

REPUBLIC OF KENYA

# *ECONOMIC SURVEY 1987*

*Central Bureau of Statistics*
*Ministry of Planning and National Development*

# *ECONOMIC SURVEY 1987*

*Prepared by the Central Bureau of Statistics*
*Ministry of Planning and National Development*

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# INTRODUCTION
# ECONOMIC SURVEY 1987
# BY
# MINISTER FOR PLANNING AND NATIONAL DEVELOPMENT

The Annual Economic Survey is a feature of the Kenya Government's commitment to providing up.to.date and timely information to Parliament and the public at large. It appears just before the Annual Budget and exposes to the world the economy's performance in the previous year.

Besides the traditional tables which are continously updated, there are constant efforts to interpret for the public major trends, and the reasons for significant changes. There is also analysis indicating how national policies are being implemented and affecting overall development.

Every year, Chapter three changes. The aim is to alert the public on some aspect of the economy which requires a more detailed description. In recent years, this Chapter has dealt with housing, social indicators, co-operatives and demographic matters. In 1982, the Balance of Payments since 1972 was reviewed in detail. This year, Chapter Three outlines the efforts to improve the quality of Kenya's national data; a number of macro-economic tables including the Balance of Payments, have been revised so as to enable scholars and other users of data to have better quality material with which to work.

DR. ROBERT J. OUKO,
*Minister for Planning and National Development.*

# CONTENTS


PAGE

Summary and Outlook (iv)
*Overview—p. (iv)*
*The International Scene—p. (iv)*
*Domestic Economy—p. (v)*
*Revision and Re-organization of some Macro. Economic Data Series—p. (vi)*
*Employment, Earnings and Consumer Prices—p. (vi)*
*Money, Banking and Finance—p. (vi)*
*Public Finance—p. (vii)*
*External Trade and the Balance of Payments—p.(vii)*
*Agriculture and Livestock—p. (viii)*
*Natural Resources and Environment—p. (viii)*
*Energy—p. (ix)*
*Manufacturing—p. (ix)*
*Building and Construction—p. (x)*
*Tourism—p. (x)*
*Transport, Storage and Communications—p.(x)*
*The Social Scene—p. (xi)*
*Outlook for 1987—p. (xi)*

CHAPTER 1—The International Scene 1

CHAPTER 2—The Domestic Economy 8
*Overview—p.8*
*Sectoral Contributions—p. 10*
*Terms of Trade Effects—p. 15*
*Resource Allocation—p. 15*
*Factor Incomes and National Product—p. 17*
*Trends in Capital Formation—p. 18*

CHAPTER 3—Revision and Re-organization of some Macro-Economic Data Series 22
*Background—p.22*
*Balance of Payments—p.22*
*Merchandise—p. 22*
*Shipment—p.24*
*Other Transportation—p.25*
*Travel—p.26*
*Investment Income—p.26*
*Unrequited Transfers—p.29*
*Government Long-term Capital—p.30*
*Private Long-term Capital—p.30*
*Short-term Capital—p.31*
*Monetary Movements—p.32*
*Summary on Balance of Payments—p.32*
*Public Finance—p.33*
*National Accounts—p.37*

CHAPTER 4—Employment. Earnings and Consumer Prices 41
*Employment—p.41*
*Consumer Prices—p.51*

**CONTENTS—(*Contd.*)**

PAGE

CHAPTER 5—Money, Banking and Finance 54
*Overall Trends—p.54*
*Interest Rates—p.58*
*Central Bank of Kenya Assets and Liabilities—p.59*
*Commercial Bank Credit and Liquidity—p.61*
*Non-Banking Financial Institutions—p.64*
*Banking System: Developments—p. 64*

CHAPTER 6—Public Finance 67
*Overall Results—p.67*
*Analysis of Government Expenditure—p.74*
*Public Debt—p. 74*
*Local Authorities—p.80*

CHAPTER 7—External Trade and the Balance of Payments 85
*Balance of Trade—p. 85*
*Price Changes—p.86*
*Terms of Trade—p.87*
*Volume Changes—p.87*
*Composition of Exports—p.89*
*Quantities of Principal Exports—p.89*
*Export Prices—p. 89*
*Composition of Imports—p.92*
*Direction of Trade—p.93*
*Balance of Payments—p.97*
*International Liquidity—p. 100*

CHAPTER 8—Agriculture and Livestock 104
*Marketed Production—p.104*
*Production by Crop—p.111*
*Livestock Production—p.117*
*Irrigation—p.118*
*Agricultural Training—p.119*
*Co.operatives—p.119*

CHAPTER 9—Natural Resources and Environment 121
*Water Supplies—p. 121*
*Fisheries—p. 122*
*Forestry—p. 124*
*Mining—p. 125*
*Resources Assessment and Monitoring Activities—p. 127*
*Other Activities for Preserving the Environment—p. 127*

CHAPTER 10—Energy 129
*Overview—p. 129*
*Petroleum—p. 129*
*Electricity—p. 135*
*Energy Balance—p. 137*
*Household Energy Use—p. 137*

CHAPTER 11—Manufacturing 139
*Changes in Production—p. 139*
*Development of Manufacturing Enterprises—p. 146*
*Labour Costs and Productivity—p. 148*

CHAPTER 12—Building and Construction 149

CHAPTER 13—Tourism 156
*International Tourism—p. 156*
*Tourism Hotels Occupancy—p. 160*
*Tourist Receipts—p. 163*
*Domestic Tourism—p. 163*
*Other Tourist Attractions—p. 164*
*Conference Tourism—p. 165*
*Development of Tourism—p. 165*

CHAPTER 14—Transport, Storage and Communications 167
*Road Transport—p. 169*
*Railway Transport—p. 170*
*Harbours and Shipping—p. 171*
*Pipeline Transport—p. 172*
*Air Transport—p. 172*
*Posts and Telecommunications—p. 175*
*Information and Mass Media—p. 176*

CHAPTER 15—The Social Scene 178
*Health—p. 185*
*Other Social Services—p. 189*

## 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 experienced sluggish growth in 1986. The overall real GNP growth rate of all OECD countries, at 2.5 per cent in 1986, was slower than the 3.0 per cent registered in 1985. However, inflation in the OECD countries receded further from 4.5 per cent in 1985 to 2.8 per cent in 1986. The unemployment rate in the OECD countries remained static at 8.3 per cent in 1985 and 1986. The high unemployment rate was particularly bad for persons working in import sensitive industries. As a result there are strong measures for these countries, especially the U.S.A., to impose protectionist measures against imports.

The general revival in economic activity after the 1984 drought which was noted in 1985, continued into 1986. All sectors of the economy recorded positive real growth rates in their value added. High coffee prices and low oil prices in the world market, coupled with good weather, contributed significantly to the impressive expansion of production in Kenya in 1986. The main sectors of agriculture and manufacturing recorded growth rates of 4.8 per cent and 5.9 per cent respectively in 1986. The overall Gross Domestic product grew by 5.7 per cent in 1986, which compares favourably with the growth rate of 4.4 per cent in 1985. As a result, growth rate of GDP per capita increased by 1.8 per cent in 1986 compared with a mere 0.5 per cent in 1985.

The performance of the external sector of the economy was also commendable during 1986. There was an overall balance of payments surplus, from a deficit in 1985. Government revenues also increased appreciably, even though, pressures on the budget resulted in a larger budget deficit in 1986/87, compared with 1985/86.

Aggregate consumption rose substantially in 1986, resulting in an overall nominal growth rate of some 9.2 per cent. Fixed capital investment grew by 33 per cent in 1986 compared with 23 per cent in 1985.

With the strong improvement in economic activity, the decline in inflation rate, and a general wage increase, real average earnings rose by 3.0 per cent in 1986. This increase in average earnings was in sharp contrast to the fall of 1.5 per cent witnessed in 1985.

## The International Scene

The world economy portrayed a mixed image in 1986. The bright side showed declining inflation rates, falling interest rates, cheaper oil prices and a modest expansion of world output. The dark side was characterised by low commodity prices, a slowdown in growth of industrial countries, sluggish growth in world trade and large, but sustainable, shifts in foreign exchange rates.

Gross National Product (GNP) growth slowed down in the industrial world. After showing a strong expansion of nearly 5 per cent in 1984, the overall GNP growth of the OECD countries receded to 3.0 per cent and further to 2.5 per cent in 1985 and 1986 respectively. The slowing down was

mainly attributed to the steep decline of growth in the United States from 6.8 per cent in 1984 to a constant 2.7 per cent in 1985 and 1986. The deceleration of growth in the U.S.A. was largely contributed by the sharp fall in stockbuilding. Japan also recorded a decline in its growth in 1985 and 1986 due to depressed domestic demand. Marked appreciation of the Yen adversely affected Japanese exports.

The slow down in industrialised economies adversely affected growth of output in developing countries during 1985.1986. The oil exporting countries suffered from the low oil prices which drastically reduced their export earnings. Non-oil exporters also suffered from weak prices of metal and agricultural commodities (except coffee whose prices rose markedly in 1986). The overall effect was a net trade loss equivalent to 3 per cent of the GNP for the developing countries. However, developing countries gained from the 1986 declines in interest rates and in the value of the dollar (most developing countries debts are denominated in the U.S. dollar) although Japanese Yen and German Mark values affected World Bank loans.

Inflation in the industrial world has been on the decline since 1982. In the OECD countries, inflation fell from some 7.3 per cent in 1982 to 4.5 per cent in 1985. A further decline to 2.8 per cent was observed in 1986.

Prospects for the world economy appear to be slightly brighter in 1987. Output has picked up in major industrial countries. Stronger domestic demand, assisted by low commodity prices, low inflation and increased real earnings, will be the main stimuli for the rise in economic activity in the industrial world. Debt servicing activity in the developing countries may continue gaining from low international interest rates and the depreciation of the dollar.

**Domestic Economy**

Kenya entered its second year of recovery from the 1984 drought with a strong economic improvement in all sectors. The real GDP grew by 5.7 per cent in 1986. This represented a sharp acceleration from the rate of growth of only 0.9. per cent in 1984; it is also higher than the growth rate of 4.4 per cent attained in 1985.

Adequate rains, accompanied by producer price incentives, resulted in an impressive growth rate of 4.8 per cent in the agricultural sector in 1986, compared with an increase of 3.5 per cent in 1985. There was increased production of virtually all major agricultural crops.

Real value added in the manufacturing sector rose by 5.9 per cent in 1986, 1.4 percentage points higher than the growth rate in 1985. This increased growth rate was a response to the increased domestic and export demand for manufactured goods. The building and construction sector continued to recover, registering growth rates of 1.1 per cent and 3.7 per cent in 1985 and 1986, respectively.

Gross fixed capital formation rose by 33 per cent in 1986. The investment was particularly strong in building and construction, plant and machinery, and transport equipment.

**Revision and Re-organzation of Macro-economic Data Series**

The Central Bureau of Statistics (CBS) has been reviewing economic concepts, sources of information used and the mode of presentation of statistics in various tables, both in the Economic Survey and the annual Statistical Abstract. The review, conducted through Task Forces and Working groups, has been in two areas, namely, the Balance of Payments and Government Finance Statistics. The relationship between these data and those in the National Accounts has also been looked into; with the result that tables from the two areas that have been reviewed have been harmonised with the interrelated tables appearing in national account statistics.

Some changes recommended in the review have been introduced affecting tables in chapters 2, 6 and 7. In order to compare current developments with performance in the recent past, revised data series going back to 1981 have also been provided in Chapter 3.

Looking at the balance of Payments, the revised series show an improvement in both the balance of merchandise trade, and in the current account balance. There is, on the other hand, a deterioration in the balance of the capital account. Overall balances have, however, only changed slightly. The resulting composition of the various sub-accounts conforms more closely now to the recommendations of the fourth edition of the Balance of Payments Manual. In the area of public finance, a few tables have been re-organised and data on some items revised, after reviewing the concepts of revenue, expenditure and deficit. Lastly, some clarifications and reconciliation of data appearing in both national accounts and balance of payments tables have been provided.

**Employment, Earnings and Consumer prices**

The employment situation in 1986 improved moderately compared with the previous year. Wage employment in the modern sector increased by 46,100 new jobs or 3.9 per cent. Employment in the small scale enterprises, formerly known as the urban informal sector, expanded significantly by 10.4 per cent compared with 9.1 per cent in 1985.

The total wage payments increased by 13 per cent in 1986 compared with 14.6 per cent in 1985. Average nominal wages rose by 8.8 per cent while average real wages increased by a welcome 4 per cent; a result of the remarkable decline in the inflation rate.

The inflation rate, as measured by Nairobi Consumer Price Indices, has declined to 5.7 per cent in 1986 but there are indications that it will rise.

**Money, Banking and Finance**

The most noteworthy developments in the financial sector during 1986 were a rapid expansion in money supply resulting in excessive liquidity, and the improved position of net holdings of foreign assets. Money supply grew by 33 per cent, mainly as a result of expanded domestic credit and improvement in the balance of payments. The liquidity position of

commercial banks rose to a peak liquidity ratio of 34 per cent at the end of September, 1986 while net foreign assets improved by K£77 million over the 1985 position.

Total domestic credit expanded from K£l,569 million at the end of 1985 to peak at K£2,018 million at the end of 1986, representing an increase of 29 per cent. The substantial growth in domestic credit is reflected in the increased Government borrowing from the banking system, which rose by 56 per cent over the 1985 position. Credit creation and deposit mobilization by commercial banks increased,while that of the non-banking financial institutions slowed down during the year.

Other main developments in the banking system included the introduction of 6 per cent cash ratio regulation and Treasury bonds with longer maturity periods of 2 and 5 years. The two policy measures were instituted to curb, among other things, the excessive liquidity within commercial banks. The 1985 amendments to the Banking Act that are being implemented in stages continued to restore confidence and stability in the banking system. These was a notable shift of funds from some new financial intermediaries to the longer established banks.

**Public Finance**

Provisional results show that Government revenue raising efforts were very successful in 1986/87. Current revenue increased by K£287 million in 1986/87 compared with a rise of K£166 million in the previous fiscal year. However, due to extra pressure placed on the Reccurrent Account, current expenditure increased significantly by K£307 million and as a result the current deficit expanded by K£21 million to peak at K£82 million in 1986/87. Increased budgetary allocation for development oriented activities made capital expenditure to grow rapidly from K£177 million in 1985/86 to K£384 million in 1986/87. Support to the National Cereals and Produce Board was a major feature of Government expenditure.

The large gap between current issues and current receipts, coupled with a rapid growth of capital expenditure widened the budget deficit which is estimated to be K£404 million in 1986/87 compared with K£228 million in 1985/86. Policy intentions to finance the large deficit from non-inflationary sources met with difficulties as commercial banks turned out to be the major buyers of the new medium-term Treasury bonds which accounted for 60 per cent of the total Government borrowing. The new securities raised K£151 million out of K£201 million from medium-term domestic bor. rowing.

**External Trade and balance of Payments**

Better overall performance of the economy enabled Kenya to record a balance of payment surplus of K£73 million during 1986; compared with a deficit of K£94 million and a small surplus of K£32 million recorded in 1985 and 1984, respectively. This scenerio resulted from a rapid growth of exports, which was mainly attributed to high coffee earnings, and a modest rise in imports, occasioned by a lower energy bill following lower petroleum prices during most of 1986. Exports grew by 22 per cent while imports

recorded a lower increase of 12 per cent in 1986. The effect was a decline in the deficit of the visible balance. This deficit was offset by higher capital inflows resulting in a balance of payments surplus.

The terms of trade improved appreciably in 1986. The coffee prices rose remarkably early in the year following fears of a short-fall in Brazil. The sharp increase led to abolition of coffee quotas. On the other hand, there was a dramatic fall in the prices of petroleum products in 1986. The buoyant coffee and low oil prices contributed to the increase of 12 per cent in the terms of trade in 1986. Exports to E.E.C. rose significantly, while those to the African region also continued the upward trend. However, exports to African countries outside the Preferential Trade Area showed a notable decline. Imports from African region showed a similar trend as that of the exports.

Reserve holdings improved in 1986, with a record level of K£395 million being registered in April, 1986. The reserves rose partly as a result of the better performance of the export sector, and also due to the decline in the Kenya shilling vis.a.vis the foreign currencies in which the reserves are held. Overall, the Kenya shilling depreciated by 6 per cent in trade weighted terms. Against the S.D.R., the shilling depreciated by 8 per cent, despite its appreciation by slightly over 1 per cent against the US dollar. It remained at almost the same level against the Sterling Pound, but declined considerably against the German Mark.

**Agriculture**

The Agricultural Sector's performance in 1986 was the best in the last five years. At 1982 constant prices, the sector's contribution to G.D.P. grew by 4.8 per cent following an increase of 3.5 per cent in 1985. This commendable performance was generally attributed to good weather conditions prevailing in the country since 1985 and to financial incentives.

Record production levels were recorded for maize at 32 million bags, beans, potatoes and liquid milk. Production of cotton, tea, sisal and rice paddy was, however, below the 1985 level. That of wheat and pyrethrum recorded considerable improvement in response to more aggressive production campaigns. Sugar-cane production increased marginally in 1986 and a commendable increase in horticultural exports is a reflection of the continued expansion of this sub-sector.

As a result of the increase in agricultural output, the corresponding value of marketed production increased by 24 per cent in 1986. An improvement in both domestic and international producer prices improved the agricultural terms of trade from 92 points in 1985 to 95 points in 1986.

**Natural Resources and Environment**

Total development expenditure on water supplies and related services increased from K£35 million in 1985/86 fiscal year to K£40 million during 1986/87. Over 63 per cent of total expenditure was spent in rural, county and urban council water supplies.

The area under tree forests increased by 4.5 per cent, reversing the decline recorded in 1985. Tree seedlings planted increased by over 30 per cent from 23 million in 1985 to 30 million in 1986.

There was an improvement in the fishing industry in 1986. A total of 122 thousand tonnes of fish and other marine products was landed in 1986, compared with 106 thousand tonnes in 1985, a reflection of increased demand for aquatic products.

Overall, mineral production declined marginally in 1986 with fluorspar and salt recording significant production decreases. Efforts to determine the availability and economic potentiality of various mineral products continued.

**Energy**

A sharp drop in the world price of the crude oil in 1986, which slumped to US$9 per barrel by mid-year had a significant impact on the situation in the country. The oil import bill declined by 39 per cent, although the total volume of oil import rose. The Government reduced the prices of petroleum products which enhanced domestic consumption. Total domestic demand for these products in 1986 stood at 1,654 thousand tonnes, 6 per cent above that consumed in 1985.

Hydro-electricity generation in 1986 rose by 3 per cent from 1,680 G.W.H. in 1985 to 1,736 G.W.H. as a result of good rains. Similarly, generation from thermal oil and geo-thermal sources rose by 45 and 10 per cent respectively, in 1986. A successful campaign by the Government in the promotion of energy conservation was reflected in the continued decline of per capita energy consumption. The Kiambere power project which is expected to become operation in 1988 will add 140 MW to the national electric grid.

**Manufacturing**

The manufacturing sector performed markedly better in 1986 than in 1985. The real growth of 5.9 per cent in 1986 was the highest in the last six years and compares favourably with the 4.5 per cent rise attained in 1985. This remarkable performance is attributed to a number of factors; increased availability of foreign exchange for the importation of requisite material inputs; the reduction in manufacturing costs arising from reduced oil prices; adequate supplies of raw materials to agro-based industries as a result of increased agricultural output and the increased domestic consumption of manufactured goods, which was partly due to the removal of sales tax and reduction of prices for certain manufactured goods announced during 1986.

Except for the transport equipment industry, all other industries recorded positive growth rates in 1986. Once again, the miscellaneous manufactures industry recorded the highest growth rate. The agro-based industries, save for sugar and confectionery, recorded substantial growth during the period under review. However, the rate of the sector's investment continued being sluggish as a result of changes in the international value of the shilling that did not favour increased importation of machinery and other inputs.

The number of persons employed rose by 3.8 per cent in 1986 from 159 thousand in 1985 to 165 thousand. The implicit productivity of labour rose appreciably in 1986 compared with 1985.

**Building and Construction**

The building and construction sector performed markedly better in 1986 than in 1985 as the main indicators showed. Cement consumption increased significantly by 15 per cent in 1986. This was a result of increased construction particularly sporting facilities, grain stores and roads during this period. Employment expanded by 12 per cent from 49,900 persons in 1985 to 55,700 persons in 1986. Overall, the construction cost index rose by only 6.8 per cent in 1986 a welcome change from the increases of 12.7 per cent and 10.9 per cent in 1984 and 1985 respectively. The value of all building plans approved in 1986 rose from K£112 million in 1985 to K£137 million in 1986.

**Tourism**

Since 1984, the tourism industry has performed better. In 1986, earnings from tourism rose by 25 per cent from K£197 million in 1985 to K£247 million. However, the number of visitor arrivals and departures rose more slowly in 1986 compared with 1985. Continental Europe, including the United Kingdom continues contributing the highest number of tourists. Although the total number of days stayed by tourists and the number of bed-nights occupied rose appreciably in 1986, the average length of stay has remained almost at the 1984 level. A total of 14,609 delegates attended the 29 international conferences held in 1986 compared with 28,844 delegates who attended 35 conferences in 1985. The number of conference days, however, increased to 210 in 1986 from 197 in 1985. This resulted in a rise in the occupancy rate at the Kenyatta International Conference Centre from 54 per cent in 1985 to 58 per cent in 1986. The role of domestic tourism, however, continues to remain negligible.

**Transport, Storage and Communications**

The value of output in the transport sector at current prices has gone up substantially since 1982. In 1986, this value rose by 17 per cent from K£666 million in 1985 to K£779 million. Most of this growth was manifested in road transport, in particular passenger road transport and air transport. During the period 1982 to 1986, new registration of motor vehicles has fluctuated widely with the number increasing by 5 per cent in 1986 following a decrease of 6 per cent in 1985.

In spite of marginal increases in 1986, freight handled by the Kenya Railways, and export cargo handled at Mombasa harbour have been on the decline since 1982. Pipeline throughput has gone up consistently since 1982, registering an increase of 10 per cent in 1986 over 1985. Similarly, air transport, especially on the international scene, has continued to grow while domestic operations have indicated increases in passenger ferried. However, decreases in volume of freight handled have been recorded.

Significant growth over the last two years occurred in communications. In 1986, information and mass media improved appreciably with increased sales of radios, television sets, newspapers and magazines being recorded.

**The Social Scene**

In 1986, there were various developments in the provision of social services. The building of the Kenya Institute of Special Education at Kasarani was competed. Although there was no change in sex ratio, enrolment in primary schools increased from 4.7 million in 1985 to 4.8 million in 1986. The first Form I class under the 8 4 4 system enrolled, raising total secondary school enrolment from 437,000 to 459,000. The introduction of the 8.4.4 system resulted in the phasing out of Technical secondary schools, whose enrolment dropped from 8,000 in 1985 to 6,000 in 1986. On the other hand, enrolment at Harambee Institutes of Technology increased by 300 to 4,700.

The establishment of Moi and Kenyatta Universities and Egerton College resulted in increased university enrolment from 9,147 in 1985 to 10,143 in 1986; an 11 per cent increase.

There were various developments in other social services. Building of Nyayo Wards continued to help improve health facilities; enrolment at village polytechnics increased to 22,900, showing Government concern for the youth; the total strength of the National Youth Service increased by 1,800.

**Outlook for 1987**

In real terms, the OECD countries achieved an overall G.N.P. growth rate of 2.5 per cent in 1986. As a whole, they are expected to grow by 2.8 per cent in 1987. Mainly due to recent oil price increases, inflation rate is expected to rise in the O.E.C.D. areas. In the U.S.A. especially, import prices will rise because of the depreciation of the U.S. dollar. Protectionist tendencies still continue, especially in the U.S.A. and Japan, and this could dampen world trade in 1987.

On the domestic scene, inflation is likely to rise in 1987 due to the general increases in oil and some domestic food prices announced during the first four months of 1987; the excess liquidity which prevailed in the economy in 1986 may also exert pressure on prices. The final implementation of the Ramtu Salary Commission, coupled with the general rise in minimum wages gazetted recently, are expected to stimulate aggregate domestic demand in 1987. The resultant higher aggregate demand will have favourable effects in most sectors of the economy.

The manufacturing sector is expected to raise its output following the strong recovery in investment in plant and machinery use in manufacturing together with the increase in stocks in 1986. The increased demand for manufactured exports in 1986 should also serve as a catalyst for higher production of manufactures for export. The general minimum wage increases announced in May, 1987 will substantially boost domestic demand for manufactured products. Overall, manufacturing output may grow by over 6 per cent in 1987.

Agricultural output may be affected by the late arrival of the long rains in 1987. The long rains came late and so far have been inadequate throughout the country. However, the current stocks from the 1986/87 wheat and maize crops should be enough to cover the country's needs during 1987.

The external trade sector is expected to perform less favourably than in 1986. Overall, domestic exports will show a general slow-down from the high growth rate attained in 1986, chiefly due to the down-turn in the world coffee and tea prices. Coffee prices at local auctions fell steeply from KSh. 65 to KSh. 38 per kilo between September 1986 and January, 1987. Over the same period, tea prices fell by some 15 per cent, from KSh. 29 to KSh. 25 per kilo. Average world oil prices also rose, to hover around US$18 per barrel by early 1987. Since coffee and tea accounted for about 57 per cent of the total export earnings, and oil imports took nearly 20 per cent of the overall import bill, their unfavourable performance are likely to produce some adverse effects on the economy in 1987. However, their effects should be moderated by significant exports of manufactured and other agricultural products. In total, the unfavourable trends are bound to result in balance of payments pressure towards the end of 1987.

Hence the overall G.D.P. is expected to attain a growth rate of about 5.5 per cent in real terms in 1987.

KEY ECONOMIC AND SOCIAL INDICATORS. 1982-1986**

*Table 1*

| | | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|---|
| 1. Population | (million) | 18.0 | 18.8 | 19.5 | 20.2 | 21.0 |
| 2. Growth of GDP at constant priccs | | 7.4 | 3.1 | 0.9 | 4.1 | 5.7 |
| 3. GDP at market prices | (K£mn) | 3,411 | 3,820 | 4,219 | 4,810 | 5,615 |
| 4. Net cost of petroleum products | (K£mn) | 179 | 214 | 185 | 257 | 128 |
| 5. Trade Balance | (K£mn) | -332 | -253 | -320 | -385 | -351 |
| 6. Money supply | (K£mn) | 1,066 | 1,118 | 1,262 | 1,346 | 1,784 |
| 7. Total domestic credit | (K£mn) | 1,252 | 1,253 | 1,389 | 1,569 | 2,018 |
| 8. Balance of payments (current account) | (K£mn) | -160 | -25 | -86 | -77 | -33 |
| 9. Coffee marketed production | ('000 tonnes) | 88 | 95 | 119 | 97 | 115 |
| 10. Tea marketed production | ('000 tonnes) | 96 | 119 | 116 | 147 | 143 |
| 11. Maize marketed centrally | ('000 tonnes) | 571 | 636 | 561 | 583 | 670 |
| 12. Wheat marketed centrally | ('000 tonnes) | 235 | 242 | 135 | 194 | 225 |
| 13. Sugar-cane production | | 3,108 | 3,286 | 3,611 | 3,463 | 3,552 |
| 14. Milk sold centrally | (mn litres) | 260 | 274 | 190 | 731 | 316 |
| 15. Manufacturing output | (K£mn) | 2,054 | 2,426 | 2,957 | 3,536 | 4,297 |
| 16. Construction output | (K£mn) | 402 | 411 | 420 | 443 | 486 |
| 17. Cement consumption | ('000 tonnes) | 579 | 511 | 541 | 610 | 702 |
| 18. Petroleum consumption | ('000 tonnes) | 1,491 | 1,373 | 1,482 | 1,497 | 1,583 |
| 19. Electricity consumption | (Mn Kwh) | 1,701 | 1,747 | 1,845 | 2,014 | 2,206 |
| 20. Tourism earnings | (K£mn) | 118 | 122 | 152 | 197 | 247 |
| 21. New registration of vehicles | | 15,061 | 13,940 | 15,694 | 14,797 | 15,472 |
| 22. Rail freight | (Mn tonnes/km) | 2,097 | 2,091 | 2,034 | 1,860 | 1,861 |
| 23. Air passengers handled | ('000) | 1,900 | 1,928 | 2,058 | 2,159 | 2,276 |
| 24. Wage employment | ('000) | 1,046 | 1,093 | 1,126 | 1,174 | 1,221 |
| 25. Education—primary enrolment | ('000) | 4,184 | 4,324 | 4,380 | 4,700 | 4,843 |
| 26. Education—secondary enrolment | ('000) | 438 | 494 | 498 | 437 | 459 |
| 27. Education—post secondary enrolment | ('000) | 22 | 22 | 23 | 24 | 26 |
| 28. Hospital beds and cots | (Number) | 29,044 | 29,294 | 30,886 | 30,936 | 31,356 |
| 29. Registered doctors and dentists | (Number) | 2,390 | 2,614 | 2,757 | 2,842 | 2,980 |
| Index Numbers: (1987=100) | | | | | | Annual % Rate of change 1982-1986 |
| Export volumes | | 100 | 96 | 95 | 99 | 114 | 3 .3 |
| Import volumes | | 100 | 79 | 93 | 86 | 101 | 0.2 |
| Terms of trade | | 100 | 94 | 110 | 92 | 103 | 0.7 |
| Consumer prices | | 100 | 115 | 175 | 138 | 146 | 9. 9 |
| Real wages | | 100 | 93 | 94 | 91 | 95 | -1.3 |
| Agricultural terms of trade | | 100 | 98 | 94 | 92 | 95 | -1.3 |

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

# CHAPTER 1—INTERNATIONAL SCENE

In 1986, the fourth year of recovery, growth in industrial countries slowed down. The year was characterized by large shifts in exchange rates, low inflation levels, low commodity prices, falling interest rates and faster growth in money supply. The Organization of Economic Co-operation and Development (OECD) area registered a moderate growth rate of 2.5 per cent, and the particular concern shifted mainly to creating conditions more conducive to current account adjustments. The dramatic fall in oil prices had far reaching effects, with the Organization of Petroleum Exporting Countries (OPEC) recording a current balance deficit of US$51 billion during the year. The decline in non-oil commodity prices was also more pronounced. The net effect of these developments was that world trade grew almost at the same rate as in 1985, with Africa performing poorly in its share of external trade.

1.2. The decline in oil prices in 1986, and in those of other non-oil commodities was one of the most notable developments during the year. The oil price fall which began in 1984 reached the lowest point in July, 1986 when a reference price level of US$9 per barrel was recorded. The effect of this was a cut in imports of oil exporting, non-OECD countries and a reduction in energy related investments in the OECD countries. World economic acitivity paused as both producers' consumption and investment fell rapidly. However, there was an increase in consumption of oil in the second half of 1986. The general decline in commodity prices had also the effect of keeping the inflation rate low, with the OECD area recording the lowest level in twenty years.

1.3. The other significant development in the international scene was the large shifts in exchange rates. The US dollar fell by 20 per cent against the major currencies (Sterling, Yen, French Franc, German Mark) in 1986 to bring its decline to about 35 per cent from its February, 1985 peak level. The trade weighted dollar had by the end of 1986 declined by 42 per cent against the Japanese Yen and by 48 per cent against the German Mark, as a result of the reduction in interest rates in Japan and West Germany. The decline in interest rates has as yet to help the United States cut her trade deficit as intended. This has partly been due to the fact that it has not fallen vis-a-vis currencies of the new industrial countries, particularly in South. East Asia, which have strong external positions, and partly because exporters to the US have absorbed the initial phase of the depreciation in the dollar on profit margins rather than passing it fully on US import prices.

1.4. Declines of commodity prices have particularly hit the developing countries. Both agricultural commodities and metals have recorded declines, with a few exceptions. In the case of agricultural commodities, coffee prices rose sharply early in 1986, peaking in February at 230 US cents a pound. This led to the eventual suspension of the quotas, but prices have since then fallen to below 120 cents a pound in early 1987. Metal prices were also weak with only lead having better prices, due to limited supply as a result of a strike in Australia—one of the major lead producers. The effect

was a net trade loss, equivalent to 3 per cent of the developing countries' GNP which, coupled with a reduction in financing from private sources, led to a reduction in imports by these countries.

1.5. Table 1.1 sets out the key economic indicators and projections for OECD countries. As is evident from the table, the real GNP declined in the overall, from 3 per cent in 1985 to 2.5 per cent in 1986. United States had a small improvement, while a notable decline was recorded for Japan. OECD economic activity was early in the year marked by sustained domestic growth but also by a sharp fall in the exports to non-OECD countries. This was especially the case for Japan, which had the problem of all major domestic demand components, except government consumption, growing less strongly than expected. Japanese exporters were affected more seriously by the appreciation in Yen, following reductions in discount rates. USA continually put pressure on Japan and West Germany to boost their growth, with a hope that this would help alleviate her trade deficit. In all, at this phase of recovery, the large gains in terms of trade consequent on lower oil and non-oil commodity prices have stimulated real GNP growth in the OECD area by over 1 per cent. Spending patterns continue to adjust, and growth of private consumption will be sustained. The effect of the sustained domestic demand and the continuing reduction of imports in the non. OECD countries is that growth in the OECD area is expected to increase only marginally in 1987 and early 1988.

1.6. As already observed, the rate of inflation declined further in 1986 to 2.75 per cent for the whole of the OECD area compared with 4.5 per cent in 1985. While US and other major countries made considerable success, the most notable declines were in Japan and West Germany, which recorded 0.75 per cent and negative 0.75 per cent, respectively, during the year. These two countries recorded huge surpluses in their current balances. One important effect of this decline in inflation has been the high growth in money supply. There has been an increase in demand to hold non-interest. bearing money balances, as inflation, and linked nominal interest rates, fell. This, coupled with the effects of financial innovations, led to monetary growth of 3 per cent above the nominal GNP growth. The increased liquidity is likely to be a factor making a stronger real output in 1987 and in early 1988.

1.7. The unemployment situation remains precarious as Table 1.1 shows. The growth in the level of employment has not outpaced growth in the labour force, despite slight improvement in 1986. The level of total unemployment remained at nearly 31 million persons in the OECD area. Notable gains were made in the USA and Canada, while European employment was higher in the second half of 1986 compared with the same period a year earlier. European labour force is estimated to have grown at the same rate as the population of the working age, and there has been more flexibility in forms of employment, which has led to more entrants into the labour force. The gains in the US employment led to a decline from 7.2 per cent in 1985 to 7.0 per cent in 1986, and further easing up is expected.

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

*Table 1.1*

| | 1985 | 1986 | 1987 | 1988 (1st half) |
|---|---|---|---|---|
| | (percentage changes from preceding period) | | | |
| Real GNP— | | | | |
| United States | 2.7 | 2.75 | 3.0 | 3.0 |
| Japan | 4.5 | 2.25 | 2.75 | 3.25 |
| OECD European members | 2.5 | 2.5 | 2.5 | 2.25 |
| Total OECD membership | 3.0 | 2.5 | 2.75 | 2.75 |
| Real total domestic demand— | | | | |
| United States | 3.4 | 3.5 | 2.75 | 2.75 |
| Japan | 3.6 | 3.75 | 3.5 | 4.25 |
| OECD European members | 2.3 | 3.75 | 3.25 | 2.75 |
| Total OECD membership | 3.1 | 3.5 | 3.0 | 3.0 |
| Inflation (private consumption deflator)— | | | | |
| United States | 3.5 | 2.25 | 3.0 | 3.5 |
| Japan | 2.2 | 0.75 | 0 | 0.5 |
| Germany, Federal Republic of | 2.1 | -0.75 | 0.75 | 1.5 |
| France, United Kingdom, Italy and Canada | 6.0 | 3.75 | 3.25 | 3.5 |
| Other OECD Countries | 8.6 | 6.75 | 5.75 | 5.0 |
| Total OECD membership | 4.5 | 2.75 | 3.0 | 3.0 |
| World Trade** | 3.7 | 3.75 | 3.75 | 4.5 |
| Current balances— | (US $billion) | | | |
| United States | -117.7 | -138 | -136 | -133 |
| Japan | 49.2 | 82 | 77 | 72 |
| Total OECD membership | -57.5 | -20 | -34 | -47 |
| Unemployment— | (per cent of labour force) | | | |
| United States | 7.2 | 7.0 | 6.75 | 6.5 |
| Japan | 2.6 | 2.75 | 3.25 | 3.25 |
| OECD European members | 10.9 | 11.0 | 11.0 | 11.0 |
| Total OECD membership | 8.3 | 8.25 | 8.25 | 8.25 |

Source: OECD Economic Outlook No. 40.

*Assumptions underlying the projections include:

- no change in actual and announced policies;
- unchanged exchange rates from 4th November, 1986;
- no significant change in dollar price for internationally traded oil of US$15 per barrel;

**Arithmetic average of the growth rates of the world import volume and export volume.

The cut-off date for information used in the compilation of the forecasts was 17th November, 1986.

1.8. The main focus of policy makers is how to unwind the current imbalances and maintain low inflation while sustaining growth in output and employment. Efforts to reduce the large surpluses and deficits using exchange rates have not yielded quick results as anticipated. Japan recorded a current surplus of US$82 billion, while West Germany had a surplus of US$32 billion, in 1986. On the other hand, the USA had a current balance deficit of US$138 billion. It is expected that Japan and German surpluses will ease as a result of strong domestic demand being offset by high import growth and flat exports in 1987 and 1988. This pattern started to emerge in the second half of 1986. There are, however, fears that failure of the trend to continue could lead to disorderly exchange market conditions or to intensified protectionist pressures, either of which is likely to impair the strength of global economic growth.

1.9. Developing countries performed poorly following low oil and non-oil commodity prices, even though their deficit was reduced substantially. The reduction in deficit was a result of the fall in import volumes, as well as due to lower oil prices in the non-oil developing countries. OPEC as a group had to cut on imports as oil prices slumped. Their current account balances declined ten-fold from a deficit of US$5 billion in 1985 to US$51 billion in 1986. Non-oil developing countries improved by recording a deficit of US$7 billion in 1986 compared with US$20 billion in the previous year. Improvement in the price of oil in the second half of 1986 is likely to lead to a better position in the OPEC's balances in 1987. *See* Table 1.2.

1.10. Performance within the USSR and Eastern countries was not encouraging either, since the slide in oil prices also affected some big producers within the group. After adjustments, their current balances deteriorated further from US$4 billion in 1985 to zero level. Their decline was mainly in trade balances which dropped sharply from US$8 billion to US$3 billion. Adjustments are, however, not complete and as Table 1.2 illustrates, the position is expected to improve in 1987 and 1988; with the current balances being expected to pick up to US$2 billion.

1.11. Selected commodity price indices are shown in Table 1.3. On the whole, primary commodity prices continued to weaken. As the table indicates, only coffee improved, mainly due to the high prices early in the year. In general, however, raw materials in agriculture improved slightly by recording a rise just below 2 per cent. The fall in the prices of primary commodities resulted in poor performance for the developing countries, which in general had their commodities' prices declining for the third year. The declines were mainly due to weak demand in the wake of higher production.

1.12. The decline in oil prices entered its third year in 1986. The fall in 1986 was more pronounced with the effects felt world-wide. Oil prices dropped to as low as US$9 a barrel in July, 1986 before picking up to US$18 a barrel in December, 1986. The dramatic fall had the effect of reducing the trade balances for OPEC from US$56 billion in 1985 to US$9 billion in 1986. Nevertheless, there were two positive effects for these countries. The first, which is short run, is that it increased discipline within the group

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

Table 1.2 *$billion*

| | 1984 | 1985 | 1986 | 1987 | 1988** (1st half) |
|---|---|---|---|---|---|
| Trade balance | | | | | |
| OECD | -48 | -45 | -11 | -24 | -32 |
| OPEC | 57 | 56 | 9 | 16 | 26 |
| Non-oil developing countries | -1 | -5 | 8 | 9 | 6 |
| USSR and Eastern countries | 18 | 8 | 3 | 5 | 5 |
| Total— | 26 | 14 | 9 | 6 | 5 |
| Services and private transfers, net | | | | | |
| OECD | 7 | 16 | 22 | 21 | 18 |
| OPEC | -64 | -59 | -59 | -56 | -54 |
| Non-oil developing countries | -35 | -31 | -30 | -29 | -28 |
| USSR and Eastern countries | -5 | -4 | -3 | -3 | -3 |
| Total— | -97 | -78 | -71 | -67 | -67 |
| Balance on goods, services and private transfers | | | | | |
| OECD | -41 | -29 | 11 | -2 | -15 |
| OPEC | -7 | -2 | -49 | -41 | -27 |
| Non-oil developing countries | -35 | -36 | -23 | -20 | -22 |
| USSR and Eastern countries | 13 | 4 | 0 | 2 | 2 |
| Total- | -71 | -64 | -61 | -61 | -62 |
| Official transfers, net | | | | | |
| OECD | -25 | -28 | -30 | -31 | -33 |
| OPEC | -2 | -2 | -2 | -2 | -1 |
| Non-oil developing countries | 13 | 16 | 15 | 16 | 16 |
| USSR and Eastern countries | 0 | 0 | 0 | 0 | 0 |
| Total- | -14 | -14 | -17 | -17 | -18 |
| Current balance | | | | | |
| OECD | -66 | -57 | -20 | -34 | -47 |
| OPEC | -10 | -5 | -51 | -42 | -29 |
| Non-oil developing countries | -22 | -20 | -7 | -4 | -6 |
| USSR and Eastern countries | 13 | 4 | 0 | 2 | 2 |
| Total*** | -85 | -78 | -78 | -78 | -80 |

Source: OECD Outlook No 40

* 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 arc significantly different from zero.

because after several meetings which failed to produce positive results, the July meeting was able to set some targets and prices began moving upwards towards the desired level of US$18 a barrel. The December, 1986 meeting was also able to set a limit in production of 15.8 million barrels per day. The second is that it seems to have slowed the expansion of non-OPEC oil production, thus ending for some time OPEC's diminishing market share.

SELECTED WORLD COMMODITY PRICE INDICES, 1982-1986
(1980=100)

*Table 1.3*

| Year | All Coffee* | Tea** | Sisal*** | Sugar+ | Petroleum++ | All+++ Commodities |
|---|---|---|---|---|---|---|
| 1982 | 83.4 | 86.7 | 77.8 | 82.0 | 103.6 | 80.6 |
| 1983 | 84.9 | 104.3 | 74.6 | 79.5 | 99.6 | 85.6 |
| 1984 | 93.7 | 155.2 | 76.3 | 72.6 | 97.5 | 87.4 |
| 1985 | 88.6 | 89.0 | 68.6 | 73.0 | 95.9 | 76.0 |
| 1986 | 113.0 | 86.6 | 67.3 | 84.3 | 67.5* | 73.1 |

Source: IMF, *International Financial Statistics.* (March, 1987).
*All Coffee (New York).
**Average Auction (London).
***East African (London).
+E.E.C. Import Price.
++OECD Petroleum Products (Table 62, OECD Economic Outlook No. 40.)
+++World (Non fuel Commodities)
*October, 1986.

Total demand for oil increased slightly from 45 million barrels per day in 1985 to 47 million barrels per day in 1986. OECD oil consumption rose marginally from 34 million barrels per day in 1985 to 35 million barrels per day in 1986. The prices are likely to stabilize for some time below US$20 a barrel mainly due to pressure from OPEC, but also due to the fact that demand is not expanding fast enough to push the price upwards.

1.13. The debt situation remained fragile but containable. During the year, Mexico was able to negotiate for an aid package under the auspices of the Baker proposals made towards the end of 1985. Other large debtor countries also showed interest as a result of the generous terms granted to Mexico, and gave notice of intent or began to renegotiate their debts. Latin American debt stands at US$380 billion, while Africa's debt stands at US$175 billion. Total debt of developing countries rose from US$992 billion in 1985 to US$1,035 billion in 1986. Part of this debt, about US$40 billion, was due to re-evaluation of loans in currencies other than the US dollar. Perhaps the best news for the least developed countries was the agreement by the 31 rich donor nations that over the three years starting in 1987, there will be the eighth International Development Association's (IDA) replenishment worth US$12.4 billion. This level surpasses the previous replenishment which was worth US$9 billion.

1.14. Africa was preoccupied with adjustments and reforms aimed at laying a basis for economic recovery after three years of widespread drought. Agriculture performed remarkably well by registering an output growth of more than 3 per cent. According to the Economic Commission for Africa (ECA), more than 30 countries recorded a growth rate of over 3 per cent in 1986. The picture, however, depicts contrasts, for while 13 countries including Kenya achieved a growth rate of 5 per cent and above; 10 others recorded negative growth rates; while the rest recorded marginal growth rates. Food aid is still needed in some countries affected by mild drought or with a large number of refugees or those with civil strife.

1.15. Despite the good performance noted above, Africa performed disastrously in its external sector. Export revenues dropped from US$60 billion in 1985 to US$44 billion in 1986, or by 27 per cent. This was mainly due to the collapse in commodity prices, adverse terms of trade, increased protectionism and heavy debt and debt servicing burden. The only exceptions to the fall in commodity prices were coffee and groundnuts, whose prices rose by 17 per cent and 67 per cent, respectively, in 1986.

# CHAPTER 2—DOMESTIC ECONOMY

## Overview

Sound economic policies pursued by the Government have allowed the country to record commendable economic growth. During 1982.86, the overall Gross Domestic product (GDP), in real terms, grew by 3.8 per cent annually. The growth could have been higher were it not for the 1984 drought which decelarated it to a low 0.9 per cent. However, the economy emerged strongly from the drought, with a real GDP growth of 4.4 per cent in 1985. An impressive growth rate of 5.7 per cent in the real GDP was attained in 1986. The GDP growth was accompanied by a rise in per capita income, from a decline of 2.9 pr cent in 1984 to an increase of 1.8 per cent in 1986.

2.2. The higher GDP growth rate in 1985-1986 may be attributed to a number of factors. First, there has been extensive promotion of domestic exports through trade liberalisation policies. These policies, supported by lower oil and higher coffee prices in the world market, contributed to a 22 per cent increase in domestic exports in 1986, compared with only 4 per cent in 1985. Second, ample rains, coupled with attractive prices paid to producers boosted production in the agriculture and manufacturing sectors. Third, in line with favourable export achievement, domestic consumption rose appreaciably. Fourth, during 1985 and 1986, there has been a strong recovery in fixed capital investment. Fifth, a marked rise in tourism activity helped the distribution and commercial sectors to record substantial growth rates.

2.3. Developments in the financial sector were rather unique in 1986. At 33 per cent, the overall monetary growth rate is the second highest since 1977 when the "coffee boom" raised money supply by 47 per cent. Various factors explain the marked acceleration of monetary expansion in 1986. Between 1982.1986, interest rates on savings remained high and real rates continued as positive since inflation declined sharply. The high interest rates on savings may have attracted an increased number of depositors, while the narrow margin between the cost of borrowing and the return on deposits may have given private firms an incentive for a preference of monetary investment over investment in fixed assets. Other important contributors to the rapid rise in money supply were the large fiscal deficit and the exceptional foreign reserve accumulation. The Government budget deficit as a percentage of nominal GDP rose from 5 per cent in 1985 to 8 per cent in 1986. The foreign reserves available in 1986 rose to about K£9 million from a liability of K£68 million in 1985.

2.4. The Government introduced deflationary measures which succeeded in bringing down inflation to 10.7 per cent in 1985 from an all.time high rate of 22.3 per cent in 1982. Despite the rapid monetary growth in 1986, inflation declined further to 5.7 per cent. The low inflation rate may be attributed to increased agricultural and manufacturing production and low world oil prices.

*Table 2.1* k£million

| | Current Prices | | | | Constant (1982) Prices | | | |
|---|---|---|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986* | 1983 | 1984 | 1985 | 1986* |
| A. Non-Monetary Economy | | | | | | | | |
| Forestry | 24.95 | 28.97 | 32.93 | 34.37 | 22.48 | 23.21 | 23.89 | 24.88 |
| Fishing | 1.11 | 1.25 | 1.56 | 1.84 | 1.32 | 1.29 | 1.41 | 1.59 |
| Building and Construction | 58.99 | 68.41 | 95.44 | 103.33 | 50.58 | 52.02 | 60.70 | 62.29 |
| Water Collection | 21.77 | 24.89 | 28.04 | 29.74 | 20.90 | 22.00 | 22.62 | 22.93 |
| Ownership of Dwellings | 90.01 | 103.96 | 135.44 | 148.65 | 76.52 | 79.55 | 82.65 | 86.09 |
| Total Non-Monetary Economy | 196.83 | 227.48 | 293.41 | 317.93 | 171.80 | 178.07 | 191.27 | 197.78 |
| B. Monetary Economy | | | | | | | | |
| 1. Enterprises and Non-Profit Institutions | | | | | | | | |
| Agriculture | 1,030.61 | 1,083.89 | 1,198.98 | 1,352.13 | 945.65 | 910.77 | 943.02 | 988.28 |
| Forestry | 26.84 | 27.89 | 28.72 | 32.33 | 23.74 | 24.48 | 25.27 | 25.53 |
| Fishing | 9.02 | 10.34 | 13.06 | 15.50 | 11.04 | 10.94 | 11.82 | 13.37 |
| Mining and Quarrying | 7.37 | 8.51 | 10.00 | 11.45 | 6.69 | 7.41 | 7.56 | 7.80 |
| Manufacturing | 408.26 | 460.96 | 518.40 | 576.37 | 389.07 | 405.84 | 424.07 | 449.08 |
| Building and Construction | 138.08 | 131.89 | 162.03 | 186.92 | 109.96 | 102.48 | 103.57 | 107.30 |
| Electricity and Water | 47.03 | 51.91 | 57.15 | 63.59 | 49.45 | 50.55 | 53.82 | 57.88 |
| Trade, Restaurants and Hotels | 381.89 | 422.56 | 502.85 | 633.59 | 307.78 | 324.83 | 350.17 | 379.58 |
| Transport. Storage and Communications** | 195.26 | 235.86 | 267.26 | 305.30 | 201.51 | 202.29 | 206.54 | 215.42 |
| Finance, Insurance, Real Estate and Business Services | 248.84 | 269.15 | 315.02 | 349.58 | 223.58 | 234.04 | 246.28 | 260.81 |
| Ownership of Dwellings | 154.24 | 168.19 | 181.69 | 207.25 | 135.18 | 134.77 | 130.01 | 133.35 |
| Other Services*** | 70.17 | 81.93 | 98.73 | 116.98 | 68.46 | 72.02 | 78.23 | 85.50 |
| *Less*: Imputed Bank Service Charges | -114.51 | -120.18 | -130.64 | -156.44 | -102.88 | -104.50 | -108.21 | -109.29 |
| Total | 2,603.10 | 2,832.90 | 3,223.25 | 3,694.55 | 2,369.23 | 2,375.92 | 2,472.15 | 2,614.62 |
| 2. Private Households (Domestic Services) | 35.71 | 44.88 | 51.78 | 62.94 | 34.88 | 37.16 | 39.74 | 43.92 |
| 3. Producers of Government Services | | | | | | | | |
| Public Administration | 95.34 | 103.01 | 118.77 | 145.30 | | | | |
| Defence | 18.28 | 17.42 | 16.36 | 18.35 | | | | |
| Education | 212.56 | 240.12 | 293.23 | 372.86 | | | | |
| Health | 52.30 | 56.57 | 65.40 | 79.05 | | | | |
| Agricultural Services | 34.62 | 37.29 | 41.90 | 40.50 | | | | |
| Other Services | 62.15 | 67.81 | 83.08 | 101.33 | | | | |
| Total | 475.25 | 522.22 | 618.75 | 757.39 | 459.89 | 473.13 | 497.26 | 528.09 |
| Total Monetary Economy | 3,114.06 | 3,400.00 | 3,893.78 | 4,514.88 | 2,864.00 | 2,886.21 | 3,009.15 | 3,186.63 |
| Total Non-Monetary and Monetary Economy | 3,310.89 | 3,627.48 | 4,187.19 | 4,832.81 | 3,035.80 | 3,064.28 | 3,200.42 | 3,384.41 |
| Gross Domestic Product per Capita K£ | 176.59 | 186.19 | 206.87 | 229.90 | 161.93 | 157.29 | 158.12 | 161.00 |

*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.

**Sectoral Contribution**

2.5. Value added in various sectors of the economy are shown in Table 2.1, and their respective percentage growth rates are given in Table 2.2. As a result of the 1984 drought, agriculture's real G.D.P. grew at a low annual rate of 2.2. per cent during 1982.1986. Ample rains, combined with producer price incentives greatly boosted agricultural output in 1985 and 1986. Coffee deliveries to the marketing board increased by 19 per cent in 1986. This was a major improvement over the decline of nearly 20 per cent observed in 1985, when coffee production was adversely affected by the 1984 drought. Wheat deliveries to the marketing board also went up by 16 per cent; milk production rose sharply by 48 per cent in 1986; and maize output rose substantially between 1985 and 1986. Consequently, agriculture's value added increased by 3.5 per cent and 4.8 per cent in 1985 and 1986, respectively.

2.6. The conspicuous real G.D.P. growth rate of 7.3 per cent recorded in the overall performance of non-monetary sector in 1985 was contributed by high building and construction activity in 1985. Extra classes, workshops and teachers' houses were built on self-help efforts in the rural areas in 1985 to accommodate the new 8—4—4 education system. As a result, growth in the building and construction sector in the non-monetary economy went up by about 17 per cent in 1985. Abundant rains brought increased country-wide fishing activity. Consequently, value added in the fishing sector rose remarkably by 13 per cent in the overall economy in 1986. This compares favourably with the rise of 9 per cent witnessed in 1985.

2.7. Real value added in manufacturing rose from K£372 million in 1982 to K£449 million in 1986.an annual growth rate of about 5 per cent. Growth in this sector between 1985.1986 was mainly attributed to the increased domestic and export demand. Trade liberalization, availability of foreign exchange to import inputs and spare parts, substantial reduction of tariffs on inputs and export compensation payments were the major factors which accelerated production of manufactured exports. These measures accounted for increases of 12 per cent and 18 per cent in manufactured exports, excluding fuels, in 1985 and 1986, respectively. Domestic demand continued to claim a larger share of the sector's products. Domestic sales in the sector increased by 7 per cent in 1986 which was higher than in 1985. The combined performance of domestic and export demands resulted in a 5.9 per cent increase in manufacturing in 1986, which compares favourably with 4.5 per cent recorded in 1985.

2.8. Building and construction experienced a strong recovery during 1985-1986. After showing declines between 1981 and 1984, its G.D.P. contribution increased by 1.1 per cent and 3.7 per cent in 1985 and 1986, respectively. The vigorous improvement in this sector is largely attributed to the rising rate of investment in the economy. Fixed investment which had declined by 13.8 per cent and 5.3 per cent in 1983 and 1984, grew by 13.4 per cent in 1985 and 13.3 per cent in 1986.

2.9. Growth of the ownership of dwellings sector made a welcome

GROSS DOMESTIC PRODUCT; PERCENTAGE RATES OF GROWTH. 1983—1986

*Table 2.2*

*Percentage*

| | Current Prices | | | | Constant (1982) Prices | | | |
|---|---|---|---|---|---|---|---|---|
| | 1983-84 | 1984-85 | 1985-86* | 1982-86** | 1983-84 | 1984-85 | 1985-86* | 1982-86** |
| A. NON-MONETARY ECONOMY | 16.1 | 13.7 | 4.4 | 12.1 | 3.3 | 2.9 | 4.2 | 3.6 |
| | 12.6 | 24.8 | 18.0 | 15.7 | -2.3 | 9.3 | 12.8 | 11.4 |
| Building and Construction | 16.0 | 39.5 | 8.3 | 20.5 | 2.8 | 16.7 | 2.6 | 6.2 |
| Water Collection | 14.3 | 12.7 | 6.1 | 11.4 | 5.2 | 2.8 | 1.4 | 2.6 |
| Ownership of Dwellings | 15.5 | 30.3 | 9.8 | 19.2 | 4.0 | 3.9 | 4.2 | 4.0 |
| TOTAL NON-MONETARY ECONOMY | 15.6 | 29.0 | 8.4 | 17.9 | 3.5 | 7.3 | 4.5 | 4.4 |
| B. MONETARY ECONOMY | | | | | | | | |
| 1. Enterprises and Non-Profit Institutions | | | | | | | | |
| Agriculture | 5.2 | 10.6 | 12.8 | 10.4 | -3.7 | 3.5 | 4.8 | 2.2 |
| | 3.9 | 3.0 | 12.6 | 9.4 | 4.3 | 3.2 | 1.0 | 3.1 |
| Fishing | 14.6 | 26.3 | 18.7 | 16.8 | -0.9 | 8.1 | 13.1 | 12.6 |
| Mining and Quarrying | 15.5 | 17.5 | 14.5 | 14.7 | 10.8 | 2.0 | 3.2 | 4.2 |
| Manufacturing | 12.9 | 12.5 | 11.2 | 11.6 | 4.3 | 4.5 | 5.9 | 4.9 |
| Building and Construction | -4.5 | 22.8 | 15.4 | 11.6 | -6.8 | 1.1 | 3.7 | -2.9 |
| Electricity and Water | 10.4 | 10.1 | 11.3 | 8.0 | 2.2 | 6.5 | 7.5 | 5.1 |
| Trade. Restaurants and Hotels | 16.8 | 19.0 | 26.1 | 20.5 | 5.5 | 7.8 | 8.4 | 6.6 |
| Transport. Storage and Communications | 20.8 | 13.3 | 14.2 | 14.7 | 8.4 | 2.1 | 4.3 | 6.0 |
| Finance. Insurance. Real Estate and Business Services | 8.2 | 17.0 | 10.9 | 14.0 | 4.7 | 5.2 | 5.9 | 6.0 |
| Ownership of Dwellings | 9.1 | 8.0 | 14.1 | 10.1 | -0.3 | -3.1 | 2.1 | -1.2 |
| Other Services | 15.8 | 20.5 | 18.5 | 16.4 | 5.2 | 8.6 | 9.3 | 8.0 |
| Total (Excluding imputed bank service charges) | 8.8 | 13.8 | 14.6 | 12.8 | 0.3 | 4.1 | 5.8 | 3.6 |
| 2. Private Households (Domestic Services) | 25.7 | 15.4 | 21.6 | 17.7 | 6.5 | 7.0 | 10.5 | 7.6 |
| 3. Producers of Government Services | | | | | | | | |
| Public Administration | 8.0 | 15.3 | 22.3 | 12.5 | | | | |
| Defence | -4.7 | -6.1 | 12.2 | 0.7 | | | | |
| Education | 13.0 | 22.1 | 27.1 | 16.8 | | | | |
| Health | 8.2 | 15.6 | 20.9 | 13.2 | | | | |
| Agricultural Services | 7.7 | 12.4 | -3.3 | 6.4 | | | | |
| Other Services | 9.1 | 22.5 | 22.0 | 17.7 | | | | |
| Total | 9.9 | 18.5 | 22.4 | 14.5 | 2.9 | 5.1 | 6.2 | 4.7 |
| Total Monetary Economy | 9.2 | 14.5 | 16.0 | 13.2 | 0.8 | 4.3 | 5.9 | 3.8 |
| Total Non-Monetary and Monetary Economy | 9. 6 | 15.4 | 15.4 | 13.3 | 0.9 | 4.4 | 5.7 | 3.8 |
| Gross Domestic Product per Capita | 5.4 | 11.1 | 11.1 | 9.2 | -2.9 | 0.5 | 1.8 | -0.3* |

*Provisional
**Cummulative

recovery of 2.1 per cent in 1986. The sector's value added had been declining between 1982 and 1985. The revival of growth in this sector was due to improved investment in residential buildings in the past two years. The rate of investment in housing projects rapidly accelerated from one per cent in 1985 to 20 per cent in 1986, almost doubling the 11 per cent growth observed in 1984.

2.10. The commercial sector (i.e. trade, restaurants and hotels) responded favourably to the country's economic recovery by registering a growth rate of 8.4 per cent in 1986. The high rate of tourism activity assisted the sector's growth. Visitor departures (a good indicator of tourism) rose by 12 per cent in 1986.

2.11. The transport, storage and communications sector also benefitted from the 1985 economic performance; its value added went up from 2.1 per cent to 4.3 per cent in 1985 and 1986, respectively. Growth was more pronounced in transport (particularly road and air) and telecommunications sub-sector. In 1986, air and road transport recorded a combined increase of 14 per cent in their real value added. The real value added in posts and telecommunications rose from K£33 million in 1985 to K£36 million in 1986, or by 9 per cent.

2.12. Table 2.3 displays gross output and the related cost components for the producers in individual sectors for 1985 and 1986. Gross output, at current prices, grew at 16.5 per cent per year during the five years ending 1986. The economic performance in 1986 enabled overall output to grow by over 18 per cent in 1986, over 1985.

2.13. Intermediate consumption which had increased its share of gross output from 51 per cent in 1982 to 55 per cent in 1985, rose further by a minimal one per cent to record 56 per cent in 1986. The rise may be attributed to the rapid increases in the cost of imported intermediate inputs in recent years. Over the same period, the proportion of total labour costs, as a component of the overall GDP, remained constant at 42 per cent.

2.14. The structural set-up of the Kenyan economy may be discerned from Table 2.4. Changes in the structure of an economy occur very slowly. Since such changes arc gradual, significant shifts in the economic structure become apparent only through studying trends covering longer periods than those given in this Table. Thus, apart from the increases in the percentage share of the non-monetary economy, no substantial changes were noticed in the monetary economy.

