ECONOMIC SURVEY
1988

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UNITS AND SYMBOLS USED

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

SUMMARY AND OUTLOOK

Summary

There was a slowing down in the world economy in 1987. Real domestic demand within the Organisation of Economic Cooperation and Development (OECD) countries expanded by 2.8 per cent in 1987, compared with a 3.8 per cent in 1986. The year was also characterised by large official foreign exchange market interventions. In October, 1987 a stock market crash led to fear of lower growth in 1988 and 1989. Prompt corrective action by Central Banks reduced interest rate and a semblance of order was restored in major exchange markets. The exchange rates, especially of the dollar, however, continue to be unstable and to cause concern.

Further, adverse effects arose from the rise in oil prices to around $18 per barrel, from a low $9 per barrel in 1986. In the circumstances, inflationary pressures have built up and do not augur well for 1988. According to the Financial Times world trade growth declined from 4.5 per cent recorded in 1986 to 3.8 per cent in 1987.

On the domestic scene, the year was characterised by poor world prices for Kenya's main export crops . coffee and tea, and a higher price for oil. Nevertheless the real GDP grew by a respectable 4.8 per cent in 1987, compared with the exceptionally good performance of 5.5 per cent in 1986. Agriculture and manufacturing grew by 3.8 per cent and 5.7 per cent, respectively Other sectors which performed particularly well during the year were electricity and water; trade, restaurants and hotels; and finance, commerce and business services.

Low export prices for major export commodities and dearer imports, in particular, resulted in a current account deficit of K£409 million in 1987 compared with a small K£36 million deficit in 1986. The overall balance of payments deficit was K£76 million in 1987 as opposed to a K£73 million surplus in 1986.

Wage employment grew moderately by 3.5 per cent in 1987 while average wage rose nominally by 7.1 per cent. Since the inflation rate was estimated at 7.1 per cent, there was no improvement in real wages.

The International Scene

The year 1987 was marked by a further slowing down in the growth of the world economy. In the Western industrial countries there were concerted efforts aimed at preventing the dollar from declining too fast, as this would accelerate world inflation. The mid-October stock market crash led to fears of further decline in the growth of the world economy in 1988 and 1989. The growth in world trade fell from 4.5 per cent recorded in 1986 to 3.8 per cent in 1987.

Efforts were made to stabilise the exchange rate among the leading seven large western economies. They jointly agreed that this was a necessary measure if the large current account imbalances-the huge US current account deficit and the surpluses in Japan and West Germany-were to be dealt with effectively. The first joint meeting, named the Louvre Accord, was held in February, 1987, and further endorsement was made in the Venice Summit in the second half of the year. The dollar, however, continued the downward slide that began in 1985, as the currencies of the other major economies notably the Japanese Yen, the Deutsche Mark, the Pound Sterling and the Swiss Franc, strengthened.

The commodity prices that have been weak in recent years improved in 1987. There was a rise in non-oil commodity prices, which was mainly due to good prices for metals and foods. Beverages performed poorly, recording a decline of 28 per cent largely due to a fall of 38 per cent in coffee prices. Oil prices remained firm in 1987, while OPEC's reference level of $18 a barrel was maintained through the year.

Inflation levels in the large industrial countries picked up slightly, while there were mixed results in the employment generation. Increases in inflation were mainly attributed to strengthening of industrial input prices and. in some countries, the recovery of oil prices from the low $9 a barrel of 1986. Employment gains were made in some countries such as the USA and West Germany, while there were moderate increases in unemployment in France, Italy and several other European countries. The easing of unemployment is expected to continue in 1988 and 1989 except for OECD European countries and Japan.

There were no major developments in tackling the debt problem, especially for the large debtor countries. In the case of Africa, the continent faced another bad year, with exports performing poorly. There was a fall in the reserve levels which declined slightly from SDR 6.9 billion in 1986 to SDR 6.8 billion in 1987.

Domestic Economy

After recording an unusually good performance in 1986, Kenya's economy experienced a slightly lower growth in 1987. Several factors accounted for the impressive growth rate of 5.5 per cent recorded in 1986. The severe drought in Brazil raised world coffee prices, Kenya's principal export crop, by nearly 40 per cent. The suspension of coffee quotas by the International Coffee Organisation that followed also helped Kenya increase the quantity of coffee exports. Consequently coffee export earnings increased by 68 per cent. The decline in world oil prices helped Kenya lower its oil import bill by almost 37 per cent. On account of good weather, agricultural output increased substantially. The resultant favourable terms of trade allowed per capita income to rise by over 5 per cent.

The buoyant economic trend was moderated in 1987. Inadequate rains in some parts of the country resulted in a slump in agricultural output. A doubling of oil prices combined with a fall in coffee and tea prices resulted in a large balance of payments deficit. Security problems outside our borders hindered increased transit of Kenyan exports to the hinterland countries. Inflation, which had decreased to a record 5.7 per cent in 1986, rose modestly to 7.1 per cent. These factors were responsible for the 0.7 percentage points decline of growth rate in the country's aggregate value added which declined from 5.5 per cent in 1986 to 4.8 per cent in 1987.

Real gross fixed investment rose by 22 per cent between 1984 and 1987. The improved economic climate after 1984 and deliberate policies to restore business confidence were responsible for the inpressive growth of fixed investment. In particular, import policies as well as export promotion have played a significant role in raising the level of aggregate investment, especially in the private sector.

Rural Household Budget Survey 1981/82

The Rural Household Budget Survey results presented in Chapter 3 confirmed census and other previous surveys' findings that a majority of the rural households were headed by males and that they were engaged in agriculture. The few households headed by females had lower monthly incomes compared with male headed households. Consumption expenditure generally appeared to increase in direct proportion to the size of the household.

Monthly consumption expenditure, in cash and kind, was Ksh.527, or 64 per cent of the total average monthly household income. Food and beverages was the main consumption expenditure item accounting for about 41 per cent of the average monthly income. Other major consumption items were household goods and clothing and footwear in that order. Rural households with non-farm sources of income had above average monthly consumption expenditure of Ksh.620.

The main source of rural household income was farm enterprises, which contributed about 48 per cent of the net monthly income. A large proportion, 81 per cent, of household income from farm enterprises was in kind. In total, the average net monthly household income was Ksh.829. The level of houehold income appeared to increase with increasing size of household holding.

Employment, Earnings and Consumer Prices

Fewer new jobs were created in modern sector wage employment in 1987 relative to 1986. Of the 76,600 new jobs created, modern sector wage employment contributed 42,800 jobs, reflecting a job creation of 3.5 per cent. Small scale enterprises created an additional 31,100 new jobs; an increase of 11.1 per cent over 1986. Self employed and unpaid family workers increased by 2,700.

The inflation rate, as measured by the Nairobi Consumer Price Indices, rose by 7.1 per cent compared with the 5.7 per cent level recorded in 1986.

The total wage bill during the year increased by 10.9 per cent to reach K£1,544.7 million. Nominal average wage earnings per employee registered an increase of 7.1 per cent implying no improvement in real earnings for the worker.

Money, Banking and Finance

There was a significant decline in the rate of monetary expansion in 1987. The turn-around in the excessive liquidity creation arid monetary growth observed in 1986 was largely attributed to a large balance of payments deficit recorded at the end of 1987 and a remarkable decline in the growth in domestic credit. Inflation remained low at 7.1 per cent, while all interest rates were positive in real terms.

Net foreign assets recorded a negative value of K£65 million at the end of 1987, declining by K£74 million compared with an improvement of K£77 million observed in 1986. The decline was mainly attributed to a substantial deterioration in the terms of trade during the year. Total domestic credit amounted to K£2,430 million at the end of 1987 and its annual growth rate declined from 29 per cent in 1986 to 20 per cent in 1987. Consequently the stock of money at the end of 1987 stood at K£1,983 million. The growth in money supply, therefore, declined from 33 per cent in 1986 to 11 per cent in 1987.

There were notable declines in the growth of assets of both the Central Bank and non-bank financial intermediaries. Assets and liabilities of the former recorded an 8 per cent increase against 12 per cent increase recorded in 1986, while the latter recorded only 1 per cent growth compared with 11 per cent in 1986. Other developments in the financial sector included revision of interest rates and introduction of 1, 2 and 5 year Treasury bonds. These Treasury bonds, aimed largely at the non-bank sector, form an alternative to Treasury bills in raising money by the Government.

Public Finance

Provisional figures for the 1987/88 fiscal year indicate that current revenue increased by 14 per cent while current expenditure expanded by 24 per cent resulting in a current deficit of K£234 million. The growth in current expenditure was partly due to debt obligations, the double-intake at the public universities, the 4th All Africa Games and the general elections in March, 1988. Government determination to utilise its constrained budgetary resources more effectively and productively was fruitful in the last two years as capital expenditure rose to K£3I5 million in 1986/87 before peaking at K£423 million in 1987/88.

Due to the inability of current revenue to keep pace with current expenditure, coupled with an improved capital expenditure, particularly the storage silos construction for the NCPB, the overall deficit is estimated to be K£409 million in

1987/88. Net external loans are expected to improve from an outflow of K£34 million in 1986/87 to an inflow of K£121 million in 1987/88. Treasury bonds with maturities of 2 and 5 years seem to be replacing Treasury bills as the major form of domestic borrowing since they have already raised K£223 million in 1987/88.

External Trade and Balance of Payments

Following a sharp drop in exports and a moderate expansion in imports, Kenya suffered a balance of payments deficit of K£76 million in 1987 compared with a favourable surplus of K£73 million registered in 1986 and a larger deficit of K£94 million recorded in 1985. A balance of trade deficit of K£641 million was registered in 1987 compared with K£351 million in 1986. The current account deficit rose sharply from K£36 million in 1986 to K£409 million in 1987. It should, however, be noted that 1986 was an usually good year with low oil prices and high coffee prices.

Lower export prices, particularly of coffee and tea, led to the terms of trade declining by 17 per cent in 1987. Overall export volumes declined while import volumes increased moderately. Trade with the Preferential Trade Area (PTA) and other African countries continued to perform well despite the overall poor performance of the external trade sector in 1987.

The Shilling continued to depreciate against the currencies of most of Kenya's major trading partners. In trade weighted terms the Shilling depreciated by a significant 13 per cent. It depreciated moderately against the SDR and the US Dollar, but more significantly against the Deutsche Mark, the Pound Sterling and the Japanese Yen.

Agriculture

The agricultural sector experienced two seriously negating influences in 1987. Firstly, the rainfall for the 1987 agricultural year was generally poor and inadequate in most parts of the country. Secondly, the low prices fetched by coffee and tea in the world markets resulted in low revenues for both coffee and tea growing activities. As a result of these two factors, the agricultural sector recorded a growth rate of 3.8 per cent in 1987.

Commodity production during the year was rather mixed. Maize production in particular recorded a decline of 25 per cent, while potatoes, beans, wheat, cotton, sisal and coffee also recorded decreased production. On the other hand tea, pyrethrum, rice paddy and sugar-cane recorded improved production in response to various incentives.

Dairy production and sales of livestock for slaughter continued to improve in 1987 in response to various incentives offered. The beef sub-sector was decontrolled in 1987, thereby setting the industry into a new development phase.

Terms of trade were unfavourable to agricultural producers in 1987. The index dropped to 6.4 points below parity. A welcome development was, however, the slight relaxation in inter-district movement of grains in 1987. This action reduced inter-district grain price differentials for consumers.

Environment and Natural Resources

Since 1983, there has been a general upward trend in expenditure for water supplies and related services, reflecting the long term commitment by the Government to provide clean water. Total development expenditure on water has been projected to decrease by about 5 per cent from K£40 million in 1986/87 to K£38 million in 1987/88. Between 1983/84 and 1987/88, expenditure on rural, county and urban water supplies together represented an average of 64 per cent of total development expenditure.

There was only a 4 per cent increase in the overall volume of fish and other marine products landed in 1987 compared with 13 per cent increase in 1986. The corresponding value increased by 5 per cent from K£18 million in 1986 to K£19 million in 1987. Accounting for about 94 per cent, the supply of fresh water fish, continued to dominate the Kenya fish market.

Total forest area declined by about 4 per cent from 168 thousand hectares in 1986 to 161 thousand hectares in 1987, largely due to a reduction in area planted under cypress, pines and fuel timber. In 1987 a total of 1,159 tree nurseries had been set up countrywide to promote rural afforestation programmes.

Mineral production registered a marginal increase in 1987 largely from output of salt and limestone products. Soda ash continued to dominate overall mineral production although it registered a marginal decline. There was also a decline in the output of fluospar due to a glut in the World Market and subsequent decline of the product's international prices.

Energy

The oil industry continued to be adversely affected by the conflict in the Gulf region resulting in overproduction of crude oil and fluctuating rising prices. The uncertain situation forced oil importing countries to build up stocks. For Kenya, the import bill increased by 20 per cent while total domestic demand rose by 11 per cent from 1,654 thousand tonnes in 1986 to 1,832 thousand tonnes in 1987.

Generation of electricity, which had previously recorded substantial growth, improved only marginally in 1987 mainly as a result of the commissioning of the Kipevu Power Plant. Only about 5 per cent of Kenya's households are direct consumers of electricity, although the number of people benefiting from electric power is much higher since many community based projects use electricity.

It is currently estimated that nearly 38 million cubic metres of wood, equivalent to 1 million tonnes of oil are utilized annually as fuel for cooking and heating. This situation calls for measures to ensure continued and sustained afforestation to meet growing demand.

Manufacturing

The year 1987 was satisfactory for the manufacturing sector although it recorded a slightly lower growth than in 1986. Growth in real output was estimated at 5.7 per cent compared with 5.9 per cent in 1986. Large amounts of foreign exchange were used to finance spare parts, machinery and intermediate inputs to support domestic industry.

As in the previous year, all subsectors except the transport equipment sub-sector of the manufacturing industries recorded positive growth rates. The sugar and confectionery sub-sector continued the recovery started in 1986. Meat processing stagnated somewhat, but it is expected to improve with the restructuring of beef and pork manufacturing industries and the decontrolling of meat prices. There was overall improvement in total food manufacturing, the beverages and tobacco sub-sector, as well as a significant recovery in the wood and paper processing industries.

Building and Construction

The building and construction sector registered noticeable growth in 1987. All the sector's major economic indicators namely, cement consumption, employment, value of building plans approved and total receipts by private contractors registered increases during the year. Employment, a major indicator of the sector's performance, increased by 4 per cent, from 55,700 persons in 1986 to 58,100 persons in 1987. Cement consumption rose by about 19 per cent, from 702 thousand tonnes in 1986 to 834 thousand tonnes in 1987. The increases were mainly due to the

construction of large public projects and private housing projects, some of which were still in progress by the end of the year. The total value of building plans approved by Nairobi City Commission and other towns increased from K£144 million in 1986 to K£192 million in 1987. The combined building and costruction cost index increased by 12 per cent compared with 7 per cent recorded in 1986.

Tourism

The tourism industry has been performing well since 1984. The total number of visitors to Kenya has increased during the last three years but the rate of annual increment slowed down from 24 per cent and 40 per cent in 1984 to 8 per cent and 10 per cent in 1987, for arriving and departing visitors, respectively. While the total number of bed-nights occupied remained somewhat constant, the total number of days stayed by the visitors increased.

Europe, continued to generate most tourists and, in 1987 accounted for just under 60 per cent of the total. Visitors from continental Europe prefer to spend their holidays at the Coast while visitors from United Kingdom and North America usually stay around Nairobi and the game lodges.

The increased activity in the tourism industry has enabled earnings in foreign exchange to more than double since 1983; and recorded an increase of 18 per cent from K£248 million in 1986 to K£292 million in 1987. Current efforts based on timely and appropriate education coupled with the lowering of costs for local residents during the low season, are directly aimed at stimulating domestic tourism which has continued to remain negligible.

Transport, Storage and Communications

The value of output of the transport, storage and communications sector, at current prices went up by 13 per cent from K£784 million in 1986 to K£886 million in 1987. This fast expansion was experienced in air transport.26 per cent, road transport.16 per cent, and services incidental to transport.15 per cent. The value of output recorded in road transport, however, continued to account for the largest share of total sector's output; increasing from 40 per cent in 1986 to 43 per cent in 1987.

The number of passengers carried by road, railway, air and water transport and the revenues generated recorded appreciable increase in 1987 compared with 1986. On the other hand road freight, air freight and freight handled at the port of Mombasa equalled 1986 levels, while freight carried by rail declined. Freight revenue, however, grew as a result of upward revision in most freight tariffs.

There was continued fast expansion in postal and telecommunications facilities in 1987 with substantial increases recorded in the number of post offices, exchange connections, the number of public call boxes and in number of paid minutes and words on the international services.

The Social Scene

Primary and secondary school enrolment increased by 4 per cent and 14 per cent, respectively, between 1986 and 1987. The double intake by the four public universities, including the newly established Egerton University, increased university enrolment by about 67 per cent from 10,143 in 1986/87 to 16,937 in 1987/88 academic year.

During 1987 five new hospitals were opened. Some increase was realized in the provision of clinical officers between 1985/1986 and 1986/87. As a result of the National Social Security Fund increasing membership of registered employees by 5 per cent and employers by 4 per cent, the annual contributions received by the Fund increased significantly by 14 per cent between 1986 and 1987.

Outlook for 1988

The aggregate economic performance in Kenya is partly dependent on the general level of activity in the international economy, especially changes in external demand for the country's principal export commodities (e.g. coffee and tea). In this regard Kenya's export activity is envisaged to remain sluggish in 1988.

Some slowdown of growth in the industrial countries is expected in 1988. The decline in financial assets resulting from the unexpected fall of prices in the world stock markets is likely to weaken economic activity of the Western countries, leading to some decline in production. Thus aggregate output in OECD countries is expected to register a low growth rate of about 2 per cent in 1988.

Two international developments may be beneficial to Kenya. Firstly, the dollar oil price has declined from $18 to $16 per barrel in the last few months. The reduced oil prices imply a significant reduction of the country's oil import bill. Secondly, recent improvement in security arrangements beyond Kenya's borders may boost Kenya's exports of manufactured goods to the PTA countries. Furthermore the prices of coffee and tea in the international markets, which have already improved over their 1987 levels, will benefit Kenya's export earnings.

On the domestic scene, aggregate demand is expected to remain high on account of last year's general wage increases, significant tax cuts announced at the beginning of 1987/88 fiscal year, and the adequate long rains that were observed during the second quarter of 1988. The Government budget deficit is expected to widen in 1988 due to increased expenditure on general elections, the increased intake at public universities, the silver jubilee celebrations and to some extent the preparation for the 1989 populaton census, among other things.

However, certain factors will have a dampening effect on any prolonged rise in aggregate demand. Inflation is expected to grow to around 10 per cent in 1988. The final phase of the Ramtu Salary Comminission was effected in July, 1987, so the public sector's wages as a whole are, therefore, unlikely to rise significantly in 1988.

Despite the dwindling foreign exchange resources in the latter half of 1987 and early 1988, manufacturing continued to receive essential imports of its raw materials. Manufacturing inventories rose sharply from K£41 million to K£98 million at the close of 1986 and 1987, respectively. The sector's spending on plant and machinery also rose by about 5 per cent in 1987. The gross investment in manufacturing was considerably higher in 1987. This surge in investment, accompanied with the rising domestic demand, will considerably raise manufacturing output. Agro-based industries are expected to perform well due to the good weather.

Agricultural production is expected to be higher in 1988 than in 1987. The long rains came early and were plentiful in the main agricultural areas. This has benefited both crops and livestock pastures. Production of all the major crops are, therefore, set to record increases, while the livestock sector is already favourably responding to the decontrol of meat prices. Overall agricultural sector real GDP is likely to grow modestly at about 4.2 per cent in 1988 compared with the growth rate of 3.8 per cent witnessed in 1987.

The depreciation of Kenya Shilling against most major world currencies improved international competativeness of Kenyan goods. Trade activity to the PTA countries will continue to strengthen. The growth rate of Kenya's manufactured exports is likely to be greater in 1988 than the previous year.

All major components of private construction investment are expected to decline slightly following the peak in 1986.1987 and the slowdown in economic activity in 1987. Business capital spending on plant, machinery and related equipment will depend on the availability of foreign exchange in 1988 and hence may merely maintain their 1987 levels of growth.

On account of the above scenario, the real gross domestic product for Kenya is expected to grow at about 5.1 per cent in 1988.

KEY ECONOMIC AND SOCIAL INDICATORS, 1983-1987*

Table 1

		1983	1984	1985	1986	1987**	
1. Population	(million)	18.8	19.5	20.2	21.0	21.8	
2. Growth of GDP at constant prices	(per cent)	2.3	0.8	4.8	5.5	4.8	
3. GDP at market prices	(K£mn)	3,927	4,389	4,914	5,832	6,615	
4. Net cost of petroleum products	(K£mn)	214	185	257	110	179	
5. Trade balance	(K£mn)	-253	-320	-385	-351	-641	
6. Money supply	(K£mn)	1,118	1,262	1,346	1,784	1,983	
7. Total domestic credit	(K£mn)	1,253	1,389	1,569	2,018	2,430	
8. Balance of payments (current account)	(K£mn)	-25	-86	-79	-36	-409	
9. Coffee, marketed production	('000 tonnes)	95	119	97	115	105	
10. Tea, marketed production	('000 tonnes)	119	116	147	143	156	
11. Maize, marketed centrally	('000 tonnes)	636	561	583	670	652	
12. Wheat, marketed centrally	('000 tonnes)	242	135	194	225	148	
13. Sugar-cane production	('000 tonnes)	3,286	3,611	3,463	3,552	3,698	
14. Milk sold centrally	(mn litres)	274	190	231	316	347	
15. Manufacturing output	(K£mn)	2,426	2,957	3,536	4,297	5,090	
16. Construction output	(K£mn)	411	420	443	486	488	
17. Cement consumption	('000 tonnes)	511	541	610	702	834	
18. Petroleum consumption	('000 tonnes)	1,373	1,482	1,497	1,583	1,748	
19. Electricity consumption	(mn kwh)	1,747	1,845	2,014	2,206	2,276	
20. Tourism earnings	(K£mn)	122	152	197	248	292	
21. New registration of vehicles	(number)	13,940	15,694	13,663	16,955	17,413	
22. Rail freight	(mn tonnes/km)	2,091	2,034	1,860	1,831	1,702	
23. Air passengers handled	('000)	1,928	2,058	2,159	2,289	2,397	
24. Wage employment	('000)	1,093	1,126	1,174	1,221	1,263	
25. Education-primary enrolment	('000)	4,324	4,380	4,700	4,843	5,031	
26. Education-secondary enrolment	('000)	494	498	437	459	522	
27. Education-post secondary enrolment	('000)	27	28	29	33	41	
28. Hospital beds and cots	(number)	29,294	30,886	30,936	31,356	32,203	
29. Registered doctors and dentists	(number)	2,903	3,083	3,226	3,421	3,563	
INDEX NUMBERS: (1982=100)							Annual % Rate of change 1983.1987
Export volumes		96	95	99	114	110	3.5
Import volumes		79	93	86	101	106	7.6
Terms of trade		94	110	92	103	85	-2.5
Consumer prices		115	125	138	146	156	7.9
Real wages		93	94	91	95	95	0.5
Agricultural terms of trade		102	99	94	106	94	-2.0

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

CHAPTER 1- INTERNATIONAL SCENE

The world economy slowed down further in 1987 despite the remarkable performance of some large industrial economies, particularly Japan. There were large official foreign exchange market interventions during the year aimed at restraining the dollar from declining too fast. These interventions were seen as likely to lead to an increase in world inflation, and hence prompted authorities to tighten their monetary policies. In October, a stock market crash led to added fears of lower growth in 1988 and 1989. The corrective reaction was, however, prompt, with Central Banks reducing the interest rates. The growth in world trade declined from 4.5 per cent recorded in 1986 to 3.75 per cent in 1987. Oil price reference level remained at $18 a barrel during the year, with effective prices varying between $16 and $19 a barrel. Non-oil commodity prices rose in US dollar terms, with an exception of beverage prices, which declined by 28 per cent.

1.2. The concern with large current account imbalances by the major Western industrial economies continued during the year. Efforts were made to stabilise the exchange rates, beginning with the Louvre Accord in February, 1987 by the Group of Seven large economies . the USA, the UK, Canada, France, Japan, Italy and West Germany. This Accord was again reaffirmed in the Venice Summit in the second half of the year. The dollar, however, continued to decline with Central Banks interventions only being aimed at ensuring its orderly fall. In all, it declined by 16 per cent in trade weighted terms in 1987 compared with 14 per cent and 13 per cent slide in 1986 and 1985, respectively. On the other hand, currencies of the other major industrial countries strengthened, with the Japanese Yen rising by about 32 per cent against the Dollar; the Pound Sterling and the Swiss Franc by 27 per cent; and the Deutsche Mark rising by 18 per cent. The net effect of the changes in exchange rates is that there are positive signs that growth in the large imbalances in the world economy . the huge US current account deficit and the growth rate of surpluses in Japan and West Germany are slowing down.

