Sessional Paper No. 4 of 1984 on Population Policy Guidelines.

MCH/FP* ATTENDANCE BY SERVICES, 1983-1985

Table 15.13 *Numbers*

YEAR	CLINICS**		FIRST VISITS ONLY		
	Established	Reported	Child Welfare	Ante-Natal	Family Planning
1983	645	409	845,272	597,193	63,269
1984	719	410	826,673	531,774	82,167
1985	798	412	830,145	534,007	87,168

*MCH/FP means maternal child health and family planning.
**All clinics give both full-time and part-time services especially in the field of family planning.

15.20. Table 15.14 sets out the number of registered medical personnel including those in training institutions. The number of doctors increased by 90 whereas dentists rose by 53. While some of this increase reflects the Government's commitment to provision of efficient health services, some of the increases are due to improvement in data collection through the Health Information System.

15.21. Information in Table 15.15 shows that the net contributions to the National Hospital Insurance Fund declined by K£1.10 million between 1983/84 and 1984/85. However, membership increased from 450,276 in December, 1984 to 510,593 in December, 1985 due to the Civil Service Salary Review which brought some employees into salary brackets covered by the Fund. For the first time in the 1980's, benefits have exceeded receipts due to a decline in receipts.

REGISTERED MEDICAL PERSONNEL, 1983-1985

Table 15.14 *Numbers*

TYPE OF PERSONNEL	1983	1984	1985		IN TRAINING	
				No. per 100,000 Population	1984.85	1985.86
Doctors	2,614	2,752	2,842	14.04	532	634
Dentists	289	331	384	1.89	59	62
Pharmacists	113	131	231	0.00	126	118
Pharmaceutical Technologists	395	427	459	2.26	125	113
Registered Nurses	8,547	9,165	9,377	46.32	898	1,142
Enrolled Nurses	10,168	10,650	11,248	55.57	4,117	5,617
Clinical Officers	1,921	2,001	2,107	10.41	477	436

NATIONAL HOSPITAL INSURANCE FUND, 1980/81-1984/85

Table 15.15 *K£million*

Year	Receipts*	Benefits'*	Contribution Net of Benefits*
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
1984/85	5.36	5.95	-0.59

*Includes both compulsory and voluntary contribution and other receipts.
**Benefits include other payments, e.g. management expenses.

Other Social Services

15.22. Adult Education—In 1985 there were 184,429 students enrolled in adult education classes with 77 per cent females. This total represent a drop of 21 per cent over enrolment in 1984. The number of adult education centres dropped by 702 to 10,161 in 1985, while the number of classes dropped from 10,981 in 1984 to 10,260 in 1985. The decreases in the number of classes and centres as well as enrolment is attributed to the high turnover of teachers in the programme, with replacements taking a longer time to effect. Non-government organizations make a significant contribution to this programme.

15.23. National Youth Service—The service had 6,000 servicemen and 1,000 servicewomen in 1985. Recruitment during the year consisted of 2,000 recruits of whom 350 were servicewomen. The service is engaged in several development activities located in different parts of the country. Among these activities are transportation of maize to various National Cereals and Produce Board depots; and construction works at Ministry of Health and Moi Forces Academy, both in Nairobi. Among the courses offered to servicemen/women in 1985 were motor vehicle mechanics and electronics, plant operation and mechanics, electrical installation, carpentry, masonry, driving, tailoring and dressmaking, teaching and nursing.

15.24. National Social Security Fund—Table 15.17 indicates that the number of employers registered by the Fund was 35,400, an increase of 1,300 over 1984; while the number of employees registered increased by 65,100. The total contribution in 1985 was K£43.8 million of which K£11.4 million or 26 per cent was paid out to members as benefits. The benefits paid out in 1985 were thus the highest on record. Total investment during the year amounted to K£121.6 million of which K£59.3 million or 49 per cent was in long term investments. The Fund therefore continues to play a significant role in the economy.

ENROLMENT AT GOVERNMENT AND NON-GOVERNMENT AIDED ADULT LITERACY CENTRES, 1985

Table 15.16

PROVINCE	CATEGORY OF TEACHERS							
	Government		Part Time		Self-Help		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
Nairobi	932	1,105	368	713	152	141	1,452	1,959
Coast	1,590	6,061	3,426	9,394	1,307	2,775	6,323	18,230
Eastern	1,419	8,444	3,185	14,161	818	3,945	5,422	26,550
North-Eastern	1,683	1,974	2,061	2,477	–	–	3,744	4,451
Central	863	6,362	1,264	7,207	173	887	2,300	14,456
Rift Valley	3,655	8,930	6,566	12,235	1,606	3,733	11,827	24,898
Nyanza	1,021	6,817	2,402	11,730	969	5,285	4,392	23,832
Western	1,937	7,696	3,040	13,682	1,464	6,774	6,441	28,152
TOTAL	13,100	47,389	22,312	71,599	6,489	23,540	41,901	142,528

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NATIONAL SOCIAL SECURITY FUND, 1981-1985

Table 15.17

	1981	1982	1983	1984	1985
Employers registered '000	.. 30.4	31.8	33.0	34.1	35.4
Employees registered '000	..1,226.4	1,291.4	1,341.0	1,406.7	1,471.6
Members paid out '000	112.4	128.4	132.4		
Annual contribution K£mn	.. 34.1	35.9	36.1	39.4	43.8
Annual benefits paid K£mn	3.8	4.1	6.5	5.4	11.4
Total investments K£mn	.. 69.2	78.5	86.3	96.0	121.6

15.25. *Youth Development*—Youth development programme is aimed at training young people in order to make them employment oriented, especially in self-employment. The main training institutions for middle level skills are the youth polytechnics. The number of such polytechnics receiving Government aid in 1985 was 321, compared to 288 in 1984. As shown in Table 15.18 the total enrolment in the village polytechnics dropped from 30,831 in 1984 to 21,473 in 1985. This is the effect of the introduction of an extra year in primary education in the new 8.4.4 educational system. However, the number of instructors in these institutions increased by 595 to 2,182 in 1985.

ENROLMENT IN VILLAGE POLYTECHNICS, 1984-1985

Table 15.18 *Numbers*

	YEAR	PROVINCES								
		Nairobi	Coast	Eastern	North-Eastern	Central	Rift Valley	Nyanza	Western	Total
Number of Village Polytechnics	1984	2	40	44	7	60	44	51	40	288
	1985	2	44	49	8	66	54	55	43	321
Total Enrolment	1984	406	4,606	4,049	246	6,351	5,325	5,887	3,961	30,831
	1985	276	4,020	3,533	302	3,559	4,183	3,021	2,579	21,473
Number of Instructors	1984	18	217	223	33	360	265	260	211	1,587
	1985	23	299	299	49	486	397	353	276	2,182