2.15. The increase in the share of non-monetary economy, from some 5.7 per cent in 1983 to 6.0 per cent in 1985, was due to the increased activity in "Harambee" projects in the rural areas. In the compilation of Kenya's national accounts virtually all "Harambee" projects carried out in the rural areas fall under self-help schemes, which are covered under non-monetary (formerly traditional) economy. The introduction of the 8—4—4 system of education in 1985 called on parents to put up significant additions of class-rooms, workshops and teachers' houses. Increased self-help activity

*Table 2.3* *K£million*

| | 1985 | | | | | 1986* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Gross Output at approx. Basic Prices*** | Inter-mediate Con-sumption | Gross Domestic Product (at Factor Cost) | | | Gross Output at approx. Basic Prices*** | Inter-mediate Con-sumption | Gross Domestic Product (at Factor Cost) | | |
| | | | Total | Labour Costs | Operating Surplus** | | | Total | Labour Costs | Operating Surplus** |
| A. Non-Monetary Economy | 378.74 | 85.33 | 293.41 | 14.86 | 278.55 | 410.25 | 92.32 | 317.93 | 15.64 | 302.29 |
| B. Monetary Economy | | | | | | | | | | |
| 1. Enterprises and Non-Profit Institutions | | | | | | | | | | |
| Agriculture | 1,431.95 | 232.97 | 1,198.98 | 102.55 | 1,096.43 | 1,628.31 | 276.18 | 1,352.13 | 116.28 | 1,235.85 |
| Forestry | 32.96 | 4.24 | 28.72 | 19.49 | 9.23 | 37.22 | 4.89 | 32.33 | 21.32 | 11.01 |
| Fishing | 14.03 | 0.97 | 13.06 | 3.51 | 9.55 | 16.57 | 1.07 | 15.50 | 4.14 | 11.36 |
| Mining and Quarrying | 34.27 | 24.27 | 10.00 | 6.00 | 4.01 | 38.35 | 26.90 | 11.45 | 6.84 | 4.61 |
| Manufacturing | 3,382.97 | 2,864.57 | 518.40 | 229.76 | 288.64 | 4,097.21 | 3,520.84 | 576.37 | 242.42 | 333.95 |
| Electricity and Water | 108.19 | 51.04 | 57.15 | 14.19 | 42.96 | 124.99 | 61.40 | 63.59 | 16.58 | 47.01 |
| Building and Construction | 506.16 | 344.13 | 162.03 | 113.42 | 48.61 | 531.05 | 344.13 | 186.92 | 131.59 | 55.33 |
| Trade. Restaurants and Hotels | 936.13 | 433.28 | 502.85 | 226.28 | 276.57 | 1,188.89 | 555.30 | 633.59 | 285.12 | 348.47 |
| Transport, Storage and Communi-cations | 665.39 | 398.13 | 267.26 | 151.50 | 115.76 | 778.90 | 473.60 | 305.30 | 164.55 | 140.75 |
| Finance. Insurance. Real Estate and Business Services | 420.37 | 105.34 | 315.03 | 133.60 | 181.43 | 467.21 | 117.63 | 349.58 | 145.37 | 204.23 |
| Ownership of Dwellings | 200.25 | 18.56 | 181.69 | | 181.69 | 228.40 | 21.15 | 207.25 | | 207.25 |
| Other Services | 209.00 | 110.27 | 98.73 | 81.38 | 17.35 | 250.36 | 133.38 | 116.98 | 93.82 | 23.15 |
| *Less*: Imputed Bank Service Charges | | 130.64 | -130.64 | | -130.64 | | 156.44 | -156.44 | | -156.44 |
| Total | 7,941.67 | 4,718.41 | 3,223.26 | 1,081.68 | 2,141.59 | 9,387.46 | 5,692.91 | 3,694.55 | 1,228.02 | 2,466.53 |
| 2. Private Households (Domestic Services) | 51.78 | | 51.78 | 51.78 | | 62.94 | | 62.94 | 62.94 | — |
| 3. Producers of Government Services | 938.44 | 319.70 | 618.75 | 614.90 | 3.84 | 1,148.78 | 391.40 | 757.38 | 751.04 | 6.34 |
| Total Monetary Economy | 8,931.89 | 5,038.11 | 3,893.79 | 1,748.36 | 2,145.43 | 10,599.18 | 6,084.31 | 4,514.87 | 2,042.00 | 2,472.87 |
| Total Monetary and Non. Monetary Economy | 9,310.63 | 5,123.44 | 4,187.20 | 1,763.22 | 2,423.98 | 11,009.43 | 6,176.63 | 4,832.80 | 2,057.64 | 2,775.16 |

*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, 1982—1986

*Table 2.4* *Percentage*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| A NON.MONETARY ECONOMY | | | | | |
| Forestry | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 |
| Fishing | — | — | — | — | — |
| Building and Construction | 1.7 | 1.7 | 1.7 | 1.9 | 1.8 |
| Water Collection | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Ownership of Dwellings | 2.5 | 2.5 | 2.6 | 2.6 | 2.5 |
| TOTAL NON.MONETARY | 5.7 | 5.7 | 5.8 | 6.0 | 5.8 |
| B. MONETARY ECONOMY | | | | | |
| 1. Enterprises and Non-Profit Institutions | | | | | |
| Agriculture | 31.0 | 31.1 | 29.7 | 29.5 | 29.2 |
| Forestry | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Fishing | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Mining and Quarrying | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Manufacturing | 12.7 | 12.8 | 13.2 | 13.2 | 13.3 |
| Electricity and Water | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 |
| Building and Construction | 4.2 | 3.6 | 3.3 | 3.2 | 3.2 |
| Trade, Restaurants and Hotels | 10.2 | 10.1 | 10.6 | 10.9 | 11.2 |
| Transport, Storage and Communications | 5.8 | 5.8 | 6.6 | 6.4 | 6.4 |
| Finance, Insurance, Real Estate and Business Services | 7.1 | 7.4 | 7.6 | 7.7 | 7.7 |
| Ownership of Dwellings | 4.8 | 4.4 | 4.4 | 4.1 | 3.9 |
| Other Services | 2.1 | 2.3 | 2.5 | 2.4 | 2.5 |
| *Less:* Imputed Bank Service Charges | -2.9 | -3.4 | -3.4 | -3.4 | -3.2 |
| TOTAL | 78.1 | 78.1 | 77.5 | 77.2 | 77.2 |
| 2. Private Households (Domestic Services) | 1.2 | 1.1 | 1.2 | 1.2 | 1.3 |
| 3. Producers of Government Services | | | | | |
| Public Administration | | | | | |
| Defence | | | | | |
| Education | | | | | |
| Health | | | | | |
| Agricultural Services | | | | | |
| Other Services | | | | | |
| TOTAL | 15.1 | 15.1 | 15.4 | 15.5 | 15.6 |
| TOTAL MONETARY ECONOMY | 94.3 | 94.3 | 94.2 | 94.0 | 94.2 |
| TOTAL MONETARY AND NON. MONETARY ECONOMY | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Provisional.

was required to help realize the needed expansion which was reflected in the sector's high value added. However, the G.D.P. of this sector is expected to decline as the parents' share of inputs in the building and construction for the 8—4—4 education system decreases unless structures in Rural Trade and Production Centres replace them. Some improvement in agricultural earnings may also have contributed to the rise in dwellings in the non.monetary sector.

2.16. In real terms, the sectoral share of agriculture to the G.D.P. has shown a declining trend since 1984, largely as a result of the 1984 drought.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1983.1986

*Table 2.6* *K£ million,*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| G.D.P. at Factor Cost | 3,310.89 | 3,627.48 | 4,187.19 | 4,832.81 |
| Of which— | | | | |
| Non-Monetary | 196.83 | 227.48 | 293.41 | 317.93 |
| Monetary | 3,114.06 | 3,400.00 | 3,893.78 | 4,514.88 |
| +Indirect Taxes | 510.99 | 593.37 | 625.13 | 784.29 |
| -Subsidies | 1.67 | 1.81 | 1.96 | 1.89 |
| =G.D.P. at Market Prices | 3,820.21 | 4,219.04 | 4,810.36 | 5,615.21 |
| + Import of goods and services | 1,014.18 | 1,231.96 | 1,326.99 | 1,510.85 |
| - Export of goods and services | 996.34 | 1,170.51 | 1,276.18 | 1,519.47 |
| = Import Surplus | 17.84 | 61.45 | 50.81 | -8.62 |
| Total Resources available for Domestic Investment and Consumption | 3,838.05 | 4,280.49 | 4,861.17 | 5,606.59 |
| Gross Fixed Capital Formation | 717.49 | 736.92 | 910.38 | 1212.31 |
| Change in Stocks | 90.32 | 150.37 | 138.50 | 229.24 |
| Gross Investment | 807.81 | 887.29 | 1,048.88 | 1,441.55 |
| Public Consumption | 733.11 | 775.60 | 884.79 | 1,091.69 |
| Private Consumption | 2,297.13 | 2,617.60 | 2,927.50 | 3,073.55 |
| TOTAL CONSUMPTION | 3,030.24 | 3,393.20 | 3,812.29 | 4,165.04 |

*Provisional.

by K£132 million, or by 4.5 per cent in 1982. In 1982, the fiscal budget deficit was 10 per cent of the G.D.P. (at factor cost).

2.20. In order to correct imbalances in the economy, the Government introduced measures to control the growth of aggregate demand. Excess domestic demand was mainly regulated by reducing the Government budget deficit. This was achieved through controlling the growth of public expenditure, decelerating monetary expansion, initiating real interest rates and operating a flexible exchange policy rate. Those measures produced several positive results. The proportion of the fiscal budget deficit to the overall G.D.P. fell to 5 per cent in 1985.

2.21. The growth rate of private consumption expenditure, the most dominant component of the domestic demand, declined from 14 per cent in 1984 to 5 per cent in 1986. This slower growth is probably accounted for by the low rate of inflation.

Nevertheless, this decline has not been very significant, largely due to efforts by the Government in ensuring a speedy recovery of the sector. This sector still dominates the structure of the economy, contributing to nearly 30 per cent of the overall G.D.P. Its continued good performance is essential for providing food requirements, raw materials for agro-based industries, foreign exchange earnings and improvement of incomes for the large proportion of the population.

Terms of Trade Effects

2.17. The effects of foreign trade on Kenya's economy are shown in Table 2.5. The country had benefitted significantly from the high world tea and coffee prices, in 1984 when the terms of trade (T.O.T.) improved by 17 per cent. This favourable T.O.T. increased the adjusted real per capita income in 1984 by 2.1 per cent, reversing the unadjusted decline growth of 2.9 per cent.

2.18. The situation that had prevailed in 1984 changed in 1985. A down-turn in world agricultural commodity prices in that year resulted in a 16 per cent deterioration of T.O.T. Consequently, adjusted real per capita income declined by some 5.0 per cent, compared with an unadjusted rise of 0.5 per cent. In 1986, moderate growth in Western countries, coupled with higher coffee prices and lower oil prices, enable the country to register a 12 per cent rise in the T.O.T. This improvement brought an increase of 5.8 per cent in the adjusted real per capita income; this compares favourably with the unadjusted rise of 1.8 per cent recorded in Table 2.2

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1983.1986

*Tables 2.5*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| 1. Unadjusted GDP at constant Factor Cost (K£mn.) | 3,035.80 | 3,064.28 | 3,200.42 | 3,384.41 |
| 2. Adjustment for changes in terms of trade (K£mn.) | -61.83 | +89.75 | -87.71 | +34.37 |
| 3. Adjusted GDP (K£mn.) | 2,973.97 | 3,154.03 | 3,112.71 | 3,418.78 |
| 4. Growth in unadjusted per capita GDP per cent | — | -2.9 | +0.5 | + 1.8 |
| 5. Growth in adjusted per capita GDP per cent | -2.1 | +2.1 | -5.0 | +5.8 |

*Provisional.

**Resource Allocation**

2.19. The recent economic policies pursued by the Government have largely been directed towards reducing excess domestic demand over total domestic supply. The sharp oil price increases of 1979.1980, combined with the high growth in both public and private expenditure greatly contributed to the financial imbalances observed in the economy in the period preceeding 1983. As a result, aggregate demand exceeded domestic product

2.22. In countrast, the rate of growth of public sector consumption expenditure has been rising during the period under review. From a low 6 per cent in 1984, the growth rate has accelerated rapidly to a high 23 per cent in 1986. The rapid increase in public consumption expenditure may be attributed to the implementation of the "Ramtu Salary Commission", the 8—4—4 eduction system and the National Cereals and Produce Board cash requirements.

2.23. Expenditure on gross investment and the sources of its financing are shown in Table 2.7. Gross investment, which is composed of gross fixed capital formation and stock accumulation, increased by over 37 per cent in 1986, compared with growth rates of 10 per cent and 18 per cent in 1984 and 1985, respectively. Fixed investment increased by 33 per cent from K£910 million in 1985 to K£ l,212 million in 1986. As a percentage of the G.D.P. at market prices, domestic savings rose appreciably from 18 per cent in 1984 to 22 per cent in 1986. This is in line with the Government policy of increasing domestic savings. Net foreign borrowings, which had declined by 11 per cent in 1985, dropped sharply by 56 per cent to register K£33 million in 1986.

**Factor Incomes and National Product**

2.24. Table 2.8 gives the distribution of factor incomes at current prices. The total remuneration of employees, which had risen by 12 per cent in 1984 grew by 16 per cent and 17 per cent in 1985 and 1986, respectively. Inflation rate declined to 5.7 per cent while average earnings rose by 3 per cent, implying a significant rise in real incomes. The growth rate of total remuneration of the public sector which was 10 per cent in 1984 and 8 per cent in 1985 rose to 22 per cent in 1986 as a result of the implementation of the "Ramtu Salary Commission". The favourable economic conditions in 1986 enabled the Government to collect K£784 million in indirect taxes.25 per cent higher than in 1985. During the past three years, the growth rate of factor incomes paid abroad have dropped sharply from 21 per cent in 1984 to 9 per cent in 1986.

FINANCING OF CAPITAL FORMATION, 1983-1986

*Table 2.7* *K£million*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| Gross Capital Formation— | | | | |
| Gross Fixed Capital Formation | 717.49 | 736.92 | 910.38 | 1,212.31 |
| Changes in Stocks | 90.32 | 150.37 | 138.50 | 229.24 |
| Total | 807.81 | 887.29 | 1,048.88 | 1,441.55 |
| Financing— | | | | |
| Grants from Abroad | 85.74 | 92.55 | 108.69 | 117.72 |
| Net borrowing from Abroad | 25.45 | 86.30 | 76.65 | 33.45 |
| Domestic Saving | 696.62 | 708.44 | 863.54 | 1,290.38 |
| Total | 807.81 | 887.29 | 1,048.88 | 1,441.55 |

*Provisional.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1983.1986

*Table 2.8* *K£million*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| FACTOR INCOMES— | | | | |
| A. Non-Monetary Economy | 196.83 | 227.48 | 293.41 | 317.93 |
| B. 1. Remuneration of Employees: | | | | |
| Enterprises | 838.75 | 946.84 | 1,081.68 | 1,228.02 |
| Private Households | 35.71 | 44.88 | 51.78 | 62.94 |
| Producers of Government Services | 474.26 | 528.71 | 614.90 | 751.04 |
| TOTAL | 1,348.72 | 1,520.43 | 1,748.36 | 2,042.00 |
| 2. Rental Surplus (including depreciation) | 154.24 | 168.19 | 181.69 | 207.25 |
| 3. Other Operating Surplus (including depreciation) | 1,611.10 | 1,719.74 | 1,963.74 | 2,265.62 |
| TOTAL MONETARY ECONOMY | 3,310.89 | 3,400.00 | 3,893.79 | 4,514.88 |
| TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT | 3,311.02 | 3,635.71 | 4,187.20 | 4,832.81 |
| *Add:* Indirect Taxes | 510.99 | 593.37 | 625.13 | 784.29 |
| *Deduct:* Subsidies | 1.67 | 1.81 | 1.96 | 1.89 |
| GROSS DOMESTIC PRODUCT AT MARKET PRICES | 3,820.21 | 4,219.01 | 4,810.37 | 5,615.21 |
| *Add:* FACTOR INCOMES RECEIVED FROM ABROAD | 24.71 | 34.84 | 35.62 | 29.98 |
| *Deduct:* FACTOR INCOMES PAID ABROAD | 151.92 | 184.99 | 218.86 | 239.60 |
| GROSS NATIONAL PRODUCT | 3,693.00 | 4,068.89 | 4,627.13 | 5,405.59 |

*Provisional.

**Trends in Capital Formation**

2.25. A notable feature in the economy prior to 1985 was the decline in overall fixed investment. As shown in Table 2.9, in teal terms, the gross fixed capital formation dropped from K£576 million in 1983 to K£545 million in 1984. This decline was attributed to the world economic recession experienced in the early 1980s, the high world oil prices in 1980, the aftermath of the 1982 disturbances and the decline in the growth of aggragate domestic savings.

2.26. The favourable economic conditions prevailing in the country, contributed to the remarkable revival of the growth in the domestic investment during the past two years. In real terms, gross fixed investment had a constant but high annual rate of growth of 13 per cent in 1985.1986, constrasting a decline of some 5 per cent in 1984. This growth was due to the increased ivestment in building and construction; the recovery in investment in plant, machinery and equipment; and the rapid growth in the

*Table 2.9* GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET,1983-1986 *K£million*

| | CURRENT PRICES | | | | CONSTANT (1982) PRICES | | | |
|---|---|---|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986* | 1983 | 1984 | 1985 | 1986* |
| DWELLINGS— | 66.42 | | 90.00 | 108.01 | | | | |
| PRIVATE | 27.64 | | 36.16 | 54.76 | | | | |
| NON-MONETARY | | 77.75 | | | 59.35 | 45.01 | 72.74 | 74.75 |
| MODERN | | 30.57 | | | 24.70 | 25.54 | 24.57 | 37.90 |
| TOTAL | 94.06 | 108.32 | 135.16 | 142.77 | 84.05 | 90.17 | 99.31 | 112.65 |
| PUBLIC | 18.58 | 25.07 | 18.20 | 31.95 | 16.60 | 20.97 | 13.37 | 22.11 |
| TOTAL | 112.64 | 133.39 | 153.36 | 194.72 | 100.43 | 111.54 | 112.46 | 134.76 |
| NON-RESIDENTIAL BUILDINGS— | | | | | | | | |
| PRIVATE | 38.95 | 30.33 | 64.32 | 59.54 | 35.67 | 25.53 | 48.88 | 41.99 |
| PUBLIC | 48.02 | 46.12 | 57.66 | 59.84 | 44.04 | 38.82 | 43.81 | 42.20 |
| TOTAL | 87.04 | 76.45 | 121.98 | 119.38 | 79.71 | 64.35 | 92.69 | 84.19 |
| OTHER CONSTRUCTION WORKS— | | | | | | | | |
| PRIVATE | 21.13 | 18.46 | 16.40 | 17.42 | 18.83 | 13.57 | 11.09 | 11.04 |
| PUBLIC | 111.83 | 143.96 | 163.24 | 194.78 | 99.67 | 105.85 | 110.44 | 113.49 |
| TOTAL | 132.96 | 142.42 | 179.64 | 212.30 | 118.30 | 119.42 | 121.53 | 134.53 |
| LAND IMPROVEMENT AND PLANTATION DEVELOPMENT— | | | | | | | | |
| PRIVATE | 8.46 | 7.14 | 9.00 | 9.25 | 7.09 | 5.83 | 7.07 | 6.45 |
| PUBLIC | 3.38 | 5.42 | 2.88 | | 2.87 | 2.50 | 1.24 | 1.70 |
| TOTAL | 9.84 | 12.56 | 11.88 | 9.25 | 9.96 | 8.33 | 8.33 | 8.15 |
| TRANSPORT EQUIPMENT— | | | | | | | 63.92 | |
| PRIVATE | 63.76 | 48.18 | 98.94 | 125.51 | 48.60 | 48.18 | | 59.79 |
| PUBLIC | 9.80 | 13.98 | 35.89 | 114.15 | 7.47 | 9.88 | 23.18 | 59.20 |
| TOTAL | 73.56 | 82.16 | 134.83 | 249.77 | 54.07 | 58.06 | 87.10 | 118.99 |
| MACHINERY AND OTHER EQUIPMENT— | | | | | | | | |
| PRIVATE | 218.26 | 171.40 | 240.89 | 317.51 | 151.73 | 117.31 | 153.33 | 169.49 |
| PUBLIC | 82.48 | 102.14 | 65.47 | 93.33 | 57.72 | 69.91 | 41.80 | 48.36 |
| TOTAL | 300.74 | 273.54 | 306.56 | 420.84 | 210.45 | 187.22 | 195.13 | 218.05 |
| BREEDING STOCK AND DAIRY CATTLE— | | | | | | | | |
| PRIVATE | 0.70 | -3.60 | -2.13 | 6.16 | 0.63 | -3.44 | 1.92 | 3.12 |
| TOTAL | | | | | | | | |
| NON-MONETARY DWELLINGS | 66.42 | 77.75 | 99.00 | 108.01 | 59.35 | 65.01 | 72.74 | 74.75 |
| OTHER | 376.89 | 322.48 | 467.84 | 600.14 | 288.25 | 232.54 | 312.78 | 329.98 |
| TOTAL PRIVATE | 443.31 | 400.23 | 566.84 | 708.15 | 347.60 | 297.55 | 385.52 | 404.73 |
| TOTAL PUBLIC | 274.16 | 336.69 | 343.54 | 504.15 | 218.37 | 247.93 | 233.86 | 297.06 |
| TOTAL PRIVATE AND PUBLIC | 717.47 | 736.92 | 910.38 | 1,212.30 | 575.97 | 545.48 | 619.38 | 701.79 |

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

investment in transport equipment. As may be discerned from Table 2.9, the growth in the public sector's investment was much higher than that of the private sector.

2.27. Table 2.10 shows gross fixed capital formation by investment sector. The details at constant prices show that in 1986, the enterprises in manufacturing, transport and communications sectors dominated the gross fixed investment. The two sectors contributed over 47 per cent of the K£482 million invested in fixed assets in 1986. Other major contributors were agriculture, building and construction, ownership of dwellings and other services. The acquisition of two Airbuses by the Kenya Airways largely accounted for the sharp increase in the transport, storage and communications sector in 1986. The rise in investment by manufacturers in 1986 reflects the favourable effects of the aggregate demand, particularly export demand which has accelerated rapidly since 1985. The general improvement of the economy, resulted in a high growth in the ownership of dwellings sector.

Table 2.10

GROSS Fixed Capital Formation by Industry. 1983-1986

*K£million*

| | Current Prices | | | | Constant (1982) Prices | | | |
|---|---|---|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986* | 1983 | 1984 | 1985 | 1986* |
| A. NON-MONETARY ECONOMY | | | | | | | | |
| Non-Monetary Dwellings | 66.42 | 77.75 | 99.00 | 108.01 | 59.35 | 65.01 | 72.74 | 74.75 |
| B. MONETARY ECONOMY | | | | | | | | |
| ENTERPRISES AND NON-PROFIT INSTITUTIONS: | | | | | | | | |
| Agriculture | 53.80 | 58.46 | 75.71 | 91.58 | 43.82 | 40.35 | 50.84 | 52.82 |
| Forestry | 0.24 | 0.50 | 0.60 | 1 .70 | 0.20 | 0.38 | 0.41 | 1.06 |
| Mining and Quarrying | 5.09 | 7.12 | 4.88 | 7.37 | 3.58 | 4.88 | 3.11 | 3.79 |
| Manufacturing | 111.70 | 25.10 | 102.27 | 166.59 | 81.01 | 17.58 | 65.57 | 86.46 |
| Electricity and Water | 57.19 | 37.00 | 29.07 | 35.91 | 49.53 | 27.01 | 19.43 | 21.90 |
| Building and Construction | 59.35 | 68.25 | 45.86 | 64.73 | 41.82 | 46.90 | 30.03 | 36.23 |
| Trade. Restaurants and Hotels | 26.44 | 24.75 | 39.94 | 35.89 | 21.44 | 17.88 | 28.35 | 21.84 |
| Transport. Storage and Communications | 110.14 | 149.94 | 164.46 | 281.86 | 83.27 | 105.30 | 106.81 | 140.72 |
| Finance. Insurance. Real Estate and Business Services | 16.68 | 18.42 | 19.16 | 14.20 | 14.32 | 14.20 | 13.04 | 8.02 |
| Ownership of Dwellings | 47.67 | 57.01 | 55.70 | 88.06 | 42.30 | 47.46 | 40.79 | 60.76 |
| Other Services | 60.72 | 59.51 | 81.36 | 82.87 | 47.31 | 43.87 | 56.11 | 48.53 |
| TOTAL | 549.02 | 506.06 | 619.01 | 870.76 | 428.60 | 365.81 | 414.49 | 482.13 |
| Producers of Government Services | | | | | | | | |
| Public Administration | 17.06 | 29.61 | 34.53 | 80.11 | 14.64 | 22.36 | 23.80 | 49.71 |
| Defence | — | — | — | — | — | — | — | — |
| Education | 14.75 | 16.48 | 24.81 | 30.69 | 12.39 | 12.70 | 17.43 | 18.89 |
| Health | 8.28 | 9.12 | 10.65 | 13.08 | 7.09 | 7.41 | 7.88 | 8.49 |
| Agricultural Services | 10.55 | 6.43 | 10.40 | 14.21 | 9.17 | 4.82 | 7.14 | 8.65 |
| Other Services | 51.39 | 91.47 | 111.98 | 95.44 | 44.73 | 67.37 | 75.90 | 59.17 |
| TOTAL | 102.03 | 153.11 | 192.37 | 233.53 | 88.02 | 114.66 | 132.15 | 144.91 |
| NON-MONETARY ECONOMY | 66.42 | 77.75 | 99.00 | 108.01 | 59.35 | 65.01 | 72.74 | 74.75 |
| MONETARY ECONOMY | 651.05 | 659.17 | 811.38 | 1,104.29 | 516.62 | 480.47 | 546.64 | 627.04 |
| TOTAL | 717.47 | 736.92 | 910.38 | 1,212.30 | 575.97 | 545.48 | 619.38 | 701.79 |
| C. PERCENTAGE RATES OF GROWTH— | | | | | | | | |
| Non-Monetary Economy | + 22.60 | + 17.06 | + 27.34 | + 9.11 | + 9.54 | + 9.54 | + 11.89 | + 2.76 |
| Monetary Economy | + 6.03 | - 1.25 | + 23.09 | + 36.10 | -15.86 | - 7.00 | + 13.77 | + 14.71 |
| TOTAL | + 7.37 | + 2.71 | + 23.54 | + 33.16 | -13.80 | - 5.29 | + 13.54 | + 13.30 |

*Provisional.

## CHAPTER 3—REVISION AND REORGANIZATION OF SOME MACRO-ECONOMIC DATA SERIES

### Background

For some time now, the Central Bureau of Statistics has been engaged in a review of economic concepts, sources of information used, and mode of presentation of the statistics in various tables in the Economic Survey and the Statistical Abstract. The review has been conducted through discussions in Task Forces and Working Groups set up for the purpose. Opinion and advice have been sought frequently from organisations and individuals having experience in particular fields of economic administration and management. The review has been completed for two major areas—viz. balance of payments and Government finance statistics. Relationship between these data and those in the area of national accounts have also been touched upon in the course of discussions.

3.2. Some changes recommended in the reviews have been introduced in this survey affecting tables in Chapters 2, 6 and 7. The aim has been to improve the quality of the various series presented in respect of appropriateness of concepts, accuracy of measurement, internal consistency, and usefulness for economic analysis.

3.3. This Chapter presents some explanatory notes on the considerations that have led to the changes made in the various tables. Some notes have been added on the reconciliation of related data in Chapters 2 and 7 of the Economic Survey. Revised data on all the affected series going back to 1981 have also been given in this Chapter, to help compare current developments with performance records of the recent past.

### Balance of Payments

3.4. The Task Force on balance of payments statistics used the Balance of Payments Manual (4th Edition; 1977) published by the International Monetary Fund as the principal source of guidance on concepts and composition of various component accounts. It examined the working sheets that were being used for compilation of balance of payments statistics and recommended modifications to them in the light of its discussions and findings. It also considered the various sources of data currently in use and recommended, where necessary, use of alternative data sources—including amendments to official forms such as the Customs export and import entry forms and of summary tables such as the Central Bank of Kenya's (CBK) return on invisible transactions. In a few cases, introduction of new surveys has been recommended. The following paragraphs highlight those findings and considerations which have led to changes in item composition as well as data in various sub-accounts of the balance of payments, as set out in Table 3.1.

### Merchandise

3.5. *Imports valued on f.o.b. basis*—The I.M.F. Balance of Payments Manual (BPM) recommends that imports, like exports, be valued on a free on board (f.o.b.) basis. This follows from the principle of valuing all

*Table 3.1 (cf. Table 7.14)* *K£million*

| | 1981 + | | | 1982 | | | 1983 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debits/ Assets | Credits/ Liabili-ties | Net Credits | Debits/ Assets | Credits/ Liabili-ties | Net Credits | Debits/ Assets | Credits/ Liabili-ties | Net Credits |
| A.—CURRENT ACCOUNT | | | | | | | | | |
| 1. Merchandise (f.o.b.) | 829.65 | 489.15 | Dr. 340.50 | 801.55 | 510.90 | Dr. 290.90 | 797.30 | 616.70 | Dr. 180.60 |
| 2. Shipment | 128.65 | 19.30 | Dr. 109.35 | 125.00 | 29.05 | Dr 95.95 | 124.95 | 36.50 | Dr. 88.45 |
| 3. Other Transportation | 23.80 | 105.30 | 81.50 | 24.85 | 116.30 | 91.45 | 30.10 | 99.80 | 69.70 |
| 4. Travel | 9.05 | 96.20 | 87.15 | 7.40 | 122.90 | 115.50 | 8.25 | 130.00 | 121.75 |
| 5. Investment Income | 106.40 | 16.90 | Dr. 89.50 | 109.65 | 19.95 | Dr. 89.70 | 139.90 | 24.55 | Dr. 115.35 |
| 6. Other goods, services and income:Government | 40.95 | 79.90 | 38.95 | 38.65 | 90.20 | 51.55 | 31.25 | 101.80 | 70.55 |
| 7. Other goods, services and income: Private | 26.50 | 7.20 | Dr. 19.30 | 22.90 | 8.40 | Dr. 14.50 | 34.35 | 11.70 | Dr. 22.65 |
| 8. Unrequited transfers: Government | 2.30 | 55.50 | 53.20 | 2.50 | 29.60 | 27.10 | 3.00 | 80.40 | 77.40 |
| 9. Unrequited transfers: Private | 12.30 | 56.90 | 44.60 | 14.45 | 59.95 | 45.50 | 20.30 | 62.50 | 42.20 |
| TOTAL CURRENT ACCOUNT | 1,179.60 | 926.35 | Dr. 253.25 | 1,146.95 | 987.25 | Dr .159.70 | 1,189.40 | 1.163.95 | Dr. 25.45 |
| B.—CAPITAL MOVEMENTS | | | | | | | | | |
| 10. Government Long-term | 47.00 | 163.85 | 116.85 | 65.80 | 101.95 | 36.15 | 82.70 | 149.60 | 66.90 |
| 11. Private Long-term | 20.65 | 22.00 | 1.35 | 16.15 | 22.10 | 5.95 | 18.45 | 14.85 | Dr. 3.60 |
| 12. Parastatals | 20.30 | 43.25 | 22.95 | 29.40 | 33.15 | 3.75 | 41.30 | 56.70 | 15.40 |
| 13. Short-term | 34.20 | 41.95 | 7.75 | 37.55 | 53.65 | 16.10 | 48.15 | 38.65 | Dr. 9.50 |
| TOTAL CAPITAL ACCOUNT | 122.15 | 271.05 | 148.90 | 148.90 | 210.85 | 61.95 | 190.60 | 259.80 | 69.20 |
| C.—ERRORS AND OMISSIONS | | | 14.15 | | | Dr 10.30 | | | 13.65 |
| D.—OVERALL BALANCE | | | Dr. 90.20 | | | Dr. 108.05 | | | 57.40 |
| E.—MONETARY MOVEMENTS | | | | | | | | | |
| 14. Change in reserves* | Cr. 54.25 | | 54.25 | 16.55 | | Dr. 16.55 | 133.35 | | Dr. 133.35 |
| 15. Transactions with IMF | | 32.20 | 32.20 | | 108.15 | 108.15 | | 77.05 | 77.05 |
| 16. Changes in other Liabilities | | 3.75 | 3.75 | | 16.45 | 16.45 | | Dr. 1.10 | Dr. 1.10 |
| TOTAL | Cr. 54.25 | 35.95 | 90.20 | 16.55 | 124.60 | 108.05 | 133.35 | 75.95 | Dr. 57.40 |

* Reserves are now defined to include Commercial Banks' Foreign Assests

merchandise at the customs frontier of the exporting country. The freight and insurance components of the cost, insurance, freight (c.i.f.) value of imports have to be included in the Shipment account. The BPM recognizes that the individual elements of c.i.f. value may not be shown separately in the source documents, such as customs entry forms.

3.6. The Task Force has recommended that the Customs entry forms be amended to make room for separate information on the three elements of c.i.f., along with information on whether the freight and insurance services were provided by resident or non-resident firms. When the amended forms are put into use, the Customs Department will be able to provide separate information on f.o.b. value of merchandise and on freight and insurance elements. In the meantime, it has been decided to estimate the f.o.b. value as 86.2 per cent of the c.i.f. value of imports reported by Customs. This ratio was estimated by analysing Customs data on merchandise imports in Kenya for the year 1985. The existing Customs entry forms already have separate columns for f.o.b. and c.i.f. values of imports and these are entered into the computer. However, no use is made of the f.o.b. value at present. As such, the value entered is not checked for accuracy or consistency with the c.i.f. value.

3.7. *Adjustments to Customs data*—The BPM recommends many adjustments to Customs data for the purpose of the merchandise account. The revised series presented in this survey contain adjustments for the following items: defence imports; fuel and stores sold to carriers; rental payments for films; newspapers and periodicals obtained by direct subscription; and operational leasing of aircrafts. The first three adjustments were being made earlier, while the latter two have been added. Temporary imports such as oil drilling rigs, construction machinery, filming equipments, rally cars, display equipments for trade fairs and exhibitions etc. are not included in Customs statistics. No adjustment is therefore required on account of these. Payment for their services, if any, are included in the appropriate service account.

**Shipment**

3.8. This account was formerly called "Freight and Insurance". The major change in the account is the inclusion of freight payments on merchandise imports on the debit side of the account, as already mentioned above. Kenya imports are required by law to be insured with Kenyan firms. The practice of the Customs Valuation Department is to ignore the insurance component in their valuation if insurance has been done locally. This means that what is called the c.i.f. value of imports in present Customs documents ought to be cost and freight (C and F) values. The 13.8 per cent of Custom's value of imports which remains after taking 86.2 per cent as f.o.b. value, may therefore be treated essentially as freight cost of imports.

3.9. The balance of this account has traditionally been positive. However, because of the inclusion of freight and insurance on imports on the debit side, the balance in the new series has become negative.

3.10. Some of the estimated freight costs on Kenyan imports may not involve foreign exchange payments because the transportation service is provided by Kenyan carriers—e.g. Kenya Airways and Kenyan road transport firms. Similarly, Kenyan carriers may earn freight charges from Kenyan exports. These earnings are entered on the credit side of this account. When the amendments to the entry forms recommended by the Task Force are introduced, information on these credit items in the shipment account will be available from the Customs Department. At present, information on freight earnings by the Kenya Airways and the Kenya Railways is obtained directly from them, while earnings by road transport firms are estimated from analysis of a survey of road transport enterprises.

3.11. *Transit Trade*—Kenyan carriers earn freight revenue from transit trade of neighbouring countries passing through Kenya. The Kenya Ports Authority also earns various port charges in connection with transit trade. These enter the credit side of the shipment account. Previously, earnings by Kenyan operators from transit trade were not distinguished from their earnings from Kenyan merchandise trade. It has been recommended that CD 3 forms received by the Central Bank of Kenya in connection with transit trade be used as the main source of information on earnings from transit trade. This information will be classified by mode of transport. In addition, airways, railways and road transport firms will be required to specify separately their earnings from transit trade as opposed to Kenyan merchandise trade.

3.12. *Coastal Shipping*—Freight and other services are provided by coastal shipping carried on between the ports of Dar-es-Salaam and Mogadishu. One Kenyan ship is engaged in this trade; the rest are foreign. These are not covered at present in the data base. The Task Force recommended the introduction of a Survey to cover coastal shipping, so that all foreign exchange earnings arising from this source are captured for the balance of payments. If and when a national shipping line is introduced, foreign exchange payments and earnings by the firm will also be included in the relevant accounts.

**Other Transportation**

3.13. Receipts and payments on account of passenger transport; port services which include expenditure on fuel and stores for carrier and on their maintenance and repair, charter and leases of carriers etc.—are included in this account. A number of changes have been introduced in the composition of this account in the revised series. Among items which were previously included but are now excluded are: crew expenses of aircrafts, which are part of other goods, services and income account;and office and other expenses of airlines which go to the same account. Items which are included now are: charges for excess baggage and accompanying personal effects in airlines, airport passenger tax, purchase of fuel, stores and Payment of various fees by foreign trucks, leases of aircrafts and other carriers,and repair and maintenance of aircrafts and trucks.

3.14. A new survey of foreign road transport enterprises operating in Kenya was introduced in 1985 for the purpose of collecting detailed information on their expenditure in Kenya on purchase of stores,fuels, payment of road tolls, licence fees etc. The coverage is not complete yet and the response rate is not one hundred per cent. Improvements are being made in respect of these. The analysis of CD 3 forms for transit trade by the Central Bank of Kenya mentioned above provides information on earnings from port services in respect of transit trade. Total foreign exchange earnings from port services are obtained from the Kenya Ports Authority. Information on repair and maintenance charges is obtained from Kenya Airways, African Marine and General Engineering Company Ltd; and the Railways for earnings of its marine workshop. Kenya Airways is the source of information for leases of aircrafts by itself, while information on leases by smaller airlines is obtained from Customs.

**Travel**

3.15. Two items from the previous travel account have been dropped. One is the item on undocumented visitors, since there is no possible source of information on it. The other is the item on "naval crew's expenditure", since this sum is already included in the encashment at bank counter as part of the foreign booking account. The source of information for all items in this account is the Central Bank of Kenya; more specifically, the Return on Invisible Transactions and the Foreign Booking Account.

**Investment Income**

3.16. *Re-invested Earnings*—Although re-invested earnings occasion no inflow or outf low of foreign exchange, it is put notionally as a debit item in the investment income account and as a credit item in the long-term private capital account. The source of information on re-invested earnings along with other flows to the private sector used so far was the annual Investment Survey. One problem is a low response rate. The file is usually closed once 70 per cent of the questionnaires sent out are received back. However, this takes about 2 years, so that there is usually a backlog of 2 years in the flow of information received from this source.

3.17. The other, perhaps more serious, is that there is a wide disparity between the information provided by the firms in the Investment Survey questionnaires, and the information provided by them to the Central Bank of Kenya (C.B.K.) for purposes of exchange control. The Investment Survey numbers are found generally to be much larger than the numbers declared to the Exchange Control Department of the CBK. The declaration to the CBK is in the interest of the investors, since proof of the original inflow of funds has to be provided before exchange control approval may be obtained for payments of interest, and amortisation of loans, remittance of dividends, and repatriation of capital. These requirements apply to re-invested earnings as much as they apply to fresh inflow of foreign funds.

3.18. One attractive feature of the information on private capital inflow maintained in the Exchange Control Department is the legal obligation of the basic documents. Another attractive feature is that there is very little

time lag in the compilation of the summary data. However, these numbers may be underestimated for two reasons. First, while it is legally obligatory to obtain Central Bank approval before bringing in foreign capital, or re-investing funds, the actual inflow need not be reported immediately after it takes place. It is enough that report is made and proofs provided before applying for approval for some service payments in connection with that investment. There may thus be a time lag in reporting which will tend to make the reported figures less than actuals. Secondly, some inflows, especially those in the form of equipments, may not be recorded in the data, although proofs of the inflows may have been povided.

3.19. On the other hand, the investment survey collects some items of information such as on short-term assets and liabilities of private sector enterprises and dividends declared but not paid, which are not available from any other source. It was recommended that the CBK Exchange Control data be used for the purpose of the investment income and long-term private capital accounts. However, attempts will be made to improve the quality of this information by requiring investors to report the actual inflow of capital immediately after it takes place and by ensuring that all information is captured in the summaries prepared. On the other hand, efforts will be made to improve the response rate to the Investment Survey questionnaires. Also, respondents will be interviewed to ascertain the reasons for the large discrepancy between the inflows reported to the Central Bank and those reported in the Investment Survey questionnaires. In this way, it would be possible in future to reconcile the two sources of information. While the Investment Division of the Exchange Control Department of the Central Bank will remain the source of data for the current year, these data will be compared, and if necessary, revised in the following year in the light of information derived from the Investment Survey.

3.20. Apart from the Investment Division, Exchange Control Department of the CBK which provides the data on re-invested earnings, other sources of information used for various items in this account are the CBK Return on Invisible Transactions (RIT), the Kenya External Debt Reporting System (KEDRES) maintained in the Treasury, the Treasury Accounts Department, the Foreign Department of the CBK, and summaries from the improved Survey of Investment. The Investment Survey collects information separately for direct and other investment income, and for branch profits and dividend in the case of direct investment income. The information contained in the RIT does not distinguish between these classes of income. If necessary, the separation can be done by applying to the aggregate figures of the RIT the relevant ratios obtained from Investment Survey data for previous years.

**Other Goods, Services and Income: Government**

3.21. The BPM discusses "Other Goods, Services and Income" as a single account. In Kenyan data, this account has always been split in two Parts: one relating to transactions by Government, including international bodies and the Central Bank; and the other relating to transactions, by the

Private sector. In the revised series, these names have been changed to "Other Goods, Services and Income: Government" and "Other Goods, Services and Income: Private", respectively.

3.22. *Expenditure incurred in Kenya by Foreign Embassies and International Bodies*—These expenses cover wage and salary payments to local staff as well as purchases of office supplies and furnishings, fuel and utilities, rent or purchases and sales of embassy and other buildings, official cars and their operation and maintenance, and official entertainment. It also includes personal expenditure of diplomatic staff and their dependants, which are usually covered by operations on personal external accounts of the staff members. A survey of foreign missions which used to obtain information on these items has been discontinued because the response was very poor. The survey also, did not adequately cover other official bodies not integrated with embassies, such as UN affiliates and other international bodies, aid missions, tourist information offices, libraries etc.

3.23. The monthly summary of Foreign Exchange Transactions compiled by the Foreign Department of the Central Bank obtains comprehensive information on the foreign exchange inflow through the embassies and other official bodies. This source of information for this item was recommended. It was found that the numbers reported in this source are generally higher than the numbers based on the past surveys of diplomatic missions. This is partly due to the more extensive coverage of the information in the CBK Foreign Department. As a result of the use of this new data source, there has been a substantial upward revision of the balance of this account.

3.24. *Payment for printing notes and minting coins; and payments to Societe Generate du Surveillance (SGS)*—These were formerly put in the private component of the "Other Goods, Services and Income" account. Now they have been shifted to the Government component. The source of information for these items is the Central Bank of Kenya.

3.25. *Expenditure on! and Expenditure by Technical Assistance Personnel*—This item enters three accounts: Other Goods, Services and Income: Government—where the total salaries and allowances received by the technical assistance personnel are entered on the debit side, representing notional purchase of these services by the Government of Kenya; Other Goods, Services and Income: Private—where the expenditure by the technical personnel on Kenyan goods and services is entered on the credit side, representing Kenya's earnings of foreign exchange; and Official Unrequited Transfers—where the total value of salaries and allowances received by the technical assistance personnel is included on the credit side, representing grants received by the Government of Kenya to cover these expenses. The sum of the three are equal in magnitude, and since they occur on opposite sides of the accounts, variations in their size have no effect on the balance of invisible trade. Other Goods, Services and Income: private, was previously estimated as 70 per cent of the magnitude of the remaining two. However, as mentioned before, the item "Expenses in Kenya of foreign embassies and international bodies" discussed earlier

includes operations on all personal external accounts. The expenditure of technical assistance personnel on Kenyan goods and services is therefore included in it. It is not possible to separate out this data from the rest of the inflow. In order to avoid double counting, no credit entry has been made for the "Other Goods, Services and Income: Private" account.

3.26. Estimates of the size of Salaries and allowances received by technical assistance personnel were made in the past from information on number of technical assistance personnel and their average salaries and allowances obtained from the Treasury. Up-to-date and accurate information on this is not, however, available at present. As such, the figure has bee estimated by applying a plausible growth factor to the value of this item for the previous year. As already stated, errors or biases in this estimates have no effect on the balance of the account. This is due to the fact that the total salaries and allowances received by technical personnel represent notional purchase of services by the Government, and the same payments also represent grants to the Government, and hence the two occur on opposite sides of the account. In addition, data on expenditure by technical assistance personnel are now obtainable from an independent source.

**Other Goods, Services and Income: Private**

3.27. There have been no major changes in this account, except for the ones already mentioned, viz. the items printing of notes and minting of coins, and the payment for SGS services have been shifted to the Government account and expenditure of technical assistance personnel on Kenyan goods and services has been omitted. The sources of information for items in this account are the CBK Return on Invisible Transactions and Summary of Foreign Exchange Transactions, oil refinery, Kenya Airways, Surveys of Insurance and Road Transport and Customs trade statistics.

**Unrequited Transfers**

3.28. *Migrants' Transfers*—Some car imports by returning residents are financed by savings from their allowances or earnings abroad. Since the value of these cars are included in merchandise imports, a contra entry on the credit side is required under this heading in the Private Transfers accounts. This contra item was not included in the accounts before. The necessary information has been obtained from the Directorate of Internal Trade. It may be noted that the description "migrants' transfers" is appropriate only when the residents had stayed abroad for more than one year. Cars are also imported by other residents who have stayed abroad for a shorter period. A credit entry is still required for them to offset double counting of the value of the cars on the debit side—once in the merchandise account and again in travel or private transfers account (e.g. educational grants). Sometimes, the cars are obtained as outright gifts from foreigners. For the sake of convenience, all these have been put together in the item migrants' transfers.

3.29. The C.B.K. on Invisible Transactions records some payments described as 'final departure' and 'emigration treatment'. The R.I.T. puts

the former in the 'transfers' block and the latter in the 'capital' block. In future, both payments will be treated as migrants' transfers.

3.30. *Cash and non-cash grants*—in the official part of the urequited transfers account, grants in cash and grants under appropriations-in-aid are shown separately. This is possible because budget documents and accounts registers which are the sources of information for official grants maintain this distinction.

**Government long-term capital**

3.31. Three sources of information on this account are commonly used. Two of these are the Treasury-viz. The KEDRES report of the Debt Management Section, and the computer print-out of budget out-turns prepared by the Accounting Services Division. The data in both reports are drawn from the loan registers of the Accounts Department. A third source of information is the summary of Foreign Exchange Transactions prepared by the Foreign Department of the Central Bank.

3.32. Data from the above three sources hardly ever agree, and sometimes the differences are large. One known reason for differences is the use of varying exchange rate to convert foreign currency values into Kenya shillings. Another reason is differing coverage of loans under appropriations-in-aid. Before deciding on the numbers to put in the Government long-term capital account, data from all three sources are examined and attempts are made to reconcile them by referring, if necessary, to the loan registers of the Accounts Department. It was resolved that the problem be studied and suitable measures taken to ensure consistency of the data in the three sources. Meanwhile, the present situation will continue. The short-comings of the data on development finance are discussed in a forthcoming Compendium on Development Assistance.

**Private long-term capital**

3.33. As discussed above, the primary source of information for long-term capital inflow to the private sector will now be the Investment Division, Exchange Control Department of the Central Bank. Information summarised from the Investment Survey will be used later to compare with the information from the C.B.K. source, with a view to have a reconciliation and possible revision of the numbers. The data on both inflow of foreign capital (equity and loan capital), and loan repayments are recorded by the Investment Division in their Return on Invisible Transactions (R.I.T.), which is used as the nearest source. The loan repayment figures include both parastatal and private sector repayments. Parastatal loan repayment data obtained from KEDRES are deducted from this total to get the repayment figure for the private sector. In future, the Investment Division will themselves split up the total repayment figure into the two components, private and parastatals (including local authorities).

3.34. Information on re-invested earnings is not at present collected in the R.I.T. It has to be extracted separately from the registers of the

Investment Division. Two main types of re-investment of funds can be distinguished: re-investment or capitalization of profits/reserves, and the issue of bonus shares. In future, information on re-invested earnings will also be included in the R.I.T.

3.35. The data on net private long-term capital inflow obtained from the C.B.K. are, in general, considerably lower than the data from the Investment Survey which have been used in the Economic Survey in the past. As a result, there has been a significant reduction in the capital account balance in the revised series, offsetting in large measure the equally significant improvement in the balance of the "other Goods, Services and Income: Government" account, noted earlier.

**Parastatal long-term capital**

3.36. The capital flows of the former East Africa corporations were shown before as a separate account called 'Government Corporations' in the balance of payments tables. The other parastatals were merged with the private sector account. In future, all parastatals will be shown in a single account, distinct from the rest of the private sector. The main source of information for this account is the KEDRES. Other sources to be used are the C.B.K. investment Division, Treasury Accounts Department and the parastatal organizations themselves.

**Short-term capital**

3.37. *Changes in short-term Assets and Liabilities*—These form one group of entries in the short-term capital account. Information for the Government sector is obtained from the Treasury, and for the parastatal sector, from the parastatals themselves. For the non-parastatal private sector, the only source of information available at present is the Investment Survey. The magnitude of net flow on this account is usually small and it was decided to continue using this source of information. The problem of the time lag will be tackled by applying plausible annual growth rates to the data for the latest year for which the information has been summarised.

3.38. *Down-payments*—It has been decided to treat down-payments, such as for the recent import of two Airbuses by the Kenya Airways, as short-term capital outflow in the year when the payments are made, and short-term capital inflow in the year when the relevant goods and services are imported. The down-payments are disregarded, if the actual imports occur in the same year as the down-payment. Due to this treatment, the net balance of the short-term capital account may show considerable fluctuation over time if the down-payments are large in magnitude relative to the other flows.

3.39. *Trade Credit*—Information on this component of the short-term capital account was previously obtained from the Investment Survey. In the revised series, it is calculated from the estimated average length of credit period available to our importers and the change in the total value of imports, excluding special imports financed by grants and loans. The average length of credit period has been estimated from an analysis of a

random sample of import approval forms in the C.B.K. records to be approximately equal to 2 months. On the export side, there is usually some delay in receipt of foreign exchange after the shipment of merchandise; sometimes the delay is considerable. However, the delay is supposed to be due to the time taken in transport, delivery and completion of other incidental requirements. Little credit is allowed in the payments contracts themselves. Just as there are delays in receipt of foreign exchange from exports, there are instances in which advance payments are received by the exporters, which may be treated as negative credit. In view of these considerations, it has been assumed that while Kenyan importers enjoy on average two months' credit, the period extended by Kenyan exporters to their foreign buyers, is negligible.

3.40. *Dividends due but not paid/received*—The Investment survey is the only source of information on this item and has been used. In order to overcome the time-lag problem, it has been decided to make upward or downward adjustments, depending on movements in the country's foreign exchange reserves as a proportion of the value of merchandise imports (excluding special imports). Again, the size of the net flow on this item being small, one can expect that biases or errors in its estimation will not affect the various balances of the accounts significantly.

**Monetary Movements**

3.41. The only change introduced in the monetary movements is to include net changes in the foreign assets of commercial banks, taking it out of the short-term capital account. In other words, commercial banks' foreign assets are now being treated as part of "reserves". The B.P.M. states that reserves are those assets on which the central authorities are actually exercising direct and effective control. It goes on to explain that "ownership is not a necessary condition of control. For examples, private deposit money banks may sometimes be allowed to have legal titles to foreign assets but may be permitted to deal in them only on the terms specified by the authorities or only with their express approval; such assets would still be subject to the authorities' direct and effective control". Foreign assets held by commercial banks in Kenya fall in the category of reserves according to these criteria. This component is about 10 per cent of total gross reserves. What is more important in the present context is that changes in their net foreign assets position, and hence their contribution to the balance of payments, are small and unimportant.

**Summary on Balance of Payments**

3.42. To summarize briefly on the balance of payments, the revised series show an improved balance of merchandise trade, because the freight and insurance charges or imports have been shifted to the shipment account. Also, there is a marked improvement in the current account balance, because of the larger inflow of foreign exchange through embassies, international bodies, external accounts, etc. in the "Other Goods, Services and Income: Government" account. Correspondingly, there is a sizeable deterioration in the balance of the capital account, because of substantially smaller net private capital inflow data obtained

from the new CBK source. The overall balances have changed only slightly, due to the shifting of changes in commercial banks' net foreign assets from the short-term capital account to the monetary movements part of the table. A number of items have been shifted from one sub-account to another, some have been dropped and others introduced, and new data sources have been used/suggested for some of them. The resulting composition of the various sub-accounts conforms more closely now to the recommendations of the fourth edition of the Balance of Payments Manual.

## PUBLIC FINANCE

3.43. In the area of public finance, items in a few tables in Chapter 6 have been re-organized and data on some items have been revised. The main concepts of revenue, expenditure and deficit used in the revised tables of Chapter 6 are discussed briefly in the following paragraphs. Tables 3.2 to 3.5. Some references have also been given to the sources of data.

3.44. *Revenue*—The major revenue concept used is that of Recurrent Revenue shown in Tables 3.3 and 3.4. It is obtained in the following way: Total ordinary revenue plus export compensation plus (Internal) Appropriations-in-Aid both Recurrent and Development, minus loans repayment to Government. Data on the first item is shown as total revenue in the Estimates of Revenue and as ordinary revenue in Government of Kenya (GOK) Budget out-turns. Data on export compensation and A-in-A are available in the Budget out-turns or the Appropriation Accounts. Data on loan repayment to Government are given in Estimates of revenue, where it is called Loan.Redemption—Receipts.

3.45. *Export Compensation*—In most earlier tables, export compensation payments were netted out of both Government revenue and expenditure. These payments are made out of collections of imports duty, and the total revenue shown in all budget documents included import duty net of export compensation payments. However, the full or gross revenue is more relevant for analysis of trends in import duty collection and to assess the impact of various revenue measures introduced in the Budgets. It has therefore been decided that the import duty figure shown in Table 3.4 be the actual collection before deduction of export compensation payments. Correspondingly, export compensation has been shown as part of Government expenditure, and is included in the item "subsidy" in Table 3.5.

3.46. *Appropriations-in-Aid (A-in-A)*—Internal Appropriations-in-Aid are treated as revenue. Most of these are shown in the Recurrent Estimates. However, the Development estimates also show a small amount of revenue from local or internal A-in-A. Part of these items has been called "Sale of Goods and Services", while the rest forms part of capital revenue in Table 6.4. Information on these is available in the Estimates of Recurrent and Development Expenditure books. For actuals. Appropriation Accounts are to be used.

3.47. The practice in budget documents is to show gross expenditure of ministries as being made up of net expenditure and A-in-A. This is equally

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE, 1980/81 AND 1981/82

*Table 3.2 (cf. Table 6.1)* *K£million*

| | 1980/81 | 1981/82 |
|---|---|---|
| Current Revenue | 708.49 | 773.25 |
| Current Expenditure | 672.07 | 852.41 |
| Current Surplus | 36.42 | -79.16 |
| Capital Revenue | 4.76 | 5.89 |
| Capital Expenditure | 188.78 | 143.16 |
| Net Lending | 67.56 | 73.79 |
| External Grants | 22.55 | 44.30 |
| OVERALL DEFICIT | -192.61 | -245.92 |
| FINANCING OF THE DEFICIT— | | |
| External Loans (net) | 90.39 | 103.14 |
| Domestic Borrowing: | 130.10 | 159.05 |
| Long-term (net) | 66.40 | 44.00 |
| Short-term (net) | 63.70 | 115.05 |
| CHANgE /*N* CASH BALANCE (decrease = +) | 27.88 | 16.27 |
| MEMORANDUM ITEMS: | | |
| Public Debt Redemption | 49.84 | 66.26 |
| *(a)* Enternal | 36.41 | 56.46 |
| *(b)* Internal | 13.43 | 9.80 |

true for both recurrent and development expenditure. However, the treatment of Recurrent and Development A-in-A is not the same on the revenue side. The whole of Recurrent A-in-A is treated as part of recurrent revenue. The Development A-in-A, however, is made up of three parts: Internal or local; External grants; and External loans. Internal or Local A-in-A is treated as part of recurrent revenue in the Budget out-turn tables (tables of Sale of Goods and Services in Table 3.4). External grants is part of Foreign grants in Budget out-turn (External grants in Table 3.2). Finally, External loans is part of financing of deficit, i.e. a component of gross as well as net external borrowing (Budget out-turn and Table 3.2).

3.48. *Loan Repayments of Government*—This item is at present included in total (ordinary) revenue shown in the Estimates of Revenue. It represents repayments of loans received by the Central Government from local authorities and other domestic institutions, enterprises and individuals. As will be seen below, Government's own borrowing is treated in Public Finance statistics in net terms. For consistency with this treatment, it has been decided that Government's lending should also be treated on a net basis; i.e. instead of treating loan repayments as a part of Government revenue, it should be deducted from Government expenditure on loans and purchase of equities etc. to get a measure of net lending. This treatment has been adopted in Table 3.5 and elsewhere in this Survey.

3.49. *Short-term Borrowing*—This item was previously included in Table 3.4. However, it is a part of financing of deficit as shown in Table 3.2 and has been excluded from Table 3.4.

3.50. *Defence A-in-A*—This item was previously included in revenue as part of the category "Other" at the bottom of Table 3.4. However, it represents credit purchase of defence equipment. As such, this item also is treated now as part of financing.

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1980/81 and 1981/82

*Table 3.3 (cf. Table 6.3)* *K£million*

| | 1980/81 | | | 1981/82 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Difference | Budget | Actual | Difference |
| Recurrent Revenue | 681.39 | 713.25 | 31.86 | 773.82 | 779.14 | 5.32 |
| Recurrent Expenditure | 536.06 | 721.15 | 185.09 | 635.63 | 728.10 | 92.47 |
| Recurrent Balance | 145.33 | -7.90 | -153.23 | 138.19 | 51.04 | -87.15 |
| Development Expenditure + Net Lending | 258.12 | 207.26 | - 50.86 | 281.84 | 341.26 | 59.42 |
| External financing (net) | 62.44 | 160.75 | 98.31 | 100.17 | 99.70 | - 0.47 |
| Balance for Domestic financing (net) | 50.35 | 54.41 | 4.06 | 43.48 | 190.52 | 147.04 |

3.51. *Current and Capital Revenue*—From the economic point of view, capital revenue consists only of sale of capital assets, land, stocks and other intangible assets. Capital revenue shown in Table 3.2 is made up of two elements: Sale of capital assets and withdrawal from (sinking) funds. The former is obtained from an analysis of Estimates of Expenditure, and the latter is estimated as a fraction of Extra-Exchequer Receipts shown in the Estimates of revenue. Both are included in the residual category "Other" in "Other Revenue and Income" part of Table 3.4. Current Revenue in Table 3.2 is simply the difference between Recurrent Revenue (Table 3.4) and Capital Revenue (Table 3.2).

CENTRAL GOVERNMENT RECURRENT REVENUE, 1980/81 AND 1981/82

*Table 3.4 (cf. Table 6.4)* *K£million*

| | 1980/81 | 1981/82 |
|---|---|---|
| DIRECT TAXATION— | | |
| Income Tax | 197.58 | 199.67 |
| Other | 0.68 | 1.45 |
| TOTAL | 198.26 | 201.12 |
| INDIRECT TAXATION— | | |
| Sales Tax on Domestic Manufactures | 85.00 | 108.50 |
| Sales Tax on imports | 94.39 | 86.29 |
| Import Duties | 156.42 | 197.21 |
| Excise Duties | 60.24 | 63.96 |
| Export Duties | 3.13 | 5.29 |
| Business and Trading Licences | 1.80 | 2.26 |
| Licences and Fees under Traffic Act | 6.50 | 5.92 |
| Other Licences and Duties on Production or Sale | 15.10 | 21.35 |
| TOTAL | 422.58 | 490.78 |
| OTHER REVENUE AND INCOME— | | |
| Compulsory Fees, Fines and Penalties | 11.33 | 5.64 |
| Income From Property | 38.68 | 33.97 |
| Current Transfers | 1.21 | 1.61 |
| Sales of Goods and Services | 34.25 | 32.35 |
| Other | 6.94 | 13.67 |
| TOTAL | 92.41 | 87.24 |
| GRAND TOTAL | 713.25 | 779.14 |
| MEMORANDUM ITEM: | | |
| Loan Repayments to Government | 3.26 | 4.25 |

3.52. *Expenditure*— Total Government expenditure has been classified in several different ways in Chapter 6, (Tables 6.8 and 6.9). Table 6.8 gives a cross-classification by Recurrent expenditure and Development expenditure on the one hand, and expenditure by main services on the other. Public Debt Redemption (repayments by Government on internal and external loans) is included as part of Recurrent expenditure in Table 6.8. It is excluded from the Recurrent expenditure concept in the Budget out-turn table.

3.53. Table 6.9 gives an economic analysis of expenditure. Total expenditure is broken down into four components: Current Expenditure; Capital Expenditure; Net Lending; and Public Debt Redemption. As pointed out before and detailed in Table 6.9. Net Lending is calculated by deducting repayments made to Government by domestic borrowers from its expenditure on loans given and equities purchased (gross lending). It has not been possible to distribute loans and equities among the main services in Table 6.8 on a net basis. Hence, the total expenditure shown in Table 6.8 does not exclude loan repayments to Government, which accounts for the difference in the totals in the two tables.

3.54. *Overall Deficit and Financing*—The overall deficit in Table 3.2 is a net concept, which is in line with international practice. It treats external grants as part of revenue and excludes public debt redemption from expenditure. Correspondingly, the financing of the deficit is shown on a net basis, i.e. net internal borrowing, net external borrowing and change in cash balances. From the data provided, it is easy to get measures of other gross deficits, such as one that excludes external grants from revenue and treats it as financing, or one that includes public debt redemption above the financing line as part of Government expenditure.

3.55. One aim of the revision was to ensure that the concepts used conform to standard international usage. The other was to harmonise concepts and data used in different tables and different publications, by defining each concept clearly and indicating the source of data for each. For the current year and for the immediately preceeding one or two years, data shown in different publications may differ because data at different stages of revision are used. For data marked as actual, however, such differences either should not arise, or the reasons for the differences should be easy to understand.

## NATIONAL ACCOUNTS

3.56. On several occasions in the past, enquiries have been received from users on what appeared to them as inconsistency between data on national accounts given in Chapter 2 and data on balance of payments given in chapter 7 of the Survey—in particular Tables 2.6 and 2.7 on the one hand, Table 7.14 on the other. Some clarification and reconciliation of the a in these tables are added here to help users who may have the same difficulties in future.

3.57. *Tables 7.14 and 2.6: Import Surplus*—The data on import and port of goods and services and thus on import surplus given in Table 2.6

are derived from the data in Table 7.14, together with some other data obtained within the Department. Thus the totals in Table 2.6 are totals of imports and exports of goods and non-factor services. They are derived from the total value of current account transactions by deducting the items: Government transfers, private transfers, investment income, and labour services, including technical assistance services.

3.58. The reconciliation is shown in the following table, using as an example data given in this publication for the year 1986.

Import/Export of Goods and Services (Derivation of value given in Table 2.6)

| | Debit | Credit |
|---|---|---|
| From Table 7.14 | | |
| Total Current Account | 1,779.10 | 1,745.65 |
| *Less—* | | |
| Government Transfer | 3.25 | 123.90 |
| Private Transfer | 25.40 | 72.30 |
| International Investment Income | 223.30 | 29.80 |
| From C.B.S. | | |
| Technical Assistance Service | 13.86 | — |
| Other Labour Income | 2.44 | 0.18 |
| Value Given in Table 2.6 | 1,510.85 | 1,519.47 |

3.59. It may also be noted that because of the decision to add export compensation to both revenue and expenditure, the totals of indirect tax and subsidy shown in Table 2.6 have gone up by the amount of export compensation payments. This leaves the balance of the two unchanged.

3.60. *Table 2.7 and 7.14: Grants from abroad*—The data on "grants from abroad" given in Table 2.7 are also derived from Table 7.14, together with some information within the Department. Net borrowing from abroad in Table 2.7 is simply equal to the deficit on current account in Table 7.14. Since part of the deficit may be financed from Reserves, withdrawal from reserves has to be regarded conceptually also as 'borrowing from abroad'. The item 'grants from abroad' in Table 2.7 represents net capital grants, and differs from the total grants (transfers) shown in Table 7.14 for that reason.