1.3. As already observed, remarkable growth was achieved by some major industrial economies. Japan recorded stronger growth than had been anticipated. In USA the declining dollar acted as a stimulus to export volume growth. The expansion of exports by 14 per cent coupled with a slight business investment growth and rising industrial production by around 5 per cent led the economy to record a GNP growth rate of 2.75 per cent in 1987. In the case of Japan, it was the buoyant growth in housing investments, which rose by 16 per cent, and the rapid increase in Government investment, by 7.2 per cent, that led to a fast growth in GNP of 3.5 per cent in 1987 compared with 2.4 per cent in 1986. Industrial production in Japan was also strong in the second half of the year. In all, the growth in GNP for the whole of the Organisation of Economic Co-operation and Development (OECD) area remained almost even at the 1986 level, but OECD industrial production rose remarkably by almost 3 per cent in 1987 relative to slightly over 1 per cent growth recorded in 1986.

1.4. Commodity prices strengthened in dollar terms in 1987 compared with 1986. Using the International Monetary Fund (IMF) estimates, non-oil commodity prices rose by nearly 9 per cent, mainly due to increases in metal prices, which rose by about 19 per cent. Food prices rose by 2.4 per cent with price increases in most products being offset by lower prices for cereals. Beverages, however, recorded a marked decline of 28 per cent, largely as a result of a 37.4 per cent decline in coffee prices. Using the same estimates, developing countries made a gain of only 3.3 per cent in their export prices of commodities compared with a gain of 13.4 per cent in the case of industrial countries.

1.5. A summary of Key Economic Indicators and Projections for OECD countries is presented in Table 1.1. Overall OECD growth declined slightly from 2.8 per cent in 1986 to 2.75 per cent in 1987. It is evident that the slight decline could be accounted for by the fall in GNP growth of the OECD European countries which registered a growth rate of 2.25 per cent during the year, compared with 2.7 per cent growth in the previous year. West Germany, a major economy within Europe that has been recording large surpluses

and whose growth is considered vital for the rest of Europe and indeed USA, recorded a slight decline of 1.6 per cent in 1987. The fall in GNP growth was a result of the appreciation of the Deutsche Mark by about 10 per cent in effective terms, given that exports, which account for 33 per cent of its GDP are sensitive to changes in the value of the currency. In USA growth was, as noted above, due to an increase in real net exports, while imports of goods and services rose only moderately. Additional factors include additions to inventories and a rise in government purchases of goods and services.

1.6. It can also be seen from Table 1.1 that Japan recorded a higher rate of domestic demand. The strong domestic demand, mainly in consumer spending, a housing boom and recovering investment in plant and equipment had the effect of pushing Japanese economic growth to 3.5 per cent in 1987 compared to only 2.4 per cent in 1986. Japan, like West Germany, had to pay a higher energy bill following recovery of oil prices in 1987, as well as adjust for the appreciation in its currency. The two countries also suffered loss of market shares. The faster growth in Japan, with domestic demand as the stimulus, is seen as a key in efforts to reduce the US deficit in its current account balance, while further growth in West Germany helps in the same direction and also should enable Europe to grow at a faster pace both in 1988 and 1989.

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

Table 1.1

	1986	1987	1988	1989
	(percentage changes from preceeding period)			
Real GNP—				
United States	2.90	2.75	2.50	1.75
Japan	2.40	3.50	3.50	3.00
OECD European members	2.70	2.25	1.75	1.50
Total OECD membership	2.80	2.75	2.25	1.75
Real total domestic demand				
United States	3.90	2.00	1.00	1.00
Japan	4.00	4.25	4.00	3.25
OECD European members	4.00	3.25	2.50	2.00
Total OECD membership	3.80	2.75	2.00	1.75
Inflation (Consumer prices)**				
United States	1.90	3.70	3.50	3.75
Japan	0.60	0.00	1.00	1.50
Germany, Federal Republic of	-0.20	0.30	1.75	1.75
Total OECD membership	2.40	2.90	3.50	3.50
World Trade	4.50	3.75	4.50	3.50
	(US $billion)			
Current balances.				
United States	-141.30	-156.00	-134.00	-105.00
Japan	85.80	86.00	81.00	79.00
Total OECD membership	-22.80	-46.00	-50.00	-43.00
OPEC	-34.00	-7.00	-6.00	-4.00
Non-Oil developing countries	-10.10	12.00	15-00	6.00
	(per cent of labour force)			
Unemployment.				
United States	7.00	6.25	6.00	6.50
Japan	2.80	3.00	3.00	3.25
OECD European members	10.90	10.75	11.00	11.25
Total OECD membership	8.30	8.00	8.00	8.25

Source: Financial Times, London December 23, 1987
*Assumptions underlying the projections include:
-no change in actual and announced policies;
-unchanged exchange rates from 10th November, 1987;
-no significant change in dollar price for internationally traded oil of US$18 per barrel.
**1986 and 1987 Actuals based on IFS. 1988 and 1989 figures based on GNP/GDP Deflators.

1.7. Inflation in most industrial countries edged up slightly. The increases over 1986 would mainly be associated with the rise in industrial material prices by 9 per cent, oil prices by some 30 per cent and in consumer prices by slightly over 3 per cent. In the case of West Germany, the slight increase of 0.3 per cent in 1987 is a result of the recovery of oil prices. The lowering of interest rates by Central Banks following the stock market crash was seen as necessary in order to allay fears of an upsurge of inflationary expectations, which could lead to further turmoil in the financial markets. This could in turn lead to a recession.

1.8. There is evidence now that the current accounts of the three economies are beginning to respond to exchange rate changes and policy adaptions. While nominally, the US current account deficit at $156 billion and the Japanese and West German surpluses at $86 billion and $43 billion, respectively, look to be increasing, a look at the structure of the economies shows some positive signs of dealing with the imbalances. A positive development in 1987 was the strengthening of policy co-ordination among the industrial countries. One result of these actions is the shrinking of the US trade deficit, with its continued gain of market share as Japan and West Germany on the other hand lose. Europe is expected to move into a sizeable deficit as US deficit closes, while the surpluses of West Germany and Japan are expected to decline slowly.

1.9. It is now evident that the faster growth of the 1980's has not been accompanied by a marked increase in employment levels. Even during 1987, when growth in some major economies remained strong, there were little gains in employment. Unemployment eased only slightly in USA, West Germany, Belgium, Denmark and Sweden. But it also rose modestly in Italy, France, Netherlands and Ireland, while it remained even in Switzerland, Spain and Norway. Unemployment is expected to ease further during 1988 and 1989 with an exception of OECD European member countries and Japan.

1.10. Growth in industrial countries is crucial to growth in developing countries, provided that they have continued access to those expanding markets. During 1987, all 20 industrial countiies excluding United States, France, New Zealand, Norway and Ireland, recorded growth in their reserve holding levels (defined as foreign exchange, SDRs, and reserve positions in the IMF, but excluding gold). In the 28.2 per cent increase, the share of industrial countries in global reserves rose from 59.4 per cent the previous year to 63.5 per cent. The share of reserves for developing countries fell for the third consecutive year to their lowest levels in the 1980s. These countries' share declined to 26.2 per cent in 1987, compared with 31.5 per cent in 1986. The drop is accounted for by the decline in the share of reserves of the oil exporting countries, whose reserves fell by 5.5 per cent. Reserves of the non-oil developing countries rose by 3.1 per cent at the end of 1987. Regionally, only Africa and the Middle East recorded declines.

1.11. Oil prices picked up in 1987 from their low of $9 in 1986, and remained in the reference level of $18 a barrel. The Organisation of Petroleum Exporting Countries (OPEC), was able to keep this reference price despite over-production and offering of discounts by member countries over the period. In the December, 1987 meeting, member countries agreed to limit output to 15.06 million barrels per day to bring supply closer to the expected demand. Prices remained in the narrow range of $16 to $19 a barrel, but widespread offering of discounts has led to declines to as low as $14 a barrel in early 1988. One effect of the major decline of the price of oil in 1986 and its failure to move firmly upwards is that exploration has declined and firms embarking on exploration have also changed in their structure. Exploration spending has become more efficient and firms are self-liquidating at a faster rate. America oil production has now fallen to 8.3 million barrels per day, its lowest level since 1977.

1.12. The prices of non-oil commodities rose modestly, in real terms during the year. In dollar terms, however, prices rose substantially. In the case of metal prices, the increases were due to shortages of copper in the markets; and zinc and lead following strikes in the producer countries. Agricultural non-food prices also rose significantly, with

prices of rubber, textile fibre and forest products increasing substantially. As has been observed, beverage prices were disastrously low. The coffee price fell to its five year low in July, 1987 following a near record harvest in Brazil. The quota system that was abolished in 1986 following good prices was reverted to during the year, with quota allocations totalling 58 million bags. It is hoped that this will stabilise coffee prices and reposition them at a level between 120 and 140 US cents a pound. Bad weather has reduced production of sugar, rice and wheat during the year and prices are poised to rise in 1988. Table 1.2 presents some selected world commodity price indices.

1.13. For most developing countries, the debt problems remain a matter of major concern, for their prospects to a return to financial viability still remain remote. Multilateral efforts so far undertaken to alleviate the debt crisis seem unlikely to make significant headway. For major debtors in Latin America, debt swaps and other buyback schemes were attempted and popularized during the year. On the other hand, an attempt was made to encourage debt write-offs for the very poor developing countries.

SELECTED WORLD COMMODITY PRICE INDICES, 1983-1987

(1980=100)

Table 1.2

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities
1983	84.90	104.30	74.60	79.50	99.6	85.60
1984	93.70	155.20	76.30	72.60	97.5	87.40
1985	88.60	89.00	68.60	73.00	95.9	76.00
1986	113.00	86.60	67.30	84.30	67.5*+	73.10
1987	71.20	76.60	66.80	94.80	61.1*++	79.40

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.
*++Novembcr. 1987 (Saudi, Ras Tanura)

1.14. The World Bank and the International Monetary Fund (IMF) continued to play a central role in global lending especially to debt pressed developing countries. Towards the end of 1987, the structural adjustment facility set up a year earlier was strengthened. During the year, the Enhanced Structural Adjustment Facility (ESAF) was launched with additional resources totalling more than $8 billion. This adds to $3 billion the IMF provides as special concessional financing. The lending through this new window is on concessional terms and with a relatively long maturity to the poorest members who are prepared to take action in strengthening their economies.

1.15. In Africa, export performance remained poor during the year. Overall exports of minerals and agricultural products fell mainly due to poor prices facing coffee, cotton and cocoa. The poor performance is indicated in the decline in reserve levels which fell from SDR 6.9 billion in 1986, itself a bad year, to SDR 6.8 billion in 1987. Food supply situation remains precarious in some countries, especially in Ethiopia and Sudan. In West Africa a short fall of 3 million tons in coarse grains is also expected due to below normal and poorly distributed rains.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

After recording a boom in its performance in 1986, Kenya's economy experienced a slowdown in 1987. Several factors had accounted for the revised impressive growth rate of 5.5 per cent in 1986. The severe drought in Brazil raised world coffee prices, Kenya's principal export commodity, by nearly 40 per cent. The suspension of coffee quotas by the International Coffee Organisation that followed also helped Kenya increase the quantity of coffee exports, consequently coffee export earning grew by 68 per cent. The decline in world oil prices helped Kenya lower the oil import bill by almost 37 per cent. On account of good weather, agricultural output increased substantially. The resultant favourable terms of trade allowed per capita income to rise by over 5 per cent.

2.2. The buoyant economic trend changed in 1987. Inadequate rains in some parts of the country resulted in a drop in agricultural output. A surge in oil prices combined with a fall in coffee and tea prices resulted in a wide balance of payments deficit. Security problems beyond our borders hindered transportation of Kenyan exports to the hinterland countries. Inflation, which had decreased to a 14 year record low of 5.7 per cent in 1986, rose modestly to 7.1 per cent. These factors were responsible for the decline by 0.7 per cent in the growth of the country's aggregate value added from 5.5 per cent in 1986 to 4.8 per cent in 1987.

2.3. The biased increase in the Government expenditure in relation to revenue may be discerned from high budget deficits in the last two years. The ratio of the Government budget deficit to GDP (at market prices) increased from about 4.4 per cent in 1985/86 to over 6.2 per cent in 1986/87. Thus the budget deficits in 1986/87 and 1987/88 were K£152 million and K£195 million, respectively higher than the 1985/86 figure of K£214 million. The increase in budget outlays by the Government in 1986/87 was attributed to various factors. First, there was a large subvention to the NCPB to purchase grains and construction of crop storage facilities. Secondly, the Government incurred a huge expenditure in education through hire of more teachers in the implementation of the new 8.4.4 education system, and the university double intake. Thirdly, there was a large expenditure in hosting the 4th All Africa Games. Finally, there was extra expenditure on the construction of a workshop for the recently launched Government Nyayo Commuter Buses.

2.4. A remarkable achievement of the Government's economic policies over the last five years has been the control of inflation. The annual rate of inflation of consumer prices, which had peaked at about 22 per cent in 1982, was gradually brought down to below 6 per cent in 1986. The low level of inflation was achieved through policies, designed to restore and maintain economic stability in the country. Active implementation of these policies had the effect of decelerating the growth rate of money supply from 16 per cent in 1982 to below 7 per cent at the end of 1985.

2.5. Financial activity behaved uniquely in 1986 in that, even though the aggregate money supply rose sharply by 33 per cent, the general rate of inflation fell by 5 percentage points to under 6 per cent. Ample inflow of coffee export earnings, accompanied by massive domestic borrowings, accounted for the 1986 rapid growth of money supply.

2.6. The Government introduced two policy measures which curtailed monetary expansion in 1987. Firstly, a minimum cash ratio of 6 per cent which was introduced towards the end of 1986, and secondly, new treasury bonds with two and five year maturity periods were launched. These measures, coupled with a balance of payments deficit, were responsible for the deceleration in the growth rate in money supply to 11 per cent during 1987.

Sectoral Contributions

2.7. Sectoral performance of the economy in 1984.1987 is presented in Tables 2.1 and 2.2. Agriculture is the most crucial sector in Kenya's overall economic performance,

GROSS DOMESTIC PRODUCT. 1984-1987

Table 2.1 *K£million*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1984	1985	1986	1987*	1984	1985	1986	1987*
A. NON-MONETARY ECONOMY								
Forestry	28.36	32.01	34.89	41.70	23.21	23.94	24.88	25.70
Fishing	1.25	1.46	1.80	1.88	1.29	1.51	1.65	1.71
Building and Construction	62.65	76.97	78.76	89.32	52.02	66.87	58.39	60.35
Water Collection	24.89	28.04	29.83	32.52	20.35	21.14	21.95	22.80
Ownership of Dwellings	99.34	107.46	136.87	169.13	79.55	82.65	86.10	88.99
TOTAL NON-MONETARY ECONOMY	216.49	245.94	282.15	334.55	176.42	196.11	192.97	199.55
B. MONETARY ECONOMY								
I. Enterprises and Non-Profit Institutions								
Agriculture**	1,244.35	1,357.18	1.598 05	1.669.26	941.05	975.59	1,023.39	1,062.57
Forestry	27.95	26.19	29.91	31.71	23.35	25.19	27.28	29.17
Fishing	10.34	12.09	15.09	15.96	10.94	13.05	14.26	14.74
Mining and Quarrying	8.51	9.97	11.45	13.27	7.41	8.11	8.40	9.12
Manufacturing	460 96	518.40	576.37	655.56	405.84	424.07	448.67	474.34
Building and Construction	150.52	162.03	185.11	223.95	102.48	103.57	107.42	111.78
Electricity and Water	53.74	59.10	66.50	69.97	50.55	53.82	57.88	61.83
Trade. Restaurants and Hotels	422.56	502.85	633.59	776.82	324.83	350.17	379.98	407.34
Transport. Storage and Communications	235.86	264.11	313.31	351.80	202.29	206.54	215.42	226.84
Finance, Insurance, Real Estate and Business Services	269.15	315.03	374.18	404.66	234.04	246.28	259 72	270.27
Ownership of Dwellings***	168.19	481.69	207.25	237 99	134.77	130.61	134.24	138.44
OtherServices***	81.93	98.73	116.98	137.80	72.02	78.23	85.63	92.22
Less: Imputed Bank Service Charges	-120.18	-130.64	.133.50	-145.51	-104.50	-108.21	-111.48	-123.97
TOTAL	3,013.88	3,376.73	3,994.29	4.443.24	2.405.07	2,507.02	2,650.81	2,774.69
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	44.88	51.78	62.94	70.58	37.16	39.74	44.31	47.81
3. PRODUCERS OF GOVERNMENT SERVICES								
Public Administration	103.01	117.96	143.33	168.46				
Defence	17.42	16.35	16.09	24.48				
Education	240.12	292.78	356.68	423.06				
Health	56.56	65.85	77.44	90.67				
Agricultural Services	37.29	42.03	42.67	41.53				
Other Services	67.82	81.37	97.43	105.97				
	522.22	616.34	733.64	854.17	473.13	497.26	528.73	558.75
TOTAL MONETARY ECONOMY	3.380.98	4,790.87	4,790.87	5,367.99	2.915.36	3,044.02	3,223.85	3,381.25
TOTAL NON-MONETARY AND MONETARY ECONOMY	3.797.47	4,290.79	5.073.02	5,702.54	3.091.78	3,240.13	3.416.82	3,580.80
GROSS DOMESTIC PRODUCt Per CAPITA K£	194.92	211.99	241.33	261.27	158.70	160.07	162.54	164.06

***Provisional.**

****Estimates have been revised upwards. 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.**

GROSS DOMESTIC PRODUCT: PERCENTAGE RATES OF GROWTH. 1984-1987

Table 2.2 *Percentage*

	CURRENt PRICES				Constant (1982) PRICES			
	1984.85	1985-86	1986-87*	1983-87**	1984-85	1985.86	1986-87*	1983.87"
A. NON-MONETARY ECONOMY								
Forestry	12.8	.9.0	19.5	13.3	3.2	3.9	3.3	3.3
Fishing	16.8	23.3	4.4	14 0	17.1	9.3	3.6	6.8
Building and Construction	22.9	2.3	13.4	10.5	28.6	-12.7	3.4	4.4
Water Collection	12.7	6.4	9.0	10.5	3.9	3.8	3.9	3.8
Ownership of Dwellings	8.2	27.4	23.6	16.6	3.9	4.2	3.4	3.8
TOTAL NON-MONETARY ECONOMY	13.6	14.7	18.6	13.9	11.2	–1.6	3.4	4.0
B MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	9.1	17.8	4.5	10.3	3.7	4.9	3.8	2.2
Forestry	.6.3	14.2	6.0	4.2	7.9	8.3	6.9	6.8
Fishing	16.9	24.8	5.8	15.3	19.3	9.3	3.4	7.6
Mining and Quarryin	17.2	14.8	15.9	15.8	9.5	3.6	8.6	8.0
Manufacturing	12.5	11.2	13.7	12.6	4.5	5.8	5.7	5.1
Building and Construction	7.7	14.2	21.0	11.8	1.1	3.7	4.1	0.5
Electricity and Water	10.0	12.5	5.2	9.7	6.5	7.5	6.8	5.7
Trade. Restaurants and Hotels	19.0	26.0	22.6	19 4	7.8	8.5	7.2	7.2
Transport. Storage and Communications	12.0	18.6	12.3	15.8	2.1	4.3	5.3	3.1
Finance, Insurance, Real Estate and Business Services	17.1	18.8	8.2	13.0	5.2	5.5	4.1	4.9
Ownership of Dwellings	8.0	14.1	14.8	11.4	-3.1	2.8	3.1	0.5
Other Services	20.5	18.5	17.8	18.3	8.6	9.5	7.7	7.8
Total (Excluding imputed hank service charges)	11.9	17.7	11.2	13.0	4.2	5.7	4.7	3.8
2. Private Households (Domestic Services)	15.4	21.6	13.6	18.6	6.9	11.5	7.9	8.2
3. Producers of Government Services								
Public Administration	14.5	21.5	17.5	15.3				
Defence	-6.1	.1.6	52.1	7.6				
Education	21.9	21.8	18.6	18.8				
Health	16.4	17.6	17.1	14.7				
Agricultural Services	12.7	1.5	-2.7	4.7				
Other Services	20.0	19.7	8.8	14.4				
Total	18.0	19.0	16.4	15.8	5.1	6.3	5.7	4.9
TOTAL MONETARY ECONOMY	13.0	18.4	12.1	13.7	4.4	5.9	4.9	4.0
TOTAL NON-MONETARY AND MONETARY ECONOMY	13.0	18.2	12.4	13.7	4.8	5.5	4.8	4.0
GROSS DOMESTIC PRODUCT PER CAPITA	8.8	13.8	8.3	9.4	0.9	1.5	0.9	0.2

**Provisional.
*Cummulative.

feeding the manufacturing sector with raw materials and supplying foreign exchange and tax revenues to support the rest of the economy. Furthermore, the agricultural population forms a key market for the goods and services produced in the industrial sector.

2.8. Between 1983 and 1987, the performance of the agricultural sector shows a mixed trend. After the severe drought in 1984, which turned its real GDP growth rate to a negative 3.9 per cent, the sector restored its positive growth by recording contributions to GDP increases of 3.7 per cent and 4.9 per cent in 1985 and 1986, respectively. This grand performance was credited to good weather, high coffee and tea export prices, extended agricultural activity and better incentives to farmers. In particular, maize production rose more than two-fold during 1984.1986 period, outstretching the existing grain storage capacity. As a corrective measure, the Government constructed additional grain silos during 1986.1987.

2.9. The growth rate of agricultural value added slowed down to 3.8 per cent in 1987. This sluggish growth was partly attributed to the poor weather leading to low production of some commodities such as coffee and maize. As shown in Chapter 7, Table 7.7, in 1987, coffee and tea export prices declined by 37 per cent and 18 per cent respectively. As a result, coffee and tea export earnings fell by about 50 per cent and 34 per cent respectively.

2.10. Manufacturing value added, measured in real terms grew at an average annual rate of 5.1 per cent in the 1983.1987 period. The growth was more pronounced in 1986 and 1987 with respective growth rates of 5.8 per cent and 5.7 per cent. The increase was accounted for by the rise in aggregate domestic demand, increased importation of industrial raw materials and machinery, low fuel prices in 1986, and the re-introduction of a six-day working week in the first months of 1987.

2.11. Manufactured exports rose, in nominal terms, by about 5 per cent in 1987. This small increase may be attributed to the rise in inflation and the rate of export compensation. However, most of the increase occured during the first half of the year. During the second half of 1987, external trade via the "northern corridor" was disturbed by insecurity beyond our borders resulting in some decline in manufactured exports.

2.12. The building and construction industry is experiencing a period of sustained growth. Its contribution to real GDP grew by 4.1 per cent in 1987, marking its third consecutive annual increase. The construction activity has been strong in both private and public sectors. Public sector employment in construction rose sharply by 33 per cent from 24,100 to 32,100 persons in 1985 and 1987 respectively. Over the same period, the public sector's real investment in construction and building works increased by over 23 per cent. The recent huge Government spending on construction of sporting facilities, grain silos, roads and the expansion of the national universities and teacher training colleges accounted for the increase in the share of the public sector in construction output. Real construction output of the private sector went up by 27 per cent between 1985 and 1987. The above observations in the building and construction sector are a contrast of the performance of early 1980s. The sector had been severely affected by the recession and the 1984 drought, resulting in some 6.8 per cent decline in its value added in 1984 over 1983.

2.13. The commercial and other service sectors experienced respective value added rates of growth of 7.2 per cent and 7.8 per cent during the five years ending in 1987. Increased economic activity in these sectors owe much to the impressive growth rates in the industrial sectors (i.e. manufacturing, construction, electricity and water). Much of the growth in distribution, commercial and financial sectors reflects increasing urbanisation and industrialisation which have taken place in the recent years as well as increased tourism.