3.61. As an example, the given figure in this publication for the year 1986 is derived in the following way:

Transfers

| | Credit | Debit | Net |
|---|---|---|---|
| From Table 7.14 | | | |
| Private Transfers | 72.30 | 25.40 | 46.90 |
| Government Transfers | 123.90 | 3.25 | 120.65 |
| Total | 196.20 | 28.65 | 167.55 |
| *Less* | | | |
| From C.B.S. | | | |
| Current Grants | 78.48 | 28.65 | 49.83 |
| Capital Grants | 117.72 | — | 117.72 |
| = Grants from Abroad in Table 2.7 | | | |

CENTRAL GOVERNMENT ECONOMIC ANALYSIS OF EXPENDITURE, 1980/81 and 1981/82

*Table 3.5 (cf. Table 6.9)* *K£million*

| | 1980/81 | 1981/82 |
|---|---|---|
| 1. CURRENT EXPENDITURE— | | |
| CONSUMPTION EXPENDITURE ON GOODS AND SERVICES— | | |
| Labour Costs | 172.75 | 224.43 |
| Other Goods and Services | 246.95 | 311.49 |
| TOTAL | 419.70 | 535.92 |
| SUBSIDIES | 11.33 | 15.06 |
| INTEREST: | | |
| Foreign | 31.25 | 71.60 |
| Domestic | 36.80 | 51.00 |
| TRANSFERS TO— | | |
| Households and Unincorporated Enterprises including Private Non-profit Institutions | 11.08 | 16.96 |
| Financial and Non-Financial Enterprises | 19.51 | 8.36 |
| General Government | 140.08 | 150.67 |
| Rest of the World | 1.32 | 2.34 |
| Funds | 0.98 | 0.47 |
| TOTAL TRANSFERS | 172.97 | 178.80 |
| OTHERS | 0.02 | 0.03 |
| TOTAL CURRENT EXPENDITURE | 672.07 | 852.41 |
| 2. CAPITAL EXPENDITURE— | | |
| Gross Fixed Capital Formation | 166.94 | 123.54 |
| Capital transfers Enterprises | 21.84 | 19.62 |
| TOTAL | 188.78 | 143.16 |
| 3. NET LENDING | | |
| Purchase of equity in enterprises | 5.22 | 7.35 |
| Loans to households, enterprises and general government agencies | 65.60 | 70.69 |
| LESS— | | |
| Loan repayments to government | 3.26 | 4.25 |
| TOTAL | 67.56 | 73.79 |
| 4. PUBLIC DEBT REDEMPTION | 49.84 | 66.26 |
| 5. TOTAL EXPENDITURE (1+2+3+4) | 978.25 | 1,135.62 |
| MEMORANDUM ITEM— | | |
| Export Compensation | 10.45 | 13.50 |

3.62. *Current* vs. *Capital Grants*—The distinction between current and capital grants is made in the light of criteria described in the System of National Accounts (SNA). While the criteria are reasonably clear in themselves, difficulties arise in their applications in the area of international transactions. For example, if a grant is to be treated as a current grant, both donor and recipient have to treat it as such. It is not easy for national accounts statisticians to satisfy themselves in this regard from information usually available on international transfers.

3.63. The current I.M.F. recommended practice is to put all international transfers in the current account of the balance of payment, thus treating all transfers as being current in nature. In the national accounts, however, the total is split into capital and current components; as shown in the case of Kenya. There is thus a difference between the I.M.F. Balance of Payments Manual and the S.N.A. regarding the treatment of transfers. This problem is currently being discussed by experts in various international fora.

3.64. *Gross Disposable National Product*—It may be useful to draw attention to the identity Income=Consumption+Savings, connecting Tables 2.6, 2.7 and 2.8, which involves the concept of Gross Disposable National Product, not shown explicitly in the Survey. It is measured as the sum of Gross National Production at market prices and net current grants received. For the year 1986, Table 2.8, for example, the Gross Disposable National Product is K£5,405.59+K£49.83, net current grants received=K£5,455.42 million. Subtracting total consumption of K£4,165.04 million as given in Table 2.6, one gets the national savings of K£1,290.38 million shown in Table 2.7.

## CHAPTER 4—EMPLOYMENT, EARNINGS AND CONSUMER PRICES

The year 1986 was of moderate performance as far as employment and inflationary tendencies were concerned. Job creation in the modern sector increased by 3.9 per cent, noticeably lower than the 4.9 per cent recorded for 1985. Average nominal wages rose by 8.8 per cent in 1986 compared with 9.3 per cent recorded in 1985. Nevertheless, due to a remarkable decline in inflation, average real wages increased by a welcome 3.0 per cent. The inflation rate, as measured by the Nairobi Consumer Price Indices, was the lowest recorded in the past decade, reaching a trough of 5.7 per cent compared with 10.7 per cent in 1985, 9.1 per cent in 1984 and 14.5 per cent in 1983.

### Employment

4.2. The Fifth Development Plan (1984-1988) and the Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, stress the importance of employment creation to absorb the fast growing labour force. In particular, the economic development policy outlined in the Sessional Paper emphasises accelerated employment creation in the private sector and the small scale enterprises (urban informal sector) and a gradually decreasing rate of employment creation in the public sector. The small scale enterprises are seen to be a potential source of new jobs for the expanding labour force. The estimates in Table 4.1 show that the employment growth was slower than that of 1985. In 1986 a total of 74,900 jobs were created, an increase of 5.1 per cent over the 1985 level when 76,600 jobs were created which was by 5.5 per cent over the 1984 level.

4.3 The modern sector wage employment, accounting for almost 80 per cent of total employment, is estimated at some 1,221 thousand in 1986 compared with 1,174 thousand in 1985. This represents an increase of 3.9 per cent or 46,100 new jobs, which is above the target of 42,000 new jobs per annum set out in the Fifth Development Plan. The small scale enterprises have been growing steadily and accounted for a sizeable share of the new jobs created. In 1986, some 26,500 jobs, representing an increase of 10.4 per cent, were generated in small scale enterprises sector. This

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1983-1986

*Table 4.1*

'000

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| Modern Establishments—Urban and Rural Areas- | | | | |
| Wage Employees | 1,093.3 | 1,119.7 | 1,174.4 | 1,220.5 |
| Self-employed and unpaid family workers | 63.2 | 32.4 | 33.1 | 35.4 |
| amall Scale Enterprises**—Urban | 134.3 | 145.0 | 158.2 | 182.6 |
| Rural | 87.1 | 88.3 | 96.3 | 98.4 |
| TOTAL | 1,377.9 | 1,385.4 | 1,462.0 | 1,536.9 |

*Provisional.

**Formerly called Urban Informal Sector.

compares favourably with increases of 9.1 and 5.4 per cent recorded for 1985 and 1984, respectively. Persons engaged as self.employed and unpaid family workers, though relatively small, recorded a welcome increase of 2,300 jobs or 6.9 per cent compared with an increase of 700 jobs or 2.2 per cent in 1985. Agriculture and trade activities dominating this sector recorded large increases in employment, a result of favourable weather conditions and the general improvement in the performance of the economy in 1986.

4.4. The analysis in Table 4.2 shows that over 40 per cent of modern sector wage employment is contributed by community, social and personal services, most of whom are in the public sector. This is followed by agriculture and forestry; manufacturing and trade activities in that order of importance. Wage employment in the private sector increased by 3.5 per cent compared with 3.7 per cent in 1985. Agriculture and forestry, which is the largest employer in the private sector, increased by 3.8 per cent. Mining and quarrying in the private sector, though with a small employment size, recorded the largest increase of 18.8 per cent. In contrast, employment in

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1983-1986

*Table 4.2* 000's

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| PRIVATE SECTOR— | | | | |
| Agriculture and Forestry | 177.3 | 181.3 | 186.0 | 193.0 |
| Mining and Quarrying | 2.1 | 2.6 | 3.2 | 3.8 |
| Manufacturing | 117.1 | 119.7 | 123.6 | 128.7 |
| Electricity and Water | 0.1 | | | |
| Construction | 31.4 | 27.1 | 25.8 | 24.8 |
| Wholesale and Retail Trade, Restaurants and Hotels | 74.6 | 79.2 | 83.8 | 88.1 |
| Transport and Communications | 21.1 | 20.1 | 20.5 | 20.5 |
| Finance, Insurance,Real Estate and Business Services | 36.1 | 38.3 | 40.1 | 40.4 |
| Community,Social and Personal Services | 105.7 | 109.6 | 116.8 | 121.4 |
| TOTAL | 565.5 | 578.2 | 599.8 | 620.7 |
| PUBLIC SECTOR— | | | | |
| Agriculture and Forestry | 53.8 | 54.1 | 54.9 | 55.5 |
| Mining and Quarrying | 1.4 | 1.5 | 1.6 | 1.7 |
| Manufacturing | 31.7 | 33.4 | 35.2 | 36.1 |
| Electricity and Water | 17.1 | 17.5 | 17.7 | 18.2 |
| Construction | 28.8 | 22.1 | 24.1 | 30.8 |
| Wholesale and Retail Trade, Restaurants and Hotels | 5.7 | 5.6 | 5.9 | 6.3 |
| Transport and Communications | 33.9 | 34.0 | 35.2 | 37.0 |
| Finance, Insurance, Real Estate and Business Services | 9.6 | 11.8 | 13.3 | 15.6 |
| Community,Social and Personal Services | 345.8 | 361.5 | 386.7 | 398.6 |
| TOTAL | 527.8 | 541.5 | 574.6 | 599.8 |

*Provisional.

the private sector's construction continued its downward trend when it declined by a further 3.9 per cent in 1986. However, this was more than offset by an increase of 27.8 per cent in the public sector construction, a result of the greater construction of both social and economic infrastructure. The expansion of banks and financial institutions resulted in an increase of 17.8 per cent for finance, insurance, real estate and business services in the public sector. Community, social and personal services, the largest employer in public sector, increased by 3.1 per cent, slightly lower than its private sector counterpart which increased by 3.9 per cent.

4.5. Details of wage employment in the public sector are shown in Table 4.3. There has been a slow-down in employment creation for this sector. An increase of 25,200 jobs or 4.4 per cent was recorded compared with 6.1 per cent in 1985. Of the new jobs created, the Teachers Service Commission (T.S.C.) contributed nearly half, the jobs being essential for the implementaton of the 8 4 4 education system. The Central Government employed 7,700 additional employees, while parastatal bodies generated 3,700 jobs, in contrast to the reduction of 5,000 jobs in 1985. Employment situation in Local Government continued to worsen when a further decline of 5 per cent, equivalent to 2,300 jobs, was recorded—a result of unsatisfactory financial out-turn for local authorities.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1983.1986

*Table 4.3* *'000's*

| TYPE OF SECTOR | 1983 | 1984 | 1985 | 1986* | PERCENTAGE CHANGE 1985/86* |
|---|---|---|---|---|---|
| Central Government | 226.4 | 231.1 | 252.0 | 259.7 | 3.1 |
| Teachers Service Commission | 124.1 | 132.2 | 151.0 | 164.0 | 8.6 |
| Parastatal Bodies** | 97.6 | 95.4 | 90.4 | 94.1 | 4.1 |
| Majority Control by the Public Sector | 34.5 | 35.1 | 35.6 | 38.7 | 8.7 |
| Local Government | 45.2 | 47.7 | 45.6 | 43.3 | -5.0 |
| TOTAL | 527.8 | 541.5 | 574.6 | 599.8 | 4.4 |

*Provisional.

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

4.6. Table 4.4 presents wage employment in the modern sector by province. In absolute terms, Nyanza province led with an increase of 10,600 jobs, followed by Nairobi and Western provinces which accounted for 9,600 and 7,800 new jobs, respectively. Both Nyanza and Western Provinces performed well as a result of increased employment in sugar Plantations and factories. Rift Valley, North-Eastern and Eastern provinces created only half the jobs they had created in the previous year.

4.7. Urban wage employment accounted for 51.7 per cent of the country's total modern sector wage employment in 1986. Table 4.5 sets out

WAGE EMPLOYMENT BY PROVINCE, 1983.1986

*Table 4.4* *'000's*

| PROVINCE | 1983 | 1984 | 1985 | 1986* | PERCENTAGE CHANGE 1985/86* |
|---|---|---|---|---|---|
| Nairobi | 309.8 | 316.7 | 327.2 | 336.8 | 2.9 |
| Coast | 140.9 | 143.4 | 148.7 | 152.1 | 2.3 |
| North Eastern | 9.4 | 9.7 | 10.4 | 10.6 | 1.9 |
| Eastern | 89.1 | 92.3 | 97.3 | 99.8 | 2.6 |
| Central | 155.6 | 157.7 | 165.1 | 170.3 | 3.1 |
| Rift Valley | 241.4 | 242.5 | 257.7 | 264.5 | 2.6 |
| Nyanza | 90.5 | 94.7 | 101.5 | 112.1 | 10.4 |
| Western | 56.6 | 62.7 | 66.5 | 74.3 | 11.7 |
| TOTAL | 1,093.3 | 1,119.7 | 1,174.4 | 1,220.5 | 3.9 |

*Provisional.

wage employment in major towns for the six dominant activities for 1981 and 1986. Over the five-year period, some 115 thousand jobs were generated in the urban areas for the six dominant activities, representing an increase of 22 per cent. Kisumu, Malindi, Kericho and towns designated as "others" reported a combined increase of 54 per cent—well above the average increase. Thika, on the other hand, recorded the lowest growth rate of 6.9 per cent, mainly due to stagnation in the construction activity, and partly as a result of slower growth in the remaining major industries. Kericho recorded a significant increase in the manufacturing activity, while construction grew significantly in Kericho, Kisumu and Nakuru. There was a general increase in employment for transport and communication, the exception being Mombasa which recorded a decline of 13.3 per cent. Finance, insurance, real estate and business services expanded unevenly with Eldoret growing by a remarkable 2,100 additional jobs in wage employment. Kisumu and Malindi had exceptionally high growth rate for employment in community, social and personal services.

4.8. Analysis of wage employment by industry and sex is set out in Table 4.6. During 1986, 17,600 more women were employed, representing an increase of 7.6 per cent, while male employees increased by 28,500 or 3.0 per cent. Women participation increased in all the activities except in mining and quarrying. Female employees in agriculture, who account for one-fifth of the jobs in the industry, increased by 13.0 per cent, whereas female employees in community, social and personal services increased by 5.1 per cent. Male employees increased for all activities, the highest being in mining and quarrying which recorded an increase of 15.9 per cent, followed by construction with an increase of 8.2 per cent. Community, social and personal services created the highest number of jobs (16,400) of which 57.3 per cent were men. The table also shows classification of employees by regular and casual status of employment. Of the 3.0 per cent increase in regular employment, female employees increased by 8.0 per cent while male employees rose by less than 2 per cent. Casual

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES. 1981 AND 1986

*'000's*

*Table 4.5*

| Town | Manufacturing | | Construction | | Trade. Restaurants and Hotels | | Transport and Communica-tions | | Finance, Insurance, Real Estate and Business Services | | Community, Social and Personal Services | | Total Six Industries | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1981 | 1986* | 1981 | 1986* | 1981 | 1986* | 1981 | 1986* | 1981 | 1986* | 1981 | 1986* | 1981 | 1986* |
| Nairobi | 54.7 | 63.4 | 32.8 | 28.5 | 33.4 | 42.3 | 20.3 | 23.9 | 27.5 | 38.1 | 103.9 | 116.9 | 272.6 | 313.1 |
| Nakuru | 19.6 | 21.4 | 4.7 | 4.6 | 11.4 | 14.7 | 25.6 | 22.2 | 4.6 | 7.5 | 25.0 | 32.1 | 90.9 | 102.5 |
| Thika | 3.9 | 4.1 | 1.1 | 2.1 | 1.6 | 2.3 | 1.3 | 1.5 | 0.7 | 2.9 | 7.6 | 11.9 | 16.2 | 24.8 |
| Eldoret | 5.6 | 5.7 | 1.6 | 2.1 | 2.8 | 3.8 | 0.8 | 1.2 | 0.8 | 1.0 | 7.8 | 8.6 | 19.4 | 22.4 |
| Malindi | 9.4 | 9.6 | 0.4 | 0.4 | 1.0 | 1.3 | 0.1 | 0.2 | 0.4 | 0.6 | 3.1 | 3.3 | 14.4 | 15.4 |
| Kericho | 7.7 | 7.7 | 1.3 | 1.2 | 1.2 | 1.4 | 0.5 | 0.7 | 0.6 | 2.7 | 4.1 | 4.7 | 15.4 | 18.4 |
| Others | | 0.2 | | 0.1 | 0.8 | 1.1 | 0.2 | 0.2 | 0.3 | 0.4 | 2.3 | 3.5 | 3.6 | 5.5 |
| | 1.0 | 2.4 | 0.1 | 0.9 | 0.5 | 0.6 | 0.1 | 0.1 | 0.2 | 0.2 | 4.0 | 4.2 | 5.9 | 8.4 |
| | 12.6 | 14.9 | 5.4 | 14.3 | 8.3 | 11.1 | 2.8 | 3.9 | 2.2 | 3.1 | 47.9 | 74.4 | 79.2 | 121.7 |
| TOTAL | 114.5 | 129.4 | 47.4 | 54.2 | 61.0 | 78.6 | 51.7 | 53.9 | 37.3 | 56.5 | 205.7 | 259.6 | 517.6 | 632.2 |

*Provisional.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1985 AND 1986

*Table 4.6* *'000's*

| INDUSTRY | MALES | | FEMALES | | TOTAL | |
|---|---|---|---|---|---|---|
| | 1985 | 1986* | 1985 | 1986* | 1985 | 1986* |
| Agriculture and Forestry | 197.7 | 199.6 | 43.2 | 48.8 | 240.9 | 248.4 |
| Mining and Quarrying | 4.7 | 5.4 | 0.1 | 0.1 | 4.8 | 5.5 |
| Manufacturing | 143.0 | 147.9 | 15.8 | 16.9 | 158.8 | 164.8 |
| Electricity and Water | 16.3 | 16.7 | 1.4 | 1.5 | 17.7 | 18.2 |
| Construction | 48.6 | 52.6 | 1.3 | 3.1 | 49.9 | 55.7 |
| Trade, Restaurants and Hotels | 75.6 | 78.9 | 14.1 | 15.6 | 89.7 | 94.5 |
| Transport and Communications | 48.8 | 50.4 | 6.9 | 7.1 | 55.7 | 57.5 |
| Finance, Insurance, Real Estate and Business Services | 42.5 | 44.8 | 10.9 | 11.2 | 53.4 | 56.0 |
| Community, Social and Personal Services— | | | | | | |
| Public Administration | 128.5 | 130.0 | 30.1 | 33.4 | 158.6 | 163.4 |
| Education | 139.4 | 143.6 | 59.5 | 61.9 | 198.9 | 205.5 |
| Domestic | 42.1 | 44.2 | 17.1 | 18.0 | 59.2 | 62.2 |
| Other | 56.3 | 57.9 | 30.5 | 30.9 | 86.8 | 88.8 |
| TOTAL | 943.5 | 972.0 | 230.9 | 248.5 | 1,174.4 | 1,220.5 |
| Of which: Regular | 827.2 | 841.8 | 204.2 | 220.5 | 1,031.4 | 1,062.3 |
| Casual | 116.3 | 130.2 | 26.7 | 28.0 | 143.0 | 158.2 |

*Provisional.

employment, on the other hand, increased by 10.6 per cent, with proportionate increases of 12.0 and 4.9 per cent for males and females, respectively. Furthermore, it is noteworthy that the number of females in public administration grew by more in absolute amount than male employees.

4.9.The details of total wage payments by industry and sector are set out in Table 4.7. Total modern sector wage payments increased by 13.0 per cent compared with the 14.6 per cent recorded for 1985. For the private sector, the bill increased by 11.2 per cent, being lower than the 14.7 per cent recorded for the public sector which continues to be influenced by the phased implementation of the Ramtu recommendations. Wage bills increased for all the activities in both the sectors except for private sector construction which recorded a drop of 1.3 per cent. The highest increases of 17.1 per cent was recorded for agriculture; followed by 14.3 per cent for community, social and personal services; and 13.9 per cent for trade; all in the private sector. In the public sector, finance, insurance, real estate and business services increased by 35.7 per cent; transport and communications by 16.8 per cent; and agriculture by 16.7 per cent.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1983-1986

*Table 4.7* *K£million*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| PRIVATE SECTOR— | | | | |
| Agriculture and Forestry | 47.48 | 54.36 | 61.55 | 72.01 |
| Mining and Quarrying | 0.93 | 1.23 | 1.58 | 2.07 |
| Manufacturing | 119.53 | 132.99 | 148.62 | 163.48 |
| Electricity and Water | 0.12 | – | – | – |
| Construction | 25.05 | 23.44 | 24.10 | 23.78 |
| Wholesale and Retail Trade, Restaurants and Hotels | 91.16 | 107.58 | 121.76 | 138.67 |
| Transport and Communications | 28.29 | 29.21 | 32.84 | 35.03 |
| Finance, Insurance, Real Estate and Business Services | 66.28 | 77.61 | 89.84 | 95.95 |
| Community, Social and Personal Services | 65.87 | 80.90 | 94.72 | 108.22 |
| TOTAL | 444.71 | 507.32 | 575.01 | 639.21 |
| PUBLIC SECTOR— | | | | |
| Agriculture and Forestry | 27.27 | 28.35 | 30.34 | 35.40 |
| Mining and Quarrying | 2.89 | 3.06 | 3.37 | 3.60 |
| Manufacturing | 29.87 | 35.71 | 39.61 | 41.99 |
| Electricity and Water | 17.61 | 20.35 | 23.26 | 26.71 |
| Construction | 22.48 | 20.01 | 23.39 | 25.79 |
| Wholesale and Retail Trade, Restaurants and Hotels | 8.77 | 8.89 | 9.56 | 10.72 |
| Transport and Communications | 49.82 | 53.65 | 57.88 | 67.60 |
| Finance, Insurance, Real Estate and Business Services | 22.34 | 30.72 | 38.94 | 52.83 |
| Community, Social and Personal Services | 332.46 | 366.72 | 430.92 | 489.11 |
| TOTAL | 513.51 | 567.46 | 657.27 | 753.75 |
| TOTAL PRIVATE AND PUBLIC | 958.22 | 1,074.78 | 1,232.28 | 1,392.96 |

*Provisional.

4.10. Table 4.8 shows total wage payments by the various public sector domains. The Central Government, the Teachers Service Commission (T.S.C.) and parastatal bodies accounted for 86.5 per cent of the total wage bill in the public sector in 1986. Over the year, the wage bill of the T.S.C. increased by 21.5 per cent, where the employment of qualified teachers added to the costs of Ramtu; of the Central Government increased by 15.9 Per cent; and of the companies with the government having majority control by 16.5 per cent. The parastatal bodies and the Local Government recorded lower increases of 8.3 and 3.0 per cent, respectively. Overall, Public sector wage bill increased by 14.7 per cent in 1986, compared with 15.8 Per cent in 1985 and 10.5. per cent in 1984.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1983-1986

*Table 4.8* *K£ million*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| Central Government | 227.31 | 236.68 | 276.32 | 320.35 |
| Teachers Service Commission | 103.60 | 120.66 | 148.20 | 180.01 |
| Parastatal Bodies** | 107.10 | 124.28 | 139.90 | 151.54 |
| Majority Control by the Public Sector | 32.80 | 42.21 | 46.04 | 53.64 |
| Local Government | 42.70 | 43.63 | 46.81 | 48.21 |
| TOTAL | 513.51 | 567.46 | 657.27 | 753.75 |

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

4.11. Details of nominal average earnings per employee by sector and activity are presented in Table 4.9. It can be seen that average earnings have been increasing over the years. The increase of 8.8 per cent from K£l,049.3 per annum in 1985 to K£l,141.3 per annum in 1986 was slightly lower than the 9.3 per cent recorded for the previous year. However, with the inflation rate of 5.7 per cent in 1986, real earnings have increased, in contrast to the decline recorded for the previous year.

4.12. The analysis of Table 4.9 also reveals that average wage earnings in the private sector increased at a lower rate of 7.4 per cent compared with the 9.9 per cent recorded for the public. As has been the trend, the absolute average pay of the employees in the public sector has remained higher than their counterparts in the private sector, with the exception of earnings in manufacturing.

4.13. Average wage earnings per employee increased in all the activities for both sectors, except public sector construction which recorded a decrease of 13.8 per cent, largely due to a substantial increase in employment of relatively unskilled workers for this activity. For the private sector, the highest increases of 12.8 per cent was recorded in agriculture; followed by community, social and personal services, which increased by 10.0 per cent. In the public sector, finance, insurance, real estate and business services recorded the highest increase of 15.8 per cent and remained the best compensator on average terms. Agriculture in the public sector recorded an increase of 15.5 per cent. Electricity and water; transport and communications; and community, social and personal services in the public sector, all recorded increases above 10.0 per cent.

4.14. Analysis of the trend in employment and average earnings between 1981 and 1986 for both the private and public sector is presented in Table 4.10. Over the five-year period, employment in the public sector grew faster with an increase of 23.9 per cent compared with 14.9 for the private sector. Between 1981 and 1986, employment in mining and quarrying for both sectors expanded more than two-fold. Substantial increases were also recorded for finance, insurance, real estate and business services; and electricity and water in the public sector. In contrast, employment in public

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1983-1986

*Table 4.9*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| PRIVATE SECTOR— | | | | |
| Agriculture and Forestry | 267.8 | 299.4 | 330.9 | 373.1 |
| Mining and Quarrying | 440.7 | 480.1 | 499.0 | 543.3 |
| Manufacturing | 1,032.7 | 1,110.7 | 1,165.9 | 1,270.5 |
| Electricity and Water | 963.7 | | | |
| Construction | 799.0 | 865.3 | 934.4 | 957.1 |
| Trade, Restaurants and Hotels | 1,221.5 | 1,354.7 | 1,452.4 | 1,573.5 |
| Transport and Communications | 1,338.6 | 1,453.2 | 1,602.9 | 1,710.6 |
| Finance, Insurance, Real Estate and Business Services | 1,835.5 | 2,024.5 | 2,243.1 | 2,375.7 |
| Community, Social and Personal Services | 786.3 | 738.2 | 810.7 | 891.5 |
| TOTAL PRIVATE SECTOR | 786.3 | 877.4 | 958.7 | 1,029.8 |
| PUBLIC SECTOR— | | | | |
| Agriculture and Forestry | 507.0 | 524.2 | 552.8 | 638.4 |
| Mining and Quarrying | 2,010.0 | 1,998.8 | 2,082.4 | 2,136.0 |
| Manufacturing | 978.8 | 1,069.3 | 1,126.5 | 1,162.7 |
| Electricity and Water | 1,027.4 | 1,166.7 | 1,314.1 | 1,468.3 |
| Construction | 780.1 | 904.8 | 970.5 | 836.3 |
| Trade, Restaurants and Hotels | 1,548.0 | 1,588.0 | 1,624.2 | 1,692.6 |
| Transport and Communications | 1,471.0 | 1,577.9 | 1,645.1 | 1,825.7 |
| Finance, Insurance, Real Estate and Business Services | 2,328.1 | 2,599.6 | 2,925.6 | 3,388.1 |
| Community, Social and Personal Services | 963.1 | 1,014.4 | 1,114.3 | 1,227.3 |
| TOTAL PUBLIC SECTOR | 972.9 | 1,047.9 | 1,143.9 | 1,256.8 |
| TOTAL | 876.5 | 959.9 | 1,049.3 | 1,141.3 |
| MEMORANDUM ITEMS IN PUBLIC SECTOR | | | | |
| Central Government | 1,004.0 | 1,024.1 | 1,096.2 | 1,233.5 |
| Teachers Service Commission | 834.8 | 912.9 | 981.5 | 1,097.6 |
| Parastatal Bodies** | 1,097.3 | 1,238.3 | 1,547.6 | 1,610.4 |
| Majority Control by the Public Sector | 950.7 | 1,202.6 | 1,293.3 | 1,386.0 |
| Local Government | 944.7 | 913.8 | 1,026.5 | 1,116.0 |
| TOTAL PUBLIC SECTOR | 972.9 | 1,047.9 | 1,143.9 | 1,256.8 |

* Provisional.

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

sector agriculture declined by 10.3 per cent between 1981 and 1986. Average earnings increased at almost equivalent rates for both the sectors, although there was considerable variation between the different activities within each sector.

4.15. Details of real average earnings in the private and public sectors of the economy are presented in Table 4.11. In 1986, real earnings of the Private sector increased by 1.7 per cent while that of the public sector by 4.1

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1981-1986

*Table 4.10*

| | EMPLOYMENT | | AVERAGE EARNINGS | |
|---|---|---|---|---|
| | 1981/1986* | 1985/1986* | 1981/1986* | 1985/1986* |
| PRIVATE SECTOR— | | | | |
| Agriculture and Forestry | 11.1 | 3.8 | 56.8 | 12.8 |
| Mining and Quarrying | 153.3 | 18.8 | 31.9 | 8.9 |
| Manufacturing | 10.3 | 4.1 | 52.2 | 9.0 |
| Electricity and Water | – | – | – | – |
| Construction | -23.9 | -3.9 | 18.0 | 2.4 |
| Trade, Restaurants and Hotels | 30.1 | 5.1 | 41.2 | 8.3 |
| Transport and Communications | 8.5 | | 51.0 | 6.7 |
| Finance, Insurance, Real Estate and Business Services | 29.9 | 0.7 | 33.3 | 5.9 |
| Community, Social and Personal Services | 24.0 | 3.9 | 79.1 | 10.0 |
| Total Private Sector | 14.9 | 3.5 | 49.6 | 7.4 |
| PUBLIC SECTOR— | | | | |
| Agriculture and Forestry | -10.3 | 1.1 | 46.6 | 15.5 |
| Mining and Quarrying | 142.9 | 6.3 | 18.1 | 2.6 |
| Manufacturing | 21.5 | 2.6 | 48.8 | 3.2 |
| Electricity and Water | 82.0 | 2.8 | 43.3 | 11.7 |
| Construction | 7.3 | 27.8 | 33.1 | -13.8 |
| Trade, Restaurants and Hotels | 28.6 | 6.8 | 32.9 | 4.2 |
| Transport and Communications | 1.4 | 5.1 | 47.4 | 11.0 |
| Finance, Insurance. Real Estate and Business Services | 85.7 | 17.3 | 55.8 | 15.8 |
| Community, Social and Personal Services | 31.4 | 3.1 | 40.0 | 10.1 |
| Total Public Sector | 23.9 | 4.4 | 45.9 | 9.9 |
| TOTAL PUBLIC AND PRIVATE | 19.1 | 3.9 | 48.2 | 8.8 |
| MEMORANDUM ITEMS IN PUBLIC SECTOR — | | | | |
| Central Government | 21.1 | 3.1 | 36.9 | 12.5 |
| Teachers Service Commission | 47.9 | 8.6 | 52.5 | 11.8 |
| Parastatal Bodies** | 7.7 | 4.1 | 57.6 | 4.1 |
| Majority Control by the Public Sector | 22.5 | 8.7 | 66.5 | 7.2 |
| Local Government | 8.8 | -5.3 | 57.1 | 8.8 |
| Total Public Sector | 23.9 | 4.4 | 45.9 | 9.9 |

*Provisional.

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

per cent, resulting in an overall increase of 3.0 per cent. All activities in the private sector recorded increases except manufacturing and construction which declined slightly. The highest increase was recorded for agriculture with an increase of 6.8 per cent; followed by community, social and personal services with 4.1 per cent. In the public sector, mining, manufacturing, construction and trade had declined, with the highest decrease of 18.4 per cent occuring in construction. Overall, real average earnings have risen by a welcome 3.0 per cent, thereby increasing the purchasing power of the wage earners.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1983-1986

*Table 4.11* *K£*

| | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|
| PRIVATE SECTOR— | | | | |
| Agriculture and Forestry | 96.4 | 98.9 | 98.5 | 105.2 |
| Mining and Quarrying | 158.6 | 158.7 | 148.6 | 153.3 |
| Manufacturing | 371.6 | 367.2 | 377.2 | 358.3 |
| Electricity and Water | 346.8 | – | – | – |
| Construction | 287.5 | 286.0 | 278.3 | 269.9 |
| Trade, Restaurants and Hotels | 439.5 | 447.7 | 432.5 | 443.7 |
| Transport and Communications | 481.7 | 480.2 | 477.3 | 482.4 |
| Finance, Insurance, Real Estate and Business Services | 660.5 | 669.0 | 668.0 | 670.0 |
| Community, Social and Personal Services | 216.2 | 244.0 | 241.4 | 251.4 |
| Total Private Sector | 282.9 | 289.9 | 285.5 | 290.4 |
| PUBLIC SECTOR— | | | | |
| Agriculture and Forestry | 182.4 | 173.2 | 164.6 | 180.0 |
| Mining and Quarrying | 723.3 | 660.5 | 620.1 | 602.4 |
| Manufacturing | 352.2 | 353.4 | 335.5 | 327.9 |
| Electricity and Water | 369.7 | 385.6 | 391.3 | 414.1 |
| Construction | 280.7 | 299.0 | 289.0 | 235.8 |
| Trade, Restaurants and Hotels | 557.3 | 524.8 | 483.7 | 477.3 |
| Transport and Communications | 529.3 | 521.4 | 489.9 | 514.9 |
| Finance, Insurance, Real Estate and Business Services | 837.7 | 859.1 | 871.2 | 955.5 |
| Community, Social and Personal Services | 346.6 | 335.2 | 331.8 | 346.1 |
| Total Public Sector | 350.1 | 346.3 | 340.6 | 354.4 |
| TOTAL | 315.4 | 317.2 | 312.5 | 321.9 |
| MEMORANDUM ITEMS IN PUBLIC SECTOR— | | | | |
| Central Government | 361.3 | 338.4 | 326.4 | 347.9 |
| Teacher's Service Commission | 300.4 | 301.7 | 292.3 | 309.5 |
| Parastatal Bodies*** | 394.9 | 409.2 | 460.5 | 454.1 |
| Majority Control by the Public Sector | 342.1 | 397.4 | 385.1 | 390.9 |
| Local Government | 339.9 | 302.0 | 305.7 | 314.7 |
| Total Public Sector | 350.1 | 346.3 | 340.6 | 354.4 |

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

* Provisional.

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

## Consumer Prices

4.16. The inflation rate, as measured by the Nairobi Consumer Price Indices, after reaching its peak in 1982, has been declining over the years, and has reached a trough of 5.7 per cent in 1986; the lowest recorded in the Past decade. As shown in Table 4.13, increases of 4.0 per cent for the lower

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1983-986

*Table 4.12* *Percentage*

| | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| Wage employment | 4.5 | 2.4 | 4.9 | 3.9 |
| Current price average earnings | 6.7 | 9.5 | 9.3 | 8.8 |
| Consumer prices** | 14.5 | 9.1 | 10.7 | 5.7 |
| Real average earnings | -6.9 | 0.7 | -1.5 | 3.0 |

**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.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES', 1983—1986

*Table 4.13*

| INCOME GROUP | 1983/82 | 1984/83 | 1985/84 | 1986/85 |
|---|---|---|---|---|
| Nairobi Lower Income Index | 11.4 | 10.3 | 13.0 | 4.0 |
| Nairobi Middle Income Index | 15.2 | 8.9 | 11.1 | 7.7 |
| Nairobi Upper Income Index | 16.9 | 8.0 | 8.0 | 5.3 |
| Average Increases for 12 Months | 14.5 | 9.1 | 10.7 | -5.7 |

*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.

income group, 7.7 per cent for the middle income group and 5.3 per cent for the upper income group, have been recorded. This remarkable decline in domestic price trends is mainly due to a combination of favourable factors: namely, the stable retail price of oil which persisted from early 1984 to 1985 and the subsequent reduction in prices in the early part of 1986; the favourable weather conditions in 1986 leading to increases in agricultural food production; and the Government deflationary monetary and fiscal policies pursued since 1982 when inflation rate reached a peak of 22.3 per cent.

4.17. During 1986, the plentiful and widespread long rains in the early part of the year ensured abundant supply of foodstuffs. Consequently, food index had moderate increases of 3.2, 1.5 and 2.2 per cent for the lower, middle and upper income groups, respectively, in the 12.month period. This had a favourable influence on the overall index, since food is a significant item in the consumption patterns. Marked increases were

recorded for the drinks and tobacco; the transport and communications; and the miscellaneous goods and services indices. The decrease in electricity charges announced in July 1986, resulted in low increases in the fuel and power index for the middle and upper income groups. Table 4.14 gives Nairobi indices for food, rent and other items taken together. Between December, 1985 and December, 1986, food index for the lower income group went up by only 2.5 per cent—the lowest recorded increase since 1983.

4.18. The indication is that the 1987 inflation will be significantly higher as can be seen from the March 1987 data.

NAIROBI CONSUMER PRICE INDICES, 1983-1987

*Table 4.14* *January-June, 1975=100*

| INCOME GROUP | FOOD | RENT | OTHERS | ALL GROUPS |
|---|---|---|---|---|
| LOWER INCOME— | | | | |
| December—1983 | 262.3 | 346.0 | 288.1 | 297.9 |
| December—1984 | 303.4 | 383.6 | 310.7 | 330.4 |
| December—1985 | 344.0 | 423.3 | 337.5 | 364.6 |
| December—1986 | 352.5 | 440.2 | 359.2 | 379.2 |
| March—1987 | 363.8 | 448.6 | 361.3 | 386.4 |
| MIDDLE INCOME— | | | | |
| 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 | 350.1 | 348.4 |
| December—1986 | 313.5 | 415.2 | 378.2 | 368.6 |
| March—1987 | 324.5 | 424.2 | 385.9 | 376.7 |
| UPPER INCOME— | | | | |
| 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 |
| December—1986 | 331.7 | 347.0 | 360.0 | 346.6 |
| March—1987 | 344.4 | 358.8 | 372.9 | 358.4 |

# CHAPTER 5—MONEY, BANKING AND FINANCE

## Overall Trends

There was a remarkable increase in the rate of monetary expansion in 1986; a situation which reflects, to some extent, the good performance of the economy during the year. The positive balance of payments situation resulted in an improved position in net holdings of foreign assets. The direct result of this scenario was an expanded credit base leading to a large increase in the money supply and an upsurge in the commercial bank's liquidity position. Policy measures instituted to moderate the excess liquidity within commercial banks included the introduction of a minimum cash ratio regulation and the diversification of the portfolio of Government securities by introducing bonds with longer maturity periods. These measures effectively cushioned the economy from any destabilising effects, thus resulting in a remarkably low inflation rate of only 5.7 per cent—the lowest in the past decade.

5.2. Table 5.1 highlights trends in the main monetary indicators. Net foreign asset holdings improved by K£77 million from a net liability of K£68 million at the end of December, 1985 to a positive position of K£9 million at the end of December, 1986. This compares with a decline in net foreign asset holdings of K£88 million recorded in 1985. Net foreign assets recorded a positive position throughout the second half of 1986. The improved position of net holdings of foreign assets reflects the improved performance of the export sector, especially earnings from coffee, tea and tourism, coupled with reduced pressure from imports, mainly as a result of low oil prices.

MONETARY INDICATORS, 1983—1986

*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 | | | |
| 1983 December | -11.33 | 861.88 | 391.47 | 1,253.35 | 1,118.24 | 21 | 83 |
| 1984 December | 20.18 | 952.85 | 436.00 | 1,388.85 | 1,262.10 | 25 | 82 |
| 1985 December | -68.22 | 1,090.52 | 478.48 | 1,569.00 | 1,346.45 | 22 | 85 |
| 1986 December | + 8.74 | 1,273.67 | 744.36 | 2,018.03 | 1,784.28 | 31 | 79 |
| 1986 March | - 16.96 | 1,145.17 | 487.51 | 1,632.68 | 1,479.22 | 24 | 80 |
| June | -5.54 | 1,176.58 | 513.72 | 1,690.30 | 1,517.96 | 21 | 82 |
| September | + 9.63 | 1,187.79 | 717.96 | 1,905.75 | 1,704.11 | 34 | 74 |
| December | + 8.74 | 1,273.67 | 744.36 | 2,018.03 | 1,784.28 | 31 | 79 |

Source: Central Bank of Kenya.

*Includes parastatal bodies.

***See* Table 5.2 for Coverage.

5.3. Total domestic credit registered a significant expansion in 1986. Bank credit grew by 29 per cent compared with only 11 and 13 per cent increases recorded in 1984 and 1985, respectively. Total credit expanded from

K£1 569 million in December, 1985 to peak at K£2,018 million at the end of 1986. There was a notable expansion of credit to the government whose borrowing increased by 56 per cent. This marked an important reversal of the previous two years, 1984 and 1985, when credit to the government expanded by only 11 and 10 per cent, respectively. Credit to the private sector also increased faster compared with the two previous years; it expanded by 17 per cent against 11 and 14 per cent increases in 1984 and 1985, respectively.

5.4. The improved position in net foreign assets and the resultant expansion in domestic credit contributed to a large increase in money supply which rose from K£l,346 million in December, 1985 to a peak of K£l,784 million at the end of 1986, representing an increase of 33 per cent. This is the largest increase in money supply recorded in recent years. As Tables 5.1 and 5.2 detail, money proper increased by 33 per cent; quasi-money grew by 32 per cent in 1986 compared with 18 and 13 per cent in 1984 and 1985, respectively. Quasi-money maintained its share at 42 per cent of broadly defined money. The growth may be explained by the positive real interest rates occasioned by the low inflation rate. This motivated private households to deposit their increased earnings from agricultural exports. The rapid expansion in money supply did not manifest itself in adverse effects on the economy, due to commendable measures instituted by the Government to moderate excess liquidity within the banks. There was a remarkable rise in the commercial bank's liquidity position. The liquidity

MONEY AND QUASI-MONEY SUPPLY, 1983—1986

*Table 5.2* *K£million*

| As at end of | Money* | Quasi. Money** | Total |
|---|---|---|---|
| 1983 | 696.52 | 421.72 | 1,118.24 |
| 1984 | 765.14 | 496.96 | 1,262.10 |
| 1985 | 787.03 | 559.42 | 1,346.45 |
| 1986 | 1,043.54 | 740.74 | 1,784.28 |
| 1986 January | 860.25 | 582.55 | 1,442.80 |
| February | 910.44 | 582.52 | 1,492.96 |
| March | 883.10 | 596.12 | 1,479.22 |
| April | 926.39 | 602.89 | 1,529.28 |
| May | 895.44 | 643.93 | 1,539.37 |
| June | 893.40 | 624.56 | 1,517.96 |
| July | 989.93 | 672.85 | 1,662.78 |
| August | 985.55 | 669.57 | 1,655.12 |
| September | 1,014.68 | 689.43 | 1,704.11 |
| October | 1,061.27 | 683.71 | 1,744.98 |
| November | 993.21 | 746.26 | 1,739.47 |
| December | 1,043.54 | 740.74 | 1,784.28 |

Source: Central Bank of Kenya

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

** All deposits except those of Central Government and Non-Resident Banks

ratio rose above 30 per cent and reached 34 per cent in September, 1986. The high ratio is an indication of the excessive liquidity in the banking system in 1986. On the other hand, advances-to-deposits ratio in 1986 was the lowest in the 1980's, reflecting the improved balance of payments position. The commercial banks could not expand their advances to meet the sudden and large change in liquidity. This may be attributed to the new capitalization requirements that reduced the base of commercial banks' ability to increase advances coupled with the low rate of inflation that encourages savings but discourages certain types of borrowing.

5.5. The total liabilities and assets of the banking system have been rising steadily over recent years as shown on Table 5.3. Total liabilities and assets amounted to K£2,027 million at the end of 1986, an increase of 35 per cent compared with 13 and 7 per cent increases during 1984 and 1985, respectively . The composition of liabilities has remained fairly constant in recent years even though demand deposits and currency in circulation have diminished in importance, resulting in a 6 per cent decline in the proportion of money to the total liabilities between 1982 and 1986. There have also been two significant changes in both the net foreign assets and debt obligations of the Central Government in the structure of assets. Net foreign assets turned positive compared with net liability positions observed in 1982, 1983 and 1985. The Central Government borrowing constituted 37 per cent of total assets against 31 and 32 per cent recorded in 1984 and 1985, respectively.

5.6. Table 5.4 provides an analysis of changes in money supply and sources of these changes. Total money supply recorded an increase of K£526 million in 1986, higher than the previous four years combined. This is largely ascribable to the K£77 million increase in net foreign assets and the subsequent increase of K£266 million in Government borrowing, resulting from the expanded credit base. Total domestic credit more than doubled from the 1985 position of K£180 million to K£ 449 million in 1986, the highest level in five years.

5.7. The foreign exchange reserves of the Central Bank made a modest recovery in 1986. The bank's holding of foreign exchange, as given in Table 5.8, rose from K£329 million at the end of 1985 to peak at K£378 million at the end of the second quarter of 1986, before slightly declining to K£343 million at the end of the year. The main sources of this modest annual increase are the increased balances with external banks and a large holding of Special Drawing Rights (SDR).

5.8. The growth of the financial aggregates in real terms, i.e., adjusted for the influence of rising prices, is given in Table 5.5. It is evident that the real value of all aggregates increased in 1986, reflecting improved performance of the economy. The real value of money proper recovered from a decline of 7 per cent in 1985 and expanded by 25 per cent from K£267 million to K£334 million. Similarly, quasi.money continued to increase in real terms, registering a growth of 25 per cent from K£189 million in 1985 to K£237 million in 1986. The real value of liabilities for both the banking and non-banking institutions showed an upward trend, despite the fluctuating trend in the banking system in the previous four years.

CONSOLIDATED ACCOUNTS OF THE BANKING; SYSTEM. 1982—1986

*Table 5.3*

*K£million*

| | As at the end of | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 1986 | | | |
| | 1982 | 1983 | 1984 | 1985 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| LIABILITIES— | | | | | | | | |
| 1. Money: | | | | | | | | |
| 1.1 Demand Deposits | 339.89 | 382.01 | 445.04 | 460.94 | 540.19 | 519.71 | 585.85 | 565.69 |
| Other | 141.38 | 130.27 | 114.88 | 137.55 | 133.98 | 141.53 | 174.81 | 163.82 |
| 1.2 Currency in Circulation: | | | | | | | | |
| Notes | 202.06 | 227.19 | 249.91 | 291.49 | 286.07 | 288.50 | 304.11 | 359.07 |
| Coins | 5.92 | 6.27 | 6.58 | 9.13 | 9.46 | 10.53 | 11.41 | 12.07 |
| Sub-Total | 689.25 | 745.74 | 816.41 | 899.11 | 969.70 | 960.27 | 1,076.18 | 1,100.65 |
| 2. Quasi-Money: | | | | | | | | |
| 2.1 Savings Deposits | 196.63 | 230.79 | 279.68 | 334.27 | 351.32 | 378.18 | 399.50 | 447.46 |
| 2.2 Time Deposits | 201.98 | 190.94 | 217.28 | 225.15 | 244.80 | 246.38 | 289.94 | 293.27 |
| 3. Other Items (Net) | 63.55 | 74.55 | 95.66 | 42.25 | 49.90 | 99.93 | 149.76 | 185.39 |
| Sub-Total | 462.16 | 496.28 | 592.62 | 601.67 | 646.02 | 724.49 | 839.20 | 926.12 |
| TOTAL | 1,151.41 | 1,242.02 | 1,409.03 | 1,500.78 | 1,615.72 | 1,684.76 | 1,915.38 | 2,026.77 |
| ASSETS— | | | | | | | | |
| 4. Net Foreign Assets | -100.95 | - 11.33 | 20.18 | - 68.22 | -16.96 | -5.54 | 9.63 | 8.74 |
| 5. Domestic Credit: | | | | | | | | |
| 5.1 Central Government (Net) | 484.12 | 391.47 | 436.00 | 478.48 | 487.51 | 513.72 | 717.96 | 744.36 |
| 5.2 Private Sector | 717.83 | 768.98 | 847.18 | 970.66 | 1,028.04 | 1,063.85 | 1,064.64 | 1,134.20 |
| 5.3 Other Public Bodies | 50.41 | 92.90 | 105.67 | 119.86 | 117.13 | 112.73 | 123.15 | 139.47 |
| TOTAL | 1,151.41 | 1,242.02 | 1,409.03 | 1,500.78 | 1,615.72 | 1,684.76 | 1,915.38 | 2,026.77 |

Source: Central Bank of Kenya.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1982—1986

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

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| MONEY SUPPLY— | | | | | |
| 1. Currency plus demand deposits | +92.00 | +56.49 | +70.67 | +82.70 | +201.54 |
| 2. Quasi-money and other items | +75.50 | +34.12 | +96.33 | +9.05 | +324.45 |
| 3. Total money supply* | + 167.50 | +90.61 | + 167.00 | +91.75 | +525.99 |
| SOURCES OF CHANGES— | | | | | |
| 4. Net foreign assets | -115.97 | +89.62 | +31.51 | .88.40 | +76.96 |
| 5. Domestic credit— | | | | | |
| *(a)* to Central Government (net) | + 190.21 | -92.65 | +44.52 | +42.48 | +265.88 |
| *(b)* to other public sector | +26.70 | +42.50 | + 12.77 | + 14.19 | + 19.61 |
| *(c)* to private sector | +66.57 | +51.15 | +78.20 | + 123.48 | + 163.54 |
| *(d)* all domestic credit | +283.48 | +0.99 | + 135.49 | + 180.15 | +449.03 |
| 6. Total sources of changes | + 167.50 | +90.61 | + 167.00 | +91.75 | +525.99 |

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

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1982—1986

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

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| 1. Money | 312.70 | 284.88 | 286.89 | 266.57 | 334.39 |
| 2. Quasi-money | 186.70 | 172.48 | 186.34 | 189.48 | 237.36 |
| 3. Total liabilities of banking system | 539.30 | 507.98 | 528.32 | 508.33 | 649.46 |
| 4. Commercial bank credit to private sector | 313.20 | 291.53 | 298.54 | 328.77 | 363.45 |
| 5. Total commercial bank credit | 396.17 | 369.93 | 395.16 | 531.43 | 646.66 |
| 6. Total liabilities of non. bank financial institutions | 240.19 | 256.37 | 324.84 | 337.58 | 354.52 |
| *Memorandum Item* | | | | | |
| 7. Line 6 as per cent of line 3 | 44.5 | 50.5 | 61.5 | 66.4 | 54.6 |

*Deflated by average price increases given in Table 4.12.

**Provisional.

## Interest Rates

5.9. Except for the discount rate for the Treasury bills, other interest rates have remained unchanged since their revision in the 1984/85 financial year. Discount rate for the Treasury bills was lowered from 14.14 per cent to 11.15 per cent as shown in Table 5.6. Other rates have remained stable and positive in real terms since 1984. They have been kept attractive to encourage individuals to save while discriminating between efficient and inefficient investment projects in the private sector.

PRINCIPAL INTEREST RATES, 1984—1986

*Table 5.6*

Percentage

| | As at 31st December | | |
|---|---|---|---|
| | 1984 | 1985 | 1986 |
| CENTRAL BANK OF KENYA | | | |
| Discount Rate for Treasury Bills | 12.50 | 14.14 | 11.15 |
| Advances against Treasury Bills | 12.00 | 12.00 | 12.00 |
| Bills and Notes under Crop Finance Scheme: | | | |
| Discounts | 11.25 | 11.25 | 11.25 |
| Advances | 11.50 | 11.50 | 11.50 |
| Other Bills and Notes: | | | |
| Discounts | 12.00 | 12.00 | 12.00 |
| Advances | 12.50 | 12.50 | 12.50 |
| KENYA COMMERCIAL BANKS | | | |
| Time Deposits: | | | |
| 12 months (KSh. 250,000.1,000,000) | 11.75-12.00 | 11.75-12.00 | 11.75-12.00 |
| Savings Deposits | 11.00 | 11.00 | 11.00 |
| Loans and Advances (Maximum)* | 14.00 | 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) | 13.00-14.50 | 13.00-14.50 | 13.00.14.50 |
| Loans | 19.00 | 19.00 | 19.00 |
| Building Societies: | | | |
| Deposits | 13.00-14.25 | 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.

5.10. Table 5.7 provides information on trends in selected real interest rates, i.e., nominal interest rates adjusted for the rate of inflation in the Nairobi Consumer Price Index. The satisfactory decline in the inflation rate during 1986, coupled with constant nominal interest rates, helped to raise real interest rates significantly. As shown in Table 5.7, the return on savings has been positive since 1984, while the cost of borrowing from commercial banks has been positive since 1983. This trend in real interest rates is in line with the Government policy of not only providing incentives necessary to induce mobilisation of domestic savings for financing investment, but also providing disincentives necessary to forestall speculative and uneconomic utilization of savings by borrowers.

## Central Bank of Kenya—Assets and Liabilities

5.11 Table 5.8 gives assets and liabilities of the Central Bank. The Bank's balance with external banks maintained an upward trend during the

TRENDS IN SELECTED REAL INTEREST RATES, 1982—1986

*Table 5.7* *Percentage*

| | Year | Nominal Interest | Inflation Rate* | Real Interest** |
|---|---|---|---|---|
| 1. Commercial bank savings deposits | 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 |
| | 1986 | 11.0 | 5.7 | +5.3 |
| 2. Commercial bank loans and advances (max) | 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 |
| | 1986 | 14.0 | 5.7 | +8.3 |
| 3. POSB deposits | 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 |
| | 1986 | 11.0 | 5.7 | +5.3 |
| 4. Building society loans (max) | 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 |
| | 1986 | 16.0 | 5.7 | + 10.3 |

*Taken from Table 4.12.
**Nominal interest rate minus inflation rate.

last five years. The balances peaked at K£332 million at the end of the third quarter of 1986 before sliding down to K£293 million at the end of the year. The Bank's investment in foreign treasury bills, on the other hand, continued its downward movement, dropping from K£28 million in 1984 to K£18 million in 1985 to reach K£13 million at the end of 1986. Other foreign investments by the Bank fell from K£30 million in 1985 to K£27 million at the end of 1986. A notable upsurge of the SDR was registered. The SDR's rose nearly fifteen-fold to K£9 million in 1986 returning to roughly their 1982 level. Advances to Government recorded a substantial increase of 65 per cent over 1985, while there have been no significant changes in holdings of securities guaranteed by the Government since 1983. The observed changes contributed to an increase in the bank's foreign exchange holdings during 1986 which was reflected in the overall growth of the bank's assets, from K£835 million in 1985 to K£932 million in 1986.

5.12. On the liabilities side, there were large increases in the Central Bank's deposits and a substantial increase in total currency. The deposits from Kenya banks more than doubled from K£55 million in 1985 to K£116 million in 1986; while total currency increased by 23 per cent over the same period. The large increase in deposits from Kenya banks, which was more pronounced during the fourth quarter,may partly be attributed to the new cash ratio regulation which is dealt with below.

**Commercial Banks Credit and Liquidity**

5.13. Table 5.9 on commercial banks' lending shows an increase of 27 per cent from K£l,155 million in 1985 to K£l,463 million in 1986. This growth compares with 7, 17 and 10 per cent increases in 1983, 1984 and 1985, respectively. The most important source of this increase in 1986 was the substantial additional lending to the Government in the form of increased holdings of Treasury bills which rose more than two-fold from K£110 million to K£235 million. As a consequence, the lending to the public sector rose by 67 per cent in 1986.

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1982—1986

*Table 5.9* *K£million*

| | 1982 Dec. | 1983 Dec. | 1984 Dec. | 1985 Dec. | 1986 Dec. |
|---|---|---|---|---|---|
| PUBLIC SECTOR— | | | | | |
| Central Government | 0.11 | – | 0.02 | 0.05 | 4.84 |
| Local Government | 0.90 | 0.80 | 0.87 | 0.89 | 1.28 |
| Enterprises. Parastatal bodies and other Public entities | 27.00 | 56.90 | 76.30 | 86.73 | 87.82 |
| Treasury Bills | 114.19 | 92.74 | 144.04 | 109.81 | 235.17 |
| TOTAL PUBLIC SECTOR | 142.20 | 150.44 | 221.23 | 197.48 | 329.11 |
| PRIVATE ENTERPRISES— | | | | | |
| Agriculture | 112.89 | 138.49 | 136.47 | 148.39 | 147.11 |
| Mining and Quarrying | 9.78 | 6.27 | 7.08 | 8.54 | 8.96 |
| Manufacturing | 175.07 | 177.11 | 180.34 | 220.14 | 239.57 |
| Building and Construction | 42.90 | 42.41 | 51.81 | 58.70 | 57.34 |
| Transport, Storage and Communication | 33.01 | 26.97 | 27.45 | 36.30 | 47.11 |
| Trade: | | | | | |
| Exports | 30.85 | 37.67 | 49.05 | 51.67 | 64.03 |
| Imports | 35.38 | 25.61 | 39.62 | 55.04 | 68.90 |
| Domestic | 74.85 | 80.92 | 118.12 | 124.54 | 146.32 |
| Financial Institutions | 29.92 | 53.92 | 41.65 | 55.74 | 68.48 |
| Other Business | 124.03 | 123.43 | 144.62 | 15203 | 217.35 |
| TOTAL PRIVATE ENTERPRISES | 668.68 | 712.80 | 796.21 | 911.09 | 1,065.17 |
| PRIVATE HOUSEHOLDS— (including non-profit making institutions) | 34.94 | 41.25 | 36.45 | 46.22 | 68.94 |
| TOTAL BILLS, LOANS AND ADVANCES | 845.82 | 904.49 | 1,053.89 | 1,154.79 | 1,463.22 |

Source: Central Bank of Kenya.

5.14. Lending to the private sector also expanded, although more slowly than that to the public sector, i.e., by 17 per cent. Its percentage share in the total borrowing, excluding private households, thus, declined from 83 per cent in 1982 to 76 per cent in 1986.In the private sector, agriculture, Manufacturing and trade continued to be the major recipients of loans from

CENTRAL BANK OF KENYA—ASSETS AND LIABILITIES, 1982—1986

*Table 5.8* *K£million*

| ASSETS | 1982 | 1983 | 1984 | 1985 | 1986 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 1st Qr. | 2nd Qr. | 3rd Qr | 4th Or. |
| 1. Foreign Exchange— | | | | | | | | |
| 1.1 Balances with External Banks | 57.03 | 218.58 | 254.88 | 279.95 | 325.28 | 330.04 | 331.91 | 293.00 |
| 1.2 Treasury Bills | 54.20 | 14.96 | 28.29 | 18.33 | 19.04 | 16.82 | 8.20 | 13.07 |
| 1.3 Other Investments | 24.03 | 20.38 | 28.61 | 29.99 | 24.56 | 27.67 | 27.45 | 27.46 |
| 1.4 Special Drawing Rights | 9.60 | 19.25 | 1.69 | 0.65 | 0.82 | 3.21 | 2.59 | 9.45 |
| TOTAL | 144.86 | 273.17 | 313.47 | 328.92 | 369.70 | 377.74 | 370.15 | 342.98 |
| 2. Securities issued or Guaranteed* by Kenya Government Advances and Discounts | 25.71 | 261.22 | 262.33 | 261.06 | 261.06 | 276.57 | 261.07 | 261.07 |
| 3. Advances to Kenya Government | 375.78 | 61.73 | 65.81 | 160.78 | 139.54 | 114.79 | 204.75 | 264.80 |
| 4. Other Assets including Kenya Treasury Bills | 24.52 | 36.11 | 35.46 | 84.53 | 80.56 | 75.20 | 54.65 | 62.98 |
| TOTAL ASSETS | 570.87 | 632.23 | 677.07 | 835.29 | 850.86 | 844.30 | 890.62 | 931.83 |
| LIABILITIES | | | | | | | | |
| 1. Capital and General Resources Fund | 10.54 | 15.25 | 19.88 | 24.36 | 24.36 | 29.26 | 29.26 | 29.26 |
| 2. Currency in Circulation— | | | | | | | | |
| 2.1 Notes | 202.06 | 227.19 | 249.91 | 291.48 | 286.07 | 288.50 | 304.11 | 359.07 |
| 2.2 Coins | 5.92 | 6.26 | 6.58 | 9.13 | 9.46 | 10.53 | 11.41 | 12.07 |
| TOTAL CURRENCY | 207.98 | 233.45 | 256.49 | 300.61 | 295.53 | 299.03 | 315.52 | 371.14 |
| 3. Deposits— | | | | | | | | |
| 3.1 Kenya Government | | | | | | | | |
| 3.2 Kenya Banks | 69.80 | 38.41 | 40.87 | 55.17 | 65.60 | 31.22 | 88.63 | 116.38 |
| 3.3 External Banks | 227.05 | 299.06 | 300.14 | 408.13 | 389.41 | 395.55 | 377.45 | 349.92 |
| 3.4 Other. | 12.11 | 11.08 | 17.84 | 10.86 | 19.48 | 27.18 | 25.87 | 23.27 |
| TOTAL | 308.96 | 348.55 | 358.85 | 474.16 | 474.49 | 453.95 | 491.95 | 489.57 |
| 4. Revaluation Account | 12.47 | 7.30 | 12.35 | | | | | |
| 5. Other Liabilities | 30.92 | 27.68 | 29.50 | 36.16 | 56.48 | 62.08 | 53.89 | 41.86 |
| TOTAL LIABILITIES | 570.87 | 632.23 | 677.07 | 835.29 | 850.86 | 844.30 | 890.62 | 931.83 |

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.

commercial banks. They respectively absorbed 10,16 and 39 per cent of the total loan advances in 1986. The most notable development was that bank lending to agriculture and building and construction sectors fell by 1 and 2 per cent, respectively. The increased earnings caused by favourable weather conditions and improved export crop earnings might have discouraged farmers from borrowing. There was an appreciable increase in lending to private households, which rose by nearly 50 per cent against an increase of 27 per cent in 1985.

5.15. As shown in Table 5.10, liquid assets of commercial banks expanded by 87 per cent from K£223 million in 1985 to K£416 million at the end of 1986 due to increased holdings of Treasury bills. Deposit liabilities also increased to K£l,355 million in December, 1986 from K£l,037 million in 1985, or by 31 per cent. Between December, 1985, and December, 1986, commercial banks recorded very high liquidity ratios that peaked at 34 per cent at the end of September, 1986. As a result of this excess liquidity, it seems commercial banks were slow to take on new deposits.

COMMERCIAL BANKS—DEPOSIT LIABILITIES AND LIQUID ASSETS, 1983—1986

*Table 5.10*

| | Deposit Liabilities* *K£mn* | Liquid Assets** *K£mn* | Current Liquidity Ratio+ *Per cent* |
|---|---|---|---|
| 1983 December | 840.23 | 170.39 | 21 |
| 1984 December | 961.74 | 232.75 | 25 |
| 1985 December | 1,037.28 | 223.19 | 22 |
| 1986 December | 1,354.88 | 416.40 | 31 |
| 1986— | | | |
| January | 1,087.09 | 220.43 | 21 |
| February | 1,155.20 | 286.81 | 24 |
| March | 1,160.60 | 284.11 | 24 |
| April | 1,173.98 | 248.09 | 19 |
| May | 1,190.96 | 251.20 | 21 |
| June | 1,189.40 | 259.99 | 21 |
| July | 1,276.24 | 338.71 | 24 |
| August | 1,279.87 | 395.54 | 30 |
| September | 1,369.26 | 469.25 | 34 |
| October | 1,361.88 | 427.45 | 32 |
| November | 1,390.18 | 441.71 | 32 |
| December | 1,354.88 | 416.40 | 31 |

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.

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

**Non-Banking Financial Institutions**

5.16. Tables 5.11 and 5.5 indicate the continued growth of the non-banking financial institutions. Total liabilities and assets of these institutions rose by 11 per cent from K£997 million in 1985 to K£l,106 million in 1986. Depsite this increase, their share in total assets and liabilities declined from 66 per cent in 1985 to 55 per cent in 1986. Deposits from both Central and Local Governments increased marginally during the first half of 1986 before declining in the fourth quarter by 14 per cent below the 1985 position. Deposits from "Other Public Sector" were above December 1985 levels for the first three quarters of 1986 before declining in the fourth quarter by 5 per cent below the 1985 level. Private sector deposits, on the other hand, rose by 22 per cent to peak at K£636 million at the end of 1986.

5.17. Assets of the non-banking financial institutions in the form of cash and bank deposit holdings rose by 25 per cent to peak at K£124 million at the end of 1986. This compares with a 4 per cent decline recorded in 1985. The increase is attributed to the capitalization requirements of the 1985 amendments to the Banking Act. Holdings in other financial institutions and associated companies also recorded significant increases over the 1985 position. Investments, loans and advances made by these institutions continued to grow in 1986. Sectoral allocation of non-banking credit shows that credit to the public and private sectors rose by 20 and 5 per cent respectively over-the year, but both contracted from their mid-year levels which were nearer to the corresponding increases of 45 and 19 per cent in 1985. The decline in the non-banking financial institutions' lending may be attributed to the new cash ratio requirement that has reduced the lending capacity of these institutions.

**Banking System: Developments**

5.18. The number of commercial banks operating in the country declined to 23 after the closure of one bank during 1986. The number of service centres for these banks increased from 400 in 1985 in 428 in 1986, with 205 full branches, 60 sub-branches and 163 mobile units and agencies. The number of licensed non-banking financial institutions increased from 48 in 1985 to 52 at the end of 1986. Those in operation were, however, 47 with 92 service centres.

5.19. There were two major developments in the domestic monetary sector during 1986. First, with effect from 15th December, 1986, commercial banks were required by the Central Bank of Kenya to maintain a minimum cash balance with the Central Bank equal to 6 per cent of their deposit liabilities. The cash ratio measure was introduced to moderate the excess liquidity within commercial banks. Second, Government bonds with longer maturity periods of 2 and 5 years were introduced to curb the prevalent excess liquidity within commercial banks.

5.20. The insolvency problems that faced some local financial institutions during 1985 and the early part of 1986, led to fears that some of these institutions were risky investments. The panic in the banking system has

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1982—1986

*Table 5.11*

*K£million*

| | As at end of | | | | 1986 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1st Qr. | 2nd Qr. | 3rd Qr. | 4th Qr. |
| LIABILITIES: | | | | | | | | |
| *Deposits—* | | | | | | | | |
| Central and Local Government | 32.22 | 28.95 | 25.64 | 26.92 | 27.70 | 29.15 | 23.34 | 23.28 |
| Other Public Sector | 138.82 | 136.90 | 161.17 | 155.04 | 163.43 | 179.83 | 157.01 | 146.82 |
| Other Depositors | 187.78 | 267.75 | 420.88 | 519.75 | 559.18 | 589.62 | 594.62 | 635.68 |
| Other Liabilities | 153.98 | 193.22 | 258.64 | 294.97 | 293.08 | 323.42 | 275.16 | 300.56 |
| TOTAL LIABILITIES | 512.80 | 626.82 | 866.33 | 996.68 | 1,043.39 | 1,122.02 | 1,050.13 | 1,106.34 |
| ASSETS: | | | | | | | | |
| Cash and Banks | 69.49 | 64.08 | 103.24 | 98.91 | 98.80 | 110.79 | 116.48 | 123.52 |
| Other Financial Institutions | 35.70 | 34.16 | 85.71 | 75.31 | 71.02 | 91.86 | 84.40 | 98.98 |
| Associated Companies | 12.09 | 4.84 | 15.61 | 10.38 | 7.27 | 7.61 | 27.37 | 12.67 |
| *Investments, Loans, Advances, etc.—* | | | | | | | | |
| Public Sector | 34.93 | 93.37 | 97.63 | 141.18 | 172.09 | 191.87 | 147.39 | 169.45 |
| Private Sector | 335.51 | 398.92 | 516.18 | 614.52 | 640.93 | 659.43 | 619.92 | 642.81 |
| Other Assets | 25.08 | 31.45 | 47.96 | 56.38 | 53.28 | 60.46 | 54.57 | 58.91 |
| TOTAL ASSETS | 512.80 | 626.82 | 866.33 | 996.68 | 1,043.39 | 1,122.02 | 1,050.13 | 11,106.34 |

Source: Central Bank of Kenya.

caused a notable shift of funds from risky financial intermediaries to longer established banking institutions, thereby raising liquidity of commercial banks. Confidence in the financial sector is, however, being restored by the 1985 amendments to the Banking Act that are being implemented in stages. In particular, the new amendments to the Prohibited Business and Capital Requirement sections, together with the establishment of a Deposit Protection Fund, are expected to bring stability in the financial sector. The new regulations have checked the mismanagement of non-banking financial institutions and their rapid increase in number. Consequently, some licensed financial institutions are not operating, while the lending capacity of both the banks and non-bank financial institutions has been significantly reduced.

# CHAPTER 6—PUBLIC FINANCE

Fiscal operations of the Government play a significant role in the overall strategy of economic growth and stability. The role of fiscal policy during the rest of this century is articulated in Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth".

6.2. During 1983.1985, the strategy of fiscal stringency, combined with tight monetary policy and price incentives to the agricultural sector, had established the economy successfully. However, the Government's declared committment to reduce the budget deficit in 1986/87 met with challenges which placed extra pressure on the budget, resulting in an expanded budget deficit of K£404 million in 1986/87, compared with K£228 million in the previous year. Moreover, the intentions to finance this deficit primarily from non-inflationary sources met with difficulties, pardy reflecting the uncertainties in financial markets during 1986. As a result, Government borrowing from the banking system was very large and the money supply increased rapidly during 1986. New policy features were introduced in 1986 with the purpose of improving the authority's control over the monetary situation. First, new Treasury bonds with longer maturities (two and five years) were introduced. Second, a minimum cash ratio for commercial banks was initiated.

**Overall Results**

6.3. Table 6.1 sets out details of the budget out-turn from 1982/83 to 1986/87. Provisional results show that the Government's revenue raising efforts were very successful in 1986/87. Current revenue increased by K£287 million in 1986/87 compared with the rise of K£166 million in the previous fiscal year. This increase was partly due to the automatic revenue rise accruing from the export tax on coffee when its price rose. Current revenue thus expanded by about 80 per cent between 1982/83 and 1986/87. The 1986/87 impressive performance of current revenue was more than off-set by an increase of K£307 million in current expenditure; this widened the current deficit which grew by K£21 million to reach a five-year peak of K£82 million. The increase in current expenditure was necessitated by several factors. These included a rise in debt servicing allocation, implementation of the new education system and the "Ramtu Salary Commission Report". The trend of capital expenditure has been erratic; it fell from K£218 million in 1984/85 to K£177 million in 1985/86, then rose sharply to K£384 million in 1986/87. This recovery underlies the declared Government policy of allocating more resources to development oriented activities, especially agriculture and other targetted infrastructure geared to promote rural. urban balance.

6 4. The large budget deficit of K£404 million exerted extra pressure for deficit financing. The Government, as a result, resorted to various deficit Financing instruments to bridge the gap. A major source of deficit financing in 1986/87 was the medium-term domestic borrowing which, on a net basis, acounted for about 60 per cent of the total Government borrowing. The large increase in net long-term borrowing, from K£38 million in 1985/86 to K£ 20l million in 1986/87, is due to Treasury bonds (certificates) which were

CENTRAL GOVERNMENT
OUT-TURN OF REVENUE AND EXPENDITURE*, 1982/83—1986/87

*Table 6.1* *K£million*

| | 1982/83 | 1983/84 | 1984/85 | 1985/86** | 1986/87** | Percentage Increases 1982/83 to 1986/87 |
|---|---|---|---|---|---|---|
| Current Revenue | 824.30 | 920.91 | 1,016.89 | 1,182.59 | 1,469.20 | 78.2 |
| Current Expenditure*** | 875.87 | 984.58 | 1,091.32 | 1,244.26 | 1,551.62 | 77.2 |
| Current Surplus | -51.57 | -63.67 | -74.43 | -61.67 | -82.42 | 59.8 |
| Capital Revenue | 7.82 | 2.71 | 2.70 | 3.77 | 8.30 | 6.1 |
| Capital Expenditure*** | 141.95 | 133.31 | 217.77 | 176.54 | 384.24 | 170.7 |
| Net Lending** | 30.83 | 25.58 | 36.93 | 53.17 | 39.59 | 28.4 |
| External Grants | 56.30 | 49.85 | 70.50 | 59.85 | 94.16 | 67.2 |
| Overall Deficit | -160.23 | -170.00 | -255.93 | -227.76 | -403.79 | 152.1 |
| Financing of the Deficit— | | | | | | |
| External Loans (Net) | 91.27 | 77.41 | 92.05 | -42.92 | 68.12 | - |
| Total Domestic Borrowing | 245.60 | 167.00 | 133.93 | 206.55 | 274.72 | 11.9 |
| Long-term (net) | 272.20 | 21.40 | 53.20 | 38.68 | 201.08 | - |
| Short-term (net) | -26.60 | 145.60 | 80.73 | 167.87 | 73.64 | |
| Changes in Cash Balances: | | | | | | |
| Increase =+ | + 176.64 | +74.41 | -29.95 | -64.13 | -60.95 | |
| Memorandum Items— | | | | | | |
| Public Debt Redemption | 150.19 | 105.71 | 184.65 | 169.94 | 151.28 | 0.7 |
| (a). External | 74.13 | 88.59 | 120.75 | 146.00 | 134.35 | 81.2 |
| (b) Internal | 76.06 | 17.12 | 63.90 | 23.94 | 16.93 | -77.7 |

*This Table details Kenya Government's deficit and its financing. Basic aggregate in the Table can be reconciled as follows:

1. Current Revenue plus Capital Revenue shown in the Table equals Revenue on Recurrent Account as shown in Table 6.4.
2. The sum of Current Expenditure, Capital Expenditure, Net Lending and the memorandum item equals Total Expenditure in Table 6.9.

* Provisional.

*** For details, see Table 6.9.

introduced during the 1986/87 Budget. These new securities raised K£151 million out of K£201 million of the medium-term domestic borrowing. However, contrary to policy intentions, the banking system was the main buyer of the bonds, whereas the non-bank financial institutions were net disinvestors in Government debt. External loans improved from a net capital out-flow position, equivalent to K£43 million in 1985/86 to a net in-flow of K£68 million. Short-term domestic borrowing diminished from a level of K£168 million in 1985/86 to K£74 million in 1986/87, reflecting a substitution of short-term papers for medium-term bonds.

6.5. Some selected key fiscal characteristics for the five years ending 1986/87, are highlighted in Table 6.2. The ratio of the deficit to current revenue, though characterized by fluctuations, reached a five-year peak of 28 per cent in 1986/87; the lowest level being 19 per cent recorded in 1983/84.The ratio of external resources to capital expenditure plus net lending, although on the increase, still remained below the high level of 85 per cent recorded in 1982/83.

6.6. A comparison of initial estimates with actual out-turns for 1983/84 to 1986/87 is given in Table 6.3. Provisional results show that the 1986/87 revenue receipts will be more than anticipated, while recurrent issues will

*Table 6.2*

| | 1982/83 | 1983/84 | 1984/85 | 1985/86* | 1986/87* |
|---|---|---|---|---|---|
| 1. Current surplus as % of Current Revenue | -6.3 | -6.9 | -7.3 | -5.2 | -5.6 |
| 2. Current surplus as % of Capital Expenditure plus Net Lending | -29.8 | -40.1 | -29.2 | -26.8 | -19.4 |
| 3. Ratio of Capital Expenditure to Current Expenditure . | 16.2 | 13.5 | 20.0 | 14.2 | 24.8 |
| 4. Overall deficit as % of Current Revenue | -19.4 | -18.6 | -25.2 | -19.3 | -27.5 |
| 5. Overall Deficit as % of Total Expenditure | -13.4 | -13.6 | -16.7 | -13.9 | -18.9 |
| 6. External Grants and Loans as % of Capital Expenditure plus Net Lending | 85.4 | 80.1 | 63.8 | 7.4 | 38.3 |
| 7. Net Short-Term Borrowing as % of capital Expenditure plus Net Lending | -15.4 | 91.6 | -31.7 | 73.1 | 17.4 |
| 8. Current revenue as % of GDP at current Market Prices | 22.8 | 23.4 | 23.1 | 23.3 | |
| 9. Total Government Expenditure as % of GDP at Current Market Prices | 33.1 | 31.7 | 34.8 | 32.4 | |
| 10. Overall Deficit as % of GDP at Current Market Prices | -4.4 | -4.3 | -5.8 | - 4.5 | |

*Provisional

exceed the estimated amount. The actual out-turn of external resources will be below the estimates, mainly due to the delay in disbursement of loans by donors.

6.7. Some insight into the success of the Government's revenue raising efforts is provided in Table 6.4. The performance of exchequer receipts registered a welcome improvement. Gross receipts grew by K£291 million from K£1,186 million in 1985/86 to K£ 1,478 million in 1986/87, an increase of 24 per cent. Thus gross receipts have nearly doubled from their 1982/83 level of K£832 million. This is mainly attributed to the improved performance of the economy, and the continuing efforts to streamline the revenue raising machinery, which arose from the Tax Study recommended in Sessional Paper number 1 of 1986. All sources of Government revenue performed satisfactorily, except licences and duties on Government services to the public.

6.8. The data shows that sales tax, which accounted for about a third of the total receipts, was the largest source of revenue. The improved performance of sales tax receipts is mainly due to the fiscal decision by the Government to increase its share of the windfall gains from low oil prices in 1986. The decision included revoking the sales tax remission to oil companies and the additional sales tax imposed on a range of oil products. Indirect taxation receipts continue to provide more than half the total receipts. This agrees with the Government policy of placing a greater burden of the tax structure on taxation of consumption in order to encourage savings and promote investments. The most notable increase was from export duty, which rose by more than 70 per cent; a reflection of the high coffee prices which automatically yielded higher revenues due to the Progressive export tax on coffee.

6.9. The basic structure of import trade may be derived from Table 6.5 which summarises import duty receipts on various imported merchandise, import duty rallied to register a growth of 33 per cent in 1986 compared

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1983/84—1986/87

*Table 6.3* *K£million*

| | 1983/84 | | | 1984/85 | | |
|---|---|---|---|---|---|---|
| | Budget | Actual | Difference | Budget | Actual | Difference |
| Recurrent Revenue | 966.68 | 923.62 | - 43.06 | 1,057.44 | 1,019.58 | - 37.86 |
| Recurrent Expenditure | 894.59 | 1,008.47 | + 113.88 | 962.76 | 1,026.72 | + 63.96 |
| Recurrent Balance | 72.09 | - 84.85 | -156.94 | 94.68 | - 7.14 | -101.82 |
| Development Expenditure + Net Lending | 268.46 | 158.89 | -109.57 | 353.43 | 254.70 | - 98.73 |
| External Financing (Net)** | 104.57 | 121.26 | + 16.69 | 110.09 | 162.55 | + 52.46 |
| Balance for Domestic Financing (Net) | 91.80 | 167.00 | + 75.20 | 148.66 | 133.93 | - 14.73 |
| | | 1985/86* | | | 1986/87* | |
| | Budget | Actual | Difference | Budget | Actual* | Difference |
| Recurrent Revenue | 1,106.10 | 1,186.36 | + 80.26 | 1,427.80 | 1,477.50 | + 49.70 |
| Recurrent Expenditure* | 1,148.20 | 1,341.53 | + 193.33 | 1,520.28 | 1,600.15 | + 79.87 |
| Recurrent Balance | - 42.10 | -155.17 | —113.07 | - 92.48 | -122.65 | - 30.17 |
| Development Expenditure + Net Lending | 388.80 | 229.71 | -159.09 | 510.62 | 423.87 | - 86.75 |
| External Financing (Net)** | 96.12 | 16.93 | - 79.19 | 220.12 | 162.28 | - 57.84 |
| Balance for Domestic Financing (Net) | 227.00 | 206.51 | - 20.49 | 170.50 | 274.72 | + 104.22 |

*Provisional.
**Includes external grants.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1982/83—1986/87

*Table 6.4* *K£million*

| | 1982/83 | 1983/84 | 1984/85 | 1985/86** | 1986/87** |
|---|---|---|---|---|---|
| DIRECT TAXATION— | | | | | |
| Income Tax | 231.23 | 251.15 | 300.97 | 358.73 | 400.00 |
| Other | 0.55 | 0.60 | | | |
| Total | 231.78 | 251.75 | 300.97 | 358.73 | 400.00 |
| INDIRECT TAXATION— | | | | | |
| Sales Tax on Domestic Manufacturers | 123.25 | 146.50 | 158.00 | 191.00 | 232.50 |
| Sales Tax on imports | 72.62 | 107.22 | 115.55 | 111.21 | 186.70 |
| Import Duties*** | 175.79 | 183.52 | 165.08 | 210.42 | 240.50 |
| Excise Duties | 73.95 | 79.43 | 78.78 | 88.97 | 100.90 |
| Export Duties | 6.83 | 10.05 | 27.04 | 39.60 | 68.00 |
| Business and Trading Licences | 2.22 | 3.21 | 3.69 | 5.33 | 5.83 |
| Licences and Fees Under Traffic Act | 7.59 | 7.61 | 8.12 | 11.21 | 14.50 |
| Other Licences and Duties on Production or Sale | 21.96 | 23.06 | 28.73 | 47.33 | 45.65 |
| Total | 484.21 | 560.60 | 584.99 | 705.07 | 894.58 |
| OTHER REVENUE AND INCOME— | | | | | |
| Compulsory Fees, Fines and Penalities | 11.82 | 13.56 | 17.71 | 6.88 | 19.72 |
| Income From Property | 53.69 | 54.17 | 57.45 | 55.34 | 80.33 |
| Current Transfers | 2.61 | 1.88 | 2.59 | 11.36 | 13.17 |
| Sales of Goods and Services | 30.65 | 27.45 | 36.90 | 38.62 | 55.57 |
| Other | 17.41 | 14.21 | 18.98 | 10.36 | 14.13 |
| Total | 116.18 | 111.27 | 133.63 | 122.56 | 182.92 |
| TOTAL | 832.17 | 923.62 | 1,019.59 | 1,186.36 | 1,477.50 |
| MEMORANDUM ITEM— | | | | | |
| Loan Repayments to Government | 6.31 | 5.60 | 3.98 | 7.91 | 7.49 |

*This is the name of the account used to cover current receipts.
Provisional.
Gross collections before Export Compensation Payments.

with a decline of 11 per cent in 1985. The increase reflected the sharp rise of imports in 1986. The major sources of import duty continue to be machinery, transport equipment and chemicals with relative shares of 22 per cent, 17 per cent and 14 per cent, respectively. Other important sources are fuels and metals, each of which accounted for about 12 per cent of total receipts. The best performance in terms of growth was in the category of

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1982—1986

*Table 6.5* *K£million*

| END-USE CATEGORY | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Food, drinks and tobacco | 4.40 | 3.50 | 22.40** | 7.90 | 13.92 |
| Basic materials | 10.50 | 13.00 | 8.91 | 8.91 | 10.30 |
| Fuels | 22.10 | 21.51 | 22.52 | 18.32 | 26.80 |
| Chemicals | 22.90 | 25.31 | 28.80 | 27.10 | 31.81 |
| Textiles | 4.81 | 3.40 | 4.43 | 4.00 | 5.60 |
| Semi-manufactures | 10.00 | 8.11 | 10.00 | 12.40 | 14.41 |
| Metals | 20.81 | 17.00 | 21.31 | 23.80 | 25.60 |
| Transport Equipment | 19.61 | 18.30 | 21.70 | 22.50 | 37.32 |
| Machinery | 36.70 | 34.60 | 40.72 | 34.71 | 48.60 |
| Miscellaneous commodities | 6.80 | 6.41 | 7.30 | 7.81 | 7.90 |
| TOTAL | 158.63 | 151.14 | 188.09 | 167.45 | 222.26 |

*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.

food, drinks and tobacco with a sharp rise of 76 per cent, followed by transport equipment with an increase of 66 per cent. The former's increase was due to increased importation of sugar and rice in 1986. The latter's increase, on the other hand, was due to the crucial role they play in the distribution sector as more foreign exchange was made available for their importation.

6.10. Table 6.6. is an analysis of excise revenue receipts from some locally manufactured commodities. Receipts from cigarettes grew by 15 per

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1982—1986

*Table 6.6* *K£'000*

| COMMODITY | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Beer and spirits | 18,480 | 16,334 | 17,572 | 18,934 | 20,316 |
| Sugar | 15,700 | 22,576 | 17,373 | 17,205 | 14,748 |
| Cigarettes | 34,091 | 41,609 | 43,002 | 50,652 | 58,192 |
| Other commodities* | 109 | 39 | 350 | 714 | 1,326 |
| TOTAL | 68,380 | 80,558 | 78,297 | 87,505 | 94,582 |

*Includes transfer adjustments not allocated by commodity.

cent in 1986 and accounted for over 60 per cent of the total receipts, compared with a share of 55 per cent in 1984 and 58 per cent in 1985. The increased share of excise duty revenue from cigarettes and tobacco is due to extra duty imposed on all brands of cigatrettes in June, 1986. The decline in excise duty collection from sugar reflects outstanding arrears due by sugar companies. Overall, there was a moderate growth of 8 per cent in 1986 compared with 12 per cent in 1985 in total excise receipt.

6.11. A concise picture of Government issues on the capital account and their financing is depicted in Table 6.7. As explained earlier, capital expenditure grew rapidly in 1986/87, and more than doubled from K£177 million in 1985/86 to K£384 million. Net lending has followed an erratic pattern since 1982/83. The decline by 26 per cent from a peak level of K£53 million in 1985/86 to K£40 million in 1986/87 follows the Government's declared policy of reducing the share of its budget in various parastatal investment, in preference to other development projects which improve economic growth.

6.12. Medium and long-term domestic borrowing became the most important source of financing the capital account. This was after the Government introduced Treasury bonds designed to improve the maturity

CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1982/83-1986/87

*Table 6.7* *K£million*

| | 1982/83 | 1983/84 | 1984/85 | 1985/86* | 1986/87* |
|---|---|---|---|---|---|
| EXPENDITURE— | | | | | |
| Capital Expenditure | 141.95 | 133.31 | 217.77 | 176.54 | 384.24 |
| Net Lending | 30.83 | 25.58 | 36.93 | 53.17 | 39.59 |
| TOTAL | 172.78 | 158.89 | 254.70 | 229.71 | 423.83 |
| FINANCING— | | | | | |
| Surplus on Current Account | -51.57 | -63.67 | -74.43 | -61.67 | .82.42 |
| Capital Revenue | 7.82 | 2.71 | 2.70 | 3.77 | 8.30 |
| External Loans (Net) | +91.27 | +77.41 | +92.05 | -42.92 | +68.12 |
| External Grants | 56.30 | 49.85 | 70.50 | 59.85 | 94.16 |
| Long-Term Domestic Borrowing (Net) | +272.20 | +21.40 | +53.20 | +38.68 | +201.08 |
| SHORT TERM BORROWING— | | | | | |
| Cereals and Sugar Finance Corporation (Net) | +6.60 | +37.20 | -4.64 | -84.37 | -70.00 |
| Treasury Bills (Net) | -34.40 | + 109.20 | +84.85 | +255.04 | + 141.70 |
| Other Short-Term Borrowing (Net) | + 1.20 | -0.80 | +0.52 | -2.80 | + 1.95 |
| Change in Cash Balances (decrease=+) | -176.64 | -74.41 | +29.95 | +64.13 | +60.94 |
| TOTAL | 172.78 | 158.89 | 254.70 | 229.71 | 423.83 |

*Provisional.

structure of the domestic public debt. There was a large scale switch of the bank's holding of Government debt from short-term Treasury bills to the new bonds. These bonds are expected to broaden the market for the Government securities, and help in the development of a sound domestic capital market. As explained earlier, Treasury bonds accounted for more than three-quarters of the total K£201 million from long-term domestic borrowing, while external loans turned positive. Overall, domestic resources remained the most dominant source of financing the capital account.

**Analysis of Government Expenditure**

6.13. Table 6.8 provides a cross-classification of total Government expenditure by type of service rendered. Total Government outlays (gross of loan repayments to the Government) have increased in three years by 70 per cent from K£l,255 million in 1983/84 to. K£2,134 million in 1986/87. Expenditure on education continues to take the largest share of the budget. It increased by 22 per cent from K£333 million in 1985/86 to K£405 million, thereby accounting for 19 per cent of the recurrent and development expenditure. This increase may be attributed to the implementation of the new education system and the provision for the extra funds needed by the Universities for the double in-take in the academic year, 1987/88. Expenditure on agriculture, forestry and fishing registered a fast growth of over 60 per cent from K£148 million in 1985/86 to K£240 million in 1986/87. A large share of this rise went to the Ministry of Agriculture largely associated with crop purchase by the National Cereals and Produce Board. High allocations went to the Ministry of Energy and Regional Development for use in the development of the Turkwell hydro-electric project. As a consequence, expenditure on electricity, gas, steam and water rose by 46 per cent.

6.14. An economic classification of expenditure and net lending by the Government is presented in Table 6.9. Both current and capital expenditure increased in 1986/87; the former by 25 per cent while the latter more than doubled. The fast expansion of capital expenditure is due to increased provision for development oriented activities. Net lending declined as a result of the Government's reduction of its expenditure on the purchase of equities. The amount allocated for the purchase of equities declined from K£10 million in 1985/86 to less than K£1 million in 1986/87. Interest payments on the public debt increased from K£266 million in 1985/86 to K£295 million, an increase of 11 per cent. Public debt redemption has been characterized by fluctuations reflecting variations in the maturity structure of the debt. Transfers to various agencies increased by 48 per cent, mainly due to an increase in grants going to the Teachers Service Commission to implement the new education system.

**Public Debt**

6.15. The liability effect upon the Government (excluding interest payment) of both domestic and external debt is highlighted in Table 6.10. The outstanding public debt rose by 26 per cent from K£2,185 million in 1985 to K£2,757 million in 1986.

Central Government
Expenditure on Main Services, 1983/84.1986/87

Table 6.8

*K£million*

| | 1983/84 | | | 1984/85 | | | 1985/86* | | | 1986/1987* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 62.28 | 21.84 | 84.12 | 86.35 | 40.98 | 127.33 | 85.53 | 42.03 | 127.56 | 90.99 | 126.11 | 217.10 |
| External Affairs | 13.84 | 0.46 | 14.30 | 15.64 | 1.66 | 17.30 | 18.00 | 0.84 | 18.84 | 26.75 | 1.44 | 28.19 |
| Public Order and Safety | 56.22 | 6.72 | 62.94 | 59.50 | 8.55 | 68.05 | 69.65 | 11.45 | 81.10 | 81.75 | 14.54 | 96.29 |
| Total | 132.34 | 29.02 | 161.36 | 161.49 | 51.19 | 212.68 | 173.18 | 54.32 | 227.50 | 199.49 | 142.09 | 341.58 |
| Defence | 129.49 | 10.54 | 140.03 | 101.30 | 10.92 | 112.22 | 113.66 | 13.68 | 127.34 | 145.40 | 23.00 | 168.40 |
| Education | 210.51 | 9.56 | 220.07 | 245.35 | 14.46 | 259.81 | 313.85 | 18.94 | 332.79 | 373.95 | 30.56 | 404.51 |
| Health | 64.44 | 11.85 | 73.29 | 72.42 | 10.31 | 82.73 | 78.76 | 13.97 | 92.73 | 96.00 | 23.34 | 119.34 |
| Housing and Community Welfare | 3.10 | 2.97 | 6.07 | 3.34 | | 3.34 | 3.67 | 13.54 | 17.21 | 2.26 | 59.23 | 61.49 |
| Social Welfare | 20.62 | 15.46 | 36.08 | 23.70 | 32.07 | 55.77 | 25.44 | 20.88 | 46.32 | 33.16 | | 33.16 |
| Economic Services— | | | | | | | | | | | | |
| General Administration | 11.67 | 20.19 | 31.86 | 9.58 | 60.35 | 69.93 | 15.17 | 20.24 | 35.41 | 18.52 | 21.47 | 39.99 |
| Agriculture. Forestry and Fishing | 54.08 | 39.71 | 93.79 | 97.81 | 43.02 | 140.83 | 69.23 | 78.46 | 147.69 | 135.67 | 104.34 | 240.01 |
| Mining. Manufacturing and Construction | 17.03 | 19.01 | 36.03 | 24.40 | 24.61 | 49.01 | 29.18 | 5.66 | 34.84 | 34.01 | 23.53 | 57.54 |
| Electricity, Gas. Steam and water | 16.36 | 28.10 | 44.46 | 15.97 | 21.30 | 37.27 | 18.32 | 22.93 | 41.25 | 19.11 | 41.11 | 60.22 |
| Road | 19.63 | 47.73 | 67.36 | 10.91 | 48.29 | 59.20 | 11.29 | 40.87 | 52.16 | 11.56 | 52.80 | 64.36 |
| Transport and Communications | 7.35 | 4.12 | 11.47 | 8.23 | 3.56 | 11.79 | 8.74 | 4.78 | 13.52 | 10.43 | 16.17 | 20.60 |
| Other Economic Services* * | 25.34 | 4.04 | 29.34 | 32.91 | 3.22 | 36.13 | 38.86 | 1.63 | 40.49 | 40.32 | 2.43 | 42.75 |
| Total Economic Services | 151.46 | 162.90 | 314.36 | 199.81 | 204.35 | 404.16 | 190.79 | 174.57 | 365.36 | 269.62 | 255.86 | 525.47 |
| Other Services; Including Public Debt | 299.51 | 3.98 | 303.49 | 219.31 | 184.65 | 403.96 | 442.57 | — | 442.57 | 480.26 | | 480.26 |
| Total*** | 1,008.41 | 246.26 | 1,254.73 | 1,026.72 | 507.94 | 1,534.66 | 1,341.92 | 309.90 | 1,651.82 | 1,600.15 | 534.07 | 2,134.22 |

*Provisional.
**Includes Export Compensation.
***Total as shown in this table minus loan repayment to the Government equals total expenditure in Table 6.9



75

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1983/84-1986/87

*Table 6.9* *K£million*

| | 1983/84 | 1984/85 | 1985/86* | 1986/87* |
|---|---|---|---|---|
| CURRENT EXPENDITURE— | | | | |
| CONSUMPTION EXPENDITURE ON GOODS AND SERVICES— | | | | |
| Labour Costs | 264.65 | 288.70 | 335.41 | 409.25 |
| Other Goods and Services | 329.55 | 318.17 | 352.08 | 435.12 |
| TOTAL | 594.20 | 606.87 | 687.49 | 844.37 |
| SUBSIDIES** | 14.04 | 14.78 | 27.39 | 21.85 |
| INTEREST— | | | | |
| Foreign | 64.75 | 74.03 | 91.04 | 295.31 |
| Domestic | 108.90 | 121.87 | 175.01 | |
| TRANSFERS TO— | | | | |
| Households and Unincorporated Enterprises including Private Non-profit Institutions | 19.78 | 26.36 | 48.66 | |
| Financial and Non-Financial Enterprises | 11.10 | 0.36 | 1.33 | 389.45 |
| General Government | 165.07 | 214.44 | 208.87 | |
| Rest of the World | 5.27 | 31.50 | 1.75 | |
| Funds | 1.46 | 1.11 | 2.71 | |
| TOTAL TRANSFERS | 202.68 | 273.77 | 263.32 | 389.45 |
| OTHERS | 0.01 | – | 0.01 | 0.64 |
| TOTAL CURRENT EXPENDITURE | 984.58 | 1,091.32 | 1,244.26 | 1,551.62 |
| 2. CAPITAL EXPENDITURE— | | | | |
| Gross Fixed Capital Formation | 118.95 | 194.70 | 150.04 | 340.64 |
| Capital Transfers | 14.36 | 23.07 | 26.50 | 43.60 |
| TOTAL | 133.31 | 217.77 | 176.54 | 384.24 |
| 3. NET LENDING— | | | | |
| Purchase of Equity in Enterprises | 0.51 | 5.37 | 10.48 | 0.73 |
| Loans to Households. Enterprises and General Government Agencies | 30.67 | 35.54 | 50.60 | 46.35 |
| *Less* Loan Repayments to Government | -5.60 | -3.98 | -7.91 | -7.49 |
| TOTAL | 25.58 | 36.93 | 53.17 | 39.59 |
| 4. PUBLIC DEBT REDEMPTION | 105.71 | 184.65 | 169.94 | 151.28 |
| 5. TOTAL EXPENDITURE (1+2+3+4) | 1,249.18 | 1,530.68 | 1,643.91 | 2,126.73 |
| MEMORANDUM ITEM | | | | |
| Export Compensation | 12.30 | 12.90 | 27.30 | 20.00 |

*Provisional.
**Includes Export Compensation.

CENTRAL GOVERNMENT

PUBLIC DEBT, 1982-1986

*Table 6.10*

*K£million*

| As at 30th June | PUBLIC DEBT* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FUNDED | | | UNFUNDED | | | TOTAL | | |
| | External | Internal | Total | External | Internal | Total | External | Internal | Total |
| 1982 | – | 444.29 | 444.29 | 859.31 | 10.0 | 869.31 | 859.31 | 454.29 | 1,313.60 |
| 1983 | – | 660.93 | 660.93 | 1,167.72 | 10.0 | 1,177.72 | 1,167.72 | 670.93 | 1,838.65 |
| 1984 | – | 668.50 | 668.50 | 1,531.94 | 10.0 | 1,541.94 | 1,531.94 | 678.50 | 2,210.44 |
| 1985 | – | 632.40 | 632.40 | 1.542.58 | 10.0 | 1,552.58 | 1,542.58 | 642.40 | 2,184.98 |
| 1986 | – | 718.10 | 718.10 | 2,029.00 | 10.0 | 2,039.00 | 2,029.00 | 728.10 | 2,757.10 |

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

6.16. Sources of public unfunded debt from 1982 to 1986 appear in Table 6.11. Bilateral sources, with a share of about 60 per cent of the total unfunded debt in 1986, maintained their predominant position. West Germany continued as the major source of bilateral funding, followed by Japan which replaced the U.S.A. from the second position it occupied in 1985. Major multilateral lenders continued to be the World bank family of institutions (I.B.R.D. and IDA) each lending K£367 million. Lending to Kenya by the African Development Bank (ADB) increased by over 70 per cent from K£25 million in 1985 to K£43 million in 1986; a reflection of the

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1982.1986

*Table 6.11* *K£million*

| Outstanding as at 30th June | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| EXTERNAL DEBT— | | | | | |
| *Lending Countries—* | | | | | |
| U.S.A. | 51.14 | 56.30 | 101.41 | 122.23 | 137.22 |
| West Germany | 74.90 | 89.62 | 98.82 | 123.50 | 182.63 |
| Japan | 35.81 | 59.23 | 63.90 | 82.70 | 140.57 |
| Netherlands | 23.80 | 35.20 | 45.31 | 48.51 | 68.13 |
| Denmark | 9.50 | 12.71 | 17.50 | 21.10 | 31.75 |
| Finland | | | | 1.91 | 2.63 |
| Other | 339.30 | 402.90 | 443.60 | 382.60 | 610.22 |
| Total | 534.45 | 655.96 | 770.54 | 782.55 | 1,173.15 |
| *International Organizations—* | | | | | |
| I.B.R.D | 119.21 | 188.10 | 413.93 | 332.80 | 367.12 |
| I.D.A | 140.93 | 236.41 | 260.10 | 334.32 | 367.00 |
| African Development Bank | 10.40 | 15.40 | 20.01 | 25.00 | 42.84 |
| O.P.E.C. | 4.90 | 7.40 | 8.01 | 8.40 | 9.08 |
| E.E.C. | 14.60 | 22.50 | 21.40 | 22.31 | 29.53 |
| I.M. | 32.80 | 39.61 | 32.10 | 29.20 | 26.77 |
| Arab League | 2.00 | 2.40 | 2.60 | 2.70 | 2.55 |
| Badea | | | 3.30 | 3.60 | 3.51 |
| I.F.A.D | | | | 1.70 | 3.29 |
| C.D.C | | | | | 4.16 |
| Total | 324.84 | 511.82 | 761.45 | 760.03 | 855.85 |
| TOTAL EXTERNAL | 859.29 | 1,167.78 | 1,531.99 | 1,542.58 | 2,029.00 |
| INTERNAL DEBT— | | | | | |
| Central Bank of Kenya | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Other | | | | | |
| TOTAL INTERNAL | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| TOTAL UNFUNDED DEBT | 869.29 | 1,177.78 | 1,541.99 | 1,552.58 | 2,039.00 |

increasing contribution of the Bank to Kenya's development efforts. The International Funds for Agricultural Development (IFAD) which only joined the Kenya debt scene in 1985, expanded its lending to more than K£3 million from less than K£2 million in 1985. Total lending to Kenya from both bilateral and multilateral sources has more than doubled since 1982.

6.17. Details of the holders of public funded debt from 1983 to 1986 are furnished in Table 6.12. The National Social Security Fund, with a share of 45 per cent, and the Central Bank of Kenya (whose holding remained unchanged), with a share of 37 per cent, were the leading holders at the end of June, 1986. Borrowing from commercial banks increased slightly by 3 per cent after a decline of 29 per cent in 1985.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1983—1986

*Table 6.12* *K£million*

| | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|
| PUBLIC BODIES— | | | | |
| National Social Security Fund | 268.67 | 272.81 | 298.33 | 317.35 |
| Central Government | 42.24 | 46.74 | 46.43 | 62.41 |
| Local Government | 0.56 | 0.52 | 0.40 | 0.28 |
| Kenya Post Office Savings Bank | 15.17 | 15.17 | 11.39 | 10.97 |
| Former E.A. Community Institutions* | 28.53 | 28.53 | 25.02 | 25.02 |
| Central Bank | 261.78 | 261.65 | 261.65 | 261.65 |
| Other Public Sector | 2.67 | 2.67 | 2.74 | 2.46 |
| OTHER INTERNAL— | | | | |
| Commercial Banks | 12.37 | 12.37 | 8.77 | 9.07 |
| Insurance Companies | 12.30 | 11.33 | 9.60 | 9.44 |
| Other Companies | 16.51 | 16.57 | 16.57 | 14.19 |
| Private Individuals | 0.12 | 0.10 | 0.10 | 0.10 |
| TOTAL | 660.92 | 668.46 | 681.00 | 712.94 |

*And other successors.

Source: Central Bank of Kenya.

6.18. Information on debt servicing charges from 1982 to 1986 is provided in Tables 6.13 and 6.14. Net debt servicing charges more than doubled between 1982 and 1986. On the other hand, the debt service ratio on central Government debt, which had remained moderate between 1982 and 1984, increased to more than 15 per cent in 1985 and 1986. This is partly

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1982.1986

*Table 6.13* *K£million*

| Year ending 30th June | ANNUAL DEBT SERVICING CHARGES | | | INTEREST AND LOAN REPAYMENT RECEIPTS | | | NET SERVICING CHARGES | | |
|---|---|---|---|---|---|---|---|---|---|
| | External | Internal | Total | External | Internal | Total | External | Internal | Total |
| 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 | 194.78 | 161.14 | 355.92 | — | 9.69 | 9.69 | 194.78 | 151.45 | 346.23 |
| 1986 | 237.03 | 191.96 | 428.99 | — | 12.13 | 12.13 | 237.03 | 179.83 | 416.86 |

due to the expanding public debt as portrayed in Tables 6.10 and 6.11. Movements in the exchange rates of non-dollar currencies have also affected this trend.

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1982-1986

*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* | |
| 1982 | 107.58 | 877.60 | 12.3 |
| 1983 | 130.92 | 996.34 | 13.1 |
| 1984 | 153.27 | 1,170.51 | 13.1 |
| 1985** | 194.78 | 1,276.18 | 15.3 |
| 1986** | 237.03 | 1,519.47 | 15.6 |

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

**Local Authorities**

6.19. Table 6.15 presents an analysis of total expenditure by all local authorities from 1982 to 1986. The erratic movements discerned in local authority expenditure again emerged in 1986, with total expenditure dropping by 8 per cent to K£101 million from K£110 million in 1985. The main contributing factor was the steep 60 per cent reduction in the expenditure by the other local authorities other than municipal councils.

6.20. Table 6.16. gives a summary of current and capital expenditure by municipal councils on the main services. Expenditure on community services increased by 31 per cent as a result of positive trends in expenditure on sanitation and other community services. Decreases of 35 per cent and 17 per cent on education and health, respectively, reduced the expenditure on social services by 22 per cent in 1986. Expenditure on housing estates recovered admirably to record nearly K£7 million in 1986 compared with less than K£4 million a year earlier. Other activities within the economic services changed little. Overall, the expenditure on main services only increased by 3.6 per cent in 1986.

6.21. Table 6.17 provides information on the expenditure of municipal councils by economic categories. A decline in current expenditure of 3 per

EXPENDITURE ON LOCAL AUTHORITIES, 1982-1986

*Table 6.15* *K£million*

| | MUNICIPALITIES | | | Town, Urban and County Councils | Total |
|---|---|---|---|---|---|
| | Nairobi City Council | Other Municipal Councils | Sub. Total | | |
| 1982 | 50.07 | 24.42 | 74.49 | 16.79 | 91.28 |
| 1983 | 48.54 | 25.19 | 73.73 | 12.49 | 86.22 |
| 1984 | 48.26 | 16.98 | 65.24 | 10.33 | 75.55 |
| 1985* | 56.86 | 32.99 | 89.85 | 20.50 | 110.35 |
| 1986* | 57.55 | 35.52 | 93.07 | 8.52 | 101.59 |

*Provisional.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1982-1986

*Table 6.16* *K£million*

| | 1982 | 1983 | 1984 | 1985* | 1986* |
|---|---|---|---|---|---|
| Administration | 10.25 | 10.25 | 10.16 | 3.11 | 14.17 |
| COMMUNITY SERVICES: | | | | | |
| Roads | 5.20 | 3.61 | 3.20 | 5.40 | 5.22 |
| Sanitation | 9.41 | 8.30 | 6.51 | 10.02 | 13.16 |
| Other | 1.49 | 1.61 | 1.42 | 1.58 | 3.96 |
| Total | 116.10 | 13.52 | 11.13 | 17.00 | 22.34 |
| SOCIAL SERVICES: | | | | | |
| Education | 10.80 | 12.24 | 10.52 | 9.57 | 6.20 |
| Health | 6.71 | 7.06 | 5.50 | 8.42 | 7.02 |
| Other | 0.41 | 1.16 | 0.31 | 0.73 | 1.38 |
| Total | 17.92 | 20.46 | 16.33 | 18.72 | 14.60 |
| ECONOMIC SERVICES: | | | | | |
| General Administration | 1.60 | 1.67 | 0.90 | 1.88 | 113 |
| Water Undertakings | 15.40 | 15.45 | 16.21 | 26.80 | 25.48 |
| Housing Estates (including Staff Housing) | 5.71 | 4.62 | 3.80 | 3.67 | 6.74 |
| Other | 7.51 | 7.76 | 6.71 | 8.77 | 8.60 |
| Total | 30.22 | 29.50 | 27.62 | 41.02 | 41.95 |
| TOTAL EXPENDITURE | 74.49 | 73.73 | 65.24 | 89.85 | 93.06 |

*Provisional.

cent was more than off-set by an increase of 26 per cent in capital expenditure, thus enabling total expenditure of municipal councils to grow by 3.6 per cent in 1986. Labour cost decreased by about 20 per cent, partly

**MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1982-1986**

*Table 6.17* *K£million*

| | 1982 | 1983 | 1984 | 1985* | 1986* |
|---|---|---|---|---|---|
| **Current Expenditure—** | | | | | |
| Labour Cost | 28.23 | 29.89 | 22.82 | 28.56 | 22.90 |
| Other Goods and Services | 17.76 | 19.60 | 17.30 | 23.13 | 22.21 |
| Transfer to Households and Enterprises | 0.74 | 0.67 | 0.54 | 0.75 | 0.62 |
| Transfer to Funds (Current) | | | | | |
| Interest | 0.26 | 0.39 | 0.27 | 0.23 | 0.33 |
| Total | 46.99 | 50.55 | 40.93 | 52.67 | 46.06 |
| **Capital Expenditure—** | | | | | |
| Gross Fixed Capital Formation | 20.54 | 16.30 | 15.69 | 21.29 | 33.72 |
| Loan Repayment** | 6.37 | 6.58 | 8.41 | 15.65 | 13.01 |
| Transfer to Funds (capital) | 0.59 | 0.29 | 0.21 | 0.24 | 0.27 |
| Total | 27.50 | 23.17 | 24.31 | 37.18 | 47.00 |
| Total Expenditure | 74.49 | 73.73 | 65.24 | 89.85 | 93.06 |

*Provisional.
**Includes Interest.

due to a decline in local authorities' wage employment. The most outstanding change was an increase of 58 per cent in the expenditure on capital formation as a result of increased loan disbursement from external sources. Nairobi alone borrowed more than K£18 million from external sources in 1986.

6.22. Details of current and capital revenue for municipal councils are set out in Table 6.18. Current revenue dropped by 2 per cent from K£57 million in 1985 to K£56 million in 1986. This was due to dwindling tax receipts. The receipts from sale of goods and services showed some buoyancy with a growth of 15 per cent in 1986. Capital revenue rose fast to register a growth of 74 per cent in 1986, mainly as a consequence of the improvement in loan disbursement from external sources.

6.23. Details of expenditure and revenue for town, urban and country councils are shown in Table 6.19. These local authorities trimmed their current expenditure in 1986, and as a result realised a huge surplus of K£10 million on the current account. Current revenue from most of the sources increased in 1986, with a notable rise being recorded for property income; the latter grew from slightly over K£1 million in 1985 to K£5 million in 1986.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1982-1986

*Table 6.18* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| CURRENT REVENUE— | | | | | |
| Direct Taxes (Rates* *) | 21.23 | 21.27 | 18.98 | 21.86 | 20.54 |
| Indirect Taxes (Licences and cesses) | 1.71 | 1.88 | 0.98 | 2.40 | 1.93 |
| Income from Property | 2.47 | 1.41 | 0.18 | 0.51 | 0.38 |
| Current Transfers | 2.64 | 0.99 | 0.65 | 4.12 | 0.90 |
| Sale of Goods and Services | 23.14 | 27.18 | 26.10 | 27.85 | 31.94 |
| Total | 51.19 | 52.73 | 46.89 | 56.74 | 55.69 |
| CAPITAL REVENUE— | | | | | |
| Loans Raised | 14.76 | 17.79 | 13.22 | 14.71 | 25.72 |
| Loan Repayments | 0.06 | 0.05 | 0.08 | 0.09 | 0.07 |
| Total | 14.82 | 17.84 | 13.30 | 14.80 | 25.79 |
| TOTAL REVENUE | 66.01 | 70.57 | 60.19 | 71.54 | 81.48 |

*Provisional.
**Paid by households and enterprises.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1982-1986

*Table 6.19*

K£million

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| CURRENT EXPENDITURE— | | | | | |
| LABOUR COST | 7.96 | 8.25 | 5.06 | 8.46 | 3.67 |
| OTHER GOODS AND SERVICES | 2.62 | 2.77 | 1.86 | 3.37 | 1.43 |
| TRANSFER TO HOUSEHOLDS AND ENTERPRISES | 0.32 | 0.27 | 0.12 | 0.66 | 0.20 |
| TRANSFER TO FUNDS (CURRENT) | 0.17 | 0.36 | 0.12 | 0.27 | 0.11 |
| INTEREST | | | | | |
| TOTAL | 11.07 | 11.66 | 7.16 | 12.76 | 5.41 |
| CAPITAL EXPENDITURE— | | | | | |
| GROSS FIXED CAPITAL FORMATION | 5.47 | 0.55 | 3.06 | 7.13 | 2.85 |
| LOAN REPAYMENTS** | 0.18 | 0.22 | 0.10 | 0.40 | 0.18 |
| TRANSFER TO FUNDS (CAPITAL) | 0.07 | 0.06 | 0.02 | 0.21 | 0.08 |
| TOTAL | 5.72 | 0.83 | 3.18 | 7.74 | 3.11 |
| TOTAL EXPENDITURE | 16.79 | 12.49 | 10.34 | 20.50 | 8.52 |
| CURRENT REVENUE— | | | | | |
| DIRECT TAXES (RATES***) | 0.92 | 1.07 | 0.99 | 1.70 | 1.38 |
| INDIRECT TAXES (LICENCES AND CESSES) | 6.08 | 5.59 | 4.70 | 5.11 | 6.10 |
| INCOME FROM PROPERTY | 1.30 | 1.54 | 0.67 | 1.45 | 4.98 |
| CURRENT TRANSFERS | 1.37 | 0.63 | 0.37 | 0.19 | 0.53 |
| SALE OF GOODS AND SERVICES | 3.48 | 4.11 | 1.53 | 4.24 | 2.39 |
| TOTAL | 13.15 | 12.94 | 8.26 | 12.69 | 15.38 |
| CAPITAL REVENUE— | | | | | |
| LOANS RAISED | 1.70 | 2.86 | 0.07 | 3.38 | 0.04 |
| LOAN REPAYMENTS | 0.01 | 0.01 | 0.07 | 0.02 | 0.07 |
| TOTAL | 1.71 | 2.87 | 0.14 | 3.40 | 0.11 |
| TOTAL REVENUE | 14.86 | 15.81 | 8.40 | 16.09 | 15.49 |

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

## CHAPTER 7—EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

The large decline in petroleum prices that characterized most of 1986; and the high earnings from coffee exports during the year, assisted in a better overall performance of the economy, particularly the balance of payments. The improvement in the current account led to an overall balance of payments surplus of K£73 million during the year, compared with the a deficit of K£94 million and a small surplus of K£32 million recorded in 1985 and 1984, respectively. The better economic performance in 1986 is also reflected in high foreign exchange reserve holdings; which peaked in April at K£395 million. By December, the reserves had eased to K£339 million, compared with K£321 million at the end of December, 1985.

### Balance of Trade

7.2. A combination of high average export prices of coffee and increased export volume led to higher export earnings, and an overall increase in exports during 1986. Imports expanded less faster, however, mainly due to a lower energy bill. As shown in Table 7.1, total value of exports grew by 22 per cent from K£811 million in 1985 to K£987 million in 1986; while, the value of imports increased by 12 per cent from K£l,196 million to K£l,338 million during the same period. As noted above, the easing of the import bill was largely accounted for by the lower energy bill, resulting from the large decline in crude petroleum prices during 1986.

7.3. The faster growth of exports—the highest since 1980—coupled with a relatively slow expansion in imports, in value terms, led to an overall improvement of the balance of trade. A deficit of K£351 million was recorded in 1986 compared with a higher deficit of K£385 million in 1985. This remarkable growth in exports was a welcome development, given that primary commodities have been facing poor prices since 1983. Kenya, like other developing countries, had to increase the volume of exports in order to make gains, since prices did not rise fast enough.

BALANCE OF TRADE, 1982—1986

*Table 7.1* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| EXPORTS— | | | | | |
| Domestic Exports | 545.74 | 633.08 | 754.81 | 785.10 | 957.97 |
| Re-exports | 22.91 | 19.10 | 22.09 | 26.33 | 28.88 |
| Total | 568.64 | 652.18 | 776.91 | 811.43 | 986.85 |
| IMPORTS— | | | | | |
| Commercial | 843.35 | 852.56 | 1,050.22 | 1,153.98 | 1,275.41 |
| Government | 56.96 | 53.06 | 46.99 | 42.02 | 62.48 |
| TOTAL | 900.30 | 905.62 | 1,097.21 | 1,196.00 | 1,337.89 |
| BALANCE OF TRADE | -331.66 | -253.44 | -320.30 | -384.57 | -351.04 |

*Provisional.

## Price Changes

7.4. Table 7.2 details export and import price indices. The table indicates that the overall export price index rose in 1986, continuing the trend that began in the late 1970's. Export price indices declined only in 1985; while the overall import price indices declined in 1986. Non-oil export price index rose faster by 15 per cent compared with the overall export price index, which rose by only 7 per cent over the level in 1985. Within exports, large increases were recorded in the prices of food and live animals, animal and vegetable oils and fats, chemicals, machinery and transport equipment. These large increases contributed significantly to the remarkable performance of the export sector. However, notable declines were recorded for the export prices of mineral fuels, mainly oil, and manufactured goods, which fell by 29 and 25 per cent, respectively.

7.5. In the case of imports, significant price increases were recorded for butter, skimmed milk and refined sugar in the food and live animals group.

PRICE INDICES, 1982—1986

*Table 7.2* *1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| EXPORTS— | | | | | |
| Food and live animals | 100 | 126 | 167 | 155 | 188 |
| Beverages and tobacco | 100 | 108 | 132 | 146 | 148 |
| Crude materials, inedible | 100 | 107 | 107 | 117 | 121 |
| Mineral fuels | 100 | 107 | 112 | 114 | 81 |
| Animal and vegetable oils and fats | 100 | 115 | 127 | 142 | 159 |
| Chemicals | 100 | 120 | 125 | 134 | 167 |
| Manufactured goods | 100 | 123 | 128 | 154 | 115 |
| Machinery and transport equipment | 100 | 179 | 223 | 208 | 322 |
| Miscellaneous manufactured articles | 100 | 125 | 170 | 169 | 174 |
| All Exports | 100 | 120 | 144 | 142 | 152 |
| Non-oil Exports | 100 | 124 | 154 | 151 | 174 |
| IMPORTS— | | | | | |
| Food and live animals | 100 | 111 | 116 | 102 | 161 |
| Beverages and tobacco | 100 | 104 | 141 | 190 | 218 |
| Crude materials, inedible | 100 | 111 | 130 | 169 | 155 |
| Mineral fuels | 100 | 108 | 112 | 127 | 77 |
| Animal and vegetable oils and fats | 100 | 245 | 216 | 213 | 159 |
| Chemicals | 100 | 153 | 156 | 258 | 227 |
| Manufactured goods | 100 | 137 | 140 | 175 | 165 |
| Machinery and transport equipment | 100 | 139 | 145 | 156 | 198 |
| Miscellaneous manufactured articles | 100 | 105 | 108 | 141 | 137 |
| All Imports | 100 | 128 | 131 | 155 | 147 |
| Non-oil Imports | 100 | 140 | 143 | 173 | 187 |

However, the rise in the price index in this category of imports is attributable to importation of unmilled maize from West Germany and the Netherlands where prices were relatively high. The beverages and tobacco group also rose due to high prices for wines and cigarettes. Increases in the prices of motor vehicle bodies and trailers also contributed to a higher index in the machinery and transport equipment group. All the other categories of imports registered price declines, which explains the lower expansion in the overall growth of imports. In particular, significant declines were recorded for the prices of mineral fuels, which fell by 39 per cent; animal and vegetable oils, by 25 per cent; and chemicals, by 12 per cent. Other import price declines were recorded for manufactured goods and miscellaneous manufactured articles. Except for the prices of mineral fuels whose drop was significant world-wide, other import price declines may have been mainly due to the fall in the value of the US dollar, which depreciated by 20 per cent against the Special Drawing Right (S.D.R.) in 1986. The Kenya shilling appreciated against the US dollar, but only by slightly over 1 per cent. Overall, the import price index declined by 5 per cent, while the non-oil import prices rose by 8 per cent.

**Terms of Trade**

7.6.The terms of trade, which last improved in 1984, as a result of good tea prices, improved again in 1986 mainly due to buoyant coffee prices, and a fall in petroleum prices. The overall terms of trade increased by 12 per cent from 92 in 1985 to 103 in 1986. However, as can be seen in Table 7.3, the terms of trade for non-oil items only improved slightly, by 7 per cent, from 87 in 1985 to 93 in 1986.

**Volume Changes**

7.7. The volumes of exports for most product groups increased during 1986. However, the volume for animal and vegetable oils and fats, for chemicals and for machinery and transport equipment, all fell during 1986. As Table 7.4 indicates, there was also substantial growth in the volume of imports, with the only exception being in food and live animals, and beverages and tobacco. The overall export quantum index rose by 15 per cent from 99 in 1985 to 114 in 1986; while the overall volume of imports rose by 17 per cent from 86 in 1985 to 101 in 1986. Both indices have been fluctuating over the last five years, in response to world market trends.

TERMS OF TRADE, 1982—1986

*Table 7.3*

*1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| All Items | 100 | 94 | 110 | 92 | 103 |
| Non-oil Items | 100 | 88 | 108 | 87 | 93 |

QUANTUM-INDICES, 1982—1986

*Table 7.4* *1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Exports— | | | | | |
| Food and live animals | 100 | 105 | 102 | 114 | 126 |
| Beverages and tobacco | 100 | 155 | 105 | 231 | 340 |
| Crude materials, inedible | 100 | 101 | 110 | 116 | 119 |
| Mineral fuels | 100 | 85 | 84 | 69 | 89 |
| Animal and vegetable oils and fats | 100 | 156 | 460 | 201 | 82 |
| Chemicals | 100 | 92 | 94 | 106 | 95 |
| Manufactured goods | 100 | 83 | 78 | 77 | 99 |
| Machinery and transport equipment | 100 | 51 | 38 | 44 | 38 |
| Miscellaneous manufactured articles | 100 | 76 | 82 | 104 | 144 |
| All Exports | 100 | 96 | 95 | 99 | 114 |
| Non-oil Exports | 100 | 100 | 98 | 108 | 121 |
| Imports— | | | | | |
| Food and live animals | 100 | 85 | 206 | 158 | 115 |
| Beverages and tobacco | 100 | 72 | 46 | 53 | 45 |
| Crude materials, inedible | 100 | 138 | 134 | 107 | 120 |
| Mineral fuels | 100 | 92 | 90 | 91 | 94 |
| Animal and vegetable oils and fats | 100 | 72 | 63 | 86 | 112 |
| Chemicals | 100 | 85 | 87 | 74 | 100 |
| Manufactured goods | 100 | 72 | 91 | 82 | 97 |
| Machinery and transport equipment | 100 | 60 | 84 | 77 | 104 |
| Miscellaneous manufactured articles | 100 | 73 | 103 | 83 | 105 |
| All Imports | 100 | 79 | 93 | 86 | 101 |
| Non-oil Imports | 100 | 72 | 94 | 83 | 103 |

7.8. The rapid growth in the overall export volume was not matched by a similar increase in non-oil exports, whose volume rose by 12 per cent from 108 in 1985 to 121 in 1986. Substantial exports of coffee, maize, soda ash, cement, beans and peas contributed to these increases, although they were offset by declines in the exports of tea, sisal and fluorspar. The most notable growth was in beverages and tobacco, whose index rose by 47 per cent, the highest such rise since 1983. The increase in the export of mineral fuels also reverses the declining trend in the recent past. The latter rise was a result of the major decline in petroleum prices during the year. A welcome increase in manufactured exports is also notable.

7.9. The increase in the volume of imports in 1986 continued the cycle of alternating yearly increases and decreases that began in 1981. Non-oil imports grew faster than the overall imports; recording a volume growth of 24 per cent compared with the overall growth of 17 per cent. Significant increases were recorded for inedible crude materials, animal and vegetable

oils and fats, chemicals, machinery and transport equipment, and miscellaneous manufactured articles. Declines were recorded for food and live animals, and beverages and tobacco. The growth of inputs to industry can be noted as both a cause and an effect of the satisfactory growth of the economy. As already observed, the growth of the overall volume could be due partly to the drop in oil prices, and partly to the depreciation of US dollar, which in trade weighted terms dropped by 20 per cent. Against the Kenya shilling, the US dollar remained almost unchanged; and since most of the imports are denominated in dollar terms, this had a moderating effect on import price increases.

**Composition of Exports**

7.10. Table 7.5 details the value of exports by broad economic categories. All categories of exports increased in 1986 compared with 1985, except for fuels and lubricants. Food and beverages registered the highest rise of 31 per cent from K£493 million in 1985 to K£647 million in 1986; with the share of this category of exports rising to a record 68 per cent, surpassing the previous peak of 1977. Non-food industrial supplies also increased by 14 per cent despite its share dropping from 16 per cent in 1985 to 15 per cent in 1986. Export earnings from fuel and lubricants dropped by 16 per cent from K£127 million in 1985 to K£107 million in 1986. This decline led to the share of these exports shrinking to 11 per cent, thus continuing the falling trend that began in the early 1980's. Export shares of other categories registered mainly marginal increases.

**Quantities of Principal Exports**

7.11. Most of the exports recorded increases in quantity in 1986. As indicated in Table 7.6, coffee exports rose substantially by 21 per cent to a new record of 126,500 tonnes in 1986 compared with 104,700 tonnes recorded in the previous year. Other significant increases were in the exports of hides and skins, 34 per cent; soda ash, 11 per cent; wool, 61 per cent; and animal feeds, 74 per cent. A new peak was realised in the exports of raw maize, which increased sharply to 228,000 tonnes; while sales of beans and peas recovered remarkably to rise more than 10 times over the level recorded in 1985. The increase in the quantity of export crops is due partly to better harvest in 1986 following the 1984 drought. A notable decline was, however, recorded in the export of tea, although the 1986 level was still above any year between 1982 and 1984. The exports of sisal and fluorspar were, in 1986, the lowest recorded in the five-year period.

**Export Prices**

7.12. Evidence from Table 7.7, which shows unit prices for selected exports, indicates that only a few commodities enjoyed higher prices in 1986. Coffee prices rose to the highest level ever, increasing by 39 per cent to KSh. 61 per Kg. in 1986, compared with KSh. 44 recorded in 1985. This increase is a reflection of the suspension of coffee quotas in February 1986 arising from a severe drought in Brazil. Other significant increases were recorded in the unit prices of meat and meat products, and wattle bark. The unit prices of these two items rose by 11 per cent and 62 per cent, respectively. The sharp increase in the price of wattle back was largely due

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1982—1986

*Table 7.5*

*K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| 1. Food and Beverages | 278.51 | 358.53 | 467.06 | 492.71 | 646.77 |
| *Primary* | 246.05 | 319.51 | 420.70 | 446.17 | 598.61 |
| For Industry | 147.80 | 166.23 | 208.58 | 233.25 | 391.88 |
| For Household Consumption | 98.25 | 153.28 | 212.12 | 212.92 | 206.73 |
| *Processed* | 32.46 | 39.02 | 46.37 | 46.54 | 48.16 |
| for Industry | 5.59 | 5.02 | 3.79 | 1.66 | 2.11 |
| Par Household Consumption | 26.87 | 34.00 | 42.58 | 44.88 | 46.05 |
| 2. Industrial Supplies (Non-Food) | 95.03 | 110.31 | 113.21 | 128.14 | 146.71 |
| *Primary* | 46.89 | 60.22 | 58.68 | 64.05 | 78.01 |
| *Processed* | 48.14 | 50.09 | 54.53 | 64.08 | 68.70 |
| 3. Fuel and Lubricants | 149.35 | 134.37 | 142.19 | 126.51 | 106.85 |
| *Primary* | 0.02 | 0.02 | 0.01 | 0.01 | 0.02 |
| *Processed* | 149.33 | 134.36 | 142.18 | 126.50 | 106.82 |
| Motor Spirit | 23.09 | 27.78 | 31.91 | 27.05 | 24.39 |
| Other | 126.24 | 106.58 | 110.26 | 99 45 | 82.43 |
| 4. Machinery and other Capital Equipment | 1.58 | 2.60 | 2.16 | 2.63 | 4.17 |
| *Machinery and Other Capital Equipment* | 1.38 | 2.15 | 1.85 | 2.16 | 3.16 |
| Parts and Accessories | 0.21 | 0.45 | 0.30 | 0.48 | 1.01 |
| 5. Transport Equipment | 1.29 | 1.03 | 1.24 | 1.57 | 3.23 |
| *Passenger Motor Vehicles* | — | — | — | — | 0.27 |
| Other | 0.41 | 0.29 | 0.14 | 0.37 | 0.72 |
| Industrial | 0.39 | 0.26 | 0.14 | 0.34 | 0.68 |
| Non-Industrial | 0.02 | 0.03 | — | 0.03 | 0.04 |
| *Parts and Accessories* | 0.89 | 0.74 | 1.10 | 1.19 | 2.24 |
| 6. Consumer Goods not elsewhere specified | 19.88 | 26.09 | 28.42 | 33.37 | 49.95 |
| *Durable* | 0.65 | 0.47 | 0.53 | 0.64 | 5.13 |
| *Semi-Durable* | 4.19 | 4.95 | 7.11 | 10.37 | 12.40 |
| *Non-Durable* | 15.03 | 20.67 | 20.78 | 22.36 | 32.42 |
| 7. Goods not elsewhere Specified | 0.10 | 0.15 | 0.54 | 0.17 | 0.29 |
| TOTAL | 545.74 | 633.08 | 754.81 | 785.10 | 957.97 |
| PERCENTAGE SHARES: | | | | | |
| 1. Food and Beverages | 51.0 | 56.7 | 61.9 | 62.8 | 67.5 |
| 2. Industrial Supplies (Non-Food) | 17.4 | 17.4 | 15.0 | 16.3 | 15.3 |
| 3. Fuel and Lubricants | 27.4 | 21.2 | 18.8 | 16.1 | 11.2 |
| 4. Machinery and other Capital Equipment | 0.3 | 0.4 | 0.3 | 0.3 | 0.5 |
| 5. Transport Equipment | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 |
| 6. Consumer Goods not elsewhere specified | 3.6 | 4.1 | 3.8 | 4.3 | 5.2 |
| 7. Goods not elsewhere specified | | — | 0.1 | — | — |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Excluding Re-exports.
**Provisional.

to high prices in Germany. Although tea prices improved in December, 1986, the unit price for the year as a whole fell marginally. All other commodities except wool and animal feeds recorded price declines.