2.14. Ample rains accounted for the sharp increases of 19 per cent and 9 per cent in fishing value added in 1985 and 1986, respectively. During the period, fishing activity was more buoyant in Lake Victoria. The total tonnage of fish landed from the lake rose from 72

Table 2.3 *K£million*

	1986					1987*				
	Gross Output at approx Basic Prices***	Inter. mediate Con-sumption	Gross Domestic Product (at Factor Cost)			Gross Output at approx. Basic Prices***	Inter. Con-sumption	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus"			Total	Labour Costs	Operating Surplus"
A. NON-MONETARY ECONOMY	366.68	84.53	282.15	5.23	276.92	430.30	95.75	334.55	5.38	329.17
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	1,840.46	242.41	1.598.05	139.85	1,458.20	1,873.38	204.12	1,669.26	155.12	1,514.14
Forestry	33.98	4.07	29.91	20.47	9.44	36.56	4.85	31.71	23.04	8.67
Fishing	16.20	1.11	15.09	4.05	11.04	16.95	0.99	15.96	4.24	11.73
Mining and Quarrying	38.35	26.90	11.45	6.84	4.61	44.69	31.42	13.27	7.96	5.31
Manufacturing	4,097.21	3,520.84	576.37	242,42	333.95	4,772.70	4,117.14	655.56	272.83	382.73
Electricity and Water	111.61	45.11	66.50	20.59	45.91	117.34	47.37	69.97	22.72	47.25
Building and Construction	526.08	340.97	185.11	129.58	55.53	615.96	392.01	223.95	156.77	67.18
Trade, Restaurants and Hotels	1,188.89	555.30	633.59	285.12	348.47	1.471.88	695.06	776.82	348.17	428.65
Transport, Storage and Communications	786.19	472.88	313.31	181.68	131.63	885.76	533 96	351.80	211.01	140.79
Finance, Insurance, Real Estate and Business Services	491.25	117.07	374.18	154.10	220.08	532.99	128.33	404.66	168.85	235.81
Ownership of Dwellings	228.40	21.15	207.25		207.25	262.35	24.36	237.99		237.99
Other Services	250.36	133.38	116.98	93.83	23.15	294.17	156.37	137.80	106.29	31.51
Less: Imputed Bank Service Charges		+ 133.50	-133.50		-133.50		+ 145.51	-145.51		-145.51
TOTAL	9,608.98	5,614.69	3,994.29	1,278.53	2,715.76	10,924.73	6,481.49	4.443.24	1,477.00	2.966.24
2. Private Households (Domestic Services)	62.94		62.94	62.94		70.58		70.58	70.58	
3. Producers of Government Services	1,075.07	341.43	733.64	728.11	5.53	1,336.07	481.90	854.17	848.70	5.47
TOTAL MONETARY ECONOMY	10,746.99	5,956.12	4.790.87	2,069.58	2,721.29	12,331.38	6,963.39	5,367.99	2,396.28	2.971.71
TOTAL MONETARY AND NON-MONETARY ECONOMY	11,113.67	6.040.65	5,073.02	2,074.81	2,998.21	12,761.68	7,059.14	5,702.54	2,401.66	3.300.88

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

tonnes to 89 tonnes and further to 103 tonnes in 1984, 1985 and 1986, respectively—these data may well indicate over fishing. The sluggish rate of growth in fishing GDP noted in 1987 may be attributed to inadequate rains. Lately, there has also been some curtailment in fishing activity in Lakes Naivasha and Turkana owing to necessary conservation measures imposed by the Government. These measures may have the effects of slowing down fishing value added in the subsequent years.

2.15. To turn to the non-monetary sector, with the exception of 1985 and 1986, the aggregate value added recorded an average annual growth rate of about 4.0 in the period 1983.1987. The striking increase of over 11 per cent experienced in 1985 was a consequence of the soaring construction and fishing activity. A high demand for building and construction activity arose from the launching of the new 8 4.4 system of education which required schools to erect additional classes, workshops and teachers' houses on a self-help basis. On account of this boost, the non-monetary construction real GDP accelerated by 29 per cent in that year. The "construction boom" in the non-monetary sector lasted for only one year, and its real GDP declined by around 13 per cent in 1986.

2.16. Table 2.3 details gross output by industry and by its various components. A striking feature is that combined labour costs for distribution, financial, transport, communication, storage and other service sectors had an average annual growth rate of about 18 per cent over the 1983.87 period. The same period witnessed an average annual growth rate of 11 per cent in the labour costs of the industrial sector. The share of the industrial sector's labour costs to total labour costs declined by 5 percentage points to 31 per cent, while that of the service sectors rose from 50 per cent to 56 per cent over that same period.

2.17. There are several factors which may explain the favourable performance of the service sectors in the recent years. The buoyant economic climate has increased demand for labour in these sectors. The rapid urbanisation that has taken place in Kenya has demanded additional services such as police, sanitation, retail trade etc.

2.18. Since service occupations are generally less amenable to automation, a rise in the value of service output would typically need more labour input than an increase of equal magnitude in the industrial output. This accounts for the higher share of service sectors in employment (see Tables 4.6 and 4.7). It also explains why the share of labour costs in the service sectors grew faster than that of industrial sectors during 1986.1987.

2.19. The percentage contribution of various sectors to GDP are given in Table 2.4. The share of manufacturing value added has risen noticeably from 12.7 in 1983 to 13.2 in 1987. On the other hand, the share of agriculture in GDP has declined from 31.9 per cent to 29.6 per cent during the same period. As mentioned earlier, the GDP share of distribution finance, insurance and other service sectors has tended to follow the trend of urbanisation and industrialisation in the country.

2.20. Various factors may explain the corresponding rise and decline in the GDP share of manufacturing and agriculture. The increased agricultural output in 1985.86 raised rural incomes resulting in a higher demand for manufactured goods. Furthermore, since the share of food in total household expenditure tends to decline as income increases, rising rural incomes may also have resulted in a larger proportion of the rural incomes being expended on manufactured goods. The bumper agricultural harvest in 1985.86 also increased agricultural raw materials for the manufacturing sector. Furthermore, trade policy and the additional coffee and tea export earnings were used to import machinery and capital equipment for the manufacturing sector.

Terms of Trade Effects

2.21. Statistics in Table 2.5 measure real income as opposed to real GDP. In this context, real income is the volume of goods and services which may be purchased with the

aggregate national income. Thus the concept of real income, as used here, takes into account changes occurring in Kenya's terms of trade.

GROSS DOMESTIC PRODUCT
SECTOR SHARES AT CONSTANT (1982) PRICES, 1983-1987

Table 2.4 *Percentage*

	1983	1984	1985	1986	1987*
A. NON-MONETARY ECONOMY					
Forestry	0.73	0.75	0.74	0.73	0.72
Fishing	0.04	0.04	0.05	0.05	0.05
Building and Construction	1.65	1.68	2.06	1.71	1.68
Water Collection	0.64	0.66	0.65	0.64	0.64
Ownership of Dwellings	2.50	2.57	2.55	2.52	2.48
TOTAL NON-MONETARY ECONOMY	5.56	5.71	6.05	5.64	5.56
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	31.92	30.44	30.11	29.92	29.62
Forestry	0.73	0.76	0.78	0.80	0.81
Fishing	0.36	0.35	0.40	0.42	0.41
Mining and Quarrying	0.22	0.24	0.25	0.25	0.25
Manufacturing	12.68	13.13	13.10	13.12	13.22
Electricity and Water	1.61	1.63	1.66	1.70	1.72
Building and Construction	3.58	3.31	3.20	3.14	3.12
Trade, Restaurants and Hotels	10.03	10.51	10.81	11.12	11.38
Transport, Storage and Communications	6.57	6.54	6.37	6.30	6.32
Finance, Insurance, Real Estate and Business Services	7.29	7.57	7.60	7.60	7.55
Ownership of Dwellings	4.41	4.36	4.03	3.93	3.89
Other Services	2.23	2.33	2.41	2.51	2.58
Less: Imputed Bank Service Charges	-3.35	-3.38	-3.34	-3.26	-3.46
TOTAL	78.29	77.79	77.37	77.61	77.53
2. Private Households (Domestic Services)	1.13	1.20	1.23	1.30	1.34
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	14.99	15.30	15.35	15.46	15.57
TOTAL MONETARY ECONOMY	94.44	94.30	93.95	94.36	94.44
TOTAL MONETARY AND NON—MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

*Provisional

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1984-1987

Table 2.5

	1984	1985	1986	1987*
1. Unadjusted GDP at constant Factor Cost (K£mn.)	3,091.78	3,240.13	3,416.82	3,580.80
2. Adjustment for changes in terms of trade (k£mn.)	89.75	-87.63	34.32	-199.36
3. Adjusted GDP (K£mn.)	3,181.53	3,152.50	3,451.14	3,381.44
4. Growth in unadjusted per capita GDP per cent	-3.0	+0.9	+ 1.5	+0.9
5. Growth in adjusted per capita GDP per cent	+ 1.9	-4.6	+5.4	-5.6

*Provisional.

2.22. The terms of trade which prevailed in Kenya in 1984 and 1986 had the positive effects of adjusting GDP (at constant 1982 prices) by K£89.75 million and K£34.32 million, respectively. As a result, the growth rate of adjusted real per capita income rose from .3.0 per cent to 1.9 per cent in 1984 and from 1.3 per cent to 5.1 per cent in 1986.

2.23. In 1987, however, the hopes of higher real income were dashed by the unfavourable terms of trade. Due to the slump in the international prices of coffee and tea in 1987, the terms of trade index fell by 18 points below the 103 witnessed in 1986. This decline had adverse effects on the real income of the nation. While the unadjusted real GDP experienced a positive growth rate of about 4.8 per cent, the adjusted real GDP recorded a decline of 2 per cent in 1987. These results imply that the volume of production in Kenya rose by about 4.8 per cent, while the purchasing power of the resulting income fell appreciably, causing the country's real income to decline by some two per cent in 1987. The later was the outcome of adverse movements in terms of trade. Growth rate of real income per capita worsened from 0.9 per cent (unadjusted) to .5.6 per cent (adjusted for the terms of trade effects).

Resource Allocation

2.24. Total resources available for domestic consumption and investment are shown in Table 2.6. The period since 1986 has been dominated by high aggegate domestic demand. Unlike the early 1980s, when excess domestic consumption was responsible for the increased demand, the surge in overall demand in 1986.1987 was attributed to the rise in gross investment. Gross investment rose by nearly 33 per cent and 24 per cent in 1986 and 1987, respectively. During the respective periods, the rate of growth of aggregate domestic consumption was comparatively lower at 13 per cent and 18 per cent.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1984.1987

Table 2.6 *K£million*

	1984	1985	1986	1987*
G.D.P. at Factor Cost	3,797.47	4,290.79	5,073.02	5,702.54
Of which—				
Non-Monetary	216.49	245.94	282.15	334.55
Monetary	3,580.98	4,044.85	4,790.87	5,367.99
+ Indirect Taxes	593.37	624.48	759.31	912.74
—Subsidies	1.81	0.99	0.58	0.58
=G.D.P. at Market Prices	4,389.03	4,914.28	5,831.75	6,614.70
+ Import of goods and services	1,231.96	1,328.40	1,510.83	1,734.12
—Export of goods and services	1,170.51	1,274.84	1,516.69	1,400.44
= Import Surplus	61.45	53.56	-5.86	333.68
Total Resources available for Domestic Investment and Consumption	4,450.48	4,967.84	5,825.89	6,948.38
Gross Fixed Capital Formation	807.15	852.88	1,175.12	1,310.82
Change in Stocks	220.39	136.38	139.97	316.92
Gross Investment	1,027.54	989.26	1,315.09	1,627.74
Public Consumption	775.60	880.10	1,061.02	1,282.77
Private Consumption	2,647.34	3,098.48	3,449.78	4,037.87
TOTAL CONSUMPTION	3,422.94	3,978.58	4,510.80	5,320.64

*Provisional.

2.25. The high level of stock accummulation in 1984 is explained by a steep rise in the stocks of coffee, manufacturing and petroleum products; in 1984 these commodities had a combined net increase of K£106 million. The respective net increases of these commodities were K£58 million (revised), K£28 million and K£20 million above their 1983 levels. As shown in Table 10.4, the value of petroleum stock accummulation of about K£264 million in 1984 was the highest since 1980. This increase was accounted for by the sharp rise in imports of refined petroleum fuels whose value almost doubled in 1983. According to the revised coffee statistics, the annual value of net stock accumulation peaked at K£67 million in 1984. Since then there has been considerable destocking due to the high world coffee prices and the suspension of quota controls by the International Coffee Organisation.

2.26. Large carry-over stocks held by maize dealers, manufacturers and wholesale statutory boards was responsible for the pronounced increase in stocks in 1987. Corresponding net stocks of maize and manufactured goods rose to K£28 million and K£98 million in 1987 from K£9 million and K£41 million in 1986. Net value of stocks (especially sugar) held by various commercial statutory boards stood at K£42 million in 1987, compared with a destocking of K£21 million which had been recorded in the previous year.

2.27. Table 2.7 shows how overall capital formation in Kenya was financed. The share of domestic savings in financing the gross investment declined from about 88 per cent in 1986 to some 67 per cent in 1987. Net borrowing from abroad increased dramatically from around K£36 million to about K£409 million in 1986 and 1987, respectively; the latter was largely concesionary, balance of payments support. The decrease in the share of the domestic savings may have resulted from the maintenance of real consumption levels and from the adverse terms of trade which significantly reduced the country's real income in 1987.

FINANCING OF CAPITAL FORMATION, 1984-1987

Table 2.7 *K£million*

	1984	1985	1986	1987*
GROSS CAPITAL FORMATION—				
Gross Fixed Capital Formation	807.15	852.88	1,175.12	1,310.82
Changes in Stocks	220.39	136.38	139.97	316.92
TOTAL	1,027.54	989.26	1,315.09	1,627.74
FINANCING—				
Grants from Abroad	92.55	108.69	117.72	126.99
Net borrowing from Abroad	86.30	79.40	35.90	408.61
Domestic Saving	848.69	801.17	1,161.47	1,092.14
TOTAL	1,027.54	989.26	1,315.09	1,627.74

*Provisional.

2.28. Due to a strong expansion in imports associated with machinery and other industrial goods as well as the rise in oil price and the fall in the value of exports, particularly tea and coffee, net imports increased substantially from a negative K£6 million in 1986 to K£334 million in 1987. Following the increased import activity, the balance of payments recorded a deficit of K£76 million in 1987, compared with a surplus of K£73 million in 1986.

Factor Incomes And National Product

2.29. Gross National Product (GNP) at current prices is set out in Table 2.8. The rate of growth of nominal GNP declined from 19 per cent in 1986 to some 13 per cent in 1987. The decline was attributable to the increase in factor incomes paid abroad which increased by 18 per cent over K£240 million observed in 1986.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1984-1987

Table 2.8 *K£million*

	1984	1985	1986	1987*
FACTOR INCOMES—				
A NON-MONETARY ECONOMY	216.49	245.94	282.15	334.55
B. 1. Remuneration of Employees:				
Enterprises	972.53	1,099.54	1,278.53	1,477.00
Private Households	44.88	51.78	62.94	70.58
Producers of Government Services	520.64	610.98	728.11	848.71
TOTAL	1,538.05	1,762.30	2,069.58	2,396.29
2. Rental Surplus (including depreciation)	168.19	181.69	207.25	237.99
3. Other Operating Surplus (including depreciation)	1,874.74	2,100.86	2,514.04	2,733.71
TOTAL MONETARY ECONOMY	3,580.98	4,044.85	4,790.87	5,367.99
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT:	3,797.47	4,290.79	5,073.02	5,702.54
Add: Indirect Taxes	593.37	624.48	759.31	912.74
Deduct: Subsidies	1.81	0.99	0.58	0.58
GROSS DOMESTIC PRODUCT AT MARKET PRICES	4,389.03	4,914.28	5,831.75	6,614.70
Add: Factor Incomes Received From Abroad	32.84	35.62	29.99	30.75
Deduct: Factor Incomes Paid Abroad	184.99	218.86	239.60	282.24
GROSS NATIONAL PRODUCT	4,236.88	4,731.04	5,622.14	6,363.21

*Provisional.

Trends In Capital Formation

2.30. Table 2.9 presents gross fixed capital formation by type of asset. At constant prices, annual gross fixed investment rose by 22 per cent between 1984 and 1987. The improved economic climate and deliberate policies to restore confidence were responsible for this impressive level of fixed investment. Import liberalisation policies as well as export promotion have also played a significant role in raising the level of aggregate investment, especialy in the private sector. Overall fixed investment rose by 6.3 per cent in 1987. This growth rate was satisfactory but considerably lower than the rate of over 18 per cent realised in 1986.

2.31. From Table 2.9 it will be noted that in real terms, the share of investment in new dwellings in the monetary economy declined slightly from 42 per cent of the total investment in buildings in 1984 to 40 per cent in 1986. This decrease was attributed to the fall in public sector investment in housing work which experienced a decline of nearly 19 per cent in the same period. This fall was a consequence of putting more government funds into productive projects as per budget rationalisation. Private sector investment in dwellings rose rapidly from K£26 million to about K£40 million in 1984 and 1986, respectively.

2.32. The Government long-term policy is to shift from public to private housing by encouraging increased private participation in the output of dwellings. However, the trend changed in 1987 when the National Housing Corporation (NHC) doubled its housing output to K£4.0 million from K£2.0 million in 1986. As a result the proportion of public sector in overall dwellings investment inreased appreciably in 1987. Although the private investment in the sector was well above the 1985 level, it represented a 24 per cent drop from 1986.

2.33. Public sector's investment in non.residential buildings grew by over 40 per cent between 1984 and 1987. This increase was accounted for by, among others, the construction of new health centres, police stations, teacher training colleges, the Moi University, and the workshop for the Government "Nyayo" Commuter Buses.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1984-1987

Table 2.9 *K£million*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1984	1985	1986	1987*	1984	1985	1986	1987*
DWELLINGS—								
PRIVATE:								
Non-Monetary	77.75	76.75	90.20	104.07	65.01	56.39	62.42	64.48
Modern	30.57	36.17	57.67	49.05	25.56	26.57	39.91	30.39
TOTAL	108.32	112.92	147.87	153.12	90.57	82.96	102.33	94.87
PUBLIC	25.07	18.20	24.64	37.50	20.97	13.37	17.05	23.23
TOTAL	133.39	131.12	172.51	190.62	111.54	96.33	119.38	118.10
NON-RESDENTIAL BUILDINGS—								
PRIVATE	30.33	29.09	59.54	32.64	25.53	22.10	41.99	20.26
PUBLIC	46.12	57.66	60.01	88.48	38.82	43.81	42.32	54.93
TOTAL	76.45	86.75	119.55	121.12	64.35	65.91	84.31	75.19
OTHER CONSTRUCTION WORKS—								
PRIVATE	18.46	16.40	25.77	27.47	13.57	11.10	16.33	15.70
PUBLIC	143.96	163.23	185.86	253.68	105.85	110.44	117.78	144.96
TOTAL	162.42	179.63	211.63	281.15	119.42	121.54	134.11	160.66
LAND IMPROVEMENT AND PLANTATION DEVELOMENT—								
PRIVATE	7.14	9.00	8.73	11.79	5.83	7.07	7.07	6.46
PUBLIC	5.42	2.87		0.02	2.50	1.25	1.25	1.70
TOTAL	12.56	11.87	8.73	11.81	8.33	8.32	8.32	8.16
TRANSPORT EQUIPMENT—								
PRIVATE	68.18	99.94	125.66	158.22	48.18	63.92	59.87	71.21
PUBLIC	13.98	35.89	120.75	24.96	9.88	23.18	57.52	11.23
TOTAL	82.16	134.83	246.41	183.18	58.06	87.10	117.39	82.44.
MACHINERY AND OTHER EQUIPMENT.								
PRIVATE	241.63	240.88	327.51	417.93	165.38	153.33	169.69	222.07
PUBLIC	102.14	65.67	82.62	98.19	69.91	41.80	42.81	52.17
TOTAL	343.77	306.55	410.13	516.12	235.29	195.13	212.50	274.24
BREEDING STOCK AND DAIRY CATTLE.								
PRIVATE	-3.60	2.13	6.16	6.82	-3.44	1.92	4.99	5.09
TOTAL								
Non-Monetary Dwellings	77.75	76.74	90.20	104.07	65.01	56.39	62.42	64.48
Other	392.71	432.61	611.04	703.91	280.62	286.01	339.84	371.17
TOTAL PRIVATE	470.46	509.35	701.24	807.98	345.63	342.40	402.26	435.65
TOTAL PUBLIC**	336.69	343.52	473.88	502.84	247.93	233.86	278.74	288.23
TOTAL PRIVATE AND PUBLIC	807.15	852.88	1,175.12	1,310.82	593.56	576.25	681.00	723.88

*Provisional.
**Includes Central Government, Municipalities, Councils and parastatals.

2.34. The influence of Kenya's favourable foreign exchange position is clearly reflected in the sharp increase in the private sector's acquisition of new plant, machinery and related equipment. Private investment in these assets rose from K£165 million to K£222 million between 1984 and 1987 . a sharp rise of 34 per cent. One third of these assets was invested in manufacturing. The general reason for the high level of this investment is the business community's increased confidence in the economic climate. Imports of machinery and equipment increased by approximately 38 per cent in 1984.86 and further by 26 per cent in 1987.

2.35. Table 2.10 gives the gross fixed capital formation by industry. Overall fixed investment has been increasing at an average annual rate of 6.8 per cent per year between 1984 and 1987. The rise in the rate of investment was due to increasing domestic demand, which prompted an increase in private sector investment; which in real terms grew from K£346 million to K£436 million between 1984 and 1987.

Table 2.10 GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1984.1987

K£million

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1984	1985	1986	1987*	1984	1985	1986	1987*
A. NON-MONETARY ECONOMY								
Non-Monetary Dwellings	77.75	76.75	90.20	104.07	65.01	56.39	62.42	64.48
B. MONETARY ECONOMY								
Enterprises and Non-Profit Institutions:								
Agriculture	58.46	75.70	90.34	107.99	40.35	50.84	54.39	60.85
Forestry	0.50	0.60	0.28	1.43	0.38	0.40	0.18	0.78
Mining and Quarrying	7.12	4.88	7.03	12.39	4.88	3.11	3.64	6.57
Manufacturing	95.33	101.76	167.15	173.98	65.65	65.18	86.86	90.93
Electricity and Water	37.00	43.30	58.12	61.77	27.01	29.05	35.99	34.61
Building and Construction	68.25	31.47	46.49	68.48	46.90	20.29	24.32	36.50
Trade, Restaurants and Hotels	24.75	34.51	83.34	87.40	17.88	24.22	44.36	43.08
Transport,Storage and Communications	149.94	164.19	239.24	218.56	105.30	106.60	120.78	111.78
Finance,Insurance,Real Estate and Business Services	18.42	19.15	14.29	43.18	14.20	13.05	8.08	25.22
Ownership of Dwellings	57.01	55.70	83.67	89.73	47.46	40.79	57.66	55.31
Other Services	59.51	52.51	82.98	56.36	43.87	34.19	49.06	30.49
TOTAL	576.29	583.77	872.93	921.26	413.89	387.72	485.32	496. 12
Producers of Government Services								
Public Administration	29.61	34.52	68.57	107.35	22.36	23.80	42.75	60.87
Defence				0.01				
Education	16.48	24.81	26.38	30.41	12.70	17.42	16.87	17.96
Health	9.12	10.65	12.13	18.63	7.41	7.88	8.05	11.01
Agricultural Services	6.43	10.40	13.42	18.47	4.82	7.14	8.56	10.41
Other Services	91.47	111.98	91.49	110.62	67.37	75.90	57.03	63.03
TOTAL	153.11	192.36	211.99	285.49	114.66	132.14	133.26	163.28
NON-MONETARY ECONOMY	77.75	76.75	90.20	104.07	65.01	56.39	62.42	64.48
MONETARY ECONOMY	729.40	776.13	1,084.92	1,206.75	528.55	519.86	618.58	659.40
TOTAL	807.15	852.88	1,175.12	1,310.82	593.56	576.25	681.00	723.88
C. PERCENTAGE RATE OF GROWTH—								
Non-Monetary Economy	17.06	-1.29	17.52	15.37	9.54	-13.26	10.69	3.30
Monetary Economy	12.03	6.41	39.78	11.23	2.31	1.64	18.99	6.60
TOTAL	12.50	5.67	37.78	11.54	3.05	-2.92	18.18	6.30

*Provisional.

CHAPTER 3 - RURAL HOUSEHOLD BUDGET SURVEY 1981/82

Introduction

In 1981/82, the Central Bureau of Statistics conducted a "Rural Household Budget Survey" as a part of the National Sample Survey and Evaluation Programme 1980.84 (NASSEP I). The main objective of this survey was to generate data necessary for analysing the rural household economy and, therefore, act as a guide in development planning in the country.

3.2. This chapter highlights the major findings of this survey by discussing—the characteristics of the households, the components of their expenditure, household income and holding. A more detailed analysis of the rest of the data will be published in a separate report. As an introductory background, the survey methodology and the questionnaires are first discussed in brief.

Sample and Methodology

3.3. A 10 per cent systematic random sample of households was sub-sampled from the NASSEP 1 master frame in 640 clusters, leaving out some eight clusters which could not be covered for various reasons. In total, the sample represented approximately 2.8 per cent of the rural population. To provide district level estimates, the sample was stratified by district or groups of districts. All the provinces were covered except North-Eastern Province. Turkana and Samburu districts of Rift Valley, and Marsabit and Isiolo districts of Eastern Province were also excluded. These exclusions account for about 54 per cent of the total land area but only 5 per cent of the national population. The following sparsely populated contiguous districts were merged to form common strata: Kilifi/Tana River/Lamu, Baringo/ Laikipia, Narok/Kajiado and West Pokot/Elgeyo Marakwet. The rest of the districts were covered separately as distinct strata.

3.4. The weighted total number of households covered in all the districts added up to 2.4 million distributed by district and sex of head as detailed in Table 3.1.

NUMBER OF HOUSEHOLDS BY SEX OF HEAD AND BY DISTRICT, 1981/82

Table 3.1.