7.13. Analysis of changes in the value, quantity and price of selected exports between 1985 and 1986 is shown in Table 7.8. Coffee earnings rose by 69 per cent mainly due to better world prices and large increases in the quantity sold. On the other hand, the value of tea fell by about 10 per cent mainly as a result of the 8 per cent drop in quantity and partly due to the continued fall in price. Petroleum products recorded higher export

QUANTITIES OF PRINCIPAL EXPORTS, 1982—1986

*Table 7.9*

| | Unit | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Coffee | Tonnes | 100,995 | 90,457 | 96,914 | 104,679 | 126,497 |
| Tea | | 80,413 | 99,938 | 91,198 | 126,303 | 116,456 |
| Petroleum Products | Mn. Lt. | 1,000 | 765 | 795 | 731 | 834 |
| Pyrethrum products | Tonnes | 640 | 1,147 | 843 | 742 | 850 |
| Meat products | | 2,916 | 2,367 | 4,294 | 3,669 | 763 |
| Sisal | | 40,445 | 38,942 | 39,120 | 40,024 | 31,696 |
| Hides and skins | | 11,136 | 9,158 | 9,055 | 10,451 | 13,965 |
| Soda Ash | | 136,468 | 125,487 | 222,880 | 205,766 | 229,260 |
| Fluorspar | | 74,889 | 48,899 | 52,180 | 60,726 | 41,133 |
| Cement | | 737,422 | 736,318 | 602,933 | 485,839 | 495,623 |
| Maize (raw) | | 949 | 122,514 | 47,434 | 17,683 | 227,951 |
| Canned pineapples | | 39,935 | 47,752 | 50,216 | 44,484 | 44,645 |
| Butter and ghee | | 878 | 1,179 | 438 | 275 | 423 |
| Beans and peas | | 37,814 | 91,657 | 14,626 | 1,576 | 21,266 |
| Cotton (raw). | | — | 726 | 131 | 1,733 | 499 |
| Wool | | 1,453 | 1,182 | 1,701 | 689 | 1,109 |
| Animal feeds | | 11,706 | 30,818 | 16,676 | 9,731 | 16,966 |

*Provisional.

EXPORT PRICES, 1982—1986

*Table 7.7* *KSh*. 1 *Unit*

| | Unit of Quantity | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Coffee, unroasted | Kg. | 28.64 | 35.40 | 42.03 | 44.07 | 61.43 |
| Tea | Kg. | 19.30 | 24.70 | 41.55 | 30.36 | 29.67 |
| Petroleum products | 1,000 Lt. | 2,832.72 | 3,236.65 | 3,311.44 | 3,187.15 | 2,373.97 |
| Maize (raw) | 100 Kg. | 689.46** | 198.48 | 249.91 | 140.32 | 128.65 |
| Meat and meat products | Kg. | 31.11 | 33.78 | 34.51 | 37.37 | 41.66 |
| Pyrethrum extract | Kg. | 896.06 | 808.55 | 776.01 | 907.34 | 895.29 |
| Sisal | 100 Kg. | 536.89 | 621.22 | 643.09 | 721.01 | 690.51 |
| Hides and skins (undressed) | Kg. | 14.19 | 13.83 | 15.73 | 19.11 | 18.06 |
| Wattle extract | Kg. | 7.24 | 9.30 | 10.60 | 12.21 | 14.54 |
| Soda ash | 100 Kg. | 112.39 | 115.91 | 93.82 | 132.55 | 123.56 |
| Fluorspar | 100 Kg. | 125.68 | 126.92 | 128.84 | 133.93 | 117.36 |
| Cement | 100 Kg. | 52.36 | 59.08 | 58.12 | 63.49 | 54.00 |
| Beans, peas, etc. | Kg. | 3.33 | 3.02 | 3.36 | 7.98 | 6.34 |
| Wool | Kg. | 16.78 | 15.94 | 16.49 | 21.42 | 22.25 |
| Animal feeds | 100 Kg. | 124.75 | 134.18 | 157.85 | 122.77 | 129.07 |
| Cotton (raw) | Kg. | — | 23.78 | 22.65 | 22.80 | 21.97 |
| Pineapples (canned) | Kg. | 7.26 | 8.75 | 10.33 | 10.97 | 10.84 |
| Butter and ghee | Kg. | 23.24 | 25.22 | 29.59 | 33.35 | 29.61 |
| Wattle bark | 100 Kg. | 128.56 | 202.97 | 183.84 | 169.93 | 275.70 |

*Provisional.
**Seed Maize Price.

quantities but prices fell significantly by 26 per cent, leading to an overall decline of 15 per cent in value. Other main products which registered declines in prices while quantities rose include soda ash, cement, beans, Peas and pineapples. It is apparent from the table that the rise in the value of exports was largely due to higher quantities rather than higher prices.

EXPORT CHANCE IN VALUE, QUANTITY AND PRICE*, 1985—1986

*Table 7.8*

| | Value K£ 000 | | | Percentage Change in | | |
|---|---|---|---|---|---|---|
| | 1985 | 1986** | Changes | Value | Quantity | Price |
| Coffee, unroasted | 230,622.9 | 388,486.5 | 157,863.6 | 68.5 | 20.8 | 39.4 |
| Tea | 191.657.0 | 172,789.4 | -18,867.6 | -9.8 | -7.8 | -2.2 |
| Petroleum products | 116.460.1 | 99,024.3 | -17,435.8 | -15.0 | -14.2 | -25.5 |
| Meat and meat products | 6,855.9 | 1,588.7 | -5,267.2 | -76.8 | -79.2 | 11.5 |
| Pyrethrum extract | 9,515.4 | 11,497.1 | 1,981.7 | 20.8 | 22.5 | -1.3 |
| Sisal | 14,429.0 | 10,943.1 | -3,485.9 | -24.2 | -20.8 | -4.2 |
| Hides and skins (undressed) | 9,988.6 | 12,611.4 | 2,622.8 | 26.3 | 33.6 | -5.5 |
| Wattle extract | 3,820.9 | 4,547.6 | 726.7 | 19.0 | — | 19.1 |
| Soda ash | 13,637.4 | 14,163.5 | 526.1 | 3.9 | 11.4 | -6.8 |
| Fluorspar | 4,066.7 | 2,413.6 | -1,653.1 | -40.6 | -32.3 | -12.4 |
| Cement | 15,421.7 | 13,381.4 | -2,040.3 | -13.2 | 2.0 | -15.0 |
| Beans, peas, etc. | 628.6 | 6,744.3 | 6,115.7 | 972.9 | 1,249.6 | -20.6 |
| Wool | 737.9 | 1,234.3 | 496.4 | 67.3 | 61.0 | 3.9 |
| Animal feeds | 597.3 | 1,094.9 | 497.6 | 83.3 | 74.4 | 5.1 |
| Cotton (raw) | 1,975.4 | 548.2 | -1,427.2 | -72.2 | -71.2 | -3.6 |
| Pineapples (canned) | 24,393.9 | 24,203.9 | -190.0 | -0.8 | 0.4 | -1.2 |
| Butter and ghee | 457.9 | 626.8 | 168.9 | 36.9 | 54.2 | -11.2 |
| Wood carvings | 1,169.9 | 1,160.1 | -9.8 | -0.8 | 6.9 | -7.2 |
| Metal scrap | 823.7 | 1,464.6 | 640.9 | 77.8 | 47.5 | 20.5 |
| Wattle bark | 21.2 | 11.9 | -9.3 | -44.1 | -65.6 | 62.2 |
| All other items | 137,816.4 | 189,434.7 | 51,618.3 | 37.5 | | |
| Total | 785,097.8 | 957,970.3 | 172,872.5 | 22.0 | | |

*Excluding Re-exports

**Provisional.

## Composition of Imports

7.14. Table 7.9 provides an analysis of import values by broad economic categories. There were increases in the values of all categories of imports, but, as in exports, fuel and lubricants recorded a decline. Notable increases were recorded in the import values of food and beverages, mainly sugar and rice; and machinery and other capital equipment, and transport equipment. The sharp increase in transport equipment is attributed to the importation of two Airbuses. The non-food industrial supplies also registered an increase. Following these changes, the respective shares changed, with food and beverages remaining at about 9 per cent; fuel and lubricants falling from 32 per cent to 18 per cent; machinery and other capital equipment rising from 15 per cent to 19 per cent; and transport equipment nearly doubling from 10 per cent to 19 per cent.

17.15. The effect of the decline in petroleum prices is well illustrated in Table 7.10, which sets out values of selected imports. Total value of crude petroleum imported fell by 40 per cent from K£344 million in 1985 to K£208 million in 1986, which is the lowest level recorded since 1979. This drop was due to the dramatic fall in petroleum prices in 1986. The slump was as low as US $9 a barrel in July, 1986 before rising to US $18 a barrel by the end of the year. Among the other imports, fertilizers and wheat also recorded declines, while iron and steel imports and refined petroleum products remained almost even. There was a significant increase in the value of imports of industrial machinery which rose by 44 per cent. The sharp

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1982—1986

*Table 7.9* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| 1. Food and Beverages | 52.81 | 82.78 | 127.58 | 109.00 | 116.21 |
| *Primary* | 20.48 | 19.05 | 83.41 | 50.74 | 37.01 |
| For Industry | 16.04 | 13.36 | 77.06 | 34.49 | 21.50 |
| For Household Consumption | 4.44 | 5.70 | 6.35 | 16.25 | 15.51 |
| *Processed* | 32.34 | 63.79 | 44.18 | 58.26 | 79.20 |
| For Industry | 25.36 | 52.08 | 37.89 | 45.13 | 42.02 |
| For Household Consumption | 6.97 | 11.65 | 6.29 | 13.13 | 37.18 |
| 2. Industrial Supplies (Non-Food) | 224.93 | 250.64 | 289.14 | 353.33 | 407.97 |
| *Primary* | 19.22 | 13.25 | 15.30 | 13.59 | 14.70 |
| *Processed* | 205.71 | 237.39 | 273.84 | 339.73 | 393.27 |
| 3. Fuel and Lubricants | 332.61 | 331.70 | 332.43 | 376.19 | 238.55 |
| *Primary* | 303.17 | 277.76 | 295.78 | 347.96 | 210.48 |
| *Processed* | 29.43 | 53.94 | 36.65 | 28.23 | 28.07 |
| Motor Spirit | 9.67 | 11.39 | 4.05 | 4.69 | 5.81 |
| Other | 19.77 | 42.55 | 32.59 | 23.55 | 22.27 |
| 4. Machinery and other Capital Equipment | 159.13 | 140.35 | 184.89 | 180.19 | 254.46 |
| *Machinery and Other Capital Equipment* | 108.05 | 100.86 | 129.14 | 124.44 | 181.00 |
| *Parts and Accessories* | 51.09 | 39.49 | 55.75 | 55.76 | 73.46 |
| 5. Transport Equipment | 85.58 | 63.14 | 113.46 | 122.16 | 259.61 |
| *Passenger Motor Vehicles* | 8.89 | 9.11 | 13.21 | 19.35 | 28.94 |
| *Other* | 36.49 | 27.86 | 59.52 | 56.60 | 164.84 |
| Industrial | 35.43 | 27.37 | 58.40 | 55.39 | 162.50 |
| Non-Industrial | 1.06 | 0.49 | 1.13 | 1.21 | 2.35 |
| *Parts and Accessories* | 40.20 | 26.16 | 40.73 | 46.20 | 65.83 |
| 6. Consumer Goods not elsewhere specified | 43.94 | 36.67 | 47.40 | 53.96 | 59.79 |
| *Durable* | 9.59 | 6.64 | 9.90 | 10.60 | 10.03 |
| *Semi-Durable* | 9.56 | 4.69 | 8.77 | 10.61 | 9.44 |
| *Non-Durable* | 24.79 | 25.34 | 28.74 | 32.76 | 40.32 |
| 7. Goods not elsewhere Specified | 1.30 | 0.35 | 2.30 | 1.18 | 1.30 |
| TOTAL | 900.30 | 905.62 | 1,097.21 | 1,196.00 | 1,337.89 |
| PERCENTAGE SHARES: | | | | | |
| 1. Food and Beverages | 5.9 | 9.1 | 11.6 | 9.1 | 8.7 |
| 2. Industrial Supplies (Non-Food) | 25.0 | 27.7 | 26.4 | 29.5 | 30.5 |
| 3. Fuel and Lubricants | 36.9 | 36.6 | 30.3 | 31.5 | 17.8 |
| 4. Machinery and other Capital Equipment | 17.7 | 15.5 | 16.9 | 15.1 | 19.0 |
| 5. Transport Equipment | 9.5 | 7.0 | 10.3 | 10.2 | 19.4 |
| 6. Consumer Goods not elsewhere specified | 4.9 | 4.1 | 4.3 | 4.5 | 4.5 |
| 7. Goods not elsewhere specified | 0.1 | _ | 0.2 | 0.1 | 0.1 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Provisional

increase in the industrial machinery to a new record level was mainly a result of a general rise in the imports of machinery, and higher world prices of such machinery. Other major increases were noted in vehicles and chassis; and paper products.

## Direction of Trade

7.16. Table 7.11 details information on the destination of Kenya's exports. A new record level of exports to the E.E.C. region was achieved in

1986. Exports to the region rose by 27 per cent from K£346 million in 1985 to K£440 million in 1986, or more than double the 1982 level. The value of exports to the United Kingdom in 1986 was barely above that attained in 1984. Since 1982, exports to West Germany have more than doubled, while the Netherlands has increased its imports three-fold. France was the only country within the E.E.C. region whose intake of Kenya exports dropped to nearly equal the levels of 1983-84. Countries classified as "other" also spent 77 per cent more in 1986 to purchase Kenya's exports. It is probable that the cheapening of the Kenya shilling, plus the general prosperity of E.E.C., played an important role in this satisfactory result.

SELECTED IMPORTS, 1982—1986

*Table 7.10* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Crude Petroleum | 299.81 | 275.24 | 292.42 | 344.12 | 207.83 |
| Industrial Machinery (including Electrical) | 149.61 | 137.22 | 173.58 | 164.64 | 236.68 |
| Iron and Steel | 40.65 | 48.39 | 62.98 | 64.77 | 64.44 |
| Motor Vehicle and Chassis | 38.57 | 32.29 | 55.08 | 63.78 | 88.01 |
| Petroleum Products refined | 29.15 | 53.66 | 35.74 | 27.88 | 27.89 |
| Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers | 19.65 | 21.81 | 33.01 | 37.41 | 41.42 |
| Pharmaceauticals | 18.36 | 19.62 | 19.96 | 23.31 | 32.67 |
| Fertilizers | 15.61 | 25.09 | 13.89 | 52.03 | 50.01 |
| Agricultural Machinery and Tractors | 11.07 | 6.15 | 11.04 | 13.80 | 19.66 |
| Wheat | 13.91 | 9.29 | 20.81 | 19.07 | 12.06 |
| Paper and Paper Products | 12.03 | 11.76 | 9.36 | 15.73 | 20.93 |
| Rice | 2.73 | 10.04 | 0.05 | 0.10 | 12.31 |

*Provisional.

7.17. Trade with other Western Europe continued to grow. During 1986, trade with the region rose to a new record level, with exports rising to K£51 million in 1986, or double the 1983 value. On the other hand, exports to Eastern Europe performed less well, recording a decline of 22 per cent from last year's record level, although they too were almost double the 1983 value.

7.18. Exports to the major North American countries, i.e. the U.S.A. and Canada, which have been rising, continued with the trend in 1986. Total value of exports to the U.S.A. rose by 59 per cent from K£54 million in 1985 to K£86 million in 1986; while Canada's intake rose more sharply by 70 per cent. Exports to the region, however, remain relatively small.

7.19. Table 7.11 further illustrates that exports to African countries, the second most important destination of Kenya's exports, continued to rise in 1986. Overall exports to the region fetched K£211 million in 1986 compared with K£207 million in 1985, an increase of only 2 per cent. As in 1985, exports to Tanzania continued to rise rapidly and registered a growth of 42 per cent, or four times the 1983 value. Exports to Uganda, our most important market within the region, remained at about the same level of 1983 although they grew by slightly less than 4 per cent between 1985 and 1986, to register K£73 million.

7.20. Exports to the Middle East also rose significantly, with the growth being largely accounted for by Saudi Arabia with an almost ten.fold expansion over 1983. Total exports to the region as a whole rose by 60 per cent from K£26 million in 1985 to K£42 million in 1986. Saudi Arabia alone bought exports worth K£23 million in 1986. There was also almost a doubling of exports to the United Arab Emirates, while overall exports to other countries within the region have been stagnating with the exception of Iran, a small importer, which grew.

7.21.There was a substantial increase in Kenya's exports to the Far East and Australia. Total exports to the region increased from K£85 million in 1985 to K£98 million in 1986. Although exports to Australia and Japan are not large, they still rose substantially by 28 per cent and 37 per cent, respectively between 1985 and 1986; while exports to India increased only marginally in value terms. Overall, however, exports to the region are low and have not been rising fast. Exports to all other countries, not classified

DESTINATION OF TOTAL EXPORTS*, 1982—1986

*Table 7.11* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| E.E.C.— | | | | | |
| United Kingdom | 72.25 | 96.25 | 142.27 | 135.56 | 143.06 |
| West Germany | 60.83 | 82.01 | 98.05 | 93.46 | 136.48 |
| Italy | 15.20 | 14.76 | 21.28 | 17.78 | 20.46 |
| France | 5.99 | 11.35 | 11.18 | 27.20 | 14.13 |
| Netherlands | 27.76 | 32.57 | 52.58 | 52.75 | 91.84 |
| Other | 15.14 | 17.90 | 22.94 | 19.46 | 34.49 |
| TOTAL | 197.17 | 254.84 | 348.30 | 346.21 | 440.46 |
| Other Western Europe, Total | 21.53 | 24.94 | 33.69 | 35.49 | 50.54 |
| Eastern Europe, Total | 8.11 | 5.48 | 6.78 | 13.74 | 10.66 |
| U.S.A | 35.18 | 39.10 | 38.82 | 54.05 | 85.79 |
| CANADA | 4.70 | 5.13 | 5.91 | 5.42 | 9.20 |
| AFRICA— | | | | | |
| Tanzania | 6.84 | 6.29 | 9.73 | 19.18 | 27.26 |
| Uganda | 58.47 | 71.48 | 67.58 | 70.07 | 72.62 |
| Zambia | 1.94 | 1.64 | 0.86 | 1.66 | 1.37 |
| Other | 92.84 | 116.31 | 124.63 | 116.03 | 110.14 |
| TOTAL | 160.09 | 195.72 | 202.80 | 206.94 | 211.39 |
| MIDDLE EAST— | | | | | |
| Saudi Arabia | 5.50 | 2.42 | 3.79 | 9.17 | 22.95 |
| United Arab Emirates | 1.82 | 1.86 | 2.28 | 2.20 | 4.28 |
| Iran | 0.25 | 0.30 | — | 0.11 | 0.42 |
| Other | 20.52 | 15.19 | 19.06 | 14.91 | 14.65 |
| TOTAL | 28.09 | 19.77 | 25.13 | 26.39 | 42.30 |
| FAR EAST AND AUSTRALIA— | | | | | |
| Australia | 1.22 | 1.74 | 2.72 | 2.42 | 3.09 |
| Japan | 3.46 | 4.63 | 6.13 | 6.23 | 8.56 |
| India | 4.53 | 4.70 | 3.08 | 5.12 | 5.89 |
| China (Mainland) | 0.31 | 1.88 | 3.29 | 2.38 | 3.97 |
| Other | 44.37 | 52.30 | 64.86 | 68.45 | 76.69 |
| TOTAL | 53.89 | 65.25 | 80.08 | 84.60 | 98.20 |
| OTHER COUNTRIES | 1.14 | 5.56 | 3.62 | 0.96 | 0.85 |
| Aircraft and Ships Stores | 58.75 | 36.39 | 31.77 | 37.64 | 37.46 |
| ALL EXPORTS | 568.64 | 652.18 | 776.91 | 811.43 | 986.85 |

*Excluding gold and currency but including Re-exports,
**provisional.

under any of the regions, and exports that went to aircraft and shipstores remained at about the same level as in 1985.

7.22. Traditional sources of Kenya's imports remained the same during 1986, although there were changes in the trend among suppliers. Major increases were recorded for import values from the E.E.C. region, while a significant decline in imports from the Middle East was recorded in 1986. Imports from Africa, the Far East and Australia also increased substantially, while those from the major North American countries, other Western Europe and Eastern Europe regions, all recorded declines. These details are shown in Table 7.12.

ORIGIN OF TOTAL IMPORTS, 1982—1986

*Table 7.12* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| E.E.C.— | | | | | |
| United Kingdom | 135.76 | 121.56 | 152.34 | 164.26 | 208.94 |
| West Germany | 75.63 | 70.32 | 98.06 | 95.68 | 146.07 |
| France | 28.11 | 38.63 | 56.00 | 42.04 | 153.71 |
| Italy | 22.96 | 15.68 | 34.10 | 33.29 | 48.84 |
| Netherlands | 23.21 | 27.69 | 29.31 | 32.56 | 34.35 |
| Other | 17.01 | 17.19 | 28.77 | 41.34 | 55.85 |
| TOTAL | 302.68 | 291.07 | 398.58 | 409.17 | 647.76 |
| Other Western Europe, Total | 36.08 | 55.20 | 39.69 | 63.40 | 58.40 |
| Eastern Europe, Total | 5.40 | 4.05 | 5.83 | 8.21 | 18.77 |
| U.S.A | 54.38 | 56.64 | 51.05 | 66.19 | 65.29 |
| CANADA | 13.40 | 7.56 | 9.12 | 11.21 | 6.58 |
| AFRICA— | | | | | |
| Tanzania | 0.86 | 1.02 | 3.02 | 1.71 | 2.21 |
| Uganda | 1.39 | 0.86 | 1.15 | 2.58 | 2.16 |
| Zambia | 1.37 | 1.04 | 1.84 | 1.71 | 2.79 |
| Other | 59.20 | 19.31 | 15.95 | 22.06 | 29.71 |
| TOTAL | 62.82 | 22.23 | 21.96 | 28.06 | 36.87 |
| MIDDLE EAST— | | | | | |
| United Arab Emirates | 84.10 | 119.80 | 123.62 | 223.47 | 127.26 |
| Saudi Arabia | 134.26 | 68.68 | 85.09 | 49.47 | 38.95 |
| Iran | 14.33 | 50.53 | 60.83 | 48.50 | 19.84 |
| Other | 54.62 | 45.06 | 39.05 | 41.76 | 42.03 |
| TOTAL | 287.31 | 284.07 | 308.59 | 363.20 | 228.08 |
| FAR EAST AND AUSTRALIA— | | | | | |
| Japan | 70.14 | 85.84 | 111.76 | 120.01 | 146.28 |
| Australia | 3.31 | 6.72 | 13.25 | 13.52 | 6.07 |
| India | 12.22 | 6.67 | 11.96 | 15.42 | 18.23 |
| China (Mainland) | 6.61 | 3.08 | 8.52 | 10.88 | 12.65 |
| Other | 40.21 | 76.05 | 113.06 | 81.27 | 83.49 |
| TOTAL | 132.49 | 17.36 | 258.55 | 241.10 | 266.72 |
| ALL OTHER COUNTRIES | 5.74 | 6.45 | 3.83 | 5.47 | 9.42 |
| Parcel Post and Special Transactions | — | — | 0.01 | — | |
| TOTAL | 900.30 | 905.62 | 1,097.21 | 1,196.00 | 1,337.89 |

*Provisional.

7.23 All the detailed countries within the EEC region supplied Kenya with more imports in 1986 than in 1985. The value of imports from the region increased by 58 per cent from K£409 million to K£648 million during

the period, with France and West Germany taking the lead in improving their share. Imports from France increased almost four times due to the importation of two Airbuses.

7.24. While the value of imports from Eastern Europe more than doubled; the value of imports from the region categorized as Other Western Europe declined. Supplies from North America also fell, with those from the USA decreasing slightly while those from Canada fell rapidly to below the 1983 level, the lowest in the last five years.

7.25. As already observed, imports from the Middle East declined in value. This is explained by the fact that petroleum prices declined in value substantially in 1986. As a result, import values from all the countries in the region went down, with those from the United Arab Emirates almost falling by half the level recorded in 1985, while still exceeding the 1984 value. The value of imports from Saudi Arabia declined by 21 per cent,while those from Iran decreased by 59 per cent.

7.26. The overall value of imports from the Far East and Australia rose by 11 per cent to K£267 million in 1986 from K£241 million recorded in 1985. Except for Australia, whose imports declined by half, those from other regions rose, with imports from Japan increasing substantially by 22 per cent to a new peak of K£146 million in 1986, or double the 1982 value.

7.27. Table 7.13 sets out details of trade with the Preferential Trade Area (PTA) and other African countries. The upward trend in Kenyan exports to the PTA countries continued and the value of exports rose by 10 per cent in 1986 over the level recorded in 1985. Exports to African countries outside the PTA, however, declined for the second year and fell by 16 per cent in 1986. Imports presented a similar trend to exports with those from the PTA member countries increasing while those from the rest of African countries showing a decline during 1986. Imports rose by 39 per cent from the PTA countries but declined by 23 per cent from the rest of Africa. The only decreases of exports to the PTA countries were for Zambia, Malawi,Mauritius and Djibouti. Kenya made substantial market gains in Tanzania and Ethiopia. Outside the PTA, significant increases were recorded in Sudan, Madagascar and Sychelles. On the import side, supplies from Zambia rose, as did those from Tanzania, Ethiopia, Burundi, Rwanda and Zimbabwe. Imports from African countries outside the PTA remained significantly low.

**Balance of Payments**

7.28. Following a review of the methods and sources of data used for the estimation of Kenya's balance of payments, a new series has been worked out. Chapter 3 presents a summary of the new series for the period 1981-1983, while the out-turn for the years 1984 to 1986 is presented in Table 7.14. Likewise, Table 7.15 has been recalculated using the summary tables based on the new series.

*Table 7.13* *K£'000*

| | EXPORTS | | | | | IMPORTS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1986* | 1982 | 1983 | 1984 | 1985 | 1986* |
| PREFERENTIAL TRADE AREA**— | | | | | | | | | | |
| Uganda | 58,466 | 71,476 | 67,583 | 70,073 | 72,625 | 1,390 | 855 | 1,149 | 2,585 | 2,155 |
| Tanzania | 6,836 | 6,285 | 9,727 | 19,176 | 27,257 | 859 | 1,015 | 3,019 | 1,713 | 2,212 |
| Zambia | 1,937 | 1,641 | 862 | 1,658 | 1,366 | 1,372 | 1,040 | 1,836 | 1,712 | 2,788 |
| Ethiopia | 2,319 | 2,982 | 2,858 | 3,780 | 6,865 | 14,019 | 4,424 | 3,755 | 3,030 | 5,945 |
| Burundi | 13,311 | 14,699 | 14,927 | 8,832 | 8,897 | 189 | 331 | 775 | 1,613 | 2,640 |
| Somalia | 4,117 | 2,734 | 2,981 | 5,526 | 6,826 | 33 | 40 | 36 | 71 | 235 |
| Rwanda | 21,907 | 24,758 | 26,644 | 25,291 | 25,239 | 2,311 | 3,391 | 2,253 | 6,711 | 8,164 |
| Malawi | 760 | 510 | 472 | 1,368 | 463 | 371 | 129 | 92 | 61 | 94 |
| Mauritius | 4,192 | 2,687 | 3,674 | 2,953 | 2,541 | 91 | 49 | 111 | 358 | 216 |
| Swaziland | 720 | 1,056 | 808 | 875 | 1,146 | 1,772 | 2,738 | 3,703 | 4,121 | 2,300 |
| Zimbabwe | 205 | 799 | 255 | 750 | 2,455 | 799 | 251 | 418 | 2,624 | 7,475 |
| Comoros | 1,899 | 831 | 1,920 | 965 | 1,194 | — | 1 | — | — | — |
| Djibouti | 4,638 | 2,506 | 1,974 | 3,988 | 2,527 | 10 | 10 | 3 | 5 | 1 |
| Lesotho | 57 | 165 | 9 | 29 | 381 | — | — | — | — | 2 |
| TOTAL P.T.A | 121,364 | 133,129 | 134,694 | 145,264 | 159,782 | 23,216 | 14,274 | 17,150 | 24,604 | 34,227 |
| OTHER AFRICAN COUNTRIES— | | | | | | | | | | |
| Sudan | 18,882 | 24,602 | 20,999 | 30,063 | 21,450 | 18 | 17 | 2,397 | 12 | 77 |
| Zaire | 5,304 | 6,963 | 7,712 | 6,808 | 11,389 | 987 | 1,214 | 1,413 | 2,543 | 1,337 |
| Mozambique | 742 | 6,363 | 4,253 | 1,156 | 1,997 | 10,488 | — | 155 | 14 | 701 |
| Egypt | 6,525 | 9,494 | 18,900 | 13,016 | 5,021 | 27,063 | 6,687 | 3 | 92 | 36 |
| Algeria and Libya | 235 | 560 | 1,061 | 330 | 385 | 1,009 | — | 2 | — | 1 |
| Ghana and Nigeria | 1,387 | 2,793 | 110 | 374 | 1,417 | 17 | 22 | 56 | 293 | 1 |
| Reunion | 2,212 | 5,122 | 3,871 | 2,867 | 3,000 | 3 | — | — | — | 4 |
| Madagascar and Seychelles | 997 | 3,327 | 3,114 | 4,000 | 2,310 | 5 | 1 | 101 | 5 | 25 |
| All Other African Countries | 2,438 | 3,372 | 8.086 | 3,059 | 4,644 | 17 | 17 | 682 | 493 | 463 |
| Total | 38,722 | 62,596 | 68,106 | 61,673 | 51,613 | 39,607 | 7,958 | 4,809 | 3,452 | 2,645 |
| TOTAL | 160,086 | 195,725 | 202,800 | 206,937 | 211,395 | 62,823 | 22,232 | 21,959 | 28,056 | 36,872 |
| Percentage of all Exports/Imports | 28.2 | 30.1 | 26.1 | 25.5 | 21.4 | 7.0 | 2.5 | 2.0 | 2.3 | 2.8 |

* Provisional.

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

*Table 7.14* *K£million*

| | 1984 + | | | 1985 | | | 1986* | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debits/ Assets | Credits/ Liabilities | Net Credits | Debits/ Assets | Credits/ Liabilities | Net Credits | Debits/ Assets | Credits/ Liabilities | Net Credits |
| A.—CURRENT ACCOUNT | | | | | | | | | |
| 1. Merchandise (f o b ); | 971.65 | 745.55 | *Dr.* 226.10 | 1,048.40 | 774.95 | *Dr.* 273.45 | 1,186.20 | 950.60 | *Dr.* 235.60 |
| 2. Shipment | 151.60 | 39.50 | *Dr.* 112.10 | 165.30 | 35.25 | *Dr.* 130.05 | 184.90 | 30.00 | *Dr.* 154.90 |
| 3. Other Transportation | 32.85 | 106.80 | 73.95 | 33.20 | 125.05 | 91.85 | 39.55 | 133.35 | 93.80 |
| 4. Travel | 10.20 | 151.65 | 141.45 | 12.40 | 204.35 | 191.95 | 17.40 | 246.50 | 229.10 |
| 5. Investment Income | 171.75 | 32.65 | *Dr.* 139.10 | 204.20 | 35.45 | *Dr.* 168.75 | 223.30 | 29.80 | *Dr.* 193.50 |
| 6. Other, goods, services and income Govt. | 37.55 | 114.90 | 77.35 | 42.45 | 124.25 | 81.80 | 54.05 | 146.40 | 92.35 |
| 7. Other goods, services and income: Private | 41.35 | 12.30 | *Dr.* 29.05 | 39.90 | 12.50 | *Dr.* 27.40 | 45.05 | 12.80 | *Dr.* 32.25 |
| 8. Unrequited transfers—Government | 4.55 | 88.55 | 84.00 | 3.20 | 93.65 | 90.45 | 3.25 | 123.90 | 120.65 |
| 9. Unrequited transfers—Private | 22.40 | 65.70 | 43.30 | 20.55 | 87.50 | 66.95 | 25.40 | 72.30 | 46.90 |
| TOTAL CURRENT ACCOUNT | 1,443.90 | 1,357.60 | *Dr.* 86.30 | 1,569.60 | 1,492.95 | *Dr.* 76.65 | 1,779.10 | 1,745.65 | *Dr.* 33.45 |
| B.—CAPITAL ACCOUNT | | | | | | | | | |
| 10. Government Long-term | 102.10 | 201.75 | 99.65 | 131.15 | 110.85 | *Dr.* 20.30 | 144.20 | 147.55 | 3.35 |
| 11. Private Long-term | 5.30 | 12.05 | 6.75 | 15.20 | 18.95 | 3.75 | 3.55 | 28.80 | 25.25 |
| 12. Parastatals | 46.05 | 35.55 | *Dr.* 10.50 | 49.55 | 23.90 | *Dr.* 25.65 | 61.90 | 118.25 | 56.35 |
| 13. Short-term | 41.15 | 70.75 | 29.60 | 65.25 | 85.45 | 20.20 | 63.30 | 89.25 | 25.95 |
| TOTAL CAPITAL ACCOUNT | 194.60 | 320.10 | 125.50 | 261.15 | 239.15 | *Dr.* 22.00 | 272.95 | 383.85 | 110.90 |
| C.—ERRORS AND OMISSIONS | | | *Dr.* 6.95 | | | 4.45 | | | *Dr.* 4.45 |
| D.—OVERALL BALANCE | | | 32.25 | | | *Dr.* 94.20 | | | 73.00 |
| E.—MONETARY MOVEMENTS | | | | | | | | | |
| 14. Change in reserves** | 42.95 | | *Dr.* 42.95 | 18.70 | | *Dr.* 18.70 | 19.95 | | *Dr.* 19.95 |
| 15. Transactions with l.M.F. | | Dr. 1.60 | *Dr.* 1.60 | | 105.20 | 105.20 | | Dr. 54.40 | 54.40 |
| 16. Change in other liabilities | | 12.30 | 12.30 | | 7.70 | 7.70 | | 1.35 | *Dr.* 1.35 |
| TOTAL | 42.95 | 10.70 | *Dr.* 32.25 | 18.70 | 112.90 | 94.20 | | Dr. 53.05 | *Dr.* 73.00 |

*Provisional.

**Reserves are now defined to include Commercial Banks' foreign assets.

7.29. Table 7.14 indicates that the current account improved over the period 1984 to 1986. During the period, the current account deficit fell from K£86 million in 1984 to K£77 million in 1985, and fell further to K£33 million in 1986. The improvement was mainly due to better performance of the service sectors such as transport and tourism, and also as a result of increased income inflows and higher transfers. Lower trade deficits in 1984 and in 1986 also led to improvements in the out-turn, and recorded surplus in the overall balance of payments position in both years,

7.30. The better performance of the export sector in 1986, coupled with higher capital inflows enabled the country to record the highest overall balance of payments surplus since 1977. Visible balance fell to a deficit of K£236 million in 1986 compared with K£273 million in the previous year. Capital inflows, both long-term and short-term, rose from the depressed levels in 1985, when an overall outflow of K£22 million was recorded, to K£111 million in 1986. The net effect was the rise in the overall payments surplus from a deficit of K£94 million in 1985 to a surplus of K£73 million in 1986.

7.31. Revised data in Table 7.15 indicate that the basic balance turned positive in 1986, as a result of the improvement in current account, the higher private long-term capital inflow, and the big change in net public long-term capital. The overall change in monetary movements totalled K£ 167 million in 1986 compared with a net outflow of K£126 million in 1985.

7.32. As indicated in Table 7.16, foreign reserves holding increased during 1986, with a record level of K£395 million being registered in April, 1986. However, the net position as indicated by monetary movements in Table 7.14, shows that the country registered a net outflow in reserves equivalent to K£20 million during 1986; with transactions with the IMF also showing a net outflow of K£54 million.

**International Liquidity**

7.33. Table 7.16 shows that total net foreign exchange reserves rose to K£395 million in April, 1986, before easing to K£339 million in December, 1986. There was thus a rise of 6 per cent in reserves in 1986 compared with 1985. Foreign liabilities, other than those to the IMF, declined from K£8 million to K£4 million, while subscription to the IMF rose from K£125 million in December, 1985 to K£136 million at the end of 1986. On the other hand, the IMF holding of the Kenya currency, which stood at K£507 million in December, 1985 declined to stand at K£461 million in December, 1986. The growth in reserves is attributable to both the increase in exports and the nominal value of the Kenya shilling, since changes in the value of the shilling vis-a-vis the foreign currencies in which the reserves are held affect the magnitude of the reserve holdings.

7.34. Foreign exchange rates of the Kenya shilling for selected currencies are shown in Table 7.17. The Kenya shilling depreciated by 6 per cent in trade weighted terms. Against the SDR, the Kenya shilling depreciated by 8 per cent, moving from KSh. 17.74 (equivalent to 1SDR) at the end of 1985, to KSh. 19.14 (equivalent to 1SDR) at end of December, 1986.

7.35. Against most currencies, the Kenya shilling changed slightly in either direction. It appreciated slightly by over 1 per cent against the US dollar, which had in turn depreciated by 20 per cent in 1986. It remained almost at the same level against the Pound Sterling, but declined by 24 per cent against the German Mark; 15 per cent against the French Franc; and by 24 per cent against the Japanese Yen. The Kenya shilling appreciated against the Zambian Kwacha, Canadian Dollar, the Australian Dollar, the Indian Rupee, and the Burundi Franc.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES,* 1984-1986

*Table 7.15* *K£million*

| | 1984 | 1985 | 1986 |
|---|---|---|---|
| 1. Export (f.o.b.) | + 128.85 | + 29.40 | + 175.65 |
| 2. Imports (f.o.b.) | -174.35 | - 76.75 | -137.80 |
| 3. Services (net) | - 23.05 | + 26.90 | - 4.80 |
| 4. Transfers (net) | + 7.70 | + 30.10 | + 10.15 |
| 5. Change on Current Account | - 60.85 | + 9.65 | + 43.20 |
| 6. Private long-term capital (net) | + 10.35 | - 3.00 | + 21.50 |
| 7. Public long-term capital (net) | + 6.85 | -135.10 | + 105.65 |
| 8. Change on basic balance (net balance on lines 5-7) | - 43.65 | -128.45 | + 170.35 |
| 9. Short-term capital and errors and omissions (nets) | + 18.20 | + 1.35 | - 2.20 |
| 10. Net change on all above items (monetary movements) | - 25.15 | -126.45 | + 167.20 |

* 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.

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1982.1986

*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 |
| 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 | 0.65 | 328.27 | 8.05 | 320.87 | 0.55 | 321.42 | 125.42 | 507.34 | -381.40 | 33.00 |
| 1986— | | | | | | | | | | |
| January | 5.74 | 297.53 | 7.67 | 295.60 | 0.73 | 296.33 | 125.94 | 500.69 | -374.75 | 33.21 |
| February | 15.53 | 349.11 | 7.56 | 357.08 | 0.53 | 357.61 | 125.94 | 500.69 | -374.75 | 34.37 |
| March | 0.82 | 368.88 | 7.47 | 362.23 | 0.69 | 362.92 | 131.94 | 512.52 | -380.58 | 34.55 |
| April | 5.38 | 392.52 | 2.98 | 394.92 | 0.36 | 395.28 | 133.77 | 513.83 | -380.06 | 34.90 |
| May | 17.37 | 374.54 | 2.81 | 389.10 | 1.00 | 390.10 | 133.77 | 513.83 | -380.06 | 35.39 |
| June | 3.21 | 374.53 | 3.31 | 374.43 | 0.71 | 375.14 | 135.86 | 507.94 | -372.08 | 35.39 |
| July | 4.59 | 369.40 | 3.73 | 370.26 | 1.13 | 371.39 | 135.86 | 500.75 | -364.89 | 35.54 |
| August | 2.12 | 383.84 | 3.88 | 382.08 | 2.15 | 384.23 | 135.86 | 500.75 | -364.89 | 35.99 |
| September | 2.59 | 367.56 | 4.38 | 365.77 | 0.88 | 366.65 | 135.86 | 488.77 | -352.91 | 36.20 |
| October | 3.97 | 365.26 | 3.36 | 365.87 | 0.56 | 366.43 | 135.86 | 478.67 | -342.81 | 36.20 |
| November | 12.40 | 356.98 | 3.82 | 365.56 | 0.60 | 366.16 | 135.86 | 475.30 | -339.44 | 36.20 |
| December | 9.46 | 333.53 | 4.26 | 338.73 | 0.53 | 339.26 | 135.86 | 461.37 | -325.51 | 36.20 |

Source: Central Bank of Kenya.

* Excludes subscription to I.M.F.

**Figures with minus indicate use of Fund Credit.

\+ Liability of the member country, corresponding to the issue of S.D.R.'s.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1982-1986

*Table 7.17*

| Currency | MEAN RATES IN KENYA SHILLINGS | | | | |
|---|---|---|---|---|---|
| | 31st Dec. 1982 | 31st Dec. 1983 | 31st Dec. 1984 | 31st Dec 1985 | 31st Dec. 1986 |
| 1 US Dollar | 12.725 | 13.796 | 15.781 | 16.284 | 16.042 |
| 1 Pound Sterling | 20.627 | 20.059 | 18.401 | 23.466 | 23.566 |
| 1 Deutsche Mark | 5.344 | 5.083 | 5.039 | 6.621 | 8.242 |
| 1 French Franc | 1.889 | 1.662 | 1.641 | 2.159 | 2.490 |
| 1 Swiss Franc | 6.356 | 6.340 | 6.099 | 7.863 | 9.872 |
| 1 Dutch Guilder | 4.844 | 4.523 | 4.461 | 5.876 | 7.292 |
| 1 Swedish Kroner | 1.741 | 1.730 | 1.766 | 2.150 | 2.355 |
| 1 Norwegian Kronor | 1.806 | 1.790 | 1.743 | 2.151 | 2.162 |
| 1 Zambian Kwacha** | 13.727 | 11.338 | | 2.867 | 1.262 |
| 1 Austrian Schilling | 0.763 | 0.717 | 0.716 | 0.940 | 1.170 |
| 1 Belgian Franc | 0.272 | 0.244 | 0.251 | 0.324 | 0.396 |
| 1 Danish Kronor | 1.516 | 1.402 | 1.402 | 1.817 | 2.174 |
| 1 Canadian Dollar | 10.325 | 11.086 | 11.959 | 11.648 | 11.602 |
| 1 Finish Marka | 2.412 | 2.368 | 2.418 | 3.002 | 3.330 |
| 1 Australian Dollar | 12.489 | 12.389 | 13.061 | 11.106 | 10.655 |
| 100 Japanese Yen | 5.440 | 5.958 | 6.306 | 8.120 | 10.030 |
| 100 Italian Lira | 0.930 | 0.834 | 0.821 | 0.971 | 1.184 |
| 1 Indian Rupee | 1.235 | 1.315 | 1.275 | 1.348 | 1.224 |
| 1 Pakistan Rupee | 0.990 | 1.022 | 1.029 | | |
| 100 Burundi Frans** | 14.139 | 11.750 | 12.188 | 14.540 | 13.882 |
| 100 Rwanda Frans** | 13.705 | 14.037 | 15.065 | 17.370 | 18.940 |
| Overall Weighted Index* 1982=100 | 100.0 | 99.2 | 97.2 | 118.3 | 125.8 |

*Trade weighted Fisher's Ideal. The Index excludes weighting by the unavailable exchange rates.

**P.T.A. Exchange Rates (Zambia, Rwanda and Burundi).

# CHAPTER 8—AGRICULTURE AND LIVESTOCK

A combination of good weather, producer incentives and aggressive campaign for more agricultural output during 1986, resulted in one of the best overall performance of the agricultural sector in recent years. Record production levels were achieved for maize, potatoes, beans, wheat and coffee. Milk production also reached an all time high. However, production of tea, rice paddy, cotton and sisal fell below their 1985 levels, due mainly to a combination of policy changes, management constraints as well as other natural factors. On aggregate, the agricultural sector is estimated to have grown by 4.8 per cent in real terms between 1985 and 1986, compared with 3.5 per cent recorded between 1984 and 1985.

8.2. Some evidence of the impact of favourable weather, and economic conditions on the performance of the entire agricultural sector can be seen by reference to Table 8.1. The growth in agricultural output and value added at current prices was 13.7 per cent and 12.8 per cent, respectively between 1985 and 1986. However, at 1982 constant prices, their respective increases were 6.6 per cent and 4.8 per cent during the same period. The impact of this good performance has been favourably felt by the rest of the economy, since agriculture contributes one third of the total value added in the economy.

**AGRICULTURAL OUTPUT AND INPUT,** 1982.1986

*Table 8.1* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| AT CURRENT PRICES— | | | | | |
| Total Output | 1,048.82 | 1,182.01 | 1,253.13 | 1,431.95 | 1,628.31 |
| *Less* Inputs | 141.66 | 151.40 | 169.24 | 232.97 | 276.18 |
| Value Added | 907.16 | 1,030.61 | 1,083.89 | 1,198.98 | 1,352.13 |
| AT CONSTANT (1982) PRICES— | | | | | |
| Total Output | 1,048.82 | 1,088.82 | 1,056.60 | 1,101.50 | 1,173.70 |
| *Less* Inputs | 141.66 | 142.53 | 145.90 | 158.48 | 185.42 |
| Value Added | 907.16 | 946.29 | 910.70 | 943.02 | 988.28 |

*Provisional.

## Marketed Production

8.3. A summary of the value of marketed agricultural production at current prices is provided in Table 8.2. The combined effect of favourable weather for the second year, good coffee prices in the world market and price incentives to farmers, stimulated more agricultural output in 1986 This resulted in a 24 per cent increase in the value of marketed production. thus restoring the upward trend disrupted in 1985. A record increase in marketed production of 31 per cent was registered by livestock and products in 1986. The overall increase in the value of marketed crops was 23 per cent in 1986 compared with 1985. Marketed value of cereals increased from K£91 million in 1985 to K£107 million in 1986, up by 18 per cent.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1982-1986

*Table 8.2* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| CEREALS— | | | | | |
| Maize | 30.78 | 48.95 | 49.05 | 54.56 | 66.50 |
| Wheat | 22.02 | 26.92 | 17.84 | 26.26 | 32.88 |
| Others | 6.90 | 5.54 | 4.52 | 10.19 | 7.82 |
| Total | 59.70 | 81.41 | 71.41 | 91.01 | 107.20 |
| TEMPORARY INDUSTRIAL CROPS | | | | | |
| Sugar-cane | 29.40 | 34.34 | 40.99 | 46.75 | 52.79 |
| Pyrethrum | 14.78 | 5.03 | 1.94 | 2.92 | 4.48 |
| Others | 9.76 | 11.87 | 15.53 | 16.24 | 35.45 |
| Total | 53.94 | 51.24 | 58.46 | 65.91 | 92.72 |
| OTHER TEMPORARY CROPS | 10.64 | 11.96 | 9.57 | 17.27 | 27.81 |
| PERMANENT CROPS— | | | | | |
| Coffee | 122.87 | 166.25 | 227.67 | 191.89 | 288.32 |
| Tea | 93.19 | 130.31 | 301.12 | 247.60 | 242.33 |
| Sisal | 12.59 | 15.54 | 17.34 | 15.03 | 15.42 |
| Others | 4.25 | 4.52 | 5.62 | 4.86 | 4.71 |
| Total | 232.90 | 316.62 | 551.75 | 459.38 | 550.78 |
| TOTAL CROPS | 357.18 | 461.23 | 691.19 | 633.57 | 778.51 |
| LIVESTOCK AND PRODUCTS— | | | | | |
| Cattle and Calves | 52.26 | 51.81 | 58.95 | 70.36 | 84.26 |
| Dairy Produce | 28.51 | 32.80 | 25.78 | 36.26 | 56.51 |
| Others | 10.97 | 9.64 | 12.86 | 15.75 | 19.03 |
| Total | 91.74 | 94.25 | 97.59 | 122.37 | 159.80 |
| GRAND TOTAL | 448.92 | 555.48 | 788.78 | 755.94 | 938.32 |

*Provisional.

Thus, efforts to enhance self sufficiency in food were maintained. Marketed value of temporary industrial crops also increased by a record 41 per cent in 1986. The largest contribution to this increase was from other temporary industrial crops. Though sugar-cane and pyrethrum registered higher production levels in 1986, these were below record levels achieved in earlier years. A combination of high average prices for coffee and high deliveries of other crops resulted in a 20 per cent increase in the marketed production of permanent crops in 1986. There was a record 50 per cent increase in the value of coffee deliveries in 1986. However, the value of marketed "made tea" declined by 2 per cent, mainly as a result of low prices.

8.4. Table 8.3 summarizes in an index form, quantities and value of

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1982-1986

*Table 8.3* *1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| QUANTUM INDICES— | | | | | |
| Cereals | 100.0 | 105.8 | 86.7 | 93.6 | 104.3 |
| Temporary Industrial Crops | 100.0 | 95.6 | 104.3 | 81.7 | 82.0 |
| Permanent Crops | 100.0 | 116.4 | 122.0 | 112.2 | 130.9 |
| TOTAL CROPS | 100.0 | 111.4 | 102.0 | 110.3 | 128.0 |
| Livestock and Products | 100.0 | 100.3 | 145.9 | 82.2 | 92.7 |
| TOTAL GROSS MARKETED PRODUCTION | 100.0 | 110.7 | 117.9 | 104.6 | 120.8 |
| Price Indices— | | | | | |
| Cereals | 100.0 | 129.8 | 139.8 | 160.7 | 171.2 |
| Temporary Industrial Crops | 100.0 | 100.7 | 127.6 | 137.6 | 148.5 |
| Permanent Crops | 100.0 | 118.0 | 185.7 | 144.9 | 181.6 |
| TOTAL CROPS | 100.0 | 117.9 | 178.8 | 145.3 | 180.0 |
| Livestock and Products | 100.0 | 100.3 | 105.0 | 118.9 | 134.8 |
| TOTAL GROSS MARKETED PRODUCTION | 100.0 | 116.9 | 174.8 | 139.9 | 170.8 |

*Provisional.

marketed agricultural products. Both indices reflect the continued recovery of agricultural output since 1984. In particular, the quantity index for cereals shows that the 1986 level of production is only marginally lower than that of 1983 when production was high. However, temporary industrial crops and livestock quantities were still below their 1982 levels. The slow recovery of livestock is essentially biological, while management problems account for the slower recovery of temporary industrial crops. The price indices of all but permanent crops have maintained an upward trend since 1982. This is basically due to the regular upward revision of prices, especially for some temporary industrial crop and livestock and for cereals. The price indices of permanent crops generally reflect trend in international prices. When tea prices were high in 1984, the index rose sharply; similarly, the situation is reflected in the 1986 price index due to the coffee boom. Thus, the price index for permanent crops increased from 144.9 points in 1985 to 181.6 points in 1986, or by 25 per cent. Overall, the price change in gross marketed production rose from 139.9 points in 1985 to 170.8 in 1986, an increase of 22 per cent.

8.5. The annual average prices paid to farmers are provided in Table 8.4. A notable feature is the rising trend maintained by most products since 1982. The only exceptions to the above are: the price of tea which declined

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1982-1986

*Table 8.4* *KSh. per stated unit*

| | Unit | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|
| Coffee | 100kg. | 2,780 | 3,488 | 3,844 | 3,972 | 5,020 |
| Tea | | 1,941 | 2,184 | 5,184 | 3,366 | 3,382 |
| Sisal | | 503 | 625 | 674 | 707 | 743 |
| Sugar-cane | tonne | 170 | 227 | 227 | 270 | 297 |
| Pyrethrum (extract equivalent) | kg. | 1,150 | 1,150 | 1,150 | 1,150 | 1,210 |
| Seed Cotton | 100kg. | 352 | 369 | 448 | 480 | 470 |
| Maize | | 107 | 154 | 175 | 187 | 198 |
| Wheat | | 188 | 222 | 269 | 271 | 293 |
| Rice Paddy | | 150 | 178 | 178 | 342 | 348 |
| Beef (third grade) | | 1,100 | 1,138 | 1,101 | 1,492 | 1,857 |
| Bacon Pigs | | 1,373 | 1,459 | 1,482 | 1,394 | 2,057 |
| Milk | 100 litres | 215 | 240 | 240 | 285 | 325 |

*The 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.

in 1985 following the 1984 boom; and the price of pyrethrum, where the previous price rise was in 1980. Other commodities such as coffee and sisal whose prices are determined by the world market, enjoyed better prices in 1986 compared with 1985. The other commodities and products subject to pricing regulations also benefitted from higher prices in 1986—a reflection of the continued use of the pricing incentives to boost agricultural output. The prices for bacon pigs improved markedly in 1986 in order to boost production and restore the industry's viability, as well as farmers' confidence following the closure of the Uplands Bacon Factory. On the average, commodity prices to farmers rose faster in 1986 than consumer prices as measured by the Nairobi Consumer Prices Indices.

8.6. The distribution of sales to marketing boards between large and small scale producers is shown in Table 8.5. While the value of marketed production from large scale producers increase by nearly 49 per cent in 1986, the corresponding increase for small scale marketed production was a mere 3 per cent. This disparity in the performance of sales resulted in a significant drop in the percentage contribution by the small scale producers. For the first time in ten years, the contribution from small farms fell below 50 per cent. A major contributing factor to this scenario was the big increase in the sale of coffee from large farms, and the decline in production of coffee and rice paddy by small farmers.

8.7. The use of agricultural inputs plays an important role in improving productivity. Table 8.6 presents the quantum and price indices of a sample of material and service inputs used in the agricultural sector. The quantity of agricultural inputs used has maintained an increasing trend since 1984, though material inputs fluctuate more than service inputs. Fertilizers used, having increased to record levels in 1985, declined marginally in 1986. The quantum index for bags increased sharply to 139.6 points in 1986, in response to increased quantities of cereals, pulses and coffee deliveries.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1982-1986

*Table 8.5*

| YEAR | LARGE FARMS | | SMALL FARMS | | TOTAL | | PERCENTAGE SHARE OF SMALL FARMS |
|---|---|---|---|---|---|---|---|
| | K£ mn. | Annual Percentage change | K£ mn. | Annual Percentage change | K£ mn. | Annual Percentage change | |
| 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 | 346.63 | -10.3 | 409.31 | 1.7 | 755.94 | -4.2 | 54.2 |
| 1986* | 515.53 | 48.7 | 422.79 | 3.3 | 938.32 | 24.1 | 45.1 |

***Provisional.**

However, use of "other material inputs" has not year recovered to the 1982 levels, though some improvement was observed in 1986.
The price indices of these inputs have maintained a more consistent upward trend than the quantum indices, except the index for "other material inputs". A notable observation is the drop in the fuel and power index, from 164.8 points in 1985 to 122.9 points in 1986, or by 25 per cent. This was mainly due to price cuts of petroleum products in 1986. The price index of manufactured feeds, on the other hand, increased to a record 173.6 points in 1986, probably as a result of the high prices of cereal inputs during the same period. The net effect of these price changes was an increase in the total non-factor input price index from 124.5 points in the 1985 to 130.3 points in 1986. This rise was in line with those observed in 1983 and 1984.

8.8. The value of inputs used in the agricultural sector is shown in Table 8.7. Overall, there has been a rising trend since 1982, with a doubling of value from K£83 million in 1982, to K£165 million in 1986. The momentum to improve agricultural production resulted in increased use of inputs, which rose in value from K£141 million in 1985 to K£165 million in 1986, a rise of 17 per cent.

8.9. A comparison between prices of agricultural output and input costs is provided in Table 8.8. Both the agricultural output and input prices have been increasing each year in response to economic conditions. However, indices of input prices paid had a greater rate of increase through time. This implies a below parity relationship, as shown by the terms of trade index. The result is, therefore, a downward trend between 1982 and 1985. Nevertheless, in 1986 an improvement in the output-input price relationship resulted in an upturn in the terms of trade index, with an increase of around 4 per cent from 91.5 points in 1985 to 95.0 points in 1986. The improvement was due to an increase in virtually all agricultural producer prices, while input prices of fuels and fertilizers either dropped or increased only marginally during 1986.

AGRICULTURAL INPUT INDICES*, 1982-1986

*Table 8.6* 1982=100

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| QUANTUM INDICES— | | | | | |
| Fertilizers | 100.0 | 95.8 | 109.9 | 169.2 | 162.4 |
| Fuel and Power | 100.0 | 91.2 | 104.2 | 103.4 | 115.5 |
| Bags | 100.0 | 96.5 | 125.2 | 94.6 | 139.6 |
| Manufactured Feeds | 100.0 | 110.8 | 116.4 | 100.2 | 106.2 |
| Purchased Seeds | 100.0 | 93.5 | 123.8 | 111.1 | 145.4 |
| Other Material Inputs | 100.0 | 99.0 | 111.8 | 87.5 | 98.2 |
| Total Material Input | 100.0 | 93.5 | 112.7 | 110.9 | 121.9 |
| Service Inputs | 100.0 | 99.8 | 101.3 | 105.7 | 111.2 |
| TOTAL INPUTS | 100.0 | 96.7 | 107.0 | 110.4 | 120.8 |
| PRICE INDICES— | | | | | |
| Fertilizers | 100.0 | 104.4 | 105.0 | 128.3 | 151.4 |
| Fuel and Power | 100.0 | 108.8 | 121.1 | 164.8 | 122.9 |
| Bags | 100.0 | 113.7 | 128.4 | 137.7 | 157.7 |
| Manufactured Feeds | 100.0 | 88.5 | 155.8 | 158.5 | 173.6 |
| Purchased Seeds | 100.0 | 115.7 | 133.8 | 143.9 | 161.3 |
| Other Material Inputs | 100.0 | 143.3 | 153.3 | 77.0 | 91.1 |
| TOTAL MATERIAL INPUT | 100.0 | 105.4 | 124.0 | 126.0 | 131.1 |
| NON-FACTOR SERVICE INPUTS | 100.0 | 103.5 | 106.0 | 112.6 | 123.1 |
| TOTAL NON-FACTOR INPUTS | 100.0 | 104.2 | 107.3 | 124.5 | 130.3 |

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

** Provisional.

8.10. The good performance in agricultural production is provided by production data on selected food crops shown in Table 8.9. As mentioned earlier, the effect of favourable weather conditions in the last two years has increased the level of output for most agricultural products including food crops. In particular, maize production rose to an unprecendented harvest record of an estimated of 32 million bags in the 1986/87 season. This was double the 1984/85 harvest and 19 per cent above the 27 million bags produced during the 1985/86 agricultural year. The production of beans in 1986/87 also surpassed record levels achieved in the 1982/83 season. It is estimated that about 3.6 million bags of beans were produced in the last season, up by 83 per cent on 1985/86 year. The production of potatoes increased less dramatically and was marginally above the 1982/83 level.

PURCHASED AGRICULTURAL INPUTS*, 1982-1986

*Table 8.7* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| MATERIAL INPUTS— | | | | | |
| Fertilizers | 14.68 | 14.34 | 21.12 | 32.94 | 34.08 |
| Other Agricultural Chemicals | 12.27 | 12.76 | 12.06 | 18.36 | 21.93 |
| Livestock Drugs and Medicines | 5.80 | 5.33 | 8.87 | 9.68 | 10.33 |
| Fuel and Power | 15.26 | 16.63 | 18.17 | 19.88 | 22.59 |
| Bags | 5.85 | 6.36 | 9.32 | 8.61 | 12.26 |
| Manufactured Feeds | 10.53 | 9.78 | 17.98 | 17.70 | 18.89 |
| Purchased Seeds | 4.46 | 6.14 | 17.59 | 15.77 | 23.73 |
| Other Material Inputs | 4.66 | 5.08 | 6.64 | 5.47 | 6.91 |
| Total | 73.51 | 76.42 | 111.75 | 128.41 | 150.72 |
| SERVICE INPUTS | 9.84 | 8.95 | 8.24 | 13.07 | 14.68 |
| TOTAL INPUTS | 83.35 | 85.37 | 119.99 | 141.48 | 165.40 |

* Except labour.
** Provisional.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1982-1986

*Table 8.8* *1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| General Index of Agricultural output prices** | 100.0 | 108.6 | 118.6 | 130.0 | 141.4 |
| PRICES PAID— | | | | | |
| Purchased Inputs | 100.0 | 103.5 | 106.0 | 112.6 | 123.1 |
| Index of Purchased Consumer Goods— | | | | | |
| Rural Areas | 100.0 | 113.8 | 134.0 | 154.8 | 159.9 |
| INDICES OF PRICES PAID | 100.0 | 110.7 | 125.6 | 142.1 | 148.9 |
| Agricultural Sector Terms of Trade | 100.0 | 98.1 | 94.4 | 91.5 | 95.0 |

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

8.11. The monitoring of the production and availability of food in the country has gained considerable importance in the last few years. This activity includes the assessment of food production through bi-annual crop and area forecast surveys. Demand and supply situations are also reflected via the rural market price surveys of major food crops. Table 8.10 provides data on retail prices of selected food commodities in the rural markets during March and September. The two months represent the period before the onset of the long rains, and immediately after the long rains harvest in most provinces. The effect of the 1984 drought is reflected in higher prices during that period.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1982/83.1986/87

(Based on Crop Forecast Surveys)

*million bags*

| CROP | 1982/83 | 1983/84 | 1984/85 | 1985/86 | 1986/87* |
|---|---|---|---|---|---|
| Maize | 26.10 | 24.20 | 15.80 | 27 00 | 32.20 |
| Beans | 3.20 | 3.00 | 0.76 | 1.97 | 3.60 |
| Potatoes | 6.10 | 5.10 | 2.59 | 5.90 | 6.11 |

**Provisional

8.12. Maize prices increased by more than 60 per cent in Eastern, Central and Rift Valley Provinces between March and September, 1984. However, between March 1985 and September 1986, maize prices declined by 6 per cent in Eastern; by 2 per cent in the Rift Valley; and more dramatically by over 30 per cent in both Nyanza and Western Provinces. Only Central Province recorded a 6 per cent increase in maize price during this period.