District	Male ('000)	Per Cent	Female ('000)	Per Cent
Kilifi/T. River/Lamu	82.6	79.7	21.0	20.3
Kwale	45.5	81.2	10.6	18.8
Taita Taveta	18.3	54.4	15.3	45.6
Machakos	126.6	70.9	51.9	29.1
Kitui	51.4	56.3	39.9	43.7
Meru	122.1	82.3	26.3	17.7
Embu	34.4	68.3	16.0	31.7
Nyeri	45.7	54.6	37.9	45.4
Muranga	81.7	61.3	51.6	38.7
Kirinyaga	35.1	68.2	16.4	31.8
Kiambu	87.7	65.8	45.5	34.2
Nyandarua	25.6	60.8	16.5	39.2
Nakuru	58.4	60.4	38.3	39.6
Nandi	41.5	82.5	8.8	17.5
Narok/Kajiado	56.2	87.3	8.2	12.7
Kericho	98.6	87.5	14.1	12.5
Uasin Gishu	40.9	82.5	8.7	17.5
Trans Nzoia	36.8	81.2	8.6	18.8
Baringo/Laikipia	39.6	66.2	20.2	33.8
Elgeyo Marakwet/W Pokot	50.4	83.2	10.2	16.8
South Nyanza	89.6	70.3	38.1	29.7
Kisii	115.4	74.6	39.3	25.4
Kisumu	33.8	64.4	18.7	35.6
Siaya	45.5	50.4	44.7	49.6
Kakamega	120.0.	59.5	81.6	40.5
Bungoma	59.4	82.7	12.4	17.3
Busia	27.8	68.5	12.8	31.5
Total	1,670.4	70.1	713.3	29.9

3.5. The selected households were enumerated in five visits over a period of one year so as to capture all activities and take account of any seasonal variability in income and expenditure. To facilitate the administration of the questionnaires, the 24 clusters in each stratum were randomly divided into three equal sub-samples. These were then covered by the enumerators on a cyclical basis. One full cycle was equal to 28 days.

3.6. On the basis of the frequency of the transactions involved, the questionnaires were divided into 4 recall periods. Baseline information which included data on household composition, dwelling charasteristics and household assets were captured at the start of the survey. Thereafter, farm labour data and information on food consumption and expenditure were collected weekly. Major household expenditure data and data on non-farm sources of income were collected monthly. Finally, data on agricultural production and income, and disposal and purchases of household assets were captured quarterly. In total, ten questionnaires were administered. Calendars were provided showing precisely when each questionnaire was to be filled in a total of 15 cycles over the one year period.

Characteristics of the Rural Households

3.7. Approximately 30 per cent of the households covered were headed by females. This figure ranged from about 13 per cent in Kericho to about 50 per cent in Siaya. An analysis of the data on household size revealed that 29 per cent of the households had less than 3 members while 53 per cent had |ess than 5 members. About 23 per cent had 6.7 members and 24 per cent had more than 8 members. The mean household size was 5.5.

3.8. When households were grouped according to the educational attainment of the household head, the results showed that over half of the rural household heads had never been to school. About 7 per cent went beyond primary school and the remainder had only some primary school level of education.

3.9. Households were further grouped according to the occupation of the head. About 74 per cent of the household heads were engaged in agriculture. The remainder were distributed between sales and services, professional, technical and administrative, processing and transport, and general labour.

Components of Household Expenditure

3.10. The average rural household monthly consumption expenditure including expenditure in kind was estimated to be Kshs. 526 and was distributed as shown in Table 3.2. The breakdown by cash and kind is shown in Table 3.8. The 'in kind' consumption expenditures included the money value of own produce consumed by the household. Typical examples of these were crops, livestock, milk and eggs. Also included were receipts of wages and salaries in any form other than cash. This particular form of consumption expenditure was predominantly found in farm activities where, for instance, a debe of maize or any other product could be used to pay for hired labour. The quantity and unit of such payments were recorded and money value imputed by the enumerators using the local retail prices. The cash and kind consumption expenditure figure excludes expenditure on rent and non-consumption expenditure outlays such as savings and capital. Rent data were excluded because no distinction was made between domestic and business rent when collecting the data. Data on dwelling tenancy status such as renter, owner-occupied, etc. were also not collected and no attempt was made to impute the rent on owner-occupied dwellings during the survey.

3.11. As shown in Table 3.2, food and beverages accounted for about 64 per cent of the total household monthly consumption expenditure. However, this proportion varied considerably with net income, household size and other characteristics.

HOUSEHOLD MONTHLY CONSUMPTION EXPENDITURE (CASH AND KIND) BY EXPENDITURE ITEM, 1981/82

Table 3.2

Expenditure Item	(Kshs.)	Per Cent
Food and Non-alcoholic Beverages	336	63.9
Alcohol and Tobacco	13	2.5
Clothing and Footwear	49	9.3
Household Goods*	65	12.3
Health	6	1.1
Transport and Communication	18	3.4
Education and Recreation	30	5.7
Miscelleneous	8	1.5
Average Expenditure	526	100.0

*Household goods included furniture, beddings, T.V.s, radios, cooking stoves etc.

3.12. Households in the low income categories as detailed in Table 3.3, allocated a high proportion of their net monthly income to food. For instance, households with net monthly income of less than Kshs.300 allocated 68 per cent to food and beverages compared with households with income of more than Kshs. 1500 which allocated Kshs. 630 or 57 per cent of the net monthly income. It can be generalized therefore that the proportion of expenditure on food diminishes with rising income while expenditure on other items increases with increasing income.

ITEM DISTRIBUTION (PER CENT) OF HOUSEHOLD MONTHLY CONSUMPTION EXPENDITURE (CASH AND KIND) BY INCOME CATEGORY,1981/82

Table 3.3

Expenditure Item	0.299	300.599	600-899	900-1,499	1500+	Total
Food and Non-alcoholic Beverages	67.9	68.8	66.7	63.5	56.7	63.9
Alcohol and Tobacco	2.5	2.8	2.9	2.4	2.4	2.5
Clothing and Footwear	7.5	8.3	8.7	9.6	11.0	9.3
Household Goods	12.9	11.8	11.4	12.4	13.5	12.4
Health	1.3	1.0	1.1	1.3	1.3	1.1
Transport and Communication	3.3	2.5	3.0	3.3	4.3	3.4
Education and Recreation	2.9	3.5	4.6	5.9	8.7	5.7
Miscelleneous	1.3	1.0	1.3	1.6	2.0	1.5
Per Cent (Total)	100.0	100.0	100.0	100.0	100.0	100.0
Average Expenditure	240	397	526	691	1,111	526

3.13. Household goods which, after food, were the second most important household consumption expenditure item, accounted for about 12 per cent of the total household consumption outlay. Monthly consumption expenditure on this item also varied with the level of household income. Households with monthly income of less than Kshs.300 allocated about 13 per cent of their consumption expenditure to household goods, while those with over Kshs. 1500 monthly income allocated about 14 per cent to the same item.

3.14. Clothing and footwear ranked third in importance with respect to the proportion of consumption expenditure allocated to it. On the average, about 9 per cent of the total consumption expenditure was allocated to clothing and footwear. The proportion of expenditure on this item increased with the level of net household monthly income.

3.15. Expenditure on Education and recreation accounted for about 6 per cent while allocation to alcohol and tobacco, transport and communication, and health each accounted for less than 3 per cent of the household consumption expenditure with health accounting for one per cent.

3.16. Generally, the income level determines the households outlay on any item of expenditure. As the level of income rose, the absolute amount allocated to each item also increased in all cases as shown in Table 3.3. However, the proportion of the total monthly consumption expenditure allocated to each expenditure item varied depending on the income elasticity of demand for that item. For instance, the proportion of monthly consumption expenditure allocated to food and beverages, was found to decline with a rise in the level of household income except for the lowest income group. The proportion for health, alcohol and tobacco did not appear to vary systematically with the level of income of the household. On the other hand, the proportion of total outlay allocated to clothing and footwear, household goods, transport and communication, and education and recreation increased with the level of household income. Put another way, the demand for food and beverages is found to be income inelastic except for the movement from a very low level of income. The demand for clothing and footwear, household goods, transport and communication and education and recreation is, in general, income elastic. For items like health, alcohol and tobacco, demand changes from being elastic to inelastic, or the other way round with changes in the level of household income.

3.17. The distribution of household monthly consumption expenditure in relation to household size shows that the proportion of consumption expenditure allocated to different items varies with household si;ze. A single member household allocated 60 per cent of monthly consumption expenditure to food and beverages, while households with 2 or more members allocated between 63 and 66 per cent to the same item. Although the differences in the proportions is not large, it is interesting to note that the proportion first rises with increasing household size, reaches a maximum and then falls. In absolute terms, consumption expenditure increased with the size of the household.

PER CENT HOUSEHOLD MONTHLY COMSUMPTION EXPENDITURE (CASH AND KIND) BY HOUSEHOLD SIZE AND EXPENDITURE ITEM, 1981/82

Table 3.4

Expenditure Item	Household Size						
	1	2-3	4-5	6-7	8-9	+ 10	Total
Food and Non-alcoholic Beverages	59.6	64.3	64.1	66.0	63.2	62.8	63.9
Alcohol and Tobacco	4.5	2.8	2.7	2.6	1.9	2.0	2.5
Clothing and Footwear	10.6	9.7	9.0	9.2	9.3	9.1	9.3
Household Goods	13.0	12.5	12.6	12.0	12.9	12.1	12.5
Health	0.7	1.0	1.3	1.1	1.3	1.3	1.1
Transport and Communication	4.1	3.3	3.6	3.0	3.3	3.6	3.4
Education and Recreation	5.1	4.6	5.2	4.8	6.6	7.5	5.7
Miscelleneous	2.1	1.5	1.5	1.3	1.4	1.6	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average Expenditure	292	392	477	541	699	863	526
Per Capita Comsumption (KShs.)	292	157	106	83	82	72	96

3.18. Household consumption expenditure in all the districts was dominated by expenditure on food and beverages. Overall, consumption expenditure on food and beverages accounted for between 60 and 73 per cent of total consumption expenditure. Kitui district had the highest proportion of consumption expenditure allocated to food while Kisii showed the lowest figure of about 60 per cent. Details are shown in Table 3.5.

PER CENT DISTRIBUTION OF HOUSEHOLD CONSUMPTION EXPENDITURE BY ITEM AND BY DISTRICT, 1981/82

Table 3.5

District	Food and Bever.	Alcohol and Tobacco	Cloth. and Footw.	House-holds Goods	Health	Transp. and Commun.	Educ-cation*	Total Consu. (Kshs.)
Kilifi/T. River/Lamu	69.1	5.3	7.7	10.7	0.4	2.6	4.1	245
Kwale	64.2	4.0	8.7	14.2	0.8	3.1	5.0	627
Taita Taveta	72.1	2.0	7.6	10.9	0.2	2.5	4.6	522
Machakos	67.7	3.2	9.2	10.3	1.1	3.9	4.6	563
Kitui	73.1	2.7	9.1	7.8	1.4	1.8	4.1	395
Meru	72.2	4.0	8.0	7.4	2.2	2.0	4.2	625
Embu	72.3	1.8	8.3	7.6	1.1	3.4	5.4	638
Nyeri	72.6	1.7	5.8	9.4	0.4	2.6	7.5	699
Muranga	69.7	1.5	7.6	11.4	0.8	3.2	5.8	611
Kirinyaga	72.8	1.9	5.5	10.9	0.3	2.4	6.2	587
Kiambu	66.3	2.5	7.5	10.8	0.6	5.5	6.8	722
Nyandarua	70.1	1.9	7.8	11.2	0.4	3.7	4.9	600
Nakuru	71.6	1.8	7.4	10.6	0.3	3.4	4.8	480
Nandi	69.0	3.0	8.1	12.1	1.1	2.6	3.9	494
Kajiado/Narok	69.1	4.2	12.9	8.0	0.9	2.0	3.0	668
Kericho	69.6	1.8	10.6	10.5	1.3	1.9	4.3	433
Uasin Gishu	70.3	2.6	8.4	10.2	1.0	2.4	5.2	488
Trans Nzoia	70.7	2.4	7.7	11.6	1.2	2.9	3.5	463
Baringo/Laikipia	71.6	4.3	10.4	7.7	0.3	2.2	3.6	502
W.Pokot/E.Markwet	66.1	5.4	11.2	10.7	0.5	1.7	4.3	357
South Nyanza	68.3	1.7	7.9	15.2	1.4	1.7	3.7	441
Kisii	59.7	3.5	9.6	15.0	1.7	1.7	8.9	442
Kisumu	66.9	1.1	8.9	14.4	1.0	2.9	4.8	479
Siaya	67.2	2.2	8.1	14.3	1.3	2.5	5.3	377
Kakamega	70.5	2.2	5.3	13.2	1.7	2.2	4.9	474
Bungoma	68.4	2.2	6.9	13.0	1.1	2.5	5.8	511
Busia	67.6	4.1	7.5	14.0	1.1	1.9	3.7	362

*Includes recreation and miscellaneous consumption expenditure.

3.19. Regardless of the source of monthly income, consumption expenditure on food and beverages accounted for a large proportion of the total average monthly consumption expenditure. During the survey, four main sources of income were considered; namely: farm, non-farm, salary and wages and other sources. Food and beverages took 56 per cent of the total household consumption expenditure if the main source of income was wages and salary. The same item took 69 and 58 per cent if the source of income was farm and non-farm enterprises, respectively. Household goods, and clothing and footwear ranked second and third in importance, respectively. The average monthly household expenditure figures are detailed in Table 3.6.

PER CENT MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE (CASH AND KIND) BY MAIN SOURCE OF INCOME, 1981/82

Table 3.6

Expenditure Item	Farm Enterp.	Non-Farm Enterp.	Wages and Salary	Other* Sources	Total
Food and Non-alcoholic Beverages	68.6	57.9	56.0	62.0	63.4
Alcohol and Tobacco	2.2	2.7	3.9	1.7	2.5
Clothing and Footwear	8.3	10.0	11.1	10.3	9.3
Household goods	10.9	14.2	14.3	15.0	12.4
Health	1.2	1.5	1.0	1.3	1.1
Transport and Communication	2.6	4.7	4.8	2.8	3.4
Education and Recreation	5.1	6.8	6.4	5.8	5.7
Miscelleneous	1.0	2.1	2.5	1.1	1.5
Total	100.0	100.0	100.0	100.0	100.0
Average Expenditure	506	620	563	466	527

*This includes income from Household without any main source of income.

3.20. Table 3.7 compares expenditure on the basis of the sex of the head of household. Monthly household consumption expenditure varies with the sex of the head and male headed households generally have slightly higher consumption outlays than households

headed by females. In particular, there was a significant difference between the two sexes in the consumption of alcohol and tobacco for which items, male headed households allocated three times as much as their female counterparts. It should be pointed out, at this stage, that female headed households are predominantly households with husbands living and working away from home in an urban area. In these households, it is conceivable that husbands could pay directly for fees and other items and that these expenditures on behalf of the household were not reported in the survey. These aspects may, therefore, reduce the significance of the difference in consumption expenditure between male and female headed households.

AVERAGE MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE (CASH AND KIND) BY SEX OF HOUSEHOLD HEAD, 1981/82

Table 3.7 *(Kshs.)*

Expenditure Item	Male		Female	
	Amount	Per Cent	Amount	Per Cent
Food and Non-alcoholic Beverages	350	63.1	303	66.4
Alcohol and Tobacco	17	3.1	5	1.1
Clothing and Footwear	53	9.5	41	9.0
Household Goods	69	12.4	57	12.5
Health	7	1.3	4	0.9
Transport and Communication	18	3.2	15	3.3
Education and Recreation	32	5.8	25	5.5
Miscelleneous	9	1.6	6	1.3
Average Expenditure	555	100.0	456	100.0

3.21. The average total household consumption expenditure in form of cash was estimated to be Kshs.336 or 64 per cent of the total, while the consumption expenditure in kind amounted to Kshs.191 or 36 per cent. These expenditures are shown in Table 3.8. Non-farm enterprises contributed the highest figure of Kshs.620 to the average monthly household consumption expenditure. The same source contributed more than the average cash consumption expenditure of Kshs.466. Farm enterprises contributed an amount in kind of Kshs. 225 per month.

AVERAGE HOUSEHOLD MONTHLY CONSUMPTION EXPENDITURE (CASH AND KIND) BY SOURCE, 1981/82

Table 3.8 *(Kshs.)*

Source	Cash	Kind	Total
Farm Enterprises	281	225	506
Non-Farm Enterprises	466	154	620
Salary and Wages	432	131	563
Other Sources	321	145	466
Average Expenditure	336	191	526

Income of Households

3.22. A number of factors complicate any attempt to estimate monthly net income, particularly from the sources mentioned above. Firstly, incomes from farm enterprises are highly seasonal and obviously above average during harvesting period and low during other periods. Secondly, there are elements of exaggeration, suppression and even ignorance on the part of households about their actual earnings.

3.23. As shown in Table 3.9, the average net monthly rural household income in the form of cash was estimated to be Kshs.433 or 52 per cent of the total while income in kind amounted to Kshs.396 or 48 per cent of the household income per month. A large proportion of the income in kind was from farm enterprises while cash income was predominantly from non-farm enterprises. Overall, the rural net monthly income (cash/kind) was estimated at Kshs. 829 out of which, as stated already, 52 per cent was cash and the remainder was income in kind.

AVERAGE MONTHLY HOUSEHOLD NET INCOME (CASH AND KIND) BY SOURCE, 1981/82

Table3.9 *(kshs.)*

Source	Cash	Kind	Total
Farm Enterprises	300	472	772
Non-Farm Enterprises	805	467	1,272
Salary and Wages	660	199	859
Other Sources	358	303	661
Average Income	433	396	829

3.24. Households net monthly income by main source and other sources is shown in Table 3.10. As is evident from the table, a large proportion of the households' income accrued from one main source and was supplemented by income from other sources. For instance, if the main source of income was non-farm enterprises, this source contributed a monthly average of Ksh3.742 which was supplemented by income from farm, salary and wages, and other sources to make the total average income of this group of households Kshs. 1,272 per month.

AVERAGE HOUSEHOLD NET MONTHLY INCOME BY MAIN SOURCE AND OTHER SOURCES, 1981/82

Table 3.10 *(Kshs.)*

All Sources/Main Source	Farm Enterprise	Non-Farm Enterprise	Salary and Wages	Other Sources	Total
Farm Enterprises	548	255	168	165	399
Non-Farm Enterprises	76	742	39	130	140
Salary and Wages	57	59	630	29	177
Other Sources	92	216	20	337	114
Average Income	772	1272	859	661	829

3.25. Table 3.11 looks at income from a different perspective. The table shows that farm enterprises was the main source of income for the estimated 1.4 million or 59 per cent of the rural household population. Approximately 21 per cent of the households received their income mainly from wages and salaries while the remaining 20 per cent were equally divided between non.farm enterprises and other sources as the main source of income.

DISTRIBUTION OF HOUSEHOLDS BY SOURCE OF MONTHLY NET INCOME, 1981/82

Table 3.11

Source	Number of Households	Per Cent
Farm Enterprises	1,399,238	58.7
Non-Farm Enterprises	236,991	9.9
Salary and Wages	509,200	21.4
Other Sources	238,263	10.0
Average Income	2,383,692	100.0

3.26. Although the overall main source of rural household income was farm enterprises in most districts, in Kiambu and Kwale districts, the main source of monthly income was salaries and wages. While the overall average monthly household income was Kshs. 829, the figure varied from Kshs. 379 per month in Siaya district to Kshs. 1,674 in Kajiado/Narok districts, as detailed in Table 3.12. The contribution of income in kind to the average monthly income ranged from 27 to 65 per cent in Kwale and Baringo/Laikipia districts, respectively. In Narok/Kajiado, the proportion of income in kind was 63 per cent of the total average monthly household income. In these extreme cases, both over and

under-estimation cannot be entirely ruled out. In the rest of the districts, the proportion of the average monthly income in the form of 'in kind' varied only modestly around the national figure of 48 per cent. Siaya and Kajiado/Narok districts with the lowest and the highest monthly income deserve further comment. Out of the Kshs. 1,674 average net monthly income in Narok/Kajiado districts, only Kshs.626 accrued from cash while the remainder was an estimate of the value of income in kind. This figure should be treated with caution because of possible over-valuation of the income in kind in this area where many activities are out of the market economy. In Siaya, both cash income and income in kind appear to have been reasonably covered. The low average net monthly income for this district could be attributable to the fact that about half of the households in the district were headed by females and that female headed households in all the districts tended to have low monthly incomes.

AVERAGE NET MONTHLY INCOME (CASH AND KIND) BY SOURCE AND BY DISTRICT*, 1981/82

Table 3.12 *(KShs.)*

District/Enterprise	Farm Enterprise	Non-Farm Enterprise	Salary and Wages	Other Sources	Total
Kilifi/T. River/Lamu	249	118	226	71	663
Kwale	312	145	422	59	937
Taita Taveta	371	141	134	186	832
Machakos	431	145	210	79	864
Kitui	439	112	123	121	795
Meru	491	206	147	131	975
Embu	514	256	183	239	1,191
Nyeri	489	172	191	149	999
Muranga	323	186	159	192	860
Kirinyaga	351	240	158	227	975
Kiambu	282	185	351	168	986
Nyandarua	682	275	155	258	1,369
Nakuru	373	62	141	43	618
Nandi	639	96	225	60	1,020
Kajiado/Narok	1,389	50	191	44	1,674
Kericho	556	103	156	37	852
Uasin Gishu	545	101	178	62	886
Trans Nzoia	519	53	227	34	834
Baringo/Laikipia	545	71	104	24	744
West Pokot/ Elgeyo Marakwet	318	87	165	67	637
South Nyanza	232	102	104	57	496
Kisii	302	265	158	241	965
Kisumu	183	104	172	77	536
Siaya	202	69	43	64	379
Kakamega	229	100	140	130	600
Bungoma	407	107	258	69	842
Busia	238	109	94	120	561
Average Income	399	140	177	114	829

*Income in this table is not classified by main source.

3.27. From Table 3.12, the districts can be regrouped according to the level of monthly income from the lowest to the highest as follows:

Less than Kshs.830

- Siaya
- South Nyanza
- Kisumu
- Busia
- Kakamega
- Nakuru
- W. Pokot/E. Marakwet
- Kilifi/T. River/Lamu
- Baringo/Laikipia
- Kitui

Kshs.831-999

- Taita Taveta
- Trans Nzoia
- Bungoma
- Kericho
- Muranga
- Machakos
- Uasin Gishu
- Kwale
- Kisii
- Meru
- Kirinyaga
- Kiambu
- Nyeri

Kshs. 1,000 and over per month

- Nandi
- Embu
- Nyandarua
- Kajiado/Narok

Income and Household Holding

3 28. It is evident from Table 3.13 that income from all sources increases steadily with the increase in the size of holding. Farm enterprise income, for instance increased from 27 per cent of the total average monthly income for households with 0.1- 0.9 acres, to 62 per cent for households with over 20 acres. There is, therefore, a positive relationship between rural household monthly income level and the size of the household holding.

3.29. Generally, income from farms would be expected to increase with any increase in the size of holding. This appears to be the trend in Table 3.13 for income from farm enterprises. It is evident from the data that income from non-farm enterprises also follow the same trend. In this case it is likely that households with large farms diversify their activities and earn income from 'other sources' also. Finally, wages and salaries would also be expected to be high for households with small or no holding while those with large holdings are likely to work on them and allocate themselves a monthly wage or salary.

AVERAGE NET HOUSEHOLD MONTHLY INCOME (CASH AND KIND) BY SOURCE AND BY SIZE OF HOLDING, 1981/82

Table 3.13 *(Kshs.)*

Size of Holding (Acres*)	Farm Enterprise	Non-Farm Enterprise	Salary and Wages	Other Sources	Total
No Holding	305	63	359	6	733
0.1-0.9	171	88	298	76	634
1.0-1.9	255	89	145	101	590
2.0-2.9	295	102	118	101	616
3.0-3.9	341	149	129	123	742
4.0-4.9	371	162	128	156	817
5.0-6.9	416	174	126	147	861
7.0-9.9	462	195	152	157	966
10.0-19.9	633	202	185	143	1162
20 and Over	1100	265	219	185	1770
Average Income	399	140	177	114	829

*Note that holding sizes were recorded in acres during survey and analysed thus without converting it to hectares.

3.30. The 'no holding' category in Table 3.13 refers to households that were not operating any piece of land during the survey period and not neccessarily those who were without any piece of land. This group of households had an average income of Kshs.733 per month out of which 49 per cent accrued from wages and salaries and 42 per cent from farm enterprises in the form of rent receipts in cash or kind for leased out farms.

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Performance in employment and control of inflationary trends were not strong in 1987, compared with 1986. Fewer jobs were created in the modern sector relative to 1986. In 1987, the 3.5 per cent increase in jobs created in the modern sector was slightly lower than the 3.9 per cent growth witnessed in 1986. Average nominal wages rose by 7.1 per cent compared with higher rates of increase of 9.3 per cent and 8.3 per cent recorded in 1985 and 1986, respectively. The average real wages increased by only 0.1 per cent, compared with the 3.0 per cent registered in 1986. This was as a result of the increase in the level of inflation from 5.7 per cent in 1986 to 7.1 per cent experienced in 1987. The 1987 inflation level is, however, still moderate compared with the 9.1 per cent and 10.7 per cent in 1984 and 1985, respectively.

Employment

4.2. Employment estimates shown in Table 4.1 indicate that in 1987, a total of 1,614 thousand persons were engaged, of which 76,600 persons were recruited during the year. This is well above the 56,600 and 74,900 additional persons engaged in 1985 and 1986, respectively. The 1987 figure represents a 5.0 per cent increase and compares favourably with an increase of 5.1 per cent in 1986. The modern sector wage employment, which accounts for approximately 80 per cent of the total persons engaged, was estimated at 1,263 thousand in 1987 compared with 1,221 thousand in 1986, reflecting job creation for 42,800 persons, which is substantially less than the 46,100 new jobs created in 1986.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1984-1987

Table 4.1

	1984	1985	1986	1987*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	1,119.7	1,174.4	1,220.5	1,263.3
Self-employed and unpaid family workers	32.4	33.1	35.4	38.1
Small Scale Enterprises**—Urban	145.0	158.2	182.6	202.1
Rural	88.3	96.3	98.4	110.0
TOTAL	1,385.4	1,462.0	1,536.9	1,613.5

*Provisional.
**Formerly called Urban Informal sector.

4.3. The Government has undertaken measures aimed at encouraging development of small scale enterprises in order to create more jobs. The measures, which include credit facilities and plot allocation by the local authorities, have already started to show positive results. Small scale enterprises generally did well in the area of job creation, particularly in the rural areas; a direct impact of these Government measures. Of the total 31,100 new jobs created, (11.1 per cent of 4,600 more than 1986), small scale enterprises in the rural areas contributed a sizeable share of 11,600 new jobs compared with a share of 2,100 new jobs created in 1986. On the other hand, small scale enterprises in the urban areas created 19,500 jobs; a decrease from 24,400 jobs created in 1986. Self-employed and unpaid family workers increased by 2,700 or 7.6 per cent, compared with 2,300 additional jobs created in 1986.

4.4. Table 4.2 shows that the overall wage employment in the modern sector increased by 3.5 per cent in 1987 compared with 3.9 per cent in the previous year. This information is also given in Table 4.10. Three major activities of the economy . community, social and personal services, agriculture and forestry and manufacturing . contributed over 70 per cent of wage employment in the modern sector. Community, social and personal services, which is predominantly public, contributed more than 40 per cent in 1987, while the other two activities, which are mostly private, contributed about 34 per cent of the wage employment. Mining and quarrying, although a small activity, recorded a big drop of 20 per cent; agriculture and forestry registered an increase of 3.5 per cent; manufacturing rose by 2.2 per cent; while construction registered an increase of 4.7 per cent. Electricity and

water, which is mostly a monopoly of the public sector, reported an increase of 5.5 per cent, mainly due to the on.going rural electrification projects.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1984-1987

Table 4.2 *'000's*

	1984	1985	1986	1987*
PRIVATE SECTOR-				
Agriculture and Forestry	181.3	186.0	193.0	199.7
Mining and Quarrying	2.6	3.2	3.8	3.2
Manufacturing	119.7	123.6	128.7	131.1
Electricity and Water				
Construction	27.1	25.8	24.8	26.1
Wholesale and Retail Trade, Restaurants and Hotels	79.2	83.8	88.1	91.2
Transport and Communications	20.1	20.5	20.5	19.1
Finance, Insurance, Real Estate and Business Services	38.3	40.1	40.4	41.2
Community, Social and Personal Services	109.6	116.8	121.4	126.5
TOTAL	577.9	599.8	620.7	638.1
PUBLIC SECTOR—				
Agriculture and Forestry	54.1	54.9	55.5	57.3
Mining and Quarrying	1.5	1.6	1.7	1.2
Manufacturing	33.4	35.2	36.1	36.8
Electricity and Water	17.5	17.7	18.2	19.2
Construction	22.1	24.1	30.8	32.1
Wholesale and Retail Trade, Restaurants and Hotels	5.6	5.9	6.3	8.3
Transport and Communications	34.0	35.2	37.0	39.0
Finance, Insurance, Real Estate and Business Services	11.8	13.3	15.6	16.3
Community, Social and Personal Services	361.5	386.7	398.6	414.4
TOTAL	541.5	574.6	599.8	624.6

*Provisional.

4.5. Table 4.3 provides data on wage employment in the public sector. A total of 624,600 persons or 49.4 per cent of the overall wage employment, were engaged in the public sector. Central Government and Teachers Service Commission, which together accounted for 35.4 per cent of the total wage employment, employed over 70.0 per cent of the wage employment in the public sector. The Teachers Service Commission employed 9,000 more persons in 1987, an increase of 5.5 per cent, while Central Government employed 14,700 additional persons, an increase of 5.7 per cent. The total of 23,700 persons employed by both Teachers Service Commission and Central Government is much higher than the 18,000 new jobs created by the whole of private sector. These increases are aimed at meeting the manpower requirements of the 8-4-4 system of education, and the District Focus for Rural Development. Local Government recorded an increase of 0.5 per cent or 200 new jobs in 1987; a slight improvement compared with the drop of 5.0 per cent recorded in 1986. This is an indicator of the poor financial position currently being experienced by the Local Government Authorities, and the reason why they could provide employment for only a few persons. The parastatal bodies recorded the lowest growth rate of 0.4 per cent from an increase of 4.1 per cent recorded in 1986.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1984-1987

Table 4.3 *000's*

TYPE OF SECTOR	1984	1985	1986	1987*	PERCENTAGE CHANGE 1986/1987*
Central Government	231.1	252.0	259.7	274.4	5.7
Teachers Service Commission	132.2	151.0	164.0	173.0	5.5
Parastatal Bodies**	95.4	90.4	94.1	94.5	0.4
Majority Control by the Public Sector	35.1	35.6	38.7	39.2	1.3
Local Government	47.7	45.6	43.3	43.5	0.5
TOTAL	541.5	574.6	599.8	624.6	4.1

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

4.6. Table 4.4 depicts wage employment in the modern sector for the last four years by province and the percentage changes for the years 1986/87. Central Province led by generating 14,100 new jobs followed by Rift Valley and Nyanza Provinces with 8,200 and 6,600 new jobs, respectively. Central Province recorded the highest number due to increased activities which necessitated recruitment of casuals to work mainly in production of cash crops, while the increase in Nyanza Province was due to growth in the number of workers in sugar-cane plantations. North-Eastern Province had the second highest percentage increase of 6.6 per cent, although, in absolute terms, this was only an increase of 700 new jobs. Nairobi Province recorded an increase of 1.0 per cent, representing 3,500 new jobs.

WAGE EMPLOYMENT BY PROVINCE, 1984-1987

Table 4.4 *'000's*

PROVINCE	1984	1985	1986	1987*	PERCENTAGE CHANGE 1986/1987*
Nairobi	316.7	327.2	336.8	340.3	1.0
Coast	143.4	148.7	152.1	156.3	2.8
North-Eastern	9.7	10.4	10.6	11.3	6.6
Eastern	92.3	97.3	99.8	103.0	3.2
Central	157.7	165.1	170.3	184.4	8.3
Rift Valley	242.5	257.7	264.5	272.7	3.1
Nyanza	94.7	101.5	112.1	118.7	5.9
Western	62.7	66.5	74.3	76.6	3.1
TOTAL	1,119.7	1,174.4	1,220.5	1,263.3	3.5

*Provisional.

4.7. Details of wage employment in major towns for the six dominant activities for 1982 and 1987 are set out in Table 4.5. Since 1982, some 103 thousand jobs have been generated in the urban areas by the six dominant activities. During the period, 41,500 new jobs were generated in Nairobi, 12,600 in Mombasa, 7,900 in Kisumu, 3,200 in Nakuru, 700 in Thika, 1,300 in Eldoret, 2,000 in Malindi, and 2,200 in Kericho. All other towns designated as 'others' generated 31,700 new jobs. The highest growth rates were recorded in Malindi, Kisumu and Kericho while Thika recorded the lowest growth rate for the second year running.

4.8. The contribution of women in wage employment is fairly small. However, their contribution is on the increase even though at a very slow rate. Data in Table 4.6 show that in 1987, women held 21.2 per cent of the jobs in wage employment, a slight increase above the 19.7 per cent and 20.4 per cent recorded in 1985 and 1986, respectively. During 1987, 19,000 more women were employed, representing an increase of 7.6 per cent. Overall male employment rose by 23,800 or by 2.4 per cent in all the activites. Women participation in paid agricultural employment recorded an increase of 23.8 per cent, or an increase of 600 new jobs, a growth rate which is substantially higher than the 13 per cent recorded in 1986. Women participation in electricity and water activity showed an increase of 13.3 per cent, or 200 new jobs in 1987, compared with 100 in 1986. In the community, social and personal services activity, the highest percentage increase of women participation was recorded in the field of public administration followed by domestic services with 4.8 per cent and 3.9 per cent, respectively.

4.9. Male participation in employment increased in most activities except in mining and quarrying and agriculture which recorded drops of 20.4 per cent and 1.5 per cent, respectively. The highest growth rate of 5.7 per cent in male participation was recorded in trade, restaurants and hotels, followed by community, social and personal services, particularly in the public administration and in electricity and water, which recorded increases of 5.6 per cent and 4.8 per cent, respectively. A breakdown of employment by casuals and regular employees, also shown in Table 4.6, by sex, indicate that there were 17,000 new regular jobs for males and 14,400 new regular jobs for females, while there were 6,800 and 4,600 new casual jobs for males and females, respectively.

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1982 AND 1987

Table 4.5 *000's*

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	
	1982	1987*	1982	1987*	1982	1987*	1982	1987*	1982	1987*	1982	1987*	1982	1987*
Nairobi	56.1	63.5	32.3	29.1	35.4	43.6	19.9	24.1	29.7	38.5	105.1	121.2	278.5	320.0
Mombasa	19.3	21.6	4.9	4.8	12.4	15.7	24.1	22.4	5.2	7.6	25.9	32.3	91.8	104.4
Kisumu	3.9	4.4	1.2	2.0	1.8	2.4	1.3	1.5	0.9	2.7	7.9	11.9	17.0	24.9
Nakuru	5.8	5.9	1.5	2.2	2.7	3.9	0.9	1.2	0.9	1.0	7.9	8.7	19.7	22.9
Thika	9.5	9.6	0.5	04	1.0	1.3	0.1	0.2	0.4	0.6	3.3	3.4	14.8	15.5
Eldoret	7.6	7.7	1.3	1.1	1.4	1.4	0.5	0.7	0.6	1.2	4.2	4.8	15.6	16.9
Malindi		0.2	0.1	0.1	0.8	1.7	0.2	0.2	0.5	0.3	2.5	3.6	4.1	6.1
Kericho	1.3	2.4	0.1	0.6	0.9	0.6	0.1	0.1	0.2	0.2	3.4	4.3	6.0	8.2
Others	10.7	15.8	5.7	11.9	8.4	11.4	2.4	3.8	2.7	3.3	58.5	73.9	88.4	120.1
TOTAL	114.2	131.1	47.6	52.2	64.8	82.0	49.5	54.2	41.1	55.4	218.7	264.1	535.9	639.0

*Provisional.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1986 AND 1987

Table 4.6 *'000's*

INDUSTRY	MALES		Females		Total	
	1986	1987*	1986	1987*	1986	1987*
Agriculture and Forestry	199.6	196.6	48.8	60.4	248.4	257.0
Mining and Quarrying	5.4	4.3	0.1	0.1	5.5	4.4
Manufacturing	147.9	151.4	16.9	17.2	164.8	168.6
Electricity and Water	16.7	17.5	1.5	1.7	18.2	19.2
Construction	52.6	54.9	3.1	3.2	55.7	58.1
Trade, Restaurants and Hotels	78.9	83.4	15.6	16.0	94.5	99.4
Transport and Communications	50.4	51.0	7.1	7.1	57.5	58.1
Finance, Insurance, Real Estate and Business Services	44.8	45.1	11.2	12.4	56.0	57.5
Community, Social and Personal Services—						
Public Administration	130.0	137.3	33.4	35.0	163.4	172.3
Education	143.6	147.9	61.9	64.0	205.5	211.9
Domestic	44.2	46.0	18.0	18.7	62.2	64.7
Other	57.9	60.4	30.9	31.7	88.8	92.1
TOTAL	972.0	995.8	248.5	267.5	1,220.5	1,263.3
Of which: Regular	841.8	858.8	220.5	234.9	1,062.3	1,093.7
Casual	130.2	137.0	28.0	32.6	158.2	169.6

**Provisional.

4.10. The details of total wage payments by activity and sector are set out in Table 4.7. The total wage bill paid out in 1987 increased by 10.5 per cent over the wage bill of K£1,393.0 million paid in 1986 to reach K£1,539.8 million. The public sector contributed more than 50 per cent of the wage bill despite the fact that it had fewer employees than the private sector. Wage bill for the private sector increased by 13.5 per cent compared with an increase of 8.0 per cent in the public sector. The wage bill for the private sector rose moderately in most activities with the highest increase being in community, social and personal services which recorded an increase of 18.0 per cent. In the public sector, wholesale and retail trade, restaurants and hotels recorded the highest rate of growth of 45.8 followed by electricity and water, 34.3 per cent; and agriculture and forestry, 11.4 per cent. The lowest percentage increase was in community, social and personal services recording an increase of 5.0 per cent.

4.11. Table 4.8 provides a summary of total wage payments by the public sector. Of the overall wage bill, amounting to K£814.3 million, paid by the public sector, the Central Government, the Teacher's Service Commission and parastatal bodies accounted for 86.8 per cent. This was a slight increase over the 86.5 per cent recorded in 1986 and 86.0 per cent and 84.0 per cent recorded in 1985 and 1984, respectively. It represents 52.7 per cent of the total bill of wage employment. Central Government recorded the highest increase of 10.4 per cent. This was followed closely by Teachers Service Commission which recorded an increase of 9.1 per cent and corporations where majority control is held by the public sector with an increase of 8.3 per cent. Overall, public sector wage bill increased, mainly because of the last increment under the implementation of the Ramtu Salary Review Commission. Wage bill for local governments increased by only 2.2 per cent; a fact which again reflects financial problems being faced by local authorities all over the country.

4.12. As can be seen in Table 4.9, average annual earnings per employee rose from K£1,141.3 in 1986 to K£1,222.7 in 1987; thus registering an increase of 7.1 per cent, which is slightly lower than the 8.8 per cent increase registered in 1986. The average nominal wage earnings per employee increased much faster in the private sector at 11.0 per cent compared with 3.7 per cent increase in the public sector. However, the absolute average earnings per employee in the public sector has remained persistently higher than in the private sector, in all activities except in manufacturing and construction.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR,1984-1987

Table 4.7 *K£million*

	1984	1985	1986	1987*
PRIVATE SECTOR—				
Agriculture and Forestry	54.36	61.55	72.01	83.04
Mining and Quarrying	1.23	1.58	2.07	1.98
Manufacturing	132.99	148.62	163.48	187.20
Electricity and Water	23.44	24.10	23.78	27.54
Construction	107.58	121.76	138.67	155.61
Wholesale and Retail Trade, Restaurants and Hotels	29.21	32.84	35.03	36.72
Transport and Communications	77.61	89.84	95.95	105.69
Finance, Insurance, Real Estate and Business Services	80.90	94.72	108.22	127.68
Community, Social and Personal Services				
TOTAL	507.32	575.01	639.21	725.46
PUBLIC SECTOR—				
Agriculture and Forestry	28.35	30.34	35.40	39.44
Mining and Quarrying	3.06	3.37	3.60	2.78
Manufacturing	35.71	39.61	41.99	46.45
Electricity and Water	20.35	23.26	26.71	35.87
Construction	20.01	23.39	25.79	28.03
Wholesale and Retail Trade, Restaurants and Hotels	8.89	9.56	10.72	15.63
Transport and Communications	53.65	57.88	67.60	75.22
Finance, Insurance, Real Estate and Business Services	30.72	38.94	52.83	57.44
Community, Social and Personal Services	366.72	430.92	489.11	513.44
TOTAL	567.46	657.27	753.75	814.30
TOTAL PRIVATE AND PUBLIC	1,074.78	1,232.28	1,392.96	1,539.76

*Provisional

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1984-1987

Table 4.8 *K£million*

	1984	1985	1986	1987*
Central Government	236.68	276.32	320.35	353.72
Teachers Service Commission	120.66	148.20	180.01	196.47
Parastatal Bodies**	124.28	139.90	151.54	156.78
Majority Control by the Public Sector	42.21	46.04	53.64	58.07
Local Government	43.63	46.81	48.21	49.25
TOTAL	567.46	657.27	753.75	814.30

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

4.13. Employment and average earnings trends in both private and public sector are given in Table 4.10. In the private sector, the growth of employment between 1982 and 1987 was highest in the mining and quarrying activity. Though representing a small share of employment, this sector had a tremendous growth of 77.8 per cent. This was followed by trade, restaurants and hotels and community, social and personal services which recorded growths of 31.6 and 27.7 per cent, respectively. Agriculture recorded an employment growth rate of 19.2 per cent between 1982 and 1987, while construction registered a decline of 18.7 percent. In the public sector, during the period under review, electricity and water; trade, restaurants and hotels and community and social services increased by 39.1 per cent, 48.2 per cent, 29.7 per cent, respectively. Since 1982, employment in finance, insurance, real estate and business services grew by a tremendous 81.1 per cent owing to the development and expansion of the financial system.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1984-1987

Table 4.9 *K£*

	1984	1985	1986	1987*
PRIVATE SECTOR—				
Agriculture and Forestry	299.4	330.9	373.1	415.9
Mining and Quarrying	480.1	499.0	543.3	620.2
Manufacturing	1,110.7	1,165.9	1,270.5	1,420.9
Electricity and Water				
Construction	865.3	934.4	957.1	1,147.7
Trade, Restaurants and Hotels	1,354.7	1,452.4	1.573.5	1,707.0
Transport and Communications	1,453.2	1,602.9	1,710.6	1,918.7
Finance, Insurance, Real Estate and Business Services	2,024.5	2,243.1	2,375.7	2,686.3
Community, Social and Personal Services	738.2	810.7	891.5	1,008.9
TOTAL PRIVATE SECTOR	877.4	958.7	1,029.8	1,143.5
PUBLIC SECTOR—				
Agriculture and Forestry	524.2	552.8	638.4	688.2
Mining and Quarrying	1,998.8	2,082.4	2,136.0	2,322.1
Manufacturing	1,069.3	1,126.5	1,162.7	1,261.4
Electricity and Water	1,166.7	1,314.5	1,468.3	1,870.1
Construction	904.7	970.5	836.3	874.2
Trade, Restaurants and Hotels	1,588.0	1,624.2	1,692.6	1,892.8
Transport and Communications	1,577.9	1,645.1	1,825.7	1.928.2
Finance, Insurance, Real Estate and Business Services	2,599.6	2,925.6	3,388.1	3,517.3
Community, Social and Personal Services	1,014.4	1,114.3	1,227.3	1,239.0
TOTAL PUBLIC SECTOR	1,047.9	1,143.9	1,256.8	1,303.8
TOTAL	956.9	1,049.3	1,141.3	1,222.7
MEMORANDUM ITEMS IN PUBLIC SECTOR.				
Central Government	1,024.1	1,096.2	1.233.5	1,289.2
Teachers Service Commission	912.9	981.5	1,097.6	1,135.9
Parastatal Bodies**	1,238.3	1,547.6	1,610.4	1,659.2
Majority Control by the Public Sector	1,202.6	1,293.3	1,386.0	1,479.8
Local government	913.8	1,026.5	1,116.0	1,131.8
TOTAL PUBLIC SECTOR	1,047.9	1,143.9	1,256.8	1,303.8

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

4.14. Average earnings recorded high growth rates between 1982 to 1987, with the highest rate being in community, social and personal services activity of the private sector, which recorded a rate of 78.2 per cent. The corresponding figures for 1986/87 also reflects an upward trend, with the highest average earnings being recorded in construction industry which registered a growth rate of 19.9 per cent. Trade, restaurants and hotels activity recorded the lowest growth rates of 8.5 per cent within the private sector, whose overall growth in average earnings during 1986/87 was 11.0 per cent. In the public sector, average earnings for the period 1982/87 grew virtually in all activities. A remarkable growth of 93.2 per cent was observed in electricity and water activity.

4.15. An indication of how well-off wage earners are, after discounting for inflation, is given by the real average earnings. This analysis is presented in Tables 4.11 and 4.12. Overall real wage earnings, registered an increase of only 0.1 per cent. However, a look at the real average wage earnings in individual sectors shows that earnings for employees in the private sector increased by 3.8 per cent as opposed to a decrease of 3.0 per cent in the public sector. All activities in the private sector recorded increases, with the construction industry registering 12.0 per cent and trade, restaurants and hotels industry increasing by 1.4 per cent. However, construction, transport and communications, finance, insurance, real estate and business services and community, social and personal services activities in the public sector recorded negative growth rates of 2.3, 1.3, 3.0 and 5.7 per cent, respectively.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1982/87 AND 1986/87

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1982/1987*	1986/1987*	1982/1987*	1986/1987*
PRIVATE SECTOR—				
Agriculture and Forestry	19.2	3.5	67.6	11.5
Mining and Quarrying	77.8	-15.8	45.7	14.2
Manufacturing	13.5	2.3	50.6	11.8
Electricity and Water				
Construction	-18.7	5.2	58.5	19.9
Trade, Restaurants and Hotels	31.6	3.5	49.2	8.5
Transport and Communications	-3.1	-6.8	49.0	12.2
Finance. Insurance, Real Estate and Business Services	18.7	2.0	55.5	13.1
Community, Social and Personal Services	27.7	4.2	78.2	13.2
Total Private Sector	18.2	2.9	56.1	11.0
PUBLIC SECTOR-				
Agriculture and Forestry	-1.8	3.2	49.8	7.8
Mining and Quarrying		-29.4	13.5	8.7
Manufacturing	19.5	1.9	45.4	8.5
Electricity and Water	39.1	5.5	93.2	27.4
Construction	13.4	4.2	21.3	4.5
Trade, Restaurants and Hotels	48.2	31.7	35.2	11.8
Transport and Communications	17.8	5.4	37.1	5.6
Finance, Insurance, Real Estate and Business Services	81.1	4.5	52.8	3.8
Community, Social and Personal Services	29.7	4.0	35.0	1.0
Total Public Sector	25.5	4.1	41.9	3.7
TOTAL PUBLIC AND PRIVATE	21.7	3.5	48.8	7.1
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	26.6	4.1	34.5	4.5
Teachers Service Commission	45.4	5.5	43.4	3.5
Parastatal Bodies**	-1.2	0.4	63.7	3.0
Majority Control by the Public Sector	19.2	1.3	66.2	7.2
Local government	5.3	0.5	30.2	1.4
Total Public Sector	25.5	4.1	41.9	3.7

*Provisional

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

Wages Guidelines/Awards

4.16. The wage guidelines, which were first introduced in 1973 and subsequently amended in 1982 and 1987, were formulated at a time when the world economy was in deep recession. The objectives of the guidelines were to assist in creation of jobs by encouraging labour intensive methods of production; to save many jobs which were at stake at the time; to dampen inflation by ensuring that wages did not increase at a rate that was likely to fuel inflation; and to ascertain that employees received uniform consideration when awarding wage increases irrespective of the economic strength of the employer. Wage guidelines are still in force and continue to be the basis on which virtually all wage negotiations and awards are worked out.

4.17. In 1987 a total of 343 collective wage agreements were registered. This was a substantial increase over the 308 and 307 agreements registered in 1985 and 1986, respectively. The 343 collective agreements during the year benefitted some 86,424 unionisable employees compared with 325,052, mostly plantation unionisable employees, who benefitted from the fewer collective agreements registered in 1986. The agreements registered in 1987 offered an average basic wage of KShs. 1,363 per month against KShs. 1.068 per month offered in 1985 and KShs. 1,196 per month offered in 1986. The wage guidelines amendment of 1982 provided for separate compensation for housing and most

agreements, therefore, offer deconsolidated wages. The overall average housing allowance offered in 1987 was KShs.233 per month compared with KShs. 163 per month and, KShs.235 per month in 1985 and 1986, respectively.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1984-1987

Table 4.11 *K£*

	1984	1985	1986	1987**
PRIVATE SECTOR—				
Agriculture and Forestry	98.9	98.5	105.2	109.6
Mining and Quarrying	158.7	148.6	153.3	163.4
Manufacturing	367.2	377.2	358.3	374.4
Electricity and Water	—	—	—	—
Construction	286.0	278.3	269.9	302.4
Trade, Restaurants and Hotels	447.7	432.5	443.7	449.8
Transport and Communications	480.2	477.3	482.4	533.7
Finance, Insurance, Real Estate and Business Services	669.0	668.0	670.0	707.9
Community, Social and Personal Services	244.0	241.4	251.4	265.9
Total Private Sector	289.9	285.5	290.4	301.3
PUBLIC SECTOR—				
Agriculture and Forestry	173.2	164.6	180.0	181.3
Mining and Quarrying	660.5	620.1	602.4	611.9
Manufacturing	353.4	335.5	327.9	332.4
Electricity and Water	385.6	391.3	414.1	492.8
Construction	299.0	289.0	235.8	230.4
Trade, Restaurants and Hotels	524.8	483.7	477.3	498.8
Transport and Communications	521.4	489.9	514.9	508.1
Finance, Insurance, Real Estate and Business Services	859.1	871.2	955.5	926.8
Community, Social and Personal Services	335.2	331.8	346.1	326.5
Total Public Sector	346.3	340.6	354.4	343.6
TOTAL	317.2	312.5	321.9	322.2
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	338.4	326.4	347.9	339.7
Teachers Service Commission	301.7	292.3	309.5	299.3
Parastatal Bodies***	409.2	460.5	454.1	437.2
Majority Control by the Public Sector	397.4	385.1	390.9	389.9
Local government	302.0	305.7	314.7	298.2
Total Public Sector	346.3	340.6	354.4	343.6

*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 Telecomunications Corporation. Kenya Airways Limited, etc.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL. EARNINGS, 1984-1987

Table 4.12 *Percentage*

	1984	1985	1986	1987*
Wage employment	2.4	4.9	3.9	3.5
Current prices average earnings	9.5	9.3	8.8	7.1
Consumer prices**	9.1	10.7	5.7	7.1
Real average earnings	0.7	-1.5	3.0	0.1

*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.