8.13. Similarly, the price of beans increased by more than 80 per cent in the Coast, Eastern and Central provinces between March and September, 1984. These regions are the dominant beans consumers. Price increases during this period in Rift Valley, Nyanza and Western Provinces ranged between 20 and 59 per cent. With the available supply of beans after the 1984 drought, there were price reductions of at least 39 per cent between March, 1985 and September, 1986.

8.14. On the other hand, potatoes reflect a relatively smaller magnitude in monthly price movement since 1984. While rural market prices in Coast, Eastern, Central and Rift Valley Provinces depict a similar trend as maize and beans, price movements in Nyanza and Western Provinces show slight differences. Thus potatoes may have been least affected by the 1984 drought in the two provinces.

**Production by Crop**

8.15. Table 8.11 provides data on deliveries of some major crops to various boards. These deliveries reflect individual commodity production trends on an annual basis. Significant increases in amounts delivered were realized for maize, wheat, coffee and pyrethrum; while drastic shortfalls in deliveries were recorded for rice paddy and cotton. The deliveries of other commodities such as tea and sisal declined in 1986, while there was a marginal improvement in 1986 for sugar-cane.

8.16. *Maize*—A combination of good weather conditions, ample supply of inputs and good producer incentives helped to increase maize production and sales in 1986. The production of maize is estimated to have increased by 19 per cent to a bumper harvest of 32 million bags in 1986/87. This resulted in over 13 per cent increase in maize deliveries to the National Cereals and Produce Board (NCPB) in 1986. A record 7.4 million bags of maize were

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1984-1986

*Table 8.10* *KSh. per Kg.*

| CROP | PROVINCE | 1984 | | 1985 | | 1986 | |
|---|---|---|---|---|---|---|---|
| | | March | September | March | September | March | September |
| Maize | Coast | 2.63 | 4.68 | 3.03 | 2.27 | 2.90 | 2.86 |
| | Eastern | 2.09 | 4.00 | 2.88 | 2.46 | 3.22 | 3.04 |
| | Central | 2.41 | 3.90 | 2.45 | 2.69 | 2.10 | 2.39 |
| | Rift Valley | 2.98 | 2.71 | 2.84 | 2.10 | 2.47 | 1.87 |
| | Nyanza | 2.95 | 1.75 | 2.89 | 2.07 | 2.46 | 2.00 |
| | Western | | | | | | |
| Beans | Coast | 7.60 | 14.75 | 12.99 | 10.46 | 8.20 | 7.95 |
| | Eastern | 5.82 | 11.26 | 9.97 | 5.70 | 4.66 | 4.12 |
| | Central | 5.82 | 10.60 | 10.47 | 7.18 | 6.30 | 5.68 |
| | Rift Valley | 5.75 | 9.13 | 10.57 | 7.76 | 8.78 | 6.31 |
| | Nyanza | 6.40 | 9.24 | 8.75 | 5.88 | 6.69 | 6.68 |
| | Western | 5.24 | 6.33 | 8.13 | 6.44 | 6.66 | 4.75 |
| Potatoes | Coast | 3.00 | 4.16 | 3.78 | 3.47 | 2.42 | 4.34 |
| | Eastern | 2.31 | 3.91 | 3.60 | 2.83 | 2.57 | 2.55 |
| | Central | 1.96 | 2.55 | 2.58 | 2.23 | 1.99 | 1.81 |
| | Rift Valley | 2.89 | 2.98 | 2.75 | 2.06 | 2.28 | 2.44 |
| | Nyanza | — | 1.36 | 2.26 | 2.59 | 1.76 | 2.90 |
| | Western | 4.44 | 3.56 | 5.81 | 2.73 | 2.84 | 3.84 |

thus delivered to the NCPB in 1986 compared with about 6.5 million bags delivered in 1984. An unrecorded number of bags were sold direct to millers in the course of the year when this was permitted.

8.17. *Wheat*—The production of wheat has improved in the last two years, and seems to be on a recovery path to its 1983 production level. From the all.time drought affected, low production level of about 135 thousand tonnes in 1984, production increased by 43 per cent to 194 thousand tonnes in 1985. A further increase of 16 per cent in 1986 pushed production to 225 thousand tonnes. However, this was still inadequate to meet domestic demand as can be seen from the amount of wheat imports shown in Table 8.12. Imports decreased from 150 thousand tonnes in 1985 to 115 thousand tonnes in 1986, with a subsequent decline in wheat flour consumption.

8.18. *Coffee*—A combination of good weather and increasing coffee prices in the last five years has continued to encourage coffee production. In 1986, coffee deliveries increased by 19 per cent and recorded 115 thousand tonnes. The year was also noted for high world coffee prices. However, the high coffee prices were only short-lived, with fairly low prices prevailing in the latter half of 1986. Nonetheless, the 1986 average prices were still above those for 1985.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1982-1986

*Table 8.11*

| CROP | UNIT | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Maize | '000 tonnes | 571.3 | 636.0 | 560.6 | 582.9 | 669.5 |
| Wheat | | 234.7 | 242.3 | 135.4 | 193.5 | 224.7 |
| Rice Paddy | | 38.6 | 36.6 | 36.4 | 39.5 | 21.3 |
| Cotton | | 24.3 | 25.8 | 22.8 | 38.0 | 25.4 |
| Coffee | | 88.4 | 95.3 | 118.5 | 96.6 | 114.9 |
| Tea | | 95.6 | 119.3 | 116.2 | 147.1 | 143.3 |
| Sisal | | 50.0 | 49.7 | 51.4 | 45.0 | 41.5 |
| Sugar-cane | mn. tonnes | 3.1 | 3.2 | 3.6 | 3.5 | 3.6 |
| Pyrethrum (Extract Equivalent) | tonnes | 258 | 87 | 34 | 50 | 74 |

"Provisional.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1982-1986

*Table 8.12* '000 *Tonnes*

| YEAR | PRODUCTION* | IMPORTS | FLOUR CONSUMPTION |
|---|---|---|---|
| 1982 | 247.5 | 154.3 | 266.7 |
| 1983 | 251.3 | 81.9 | 271.7 |
| 1984 | 144.4 | 140.3 | 224.0 |
| 1985 | 201.1 | 149.9 | 293.3 |
| 1986** | 257.4 | 115.3 | 274.1 |

* Includes retention for seed.
** Provisional.

8.19. Table 8.13 gives data on production and area under coffee by type of producer. The Co-operative movement, which represents the small-scale producer, continues to dominate the production of coffee. Their total contribution to coffee production has been 61 per cent on average, during the period under review. However, in terms of area under coffee production, the co-operative movement's share was 75 per cent during the same period. The total area under coffee increased by 3 per cent from 152,000 hectares in 1984/85 to 156,300 hectares in 1985/86. The production per hectare has also improved from 539 Kg. in 1981/82 to 581 Kg. in 1985/86 in the case of co-operatives. Similar figures for the estates have risen from 1,023 Kg. to 1,179 Kg. during the same period. Following a severe drought in Brazil, the world's largest coffee producer; export quotas were suspended in February, 1986 due to the high coffee prices.

8.20. *Tea*—As a result of a drier spell during the first quarter of 1986, and low world prices, production of "made tea" declined by around 3 per cent from a peak of 147 thousand tonnes in 1985 to 143 thousand tonnes in 1986. Although the production of "made tea" by the small-holders rose as shown in Table 8.14, this was for the "tea year" only. For the calendar year, small-holder tea production actually fell, resulting in the overall drop mentioned above. The percentage contribution of "made tea" from small farmers was 46.8 and 45.5 in 1985 and 1986, respectively. Thus the small-holder tea producer is an important participant in the country's tea industry. Table 8.14 indicates that among the small-holder tea producers, their number rises annually as does tea productivity. The average holding size has remained unchanged for many years at 0.38 hectares per grower. Like coffee, productivity in the tea estates is relatively higher—a reflection of technological differences between the two types of producers. Recent efforts aimed at increasing tea production in the future include the establishment of the "Nyayo Tea Zones Corporation". The Corporation has been assigned the task of developing tea in the non-Kenya Tea Development Authority areas, particularly in selected forest edge areas. This will shift the tea production balance in favour of small-holders.

8.21. *Cotton*—After the 1985 record level, cotton production declined sharply by 34 per cent in 1986 to only 25 thousand tonnes. This is partly attributed to financial problems facing the cotton industry. However, the 1986 production level was only marginally below that of 1983. Cotton prices, on the other hand, remained constant at the prices set in 1985. However, a modest drop in the average prices was recorded in 1986 as a result of a slight shift in the quality of production.

8.22. *Sugar-cane*—The production of sugar-cane remained in the 3.5 to 3.6 million tonnes range for the last three years; and the production level for 1986 was still below the 4.0 million tonnes attained in 1980. Table 8.15 gives details of production by type of grower. Increases of 3, 11 and 18 per cent were recorded by the large farms, small-holders, and co-operatives, respectively, while factory estates production returned to roughly its 1983 level. Production in the settlement schemes continued to fall for the third year in succession.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1981/82-1985/86

*Table 8.13*

| | 1981/82 | 1982/83 | 1983/84 | 1984/85 | 1985/86 |
|---|---|---|---|---|---|
| Area (Ha) '000— | | | | | |
| Co-operatives | 97.5 | 103.1 | 114.2 | 116.3 | 117.7 |
| Estates | 33.6 | 33.6 | 35.7 | 35.7 | 38.6 |
| TOTAL | 131.1 | 136.7 | 149.9 | 152.0 | 156.3 |
| Production (tonnes) '000— | | | | | |
| Co-operatives | 52.5 | 54.1 | 61.5 | 64.7 | 68.4 |
| Estates | 34.4 | 33.1 | 49.0 | 28.9 | 45.5 |
| TOTAL | 86.9 | 87.2 | 110.5 | 93.6 | 113.9 |
| Quota (tonnes) | 84.0 | 78.0 | 83.4 | 79.8 | |
| Average yield (Kg./Ha.)— | | | | | |
| Co-operatives | 539 | 509 | 539 | 556 | 581 |
| Estates | 1,023 | 981 | 1,372 | 809 | 1,179 |

DEVELOPMENT OF SMALL HOLDER TEA, 1981/82-1985/86

*Table 8.14*

| Agricultural years | Total Hectares at end of year | Number of growers at end of year | Production of ready. made tea *(tonnes)* | Average yield per hectare (kg.) |
|---|---|---|---|---|
| 1981/82 | 54,693 | 143,617 | 35,547 | 650 |
| 1982/83 | 54,965 | 144,744 | 46,311 | 842 |
| 1983/84 | 56,173 | 149,555 | 47,058 | 838 |
| 1984/85 | 56,497 | 150,088 | 62,934 | 1,114 |
| 1985/86 | 56,542 | 150,414 | 64,726 | 1,145 |

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1982-1986

*Table 8.15* *'000 tonnes*

| TYPE OF GROWER | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Factory Estates | 847.4 | 789.3 | 729.3 | 931.1 | 796.0 |
| Large Farms | 496.9 | 617.8 | 599.9 | 485.7 | 502.1 |
| Small.Holders | 1,331.7 | 1,448.3 | 1,718.8 | 1,517.5 | 1,689.1 |
| Co-operative Societies | 165.5 | 197.6 | 218.4 | 221.7 | 261.3 |
| Settlement Schemes | 266.2 | 232.6 | 344.8 | 307.0 | 303.1 |
| TOTAL | 3,107.7 | 3,285.6 | 3,611.2 | 3,463.0 | 3,551.6 |

*Provisional.

8.23. Table 8.16 gives details on sugar production, imports, consumption and exports for the period 1982.1986. When sugar-cane intake rises, there is a corresponding increase in sugar production. The rate of increase in sugar production depends on both the quality of cane and factory efficiency. The output of sugar improved in 1986 by increasing from 346 thousand tonnes in 1985 to 370 thousand tonnes during the year. This figure, however, is well below the 401 thousand tonnes recorded in 1980. Since 1985. sugar production has been out-stripped by domestic consumption—thus necessitating larger amounts of imports to offset shortfall in self. sufficiency attained for the first time in 1979. Exports of sugar has virtually stopped in the last two years.

8.24. *Horticulture*—The horticultural production for the export market continued to increase in 1986 despite stiff international competition. The exports of fresh cut-flowers and French beans continue to dominate the horticultural export mix. Their contribution in value terms was 66 and 64 per cent in 1985 and 1986, respectively. As shown in Table 8.17, exports of horticultural crops increased in quantity by 21 per cent in 1986 to 36 thousand tonnes. Their corresponding value increased by 34 per cent to K£32 million in 1986. Western Europe, particularly the United Kingdom, West Germany and Holland constitute the country's largest market.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1982-1986

*Table 8.16* *'000 tonnes*

| YEAR | PRODUCTION | IMPORTS | CONSUMPTION | EXPORTS |
|---|---|---|---|---|
| 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 | |
| 1986* | 369.7 | 126.2 | 381.4 | |

*Provisional.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1982-1986

*Table 8.17*

| YEAR | VOLUME '000 TONNES | VALUE K£MILLION |
|---|---|---|
| 1982 | 24.6 | 13.63 |
| 1983 | 28.9 | 17.52 |
| 1984 | 31.3 | 20.79 |
| 1985 | 30.0 | 23.46 |
| 1986* | 36.2 | 31.52 |

*Provisional.

8.25. *Pyrethrum*—There was a remarkable recovery in the production of pyrethrum for the second year. The production level of 74 tonnes represents a 48 per cent increase from the 1985 level, althougth this level was still less than a third of the 1982 production. A 5.2 per cent increase in pyrethrum prices, and the earlier initiated "crop promotion programme", seem to be putting the pyrethrum industry on the right path towards-recovery. However, the world market for pyrethrum extract still remains unstable.

8.26. *Sisal*—A generally declining trend in sisal is evident in Table 8.11, except for the production peak attained in 1984.Despite a 4.9 and 5.1 per cent increase in sisal prices during 1985 and 1986, the production declined by 8 per cent in 1986 to record only 42 thousand tonnes.

**Livestock Production**

8.27. The population of livestock which had been reduced to nearly 7 million head in 1984, continues to increase with the availability of good pasture. It is, however, estimated that it would take 5 years to attain the pre-1984 herd levels, especially for beef cattle whose reduction in 1984 was more significant than that of dairy cattle. The slow recovery in beef cattle can be observed from the continued decline in the total number of cattle and calves slaughtered by licensed abattoirs country-wide. Table 8.18 shows that the peak of 614 thousand head was followed by a 15 per cent drop in slaughters in 1985; and a further 19 per cent drop to 427 thousand head slaughtered in 1986. The number of sheep and goats slaughtered also depict a similar trend. However, pigs for slaughter improved in 1986, thereby reversing the 1985 decline. The data are affected by the non-operation of the Uplands Bacon Factory in 1986 and problems facing the Kenya Meat Commission.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1982-1986

*Table 8.18*

| | Unit | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| KENYA CO-OPERATIVE CREAMERIES | | | | | | |
| Recorded Milk Production** | Mn. Litres | 260 | 274 | 190 | 231 | 316 |
| *Milk Processed:* | | | | | | |
| Wholemilk and cream | Mn. Litres | 236 | 215 | 230 | 249 | 292 |
| Butter and ghee | Tonnes | 3,160 | 3,721 | 2,301 | 3,424 | 4,215 |
| Cheese | | 157 | 227 | 203 | 252 | 208 |
| Dried wholemilk powder | | 2,350 | 1,693 | 205 | 970 | 3,057 |
| Dried skim-milk powder | | 1,715 | 1,921 | 206 | 766 | 2,733 |
| Other products | | 71 | - | 71 | - | 329 |
| Livestock slaughtered:*** | | | | | | |
| Cattle and Calves | '000 Head | 310 | 384 | 614 | 524 | 427 |
| Sheep and Goats | | 108 | 293 | 405 | 327 | 300 |
| Pigs | | 53 | 64 | 87 | 65 | 77 |
| KENYA MEAT COMMISSION | | | | | | |
| *Intake of:* | | | | | | |
| Cattle and calves | '000 Head | 71 | 84 | 222 | 116 | 24 |
| Sheep and Goats | | 14 | 7 | 13 | - | - |

*Provisional.

**Including sale licensed by the Kenya Dairy Board.

***Licensed abattoirs only.

8.28. Table 8.18 also provides data on recorded milk production and processing. The effects of good weather and price incentives are evident from the increase in recorded milk production to an all time high figure of 316 million litres in 1986. This was a 37 per cent increase over the 1985 level, and restored the increasing trend of 1982 and 1983. The increase in milk supply is also reflected in the high increases in the various dairy products processed in 1986. All dairy products, except cheese, registered significant increases in the quantities processed in 1986.

**Irrigation**

8.29. Table 8.19 presents data on the seven major irrigation schemes in the country. These schemes registered a 30 per cent increase in area cropped, from 10,730 hectares in 1984/85 to 13,950 hectares in 1985/86. This was, however, accompanied by a decrease of 250 in the number of plot-holders to 7,376 in 1985/86. The gross value of output also increased in 1985/86 to K£7,453 thousand. There were, however, lower average payments to plot-holders during 1985/86. Crop production in the irrigation schemes was equally mixed. While .rice paddy in Mwea declined, and was the lowest during the five-year period, production in Ahero and Bunyala increased by over 15 per cent in both schemes. The decline in the paddy production in Mwea was attributed to a double cropping "experimentation" which proved to be less productive and led to lower payments to

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1981/82-1985/86

*Table 8.19*

| | 1981/82 | 1982/83 | 1983/84 | 1984/85 | 1985/86* |
|---|---|---|---|---|---|
| MWEA— | | | | | |
| Area-cropped—*Hectares* | 5,782 | 5,784 | 5,820 | 5,825 | 8,271 |
| Plot-holders—*Number* | 3,150 | 3,151 | 3,173 | 3,234 | 3,234 |
| Gross value of output—*K£'000* | 2,331 | 3,563 | 4,213 | 4,081 | 4,212 |
| Payments to plot-holders—*K£'000* | 1,746 | 1,788 | 2,198 | 2,066 | 1,458 |
| ALL (7) SCHEME AREAS— | | | | | |
| Area cropped—*Hectares* | 9,417 | 9,900 | 9,518 | 10,731 | 13,950 |
| Plot-holders—*Number* | 5,669 | 6,115 | 6,361 | 7,625 | 7,376 |
| Gross value of output—*K£'000* | 4,715 | 5,150 | 6,056 | 6,897 | 7,453 |
| Payments to plot-holders'—*K£'000* | 2,314 | 2,495 | 2,858 | 3,404 | 2,862 |
| CROPS PRODUCED—*Tonnes* | | | | | |
| Mwea—Paddy | 29,848 | 28,751 | 29,336 | 27,553 | 26,407 |
| Ahero—Paddy | 3,963 | 3,388 | 3,324 | 3,777 | 4,378 |
| W. Kano—Paddy | 3,519 | 2,935 | 2,302 | 2,059 | 2,650 |
| —Sugar-cane | 11,871 | 5,715 | 5,594 | 2,341 | – |
| Bunyala—Paddy | 1,283 | 1,338 | 1,293 | 1,094 | 1,259 |
| Tana—Cotton | 1,684 | 1,478 | 1,559 | 2,374 | 1,839 |
| Bura—Cotton | – | 1,633 | 1,482 | 4,411 | 5,182 |
| Pekera—Onions | 834 | 967 | 975 | 960 | 587 |
| Chillies | 139 | 45 | 94 | 133 | 234 |

*Provisional.

plot-holders. Cotton production in Tana, and onion production at Perkera Irrigation Schemes recorded declines of 23 per cent and 39 per cent, respectively in 1985/86. However, cotton production in Bura and production of chillies in Perkera recorded commendable increases during the 1985/86 year. High transportation costs have virtually eliminated sugar-cane production in the West Kano area.

**Agricultural Training**

8.30. Table 8.20 provides data on enrolment in agricultural training institutions falling under the Ministries of Agriculture and Livestock Development. There was only a marginal increase in the overall enrolment in the above institutions. This increase was wholly from the enrolment in Embu Institute of Agriculture, which rose from 280 in 1985 to 402 in 1986. While Ahiti at Nyahururu maintained a constant enrolment level, both Ahiti at Kabete and Ahiti at Ndomba reduced their 1986 enrolment levels. The Naivasha Dairy Training School and the Athi River Meat Training School also maintained the enrolment levels at 1,038 and 100, respectively during 1985 and 1986. The longer-run increase in total enrolment is, however, evident from all training institutions. This is a clear response to the need for more trained manpower for agricultural extension in the rural areas.

**Co-operatives**

8.31. The Co-operative movement plays an important role in agricultural production. The number of unions and societies shown in Table 8.21 have been increasing steadily. In 1986, the increase in the number of societies and unions was 210 and reached 3,524. Farm purchase societies declined from 217 in 1985 to 214 in 1986 as a result of the on-going allocation of "co-operative society" farms to individuals.

8.32. The contribution and share of the co-operative movement in the value of marketed production is shown in Table 8.22. While the value of contribution has maintained an upward trend, the percentage share of total marketed production has remained rather erratic from a peak of 75 per cent in 1984 to 60 per cent in 1986. This is a result of the large production fluctuations emanating from the large scale producers.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS', 1962-1986

*Table 8.20* *Number*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| CERTIFICATE LEVEL— | | | | | |
| Bukura Institute of Agriculture | 135 | 254 | 356 | 464 | 400 |
| Embu Institute of Agriculture | 167 | 210 | 293 | 280 | 402 |
| Animal Health and Industry Training Institutes:— | | | | | |
| Kabete | 135 | 135 | 156 | 156 | 152 |
| Nyahururu | 110 | 110 | 110 | 120 | 120 |
| Ndomba | – | – | 200 | 205 | 200 |
| SHORT-TERM VOCATIONAL COURSES— | | | | | |
| Naivasha Dairy Training School | 948 | 1,029 | 1,029 | 1,038 | 1,038 |
| Athi River M.T. School | 61 | 130 | 74 | 100 | 100 |

* Institution under the Ministries of Agriculture and Livestock Development.
** Provisional.

NUMBER OF SOCIETIES AND UNIONS BY TYPES, 1982-1986

*Table 8.21*

| TYPE OF SOCIETY | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| Coffee | 175 | 181 | 183 | 189 | 191 |
| Sugar-cane | 71 | 73 | 74 | 77 | 78 |
| Pyrethrum | 59 | 58 | 58 | 53 | 53 |
| Cotton | 54 | 53 | 57 | 58 | 59 |
| Dairy | 109 | 114 | 121 | 139 | 142 |
| Multiproduce | 337 | 410 | 437 | 470 | 494 |
| Farm Purchase | 212 | 211 | 206 | 217 | 214 |
| Other Agricultural Societies | 165 | 320 | 326 | 298 | 332 |
| Fisheries | — | 51 | 53 | 56 | 56 |
| TOTAL | 1,182 | 1,471 | 1,515 | 1,557 | 1,619 |
| Savings and Credit | 928 | 1,088 | 1,187 | 1,352 | 1,462 |
| Other Non-Agricultural Societies | 454 | 279 | 299 | 340 | 377 |
| TOTAL | 1,382 | 1,367 | 1,486 | 1,692 | 1,839 |
| Unions and Country-wide Co-operatives* | 54 | 63 | 63 | 65 | 66 |
| TOTAL | 2,618 | 2,901 | 3,064 | 3,314 | 3,524 |

*Includes KCC and KGGCU.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION

TO GROSS FARM REVENUE*, 1982-1986

*Table 8.22*

| YEAR | COFFEE | SUGAR-CANE | PYRETHRUM | COTTON | Dairy PRODUCTS | TOTAL |
|---|---|---|---|---|---|---|
| | | | Sale | K£million | | |
| 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 | 1.19 | 8.68 | 27.39 | 194.06 |
| 1986** | 163.87 | 33.23 | 1.81 | 5.97 | 42.56 | 247.74 |
| | | | Percentage | Share | | |
| 1982 | 61 | 20 | 83 | 79 | 93 | 62 |
| 1983 | 56 | 65 | 60 | 95 | 97 | 63 |
| 1984 | 60 | 63 | 46 | 95 | 72 | 75 |
| 1985 | 70 | 48 | 41 | 95 | 76 | 68 |
| 1986** | 57 | 63 | 40 | 100 | 78 | 60 |

*Marketed Production in Table 8.2.
** Provisional.

## CHAPTER 9—NATURAL RESOURCES AND ENVIRONMENT

Efficient use and sound management of our natural resource endowments is an important aspect of the country's overall economic development. Exploitation of existing material resources embracing water and related aquatic life, minerals and forestry, must ensure a reasonable trade-off between use and the deteriorating impact on the environment over time. For exhaustible resources, their exploitation must be accompanied by more exploration to determine the existence of other resources and economic potentiality. The impact of population growth and human settlement, implies yet greater commitment by the Government on various aspects of environmental control and improvement. Government and non-government efforts to this end include soil erosion control and the maintenance of existing forests through cautious exploitation and replacement. A country-wide tree planting effort is in force to restore tree stocks and reverse the encroachment of the desert.

### Water Supplies

9.2. The provision of clean water supply and management of water resources is specified under Government's policy on water. The rapid rate of population growth and urbanization implies increasing use of water for both human consumption and industrial use. Thus water supplies must not only be clean but also adequate over time to meet the continuous demand for water at the domestic and industrial level.

9.3. Expenditure on water supplies by the Ministry of Water Development is indicated in Table 9.1. Total expenditure by the ministry is projected to increase by over 14 per cent, from K£35 million in 1985/86 to K£40 million in 1986/87. Between 1982/83 and 1986/87, expenditure on

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1982/83—1986/87

*Table 9.1* *K£'000*

| | 1982/83 | 1983/84 | 1984/85 | 1985/86** | 1986/87* |
|---|---|---|---|---|---|
| Water Development | 558 | 638 | 1,050 | 247 | 5,027 |
| Training of Water Development Staff | 56 | 44 | 270 | 144 | 599 |
| Rural Water Supplies | 5,252 | 7,470 | 8,782 | 10,972 | 13,637 |
| Self-Help Water Supplies+ | 2,900 | 5,924 | 5,169 | 8,028 | 5,045 |
| County Council and Urban Water Supplies | 5,591 | 9,350 | 8,756 | 11,536 | 11,396 |
| Miscellaneous and Special Water Programmes | 2,698 | 4,651 | 5,592 | 4,394 | 4,173 |
| TOTAL | 17,055 | 28,077 | 29,619 | 35,321 | 39,877 |

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

water has more than doubled. This is in comformity with the Government's goal to provide clean water at reasonable distance from households by the turn of the century. Out of the total development expenditure allocated to the ministry in 1985/86 and 1986/87, rural water supplies, county and urban councils together represent over 63 per cent. The allocation for water development has increased nearly ten-fold between 1982/83 and 1986/87 as District Focus and water development strategies gathered momentum. This is reflected in the increased expenditure on staff development, as more trained manpower are needed to be deployed at the district level. Expenditure on training of staff is estimated to increase two-fold during the 1986/87 fiscal year compared with the previous one.

9.4. The provision of water to the rural areas where the majority of the population live, is a great challenge facing the Ministry of Water Development. In 1986 there were a total of 42 rural water projects under construction; out of these, 17 projects used direct labour from the ministry while the others were done under contract. Among the water projects under construction were Karimenu, Ndarugu and Thiririka in Kiambu; Nyahururu in Nyandarua; Ngariama in Kirinyaga; Ena and Ishiara in Embu; Kakuma and Katilu in Turkana; and Malaba/Kachoria in Bungoma/ Busia districts.

9.5. The construction of pans and dams in the arid and semi-arid areas is the major alternative for conserving water for both man and animals. In 1986 the Ministry of Water Development constucted a total of pans in Isiolo, Marsabit and Kajiado districts and continued rehabilitation work on 154 other existing pans, mostly located in the North-Eastern Province. Borehole drilling also continued to tap underground water resources. In the fiscal year 1985/86, for example, a total of 190 boreholes were completed.

9.6. Maintenance and rehabilitation of water canals include the Grogan and Jaro Kubwa in Taita Taveta District, and the Yatta Canal. These provide domestic water to over 200 families, and irrigation water for about 200 hectares of land. Other activities include maintenance of flood control embarkments along Nyando, Yala and Nzoia rivers in Kisumu and Siaya districts. These measures are aimed at containing the destructive floods in Nyanza and Western provinces.

9.7. The provision of clean water supplies to consumers is the most important undertaking. The establishment of water quality stations in all major river systems and water testing laboratories in the provinces is evidence of this commitment. Pollution control programmes have also been instituted in many operating industries to control the adverse effects of industrial discharges. Analysis of water samples for water quality control purposes by the Ministry of Water Development continued throughout the country. In 1986 the water laboratory in Nairobi received and analysed 2,455 water samples, mainly from rivers and other usable water sources.

## Fisheries

9.8 The improvement in the fishing industry resulted in an overall increase of 15 per cent in the volume of fish and other marine products

landed in 1986; a total of 122 thousand tonnes were landed compared with 106 thousand tonnes of marine products landed the previous year. The corresponding value of fish in 1986 also increased by K£2 million to K£18 million in 1986. Quantity and value of fish landed are shown in Table 9.2.

QUANTITY AND VALUE OF FISH LANDED, 1982-1986

*Table 9.2*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Quantities *Tonnes:* | | | | | |
| Freshwater fish— | | | | | |
| Lake Victoria | 60,958 | 77,327 | 71,854 | 88,589 | 104,158 |
| Lake Turkana | 11,040 | 10,113 | 8,448 | 7,460 | 7,500 |
| Other areas | 2,019 | 3,628 | 3,898 | 3,715 | 3,900 |
| TOTAL | 74,017 | 91,068 | 84,200 | 99,764 | 115,558 |
| Marine fish | 6,622 | 5,798 | 6,069 | 5,777 | 5,950 |
| Crustaceans | 426 | 474 | 607 | 274 | 315 |
| Other marine products | 68 | 121 | 100 | 158 | 161 |
| GRAND TOTAL | 81,133 | 97,461 | 90,976 | 105,973 | 121,984 |
| Value K£000: | | | | | |
| Freshwater fish | 8,447 | 8,329 | 9,336 | 12,594 | 14,940 |
| Marine fish | 2,049 | 2,062 | 2,205 | 2,496 | 2,870 |
| Crustaceans | 413 | 539 | 801 | 421 | 512 |
| Other marine products | 80 | 204 | 175 | 78 | 85 |
| TOTAL | 10,989 | 11,134 | 12,517 | 15,589 | 18,407 |

*Provisional.

9.9. The supply of fresh water fish dominates the Kenya fish market, contributing about 94 per cent of total volume landed in both 1985 and 1986. Lake Victoria in Nyanza and Lake Turkana in Rift Valley are the major suppliers of fresh water fish, contributing 90 per cent and 7 per cent of total fresh water fish landed in 1986. However, fish landed from Lake Turkana have not yet attained the 1982 and 1983 production levels, even though there is a marginal increase realized in 1986. Fish landed from Lake Victoria increased by 18 per cent in 1986 over 1985 and were over 70 per cent above the 1982 quantity. Overall, marine fish landed increased by less than 4 per cent in 1986 compared with 1985.

9.10. Several development activities were carried out by the Fisheries Department in 1986 to accelerate the improvements of the fishing industry. For example, the Ngomeni Project at Malindi was implemented by the department in order to produce prawns while the Mbita project was aimed at invigorating women groups to join the fishing industry. Other projects involved the construction of cold storage centres at Lamu and Shimoni in Coast province, and Homa Bay in Nyanza. The construction of cold storage facilities aims at minimizing fish losses at landing points due to spoilage before marketing.

## Forestry

9.11. There is an urgent need to contain indiscriminate excision of forests in order to conserve and restore ground cover which would minimize soil erosion. The Government takes a serious view on the rapid rates of desertification of the marginal lands and savannization of the forest areas. Such destruction is likely to lead to overall climatic and ecological imbalances with adverse consequences. Maintenance of adequate forestry resources for environmental control is necessary to sustain rain catchment areas and control soil erosion.

9.12. Preservation of the country's forests is the responsibility of the Forestry Department. Its activities include forest control through cautious felling of trees and replacement through planting. As demand for forest products increases over time, the supply of trees must be carefully controlled and managed to maintain a desirable level and quality of forest stock. The data in Table 9.3 show that total forest area has been rising gradually since 1982 except in 1985 when there was a decline. The increase in total forest area in 1986 is contributed by increases in areas planted under cypress and pine. Both indigenous soft and hardwoods, and exotic hardwoods registered slight area decreases in 1986. Competition for land between agricultural activities and maintenance of forestry area imply that there is a need to manage and utilize resources more efficiently.

9.13. The promotion of rural afforestation through the Rural Afforestation and Extension Service of the Forestry Department continued in 1986 through the provision of tree seedlings for planting. 'TYus activity has also been complemented by the activities of schools, self.help groups and other non.government organizations to meet the increasing demand for tree seedlings. In 1986 a total of 782 new tree nurseries were started. These included 182 nurseries started by the Rural Afforestation and Extention Service. The total number of tree seedlings planted increased by over 30 per cent from 23 million in 1985 to 30 million in 1986. The share contributed by seedlings planted by the Forestry Department increased from 17 per cent in 1985 to 41 per cent in 1986.

FOREST PLANTATION AREA, 1982-1986

*Table 9.3* *'000 Hectares*

| Type of Forest | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Indigeneous softwood | 9.4 | 9.7 | 9.7 | 5.0 | 4.6 |
| Indigeneous hardwood | 11.3 | 11.6 | 11.6 | 3.6 | 3.5 |
| Exotic softwoods— | | | | | |
| Cypress | 57.5 | 59.2 | 62.7 | 70.0 | 71.4 |
| Pines | 65.2 | 67.2 | 68.3 | 61.5 | 70.7 |
| Exotic hardwoods— | | | | | |
| Timber | 3.5 | 3.6 | 3.6 | 5.8 | 4.0 |
| Fuel | 8.3 | 8.5 | 9 1 | 14.6 | 13.5 |
| TOTAL AREA | 155.2 | 159.8 | 165.0 | 160.5 | 167.7 |

*Provisional.

9.14. Cautious use of forest products is necessary owing to the importance of trees in the overall eco.system. Preservation and conservation measures must ensure a reasonable balance in the stocks of various types of trees that make part of the natural resource base. Sales of forest products by the Forestry Department are indicated in Table 9.4. Sales of softwood declined both in 1985 and 1986. The decline of softwood in 1986 was, however, compensated for by an increase in the sale of hardwood. Sales of fuelwood have been declining since 1983 although an increase of 31 per cent was registered in 1986 compared with 1985. This is partly due to improvements in the control of tree felling. From 1982, sales of trees for charcoal burning have been severely restricted as a forest conservation measure. This is reflected in the overall decline in the sale of charcoal. After a drop of 21 per cent in 1985, sale of power and telegraph poles picked up in 1986 and recorded an increase of 14 per cent. This is due to the increased Government effort in rural electrification and provision of telephone services.

RECORDED SALE OF FOREST PRODUCTS, 1982.1986

*Table 9.4*

| Forest Product | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Timber '000 *true cu. metres*— | | | | | |
| Softwood | 312 | 464 | 572 | 447 | 408 |
| Hardwood | 383 | 263 | 204 | 133 | 268 |
| TOTAL | 695 | 727 | 776 | 580 | 676 |
| Fuel *'000 stacked cu. metres*— | | | | | |
| Fuelwood | 151 | 117.3 | 68 | 65 | 85 |
| Charcoal | 1 | | | | |
| Power and Telegraph Poles— *numbers* | 15,365 | 21,146 | 25,606 | 20,346 | 23,252 |

*Provisional.

## Mining

9.15. Table 9.5 indicates that mineral production registered a marginal decrease in 1986 over 1985 largely due to a drop in both fluorspar and salt production. Fluorspar production declined by over 12 per cent from 58 thousand tonnes in 1985 to 51 thousand tonnes in 1986 as a result of lower world prices for the commodity. After peaking in 1983, salt production declined in 1984, slightly recovered in 1985, and is estimated to have fallen again by 8 per cent in 1986. The increase in production of the rest of the mineral products range from 1 per cent for soda ash to 15 per cent for limestone products. The decrease in the production of both fluorspar and salt was offset by increases in the production of soda ash—the predominant mineral—and other minerals. The net result in the overall value therefore rose by 13 per cent from K£22 million in 1985 to K£25 million in 1986.

9.16. Soda ash maintained both its dominance in overall mineral

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1982.1986

*Table 9.5*

| Mineral | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| **Q**uantities *Tonnes*: | | | | | |
| Minerals— | | | | | |
| Soda Ash | 161,310 | 193,690 | 226,000 | 227,760 | 230,000 |
| Fluorspar | 88,726 | 59,084 | 50,883 | 57,949 | 50,851 |
| Salt | 49,439 | 83,427 | 58,352 | 67,213 | 61,980 |
| Limestone Products** | 26,646 | 34,150 | 20,855 | 30,479 | 35,000 |
| Other | 4,475 | 41,475 | 35,818 | 37,202 | 39,276 |
| TOTAL | 330,596 | 411,826 | 391,908 | 420,603 | 417,107 |
| Value Kf'000 | | | | | |
| Soda Ash*** | 8,150 | 7,273 | 11,836 | 13,180 | 16,514 |
| Fluorspar*** | 5,530 | 3,099 | 2,951 | 3,761 | 3,129 |
| Salt | 995 | 2,963 | 2,744 | 2,662 | 2,763 |
| Limestone Products | 353 | 480 | 662 | 1,126 | 1,150 |
| Other | 1,230 | 1,738 | 1,500 | 1,558 | 1,663+ |
| TOTAL | 16,258 | 15,553 | 19,693 | 22,287 | 25,219 |

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

production output and an increasing trend. The increase in trend is borne out by the fact that whereas in 1982 its share was just below 50 per cent, by 1986 the share was over 55 per cent. The increase in soda ash production was due to favourable climatic conditions and an increase in demand for the mineral in the Middle East market, and the high level in world prices.

9.17. Both fluorspar and soda ash make the largest contribution to the country's mineral exports. Table 9.6 provides an indication of export prices fetched by the two mineral products in the world market. Prices of the two products were higher in 1985 compared with 1984. However, in 1986, only the price of soda ash continued to rise while that of fluorspar, except for 1984, was the lowest during the period under review.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1982.1986

*Table 9.6* *K£ per tonne*

| Mineral | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Soda Ash | 63.5 | 58.0 | 61.0 | 65.9 | 71.8 |
| Fluorspar | 62.8 | 63.5 | 58.0 | 64.9 | 61.5 |

*Provisional.

9.18. Mineral exploration and mapping work by the Mines and Geological Department is a continuous exercise to locate and determine the availability and viability of various mineral resources in the country. In 1986 the Samburu/Marsabit Geological mapping project, covering about 105,000 square kilimetres, was completed and 9 geological maps are now being prepared. Mineral findings in this project include uranium stream sediment in Mukogodo area, gold in the Jibisa Ring Complex and in the North Island of Lake Turkana, as well as other mineral concentrates at Kaisut desert. A country.wide assessment of industrial minerals under the Industrial Minerals Project has produced encouraging results in various places such as Loikidongani in Kajiado for wollastonite; in Kalundu and Gathuini for kaolin; and in Gotichaki and Bosinge for Kisii stone. Various other areas were also assessed for limestone. Geological mapping as well as the search for base metal deposits continued in Western Kenya and Southern Machakos/Rift Valley; and revision of existing maps for parts of Embu, Meru and Kitui districts is also in progress.

**Resource assessment and monitoring activities**

9.19. Natural resources monitoring activities of the Kenya Rangeland Ecological Monitoring Unit (KREMU) included land use mapping; vegetation mapping in the range-land districts; livestock and wildlife censuses in both the high.potential and range-land districts as well as photography of major towns and urban centres in the country. Remote sensing techniques were once more used in 1986 for estimation of maize production. Land use maps for Kirinyaga and Nakuru; and vegetation maps for Taita Taveta, Kwale and Kilifi districts as well as the Nakuru National Park are undergoing preparation. The unit is in the process of establishing and developing a computerized service centre to facilitate the processing of data for planning purposes. The ability to quantify available resources and build an inventory system to monitor them is important to the national economic goals.

**Other activities for preserving the environment**

9.20. Environmental degradation is an obvious counterpart of all economic activities. Thus the process of economic development must be accompanied by controls and management schemes to maintain an environmentally safe surrounding for the long-term benefit of mankind. This entails the assessment and quantification of various environmental variables, and their accommodation into a country's planning process so that environmental benefits are not sacrificed for short-term economic objectives.

9.21. The Government's commitment to environmental protection and preservation is exemplified by the establishment of the National Environment and Human Settlement Secretariat. The Secretariat puts emphasis on environmental protection and improvement with a view to minimizing the detrimental spill-overs from human activities and natural disasters. The Secretariat's approach includes environmental assessment programmes geared to producing district environmental profiles. Twelve such profiles have so far been completed. Other profiles for Bungoma, Kirinyaga, Meru

and Kisumu are under preparation. Other activities undertaken by the Secretariat in 1986 include a Resource Management Programme on Biosphere Reserve in Mount Kenya, Mount Kulal, Malindi, Watamu and Kuinga Marina National Reserves.

# CHAPTER 10—ENERGY

## Overview

An international oil glut in 1986 caused a crisis in the petroleum industry, causing oil prices to continue the decline that began in 1985. Oil prices fell to US$9 a barrel in July, 1986, the lowest price since oil prices began escalating in 1973. Such low oil prices are expected to help improve our foreign exchange reserves. Towards the close of 1986, concerted efforts by the Organization of Petroleum Exporting Countries (OPEC) to curb production levels to 15.8 million barrels a day, succeeded in pushing oil prices upwards to a desired level of US$18 a barrel.

10.2. As a consequence of low international prices, the total oil import bill for 1986 was K£229 million, compared with K£328 million spent in 1982. While a comparison of the volume of imports in these two years merely showed a decline of 8 per cent, the 30 per cent decrease in oil import expenditure was an additional boost to the economy, which also benefited from the higher coffee earnings in the year.

10.3. The benefits from long rains in 1986 resulted in the rise of electricity generation, which rose from 2,155 GWH in 1985 to 2,307 GWH in 1986, up by 7 per cent. Kenya is still not self-sufficient in electricity supply, and no appreciable change was recorded in electricity capacity installations. Thus the 1986 figure stands at the 1985 level of 559 MW. Energy conservation activities clearly remain important for Kenya's development. Consequently, the industrial sector is being encouraged to conduct energy audits in its establishments, with an aim of identifying energy-saving opportunities. At the household level, the Government is tackling the problem through dissemination of practical information on tree planting, and use of cheap energy-saving appliances.

## Petroleum

10.4. The Government is fully committed to reduce the nation's fossil fuel import dependency. This policy is well indicated in Table 10.1 which lays out the imports and exports of petroleum products from the year 1982 to 1986. In 1986, Kenya imported a total of 2,094 thousand tonnes of petroleum products, whereas in 1982, the volume bought was 2,284 thousand tonnes— a decline of 8 per cent. An important feature of the table is the two-fold increase in direct imports of refined petroleum fuels during the year compared with 1985, but is at the 1982 and 1986 level. This is mainly a result of increased shipment of light diesel to supplement the local refinery production. The imports of lubricating oils have somewhat declined while those of greases have continued to rise.

10.5. Due to the decline in international oil prices, the export earnings from petroleum products in 1986 declined to K£101 million, the lowest recorded level in the last five years. The export volume, however, rose substantially, and increased by 13 per cent over the 1985 volume. The increase is mainly accounted for by the exports of aviation spirit and illuminating kerosene. Our main export markets in petroleum products continue to be Uganda, Burundi, Rwanda, Tanzania and Zaire.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1982-1986

*Table 10.1*

| | QUANTITY ('000 TONNES) | | | | | VALUE (K£ MN) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 | 1983 | 1984 | 1985 | 1986* | 1982 | 1983 | 1984 | 1985 | 1986* |
| IMPORTS— | | | | | | | | | | |
| Crude Petroleum | 2,162.5 | 1,940.2 | 1,874.3 | 1,980.7 | 1,965.9 | 299.81 | 289.46 | 292.42 | 349.27 | 203.75 |
| Petroleum Fuels | 101.6 | 195.9 | 100.6 | 51.9 | 102.1 | 22.12 | 45.55 | 21.12 | 12.57 | 15.58 |
| Lubricating Oils | 20.0 | 22.5 | 35.4 | 35.0 | 26.0 | 5.77 | 7.25 | 12.54 | 13.41 | 9.64 |
| Lubricating Greases | | | 0.1 | 0.1 | 0.5 | 0.07 | 0.06 | 0.09 | 0.14 | 0.46 |
| TOTAL | 2,284.1 | 2,158.6 | 2,010.4 | 2,067.7 | 2,094.5 | 327.77 | 342.32 | 326.17 | 375.39 | 229.43 |
| EXPORTS— | | | | | | | | | | |
| Petroleum Fuels | 868.0 | 630.8 | 685.3 | 596.8 | 680.7 | 141.68 | 118.24 | 134.72 | 108.58 | 93.88 |
| Lubricating Oils | 14.7 | 17.1 | 16.7 | 14.8 | 11.0 | 7.06 | 9.65 | 9.48 | 9.12 | 7.01 |
| Lubricating Greases | 0.4 | 0.9 | 0.4 | | 0.3 | 0.25 | 0.49 | 0.30 | 0.33 | 0.26 |
| TOTAL | 883.1 | 648.8 | 702.4 | 611.9 | 692.0 | 148.99 | 128.38 | 141.50 | 118.03 | 101.15 |
| NET BALANCE | 1,401.0 | 1,509.8 | 1,308.0 | 1,455.8 | 1,402.5 | 178.78 | 213.94 | 184.67 | 257.36 | 128.28 |

*Provisional.

10.6. Over the last five years since 1982, there has been a fundamental change in the sources of imports of petroleum products. Table 10.2 shows that while in 1982, Saudi Arabia contributed 45 per cent of all Kenya's petroleum products, this stake has declined significantly such that in 1986 only 16 per cent came from that source. On the other hand, oil imports from the United Arab Emirates (The Zakums and Murban) now account for almost 60 per cent of Kenya's requirements compared with only 27 per cent in 1982. Imports from Iran declined both in 1985 and 1986, while Qatar has consolidated its market share. It is likely that shipping activities have been seriously hampered by the current Gulf hostilities, so that oil tankers have been using Abu Dhabi and Qatar as alternative loading bases.

10.7. Table 10.3 gives the production of various petroleum products processed at the Mombasa refinery. Overall production in 1986 was nearly 4 per cent above the 1985 output of 1,942 thousand tonnes. The output of liquefied petroleum gas (L.P.G.) increased by 20 per cent over the 1985 level, while the production of illuminating kerosene increased by 11 per cent over the same reference period. Both L.P.G. and kerosene are useful household fuels used in urban and rural Kenya, respectively. Increased consumption of kerosene relates directly to population increase, while there is a distinct relationship between the consumption of L.P.G. and the urbanization process. Fuel oil production declined slightly by 7 per cent,

CRUDE OIL INTAKE BY TYPE, 1982-1986

*Table 10.2* *'000 Tonnes*

| Crude intake | A.P.I. Gravity | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Arabian Light | 33.4 | 699.8 | 281.6 | 58.2 | 38.2 | 26.5 |
| Arabian Medium | 31.0 | 40.9 | 67.0 | 3.6 | 38.6 | — |
| Arabian Heavy | 27.9 | 198.1 | 208.3 | 244.5 | 93.5 | 26.3 |
| Arabian Light Spike Crude | — | 73.6 | — | — | — | — |
| Arabian Light Berri | — | — | 57.9 | 314.8 | 66.2 | 272.2 |
| Iranian Light | 33.9 | 53.8 | 242.1 | 76.9 | — | — |
| Iranian Medium | — | 65.3 | 97.8 | 343.7 | 217.1 | 200.9 |
| Qatar Marine | 36.7 | — | — | 100.7 | 72.4 | — |
| Qatar Durkhan | 41.2 | 64.8 | 64.6 | — | 104.2 | 267.9 |
| Kuwait | 32.0 | 53.4 | 53.5 | 55.3 | 34.9 | 32.1 |
| Zakum | 40.1 | 81.3 | 226.2 | 268.3 | 305.9 | 181.0 |
| Upper Zakum | — | — | — | — | 58.4 | — |
| Murban | 39.6 | 522.0 | 520.2 | 552.9 | 840.7 | 1,004.3 |
| Dubai | 32.4 | — | — | 0.1 | 71.3 | — |
| Oman | — | 199.2 | 100.7 | — | — | — |
| Suez Mix | — | 212.9 | 64.4 | — | — | — |
| Slops | — | 3.6** | 1.1 | 0.9 | 0.4 | 10 |
| TOTAL | — | 2,268.7 | 1,985.4 | 2,019.9 | 1,942.0 | 2,012.2 |

*Provisional.

**Estimated.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1982.1986

*Table 10.3* *'000 Tonnes*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| OUTPUT— | | | | | |
| Liquefied petroleum gas | 20.0 | 20.3 | 23.0 | 21.8 | 26.1 |
| Motor gasoline premium | 182.8 | 141.2 | 135.4 | 136.6 | 143.3 |
| Motor gasoline regular | 139.6 | 159.4 | 168.7 | 182.5 | 188.7 |
| illuminating kerosene | | | | | |
| Jet/turbo fuel | 378.0 | 326.6 | 357.2 | 351.3 | 391.8 |
| Light diesel oil | 409.0 | 419.3 | 437.1 | 466.4 | 489.5 |
| Heavy diesel oil | | | | | |
| Marine diesel oil | 54.7 | 28.9 | 31.6 | 32.1 | 35.5 |
| Fuel oil | 619.2 | 604.6 | 613.0 | 412.8 | 383.8 |
| Export residues | 347.3 | 191.5 | 154.3 | 240.2 | 257.8 |
| Bitumen | 29.3 | 26.3 | 30.7 | 27.0 | 28.6 |
| Intermediates | 4.8 | -2.1 | -2.1 | 2.9 | -3.5 |
| Refinery usage | 84.0 | 69.4 | 71.1 | 68.3 | 70.9 |
| THROUGHPUT=TOTAL OUTPUT | 2,268.7 | 1,985.4 | 2,019.9 | 1,942.0 | 2,012.5 |

*Provisional.
**Excludes lubricants.

while output of export residues rose for the second year. There was also a rise in the output of bitumen which is attributed to both construction and maintainance of roads.

10.8. Despite the large share taken by petroleum products in the country's foreign exchange, petroleum remains important in development efforts. Consequently, the total demand for petroleum products has tended to rise since 1983, notwithstanding aggressive conservation measures instituted by the Government. Table 10.4 shows that in 1986, total domestic demand of petroleum products reached 1,654 thousand tonnes from 1,566 thousand tonnes required in 1985, which is a 6 per cent growth in consumption. In 1986, the demand for illuminating kerosene rose by 20 per cent while that of light diesel was up by 7 per cent when compared with 1985 figures. Significant rises were also noted in the use of motor spirits and liquefied petroleum gas. Between 1983 and 1986, domestic demand rose by nearly 5 per cent per annum compared with an urban population growth which is reckoned as somewhat higher than that.

10.9. The transport industry in Kenya is a key user of petroleum products. Table 10.5 shows that road transport, rail, marine and aviation used a total of 1,146 thousand tonnes of petroleum fuels in 1986—claiming a share of 72 per cent of the total sectoral demand. The retail outlets which serve both public and private vehicles took a sizable share of all sales. In 1986, the industrial and commercial sectors utilized 456 thousand tonnes of

PETROLEUM SUPPLY AND DEMAND BALANCE, 1982-1986

*Table 10.4* *'000 Tonnes*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| DEMAND— | | | | | |
| Liquefied petroleum gas | 20.9 | 19.9 | 21.6 | 22.4 | 24.1 |
| Motor spirit premium and regular | 269.3 | 256.4 | 257.7 | 267.8 | 295.1 |
| Aviation spirit | 6.1 | 6.1 | 5.6 | 5.9 | 6.1 |
| Jet/turbo fuel | 281.8 | 250.1 | 259.4 | 261.0 | 263.4 |
| Illuminating kerosene | 82.2 | 81.8 | 81.4 | 90.9 | 109.1 |
| Light diesel oil | 373.1 | 388.9 | 420.1 | 447.7 | 481.0 |
| Heavy diesel oil | 27.6 | 23.2 | 25.2 | 25.1 | 26.1 |
| Fuel oil | 428.3 | 346.7 | 411.4 | 376.5 | 378.3 |
| TOTAL | 1,489.3 | 1,373.1 | 1,482.4 | 1,497.3 | 1,583.2 |
| Refinery usage | 84.0 | 69.4 | 711 | 68.3 | 70.9 |
| TOTAL DOMESTIC DEMAND | 1,573.3 | 1,442.4 | 1,553.5 | 1,565.6 | 1,654.1 |
| Exports of petroleum fuels | 868.0 | 630.8 | 685.3 | 596.8 | 680.7 |
| TOTAL DEMAND** | 2,441.3 | 2,073.3 | 2,238.8 | 2,162.4 | 2,334.8 |
| SUPPLY— | | | | | |
| Imports: | | | | | |
| Crude oil | 2,162.5 | 1,940.2 | 1,874.3 | 1,980.7 | 1,965.9 |
| Petroleum fuels | 101.6 | 195.9 | 100.6 | 51.9 | 102.1 |
| TOTAL | 2,264.1 | 2,136.1 | 1,974.9 | 2,032.6 | 2,068.0 |
| Adjustment*** | 177.2 | -62.8 | 263.9 | 129.8 | 266.8 |
| TOTAL SUPPLY** | 2,441.3 | 2,073.3 | 2,238.8 | 2,162.4 | 2,334.8 |

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

fuel which was roughly the same amount used in 1985. There was a 25 per cent increase in the demand of petroleum products by the agricultural sector in 1986 over that of 1985. The increase in demand was a result of increased activity in this sector, following the good long rains. The enactment of the District Focus for Rural Development is reflected in the increasing use of petroleum products by the Government sector. This trend is expected to continue with the launching of Government owned public transport system.

10.10. Table 10.6 illustrates changes which have occurred in wholesale prices of petroleum products at Mombasa. Up to the month of April, 1984, the country had to cope with higher crude oil prices as dictated by the

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1982-1986

*Table 10.5* *'000 Tonnes*

| USER | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Agriculture | 45.8 | 45.5 | 440 | 48.9 | 61.2 |
| Retail pump outlets and road transport | 507.4 | 520.5 | 568.7 | 616.6 | 676.8 |
| Rail Transport | 41.9 | 40.9 | 42.5 | 35.0 | 29.4 |
| Tourism** | 8.5 | 8.0 | 9.3 | 9.4 | 9.9 |
| Marine (excl. Naval Forces) | 144.1 | 201.7 | 158.9 | 147.1 | 177.0 |
| Aviation (excl. Government) | 283.2 | 250.6 | 258.8 | 260.4 | 263.0 |
| Power Generation | 95.6 | 43.6 | 54.5 | 27.4 | 34.3 |
| Industrial, Commercial and Other | 445.2 | 416.0 | 452.6 | 452.7 | 455.8 |
| Government | 51.2 | 47.7 | 51.8 | 46.7 | 52.3 |
| Balancing Item | -133.6 | -201.5 | -158.7 | -146.9 | -176.6 |
| TOTAL | 1,489.3 | 1,373.1 | 1,482.4 | 1,497.3 | 1,583.1 |

*Provisional.
**Comprises sales to tour operators.

Wholesale Prices* of Petroleum Products at Mombasa, 1973-1986

*Table 10.6* *KSh. per tonne*

| | 30-9-1973 | 3-12-1982 | 27-4-1984 | 20-3-1986 | 13-6-1986 | RATIO 1986/73 (PER CENT) |
|---|---|---|---|---|---|---|
| Liquefied petroleum gas | 2,060 | 6,050 | 6,399 | 5,894 | 5,893 | 286.1 |
| Premium motor gasoline | 1,551 | 10,116 | 10,869 | 10,065 | 9,976 | 643.2 |
| Regular motor gasoline | 1,468 | 9,738 | 10,512 | 9,825 | 9,734 | 663.1 |
| Illuminating kerosene | 736 | 4,333 | 4,859 | 4,093 | 4,011 | 545.0 |
| Power kerosene (Blended) | 763 | 5,954 | 6,555 | 5,730 | 5,728 | 750.7 |
| Light diesel oil | 892 | 5,886 | 6,365 | 5,781 | 5,525 | 619.4 |
| Industrial diesel oil | 471 | 3,666 | 4,019 | 3,136 | 3,136 | 665.8 |
| Fuel oil | 334 | 2,195 | 2,408 | 2,764 | 2,266 | 678.4 |

*Including duties and sales taxes.

international market. As a result, the domestic economy which is heavily dependent on commercial sources of energy, has suffered considerably. In the past two years, however, the international oil glut has set oil prices reeling backwards. The Government, on its part, took the appropriate policy measures: first, by keeping prices between April, 1984 and March, 1986 constant; and then, by reducing the consumer prices in March and June, 1986. The price fall in regular motor oil and light diesel was expected to stimulate the transport and agricultural sectors. However, crude oil prices have been rising from the second half of 1986 and this has led the Government to raise the retail prices to the level prevailing in March, 1986.

10.11. Nairobi retail prices of gasoline and gas oil fell for the first time in 1986 after rising continuously since the early 1970's. A look at Table 10.7 shows that even though the prices in June, 1986 were still more than twice those of 1979; they were significantly lower than the ones prevailing in 1984. Thus in comparison with 1984, prices of premium, regular and gas oil had on average declined by between 7 and 11 per cent. Gas oil is a cheap and relatively efficient liquid fuel used by locomotives and heavy vehicles, hence the decline in prices is therefore likely to be an incentive for commuters to make increased use of the public transport system.

**Electricity**

10.12. Kenya expects to be generating enough power to meet local demand by 1990. The Kiambere power project will become operational in 1988 and will add 140 MW to the national grid. Table 10.8 provides details on installed capacity and generation of electricity. In 1986, the total installed capacity was 559 MW—the same level with that of 1985. The geothermal installed capacity did not change from the 1985 quantity of 45 MW, but the second geothermal power scheme is expected to come in line by 1992, and will provide a further 60 MW of electricity for the national grid.

NAIROBI RETAIL PRICES, 1979-1986

*Table 10.7*

*KSh. per litre*

| Date | MOTOR SPIRIT | | Gas Oil |
|---|---|---|---|
| | Premium/ Gasohol* | Regular | |
| 8-6-79 | 3.68 | 3.36 | 2.31 |
| 26-9-79 | 4.17 | 3.75 | 2.60 |
| 9-3-80 | 4.82 | 4.30 | 3.05 |
| 20-6-80 | 5.35 | 4.70 | 3.23 |
| 21-2-81 | 6.15 | 5.71 | 3.93 |
| 17-6-81 | 6.35 | 5.91 | 4.13 |
| 10-7-81 | 6.75 | 6.31 | 4.53 |
| 5-11-81 | 7.50 | 7.02 | 5.18 |
| 3-12-82 | 8.00 | 7.52 | 5.48 |
| 27-4-84 | 8.61 | 8.13 | 5.94 |
| 20-3-86 | 8.02 | 7.64 | 5.45 |
| 13-6-86 | 8.02 | 7.64 | 5.30 |

*Gasohol was introduced from 1983.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1982-1986

*Table 10.8*

| | INSTALLED CAPACITY* MW** | | | | GENERATION* GWH'** | | | |
|---|---|---|---|---|---|---|---|---|
| | Hydro | Thermal Oil | Geothermal | Total | Hydro | Thermal Oil | Geother-mal | Total |
| 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 |
| 1986+ | 353.5 | 160.2 | 45.0 | 558.7 | 1,736.0 | 202.0 | 369.0 | 2,307.0 |

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

10.13. Following adequate rainfall in 1986, the amount of hydro-electricity generated in 1986 was the highest in the past five years. Hydro-electricity generated in 1986 recorded an output of 1,736 GWH, which was 24 per cent and 3 per cent above the output in 1982 and 1985, respectively. Similarly, generation based on thermal oil rose by 45 per cent, while geothermal increased by about 10 per cent, both above the 1985 level. Both the economic recovery in the last two years, and the Government policy on rural electrification, have no doubt contributed to these increases.

10.14. Table 10.9 presents the electrical energy demand and supply balance sheet from 1982 to 1986. The trend of all types of use, except for street lighting, has been rising. The large commercial and industrial sector continues to be the main user of electrical energy, and in 1986 claimed 59 per cent of the total supply. The domestic and small commercial users were allocated 25 per cent of the available electrical energy. Imports from

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE. 1982-1986

*Table 10.9* *Million KWH*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| DEMAND— | | | | | |
| Domestic and Small Commercial | 455 | 484 | 514 | 545 | 611 |
| Large Commercial and Industrial | 1,121 | 1,144 | 1,206 | 1,354 | 1,476 |
| Off-peak | 114 | 109 | 116 | 106 | 111 |
| Street Lighting | 11 | 10 | 9 | 9 | 8 |
| TOTAL | 1,701 | 1,747 | 1,845 | 2,014 | 2,206 |
| Transmission losses and un-allocated demand | 284 | 294 | 276 | 310 | 281 |
| TOTAL DEMAND=TOTAL SUPPLY | 1,985 | 2,041 | 2,121 | 2,324 | 2,487 |
| of which imports from Uganda | 212 | 179 | 215 | 215 | 235 |
| Net generation | 1,773 | 1,862 | 1,906 | 2,109 | 2,252 |

*Provisional.

Uganda, which stood at 235 million KWH, constituted less than 10 per cent of electricity available. There was a 9 per cent decline in transmission losses and unallocated demand.

## Energy Balance

10.15. As mentioned earlier, the importation of liquid fuels claims a major share of Kenya's limited foreign exchange. The Government has, as a result, been calling for restrained and efficient use of these fuels. But as Table 10.10 shows, the Government has only managed a limited success in restraining the use of liquid fuels. In 1982, oil-based fuels constituted 77 per cent of the total commercial energy required, and this share has only dropped slightly to 72 per cent for both 1985 and 1986, respectively. Notable however, is the gradual increase of local energy production over the last five years. In 1982, the total production of electricity was 358 thousand tonnes of oil equivalent, but this rose by 35 per cent to 484 thousand tonnes in 1985; while the 1986 output stood at 505 thousand tonnes of oil equivalent, or an increase by about 4 per cent.

10.16. The Government has been conducting an Energy Conversion Study, directed at making use of more coal and less oil in the economy. The consumption trend of coal over the last five years has been growing at an average rate of 7 per cent annually. This is an indication that the process has been fairly successful.

10.17. The total energy consumption over the last four years has been rising, albeit marginally. While 2,035 thousand tonnes of oil equivalent were utilized in 1982, a total of 2,283 thousand tonnes were consumed in 1986. This was 6 per cent above the 1985 requirements. In 1986, a total of 1,654 thousand tonnes of oil were used, and in the same period there was a demand in electricity amounting to 562 thousand tonnes of oil equivalent. Similarly, consumption of coal in 1986 was 13 per cent higher than in 1985. The gradual decline in per capita consumption of energy indicates the success by the Government in the promotion of energy conservation activities.