Consumer prices

4.18 The inflation rate, as measured by Nairobi Consumer Price Indices, has gradually moderated over the years since reaching its peak of 22.3 per cent in 1982, and a record low of 5 7 Per cent in 1986. It, however, rose to 7.1 per cent in 1987. As shown in Table 4.13, increases of 5.7 per cent for the lower income group, 8.3 per cent for the middle income groupand 7.8 per cent for the upper income group were recorded. This slight rise in inflation is, in general, attributed to the increase in prices of oil, food and beverages, particularly during the first half of the year. In addition, the increase in domestic credit and minimum wages have all increased domestic demand and consequently led to higher consumer prices.

4.19. During 1987, the food index of all the three income groups recorded higher increases than in the previous year. Increases of 3.8 per cent, 5.0 per cent and 7.6 per cent were recorded for the lower, middle and upper income groups, respectively. Despite the late arrival of the long rains, there was an abundant supply of food leading to minimal changes in the prices of food items. Nevertheless, the de-controlling of the price of meat early in 1987 had an immediate impact on the upsurge in the index. Meat with bone for example, went up by 27.3 per cent from Shs.22 in January, 1987 and to Shs.28 in December, 1987.

4.20. Marked increases were recorded in the fuel and power; transport and communications, recreation and entertainment and the drinks and tobacco indices. The price increases in petrol and gas, announced in April and July, 1987 following a reduction in early 1986, led to a substantial increase in the fuel and power group index; and was also reflected in the higher transport and communications index. Higher prices of spirits and cigarettes announced during the 1987/88 budget, contributed to increase in the drinks and tobacco index group.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1984/83-1987/86

Table 4.13

INCOME GROUP	1984/1983	1985/1984	1986/1985	1987/1986
Nairobi Lower Income Index	10.3	13.0	4.0	5.7
Nairobi Middle Income Index	8.9	11.1	7.7	8.3
Nairobi Upper Income Index	8.0	8.0	5.3	7.8
Average Increases for 12 Months	9.1	10.7	5.7	7.1

*For 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— KShs2,499,
3. The upper income group comprises households with monthly earnings of KSh. 2,500 and above.

4.21. Table 4.14 shows the Nairobi indices for food, rent and other items taken together. Between December, 1986 and December, 1987, the food index increased by 4.8 per cent for the lower income group, 7.3 per cent for the middle income group and 8.1 per cent for the upper income group, averaging to an increase of 6.7 per cent. The indices up to March, 1988 indicate existence of inflationary pressures in the economy.

4.22. Consumer price indices for the Mombasa, Kisumu and Nakuru urban centres are set out in Table 4.15. These indices reveal a similar trend to the Nairobi index, with the rates moderating over the years after the peak in 1982. Inflation rates of 8.4, 10.7 and 6.6 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. Analysis of the 1987 quarterly data shows that Mombasa recorded significant increases in the fuel and power and the miscellaneous goods and services indices; Kisumu experienced high increases in the fuel and power group index; miscellaneous goods and services, and the clothing and footwear indices; whilst Nakuru registered substantial increases in the fuel and power, and recreation and entertainment group indices. The food index increased by 2.3, and 4.7 per cent for Mombasa, Kisumu and Nakuru, respectively; reflecting differences in food supply among various regions in the country.

NAIROBI CONSUMER PRICE INDICES, DECEMBER 1983-March, 1988

Table 4.14 *January-June, 1975=100*

INCOME GROUP	Food	Rent	Others	All Groups
LOWER INCOME—				
Decermber-1983	262.3	346.0	288.1	297.9
December-1984	303.4	383.6	310.7	330.4
December-1985	334.0	423.3	337.5	364.6
December-1986	352.5	440.2	359.2	379.2
December-1987	369.4	464.9	384.7	400.5
March 1988	374.5	472.1	389.4	406.6
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
December-1987	336.5	457.0	422.4	405.5
March 1988	341.7	468.1	434.6	415.8
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
December-1987	358.6	382.8	399.7	382.4
March 1988	364.5	402.2	421.0	401.8

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU, 1983-1987

Table 4.15 *1976=100*

	Mombasa	Kisumu	Nakuru
1983 June	245.2	229.3	228.3
December	256.4	242.3	242.8
1984 June	265.2	258.6	254.3
December	276.5	271.0	265.8
1985 June	283.8	286.3	276.3
December	286.6	290.9	279.5
1986 June	284.5	295.0	279.9
December	300.1	295.1	285.0
1987 June	317.4	328.3	301.1
December	323.1	339.0	310.1

*These indices refer to households in the Lower/Middle income groups and exclude rent

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

The most noteworthy development in the financial sector in 1987 was a remarkable decline in the rate of monetary expansion; compared with 1986 which was an exceptional year in terms of liquidity creation and monetary growth. A more normal relationship between monetary aggregates and the real economy emerged in 1987, but substantial excess liquidity remained also at the end of the year. The growth in money supply decelerated to 11 per cent during 1987 and total domestic credit rose by 20 per cent, well above the growth in nominal GDP. The principle reason for the more moderate monetary growth was a renewed balance of payments deficit of K£76 million, which reduced monetary growth by some 4 percentage points. A gradual shift in the pattern of budget financing towards more reliance on non-bank sources, also contributed to the slower rate of money creation. In addition, the introduction of the minimum cash ratio of 6 per cent in December 1986, helped control private sector lending. All interest rates remained positive in real terms during the year, although an apparent acceleration in the rate of inflation in the course of the year reduced the margin gradually.

5.2. Table 5.1 sets out key monetary indicators and illustrates some of the trends just mentioned. Net foreign assets showed a major decline reflecting a balance of payments deficit of K£ 76 million; and recorded negative positions throughout the second half of 1987. The overall net holdings of foreign assets, therefore, declined by K£74 million compared with an improvement of K£77 million recorded in 1986. Although there were reported cases of foreign currency malpractice, the decline in net foreign assets mainly reflects a substantial deterioration in the terms of trade during the year. This was occasioned by the slump in the prices of coffee and tea on the world market and a doubling of oil prices since mid.1986.

MONETARY INDICATORS, 1984-1987

Table 5.1

Date	Net Foreign Assets *K£mn*	DOMESTIC CREDIT K£m			Money** Supply *K£mn*	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
		Private*	Government	Total			
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
1987 December	-65.31	1,461.35	968.88	2,430.23	1,983.21	30	83
1987 March	41.82	1,325.24	813.65	2,138.89	1,874.53	34	78
June	-14.75	1,340.36	832.44	2,172.80	1,859.01	33	79
September	-100.19	1,404.03	974.60	2,378.63	1,906.42	32	80
December	-65.31	1,461.35	968.88	2,430.23	1,983.21	30	83

Source: Central Bank of Kenya

*Includes parastatal bodies.

***See* Table 5.2 for Coverage.

5.3. There was a significant slowdown in the rate of growth in domestic credit during the year. Total domestic credit rose from K£2,018 million at the end of December, 1986 to K£2,430 million at the end of December, 1987, representing an increase of 20 per cent; nearly twice the rate of growth in nominal GDP. Credit to the Government and private sectors rose by 30 and 15 per cent, respectively during the year compared with corresponding increases of 56 and 17 per cent observed in 1986. In other words,the deceleration in domestic credit expansion was entirely due to a somewhat more modest growth in bank lending to the Government. This deceleration reflected, in part, a return to a more normal pattern of government financing, but partly also the beginning of a more active government debt policy, aiming more directly at the non-bank sector. As part of this

new government debt policy. Treasury bonds with maturities of 1,2 and 5 years were issued with effective interest rates set at auction. The longer maturity bonds that were introduced in 1986 did not sell in large amounts. There was, however, a substantial demand for the 1 year bonds introduced in 1987, which were outstanding by K£55 million at the end of the year.

5.4. The slowdown in domestic credit expansion and a large balance of payment outflow contributed to a significant decline in the money supply, which slowed down to 11 per cent in 1987, compared with the 33 per cent increase observed in 1986. Table 5.2 provides further information on the trends in the components of the money supply. Money proper (Ml) increased by 10 per cent and quasi-money by 13 per cent in 1987, compared with 33 and 32 per cent corresponding increases in 1986. Ml has. however, maintained its share at 58 per cent of the total money supply for the last three years. The excessive liquidity of commercial banks that was observed in 1986 was largey carried over to 1987. However, liquidity ratio declined gradually from a peak position of 34 per cent, 14 points above the minimum requirements, to 30 per cent in December, 1987. On the other hand, advances-to-deposits ratios were on the average lower than those observed in 1986. This may be explained by the lagged effect of the monetary policies mentioned earlier that may have reduced the credit base of commercial banks, coupled with positive real interest rates that may have encouraged savings.

MONEY AND QUASI-MONEY SUPPLY, 1984-1987

Table 5.2 *K£million*

As at end of	Money*	Quasi. Money**	Total
1984 December	765.14	496.96	1,262.10
1985 December	787.03	559.42	1,346.45
1986 December	1,043.54	740.74	1,784.28
1987 December	1,144.41	838.90	1,983.31
1987 January	1,054.91	737.75	1,792.66
February	1,049.59	760.22	1,809.81
March	1,113.04	761.49	1,874.53
April	1,068.05	762.98	1,831.03
May	1,103.28	770.00	1,873.28
June	1,062.46	796.55	1,859.01
July	1,096.09	814.16	1,910.25
August	1,103.85	830.73	1,934.58
September	1,077.62	828.80	1,906.42
October	1,132.01	836.69	1,968.70
November	1,128.23	866.77	1,995.00
December	1,144.41	838.90	1,983.31

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

5.5. Total liabilities and assets of the banking system continued their upward trend as depicted in Table 5.3. They amounted to K£2,365 million at the end of 1987; representing 17 per cent increase compared with 7 and 35 per cent increases observed in 1985 and 1986, respectively. The composition of liabilities has remained fairly stable in recent years. However, as interest rates have edged up, there has been a shift in the composition of deposit liabilities. Demand deposits have therefore been diminishing as a proportipn of total liabilities, resulting in 3 per cent decrease in the proportion of money to total liabilities during the year under review. On the other hand, there were striking changes in the structure of assets in 1987. Reflecting a turn-around in the balance of payments, net foreign assets plunged back to net liability positions prevalent in 1983 and 1985. The proportion of Central Government debt obligation to total assets was 41 per cent in 1987, compared with 32 and 37 per cent recorded for 1985 and 1986, respectively.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1983-1987

Table 5.3 *K£Million*

	As at the end of							
					1987			
	1983	1984	1985	1986	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES—								
1. Money:								
1.1 Demand Deposits	382.01	445.04	460.94	565.69	603.58	573.08	587.15	564.04
Other	130.27	114.88	137.55	163.26	159.00	190.78	184.33	195.97
1.2 Currency in Circulation:								
Notes	227.19	249.91	291.49	359.07	347.33	347.49	371.24	425.08
Coins	6.27	6.58	9.13	12.07	12.14	12.90	12.57	13.70
Sub-Total	745.74	816.41	899.11	1,100.09	1,122.05	1,124.25	1,155.29	1,198.79
2 .Quasi.Money:								
2.1 Savings Deposits	230.79	279.68	334.27	447.46	471.67	500.52	532.77	564.77
2.2 Time Deposits	190.94	217.28	225.15	293.27	289.83	296. 03	296.03	274.13
3. Other Items (Net)	74.55	95.66	42.25	185.95	297.16	237.24	291.19	327.24
Sub-Total	496.28	592.62	601.67	926.68	1,058.66	1,033.79	1.119.99	1,166.14
TOTAL	1,242.02	1,409.03	1,500.78	2,026.77	2,180.71	2,158.04	2,275.28	2,364.93
ASSETS—								
4. Net Foreign Assets	-11.33	20.18	-68.22	8.74	41.82	-14.75	-103.35	-65.30
5. Domestic Credit:								
5.1 Central Government (Net)	391.47	436.00	478.48	744.36	813.65	832.44	974.60	968.88
5.2 Private Sector	768.98	847.18	970.66	1,334.20	1,197.83	1,195.08	1,233.64	1,284.42
5.3 Other Public Bodies	92.90	105.67	119.86	139.47	127.41	145.27	170.39	176.93
TOTAL	1,242.02	1,409.03	1,500.78	2,026.77	2,180.71	2,158.04	2,275.28	2,364.93

Source: Central Bank of Kenya.

5.6. Table 5.4 presents an analysis of the changes in the money supply and the sources of these changes. Total money supply recorded an increase of K£338 million, lower than the 1986 increase but higher than annual increases in money supply recorded over the previous three years. The decline in the growth of the money supply, compared with 1986, is largely accounted for by the decline in net foreign assets of K£74 million in 1987. Credit to the private sector rose by K£37 million in 1987, the smallest increase during the past four years; and to an extent, was another source of decline in money supply.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1983-1987

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

	1983	1984	1985	1986	1987
MONEY SUPPLY—					
1. Currency plus demand deposits	+56.49	+70.67	+82.70	+201.54	+98.70
2. Quasi-money and other items	+34.12	+96.33	+9.05	+ 324.45	+239.46
3. Total money supply*	+90.61	+ 167.00	+91.75	+ 525.99	+338.16
SOURCES OF CHANGES—					
4. Net foreign assets	+89.62	+31.51	—88.40	+76.96	—74.04
5. Domestic credit—					
(a) to Central Government (net)	-92.65	+44.52	+42.48	+265.88	+224.52
(b) to other public sector	+42.50	+ 12.77	+ 14.19	+ 19.61	+ 150.22
(c) to private sector	+51.15	+ 78.20	+ 123.48	+ 163.54	+37.46
(d) all domestic credit	+0.99	+ 135.49	+ 180.15	+449.03	+412.20
6. Total sources of changes	+90.61	+ 167.00	+91.75	+525.99	+338.16

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

5.7. Foreign exchange reserves of the Central Bank made a modest recovery in the first quarter of 1987, before declining gradually during the remaining three quarters of the year. The Bank's holding of foreign exchange, as given in Table 5.8, rose from K£343 million at the end of 1986 to peak at K£371 million at the end of the first quarter of 1987 before declining to K£220 million at the end of the year. Foreign reserves held by the Central Bank at the end of 1987 were the lowest since 1983, while holdings of Treasury bills have been declining since 1984.

5.8. Table 5.5 presents information on the real value of some financial aggregates, i.e. nominal values deflated by the rate of inflation as measured by the Nairobi Consumer Price Index. It should, however, be noted that the base period for the price deflator, that appeared in the same table in earlier editions of the Economic Survey, has been revised from 1977 to 1982. This has resulted in higher real values of financial aggregates than presented in the old series. Real value of all financial aggregates, with the exception of total liabilities of non-bank financial institutions, recorded modest increases in 1987. Real values of liabilities of non-bank financial institutions declined by 8 per cent from their 1986 level. The share of liabilities of these institutions as a percentage of total liabilities of the banking system has also been declining since 1985. This reversal of the recent trend may be attributed to the insolvency problems that have been facing some financial intermediaries since 1985, inducing a shift of deposits to the more established commercial banks.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1983-1987

Table 5.5 *(K£million at 1982 constant prices)*

	1983	1984	1985	1986	1987**
1. Money	607.8	612	568.7	713.4	732.7
2. Quasi-money	368	397.5	404.2	506.3	534.2
3. Total liabilities of banking system	1083.8	1127	1084.4	1385.5	1513.6
4. Commercial bank credit to private sector	658	666	691.7	775.3	803.5
5. Total commercial bank credit	789.2	842.9	834.3	1000.1	1073.9
6. Total liabilities of non-bank financial institutions	547	693	720.2	756.3	696.6
Memorandum Item					
7. Line 6 as per cent of line 3	50.5	61.5	66.4	54.6	46

*Deflated by average price increases given in Table 4.12.
**Provisional

Interest Rates

5.9. Table 5.6 gives principal interest rates for the last three years. Four major interest rates were revised in 1987. The discount rate for Treasury bills was raised from 11.15 per cent to 13.00 per cent. Lowered were time deposit rates for commercial banks; savings and maximum lending rates for hire purchase companies and merchant banks; and savings and lending rates for building societies. Other interest rates have remained unchanged since 1984. The adjustment of interest rates referred to is in line with the Government policy of narrowing the gap in interest rates between commercial banks and the non-bank financial intermediaries so as to ensure that they compete on equitable terms.

PRINCIPAL INTEREST RATES, 1985-1987

Table 5.6 *Percentage*

	As AT 31ST DECEMBER		
	1985	1986	1987
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	14.14	11.15	13.00
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	9.50-10.00
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 Corporations, 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	10.00-13.50
Loans	19.00	19.00	18.00
Building Societies:			
Deposits	13.00-14.25	13.00-14.25	10.75-12.50
Loans	16.00	16.00	14.50

Source: Central Bank of Kenya
*Loans and advances for less than 3 years.

5.10. Table 5.7 provides information on the trends in selected real interest rates, i.e. nominal interest rates adjusted for the rate of inflation as measured by Nairobi Consumer Price Index. All the main interest rates remained positive in 1987. Return on savings has been positive since 1984, while the cost of borrowing from commercial banks and building societies has been positive since 1983. This trend in real interest rates conforms with the Government policies set out in Sessional Paper No.1 of 1986 that positive real interest rates should be maintained and used actively to promote monetary stability and economic growth.

Central Bank of Kenya - Assets and Liabilities

5.11. The assets and liabilities of the Central Bank are given in Table 5.8. Assets and liabilities of the Bank have shown a decline in annual growth rates since 1985, and increased by 8 per cent in 1987 compared with corresponding increases of 23 and 12 per cent recorded for 1985 and 1986, respectively. The salient feature is the decline in the Central Bank's balances with external banks on the assets side. The balances had risen

TRENDS IN SELECTED REAL INTEREST RATES, 1983-1987

Table 5.7 *Percentage*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposits				
	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
	1987	11.0	7.1	+3.9
2. Commercial bank loans and advances (max)	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
	1987	14.0	7.1	+6.9
3. POSB deposits***				
	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
	1987	11.0	7.1	+3.9
4. Building society loans (max)				
	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
	1987	14.5	7.1	+7.4

*Taken from Table 4.12.
**Nominal interest rate minus inflation rate gives the appropriate measure.
***POSB deposits are exempt from income tax on interest earned.

gradually since 1983 to a peak position of K£333 million at the end of first quarter of 1987, before declining to K£172 million at the end of the year. The Bank's investments in foreign treasury bills have been declining since 1984, while other investments registered a modest decline from K£27 million in 1986 to K£25 million at the end of 1987. These changes resulted in a decline in the Bank's foreign reserves from K£343 million in 1986 to K£213 million at the end of the third quarter of 1987, before rising slightly to K£220 million by the end of the year. Consequently, the overall gross foreign reserves (i.e. reserves held by Central Bank, Central Government and commercial banks, and Kenya's reserve tranche with IMF) fell from K£392 million in 1986 to K£267 million at the end of 1987, and were equivalent to about two and half months of imports; below the statutory requirement of four months of imports. On the other hand there has been substantial increases of advances to Kenya Government since 1984, with annual increases of 144, 65 and 70 per cent being observed in 1985, 1986 and 1987, respectively.

5.12. On the liabilities side, there was a substantial increase in total currency, while deposits from Kenya banks remained exceptionally high since the end of 1986. The increased deposits from the Kenya banks are largely attributed to the 6 per cent cash ratio regulation introduced late in 1986.

Commercial Banks-Credit and Liquidity

5.13. Total commercial banks' credit, as recorded in Table 5.9, increased by 15 per cent from K£1,463 million in 1986 to K£1,675 million in 1987. This growth compares with 17, 10 and 27 per cent increases in 1984,1985 and 1986, respectively. The most remarkable change in the commercial banks' balance sheets over the past two years is the sharp increase in lending to the public sector. From December, 1985 to December, 1987, the commercial banks' claims on Central and Local Governments increased almost six-fold. Holdings of Treasury bills by commercial banks rose by 20 per cent in 1987, compared with

CENTRAL BANK OF KENYA—ASSETS AND LIABILITIES, 1983-1987

Table 5.8 *K£million*

	1983	1984	1985		1987			
					1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
ASSETS								
1. Foreign Exchange—								
1.1 Balances with External Banks	218.58	254.88	279.95	293.00	333.39	261.68	173.05	171.79
1.2 Treasury Bills	14.96	28.29	18.33	13.07	9.85	5.62	12.53	10.83
1.3 Other Investments	20.38	28.61	29.99	27.46	27.34	35.36	23.56	24.99
1.4 Special Drawing Rights	19.25	1.69	0.65	9.45	0.47	0.70	3.63	11.98
TOTAL	273.17	313.47	328.92	342.98	371.05	303.36	212.77	219.59
2. Securities issued or Guaranteed* by Kenya Government Advances and Discounts	261.22	262.33	261.06	261.07	261.07	261.61	261.61	261.61
3. Advances to Kenya Government	61.73	65.81	160.78	264.80	311.44	320.83	398.07	449.28
4. Other Assets including Kenya Treasury Bills	36.11	35.46	84.53	62.98	38.29	72.98	62.34	74.67
TOTAL ASSETS	632.23	677.07	835.29	931.83	981.85	958.78	934.79	1,005.15
LIABILITIES								
1. Capital and General Resources Fund .	15.25	19.88	24.36	29.26	29.26	33.88	33.87	33.87
2. Currency in Circulation—								
2.1 Notes	227.19	249.91	291.48	359.07	347.33	347.49	371.24	425.08
2.2 Coins	6.26	6.58	9.13	12.07	12.14	12.90	12.57	13.70
TOTAL CURRENCY	233.45	256.49	300.61	371.14	359.47	360.39	383.81	438.78
3. Deposits—								
3.1 Kenya Government								
3.2 Kenya Banks	38.41	40.87	55.17	116.38	139.00	121.07	113.00	115.07
3.3 External Banks	299.06	300.14	408.13	349.92	339.29	329.98	322.50	296. 34
3.4 Other	11.08	17.84	10.86	23.27	57.09	36.94	21.97	53.44
TOTAL	348.55	358.85	474.16	489.57	535.38	487.99	457.47	464.85
4. Revaluation Account	7.30	12.35				7.63	7.63	7.63
5. Other Liabilities	27.68	29.50	36.16	41.86	57.74	68.89	52.01	60.02
TOTAL LIABILITIES	632.23	677.07	835.29	931.83	981.85	958.78	934.79	1,005.15

Source: Central Bank of Kenya.
*Those were stocks issued by the former East Africa Community. The last of these, issued by the East African Railways and Harbours matured in May, 1984.

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1983-1987

Table 5.9 *K£million*

	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.
PUBLIC SECTOR—					
Central Gorvernment		0.02	0.05	4.84	3.62
Local Gorvernment	0.80	0.87	0.89	1.28	2.13
Enterprises, Parastatal bodies and other Public entities	56.90	76.30	86.73	87.82	174.51
Treasury Bills	92.74	144.04	109.81	235.17	282.49
TOTAL PUBLIC SECTOR	150.44	221.23	197.48	329.11	462.75
PRIVATE ENTERPRISES—					
Agriculture	138.49	136.47	148.39	147.11	204.72
Mining and Quarrying	6.27	7.08	8.54	8.96	4.56
Manufacturing	177.11	180.34	220.14	239.57	302.65
Building and Construction	42.41	51.81	58.70	57.34	65.90
Transport,Storage and communication	26.97	27.45	36.30	47.11	43.94
Trade:					
Exports—	37.67	49.05	51.67	64.03	
Imports**	25.61	39.62	55.04	68.90	
Domestic	80.92	118.12	124.54	146.32	236.02
Financial Institutions	53.92	41.65	55.74	68.48	23.87
Other Business	123.43	144.62	152.03	217.35	293.49
TOTAL PRIVATE ENTERPRISES	712.80	796.21	911.09	1,065.17	1,175.15
PRIVATE HOUSEHOLDS*— (including non-profit making institutions)	41.25	36.45	46.22	68.94	37.53
TOTAL BILLS, LOANS AND ADVANCES	904.49	1,053.89	1,154.79	1,463.22	1,675.43

Source: Central Bank of Kenya.

*From 1987 the category "Private Households" is replaced with "Community and Personal services" category.

**From 1987 figures on commercial bank lending for Exports and Imports are not readily available.

the more than two-fold increase recorded in 1986. Lending to the parastatals and other public entities registered a large increase in 1987, almost twice the amount lent out to these bodies in 1986. As a result, lending to the public sector rose by 41 per cent in 1987.

5.14. On the basis of the more ample liquidity in the system, the commercial banks were able to accelerate their lending to the private sector. Lending to the private sector, therefore expanded, although more slowly than to the public sector, i.e. by 7 per cent. Of the major productive sectors agriculture and manufacturing registered the largest increases in borrowing from commercial banks, with credit growth of 39 and 26 per cent, respectively. The agricultural sector absorbed 12 per cent of total loans and advances in 1987 an improvement from the 10 per cent share of the credit extended to the sector in 1986. On the other hand, the manufacturing sector absorbed 18 per cent of total loans and advances in 1987 compared with the 16 per cent share it received in 1986. Lending to other sectors remained much the same over the year although there were notable declines in the lending to the mining and quarrying, financial institutions and private households. The massive expansion to domestic trade is also noteworthy. The fairly rapid growth during 1987 in commercial bank lending to the private sector, based on the high liquidity in the banks, forced the monetary authorities to impose a quantitative ceiling on the growth of commercial banks' lending to the private sector. The measure, limiting credit expansion to 0.8 per cent per month, was introduced in September, 1987 and therefore had no impact on the annual figures.

5.15. Since the increased holdings of Government claims by commercial banks is counted as liquid assets, the unusual developments in 1986, carried over into 1987, meant that the banks' liquidity position strengthened significantly. Liquid assets of commercial banks expanded during the year to peak at *K*£534 million in November before dropping to K£429 million at the end of December, 1987. At the same time deposit liabilities rose by 6 per cent, increasing from K£1,355 million in 1986 to peak at K£1,543 million in November,

1987 before dropping to K£1,434 million at the end of the year. As shown in Table 5.10, the liquidity ratio of the commercial banks rose to a peak of 34 per cent in March, May, July and August, 1987, 14 per cent points above the minimum required ratio of 20 per cent before declining to about 30 per cent at the end of the year.

COMMERCIAL BANKS—DEPOSIT LIABILITIES AND LIQUID ASSETS, 1984-1987

Table 5.10

	Deposit Liabilities* *K£mn*	Liquid Assets** *K£mn*	Current Liquidity Ratio+ *per cent*
1984 December	961.74	232.75	25
1985 December	1,037.28	223.19	22
1986 December	1,354.88	416.40	31
1987 December	1,433.99	429.35	30
January	1,408.98	444.19	31
February	1,426.02	480.71	31
March	1,397.40	494.10	34
April	1,397.33	468.10	32
May	1,441.32	484.83	34
June	1,471.24	489.98	33
July	1,505.76	516.00	34
August	1,545.01	521.62	34
September	1,510.68	503.78	32
October	1,542.50	460.86	31
November	1,542.58	533.52	32
December	1,433.99	429.35	30

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 arc not quite consistent with figures in the other two colomns 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 a remarkable slowing in the growth of assets and liabilities of the non-bank financial institutions. These financial intermedaries had continued an extremely rapid growth since 1980 when a large amount of financial resource was injected into the domestic economy after the coffee and tea boom period of 1977-78. However, their total assets and liabilities amounted to K£1,115 million at the end of 1987, representing 1 per cent increase compared with 38,15 and 11 per cent increases observed in 1984, 1985 and 1986, respectively. Table 5.5 also shows that the non-bank financial institutions share of total liabilities of the banking system has been declining since 1986. Deposits from both Central and Local Government increased by 40 per cent in 1987, while deposits from "Other Public Sector" were above the 1986 position during the first quarter of 1987 but declined by 6 per cent at the end of 1987.

5.17. Assets of the non-bank financial institutions in the form of cash and bank deposit holdings declined by 46 per cent to stand at K£66 million at the end of 1987. The decline compares with 4 per cent decline and 25 per cent increase observed in 1985 and 1986, respectively. Holdings in other financial institutions and associated companies, also, recorded significant declines over the 1986 position. While lending to the private sector was above the 1986 level throughout 1987, lending to the public sector declined by 1 per cent during the year. The prevalent poor performance of the non-bank financial intermediaries may be attributed to insolvency problems that have been facing some of these institutions. The impact of more stringent and effective regulations introduced by the 1985 amendments to the Banking Act may have reduced the capital base of these institutions, resulting in reduced volume of transactions.

Banking System: Developments

5.18. The financial system continued to expand in number and service centres in 1987. Although the number of operating commercial banks remained 23 with one bank ceasing

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1983-1987

Table 5.11 *K£million*

	As at end of				1987			
	1983	1984	1985	1986	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES:								
Deposits—								
Central and Local Government	28.95	25.64	26.92	23.28	28.04	25.37	31.15	32.58
Other Public Sector	136.9	161.17	155.04	146.82	174.41	128.64	135.34	136.97
Other Depositors	267.75	420.88	519.75	635.68	652.64	695.15	684.04	714.18
Other Liabilities	193.22	258.64	294.97	300.56	318.77	215.14	239.77	230.87
TOTAL LIABILITIES	626.82	866.33	996.68	1,106.34	1,173.86	1,064.30	1,090.30	1,114.60
ASSETS:								
Cash and Banks	64.08	103.24	98.91	123.52	105.39	74.29	73.98	66.24
Other Financial Institutions	34.16	85.71	75.31	98.98	93.03	68.57	63.02	68.36
Associated Companies	4.84	15.61	10.38	12.67	10.33	17.35	12.42	5.91
Investments, Loans, Advances, etc.—								
Public Sector	93.37	97.63	141.18	169.45	167.12	162.78	167.96	167.25
Private Sector	398.92	516.18	614.52	642.81	729.82	691.93	710.74	745.78
Other Assets	31.45	47.96	56.38	58.91	68.17	49.38	62.18	61.36
TOTAL ASSETS	626.82	866.33	996.68	1,106.34	1,173.86	1,064.30	1,090.30	1,114.90

Source: Central Bank of Kenya

operations, the number of commercial bank service centres increased from 428 in 1986 to 431 in 1987. Out of those service centres there were 205 full branches, 69 sub-branches, and 157 agencies and mobile units spread all over the country. The licensed non-bank financial institutions increased from 52 in 1986 to 54 in 1987. Those in operation were, however. 50 with 92 service centres most of which were in urban areas. Furthermore, there were 32 building societies and 64 hire purchase companies in the country in 1987 which now fall directly under the supervision of the Central Bank.

5.19. In addition to the 1985 amendments to the Banking Act that are being implemented gradually, two major financial policy measures were introduced in 1987 First, the withholding tax on interest accrued was introduced during the 1987/88 Budget. The provision requires banks, financial institutions, and building societies to withhold 10 and 12.5 per cent of interest earnings payable to residents and non-residents, respectively. Second, the 1987/88 Budget widened the supervisory role of Central Bank through the Building Societies (amendment) Bill, 1987. The Bill requires that advances made by building societies be secured on residential land. In addition, a co-ordinating committee consisting of representatives from the Treasury, Ministry of Planning and National Development and the Central Bank was appointed to prepare an implementation programme for the development of money and capital markets.

CHAPTER 6 - PUBLIC FINANCE

Since the last budget the Government has continued its efforts of sustaining economic growth. The rate of monetary expansion experienced in 1986 declined and there was a gradual shift in the pattern of budget financing towards more reliance on non-bank sources. The introduction of the minimum cash ratio of 6 per cent in December, 1986, has helped control private sector lending. Positive real interest rates were maintained to promote monetary stability and economic growth as set out in Sessional Paper No. 1 of 1986 on "Economic Management for Renewed Growth".

6.2. Public expenditure in 1987/88 continued to increase primarily due to an increase in demand for public services and changes in foreign exchange rates of major currencies. The Government's objective of reducing the deficit to a sustainable level has proved difficult to realise because expenditure has exceeded the budgetary provision substantially.

Overall Results

6.3. The budget out-turn from 1983/84 to 1987/88 is set out in Table 6.1. Between 1983/84 and 1987/88 the Government improved its revenue collection and revenue base which resulted in a current revenue increase of 74 per cent. On the other hand current expenditure expanded by 86 per cent resulting in a significant widening of current deficit. Provisional figures indicate that current revenue will increase by about 14 per cent in 1987/88, while current expenditure will expand by 24 per cent. Due to the inability of current revenue to keep pace with current expenditure there is an anticipated current deficit of K£234 million. The growth in current expenditure has been caused by factors such as rising debt servicing obligations, increased demand for Government finance in development projects, implementation of the new 8-4-4 system of education, including the double-intake at the public universities and the general election. Although capital

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1983/84-1987/88

Table 6.1 *K£million*

	1983/84	1984/85	1985/86	1986/87**	1987/88**	Percentage Increases 1983/84 to 1987/88
Current Revenue	920.91	1,016.89	1,205.55	1,405.82	1,601.34	73.9
Current Expenditure***	984.58	1,091.32	1,250.82	1,474.86	1,835.15	86.4
Current Surplus/(Deficit)	(63.67)	(74.43)	(45.27)	(69.04)	(233.81)	(267.2)
Capital Revenue	2.71	2.70	3.77	2.94	8.20	202.6
Capital Expenditure***	133.31	217.77	177.00	315.22	423.30	217.5
Net Lending***	25.58	36.93	50.52	47.66	29.26	14.4
External Grants	49.85	70.50	54.80	62.80	269.15	440.0
OVERALL DEFICIT	-170.00	-255.93	-214.22	-366.18	-409.02	140.6
FINANCING OF DEFICIT—						
External Loans(Net)	35.75	24.85	-95.00	1.45	61.30	
Total Domestic Borrowing	156.25	87.58	204.15	329.64	172.51	10.4
Long-term(net)	10.65	6.85	36.28	146.79	176.28	
Short-term(net)	145.60	80.73	167.87	182.85	-3.77	
CHANGES IN CASH BALANCES:						
Increase=+	+22.00	-143.50	-105.07	-35.09	-175.21	
MEMORANDUM ITEMS—						
Public Debt Redemption	105.71	184.65	169.94	177.11	220.25	108.4
(a) External	88.59	120.75	146.00	161.06	154.51	74.4
(b) Internal	17.12	63.90	23.94	16.05	65.74	284.0

*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.

expenditure has had an erratic trend, it has improved tremendously in the last two years. From a low level of K£177 million in 1985/86, capital expenditure rose to K£315 million in 1986/87 and will probally rise to around K£423 million in 1987/88. The improvement in capital expenditure was due to the Government's determination to utilise its constrained budgetary resources more effectively and efficiently by making funds available to priority projects and by reducing delays in project implementation which hitherto resulted in cost escalation.

6.4. The overall deficit in 1987/88 will probably turn out to be K£409 million. The Government has been using various forms of financing to cope with the deficit gap. Net external loans are scheduled to improve from an outflow of K£95 million in 1985/86 to an inflow of K£61 million in 1987/88. However, total domestic borrowing will contribute the major share in financing the deficit. Treasury bonds with maturities of two and five years introduced in June, 1986 have already raised K£223 million, and seem to be replacing Treasury bills as the major form of domestic borrowing. Contrary to policy intentions the banking system continued to be the main buyers of the bonds.

6.5. Table 6.2 gives an analysis of some key fiscal trends for the period 1983/84 to 1987/88. The ratio of capital expenditure to current expenditure registered an increase of 23 per cent in 1987/88 from 21 per cent in 1986/87. The ratio of external loans and grants to capital expenditure plus net lending reached five-year peak of 73 per cent, while the ratio of net short-term borrowing to capital expenditure plus net lending was at its lowest in 1987/88

Table 6.2 ANALYSIS OF KEY FISCAL TRENDS. 1983/84-1987/88

	1983/84	1984/85	1985/86	1986/87'	1987/88*
1. Current surplus as % of Current Revenue	-6 .9	-7.3	-3.7	-4.9	-14.6
2. Current surplus as % of Capital Expenditure plus Net Lending	-40.1	-29.2	-19.9	-19.0	-51.7
3. Ratio of Capital Expenditure to Current Expenditure	13.5	20.0	14.1	21.4	23.1
4. Overall deficit as % of Current Revenue	-18.6	-25.2	-17.8	-26.0	-25.5
5. Overall Deficit as % of Total Expenditure	-13.6	-16.7	-13.0	-18.2	-16.2
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	53.9	37.4	-17.7	17.7	73.0
7. Net Short-Term Borrowing as % of capital Expenditure plus Net Lending	91.6	31.7	73.8	50.4	-0.8
8. Current Revenue as % of GDP at Current Market Prices	23.4	23.2	24.5	24.1	24.2
9. Total Government Expenditure as % of GDP at Current Market Prices	31.7	34.9	33.5	34.5	38.2
10. Overall Deficit as % of GDP at Current Market Prices	-4.3	-5.8	-4.4	-6.3	-6.2

* Provisional

6.6. A comparison of budget estimates with actual out-turns for 1984/85 to 1987/88 is provided in Table 6.3. During 1987/88 the actual out-turn of current revenue is likely to exceed the estimated amount, while recurrent expenditure will be more than anticipated hence resulting in a current deficit. External resources are also likely to be slightly more than expected.

CENTRAL GOVERNMENT COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1984/85-1987/88

Table 6.3 K£million

	1984/85			1985/86		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	1,057.44	1,019.58	-37.86	1,106.10	1,209.32	+ 103.22
Recurrent Expenditure	950.75	842.07	-108.68	1,068.24	1,176.67	+108.43
Recurrent Balance	106.69	177.51	70.82	+37.86	+ 32.65	-5.21
Development Expenditure + Net Lending	353.43	254.70	-98.73	388.84	227.02	-161.78
External Financing (Net)**	156.75	95.35	-61.40	112.80	-40.20	+153.00
Balance for Domestic Financing (Net)	89.99	-18.16	-108.15	238.14	234.57	-3.57
	1986/87*			1987/88*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	1,427.80	1,408.76	-19.04	1,578.75	1,609.54	+ 30.79
Recurrent Expenditure	1,292.35	1,390.22	+97.87	1,570.93	1,659.19	+ 88.26
Recurrent Balance	+ 135.45	+ 18.54	-116.91	+7.82	-49.65	-57.47
Development Expenditure + Net Lending	510.62	362.88	-147.74	336.46	452.56	+ 116.10
external Financing (Net)**	218.70	64.25	-154.45	277.50	330.45	+52.95
Balance for Domestic Financing (Net)	156.47	280.09	+ 123.62	51.14	171.76	+ 120.62

*Provisional
**Includes external grants

6.7. Government's efforts to improve revenue collection were fruitful, although slow in growth, and resulted in increases in revenue collection as portrayed in Table 6.4. The better performance led to gross receipts rising by 14 per cent in 1987/88, compared with increases of 16 per cent and 19 per cent in 1986/87 and 1985/86, respectively. In the last five.years gross receipts have expanded by 74 per cent. The performance of all sources of revenue were encouraging, except for export duties which suffered in the cut back in coffee and tea revenues, and business and trading licences which recorded slight declines.

CENTRAL GOVERNMENT GROSS RECEIPTS ON RECURRENT ACCOUNT* 1983/84-1987/88

Table 6.4 *K£million*

	1983/84	1984/85	1985/86	1986/87**	1987/88**
DIRECT TAXATION—					
Income Tax	251.15	300.97	358.12	385.73	447.00
Other	0.60				
Total	251.75	300.97	355.12	385.73	447.00
INDIRECT TAXATION—					
Sales Tax on Domestic Manufactures	146.50	158.00	191.00	241.75	277.10
Sales Tax on imports	107.22	115.55	112.59	155.77	200.80
Imports Duties***	183.52	163.08	211.84	259.40	269.42
Excise Duties	79.43	78.78	89.04	106.27	118.60
Export Duties	10.05	27.04	39.64	33.88	-21.20
Business and Trading Licences	3.21	3.69	5.95	6.31	5.80
Licences and Feeds Under Traffic Act	7.61	8.12	11.21	12.34	12.90
Other Licences and Duties on Production or Sale	23.06	28.73	47.19	51.96	57.34
Total	560.60	584.99	708.46	867.68	963.16
OTHER REVENUE AND INCOME—					
Compulsory Fees, Fines and Penalties	13.56	17.71	20.36	21.92	26.90
Income From Property	54.17	57.45	64.77	67.33	82.14
Current Transfers	1.88	2.59	11.36	15.32	15.39
Sales of Goods and Services	27.45	36.90	38.89	43.19	60.39
Other	14.21	18.98	10.36	7.59	14.56
Total	111.27	133.63	145.74	155.35	199.38
TOTAL	923.62	1,019.59	1,209.32	1,408.76	1,609.54
MEMORANDUM ITEM—					
Loan Repayments to Government	5.60	3.98	7.42	7.35	8.52

*This is the name of the account used to cover current receipts. It includes internal A in A both recurrent and development However, it is not possible to identify A in A separately from this table because it is distributed under various heads including sales of goods and services.
**Provisional.
***Gross collections before Export Compensation Payments.

6.8. Since 1986/87 sales tax has overtaken income tax as the major source of revenue. Provisional results for 1987/88 indicate that income tax will increase by 16 per cent while sales tax will record a growth of 20 per cent. The increase in income tax may be attributed to the introduction of withholding tax on interest and the reduction of permitted error margin from 20 per cent to 10 per cent in the provisional estimates of income from businesses during the 1987/88 budget. Growth in sales tax was due in part to higher tax rates on some gasolines, beer and soft drinks and new sales tax regulations instituted in the last budget to seal loopholes on tax remission and tax-free goods. Decline in export duty was due to the drop in prices of coffee and tea in the world market and the raising of the export duty threshhold (level at which tax starts) during the last budget. Indirect taxes continued to contribute about 60 per cent of gross receipts. The change in policy from reliance on direct taxes to indirect taxes is consistent with the Government's policy of promoting investment by controlling consumption and encouraging savings.

6.9. A summary of import duty collections for various goods is given in Table 6.5. Import duty increased by 11 per cent in 1987 compared with an increase of 33 percent in 1986 and a decline of 11 per cent in 1985. The Government has continued to allocate foreign exchange for importation of goods particularly intermediate inputs which are vital to the economy. Transport equipment, machinery, chemicals and fuels continued to be the major sources of import duty. Due to low food imports there was a 24 per cent drop in duty on food, drinks and tobacco in 1987, in contrast to a 76 per cent rise in 1986.

CENTRAL GOVERNMENT
IMPORT DUTY COLLECTIONS, 1983-1987

Table 6.5 *K£million*

END-USE CATEGORY	1983	1984	1985	1986	1987*
Food, drinks and tobacco	3.50	22.40 **	7.90	13.92	10.58
Basic materials	13.00	8.91	8.91	10.30	14.80
Fuels	21.51	22.52	18.32	26.80	30.02
Chemicals	25.31	28.80	27.10	31.81	42.20
Textiles	3.40	4.43	4.00	5.60	6.89
Semi-manufactures	8.11	10.00	12.40	14.41	16.26
Metals	17.00	21.31	23.80	25.60	28.77
Transport Equipment	18.30	21.70	22.50	37.32	44.52
Machinery	34.60	40.72	34.71	48.60	43.68
Miscellaneous commodities	6.41	7.30	7.81	7.90	8.47
TOTAL	151.14	188.09	167.45	222.26	246.19

*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

6.10. A breakdown of excise revenue receipts for some commodities is outlined in Table 6.6. Due to extra duty imposed in June, 1986 and June, 1987, receipts from beer and spirits more than doubled in 1987. Excise duty collection from cigarettes increased by 21 per cent in 1987 and was the major source of excise duty, contributing 54 per cent of total receipts. The increase was also due to the imposition of extra duty on cigarettes and tobacco in June, 1987. The increase in receipts from sugar was, in part, attributable to payment of outstanding arrears by the sugar companies. Total excise receipts had a substantial growth of 39 per cent in 1987 as compared to a growth of 8 per cent in 1986.

CENTRAL GOVERNMENT EXCISE REVENUE BY COMMODITIES, 1983-1987

Table 6.6 *K£'000*

COMMODITY	1983	1984	1985	1986	1987*
Beer and spirits	16,334	17,572	18,934	20,316	41,183
Sugar	22,576	17,373	17,205	14,748	18,178
Cigarettes	41,609	43,002	50,652	58,192	70,701
Other commodities**	39	350	714	1,326	1,162
TOTAL	80,558	78,297	87,505	94,582	131,224

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

6.11. Details of the financing of capital expenditure and net lending are provided in Table 6.7. Capital expenditure expanded from K£315 million in 1986/87 to K£423 million in 1987/88, while net lending dropped from K£48 million in 1986/87 to K£29 million in 1987/88. The reduction in lending to parastatals and improvement in capital expenditure is due to the Government's policy of allocating its constrained budgetary resources to priority projects which would contribute to an acceleration in economic growth.

CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1983/84-1987/88

Table 6.7 *K£million*

COMMODITY	1983/84	1984/85	1985/86	1986/87*	1987/88*
EXPENDITURE—					
Capital Expenditure	133.31	217.77	177.00	315.22	423.30
Net Lending	25.58	36.93	50.52	47.66	29.26
TOTAL	158.89	254.70	227.52	362.88	452.56
FINANCING—					
Surplus on Current Account	-63.67	-74.43	-45.27	-69.04	-233.81
Capital Revenue	2.71	2.70	3.77	2.94	8.20
External Loans (Net)	35.75	24.85	-95.00	1.45	61.30
External Grants	49.85	70.50	54.80	62.80	269.15
Long-Term Domestic Borrowing (Net)	10.65	6.85	36.28	146.79	176.28
SHORT TERM BORROWING—					
Cereals and Sugar Finance Corporation (Net)	37.20	-4.64	-84.37	-72.94	0.35
Treasury Bills (Net)	109.20	84.85	255.04	254.74	-9.49
Other Short-Term Borrowing (Net)	-0.80	0.52	-2.80	1.05	5.37
Change in Cash Balances (decrease = +)	-22.00	143.50	105.07	35.09	175.21
TOTAL	158.89	254.70	227.52	362.88	452.56

*Provisional

6.12. Since there is no surplus in the current account to be transferred to the capital account due to the failure of the current revenues to grow faster than the growth in current expenditure, various other sources of finance were used in the capital account. External grants contributed the major share in financing the capital account in 1987/88. Medium and long-term borrowing continued to be an important source of funds and seem to be replacing short-term Treasury bills in financing the capital account.

Analysis of Government Expenditure

6.13. Expenditures incurred by the Government on the various types of services rendered are provided in Table 6.8. Total Government expenditure is likely to expand by 65 per cent from K£1,535 million in 1984/85 to K£2,535 million in 1987/88. The major share of the budget will be taken by education, defence, agriculture and health, in that order. Expenditure on education is due to increase from K£388 million in 1986/87 to K£486 million in 1987/88. The cause of the increase is attributable mainly to the implementation of the new 8-4—4 education system and the double intake in the public universities during the academic year 1987/88. The increase in expenditure on the development account for agriculture may be attributed to the building of silos by the National Cereals and Produce Board (NCPB).

6.14. Table 6.9 provides an economic analysis of expenditure by the Government for 1984/85 to 1987/88. As earlier indicated, current expenditure increased by 24 per cent due to various factors. The hosting of the 4th All Africa Games in 1987 and the holding of general elections in March, 1988 have in part contributed to the increase. Also, a substantial sum of K£70 million included in this expenditure is an accounting adjustment for expenditures actually incurred during previous years. Expansion in capital expenditure may be attributed to the participation of the Government in various development projects, construction of workshops for the Government Commuter Buses and silos for grain storage and handling. The increase in transfers to various agencies in the last two years was mainly due to increases in grants to the Teachers Service Commission (TSC). Interest payments grew from K£196 million in 1984/85 to K£368 million in 1987/88. Subsidies had a gradual increase mainly due to an increase in export compensation, while net lending has declined as stated above. Public debt redemption has shown an upward trend in the last two years after being characterised by fluctuations.