## Household Energy Use

10.18. A large proportion of the Kenya population is dependent on wood fuel in the form of firewood or charcoal. By the year 2000, firewood is expected to supply over half of Kenya's energy requirement. The urbanization process is expected to maintain the growth in demand for charcoal at about 10 per cent annually. The Ministry of Energy and Regional Development is currently conducting a Rural Household Energy Survey to determine the relationship of a number of economic parameters which influence energy use patterns. Among the factors being investigated are: availability, price and distance to collection points of charcoal, firewood, gas, electricity and kerosene.

10.19. The Government, in conjunction with other institutions, has been working on the Kenya Renewable Energy Development Project (KREDP). The ultimate objective of this programme is to increase the efficiency of energy use, both in households and industry. Energy saving opportunities already identified include fuel substitution and the use of efficient stoves.

10.20. In its wider national campaign to spread information about agro-forestry and energy conservation, the KREDP has set up centres at Bukura. Ngong, Mtwapa, Wambugu. Kitui and Kisii. The main objective of the centres is the reduction of defforestation by increased tree planting; promotion of energy efficient stoves: use of biogas and solar technologies; and development of institutional infrastructures for renewable energy programmes.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES. 1982-1986

*Table 10.10* *'000 Tonnes Oil Equivalent*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| COAL AND COKE CONSUMPTION | 52.5 | 63.7 | 82.7 | 59.9 | 67.9 |
| OIL:— | | | | | |
| Imports of crude oil | 2,165.5 | 1,940.2 | 1,932.7 | 1,980.7 | 1,965.9 |
| Net exports of petroleum | -769.4 | -434.9 | -584.7 | -544.9 | -578.6 |
| Stock changes and balancing item | -177.2 | -62.9 | 205.5 | 129.8 | 266.6 |
| TOTAL CONSUMPTION OF LIQUID FEULS | 1,573.3 | 1,442.4 | 1,553.5 | 1,565.6 | 1,653.9 |
| HYDRO AND GEOTHERMAL ENERGY:- | | | | | |
| Local production of hydro power | 335.3 | 354.7 | 357.8 | 403.2 | 416.7 |
| Local production of geothermal power | 23.0 | 62.9 | 55.9 | 80.6 | 88.6 |
| Imports of hydro power | 50.9 | 43.0 | 51.6 | 51.6 | 56.4 |
| TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY | 409.2 | 460.6 | 465.3 | 535.4 | 561.7 |
| TOTAL LOCAL ENERGY PRODUCTION | 358.3 | 417.6 | 413.7 | 483.8 | 505.3 |
| TOTAL NET IMPORTS | 1,499.5 | 1,612.0 | 1,482.3 | 1,547.3 | 1,778.2 |
| TOTAL ENERGY CONSUMPTION | 2,035.0 | 1,966.7 | 2,101.5 | 2,160.9 | 2,283.5 |
| LOCAL PRODUCTION AS PERCENTAGE OF TOTAL | 17.6 | 21.2 | 19.7 | 22.4 | 22.1 |
| PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT | 113 | 105 | 108 | 107 | 105 |

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

# CHAPTER 11—MANUFACTURING

Output in the manufacturing sector recorded an impressive real growth of 5.9 per cent in 1986, the highest rise in the last six years. A number of factors influenced this good performance. Increased agricultural output during 1986 allowed an adequate supply of raw materials to the agro-based industries. The sector also benefitted from high prices fetched in the international market for coffee, and to some extent that for tea. The reduction in import prices of oil during 1986 made more foreign exchange available for the importation of manufacturing inputs and machinery; this reduction helped in cutting down manufacturing production costs. During the 1986 Budget, some corrective measures were announced aimed at boosting manufacturing output. The removal of sales tax and reduction of prices for certain manufactured goods may have enhanced domestic consumption, resulting in an increased volume of output. However, the rate of the sector's investment and modernization continued to be sluggish due to changes in the international value of the shilling as well as inadequate domestic savings.

11.2. All but the transport equipment industry recorded positive growth rates in 1986. Substantial growth occurred in all but sugar and confectionary among the food manufacturing industries. Significant increases were also recorded for some non-metallic mineral products, metal products, and the petroleum and other chemical industries.

11.3. The sector maintained its upward trend in employment. The number of persons employed rose from 158,800 in 1985 to 164,800 in 1986, or by 3.8 per cent. However, with the decline in inflation, average wage earnings grew less rapidly in 1986, rising by 9:2 per cent compared with 11.6 per cent a year earlier, which represented a real increase in purchasing power.

11.4. During 1986, sales of manufactured goods improved appreciably. The total nominal value of sales is estimated at K£2,401 million, 22 per cent up from a revised figure of K£1,974 million in 1985. Substantial increases in the value of sales of over 35 per cent were attained in the industries processing food and beverages. Part of the increase in the latter may be attributable to increase in the controlled prices announced during the year. Moderate increases were recorded in the textiles and electrical machinery. With a relatively high export demand, the volume of manufactured exports rose faster than that of imports, resulting in the favourable performance of export oriented industries. However, the value of stocks in the sector remained at the 1985 revised figure of K£436 million.

**Changes in Production**

11.5. Table 11.1 gives details of the estimated value of output, intermediate consumption, value added and wages paid in the manufacturing sector at current prices for the period 1984 to 1986. The value of output rose by 21.5 per cent in 1986 compared with the 19.6 per cent increase in 1985. The value of intermediate consumption and value added also grew

MANUFACTURING SECTOR*—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES
1984-1986

*K£million*

| YEAR | VALUE OF OUTPUT | INTERMEDIATE CONSUMPTION | VALUE ADDED | TOTAL WAGES PAID |
|---|---|---|---|---|
| 1984** | 2,956.67 | 2,471.97 | 484.70 | 168.72 |
| 1985** | 3,535.62 | 2,992.82 | 542.80 | 188.24 |
| 1986*** | 4,296.67 | 3,688.43 | 608.24 | 205.48 |

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

slightly faster in 1986 compared with 1985. However, the share of value added in total output continued to decline from 16.4 per cent in 1984 to 14.2 per cent in 1986; this is partly due to high cost of imported inputs.

11.6. The indices of real output in the manufacturing sector are detailed in Table 11.2. As may be seen in the Table, an upward trend in total output has been sustained, reaching a 5.9 per cent growth rate in 1986. This is the result of the sector's response to increased aggregate demand.

11.7. With considerable improvement in the output of meat, dairy products, fish, oils and fats during 1986, there was an overall increase of 6.8 per cent in the food processing industry. However, a further increase in food processing was constrained by a slower growth in the production of sugar and confectionery. Although the output of sugar and confectionery grew slowly, yet it carries a big weight. In view of this, small changes in the production of sugar have a large effect on the index for food manufacturing.

11.8. The meat and dairy products industry grew by 19.7 per cent, but the output of beef decreased from the 1985 level since farmers need to build up their stock to the pre-1984 level. The production of liquid milk increased by 20 per cent from 263 million litres in 1985 to 316 million litres in 1986. Tlie price increase announced by the Government in the early part of 1986, and the adequate rains which resulted in abudanant pasture, increased output of dairy products.

11.9. The output of canned vegetables, fish, oils and fats grew by 17.1 per cent compared with 16.2 per cent in 1985. This increase is attributable to both conducive weather conditions which enhanced local raw materials for this industry. There was also an increase in demand due to the reduction in price of cooking fats. All other products in this category registered increases in the volume of their output except edible oils.

11.10. Details on the production of grain milling products during the last fi,ve years are given in Table 11.3. Favourable weather has led to increased production and supply of cereal products in aggregate. Significant increases in production of sifted maize meal and wheat flour accounts for the 8.3 per cent growth rate recorded in 1986. Imports of unmilled wheat declined appreciably as local production had improved. Output of wheat flour

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1984-1986

*Table 11.2* *1976=100*

| INDUSTRY | 1984 | 1985 | 1986* | Percentage change 1986/1985* |
|---|---|---|---|---|
| Meat and Dairy Products | 67.9 | 81.0 | 97.0 | + 19.7 |
| Canned Vegetables, Fish, Oils and Fats | 167.7 | 194.9 | 228.2 | + 17.1 |
| Grain Mill Products | 164.2 | 177.4 | 192.2 | +8.3 |
| Bakery Products | 109.6 | 120.9 | 134.6 | + 11.3 |
| Sugar and Confectionery | 189.1 | 177.6 | 180.1 | +1.4 |
| Miscellaneous Foods | 126.6 | 142.8 | 169.0 | + 18.3 |
| Food Manufacturing | 128.2 | 135.7 | 144.9 | +6.8 |
| Beverages | 127.6 | 141.9 | 166.8 | + 17.5 |
| Tobacco | 161.7 | 151.8 | 156.2 | +2.9 |
| Beverages and Tobacco | 134.7 | 144.6 | 166.0 | + 14.8 |
| Textiles | 166.6 | 174.3 | 186.5 | +7.0 |
| Clothing | 369.5 | 352.5 | 354.8 | +0.7 |
| Leather and Footwear | 81.3 | 80.1 | 81.9 | +2.2 |
| Wood and Cork Products | 91.5 | 66.4 | 67.1 | + 1.0 |
| Furniture and Fixtures | 69.8 | 71.6 | 72.7 | + 1.5 |
| Paper and Paper Products | 137.1 | 147.1 | 157.1 | +6.8 |
| Printing and Publishing | 317.3 | 330.8 | 350.4 | +5.9 |
| Basic Industrial Chemicals | 167.8 | 163.3 | 166.5 | + 1.9 |
| Petroleum and Other Chemicals | 245.0 | 257.2 | 279.0 | +8.5 |
| Rubber Products | 227.5 | 247.2 | 262.3 | +6.1 |
| Plastic Products | 186.3 | 198.0 | 205.7 | +3.9 |
| Clay and Glass Products | 282.3 | 289.1 | 289.7 | +0.2 |
| Non-Metallic Mineral Products | 108.4 | 121.9 | 135.0 | + 10.7 |
| Metal Products | 89.4 | 94.8 | 104.4 | + 10.1 |
| Non-Electrical Machinery | 103.1 | 109.6 | 118.4 | +8.0 |
| Electrical Equipment | 147.2 | 154.5 | 162.9 | +5.4 |
| Transport Equipment | 774.9 | 674.8 | 593.7 | -12.0 |
| Miscellaneous Manufactures | 157.7 | 202.1 | 260.1 | +28.7 |
| TOTAL MANUFACTURING | 170.3 | 178.2 | 188.7 | +5.9 |

*Provisional.

increased from a revised figure of 285 thousand tonnes in 1985 to 304 thousand tonnes in 1986. The production of maize meal increased by slightly over 25 per cent. The fall in output of rice necessitated a bigger importation in 1986 to satisfy the increasing local demand.

11.11. The upward trend in the bakery industry was sustained in 1986, with the volume of output rising by 11.3 per cent. This compares favourably with a 10 per cent increase recorded in 1985. The output of bread, the major product of this industry, increased by 16 per cent from 105 thousand tonnes in 1985 to 122 thousand tonnes in 1986. The output of scones, cakes and biscuits also rose substantially during the period under review.

Production of Grain Milling Products. 1982-1986

*Table 11.3* *'000 tonnes*

| Year | Commodity | | | |
|---|---|---|---|---|
| | Sifted Maizemeal | Wheat Flour | Whole Rice | Broken Rice |
| 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 | 285.2 | 24.0 | 0.4 |
| 1986** | 304.0 | 303.6 | 19.8 | 0.1 |

*Revised.
**Provisional.

11.12. The output of sugar and confectionery registered a welcome rise of 1.4 per cent in 1986, after a decrease of 6.1 per cent in 1985. Output of sugar stood at 370 thousand tonnes in 1986, well below the 401 thousand tonnes recorded in 1980. The output of molasses increased by 9 per cent, reversing the decrease of 3 per cent in 1985.

11.13. Except for salt and tea, the output of all other products in the miscellaneous food industry recorded increases. Responding to a high demand of coffee in the world market, the output of milled coffee rose sharply during 1986. The delivery of green leaf tea to factories was below 1985 levels, leading to a decline in processed tea. However, appreciable increases in the output of cocoa, curry powder, cashew nuts, poultry and cattle feeds, were recorded. Overall, the category recorded a welcome 18.3 per cent increase in 1986 compared with 12.8 per cent growth registered in 1985.

11.14. Table 11.4 provides data on output of beverages and tobacco during 1982-1986. Despite price increases, the output of the beverages and tobacco industry rose from 7.3 per cent in 1985 to 14.8 per cent in 1986. The rise was mainly due to increased export demand, particularly from the neighbouring countries and Britain. The value of exports of alcoholic beverages doubled during 1986, while that of non-alcoholic beverages doubled and non-alcoholic beverages rose over six-fold during 1986. Future output of this industry is likely to be boosted by the sales tax remission announced in August, 1986 for local distillers and bottlers of wines and spirits.

11.15. The output of textile industry went up by 7.0 per cent in 1986, compared with a rise of 4.6 per cent observed a year earlier. A large production of polyester fabrics, gunny bags, canvas materials, knitted fabrics, ropes and twines accounted for the increase. The output of bed sheets, pullovers, jerseys and ginned cotton went down dampening the growth of the industry.

PRODUCTION OF BEVERAGES AND TOBACCO, 1982-1986

*Table 11.4*

| YEAR | COMMODITY | | | |
|---|---|---|---|---|
| | Spirits | Beer | Mineral Waters | Cigarettes |
| | '000 Litres | Million litres | Million litres | Million |
| 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 |
| 1986* | 552.5 | 301.6 | 182.1 | 5,822 |

***Provisional.**

11.16. The clothing industry showed some small improvement following a decline of 4.6 per cent in 1985. The industry recovered to register a moderate increase of nearly 1 per cent in 1986. The Government's restriction of imported wearing apparel may have boosted local production. Apart from dresses, vests and underwear, all other products in this category recorded significant increases. In particular, output of suits, shirts and uniforms increased by 11, 18 and 28 per cent, respectively.

11.17. The production of unfinished leather, leather cloth and sole leather declined in 1986. This decline was, however, offset by relatively large increases in the output of finished leather and leather shoes, resulting in an overall 2.2 per cent increase for the entire leather and footwear industry. Production of leather shoes increased to record 1.5 million pairs, the highest since 1982. Finished leather production more than doubled from 120 thousand square metres in 1985 to 252 thousand square metres in 1986.

11.18. There was a marginal improvement of 1 per cent in the output of wood and cork products after a decline of 27.4 per cent in 1985. Improved activities in the building and construction sector during 1986 may explain the upturn in the output of wood and cork products. Sawn timber, the major product in this industry, increased to 78 thousand cubic metres in 1986 from 65 thousand cubic metres in the previous year, or by 20 per cent. Furniture and fixtures grew rather sluggishly in 1986; output growth of these products may have slowed after the completion of the 8-4-4 class-rooms.

11.19. There was a substantial increase in the output of exercise books in 1986. The growth is partly attributable to the abolition of sales tax during the 1986 Budget. A total of 70 million exercise books were produced in 1986 compared with 42 million produced in the previous year. However, other products in this industry grew more slowly while others declined to give an overall slower rise of 6.8 per cent compared with 7.3 recorded in 1985. A notable decline occurred in the output of kraft paperboard, which fell to 7,000 tonnes in 1986, the lowest production in the last five years. Subsequently, imports of paper and paperboard increased two-fold while exports declined by almost half.

11.20. A welcome increase of 5.9 per cent growth was recorded in the printing and publishing industry during 1986, compared with a rise of 4.3 per cent in 1985. Locally made paper is estimated to have grown to 30 thousand tonnes in 1986, from 28 thousand tonnes in 1985. Production of newsprint remained constant at the 1985 level. To meet local demand, importation of newsprint continues to be necessary. In 1986, about 4,186 tonnes of newprint were imported compared with 2,553 tonnes in 1985. Some 5,930 persons were engaged in the industry compared with 5,180 persons in the previous year.

11.21. Substantial increases were recorded in the output of acetylene, electrodes and herbicides. These coupled with increases in output of oxygen, pyrethrum extract and solid insecticides, account, for the nearly 2 per cent increase in the output of the basic industrial chemicals industry in 1986. This was an improvement over the fall of 2.7 per cent recorded in 1985.

11.22. Reduction in the prices of petroleum products announced in March 1986 boosted both local and export demand for fuel, thereby increasing their output. Virtually all refined petroleum products went up in 1986. However, there was a mixed performance in the output of products falling under "other chemicals industry". While there were substantial increases in the output of distempers, laundry soap, liquid drugs and shoe polish; large declines were observed in the output of thinners, liquid detergents, cosmetics and pharmaceuticals. The later may have been due to the withdrawal of the export compensation. Overall, the petroleum and other chemicals industry recorded an increase of 8.5 per cent in 1986, which compares well with a 5.0 per cent rise in the previous year.

11.23. The falling growth rate of output of the rubber products industry continues. In 1984, the industry had recorded an increase of 16.6 per cent, which dropped to 8.7 per cent in 1985 and further to 6.1 per cent in 1986. A welcome increase was, however, recorded in retread tyres which enjoys a favourable domestic demand and rose from 192 thousand in 1985 to 320 thousand in 1986, an increase of 66.7 per cent. This was the highest growth achieved in the last five years. A modest increase was also recorded in new bicycles tubes. However, the output of new motor vehicles tyres declined from 409 thousand in 1985 to 385 thousand in 1986. The output of rubber shoes declined marginally, possibly due to high demand for leather shoes.

11.24. The plastic products industry, which is heavily dependent on imported synthetic raw materials, suffered because of the high cost of imported synthetic inputs. After recording a growth of 6.3 per cent in 1985, it grew at a slower rate of 3.9 per cent in 1986. Substantial declines were recorded in plastic shoes, bottles, plates and P.V.C. floor tiles. The number of plastic shoes fell to 1.4 million pairs from 1.9 million pairs in 1985.

11.25. There was a relatively large increase in the output of wind-screens, floor and wall tiles, in 1986. However, these are minor components in the Clay and glass products for the change to have a large effect on the overall output of the industry. A large fall in the output of glass bottles

dampened the industry's growth to a mere 0.2 per cent increase, following a 2.4 per cent growth recorded in 1985. The output of glass bottles fell from 27 thousand tonnes in 1985 to 25 thousand tonnes in 1986.

11.26. The overall growth in the non-metallic mineral products recorded in 1986 was 10.7 per cent, which was lower than the 12.5 per cent recorded in 1985. Output of clinker grew from 893 thousand tonnes in 1985 to 908 thousand tonnes in 1986. Improved activities in the building and construction sector greatly contributed to the rise in production of cement, as well as concrete pipes and blocks. As indicated in Table 11.5, local consumption of cement grew by an average 8.3 per cent annualy between 1982 and 1985. Export of this commodity to Uganda and Tanzania in 1986, while being some 26 per cent below the 1985 level, was still 90 per cent above that recorded in 1984. The decline of sales overseas seems to have bottomed out after the severe contrations in recent years.

11.27. Domestic demand for products in the metal industry increased substantially during the period under review, the output of the entire industry increased by 10.1 per cent in 1986 compared with 6.0 per cent in 1985. This is attributable to the improvement in Kenya's economic performance, resulting in a favourable balance of payments, and the trade liberalisation policy, which enabled larger imports of necessary raw materials. In 1986, the output of galvanized sheets, metal beds, nails and welded mesh rose by 25, 17, 53 and 15 per cent, respectively. Modest increase occured in such products as "sufurias", metal cans and tins, gas cylinders, and bolts and nuts. Other factors that may have contributed to better performance of this industry include the removal of sales tax on fencing nails and the improved export sales to the P.T.A. and other African countries. Export of nails to these countries rose from 755 tonnes in 1985 to 849 tonnes in 1986.

11.28. The upward trend in non-electrical machinery continued during 1986. The output volume rose by 8.0 per cent against 6.3 per cent in 1985.

CEMENT PRODUCTION AND UTILIZATION, 1982-1986

*Table 11.5* *'000 tonnes*

| YEAR | PRODUCTION | IMPORT FROM | | CON-SUMPTION AND STOCKS | EXPORTS TO | |
|---|---|---|---|---|---|---|
| | | Uganda and Tanzania | All Other Countries | | Uganda and Tanzania | All Other Countries |
| 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 |
| 1986* | 1,174.4 | – | 0.5 | 689.1 | 54.8 | 431.0 |

*Provisional.

Production of wheelbarrows, a major product in this industry, more than doubled from 15 thousand in 1985 to 31 thousand in 1986. Although this figure was the highest in the last four years, it was still below the 37 thousand recorded in 1982.

11.29. Growth in the electrical appliances industry improved, albeit, modestly in 1986, recording 5.4 per cent against 5.0 per cent in the previous year. Registered production of dry cells, electrical bulbs and gramaphone records in 1986 were 121 million, 7 million and 1.3 million, respectively, compared with corresponding figures of 100 million, 6 million and 1.2 million in 1985. The moderate growth in this industry is attributable mainly to increased domestic demand during the year.

11.30 The transport equipment industry recorded a further decline of 12 per cent in 1986, following a fall of nearly 13 per cent in 1985. Except for lorry bodies, the number of assembled vehicles declined from a revised figure of 10,658 in 1985 to 10,077 in 1986. This is a reflection of the measure taken to remove the extremely high protection from this industry and make it more competitive. The industry continued to diversify the range of vehicles.

11.31. Output of "miscellaneous manufactures", comprising products such as ball-point pens, both household and industrial brushes, water metres and lenses, registered the highest growth in 1986. The output of ball-points pens increased from 29 thousand in 1982 to 33 thousand in 1986, up from 30 thousand in 1985. The output of water metres in 1986 was only surpassed by the 1982 production. In 1985, only 2,347 were produced, but this shot up to 26,695 in 1986. This steep increase may be attributable to the recovery in the building and construction sector.

**Development of Manufacturing Enterprises**

11.32. The development finance institutions, which were created by the Government to stimulate industrial development in Kenya, have been facing a number of problems. Among these are the expense of external finance; and the low domestic savings from which to tap loanable funds. Despite these difficulties, financial parastatals approved a record 442 projects with an estimated expenditure of K£20 million in 1986-K£6 million above that of 1985. Table 11.6 gives details on industrial projects approved by selected Government or quasi-government institutions.

11.33. In 1986, the Industrial Development Bank (IDB) approved 9 projects of which five were new. The Bank committed a total of K£5.65 million, the highest figure in the last six years. Activities of the Bank included funding of projects to expand the present production capacities, to enable the local manufacture of products previously imported; and to acquire adequate imported raw materials. The main thrust of its activities centred in the food processing, where a total of K£2.28 million was committed. A total of 350 additional employment opportunities are expected to be generated as a result of the Bank's activities in 1986.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1984-1986

*Table 11.6*

| INSTITUTION | NUMBER OF PROJECTS | | | APPROVED EXPENDITURE K£MILLION | | |
|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 |
| Industrial Development Bank Limited (I.D.B.) | 6 | 6 | 9 | 2.46 | 3.32 | 5.65 |
| Development Finance Company of Kenya (D.F.C.K.) | 12 | 13 | 10 | 3.72 | 6.59 | 4.23 |
| Kenya Industrial Estates Limited (K.I.E.) | 114 | 229 | 411 | 2.07 | 2 0 8 | 4.33 |
| Industrial and Commercial Development Corporation (I.C.D.C.) | 8 | 9 | 12 | 3.56 | 1.85 | 6.06 |
| TOTAL | 140 | 257 | 442 | 11.82 | 13.83 | 20.17 |

11.34. The Development Finance Company of Kenya (D.F.C.K.) approved fewer projects in 1986 and there was a K£2.36 million decline in its monetary commitment although this was slightly higher than 1984 level, its monetary committment, although this was slightly higher than 1984 level, inadequate financial resources from local commercial banks. Out of the 10 projects it approved, 6 were new and the rest were for expansion, or for diversification and rehabilitation. More than half of the total commitments went to projects within Nairobi and Mombasa. Most of the company's activities were concentrated in food processing and tourism. It, however, spread its activities to other industries such as metal, rubber, and glass and pottery. A total of 600 additional employment is expected to be created by the new projects.

11.35. The Kenya Industrial Estates (K.I.E.) approved the largest number of projects during the period under review. Its total commitments were also the highest in the last six years. Out of the 411 projects approved, 318 were new. Some 386 projects were located outside Nairobi and Mombasa, which is in line with the Government's policy of rural/urban balance as stated in Sessional Paper No. I of 1986. Of the total approved projects, 396 were located outside its sheds. Most of the Estate's activities were concentrated in the food processing industry, which accounted for 64 per cent of total commitment, leaving the remaining share to printing, publishing, metal products, wood furnitures and fixtures. At full capacity, these industries will generate employment for 2,400 persons. The K.I.E had an additional 332 small-scale projects in the pipeline to which it expects to commit K£7.5 million.

11.36. During 1986, the Industrial and Commercial Development Corporation (I.C.D.C.) funds were mainly utilized in the following areas: the purchase and acquisition of assets belonging to its subsidiaries which

had previously been placed under receivership; the expansion of projects whose products are in rising demand; debt-servicing on behalf of some of its subsidiaries as a result of the appreciation of major currencies; and to supplement working capital. The 12 projects approved during 1986 with a commitment of K£6.1 million were the highest in number since 1981. Most of the Corporation's activities were centred in the food processing industry which accounted for 60 per cent of the total commitments. The balance was shared by textiles, clay and glass, mining, engineering and services industries. A total of 1,750 job opportunities would be created as a result of these commitments.

## Labour Costs and Productivity

11.37. Selected indices on manufacturing productivity, cost of wages and employment for the period 1984 to 1986 are detailed in Table 11.7. The implicit productivity of labour rose appreciably in 1986 compared with the previous year, although this was below the 1983 level when it was 3.2. The proportion of wage costs as a contribution of the sector to the G.D.P. declined slightly while they continued falling as a percentage of gross output. Thus in 1986, wage costs represented only 4.8 per cent of the output value of the product, while profits depreciation and interest payments accounted for slightly over 9 per cent.

INDICATORS OF LABOUR COST AND PRODUCTIVITY IN MANUFACTURING, 1984-1986

*Table 11.7* *Per cent*

| | 1984 | 1985 | 1986* |
|---|---|---|---|
| 1. Change in the quatum index of manufacturing | +4.1 | +4.6 | +5.9 |
| 2. Change in numbers of employed in manufacturing | +2.9 | +3.7 | +3.8 |
| 3. Implicit change in labour productivity | +1.2 | +0.9 | +2.1 |
| 4. Wage cost as percentage of gross output | 5.7 | 5.3 | 4.8 |
| 5. Wage cost as percentage of value added | 34.8 | 34.7 | 33.8 |

*Provisional.

## CHAPTER 12—BUILDING AND CONSTRUCTION

The level of performance in building and construction is an important indicator of the state of the economy, as it has various linkages with most other sectors. The economic upturn experienced in 1985, coupled with the confidence which the business community has in the economy, had positive effects on building and construction activities in 1986. The major economic indicators such as cement consumption, employment, and value of building plans approved by main towns—all had appreciable increases.

12.2. Table 12.1 gives details on some of the key indicators in the last five years. As can be seen, employment in the sector increased by 12 per cent from 49,900 persons in 1985 to 55,700 persons in 1986. Cement consumption went up by a significant 15 per cent and recorded 702 thousand tonnes in 1986, the highest level since 1980. The increase in cement consumption was mainly due to the construction of sporting facilities for the All Africa Games due to be held in August this year. The construction of grain stores and roads also contributed to the rise. However, indices on value of reported private and public buildings continue to show a downward trend, possibly as a result of under-reporting as can be inferred from Chapter 3 of the Economic Survey, 1985.

12.3. The provisional results from Business Expectations Enquiry (B.E.E.) show that in 1986 total receipts for work done by private contractors increased by 4 per cent over the 1985 receipts. The reported stocks and work in progress remained almost at the 1985 level of K£28 million, although indications are that the 1986 stock level would surpass that of 1985.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1982-1986

*Table 12.1* *1982=100*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| *"Index"* of reported private building work completed in main towns*** | 100.0 | 79.5 | 57.9 | 57.5 | |
| *"Inde"* of reported public building work completed in main towns*** | 100.0 | 111.1 | 87.3 | 29.2 | |
| *"Inde"* of Government expenditure on roads | 100.0 | 88.8 | 72.0 | 66.1 | 57.0 |
| Cement consumption ('000 tonnes) | 579.3 | 511.0 | 542.5 | 610.1 | 702.0 |
| *[44]Index"* | 100.0 | 88.2 | 93.6 | 105.3 | 121.2 |
| Employment ('000) | 60.4 | 60.2 | 49.2 | 49.9 | 55.7 |
| *[44]Index"* | 100.0 | 99.7 | 81.5 | 82.6 | 92.2 |

*Actuals deflated by various building or construction cost indices..

**Provisional.

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

12.4. The annual percentage increases in building and construction cost indices are presented in Table 12.2. The combined building and construction cost index increased by 6.8 per cent in 1986 when compared with an increase of 12.7 per cent in 1984. The slow rise was attributed to lower increases in 1986 for both material and labour costs. The changes in labour costs were mainly due to rises in monthly basic wages for unskilled, semi-skilled and skilled labour within the sector. Prices of both sand and aggregate increased, while the price of cement—a major building material input—remained unchanged for the whole of 1986. The price of diesel fuel, which is one of the inputs in civil engineering works, decreased by nearly 3 per cent from KShs. 5.45 per litre in 1985 to KShs. 5.30 per litre in 1986.

Annual Percentage Increase in Building and Construction Cost Indices*, 1984-1986

*Table 12.2*

| | Materials | | | Labour | | | Total Cost | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 | 1984 | 1985 | 1986 |
| Residential Buildings | 0.8 | 14.5 | 5.4 | 43.5 | 10.7 | 9.5 | 6.9 | 13.8 | 6.2 |
| Non-Residential Buildings | 0.7 | 10.8 | 7.1 | 43.5 | 10.7 | 9.5 | 8.9 | 10.8 | 7.7 |
| All Buildings | 0.8 | 12.9 | 6.2 | 43.5 | 10.7 | 9.5 | 7.8 | 12.4 | 6.9 |
| "Other" Construction | 11.6 | 7.6 | 5.2 | 43.5 | 10.7 | 9.5 | 21.2 | 8.7 | 6.7 |
| Total Cost Index | 4.2 | 11.0 | 5.8 | 43.5 | 10.7 | 9.5 | 12.7 | 10.9 | 6.8 |

*From December to December.

12.5. Data on the reported value of plans approved by the Nairobi City Commission and other towns are presented in Table 12.3. The revised estimates for value of building plans approved rose by 22 per cent from K£112 million in 1985 to K£137 million in 1986. Nairobi. Mombasa, Nakuru and other major towns together contributed more than 50 per cent of the total value of plans approved. This is partly due to industrial growth in these towns. The value of plans approved by the City Commission increased by 36 per cent, from K£58 million in 1985 to K£78 million in 1986, whereas the value of plans approved by other towns increased by 7 per cent only.

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1982-1986

*Table 12.3* *K£million*

| Year | Nairobi | Other Towns | Total |
|---|---|---|---|
| 1982 | 70.14 | 44.28 | 114.42 |
| 1983 | 47.83 | 33.88 | 81.71 |
| 1984 | 36.53 | 40.67 | 77.20 |
| 1985** | 57.60 | 54.53 | 112.13 |
| 1986* | 78.44 | 58.35 | 136.79 |

*Provisional.
**Revised.

12.6. Table 12.4 compares the value of private plans approved and reported completions in main urban centres. As is evident from the table, the value of plans approved has been rising since 1984, and recorded K£135 million in 1986, double the 1983 level. While there has been a rise in the value of plans approved, the value of reported buildings completed had a mixed performance. The value of reported private buildings completed in 1985 was nearly equal to the 1983 figure, but the completions in 1986 were lower than those of 1985. For the years, with final data forl982 to 1984, only 35 per cent of plans approved were ever completed.

COMPARISON OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1982.1986

*Table 12.4* *K£million*

| Year | Plans Approved | Building Work Completed |
|---|---|---|
| 1982 | 91.17 | 39.87 |
| 1983 | 66.50 | 28.25 |
| 1984 | 74.48 | 14.09 |
| 1985** | 110.70 | 26.57 |
| 1986* | 134.81 | 18.39 |

*Provisional.
**Revised.

12.7. As shown in Table 12.5, the total value of reported private buildings completed including extensions was approximately K£21 million in 1986; down from K£30 million in 1985. Nairobi, Mombasa and Nakuru contributed the bulk of the total value of private buildings completed. While Nakuru town showed an increase in the value of reported buildings completed, Mombasa had a substantial decline, but there was little change in the case of Nairobi.

VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1982-1986

*Table 12.5* *K£million*

| Year | Nairobi | Mombasa | Kisumu | Nakuru | Thika | Eldoret | Kitale | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 13.20 | 14.04 | — | 1.73 | — | 0.93 | — | — | 29.90 |
| 1986** | 11.39 | 6.67 | — | 2.36 | | 0.38 | — | — | 20.80 |

*Including the value of extensions.
**Provisional.

12.8. An analysis of Table 12.6 shows that the total number of reported buildings completed in the main towns increased from 654 units in 1985 to 955 units in 1986. There was a notable increase in residential units to meet

**REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1982.1986**

*Table 12.6*

| Year | NUMBER | | ESTIMATED COST *K£million* | | |
|---|---|---|---|---|---|
| | Residential | Non. Residential | Residential | Non. Residential | Total |
| 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 | 578 | 76 | 10.66 | 15.91 | 26.57 |
| 1986** | 911 | 44 | 15.66 | 2.73 | 18.39 |

* Excluding the value of extensions.
** Provisional.

the increasing demand. The construction of dwelling units continued to grow faster than that of non.residential units. While there was an increase in the number of reported buildings completed, the total value excluding extensions declined from K£27 million in 1985 to K£18 million in 1986. Some of the main buildings completed in 1986 include a large amphitheatre for the Pentecostal Church, and the Pangani Girls Hostel, both in Nairobi.

12.9. The public sector plays a dominant role in the provision of public buildings such as public office blocks, hospitals and schools. Table 12.7 shows that the total number of reported public buildings completed declined from 150 in 1985 to 52 buildings in 1986; while the correponding cost increased by over 40 per cent. Completed public buildings include a health centre in Nyabondo Division within Kisumu District; while building works in progress include Moi University and Moi Teachers' College—both in Eldoret.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS IN MAIN TOWNS, 1982.1986

***Table 12.7***

| **YEAR** | NUMBER | | COST *K£million* | | |
|---|---|---|---|---|---|
| | Residential | Non. Residential | Residential | Non. Residential | Total* |
| 1982 | 443 | 101 | 5.00 | 4.49 | 9.49 |
| 1983 | 790 | 33 | 9.05 | 15.90 | 24.95 |
| 1984 | 552 | 42 | 16.73 | 2.71 | 19.44 |
| 1985 | 116 | 34 | 0.33 | 0.76 | 1.09 |
| 1986** | 31 | 21 | 0.24 | 1.28 | 1.52 |

*Excluding the value of extensions which are negligible.
** Provisional.

12.10. Table 12.8 provides data on both approved and actual expenditure on housing by the Central Government. The approved estimates show a decline from K£9 million in 1985/86 to K£8 million in 1986/87. Despite this decline in expenditure which was partly due to financial control measures, the Government continues to emphasize the provision of adequate and affordable shelter, both for rural and urban population.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1982/83—1986/87

*Table 12.8*

| Year | K£ Million | | Approved Expenditure as percentage of Development Expenditure |
|---|---|---|---|
| | Approved | Actual | |
| 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 | 8.46 | 2.3 |
| 1986/87* | 8.41 | | 2.2 |

*Provisional.

12.11. In an effort to provide affordable shelter in rural areas, the Government has initiated a programme of up-grading rural housing based on the utilization of locally available building materials. To this end, a number of pilot projects were launched in different parts of the country to demonstrate the suitability of these materials. The objective is to reduce the cost of building materials, which in the past has been increasing at an average of 7 per cent year during the last three years (*see Table 12.2).*

12.12. Table 12.9 presents the number and value of units completed by the National Housing Corporation during the last five years. After 1984, the total number and value of units completed by the Corporation continued to decline, and reached the lowest level in 1986. The number and value of units completed declined from 1,009 units costing K£2.9 million in 1985 to only 615 units worth K£2.0 million in 1986. The decline was partly due to the ever rising costs of house construction, particularly that of materials and labour inputs. Among the housing schemes completed by the Corporation in 1986 were: Meru, Karatina and Kitui tenant purchase schemes. Those at various stages of development include Isiolo and Maralal rental schemes.

12.13. The site and service scheme is a programme designed to assist low income earners acquire shelters at reduced costs. The scheme includes provision of site, basic services and necessary infrastructures such as roads, sanitation, water and standard plans; while owners of the sites construct houses using materials of permanent nature. During 1986, only 276 units were completed compared with 2,550 units in 1982, but the numbers fluctuate widely.

**Roads**

12.14. Road network provides the most important transportation facility for both freight and passenger traffic. Table 12.10 shows that by July, 1986 total classified national road network covered 54,200 km, out of which 6,700 km was classified as bitumen, leaving the balance for earth/gravel

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1982-1986

*Table 12.9*

| | 1982 | 1983 | 1984 | 1985 | 1986 |
|---|---|---|---|---|---|
| *Units completed* | | | | | |
| PROVINCE— | | | | | |
| Nairobi | 2,311 | – | 284 | | |
| Coast | 13 | 50 | 13 | 50 | |
| North-Eastern | – | | | | |
| Eastern | 70 | 98 | 2 | | 253 |
| Central | – | 187 | – | 45 | 95 |
| Rift Valley | 354 | 302 | 199 | 745 | 115 |
| Nyanza | 180 | – | 1,900 | 169 | 152 |
| Western | – | 50 | – | – | – |
| TOTAL NUMBER | 2,928 | 687 | 2,398 | 1,009 | 615 |
| *Of which site and service* | 2,550 | 598 | 2,099 | 882 | 276 |
| *Value of units completed K£'000* | | | | | |
| Nairobi | 2,031 | – | 4,106 | | |
| Coast | 155 | 116 | 166 | 302 | |
| North-Eastern | – | – | | | |
| Eastern | 263 | 215 | 4 | | 1,013 |
| Central | – | 330 | – | 618 | 186 |
| Rift Valley | 1,333 | 908 | 550 | 1,737 | 506 |
| Nyanza | 432 | – | 1,500 | 210 | 268 |
| Western | – | 511 | – | – | – |
| TOTAL VALUE | 4,214 | 2,080 | 6,326 | 2,867 | 1,973 |

roads. Both international and national network covered half of the total bitumen (paved) roads. Between 1982 and 1986, there was a decline in earth/gravel road network, while bitumen roads showed no improvement on the 1985 figure of 6,700 km.

12.15. Table 12.11 gives details of the total expenditure on new road construction, including maintenance and repair. While there was a decline of nearly K£6 million in the total expenditure during 1986/87 fiscal year, the expenditure on maintenance and repair of rural access and primary roads recorded increases. This is in line with the Government's budget rationalization policy.

12.16. The major road projects completed by July, 1986 include the up-grading to the bitumen standard of: Kagarii-Kagumo road at a total cost of K£4 million; Njoro-Kabarak road at a cost of K£2 million; Nakuru highway at a cost of K£4 million; and the Kabarak-Kabartonjo road at total cost of K£3 million. The repair and reseating of some roads in Central and

KILOMETRES OF ROAD AS AT 1ST JULY, 1982 AND 1ST JULY, 1986 BY TYPE AND CLASSIFICATION

*Table 12.10* *'000K£million*

| Type of Road | 1982 | | 1986 | |
|---|---|---|---|---|
| | Bitumen* | Earth/ Gravel** | Bitumen* | Earth/ Gravel** |
| A—International Trunk | 2.3 | 1.3 | 2.3 | 1.2 |
| B—National Trunk | 1 1 | 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 | 0.3 | 25.5 | 0.4 | 25.8 |
| F—Special Purpose | 0 1 | 4.4 | 0.2 | 2.8 |
| TOTAL | 6.3 | 49.2 | 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.

Western Provinces, including up-grading to bitumen standard of the Tana-Delta crossing and Lodwar-Kakuma roads were undertaken during the latter half of 1986.

12.17. The construction of water and related services, including pans and dams in semi-arid areas and rural water supply, continued to contribute to the performance of building and construction sector. Projects under construction include the Turkwel Dam, built by the Kerio-Valley Development Authority and a number of rural and urban water supplies. Chapter 9 highlights details of the public role in the provision of clean water and related services.

TOTAL EXPENDITURE ON ROADS, 1984/85.1986/87

*Table 12.11* *K£million*

| | 1984/85 | 1985/86 | 1986/87* |
|---|---|---|---|
| DEVELOPMENT— | | | |
| Trunk Roads | 26.73 | 17.48 | 13.31 |
| Primary Roads | 7.66 | 9.86 | 12.38 |
| Secondary Roads | 4.67 | 7.54 | 3.85 |
| Unclassified Roads | 1.60 | 1.25 | 0.90 |
| Miscellaneous Roads | 12.25 | 12.25 | 12.10 |
| Total | 52.91 | 48.38 | 42.54 |
| RECURRENT (maintenance and repair) | 18.50 | 22.90 | 23.02 |
| TOTAL | 71.41 | 71.28 | 65.56 |

*Provisional.

# CHAPTER 13—TOURISM

The slump of the US dollar in relation to other major currencies, and low oil prices created attractive conditions for travellers in 1986. International travel is highly elastic to economic shifts, and taking into account that over 70 per cent of all visitors to Kenya originate from the industrialized countries, the favourable factors led to more visitors coming to Kenya in 1986.

13.2. Generally, the tourism sector performed better in 1986 compared with 1985. The number of in-coming tourists went up by 14 per cent, while that of departing visitors rose by 12 per cent in 1986. Continental Europe, including the United Kingdom, continues to contribute most of the tourists, accounting for just under 60 per cent of the total. The share of visitors from North America has, however, remained small at about 11 per cent, although the absolute number has been growing steadily since 1982. Even though the average length of stay per visitor has remained constant at 15.9 days, the total number of days stayed by visitors increased by over one million to reach 9.4 million days in 1986. Between 1982 and 1986, the number of bed-nights occupied increased by nearly 400 thousand, while the number of available bed-nights has stagnated at just above 9 million. This has led to an increase in hotel occupancy rate from 51 to 54 per cent in 1982 and 1986, respectively. Despite the drop in the number of visitors to the national parks and other scenic attractions, receipts from tourism rose to a record high of K£247 million in 1986. There was a concerted tourism promotion by both the public and private sectors.

**International Tourism**

13.3. The number of international visitor arrivals by purpose of visit and by quarter are detailed in Table 13.1. Due to the world-wide economic down-swing in the early 1980's, total visitors arriving in Kenya dropped to reach a low of 372 thousand in 1983, but has since continued to increase; going up by 24, 17 and 14 per cent in 1984, 1985 and 1986, respectively. The data show that the largest number of visitors arrive in the fourth and first quarters, when between 55-57 per cent of all visitors were reported each year under review. The two quarters correspond to the cold seasons in the northern hemisphere from where most visitors originate. Some 76 per cent of all arriving visitors came for holidays; 12 per cent came for business reasons; and the rest came for other reasons or were in transit to other destinations.

13.4. The number of departing visitors also showed a similar trend with arrivals. As can be observed from Table 13.2, the number of departing visitors, which was lowest in 1983 has been increasing since then, reaching 604 thousand—almost double the 1983 figure. The rate of increase has, however, reduced from 40 per cent in 1984 to 20 and 12 per cent in 1985 and 1986, respectively. The composition of departing visitors by purpose of visit has remained virtually unchanged throughout the reference period, reflecting the visitors arrivals' pattern.

13.5. Table 13.3 shows details of visitor departures by country of

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1982—1986

*Table 13.1* *'000*

| Quarter/Purpose | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| 1st Qr. Holiday | 85.5 | 85.4 | 107.5 | 115.9 | 127.3 |
| Business | 11.4 | 13.3 | 16.8 | 17.2 | 18.9 |
| Transit | 7.7 | 9.5 | 11.9 | 12.0 | 13.2 |
| Other | 3.5 | 1.7 | 2.1 | 3.1 | 3.5 |
| TOTAL | 108.1 | 109.9 | 138.3 | 148.2 | 162.9 |
| 2nd Qr. Holiday | 53.7 | 44.6 | 60.9 | 68.4 | 78.9 |
| Business | 12.7 | 12.4 | 16.9 | 18.0 | 20.7 |
| Transit | 10.3 | 9.9 | 13.5 | 14.5 | 16.7 |
| Other | 3.7 | 1.7 | 2.3 | 3.3 | 3.8 |
| TOTAL | 80.4 | 68.6 | 93.6 | 104.2 | 120.1 |
| 3rd Qr. Holiday | 69.5 | 69.6 | 80.9 | 104.4 | 119.9 |
| Business | 11.0 | 9.1 | 10.5 | 13.4 | 15.5 |
| Transit | 11.4 | 9.4 | 10.9 | 14.0 | 15.8 |
| Other | 2.5 | 1.9 | 2.1 | 2.9 | 3.4 |
| TOTAL | 94.4 | 90.0 | 104.4 | 134.7 | 154.6 |
| 4th Qr. Holiday | 85.3 | 85.7 | 104.1 | 124.5 | 143.1 |
| Business | 12.8 | 10.2 | 12.3 | 15.7 | 18.2 |
| Transit | 9.6 | 6.9 | 8.4 | 11.5 | 13.2 |
| Other | 1.5 | 1.0 | 1.1 | 1.8 | 2.1 |
| TOTAL | 109.2 | 103.8 | 125.9 | 153.5 | 176.6 |
| Year Holiday | 294.0 | 285.3 | 353.4 | 413.2 | 469.2 |
| Business | 47.9 | 45.0 | 56.5 | 64.3 | 73.3 |
| Transit | 39.0 | 35.7 | 44.7 | 52.0 | 58.9 |
| Other | 11.2 | 6.3 | 7.6 | 11.1 | 12.8 |
| TOTAL | 392.1 | 372.3 | 462.2 | 540.6 | 614.2 |

*Provisional.

residence and purpose of visit. For the third year running, there was a marked increase in the number of departing visitors to all countries, except that the rate of increase slowed down to an average of 12 per cent during 1986. Continental Europe including United Kingdom, which reported just under 60 per cent of all departing visitors in 1986, continued to be the major source of tourists to Kenya—with West Germany, United Kingdom and Switzerland contributing about 40 per cent. The share of departing visitors to other continents remained unchanged at around 11,12 and 7 per cent for North America, Africa and Asia, respectively. The number of departing visitors to Australia and New Zealand, combined with all "Other Countries", remained low and has never exceeded 2 per cent of the total.

13.6. Although the share of all departing visitors to African countries has stood at about 20 per cent since 1984, the absolute numbers increased by 12

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1982—1986

*Table 13.2* *'000*

| Quarter/Purpose | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| 1st Qr. Holiday | 85.8 | 82.7 | 108.2 | 120.9 | 133.6 |
| Business | 9.0 | 10.3 | 12.8 | 14.0 | 15.5 |
| Transit | 8.7 | 9.3 | 11.6 | 13.0 | 14.2 |
| Other | 3.5 | 0.8 | 2.6 | 3.0 | 2.6 |
| TOTAL | 107.0 | 103.1 | 135.2 | 150.9 | 165.9 |
| 2nd Qr. Holiday | 50.0 | 44.5 | 68.2 | 77.1 | 87.0 |
| Business | 11.2 | 8.6 | 12.6 | 15.5 | 17.3 |
| Transit | 10.3 | 9.0 | 13.4 | 15.6 | 17.9 |
| Other | 3.4 | 1.0 | 2.8 | 3.2 | 3.5 |
| TOTAL | 74.9 | 63.1 | 97.0 | 111.4 | 125.7 |
| 3rd Qr. Holiday | 63.3 | 70.5 | 79.7 | 104.2 | 116.8 |
| Business | 8.1 | 7.5 | 8.1 | 11.5 | 12.8 |
| Transit | 10.9 | 10.5 | 11.2 | 15.4 | 17.2 |
| Other | 2.4 | 1.2 | 2.2 | 1.8 | 2.2 |
| TOTAL | 84.7 | 89.7 | 101.2 | 132.9 | 149.0 |
| 4th Qr. Holiday | 68.2 | 53.1 | 93.1 | 111.7 | 125.0 |
| Business | 14.0 | 7.6 | 12.8 | 17.3 | 19.4 |
| Transit | 11.7 | 6.7 | 11.6 | 14.5 | 16.2 |
| Other | 1.9 | 1 0 | 1.7 | 2.5 | 2.8 |
| TOTAL | 95.8 | 68.4 | 119.2 | 146.0 | 163.4 |
| Year Holiday | 267.3 | 250.8 | 349.2 | 413.9 | 462.4 |
| Business | 42.3 | 34.0 | 46.3 | 58.3 | 65.0 |
| Transit | 41.6 | 35.5 | 47.8 | 58.5 | 65.5 |
| Other | 11.2 | 4.0 | 9.3 | 10.5 | 11.1 |
| TOTAL | 362.4 | 324.3 | 452.6 | 541.2 | 604.0 |

*Provisional.

per cent from 114 thousand in 1985 to 128 thousand in 1986. It is, however, expected that the on.going efforts to create greater awareness of and co.operation on the African economic plight, and the rationalization of the Preferential Trade Area (PTA), may result in more and a faster growing intra.African tourism; particularly between Kenya and other African countries.

13.7. The total number of days stayed and the average length of stay per visitor for the period 1982 to 1986 are shown in Table 13.4. After an increase from 15.0 days in 1981, to 16.2 days in 1982, the average length of stay declined to a constant 15.9 days between 1983 and 1986. On the average, however, visitors on holiday stayed for 18 days, while those on business stayed for 12 days. As may be expected, travellers in transit stayed for the shortest period of only 3 days. During the period, the number of

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1985 and 1986

*Table 13.3* *'000*

| Country of Residence | Holiday | | Business | | Transit | | Total** | |
|---|---|---|---|---|---|---|---|---|
| | 1985 | 1986* | 1985 | 1986* | 1985 | 1986* | 1985 | 1986* |
| West Germany | 92.4 | 103.0 | 2.3 | 2.5 | 3.7 | 4.2 | 100.3 | 111.7 |
| United Kingdom | 50.0 | 55.7 | 8.9 | 9.9 | 5.4 | 6.1 | 65.6 | 73.1 |
| Switzerland | 41.6 | 46.3 | 1.0 | 1.1 | 1.1 | 1.2 | 44.6 | 49.5 |
| Italy | 30.8 | 34.4 | 1.1 | 1.2 | 1.6 | 1.8 | 34.2 | 38.1 |
| France | 21.2 | 23.5 | 1.6 | 1.8 | 1.3 | 1.4 | 24.6 | 27.2 |
| Scandinavia | 10.4 | 11.8 | 1.4 | 1.6 | 1.3 | 1.4 | 13.4 | 15.1 |
| Other Europe | 29.9 | 33.4 | 2.7 | 3.0 | 2.5 | 2.7 | 35.8 | 39.8 |
| TOTAL EUROPE | 276.3 | 308.1 | 19.0 | 21.1 | 16.9 | 18.8 | 318.5 | 354.5 |
| U.S.A | 44.0 | 49.1 | 4.8 | 5.3 | 4.4 | 4.9 | 54.3 | 60.4 |
| Canada | 5.9 | 6.5 | 0.9 | 1.0 | 0.7 | 0.8 | 7.6 | 8.5 |
| TOTAL NORTH AMERICA | 49.9 | 55.6 | 5.7 | 6.3 | 5.1 | 5.7 | 61.9 | 68.9 |
| Uganda | 14.5 | 16.3 | 6.7 | 7.5 | 3.1 | 3.5 | 24.8 | 27.8 |
| Tanzania | 15.5 | 17.3 | 4.8 | 5.4 | 1.4 | 1.6 | 22.1 | 24.8 |
| Zambia | 3.3 | 3.7 | 1.3 | 1.4 | 3.9 | 4.4 | 8.7 | 9.7 |
| Other Africa | 24.5 | 27.5 | 14.0 | 15.7 | 18.6 | 20.8 | 58.2 | 65.2 |
| TOTAL AFRICA | 57.8 | 64.8 | 26.8 | 30.0 | 27.0 | 30.3 | 113.8 | 127.5 |
| India | 5.0 | 5.7 | 1.2 | 1.3 | 3.3 | 3.7 | 9.7 | 10.9 |
| Japan | 5.4 | 6.1 | 1.4 | 1.5 | 0.6 | 0.7 | 7.5 | 8.5 |
| Israel | 3.3 | 3.6 | 0.2 | 0.2 | 0.3 | 0.4 | 3.9 | 4.2 |
| Other Asia | 12.5 | 14.2 | 1.9 | 2.2 | 3.4 | 3.8 | 18.2 | 20.5 |
| TOTAL ASIA | 26.2 | 29.6 | 4.7 | 5.2 | 7.6 | 8.6 | 39.3 | 44.1 |
| Australia and New Zealand | 2.8 | 3.1 | 0.4 | 0.4 | 0.5 | 0.6 | 3.7 | 4.2 |
| All Other Countries | 2.9 | 3.3 | 0.6 | 0.8 | 0.5 | 0.6 | 4.0 | 4.8 |
| TOTAL | 415.9 | 464.5 | 57.2 | 63.8 | 57.6 | 64.6 | 541.2 | 604.0 |

*Provisional.

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

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1982—1986

*Table 13.4* *'000*

| Purpose | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| Holiday | 4,998.7 | 4,516.9 | 6,314.1 | 7,480.3 | 8,569.2 |
| Business | 544.4 | 460.6 | 594.9 | 758.1 | 659.9 |
| Transit | 139.1 | 116.9 | 138.6 | 185.4 | 198.0 |
| TOTAL | 5,682.2 | 5,094.4 | 7,047.6 | 8,423.8 | 9,427.1 |
| Average length of stay in days | 16.2 | 15.9 | 15.9 | 15.9 | 15.9 |

*Excludes days stayed by "Other Visitors" Category.

**Provisional.

days stayed by visitors on holiday have increased by over a million annually to reach 8.6 million days in 1986. The number of days stayed by visitors on business, on the other hand, fell by 13 per cent in 1986 compared with 1985. A comparison of Tables 13.4 and 13.5 reveals that the total stay of 9.4 million days in 1986 is much higher than the 5.0 million days shown as bed-nights occupied. The difference of 4.4 million days are spent in private cottages, camps, private homes and in other facilities outside hotel circuits.

**Tourist Hotel Occupancy**

13.8 Details of hotel bed-nights occupied by country of residence of the visitor are shown in Table 13.5. The tourist hotel capacity dropped slightly in 1985 owing to the closure of some hotels at the coast, but rose by 4 per cent in 1986 as a result of the opening of three new medium-sized hotels in the same area. Likewise, the number of beds occupied during 1983-86 has been increasing marginally. As a result, bed occupancy rate followed the same trend, hitting a low of 48.6 per cent in 1983 but rose slowly to 53.5 per cent in 1986.

13.9. The number of bed-nights spent by all foreign residents (excluding permanent and Kenya residents) experienced a drop of 5 per cent in 1983. Since 1983, bed-nights occupied have been increasing by at least 5 per cent each year. Foreign residents have also continued to account for a large share of total bed-nights occupied, which increased from 76 per cent in 1982 to 79 per cent in 1986. The number of bed-nights spent by Kenya residents, on the other hand, has fluctuated moderately, showing a peak in 1984, while those by permanent residents have declined significantly over the period. The proportion of residents of North America has increased from 7 per cent in 1982 to 9 per cent in 1986, but the proportion of bed-nights spent by residents of Asia has been less than 3 per cent throughout the period.

13.10. The distribution of hotel occupancy by major geographical zones is presented in Table 13.6. The number of bed-nights occupied in most zones declined in 1983. However, since 1984, there has been a general but slow up-turn in most zones, except for Nairobi hotels in which occupancy in 1986 was lower than in 1985 but almost the same as 1984. Since three large conferences were held in Nairobi in 1985, (The NGO Forum, the UN Decade for Women, and the 43rd Eucharistic Congress), the year should be treated as exceptional for bed-nights occupied in Nairobi hotels. The proportion of bed-nights occupied in both Nairobi and Coastal hotels has remained unchanged at 84 per cent of the total for most of the period. The share of Coastal hotels improved to 56 per cent in 1986 compared with 53 per cent reported in 1985. The bed-nights occupied in Central Kenya and Masailand, even though they dropped in 1985, have shown an increasing trend. Hotels located in Nyanza, Western and Northern Kenya combined, however, have continued to play a small role, primarily due to the lack of appropriate tourist facilities and attractions within these regions.

13.11. Table 13.7 shows the number of bed-nights occupied by country of residence and area. The most notable feature of the table is the relationship of preferences and tastes of visitors to their countries of residence.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1986*

*Table 13.5* *'000*

| | 1982 | 1983 | 1984 | 1985 | 1986** |
|---|---|---|---|---|---|
| Permanent Occupants* | 311.8 | 288.3 | 272.4 | 261.4 | 210.4 |
| West Germany | 1,187.2 | 1,051.2 | 1,097.2 | 1,161.9 | 1,229.7 |
| Switzerland | 462.6 | 484.0 | 495.5 | 522.1 | 501.8 |
| United Kingdom | 454.9 | 418.4 | 458.5 | 480.5 | 512.2 |
| Italy | 180.9 | 203.6 | 210.0 | 211.7 | 261.4 |
| France | 146.2 | 153.8 | 161.8 | 176.0 | 218.7 |
| Scandinavia | 87.7 | 75.3 | 71.9 | 80.3 | 87.5 |
| Other Europe | 253.7 | 216.9 | 234.9 | 228.4 | 227.1 |
| EUROPE | 2,773.2 | 2,603.2 | 2,729.8 | 2,860.9 | 3,038.4 |
| Kenya Residents | 772.8 | 814.1 | 842.9 | 819.9 | 837.1 |
| Uganda | 55.1 | 58.8 | 56.2 | 58.0 | 61.6 |
| Tanzania | 19.1 | 21.4 | 34.3 | 37.5 | 40.6 |
| East and Central Africa | — | — | — | 85.2 | 86.9 |
| West Africa | — | — | — | 33.8 | 29.9 |
| North Africa | — | — | — | 16.0 | 18.9 |
| Other Africa | 147.6 | 145.5 | 150.4 | 17.8 | 17.9 |
| AFRICA | 994.6 | 1,039.8 | 1,083.8 | 1,068.2 | 1,092.9 |
| U.S.A | 266.8 | 303.5 | 378.1 | 380.9 | 396.5 |
| Canada | 47.0 | 33.2 | 34.9 | 41.2 | 43.1 |
| Other America | — | — | — | 6.5 | 19.5 |
| AMERICA | 313.8 | 336.7 | 413.0 | 428.6 | 459.1 |
| Japan | | | | 10.9 | 19.1 |
| India | — | — | — | 7.7 | 11.7 |
| Middle East | — | — | — | 13.1 | 17.6 |
| Other Asia | — | — | — | 76.8 | 62.2 |
| Asia*** | 121.8 | 117.2 | 108.1 | 108.5 | 110.6 |
| Australia and New Zealand | — | — | — | 8.9 | 11.9 |
| All Other Countries | 113.3 | 86.9 | 77.2 | 82.0 | 86.7 |
| TOTAL—OCCUPIED | 4,628.5 | 4,472.1 | 4,684.3 | 4,818.5 | 5,010.0 |
| TOTAL—AVAILABLE | 9,011.0 | 9,207.5 | 9,203.8 | 9,024.8 | 9,371.2 |
| Occupancy rate % | 51.4 | 48.6 | 50.9 | 53.4 | 53.5 |

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

**Provisional.

***No breakdown by country is available before 1985.

HOTEL BED-NIGHTS OCCUPIED BY ZONE. 1982—1986

*Table 13.6*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Coastal—Beach | 2,096.9 | 2,000.3 | 2,080.6 | 2,127.8 | 2,353.0 |
| —Other | 328.1 | 336.2 | 337.5 | 316.2 | 336.0 |
| Coast Hinterland | 115.9 | 106.6 | 115.4 | 121.6 | 132.0 |
| Nairobi—High Class | 543.7 | 497.9 | 553.9 | 612.0 | 548.9 |
| —Other | 857.0 | 829.4 | 843.5 | 874.9 | 841.6 |
| Central | 329.9 | 331.1 | 353.3 | 338.2 | 359.8 |
| Masailand | 211.7 | 224.1 | 243.3 | 241.6 | 248.6 |
| Nyanza Basin | 89.6 | 86.6 | 91.6 | 95.1 | 104.8 |
| Western | 47.6 | 51.1 | 56.3 | 83.1 | 76.7 |
| Northern | 8.1 | 8.8 | 8.9 | 7.9 | 8.6 |
| TOTAL—OCCUPIED | 4,628.5 | 4,472.1 | 4,684.3 | 4,818.4 | 5,010.0 |
| TOTAL—AVAILABLE | 9,011.0 | 9,207.5 | 9,203.8 | 9,024.8 | 9,371.2 |

*Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1986*

*Table 13.7*

| Country of Residence | Nairobi | Coast | Lodges | Others | Total |
|---|---|---|---|---|---|
| Permanent Occupants** | 169.5 | 28.7 | 0.6 | 11.6 | 210.4 |
| West Germany | 70.2 | 1,058.8 | 87.5 | 13.2 | 1,229.7 |
| Switzerland | 28.4 | 416.7 | 48.3 | 8.4 | 501.8 |
| United Kingdom | 155.9 | 259.4 | 65.2 | 31.7 | 512.2 |
| Italy | 31.3 | 188.0 | 34.6 | 7.5 | 261.4 |
| France | 41.9 | 121.9 | 45.7 | 9.1 | 218.6 |
| Scandinavia | 39.2 | 33.2 | 8.2 | 7.1 | 87.7 |
| Other Europe | 61.1 | 127.5 | 30.6 | 7.8 | 227.0 |
| Kenya | 249.4 | 302.9 | 44.5 | 240.3 | 837.1 |
| Uganda | 45.3 | 11.9 | 0.5 | 3.9 | 61.6 |
| Tanzania | 29.5 | 9.0 | 0.5 | 1.6 | 40.6 |
| Other East and Central Africa | 68.2 | 16.7 | 0.6 | 1.4 | 86.9 |
| West Africa | 25.8 | 1.9 | 0.6 | 1.6 | 29.9 |
| North Africa | 15.8 | 1.8 | 0.6 | 0.7 | 18.9 |
| Other Africa | 13.9 | 2.8 | 0.4 | 0.8 | 17.9 |
| U.S.A | 183.7 | 52.1 | 119.2 | 41.5 | 396.5 |
| Canada | 21.3 | 9.4 | 8.6 | 3.8 | 43.1 |
| Other America | 15.1 | 0.7 | 2.4 | 1.3 | 19.5 |
| Japan | 12.4 | 2.5 | 1.9 | 2.3 | 19.1 |
| India | 8.6 | 1.3 | 0.6 | 1.2 | 11.7 |
| Middle East | 9.8 | 4.4 | 2.5 | 0.9 | 17.6 |
| Other Asia | 38.2 | 11.6 | 7.6 | 4.8 | 62.2 |
| Australia and New Zealand | 6.9 | 1.5 | 2.8 | 0.7 | 11.9 |
| All Other Countries | 49.1 | 24.2 | 8.9 | 4.5 | 86.7 |
| TOTAL | 1,390.5 | 2,688.9 | 522.9 | 407.7 | 5,010.0 |

*Provisional.

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

Although it is important to note that over 80 per cent of all bed-nights are spent in Nairobi and Coastal hotels, it is also equally important to recognise that of the 3 million bed-nights occupied by Europeans, over 85 per cent of them are spent in Coastal hotels. Tourists from North America and the United Kingdom, on the other hand, prefer to visit and stay in Nairobi and game lodges; while residents of Asia and Africa, stay mostly in Nairobi. Comparing 1985 with 1986, the number of bed-nights occupied in Nairobi fell by about 7 per cent; while there were increases of 10, 4 and 6 per cent for bed-nights spent at the coast, in lodges and in other hotels, respectively.

13.12. Details of bed-nights occupied in lodges located in game reserves and national parks are shown in Table 13.8. Residents of East Africa prefer to visit national parks while foreign residents prefer game reserves. The visits to these attractions by foreign residents have gone up steadily rising by 2 per cent in 1985 and by 6 per cent in 1986, thus reaching 480 thousand. The absolute number of visitors from East Africa has consistently been small at below 10 per cent of the total throughout this period. Vistors, regardless of country of residence, mostly prefer establishments with full catering compared with those that are self-service.

**Tourist Receipts**

13.13. With the exception of a marginal increase of 3 per cent from K£118 million in 1982 to K£122 million in 1983, there has been a remarkable increase in the receipts from tourism since 1984; with annual growth of 25 per cent and above. Revised figures show that tourist receipts increased from K£152 million in 1984 to K£197 million and K£247 million in 1985 and 1986, respectively.

**Domestic Tourism**

13.14. Although there has been no attempt to measure the nature and magnitude of internal migration and domestic tourism, it is plausible that its contribution to the tourism industry is negligible. Domestic Tourism Council (D.T.C.) has been set up to promote, develop and monitor domestic tourism in an effort to iron out seasonal variations created by international tourism. Recognizing the potential of domestic tourism to

GAME LODGES** OCCUPANCY. 1984—1986

*Table 13.8*

| Lodge Locality/Type | Bednights Occupied | | | | | |
|---|---|---|---|---|---|---|
| | Foreign Residents | | | E.A. Residents | | |
| | 1984 | 1985 | 1986* | 1984 | 1985 | 1986* |
| Game Reserves | 242.8 | 294.0 | 241.5 | 12.0 | 14.7 | 11.4 |
| National Parks | 202.0 | 160.4 | 238.8 | 42.9 | 33.2 | 33.6 |
| TOTAL | 444.8 | 454.4 | 480.3 | 54.9 | 47.9 | 45.0 |
| Of which full catering — | 419.5 | 421.9 | 442.9 | 46.9 | 36.4 | 37.7 |
| Self Service — | 25.3 | 32.5 | 37.4 | 8.0 | 11.5 | 7.3 |

*Provisional.

**Lodges in National Parks and Game Reserves only.

Kenyan economy, the D.T.C. has initiated rigorous and relevant educational programmes with the view to removing sociological barriers and other factors. Such education will enable Kenyans become more appreciative of their country. The D.T.C., in conjunction with local tourist agencies, has already made some significant strides in this direction. The domestic tourism exhibition, popularly known as "Holiday 1986", was staged in Nairobi, in March, 1986. Action is being considered on the pricing policy to design specially discounted rates for domestic tourists. Already, ideas like tour now and pay later have been well assimilated; while tourist hotels and both Kenya Airways and Kenya Railways Corporations are increasingly accepting to charge substantially reduced rates and fares to local residents.

**Other Tourist Attractions**

13.15 National Parks,—Table 13.9 presents the number of visitors to national parks and game reserves. Since 1984 when a high number of one million visitors went to national parks, there has been a decline, with a low of 924 thousand in 1986. The larger parks, particularly Nairobi, Tsavo West and Masai Mara were the worst hit. Although there was a general recovery among the other parks during 1985 and 1986, the numbers visiting these parks are small in absolute terms, and the recovery did not offset the general decline.

NUMBER OF VISITORS TO NATIONAL PARKS,** 1982—1986

*Table 13.9* *'000*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Nairobi | 150.2 | 116.1 | 126.8 | 110.6 | 91.6 |
| Animal Orphanage | 115.6 | 114.0 | 99.9 | 102.5 | 73.0 |
| Amboseli | 132.9 | 135.3 | 143.9 | 151.5 | 157.0 |
| Tsavo (West) | 135.0 | 122.9 | 118.7 | 96.8 | 82.9 |
| Tsavo (East) | 68.6 | 76.5 | 76.0 | 73.3 | 75.3 |
| Aberdare | 46.5 | 45.2 | 47.4 | 43.1 | 42.5 |
| Buffalo Springs | 35.1 | 36.4 | 39.8 | 46.1 | 41.4 |
| Lake Nakuru | 87.3 | 108.8 | 125.3 | 135.5 | 127.9 |
| Masai Mara | 56.1 | 78.5 | 109.9 | 110.7 | 94.8 |
| Malindi Marine | 46.6 | 45.4 | 40.5 | 25.4 | 36.1 |
| Lake Bogoria | 27.0 | 20.6 | 24.4 | 23.8 | 25.6 |
| Meru | 21.2 | 16.4 | 15.5 | 18.9 | 20.4 |
| Shimba Hills | 15.4 | 11.5 | 13.5 | 13.0 | 10.9 |
| Mount Kenya | 8.7 | 11.0 | 10.0 | 13.2 | 16.6 |
| Samburu | 8.1 | 7.3 | 7.3 | 6.1 | 5.1 |
| Kisite/Mpunguti | 3.2 | 3.2 | 3.4 | 6.4 | 12.2 |
| Mount Elgon | 3.2 | 3.1 | 4.2 | 4.5 | 4.7 |
| Ol-Donyo Sabuk | 3.5 | 2.5 | 2.4 | 2.6 | 1.7 |
| Marsabit | 1.7 | 1.8 | 1.7 | 2.0 | 3.2 |
| Saiwa Swamp | 2.1 | 1.4 | 0.8 | 0.7 | 1.2 |
| TOTAL | 968.0 | 957.9 | 1,011.4 | 986.7 | 924.1 |

*Provisional.
**This series is relatively higher than that of previous years due to revision and inclusion of the Animal Orphanage and Buffalo Springs.

KILOMETRES OF ROAD AS AT 1ST JULY, 1982 AND 1ST JULY, 1986 BY TYPE AND CLASSIFICATION

*Table 12.10* *'000K£million*

| Type of Road | 1982 | | 1986 | |
|---|---|---|---|---|
| | Bitumen* | Earth/ Gravel** | Bitumen* | Earth/ Gravel** |
| A—International Trunk | 2.3 | 1.3 | 2.3 | 1.2 |
| B—National Trunk | 1.1 | 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 | 0.3 | 25.5 | 0.4 | 25.8 |
| F—Special Purpose | 0 1 | 4.4 | 0.2 | 2.8 |
| TOTAL | 6.3 | 49.2 | 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.

Western Provinces, including up-grading to bitumen standard of the Tana-Delta crossing and Lodwar-Kakuma roads were undertaken during the latter half of 1986.

12.17. The construction of water and related services, including pans and dams in semi-arid areas and rural water supply, continued to contribute to the performance of building and construction sector. Projects under construction include the Turkwel Dam, built by the Kerio-Valley Development Authority and a number of rural and urban water supplies. Chapter 9 highlights details of the public role in the provision of clean water and related services.

TOTAL EXPENDITURE ON ROADS, 1984/85.1986/87

*Table 12.11* *K£million*

| | 1984/85 | 1985/86 | 1986/87* |
|---|---|---|---|
| DEVELOPMENT— | | | |
| Trunk Roads | 26.73 | 17.48 | 13.31 |
| Primary Roads | 7.66 | 9.86 | 12.38 |
| Secondary Roads | 4.67 | 7.54 | 3.85 |
| Unclassified Roads | 1.60 | 1.25 | 0.90 |
| Miscellaneous Roads | 12.25 | 12.25 | 12.10 |
| Total | 52.91 | 48.38 | 42.54 |
| RECURRENT (maintenance and repair) | 18.50 | 22.90 | 23.02 |
| TOTAL | 71.41 | 71.28 | 65.56 |

*Provisional.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1982—1986

*Table 13.11*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Number of Conferences | 29 | 36 | 40 | 35 | 29 |
| Number of Conference days | 218 | 176 | 160 | 197 | 210 |
| Attendance (Number of Delegates) | 18,050 | 13,970 | 5,768 | 28,844 | 14,609 |
| Percentage of Occupancy | 59.0 | 48.2 | 44.0 | 54.0 | 57.5 |

*Provisional.

increased from K£4.8 million in 1985 to K£5.6 million in 1986; representing a rise of 16 per cent. On the other hand, investment through the revolving fund programme decreased from K£2.3 million in 1985 to K£2.2 million in 1986. The increases were due to increased accrued interests while the drop was largely due to excess recoveries over fresh disbursements. In 1986, the KTDC carried extensive renovations in several hotels, including Mombasa Beach Hotel, Buffalo Lodge, Milimani Hotel, Izaak Walton Inn and the Lion Hill Camp. Technical assistance was also extended by the Corporation to three new hotel projects, namely, El-Molo Lodge on Lake Turkana, Egret Hotel at Webuye, and Thuchi River Lodge on Embu-Meru Road.

## CHAPTER 14—TRANSPORT, STORAGE AND COMMUNICATIONS

The general recovery of the domestic economy which started in 1985 continued strongly in 1986. This, coupled with low oil prices led to improved activity in the transport, storage and communication industry in 1986. The sector's value of output at current prices went up from K£666 million in 1985 to K£779 million in 1986, a rise of 17 per cent compared with the 20 per cent attained in 1985. Although the value of output in water transport fell by 6 per cent in 1986, all other sectors of this industry experienced increases in the value of output. The most pronounced increase of 26 per cent, was recorded in the value of output in road transport. In the same period, pipeline throughput and freight handled at the port of Mombasa increased by 10 and 9 per cent respectively. Similarly, increases of 5 per cent were recorded in both the number of new registration of motor vehicles and the number of passengers flown by all commercial airlines.

14.2. Table 14.1 details the nominal value of output of the transport and communications industry during the period 1982 to 1986. The growth in the value of output of this industry slowed down in 1984 as a result of drought. As already observed, growth picked in 1985 with the general recovery of the economy. Between 1985 and 1986, the total value of output rose to K£779 million compared with K£666 million recorded between 1984 and 1985, a rise of 17 per cent. In the period 1982 to 1986, the output value of air transport more than doubled, while that of road transport, and communications increased substantially. Road transport, which commands a higher proportion of total value of this industry, recorded a sharp increase of 26 per cent in 1986 over 1985. Satisfactory growth in the value of output was recorded in air transport, pipeline and communications. Only railway transport showed a nominal recovery, while water transport fell by 6 per cent between 1985 and 1986.

14.3. As indicated above, road transport commands a higher proportion of the total value of output. This proportion has increased from 37 per cent in 1982 to 40 per cent in 1986. The dominant share in the value of output of road transport arises from road passenger component. With the introduction of Government City Bus Services in the second half of 1986, it is anticipated that the public sector contribution to road transport will increase. The value of output in railway transport increased nomically between 1985 and 1986, recording K£60 million which was slightly below the K£62 million achieved in 1984. The value of output in water transport increased rapidly until 1985, but experienced reduced activity in 1986 while still remaining above 1984 levels. The value of output of air transport has grown steadily during the period under review, and registered K£106 million in 1986 from K£48 million in 1982. Except for a 14 per cent decline in 1984, the value of output of services incidental to transport also indicated an upward trend, recording a growth of 16 per cent from K£45 million in 1985 to K£53 million in 1986. Similarly, the total value of output in both communications and pipeline transport has grown commendably from K£95 million in 1982 to K£163 million in 1986.

14.4. Table 14.2 shows the earnings of road and railway traffic since 1982. The combined earnings from road and railway transport have grown at an increasing rate during this period, recording K£374 million in 1986 compared with K£222 million in 1982. Most of the growth, however, has been confined to earnings from road transport, especially road passenger

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1982-1986

*Table 14.1* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Road Transport | 172.3 | 172.2 | 196.1 | 248.8 | 314.2 |
| Railway Transport | 50.0 | 58.2 | 62.2 | 57.7 | 59.5 |
| Water Transport | 54.6 | 67.5 | 81.8 | 89.2 | 83.9 |
| Air Transport | 48.4 | 69.1 | 73.8 | 86.8 | 106.0 |
| Services Incidental to Transport | 40.3 | 42.5 | 36.4 | 45.2 | 52.6 |
| TOTAL | 365.6 | 409.5 | 450.3 | 527.7 | 616.2 |
| Pipeline | 20.1 | 19.1 | 21.0 | 23.4 | 26.5 |
| Communications | 74.9 | 84.0 | 82.9 | 114.6 | 136.3 |
| TOTAL | 460.6 | 512.6 | 554.2 | 665.7 | 779.0 |

*Provisional.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1982-1986

*Table 14.2* *K£million*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Passenger Traffic— | | | | | |
| Road | 93.2 | 102.7 | 120.9 | 169.9 | 219.7 |
| Rail | 4.4 | 5.1 | 4.5 | 4.8 | 5.7 |
| TOTAL | 97.6 | 107.8 | 125.4 | 174.7 | 225.4 |
| Freight Traffic— | | | | | |
| Road | 79.1 | 69.5 | 75.2 | 78.9 | 94.5 |
| Rail** | 45.6 | 53.0 | 57.7 | 52.9 | 53.8 |
| TOTAL | 124.7 | 122.5 | 132.9 | 131.8 | 148.3 |
| TOTAL ROAD TRAFFIC | 172.3 | 172.2 | 196.1 | 248.8 | 314.2 |
| TOTAL RAIL TRAFFIC | 50.0 | 58.2 | 62.2 | 57.7 | 59.5 |
| TOTAL | 222.3 | 230.4 | 258.3 | 306.5 | 373.7 |

*Provisional.
**Includes other revenue.

carriers. Thus in 1986, road transport accounted for 84 per cent of the combined earnings of these sub-sectors. In 1986, while 90 per cent of railway transport earnings came from freight handled, 70 per cent of the earnings of road transport was through passengers.

**Road Transport**

14.5. Table 14.3 depicts the details on new registration of road vehicles between 1982 and 1986. The total number registered fluctuates widely during the period. In 1985, fewer were registered due to the ban on the importation of second hand vehicles which was affected in 1984. In 1986, some 15,472 vehicles were registered, representing an increase of 5 per cent on a revised figure of 14,797 in 1985. This rise is mainly attributable to substantial increases in new registration of station wagons, lorries and trucks, and motor and auto-cycles. The number of saloon cars, panel vans and pick-ups which are among the most numerous, have been declining since 1985, after reaching peak levels in 1984. The number of buses, coaches and mini-buses also declined in 1986. New registration of all other makes and types has stagnated during the period.

14.6. Table 14.4 presents the number of licences issued for vehicles on hire. The total number of licences issued was 9,333 in 1982, fell in 1983 but has since recovered and registered 9,007 in 1986. The number of licences issued for passenger transport has indicated an upward trend since 1983, and recorded a sharp increase of 39 per cent in 1986. In contrast, licences issued for freight transport vehicles has been declining since 1984. For the first time ever, the number of licenced passenger service vehicles on hire exceeded that of freight transport vehicles, and was 4,547 in 1986 compared with a lower number of 4,460 for freight transport vehicles for the same year.

NEW REGISTRATION OF ROAD VEHICLES, 1982-1986

*Table 14.3* *Number*

| TYPE OF VEHICLE | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Saloon Cars | 3,018 | 3,214 | 3,571 | 3,230 | 3,027 |
| Station Wagons | 1,527 | 1,781 | 1,877 | 1,821 | 2,957 |
| Panel Vans, Pick-ups, etc. | 5,447 | 4,415 | 5,187 | 4,652 | 4,261 |
| Lorries/Trucks | 1,355 | 1,355 | 1,434 | 1,421 | 1,726 |
| Buses and Coaches | 330 | 304 | 651 | 791 | 617 |
| Mini Buses | 295 | 280 | 391 | 426 | 337 |
| Special Purposes Vehicles | 103 | 75 | 31 | 39 | 19 |
| Trailers | 524 | 491 | 498 | 477 | 458 |
| Rollers, Graders, Cranes | 96 | 184 | 57 | 15 | 70 |
| Wheeled Tractors | 822 | 843 | 852 | 876 | 864 |
| Crawler Tractors | 26 | 31 | 18 | 3 | 2 |
| Motor and Auto Cycles | 1,506 | 965 | 1,124 | 1,046 | 1,131 |
| Three Wheelers | 12 | 2 | 3 | 0 | 3 |
| ALL VEHICLES | 15,061 | 13,940 | 15,694 | 14,797 | 15,472 |

*Provisional.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1982—1986

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Passenger Service Vehicles | 3,134 | 2,565 | 2,879 | 3,281 | 4,547 |
| Freight Transport Vehicles | 6,199 | 5,273 | 5,868 | 5,532 | 4,460 |
| TOTAL | 9,333 | 7,838 | 8,747 | 8,813 | 9,007 |

*Provisional.

14.7. For the third year running, the value of output for mini-buses has been incorporated in the transport sector. Estimates for 1986 are based on a pilot survey conducted in 1983 which indicated that mini-buses collected an average of K£13 million per annum from fares, and each mini-bus employed at least two persons each earning K£750 per annum. In 1986, an increase of 15 per cent was recorded in the number of mini-buses, and the stock of such buses was 8,638. Consequently, it is estimated that this sector engaged about 17,000 employees who earned approximately K£13 million in 1986 compared with 15,000 persons who earned around K£11 million in 1985. It is further estimated that this sector collected revenue amounting to K£ 112 million in 1986 compared with an estimated revenue of K£97 million in the previous year. In terms of the the GDP it is generally assumed that 30 per cent of total fare revenue constitutes the GDP in this sub-activity. In 1986 therefore, the operations of mini-buses are estimated to have contributed K£34 million to the GDP compared with an estimated K£29 million in 1985.

**Railway Transport**

14.8. Details of freight handled, passengers carried and revenue earned by the Kenya Railways Corporation during the period 1982 to 1986 are shown in Table 14.5. The tonnage of freight carried, which has been on a

RAILWAY TRAFFIC, 1982-1986

*Table 14.5*

| | Unit | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Freight: | | | | | | |
| Tonnes | '000 | 4,065 | 3,894 | 3,655 | 3,269 | 3,333 |
| Tonne/Km | million | 2,097 | 2,091 | 2,034 | 1,860 | 1,861 |
| Revenue | K£million | 39.70 | 46.75 | 55.93 | 50.70 | 51.75 |
| Revenue per tonne/Km | cts | 39 | 45 | 55 | 55 | 56 |
| Passengers: | | | | | | |
| Journeys | '000 | 2,346 | 2,283 | 1,709 | 2,102 | 2,306 |
| Passenger/Km | million | 771.8 | 727.6 | 484.2 | 586.8 | 642.2 |
| Revenue | K£million | 4.50 | 4.85 | 4.54 | 4.82 | 5.65 |
| Revenue per passenger/Km. | cts | 12 | 13 | 19 | 16 | 18 |

*Provisional.

downward trend, improved only marginally in 1986 and recorded 3,333 thousand tonnes. The tonne—kilometres handled remained at 1.9 million for both 1985 and 1986. The accrued revenue increased slightly from K£51 million in 1985 to K£52 million in 1986; while revenue per tonne-kilometre rose from 55 to 56 cents.

14.9. The recovery in the number of passenger journeys, and the number of passenger-kilometres recorded in 1985 was sustained in 1986. The number of passenger-journeys increased from a revised figure of 2.1 million in 1985 to 2.3 million in 1986. As a result, revenue earned from passenger traffic has risen from K£4.5 million in 1984 to K£5.7 million in 1986. The revenue per passenger-kilometre also improved from 16 cents in 1985 to 18 cents in 1986. These figures exclude the city commuter train service which was inaugurated in August, 1986. Passengers ferried in slightly over 4 months by the latter service totalled 238,000 while the revenue earned was K£28,000.

**Harbours and Shipping**

14.10. Table 14.6 gives details of freight handled at the port of Mombasa from 1982 to 1986. The early 1980's economic down-turn significantly affected activities at the port. The tonnage of goods handled fell to 6.3 million tonnes in 1985 before recovering to 6.9 million tonnes in 1986, The volume of freight loaded (exported) went up by 6 per cent to 2.0 million tonnes while freight landed (imported) increased by 11 per cent to 4.9 million tonnes in 1986. The latter reverses the trend over the last few years.

14.11. The exports of dry cargo which had declined both in 1984 and 1985 went up by 8 per cent from 1.5 million tonnes in 1985 to 1.6 million tonnes in 1986. This was primarily due to the increased exports of maize, coffee, soda ash and cement between 1985 and 1986. Imports of dry cargo which had been rising over the period fell by 8 per cent from 2.3 million tonnes in 1985 to 2.1 million tonnes in 1986. In 1986 export of bulk liquids

FREIGHT HANDLED AT MOMBASA HARBOUR, 1982-1986

*Table 14.6* *'000 Tonnes*

| | 1982 | 1983 | 1984 | 1985 | 1986* | |
|---|---|---|---|---|---|---|
| Loaded— | | | | | | |
| Dry Cargo | 1,675 | 1,785 | 1,537 | 1,482 | 1,600 | |
| Bulk Liquids | 689 | 411 | 521 | 396 | 388 | |
| Total | 2,364 | 2,196 | 2,058 | 1,878 | 1,988 | |
| Landed— | | | | | | |
| Dry Cargo | 1,489 | 1,607 | 1,971 | 2,256 | 2,070 | |
| Bulk Liquids | 2,705 | 2,681 | 2,502 | 2,181 | 2,839 | |
| Total | 4,194 | 4,288 | 4,473 | 4,437 | 4,909 | |
| TOTAL FREIGHT HANDLED | 6,558 | 6,484 | 6,531 | 6,315 | 6,897 | |

*Provisional.

declined for the second year in a row and recorded 388 thousand tonnes compared with 396 thousand tonnes a year earlier. On the other hand, the volume of imported bulk liquids was the highest in the period, and actually reversed the hitherto declining trend. At 2,839 thousand tonnes, the imports were 30 per cent above the 1985 level.

14.12. There has been a remarkable decrease in the volume to transit goods through the port of Mombasa. The volume of such goods which once stood at nearly 500 thousand tonnes around 1982, went down to below 300 thousand tonnes by the end of 1986. The decline is a result of the diversion of cargo from Uganda, Rwanda and Burundi to Dar-es-Salaam port. The number of cargo vessels at the port continued to go down from 1,360 calls in 1982 to 1,203 calls in 1986. Whereas this has been in line with the falling volume of transit goods recorded during this period, port facilities have, at the same time, continously been up-graded to handle larger cargo vessels than before.

14.13. The containerized freight haulage through the port of Mombasa has grown considerably, as preference for this mode of packing rises world-wide. In 1986, the port handled 120 thousand twenty-foot equivalent units, representing a rise of 16 per cent compared with 103 thousand handled in 1985.

**Pipeline Transport**

14.15. Table 14.7 gives the details of the thoughput of white petroleum products delivered by the Kenya Pipeline since 1982. Between 1982 and 1985 the annual increase in the Pipeline throughput has been rising but at a reduced rate. However, a relatively faster increase of 9.6 per cent from 1,453 thousand cubic metres transported in 1985 to 1,593 thousand cubic metres in 1986 was recorded. Whereas the volume of jet fuel transported has consistently gone down throughout this period, the throughput of all other products delivered has increased. The increases were highest in the movement of light diesel oil and kerosene illuminating oil, whose shares of the total throughput have also increased remarkably. Moreover, the delivery of power alcohol amounted to 8,592 cubic metres in 1986 compared with 8,140 cubic metres delivered in 1985. Gross revenue earned by the Pipeline likewise went up appreciably by 13 per cent from K£23 million in 1985 to K£26 million in 1986.

**Air Transport**

I4.l6 The Kenya Airways continued to improve its competitiveness with other international airlines in 1986. In addition to the acquisition of two wide-bodied Airbuses, the Kenya Airways introduced two new routes, one of Gaberone and another to Muscat in 1986. Consequently, the Company's available capacity for both passengers and freight transport rose by 9 and 13 per cent respectively in I986. These measures, among others, have enabled the Airways to realise steady growth in its share of international air transport traffic.

14.17. Comparison of the performance of the Airways in 1985 with 1986 is highlighted in Table 14.8. Total passenger-kilometres covered by the

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1982-1986

*Table 14.7* *'000 Cubic Metres*

| Year | Motor Spirit Premium | Motor Spirit Regular | Kerosene Illumina-ting Oil | Light Diesel Oil | Jet fuel | Total |
|---|---|---|---|---|---|---|
| 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 |
| 1986 | 279.4 | 253.9 | 148.7 | 648.6 | 262.1 | 1,592.7 |

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1985 and 1986

*Table 14.8*

| | DOMESTIC | | INTERNATIONAL | | TOTAL | |
|---|---|---|---|---|---|---|
| | 1985 | 1986 | 1985 | 1986 | 1985 | 1986* |
| PASSENGER | | | | | | |
| Passenger— | | | | | | |
| Km. (Million) | 95.6 | 105.7 | 1,055.9 | 1,115.3 | 1,151.5 | 1,221.0 |
| Utilization: *Percent* | 69.8 | 71.4 | 61.2 | 59.2 | 61.8 | 60.1 |
| FREIGHT | | | | | | |
| Total Carried: | | | | | | |
| Kg/Km. (Million) | 9.1 | 10.1 | 127.2 | 145.4 | 136.3 | 155.5 |
| Utilization: *Per cent* | 58.2 | 57.8 | 60.6 | 60.9 | 60.4 | 60.7 |

*Provisional.

Kenya Airways went up by 11 per cent for the domestic flights and 6 per cent for the international flights. On the other hand, freight ferried increased by 14 per cent from 136 million kilogramme-kilometres in 1985 to 156 million kilogramme-kilometres in 1986. Capacity utilization, however, recorded only minor changes. Marginal increases occurred in both domestic passengers carried and international freight handled. Similarly, marginal decreases were recorded for international passengers and domestic freight haulage.

14.18. Tables 14.9 and 14.10 show commercial air traffic at Nairobi and Mombasa International Airports, respectively. Table 14.9 indicates that the number of passengers handled through Nairobi Airport has risen by 18 per cent from 1.5 million in 1982 to 1.8 million in 1986. However, annual increases have varied during this five-year period. After rising by 6.7 per cent in 1984, the rate of growth has declined such that in 1986, this was only 4 per cent. The number of passengers in transit has constantly gone down after reaching a record level of 593 thousand in 1984. Thus for the first time in five years, passengers in transit were fewer than those who were either landing or embarking. International conferences arc a major cause of the recorded fluctuations.

14.19. Table 14.10 shows that there has been a mixed performance of commercial air traffic at the Moi International Airport, Mombasa. Whereas the number of passengers handled has been increasing since 1984, the total volume of freight handled has declined erratically with a sharp decline between 1985 and 1986. The fall of freight handled is largely due to curtailed operations in Air Rwanda in recent years. Combined, both Nairobi and Mombasa airports handled 5 per cent more passengers and 6 per cent less freight in 1986 compared with 1985.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1982-1986

*Table 14.9*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| PASSENGERS—000'S | | | | | |
| Landed | 470.4 | 478.4 | 529.8 | 571.7 | 629.2 |
| Embarked | 480.0 | 471.9 | 517.7 | 565.6 | 624.4 |
| In Transit | 559.9 | 588.0 | 593.0 | 578.3 | 530.3 |
| TOTAL | 1,510.3 | 1,538.3 | 1,640.5 | 1,715.6 | 1,783.9 |
| FREIGHT—'000 *tonnes* | | | | | |
| Cargo: Landed | 7.1 | 8.2 | 10.0 | 101 | 10.9 |
| Loaded | 25.6 | 28.4 | 30.1 | 32.8 | 34.9 |
| Mail: Landed | 1.1 | 1.3 | 1.2 | 1.5 | 1.3 |
| Loaded | 0.9 | 0.8 | 0.8 | 0.8 | 1.2 |
| TOTAL | 34.7 | 38.7 | 42.1 | 45.2 | 48.3 |

*Provisional.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1982-1986

*Table 14.10*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| PASSENGERS—000's | | | | | |
| Landed | 183.5 | 182.7 | 193.1 | 204.7 | 226.0 |
| Embarked | 189.7 | 191.5 | 200.1 | 211.2 | 236.8 |
| In Transit | 16.6 | 15.3 | 24.1 | 27.0 | 29.5 |
| TOTAL | 389.8 | 389.5 | 417.9 | 442.9 | 492.3 |
| FREIGHT—'000 *tonnes* | | | | | |
| Cargo: Landed | 10.14 | 9.10 | 8.01 | 8.93 | 4.64 |
| Loaded | 7.50 | 8.43 | 8.22 | 7.87 | 5.26 |
| Mail: Landed | 0.08 | 0.12 | 0.10 | 0.09 | 0.07 |
| Loaded | 0.04 | 0.05 | 0.08 | 0.05 | 0.04 |
| TOTAL | 17.76 | 17.70 | 16.41 | 16.94 | 10.01 |

*Provisional.

**Posts and Telecommunications**

14.20. Tables 14.11 and 14.12 portray details of postal and telecommunications services and facilities between 1982 and 1986. As shown in Table 14.11, postal services and facilities have continued to expand over the five-year period. Despite this general improvement, the number of parcels handled has declined while the number of registered and insured items posted has stagnated due to the stiff competition from private couriers. The number of post offices increased by 23 to 852 in 1986. Consequently, 11 thousand more private letter boxes were installed in 1986. With modern technological advances, there have been appreciable improvements both in subscriber dialled and telex services. On the other hand, manual telephone calls made and telegrams handled have either stagnated or have only risen marginally. The number of postal orders has declined by 500 since 1982, while the number of money orders has only risen by 200 thousand between 1982 and 1986. The 21 per cent increase in public call boxes indicates the Corporations's commitment to making their services available to the public.

14.21. Telephone services and facilities by the Kenya Posts and Telecommunications Corporation (KP & TC) also show a steady improvement. Telephone exchange connections have increased remarkably over the period to reach 129 thousand connections in 1986, representing a 47 per cent increase above the 88 thousand connections in 1982. Thus there were 11.000 additional connections in 1986 alone. Subscriber dialled units have almost doubled from 571 million units in 1982 to 1,000 million units recorded in 1986. The rate of growth was exceptionally high in 1985 when it rose by 37 per cent, although in 1986 the growth moderated to only 5 per cent.

POSTAL AND TELECOMMUNICATION SERVICES, 1982-1986

*Table 14.11*

| | Unit | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|---|
| Post Offices | No | 731 | 756 | 806 | 829 | 852 |
| Private Letter Boxes | '000 | 168 | 172 | 177 | 189 | 200 |
| Registered and Insured Items Posted | million | 3.1 | 3.4 | 3.4 | 3.1 | 3.1 |
| Total correspondence handled | million | 206 | 219 | 230 | 234 | 237 |
| Parcels handled | '000 | 371 | 352 | 361 | 334 | 314 |
| Telephone Exchange connections | '000 | 88 | 96 | 106 | 118 | 129 |
| Public Call Boxes | No | 655 | 734 | 1,425 | 2,189 | 2,659 |
| Manual Telephone Calls made | million | 14.6 | 12.6 | 13.7 | 13.7 | 14.1 |
| Subscriber Dialed Units | million | 571 | 590 | 694 | 949 | 1,000 |
| Telex Subscribers | '000 | 1.5 | 1.8 | 2.0 | 2.2 | 2.4 |
| Telegrams Handled | '000 | 1,014 | 1,034 | 1,170 | 1,172 | 1,210 |
| Money Orders | No. (million) | 1.4 | 1.7 | 1.7 | 1.6 | 1.6 |
| Postal Orders | No. ('000) | 1.9 | 1.7 | 1.4 | 1.2 | 1.4 |

*Provisional.

14.22. As shown on Table 14.12, external telecommunications traffic grew substantially between 1982 and 1986. This growth was, however, mainly confined to telephone services, while telex services grew slowly. On the other hand, the telegraph services continued to dwindle. The proportion of telephone services in the combined telephone and telex traffic rose from 65 per cent in 1982 to 78 per cent in 1986. The large international conferences held in 1985 heavily contributed to the sharp growth in 1985 compared with 1986. The international telegraphic traffic has dropped steeply during the period 1982 to 1986, recording a 67 per cent decrease to 4 million paid words in 1986 compared with 12 million in 1982.

14.23. In line with the District Focus for Rural Development, the KP & TC embarked on wide ranging improvements with special bias for rural areas. The priority is to decrease the availability and improve the quality of postal and telecommunications services and facilities at a faster rate. As a first step, the Corporation has embarked on automation and expansion of telecommunication facilities in the large urban centres within the districts including all administrative headquarters. In addition to the bureaufax service introduced for both Nairobi and Mombasa, the International Subscriber Dialling (ISD) was extended in December, 1984 such that by the end of 1986, 24 district headquarters and other large towns had been covered.

**Information and Mass Media**

14.24. Details on the number of new radio and television sets bought are given in Table 14.13. With the recovery of the economy in 1985, the annual sales of these media sets have increased significantly. Between 1984 and 1986, sales of radio and T.V. sets have risen by 79 and 64 per cent respectively. In 1986 alone, there were 47,100 additional radios, up by 37 per cent. The number of new T.V. sets rose by 2,300 or 20 per cent. Taking into account the wear and tear, the stock is estimated to be 2.8 million radios and 140,000 T.V. sets in 1986.

EXTERNAL TELECOMMUNICATIONS TRAFFIC. 1982—1986

*Table 14.12*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Telephone service—million paid minutes— | | | | | |
| Outing | 5.3 | 6.2 | 7.1 | 9.8 | 12.4 |
| Incoming | 5.9 | 8.8 | 10.8 | 12.8 | 13.7 |
| Telex service—million paid minutes— | | | | | |
| Outgoing | 2.9 | 3.0 | 3.0 | 3.5 | 3.6 |
| Incoming | 3.2 | 3.2 | 3.6 | 3.7 | 3.7 |
| Telegraph service—million paid Words. | | | | | |
| Outgoing | 6.3 | 3.5 | 3.1 | 2.7 | 1.9 |
| Incoming | 5.3 | 3.3 | 2.6 | 2.7 | 1.9 |

*Provisional.

14.25. The training of skilled manpower in the area of information and mass media is undertaken at the Kenya Institute of Mass Communication. In addition to in-service courses in various technical fields, total enrolment at the Institute reached 304 students. Recruitment of new students was, however, only done in the film production department during the year.

14.26, The average daily and weekly local newspaper circulation between 1982 and 1986 is presented in Table 14.14. From 1984, the circulation of both Kiswahili and English language newspapers has increased substantially, albeit recording lower growth rates in 1986 compared with 1985. In terms of average copies circulated, Kiswahili newspapers stood at less than one third of English newspaper during the period. Daily average circulation of morning English newspapers went up by 5 per cent from 204 thousand copies in 1985 to 214 thousand in 1986; while the circulation of English weeklies increased from 310 thousand copies to 336 thousand, a rise of 8 per cent.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1982-1986

*Table 14.13* *'000*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| Radios | 143.8 | 151.2 | 97.9 | 128.2 | 175.3 |
| Television Sets | 11.5 | 8.7 | 8.6 | 11.8 | 14.1 |

*Provisional.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1982-1986

*Table 14.14* *'000 Copies*

| | 1982 | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|---|
| MORNING NEWSPAPERS— | | | | | |
| English | 167.1 | 171.3 | 183.2 | 204.2 | 214.2 |
| Swahili | 52.5 | 52.4 | 59.2 | 64.4 | 65.8 |
| OTHER NEWSPAPERS— | | | | | |
| English Weeklies | 216.0 | 232.0 | 283.9 | 310.3 | 335.6 |
| Swahili | 65.3 | 64.8 | 73.3 | 93.6 | 94.8 |

*Provisional.

# CHAPTER 15—THE SOCIAL SCENE

Total Government expenditure on social services excluding employment and housing is estimated to have increased by 16 per cent from K£450 million in 1985/86 fiscal year to K£524 million in 1986/87. Although this growth is slightly lower compared with the growth recorded for the past few years, its magnitude underscores the continued importance the Government accords to the improvement of the social welfare of the Kenyans. As shown in Table 15.1, recurrent expenditure constituted 87 per cent of this budgetary outlay in 1986/87 compared with 89 per cent in the previous year. In addition, local authorities incurred an estimated expenditure on social services of K£31 million as indicated in Table 15.2.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1983/84—1986/87

*Table 15.1* *K£million*

| | 1983/84 | 1984/85 | 1985/86 | 1986/87* |
|---|---|---|---|---|
| RECURRENT EXPENDITURE— | | | | |
| Ministry of Education, Science and Technology | 194.89 | 229.85 | 301.45 | 343.86 |
| Ministry of Health | 61.77 | 73.01 | 81.48 | 95.00 |
| Ministry of Labour | 4.06 | 4.16 | 5.82 | 6.05 |
| Ministry of Culture and Social Services | 8.94 | 10.17 | 11.58 | 12.22 |
| DEVELOPMENT EXPENDITURE— | | | | |
| Ministry of Education, Science and Technology | 7.69 | 10.90 | 17.23 | 22.23 |
| Ministry of Health | 10.97 | 11.11 | 18.29 | 25.99 |
| Ministry of Labour | 0.66 | 0.91 | 1.44 | 0.82 |
| Ministry of Culture and Social Services | 7.82 | 12.49 | 12.96 | 17.53 |
| TOTAL EXPENDITURE | 296.80 | 352.60 | 450.25 | 523.70 |

*Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1982—1986

*Table 15.2* *K£million*

| | 1982 | 1983 | 1984* | 1985* | 1986** |
|---|---|---|---|---|---|
| Education | 11.66 | 12.75 | 17.17 | 15.94 | 18.23 |
| Health | 6.71 | 6.43 | 8.05 | 8.29 | 9.82 |
| Other Social Services | 1.66 | 2.67 | 1.91 | 2.49 | 2.86 |
| TOTAL EXPENDITURE | 20.03 | 21.85 | 27.13 | 26.72 | 30.91 |

*Provisional.
*Estimates.

## Education

15.2. As observed in the past, education continued to take the largest share of Government expenditure, taking up slightly over 35 per cent of the nation's recurrent budget and 66 per cent of Government expenditure on social services in 1986/87. Primary education was allocated 55 per cent of recurrent expenditure on education, a reflection of the importance the Government attaches to this level with an aim of continued increasing literacy. Increasing opportunities for higher education was also a major preoccupation of the Government in 1986. As a result, development expenditure on education increased by 29 per cent in 1986/87 over 1985/86. Slightly over 50 per cent of development expenditure in 1986/87 was on higher education compared with only 20 per cent in 1983/84. Table 15.3 shows expenditure of the Ministry of Education, Science and Technology in the period 1983/84.1986/87.

EXPENDITURE OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, 1983/84—1986/87

*Table 15.3* *K£million*

| | 1983/84 | 1984/85 | 1985/86 | 1986/87* |
|---|---|---|---|---|
| RECURRENT EXPENDITURE— | | | | |
| General Administration and Planning | 7.04 | 34.06 | 45.94 | 45.68 |
| Pre-Primary Education | 0.10 | 0.14 | 0.16 | 0.22 |
| Primary Education | 127.44 | 121.18 | 159.81 | 189.82 |
| Secondary Education | 24.76 | 30.34 | 41.68 | 46.04 |
| Technical Education | 1.87 | 2.22 | 2.46 | 2.86 |
| Teacher Training | 8.72 | 9.76 | 11.43 | 12.32 |
| Special Schools | 0.79 | 0.95 | 1.38 | 1.62 |
| Polytechnic Education | 3.56 | 3.29 | 2.78 | 2.89 |
| Higher Education** | 19.43 | 26.57 | 34.25 | 41.16 |
| Miscellaneous | 1.17 | 1.34 | 1.56 | 1.25 |
| TOTAL | 194.89 | 229.85 | 301.45 | 343.86 |
| DEVELOPMENT EXPENDITURE— | | | | |
| General Administration and Planning | 1.47 | 1.30 | 1.54 | 3.91 |
| Pre-Primary Education | — | – | – | |
| Primary Education | 0.47 | 0.45 | 0.98 | 1.18 |
| Secondary Education | 0.96 | 1.15 | 1.74 | 1.65 |
| Technical Education | 0.69 | 0.60 | 0.01 | |
| Teacher Training | 2.21 | 2.55 | 3.89 | 1.83 |
| Special Education | 0.19 | 0.22 | 0.40 | 1.03 |
| Polytechnic Education | 0.13 | 0.04 | 1.03 | 1.47 |
| Higher Education** | 1.58 | 4.59 | 7.35 | 11.16 |
| Miscellaneous | — | — | 0.29 | 0.62 |
| TOTAL | 7.70 | 10.90 | 17.23 | 22.23 |

*Estimates.

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

15.3. The Government takes particular interest in the welfare of the less fortunate and disadvantaged members of our society. This is demonstrated by the completion of the Kenya Institute of Special Education (KISE) building complex at Kasarani in Nairobi. The institute now centrally trains specialised teachers who were hitherto trained in several scattered teacher training colleges. Graduates from the KISE are equipped to teach handicapped children. From May, 1987 the institute will offer diploma concurrently with in-service courses.

15.4. The only notable change in the number of educational institutions by category as indicated in Table 15.4 was a growth of 456 in the number of primary schools. Although it is plausible to assume some concomitant growth in the quality and quantity of facilities in these institutions, the inadequancy of data in this area cannot allow a complete evaluation of the improvement. At primary school level, however, the number of classes increased from 137,000 in 1985 to 149,000 in 1986; a growth of 9 per cent.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1983—1986

*Table 15.4*

| Category | 1983 | 1984 | 1985 | 1986* |
|---|---|---|---|---|
| Schools: | | | | |
| Primary | 11,966 | 12,539 | 12,936 | 13,392 |
| Secondary | 2,230 | 2,396 | 2,413 | 2,417 |
| Training Colleges: | | | | |
| Primary | 17 | 17 | 16 | 16 |
| Secondary | 5 | 5 | 6 | 6 |
| TOTAL | 14,218 | 14,957 | 15,371 | 15,831 |

*Provisional.

15.5. Table 15.5 depicts the details of primary school enrolment by standard and sex. The growth in primary school enrolment had slowed down until 1984 but has picked up from 1985, showing an incerase of 3 per cent in 1986 compared with 1985. The rise of 7 per cent in 1985 over 1984 was principally due to the addition of Standard 8 class at the start of the 8 4 4 school curriculum. However, enrolment in lower primary classes has been falling during the period only to show an upturn in 1986. The sex ratio of 107 boys per 100 girls enrolled in primary schools recorded in 1985 was maintained in 1986.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1983—1986

*Table 15.5* *'000*

| Class | 1983 | | 1984 | | 1985 | | 1986* | |
|---|---|---|---|---|---|---|---|---|
| | Boys | Girls | Boys | Girls | Boys | Girls | Boys | Girls |
| Standard 1 | 460.6 | 429.4 | 447.2 | 417.4 | 436.5 | 412.1 | 473.0 | 439.0 |
| Standard 2 | 367.7 | 343.0 | 366.1 | 340.9 | 363.1 | 338.1 | 372.8 | 346.4 |
| Standard 3 | 340.3 | 321.9 | 339.3 | 319.1 | 332.5 | 312.9 | 337.6 | 318.3 |
| Standard 4 | 315.8 | 301.9 | 316.8 | 308.6 | 314.9 | 306.4 | 319.0 | 306.5 |
| Standard 5 | 276.7 | 260.6 | 282.5 | 274.6 | 283.5 | 276.7 | 290.2 | 282.3 |
| Standard 6 | 272.2 | 248.5 | 267.2 | 247.6 | 260.9 | 247.2 | 269.6 | 258.2 |
| Standard 7 | 216.0 | 169.3 | 250.2 | 202.8 | 242.5 | 215.0 | 255.3 | 230.4 |
| Standard 8 | — | — | — | — | 201.0 | 159.1 | 195.1 | 149.8 |
| TOTAL | 2,249.2 | 2,074.6 | 2,269.2 | 2,111.0 | 2,434.9 | 2,267.5 | 2,512.6 | 2,330.9 |

*Provisional.

15.6. Details of enrolment in all secondary schools are recorded in Table 15.6. while enrolment in maintained schools by province and sex is set out in Table 15.7. Total enrolment in secondary schools in 1986 was 459,000. This represents an increase of 5 per cent above the 437,000 enrolled in 1985, although this number is still below the 502,000 recorded in 1984. This is primarily due to the absence of Form II classes in 1986. Sex imbalance is still high but is marginally improving yearly. In 1986, girls constituted 41 per cent of total secondary school enrolment compared with 38 per cent in 1985; this indicates a national sex ratio of 142 boys to 100 girls compared with 162 boys to 100 girls recorded in 1985. Sex ratios in secondary schools by management type and province show that the existing sex bias against girls diminishes with the passage of time.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1985—1986

*Table 15.6* *Numbers*

| Form | 1985 | | | 1986* | | |
|---|---|---|---|---|---|---|
| | Maintained | Assisted | Unaided | Maintained | Assisted | Unaided |
| Form I | | | | 68,294 | 34,885 | 56,906 |
| Form II | 62,964 | 33,549 | 53,249 | — | — | — |
| Form III | 57,108 | 30,450 | 46,244 | 67,057 | 26,162 | 48,810 |
| Form IV | 56,254 | 25,240 | 34,659 | 62,494 | 23,838 | 33,896 |
| Form V | 17,563 | 533 | 1,320 | 15,029 | 2,500 | 1,328 |
| Form VI | 16,510 | 422 | 1,142 | 13,357 | 3,031 | 1,125 |
| TOTAL | 210,399 | 90,194 | 136,614 | 226,231 | 90,416 | 142,065 |
| Boys | 135,568 | 50,233 | 84,232 | 142,318 | 51,153 | 75,847 |
| Girls | 74,831 | 39,961- | 52,382 | 83,913 | 39,263 | 66,218 |

*Provisional.

15.7. The number of teachers in both primary and secondary schools increased by 5,000 from 160,000 in 1985 to 165,000 in 1986. Although this growth was comparatively lower than the 18,000 recorded in 1985 over 1984, the number of primary school teachers has remained at 86 per cent of total teaching force sincce 1984. This share compared well with the number of pupils enrolled in primary schools, which stands around 91 per cent of the total school enrolment for both primary and secondary. The pupil teacher ratio deteriorated marginally in 1984 due to the introduction of Standard 8 for primary schools buf it has shown some improvement for both 1985 and 1986 due to more recruitment, particularly of untrained teachers in the two years. The pupil teacher ratio for secondary schools, on the other hand, has appreciated due to the lack of the cohort that would have entered Form I in 1984.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX, 1984—1986

*Table 15.7* *Numbers*

| PROVINCE | 1984 | | 1985 | | 1986* | |
|---|---|---|---|---|---|---|
| | Boys | Girls | Boys | Girls | Boys | Girls |
| Nairobi | 12,429 | 8,366 | 13,120 | 7,409 | 13,403 | 7,569 |
| Coast | 9,467 | 4,761 | 8,205 | 4,607 | 9,910 | 5,303 |
| Eastern | 21,455 | 10,715 | 19,638 | 9,107 | 22,283 | 13,382 |
| North-Eastern | 1,271 | 283 | 1,019 | 221 | 1,261 | 492 |
| Central | 36,867 | 24,162 | 30,850 | 21,501 | 32,564 | 23,254 |
| Rift Valley | 22,581 | 12,043 | 23,061 | 12,737 | 23,849 | 14,219 |
| Nyanza | 22,921 | 8,584 | 21,205 | 9,681 | 21,755 | 9,973 |
| Western | 19,983 | 9,976 | 18,470 | 9,568 | 17,293 | 9,721 |
| TOTAL | 146,974 | 78,890 | 135,568 | 74,831 | 142,318 | 83,913 |

*Provisional.

15.8. Table 15.9 shows the number of trainee teachers in Primary Teacher Colleges. The number of trainee teachers has not changed for the last three years, with annual enrolment being slightly below 13,000 trainees. This is basically because the number and facilities of the relevant institutions have remained static during the period under review.

15.9. With the introduction of the 8 4 4 education system, Technical Secondary Schools are being phased out. As a result, there has been a sharp drop in the enrolment within technical secondary schools since 1984. In 1986 there were only 6,000 students in all the 19 technical schools showing a decrease of 2,000 from 8,000 students enrolled in 1985. Most of the courses offered in technical secondary schools have already been introduced in Harambee Institutes of Technology (HITS). This apparent phasing out of technical secondary schools has not, however, enhanced the intake in the HITS since the entry requirements differ between these two categories of institutions. This is confirmed by a look at the enrolment in the HITS which totalled 4,700 students (3,500 males and 1,200 females) enrolled in 1986 showing an increase of only 300 students over the enrolment in 1985. In terms of the numbers enrolled, the largest HITS in a descending order include Rift Valley with 1,200 students; Ramogi, 575; Kiambu, 500; Murang'a, 385; Kirinyaga, 360; Kimathi, 359; and Kaimosi with 266 students. Combined, the above institutes enrolled close to 80 per cent of all students in the 16 fully operational HITS.

15.10. In addition to the technical and vocational training above, training at a more advanced level is undertaken at the two Polytechnics (Nairobi and Mombasa) and the Jomo Kenyata College of Agriculture and Technology. In 1986, these three institutions enrolled nearly 6,000 students, an increase of 120 students over the enrolment in 1985. The proportion of females in these institutions is well under 20 per cent.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1984—1986

*Table 15.8* *Numbers*

| | PRIMARY | | | SECONDARY | | |
|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986* | 1984 | 1985 | 1986* |
| TRAINED— | | | | | | |
| Graduate | 11 | 31 | 7 | 5,249 | 6,126 | 6,427 |
| Approved+ | 212 | 253 | 306 | 590 | 793 | 823 |
| S1 | 2,884 | 3,002 | 3,109 | 4,214 | 5,002 | 5,837 |
| P1 | 44,201 | 48,990 | 52,904 | 231 | 217 | 176 |
| P2 | 27,133 | 27,293 | 27,771 | — | — | — |
| P3 | 13,974 | 13,168 | 13,265 | — | — | — |
| P4 | 488 | 304 | 210 | — | — | — |
| Other | — | — | — | 436 | 414 | — |
| TOTAL | 88,903 | 93,041 | 97,572 | 10,720 | 12,552 | 13,263 |
| UNTRAINED— | | | | | | |
| Graduate | — | — | — | 1,265 | 1,192 | 1,177 |
| K.A.C.E. | 764 | 4,857 | 4,840 | 6,575 | 7,104 | 6,986 |
| K.C.E | 22,908 | 29,488 | 30,302 | 272 | 351 | 355 |
| K.J.S.E. | 8,428 | 8,434 | 8,066 | — | — | — |
| C.P.E. | 1,733 | 1,978 | 1,829 | — | — | — |
| Other | 27 | 577 | 198 | 535 | 513 | 515 |
| TOTAL | 33,860 | 45,334 | 45,235 | 8,647 | 9,160 | 9,033 |
| GRAND TOTAL | 122,763 | 138,375 | 142,807 | 19,367 | 21,712 | 22,296 |

*Provisional.

+An approved teacher has completed the equivalent of a University Education.

STUDENT ENROLMENT IN ALL PRIMARY TEACHER COLLEGES BY QUALIFICATION, 1986/87*

*Table 15.9* *Numbers*

| QUALIFICATION | 1ST YEAR | | 2ND YEAR | | TOTAL | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| K.A.C.E. | 91 | 60 | 67 | 48 | 158 | 108 |
| K.C.E. | 3,789 | 2,332 | 3,448 | 2,502 | 17,237 | 4,834 |
| K.J.S.E. | 49 | 49 | 72 | 90 | 121 | 139 |
| C.P.E. | 11 | 35 | 40 | 72 | 51 | 107 |
| Special Education** | — | — | 51 | 19 | 51 | 19 |
| TOTAL | 3,940 | 2,476 | 3,678 | 2,731 | 7,618 | 5,207 |

*Provisional.

**Kenya Institute of Special Education (KISE) trains students on a bi-annual basis

15.11. The Government directly supports the running of our three Universities and Egerton College as a constituent college of the University of Nairobi. In 1986/87 the University of Nairobi had an enrolment of 6,760 students, 82 per cent of whom were taking undergraduate and diploma courses. Details of enrolment and courses taken at the University of Nairobi are shown in Table 15.10. Egerton College enrolled 136 students who are taking degrees in agriculture and home science, horticulture, animal production, agricultural engineering and agricultural education.

15.12. For the last three years that the Moi University has been in operation, enrolment has nearly trebled from 83 students in 1984/85 to 230 students enrolled in 1986/87 academic year. In 1986/87, out of 230 students only 26 were females. The details of the courses offered and the number per course are shown in Table 15.11.

15.13. Table 15.12 shows enrolment at Kenyatta University by course and sex. Following the establishment of this University in 1985, as the third university, two new faculties of Arts and Science have been started. Student enrolment, therefore, accelarated during the last two years, rising from 2,372 students in 1984/85 to 3,017 students enrolled in 1986/87.

**Health**

15.14.Table 15.13 shows the location of health facilities by province. Apart from opening new health care points, the Government continually improves and upgrades existing facilities on an annual basis. Nyayo wards and/or extensions at existing hospitals were completed at Mwingi, Molo, Naivasha and Kapenguria while two private nursing homes, one each in Nairobi and Kakamega, were upgraded to hospitals. Table 15.13 shows that the number of health institutions increased by 266 from 1,683 in 1985 to 1,949 in 1986. The highest increase in 1986 over 1985 was the number of health sub-centres and dispensaries which went up by 251. The number of hospital beds and cots, however, increased by only 1.4 per cent which falls short of the estimated population growth rate of 3.8 per cent. The number of beds and cots available per 100,000 population thus decreased from 153 in 1985 to 148 in 1986.

15.15. The number of registered medical personnel including those under-going training is set out in Table 15.14. The number of doctors increased by 138 in 1986 whereas dentists and pharmacists went up by 57 and 102, respectively. While some of the increase represents new additions to the system, most of it is attributed to improvements in data collection and reporting.

15.16. Table 15.15 shows that contributions to the National Hospital Insurance Fund rose by 33 per cent from K£5.4 million in 1984/85 to K£7.1 million in 1985/86. The benefits paid out of the fund have been increasing rapidly over this period until 1984/85 when the benefits exceeded the receipts. In 1985/86, however, benefits paid out fell by 12 per cent over 1984/85 to K£5.2 million.

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1985/86—1986/87

*Table 15.10* *Numbers*

| Course/Faculty | 1985/86 | | | 1986/87 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| Undergraduate Course— | | | | | | |
| Agriculture* | 399 | 116 | 515 | 445 | 112 | 557 |
| Architecture and Design | 179 | 28 | 207 | 176 | 28 | 204 |
| Building Economics and Land Economics | 87 | 37 | 124 | 101 | 39 | 140 |
| Art | 862 | 329 | 1,191 | 925 | 409 | 1,334 |
| Commerce | 360 | 132 | 492 | 371 | 126 | 497 |
| Engineering | 516 | 12 | 528 | 542 | 20 | 562 |
| Law | 224 | 149 | 373 | 226 | 154 | 380 |
| Medicine | 424 | 103 | 527 | 458 | 118 | 576 |
| Science | 574 | 69 | 643 | 651 | 94 | 745 |
| Veterinary Medicine | 262 | 46 | 308 | 269 | 47 | 316 |
| Dental Surgery | 32 | 28 | 60 | 42 | 36 | 78 |
| Pharmacy | 93 | 23 | 116 | 98 | 19 | 117 |
| TOTAL | 4,012 | 1,072 | 5,084 | 4,304 | 1,202 | 5,506 |
| of which Kenya Students | 3,967 | 1,042 | 5,009 | 4,256 | 1,163 | 5,419 |
| Diploma Courses** Total | 33 | 41 | 74 | 23 | 39 | 62 |
| of which Kenya Students | 29 | 36 | 65 | 23 | 36 | 59 |
| Postgraduate Course— | | | | | | |
| Agriculture | 103 | 36 | 139 | 114 | 40 | 154 |
| Architecture and Design | 57 | 4 | 61 | 53 | 11 | 64 |
| Art | 177 | 85 | 262 | 211 | 83 | 294 |
| Commerce | 30 | 6 | 36 | 30 | 10 | 40 |
| Education | 88 | 40 | 128 | 20 | 10 | 30 |
| Engineering | 33 | 3 | 36 | 33 | 2 | 35 |
| Law | 12 | 5 | 17 | 6 | 2 | 8 |
| Medicine | 171 | 45 | 216 | 158 | 56 | 214 |
| Science | 224 | 39 | 263 | 215 | 38 | 253 |
| Veterinary Medicine | 41 | 11 | 52 | 37 | 9 | 46 |
| School of Journalism | 15 | 6 | 21 | 15 | 10 | 25 |
| Institute of Computer Science | | 5 | 22 | 16 | 1 | 17 |
| Institutes of African Studies | — | — | — | 7 | 5 | 12 |
| TOTAL | 968 | 285 | 1,253 | 915 | 277 | 1,192 |
| of which Kenya Students | 829 | 238 | 1,067 | 785 | 241 | 1,026 |
| Total Enrolment— | | | | | | |
| All Kenya students | 4,825 | 1,316 | 6,141 | 5,064 | 1,440 | 6,504 |
| Students from other countries | 187 | 82 | 269 | 178 | 78 | 256 |
| TOTAL | 5,012 | 1,398 | 6,410 | 5,242 | 1,518 | 6,760 |

*Includes courses on Food Science and Technology and Range Management.
**Diploma courses were offered in Advanced Nursing and Adult Studies.

Moi UNIVERSITY STUDENTS BY COURSE AND SEX, 1984/85—1986/87

*Table 15.11* *Numbers*

| Department | 1984/85 | | 1985/86 | | 1986/87 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| Forestry | 76 | 7 | 87 | 11 | 96 | 15 |
| Wildlife Management | — | — | 11 | 3 | 27 | 4 |
| Wood Science and Technology | — | — | — | — | 21 | 2 |
| Production and Technology | — | — | — | — | 13 | 1 |
| Electrical and Communication Technology | — | — | — | — | 24 | — |
| Science | — | — | — | — | 23 | 4 |
| TOTAL | 76 | 7 | 98 | 14 | 204 | 26 |

KENYATTA UNIVERSITY STUDENTS BY COURSE AND SEX, 1985/86—1986/87

*Table 15.12* *Numbers*

| Courses | 1985/86 | | | 1986/87 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Male | Female | Total |
| B.Ed. (Arts) | 573 | 799 | 1,372 | 655 | 866 | 1,521 |
| B.Ed. (Science) | 577 | 186 | 763 | 615 | 220 | 835 |
| B. A. (Fine Arts) | 9 | 10 | 19 | 8 | 8 | 16 |
| B.Ed. (Home Economics) | 20 | 165 | 185 | 20 | 126 | 146 |
| B.A. (Music) | — | — | — | 4 | 12 | 16 |
| B.A | — | — | — | 80 | 36 | 116 |
| B.Sc | — | — | — | 63 | 13 | 76 |
| Special Subjects | — | — | — | 2 | 39 | 41 |
| B.Ed. (Primary Option) | — | — | — | 34 | 6 | 40 |
| Postgraduate* | 223 | 63 | 286 | 155 | 55 | 210 |
| TOTAL | 1,402 | 1,223 | 2,625 | 1,636 | 1,381 | 3,017 |

*Post graduate diploma in education.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1986

*Table 15.13*

| Province | HEALTH INSTITUTIONS | | | | HOSPITAL BEDS AND COTS | |
|---|---|---|---|---|---|---|
| | Hospitals | Health Centres | Health sub-centres and Dispensaries | Total | No. of Beds and Cots | No. per 100,000 Population |
| Nairobi | 30 | 15 | 136 | 181 | 5,690 | 465 |
| Coast | 24 | 30 | 158 | 212 | 3,065 | 168 |
| Eastern | 39 | 35 | 207 | 281 | 4,457 | 120 |
| North-Eastern | 3 | 6 | 32 | 41 | 414 | 78 |
| Central | 40 | 45 | 225 | 310 | 4,848 | 153 |
| Rift Valley | 55 | 61 | 450 | 556 | 6,004 | 133 |
| Nyanza | 41 | 47 | 152 | 240 | 4,234 | 113 |
| Western | 17 | 37 | 64 | 118 | 2,644 | 108 |
| TOTAL 1986 | 249 | 276 | 1,424 | 1,949 | 31,356 | 148 |
| TOTAL 1985 | 243 | 267 | 1,173 | 1,683 | 30,936 | 153 |

REGISTERED MEDICAL PERSONNEL, 1984—1986

*Table 15.14* *Numbers*

| Type of Personnel | 1984 | 1985 | 1986 | | IN TRAINING | |
|---|---|---|---|---|---|---|
| | | | | No. per 100,000 Population | 1985-86 | 1986-87 |
| Doctors | 2,752 | 2,842 | 2,980 | 14.08 | 634 | 792 |
| Dentists | 331 | 384 | 441 | 2.08 | 62 | 78 |
| Pharmacists | 131 | 231 | 333 | 1.57 | 118 | 117 |
| Pharmaceutical Technologists | 427 | 459 | 493 | 2.32 | 113 | 147 |
| Registered Nurses | 9,165 | 9,377 | 9,627 | 45.48 | 1,142 | 1,163 |
| Enrolled Nurses | 10,650 | 11,248 | 12,452 | 58.84 | 5,617 | 6,242 |
| Clinical Officers | 2,001 | 2,107 | 2,224 | 10.51 | 436 | 440 |
| Public Health Officers | 390 | 420 | 450 | 2.13 | 90 | 121 |
| Public Health Technicians | 1,390 | 1,608 | 1,826 | 8.63 | 438 | 640 |

NATIONAL HOSPITAL INSURANCE FUND, 1981/82—1985/86

*Table 15.15* *K£ million*

| Year | Receipts* | Benefits** | Contribution Net of Benefits |
|---|---|---|---|
| 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 |
| 1985/86 | 7.14 | 5.24 | 1.90 |

*Includes both compulsory and voluntary contribution and other receipts.
**Benefits include other payments, e.g. management expenses.

**Other Social Services**

*15.17. Youth Development*—The number of Government assisted youth/ village polytechnics remained at 321 in 1986 as in 1985. Further assistance was provided by non-governmental organizations to 282 of these youth polytechnics. Enrolment in these institutions increased by 1,400 from 21,500 students in 1985 to 22,900 in 1986. The Government spent KSh. 36 million on salaries and grants and an addition of KSh. 2.6 million on capital development of the polytechnics in 1986. These polytechnics train youths on a wide range of technical courses at their preliminary stages.

*15.18. Vocation Rehabilitation*—Full participation and integration of all disabled persons into the society is the ultimate aim of the vocational rehabilitation services. In 1986, there were 12 vocational rehabilitation centres in the country with an enrolment of nearly 200 students, half of whom were females. Most of the centres admit the physically handicapped who are given various kinds of training which include woodwork, telephone operation, typing and leatherwork.

*15.19. Women in Development*—Table 15.16 shows the number and the distribution of Government grants to women groups by province. A total of KSh. 3.3 million was given out by the Government to 438 women groups in 1986. On average, except for Nairobi, there were 11 women groups in each district; and each group including those in Nairobi received around Sh. 7,600. This assistance, which is administered through the Women's Bureau, goes towards the development of handicrafts, agriculture, real estate, business and many other social welfare projects among women groups.

*15.20. National Social Security Fund*—Table 15.17 lays out the activities of the National Social Security Fund between 1982 and 1986. Whereas the number of employers and employees registered with the Fund has been increasing at an annual average of around 4 per cent over the period, annual contributions received by the Fund have risen by almost 7 per cent. Annual benefits paid out by the Fund have, however, fluctuated widely from year to