CENTRAL GOVERNMENT
EXPENDITURE ON MAIN SERVICES, 1984/85-1987/88

Table 6.8

K£million

	1984/85			1985/86			1986/87*			1987/88*		
	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	86.35	40.98	127.33	66 78	33.72	102.50	84.74	110.31	195.05	105.93	114.13	220.06
External Affairs	15.64	1.66	17.30	22.19	0.84	23 03	26.88	0.96	27.84	28.47	1.04	29.51
Public Order and Safety	59.50	8.55	68.05	69.67	11.45	81.12	82.27	13.45	95.72	110.06	18.65	128.71
TOTAL	161.49	51.19	212.68	160.64	46 01	206.65	193.89	114.72	318.61	244.46	133.82	378.28
Defence	101.30	10.92	112.22	113.66	13.68	127.34	113.00	22.02	135.02	233.58	27.36	260.94
Education	245.35	14.46	259.81	313.85	15.84	329.69	362.79	25.45	388.24	447.46	38.72	486.17
Health	72.42	10.31	82.73	78.76	13 95	92.71	95.49	14.73	110.22	106.07	39.35	145.43
Housing and Community Welfare	3.34		3.34	2.80	13.54	16.34	6.21	11.18	17.39	4.65	13.93	18.58
Social Welfare	23.70	32.07	55.77	26.65	20.9!	47.56	26.71	52.96	79.67	39.70	48.55	88.25
ECONOMIC SERVICES—												
General Administration	9.58	60.35	69.93	15.17	20.24	35.41	12.30	12.28	24.58	19.14	73.54	92.68
Agriculture, Forestry and Fishing	97.81	43.02	140.83	69.69	78.46	148.15	132.02	96 80	228.82	82.66	123.78	206.45
Mining,Manufacturing and Construction	24 40	24.61	49.01	29.91	5.77	35.68	35.76	12.99	48.75	22.35	19.30	41.74
Electricity. Gas, Steam and Water	15.97	21.30	37.27	18.32	23.22	41.54	21.35	35.87	57.22	19.61	38.13	57.74
Road	10.91	48.29	59.20	10.56	42.75	53.31	11.45	39.18	50.63	21 86	58.63	80.49
Transport and Communications	8.23	3.56	11.79	8.74	4 78	13.52	9.32	6.50	15.82	7.85	5.25	13.09
Other Economic Services**	32.91	3.22	36.13	44.66	1.63	46.29	49.34	2.30	51.64	48.09	2.71	50.81
TOTAL ECONOMIC SERVICES	199.81	204.35	404.16	732.77	254.77	987.54	875 74	332.26	1, 208. 00	221.56	321.43	542.99
OTHER SERVICES; INCLUDING PUBLIC DEBT	219.31	184.65	403.96	453.20	8.34	461.54	494.60	-	494.60	613.94	-	613.94
TOTAL***	1.026.72	507.94	1, 534.66	1,346.61	309.12	1, 655.73	1, 564.23	456.98	2, 021.21	1,911.44	623.15	2,534.59

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

CENTRAL GOVERNMENT
ECONOMIC. ANALYSIS OF EXPENDITURE, 1984/85-1987/88

Table 6.9 *K£million*

	1984/85	1985/86	1986/87*	1987/88*
CURRENT EXPENDITURE—				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—				
Labour Costs	288.70	335.80	392.60	469.58
Other Goods and Services	318.17	354.45	384.01	590.94
TOTAL	606.87	690.25	776.61	1,060.52
SUBSIDIES**	14.78	27.35	26.87	32.08
INTEREST—				
Foreign	74.03	91.04	96.33	115.51
Domestic	121.87	175.01	197.31	252.62
TRANSFER TO—				
Households and Unincorporated Enterprises including Private Non-profit Institutions	26.36	48.74	34.63	372.52
Financial and Non-Financial Enterprises	0.36	1.03		
General Government	214.44	208.87	329.23	
Rest of the World	31.50	5.81	12.29	
Funds	1.11	2.71	1.58	
TOTAL TRANSFERS	273.77	267.16	377.73	372.52
OTHERS	—	0.01	0.01	1.87
TOTAL CURRENT EXPENDITURE	1,091.32	1,250.82	1,474.86	1,835.15
2. CAPITAL EXPENDITURE—				
Gross Fixed Capital Formation	194.70	150.50	274.15	317.23
Capital Transfers	23.07	26.50	41.07	106.07
TOTAL	217.77	177.00	315.22	423.30
3. NET LENDING—				
Purchase of Equity in Enterprises	5.37	10.48	7.87	6.86
Loans to Households, Enterprises and General Government Agencies	35.54	47.46	46.14	30.92
Less Loan Repayments to Government	-3.98	-7.42	-6.35	-8.52
TOTAL	36.93	50.52	47.66	29.26
4. PUBLIC DEBT REDEMPTION	184.65	169.94	177.11	238.35
5. TOTAI EXPENDITURE (1+2+3+4)	1,530.68	1,648.31	2,014.85	2,526.06
MEMORANDUM ITEM				
Export Compensation	12.90	27.30	25.80	32.00

*Provisional.
**Includes Export Compensation.

Public Debt

6.15. Details of both domestic and external debt (excluding interest payment) are highlighted in Table 6.10. Outstanding debt expanded by 63 per cent from K£1,839 million in June,1983 to K£2,998 million in June, 1987. Its growth has, however, been erratic; fluctuating from 20,11 and 23 per cent in 1984,1985 and 1986, respectively, to 9 per cent in 1987. The fluctuations in public debt are mainly associated with the external sources of debt.

CENTRAL GOVERNMENT
PUBLIC DEBT, 1983-1987

Table 6.10 *K£million*

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1983		660.92	660.92	1,167.72	10.00	1,177.72	1,167.72	670.92	1,838.64
1984		668.46	668.46	1,531.94	10.00	1,541.94	1,531.94	678.46	2,210.40
1985		681.00	681.00	1,542.58	10.00	1,552.58	1,542.58	691.00	2,233.58
1986		712.94	712.94	2,029.00	10.00	2,039.00	2,029.00	722.94	2,751.91
1987		706.93	706.93	2,280.65	10.00	2,290.65	2,280.65	716.93	2,997.58

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

6.16. Table 6.11 gives information on sources of public unfunded debt between 1983 and 1987. Friendly countries continued to be the major sources of funding and their share was 59 per cent of the total unfunded debt . The major lending countries in the last two years have been West Germany, Japan and USA, in that order. The World Bank institutions (IBRD and IDA) continued to dominate the multilateral lenders through lending 85 percent of the 1987 total by international organizations. There has been a significant increase in lending by the African Development Bank (ADB) and the European Economic Community (EEC). Both International Funds for Agriculture Development (IFAD) and the Commonwealth Development Corporation (CDC) have recently joined other multilateral sources in expanding lending to Kenya.

CENTRAL GOVERNMENT
SOURCES OF UNFUNDED DEBT, 1983-1987

Table 6.11 *K£million*

Outstanding as at. 30th June	1983	1984	1985	1986	1987
EXTERNAL DEBT—					
Lending Countries—					
U.S. A	56.30	101.41	122.23	137.22	139.05
West Germany	89.62	98.82	123.50	182.63	241.37
Japan	59.23	63.90	82.70	140.57	179.80
Netherlands	35.20	45.31	48.51	68.13	88.33
Denmark	12.71	17.50	21.10	31.75	43.42
Finland			1.91	2.63	3.04
Other	402.90	443.60	382.60	610.22	665.80
TOTAL	655.96	770.54	782.55	1,173.15	1,360.80
International Organizations—					
I.B.R.D	188.10	413.93	332.80	367.12	380.00
I.D.A	236.41	260.10	334.32	367.00	399.83
African Development Bank	15.40	20.01	25.00	42.84	67.18
O.P.E.C	7.40	8.01	8.40	9.08	9.07
E.E.C	22.50	21.40	22.31	29.53	42.47
I.M.F	39.61	32.10	29.20	26.77	10.54
Arab League	2.40	2.60	2.70	2.55	2.37
Badea		3.30	3.60	3.51	0.34
1.F.A.D			1.70	3.29	3.05
C.D.C				4.16	5.00
Total	511.82	761.45	760.03	855.85	919.85
TOTAL EXTERNAL	1,167.78	1,531.99	1,542.58	20.29	2,280.65
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	1,177.78	1,541.99	1,552.58	2,039.00	2,290.65

6.17. Details of holders of Public Funded Debt between 1983 and 1987 are presented in Table 6.12. Public Funded Debt declined by 1 per cent as at June, 1987, compared with an increase of 5 per cent as at June 1986. The National Social Security Fund (NSSF) and the Central Bank of Kenya were the major holders with shares of 42 per cent and 37 per cent, respectively. Borrowing from insurance companies has been on the decline since 1984, while borrowing from other companies increased by 44 per cent after a decline of 14 per cent in 1986. Other companies, mainly financial institutions, seem to be responding to the Goverment's policy of borrowing from non-inflationary sources.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER, AS AT 30th JUNE, 1983-1987

Table 6.12 *K£million*

	1984	1985	1986	1987*
PUBLIC BODIES—				
National Social Security Fund	272.81	298.33	317.35	297.08
Central Government	46.74	46.43	62.41	76.73
Local Government	0.52	0.40	0.28	0.45
Kenya Post Office Savings Bank	15.17	11.39	10.97	8.91
Former E. A.Community Institutions*	28.53	25.02	25.02	21.45
Central Bank	261.65	261.65	261.65	262.76
Other Public Sector	2.67	2.74	2.46	1.16
OTHER INTERNAL—				
Commercial Banks	12.37	8.77	9.07	9.07
Insurance Companies	11.33	9.60	9.44	8.73
Other Companies	16.57	16.57	14.19	20.49
Private Individuals	0.10	0.10	0.10	0.10
TOTAL	668.46	681.00	712.94	706.93

Source: Central Bank of Kenya.
*And other successors.

6.18. Debt servicing charges for 1983 to 1987 are provided in Tables 6.13 and 6.14. Net servicing charges grew by 10 per cent in 1987 compared with growth rates of 19 per cent in 1986 and 33 per cent in 1985. A Debt Management Division has been set-up in the Treasury to formulate a national debt management policy and reduce the cost of existing and new debt.

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES, 1983-1987

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
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		12.13	12.13	194.78	149.01	343.79
1986	237.03	191.96	428.99		19.72	19.72	237.03	172.24	409.27
1987	257.38	206.38	463.76		13.95	13.95	257.38	192.43	449.81

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1983-1987

Table 6.14

Year	Debt Service Charges on External Debt* *K£million*	Export of Goods and Services *K£million*	External Debt Service Charges as a Percentage of Export of Goods and Services
1983	130.92	996.34	13.1
1984	153.27	1,170.51	13.1
1985	194.78	1,274.84	15.3
1986**	237.03	1,516.69	15.6
1987**	257.38	1,400.44	18.4

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

Local Authorities

6.19. Table 6.15 gives a summary of total expenditures by Local Authorities from 1983 to 1987. Local Authorities' expenditures have been erratic during the period. There were sharp increases in expenditures by municipalities in 1985 and 1987 due to their undertaking capital projects. Nairobi City Commission continued to dominate other municipalities. Town, Urban and County Councils also undertook capital projects which resulted in a substantial increase in expenditures from K£14 million in 1986 to K£26 million in 1987; a significant 83 per cent increase.

EXPENDITURE ON LOCAL AUTHORITIES, 1983-1987

Table 6.15 *K£million*

YEAR	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Commission	Other Municipal Councils	Sub. Total		
1983	48.54	25.19	73.73	12.49	86.22
1984	48.26	16.98	65.24	10.34	75.58
1985	77.57	54.49	132.06	18.09	150.15
1986*	57.55	35.52	93.06	14.44	107.50
1987*	64.90	39.80	104.70	26.42	131.12

*Provisional.
**Formerly called Urban Informal sector.

6.20. Details of expenditure on main services by municipal councils are presented in Table 6.16. Despite the slight decline in expenditure on community services, 94 per cent of the total was spent on roads and sanitation improvement in 1987, compared with 82 per cent in 1986. Expenditure on social services rose by 12 per cent mainly due to a 28 per cent increase in expenditure on health in 1987. Water undertakings and housing had a share of 47 per cent and 32 per cent of expenditure on economic services, respectively.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1983-1987

Table 6.16 *K£million*

	1983	1984	1985	1986	1987*
ADMINISTRATION	10.25	10.16	18.31	14.17	16.43
COMMUNITY SERVICES:					
Roads	3.61	3.20	9.97	5.22	8.99
Sanitation	8.30	6.51	13.99	13.16	11.91
Other	1.61	1.42	1.52	3.96	1.23
Total	13.52	11.13	25.48	22.34	22.13
SOCIAL SERVICES:					
Education	12.24	10.52	10.84	6.20	6.16
Health	7.06	5.50	11.38	7.02	8.98
Other	1.16	0.31	1.26	1.38	1.24
Total	20.46	16.33	23.48	14.60	16.38
ECONOMIC SERVICES:					
General Administration	1.67	0.90	2.98	1.13	2.80
Water Undertakings	15.45	16.21	32.20	25.48	23.36
Housing Estates (including Staff Housing)	4.62	3.80	24.58	6.74	16.10
Other	7.76	6.71	5.03	8.60	7.50
Total	29.50	27.62	64.79	41.95	49.76
TOTAL EXPENDITURE	73.73	65.24	132.06	93.06	104.70

*Provisional.

Municipalities responded well in trying to improve infrastructures and to provide water and housing to the ever increasing urban population.

6.21. Table 6.17 provides details of economic analysis of expenditure by municipal councils. Current expenditure increased by 26 per cent in 1987 compared with a similar percentage decrease in 1986. Capital formation in the last three years has been substantial in a bid by municipalities to expand their facilities and services. Loan repayments, mainly to external sources, increased by 20 per cent in 1987 after a drop of 15 per cent in 1986.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1983-1987

Table 6.17 *K£million*

	1983	1984	1985	1986	1987*
CURRENT EXPENDITURE—					
Labour Cost	29.89	22.82	33.30	22.90	29.67
Other Goods and Services	19.60	17.30	27.39	22.21	26.29
Transfer to Households and Enterprises	0.67	0.54	1.07	0.62	1.45
Transfer to Funds (Current) Interest	0.39	0.27	0.48	0.33	0.83
Total	50.55	40.93	62.24	46.06	58.24
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	16.30	15.69	54.26	33.72	30.25
Loan Repayment**	6.58	8.41	15.35	13.01	15.61
Transfer to Funds (capital)	0.29	0.21	0.21	0.27	0.60
Total	23.17	24.31	69.82	47.00	46.46
TOTAL EXPENDITURE	73.73	65.24	132.06	93.06	104.70

*Provisional.
**Includes interest.

6.22. Information on revenue by municipal councils provided in Table 6.18, shows that current revenue increased by 12, 6 and 14 per cent in 1985, 1986 and 1987, respectively. This was due to good receipts from rates and sale of goods and services. During the last three years an increase in capital projects led municipalities to borrow a substantial amount to finance them. Total revenue increased by 5 per cent in 1987 after a drop of 16 per cent in 1986.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1983-1987

Table 6.18 *K£million*

	1983	1984	1985	1986	1987*
CURRENT REVENUE—					
Direct Taxes (Rates**)	21.27	18.98	23.49	20.54	24.46
Indirect Taxes (Licences and cesses)	1.88	0.98	2.86	1.93	3.04
Income from Property	1.41	0.18	0.46	0.38	3.00
Current Transfers	0.99	0.65	0.99	0.90	0.83
Sale of Goods and Services	27.18	26.10	24.92	31.94	32.02
Total	52.73	46.89	52.72	55.69	63.35
CAPITAL REVENUE—					
Loans Raised	17.79	13.22	44.49	25.72	22.03
Loan Repayment	0.05	0.08	0.03	0.07	0.06
Total	17.84	13.30	44.52	25.79	22.09
TOTAL REVENUE	70.57	60.19	97.24	81.48	85.44

*Provisional.
**Paid by households and enterprises.

6.23. Table 6.19 gives details of expenditure and revenue for town, urban and county councils. There were significant increases in capital formation in 1985 and 1987. The capital projects undertaken resulted in an increase in total expenditure from K£14 million in 1986 to K£26 million in 1987. Unlike the municipalities, indirect taxes continued to be the major source of revenue and contributed 48 per cent of the total revenue realised in 1987. Sale of goods and services netted K£3.12 million in 1987; an increase of 31 per cent, from K£2.39 million in 1986.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1983-1987

Table 6.19 *K£million*

	1983	1984	1985	1986	1987*
CURRENT EXPENDITURE—					
Labour Cost	8.25	5.06	8.85	8.38	12.75
Other Goods and Services	2.77	1.86	4.14	2.64	5.38
Transfer to households and Enterprises	0.27	0.12	0.46	0.20	0.44
Transfer to Funds (Current)	0.36	0.12	0.39	0.11	0.43
Interest					
Total	11.65	7.16	13.84	11.33	19.00
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	0.55	3.06	3.82	2.85	6.48
Loan Repayments**	0.22	0.10	0.32	0.18	0.71
Transfer to Funds (capital)	0.06	0.02	0.11	0.08	0.23
Total	0.83	3.18	4.25	3.11	7.42
TOTAL EXPENDITURE	12.49	10.34	18.09	14.44	26.42
CURRENT REVENUE—					
Direct Taxes (Rates***)	1.07	0.99	2.11	1.38	2.77
Indirect Taxes (Licences and cesses)	5.59	4.70	10.43	6.10	9.04
Income from Property	1.54	0.67	1.39	4.98	2.17
Current Transfers	0.63	0.37	0.36	0.53	0.45
Sale of Goods and Services	4.11	1.53	2.44	2.39	3.12
Total	12.94	8.26	16.73	15.38	17.55
CAPITAL REVENUE—					
Loans Raised	2.86	0.07	0.67	0.24	1.31
Loans Repayments	0.01	0.07	0.01	0.07	0.01
Total	2.87	0.14	0.68	0.31	1.32
TOTAL REVENUE	15.81	8.40	17.41	15.69	18.87

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

CHAPTER 7 - EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

Kenya's external trade sector performed poorly in 1987 compared with 1986. The deterioration in exports by 20 per cent owing mainly to a decline in prices of coffee and tea but also to a drop in quantities of other exports, on one hand; and the moderate increase in the import bill by 7 per cent, on the other, led to a record deficit in the balance of trade, which reached K£641 million compared with K£351 million in 1986. Invisible transactions performed well, despite the decline. The surplus recorded was K£179 million in 1987 compared with K£196 million recorded in 1986 . the largest contribution coming from the tourism. After taking capital flows into consideration the country recorded an overall balance of payments deficit of K£76 million in 1987, which compares with a surplus of K£73 million recorded in 1986 and a larger deficit of K£94 million registered in 1985.

7.2. The rise in the international price of oil from a low $9 per barrel, in 1986, to $18 a barrel in 1987, led to a higher energy import bill. The decline in the value of the Kenya shilling by 13 per cent in 1987 also contributed to the rise in imports bill in local currency terms. On the other hand, both the price and quantity of coffee sold declined. In the case of tea, the increase in quantity exported was counteracted by the large decline in international prices. The quantity of petroleum products exported was low, as were most of other exports. Thus, the unfavourable performance of the export sector was the major cause of the deterioration in the overall performance.

Balance of Trade

7.3. Low international prices particularly for coffee and tea, combined with declines in the volume of exports for most of the major exports led to an overall decline in the value of exports by 20 per cent in 1987 compared with 1986. Imports continued the upward trend and registered a moderate growth rate of 7 per cent in 1987 compared with the previous year. The value of exports fell to K£790 million in 1987 compared with K£987 million recorded in 1986. Declines in the value of most other commodity exports was due to lower volume which outweighed price increases leading to lower overall values. Re-exports, however, performed better by recording a 26 per cent growth. Details of the balance of trade are set out in Table 7.1.

BALANCE OF TRADE, 1983-1987

Table 7.1 *K£million*

	1983	1984	1985	1986	1987*
EXPORTS—					
Domestic Exports	633.08	754.81	785.10	957.97	753.45
Re-exports	19.10	22.09	26.33	28.88	36.45
TOTAL	652.18	776.91	811.43	986.85	789.90
IMPORTS—					
Commercial	852.56	1,050.22	1,153.98	1,276.03	1,346.33
Government	53.06	46.99	42.02	61.87	84.56
TOTAL	905.62	1,097.21	1,196.00	1,337.89	1,430.88
BALANCE OF TRADE	-253.44	-320.30	-384.57	-351.04	-640.98

*Provisional.

7.4. The sharp decline in exports and the moderate growth in imports culminated in the country recording a large balance of trade deficit of K£641 million in 1987; a new record level that surpasses the previous peak of K£443 million, recorded in 1980. This deficit which rose from K£351 million, recorded in 1986, accelerated due to continued expansion of imports at a time of poor export performance. Import licensing remained fairly liberal, since curtailing imports would most likely have hurt industrial performance and capital formation, as well as limiting the overall growth in the economy. The rise in the value of imports from K£1,338 million in 1986 to K£1,431 million in 1987, could further be

associated with the rise in international commodity prices, particularly metals and manufactured goods, and the depreciation of the Kenya shilling vis-a-vis the currencies of our major trading partners. In particular, the international price of oil also rose from a low of $9 per barrel in early 1986 to $18 per barrel in 1987 leading to a higher energy bill in the year; thus removing a respite that made 1986 a better year.

Price Changes

7.5. Price indices for both exports and imports are shown in Table 7.2. It is evident from the table that while import prices recorded a rise after a fall in 1986, and hence maintaining the rising trend observed upto 1985, export prices performance faltered once again. Declines in food and live animals by 27 per cent; beverages and tobacco, by 1 per cent; animal and vegetable oils and fats, by 13 per cent; chemicals, by 3 per cent; and machinery and transport equipment by 37 per cent surpassed increases in all other categories leading to overall decline in prices of exports by 17 per cent in 1987 compared with 1986. The substantial decline in the food and live animals category is due to lower prices of coffee and tea during 1987. Machinery and transport equipment, however, had recorded above average prices in 1986. Only moderate increases were recorded for inedible crude materials, mineral fuels and manufactured goods. Non-oil export prices fell by 21 per cent, an even higher decline than overall exports. This latter development indicates that export prices of petroleum products also recovered after the rise in international oil prices.

PRICE INDICES, 1983-1987

Table 7.2 *1982=100*

	1983	1984	1985	1986	1987
EXPORTS—					
Food and live animals	126	167	155	188	137
Beverages and tobacco	108	132	146	148	146
Crude materials, inedible	107	107	117	121	128
Mineral fuels	107	112	114	81	88
Animal and vegetable oils and fats	115	127	142	159	139
Chemicals	120	125	134	167	162
Manufactured goods	123	128	154	115	117
Machinery and transport equipment	179	223	208	322	202
Miscellaneous manufactured articles	125	170	169	174	177
All Exports	120	144	142	152	126
Non oil Exports	124	154	151	174	138
IMPORTS					
Food and live animals	111	116	102	161	126
Beverages and tobacco	104	141	190	218	262
Crude materials, inedible	111	130	169	144	145
Mineral fuels	108	112	127	77	86
Animals and vegetable oils and fats	245	216	213	159	136
Chemicals	153	156	258	227	214
Manufactured goods	137	140	175	165	184
Machinery and transport equipment	139	145	156	198	198
Miscellaneous manufactured articles	105	108	141	137	152
All imports	128	131	155	147	149
Non-oil Imports	140	143	173	187	185

7.6. The overall import price index increased from 147 in 1986 to 149 in 1987, or by slightly over 1 per cent; while non-oil import price index fell marginally by 1 per cent. The increase in import price index could mainly be associated with the 10 per cent decline in the value of the Kenya's shilling against the Special Drawing Rights (SDR) in 1987 and against most currencies of major trading partners. In fact the Kenya shilling depreciated by 13 per cent in trade weighted terms. Notable price increases were in beverages and tobacco, by 20

per cent; mineral fuels and manufactured goods, by 12 per cent; and miscellaneous manufactured articles, by 11 per cent. The increase in the price index for tobacco was due to a general increase in the prices of commodities in this category, but more particularly in cigarettes. Among the manufactured goods there were significant increases in tyre prices, glassware and hand tools; while in miscellaneous articles, prices of apparatus and equipment used in photo laboratories increased markedly. Declines were recorded in three categories of imports, namely, food and live animals, by 22 per cent; animal and vegetable oils and fats, by 14 per cent; and in chemicals, by 6 per cent. In food and live animals category, maize was not imported, while the price of baker's and household yeasts fell 5 fold. The import price index of chemicals declined due to lower prices of ethylene, tetracyclines and their derivatives and medicaments containing antibiotics.

Terms of Trade

7.7. The country's terms of trade deteriorated in 1987 after an improvement in 1986, the latter being due to lower oil prices and high coffee prices during that year. The recovery of oil prices in 1987, which stabilized at around $18 a barrel, and the large fall in international coffee and tea prices led to a decline in the terms of trade from 103 in 1986 to 85 in 1987 or by 17 per cent. Non-oil items index deteriorated even faster by recording a decline of 19 per cent, indicating that exports of petroleum products provided a slight cushion in the otherwise declining terms of trade. The terms of trade data are shown in Table 7.3.

TERMS OF TRADE, 1983-1987

Table 7.3 *1982=100*

	1983	1984	1985	1986	1987
All items	94	110	92	103	85
Non-oil Items	88	108	87	93	75

Volume changes

7.8. Table 7.4 gives details of quantum indices for exports and imports. The rise in the quantum index of overall imports that began in 1985 continued to 1987, while, the index for exports continued to fluctuate. The overall export index declined from 114 in 1986 to 110 in 1987 or by 4 per cent. This marginal decline is attributable to declines in food and live animals, beverages and tobacco, manufactured goods, mineral fuels and miscellaneous manufactured articles which were almost matched by increases in inedible crude materials, animal and vegetable oils and fats, chemicals and machinery and transport equipment. In the case of imports, however, the decline in food and live animals, and machinery and transport equipment were counteracted by increases in all other categories leading the overall index to rise of 5 per cent from 101 in 1986 to 106 in 1987.

7.9. The decline in the overall export index is attributable to a decline in the quantities of most exports. These include coffee, meat products, canned pineapples, sisal, soda ash, petroleum products, cement, butter and ghee, cotton, wool and animal feeds. The only notable increases were in raw maize, beans and peas, hides and skins and fluorspar. In the case of petroleum products the declines in the recent past, could be linked to disturbances in neighbouring countries, relatively higher refining costs at the refinery and the changes in the international market structure that have led oil exporting countries to refine part of the crude before exportation. Non-oil export quantum index registered only a slight decline of less than 2 per cent. It is significant to note that tea quantities exported rose in 1987 compared with 1986, hence the slight decline in food and live animals index.

7.10. As has already been noted, the import volume index rose in 1987. The increase of nearly 5 per cent is relatively significant in a year that was not very satisfactory in terms of overall economic performance. The growth rate of between 5 and 6 per cent in industrial supplies is considered adequate for supporting an average GDP growth rate of around 5 per cent and hence the Government has tried to maintain growth of imports at this level. Most of the imports during the year provided for industrial inputs. The slight decline in

QUANTUM-INDICES, 1983-1987

Table 7.4 *1982=100*

	1983	1984	1985	1986	1987
EXPORTS—					
Food and live animals	105	102	114	126	125
Beverages and tobacco	155	105	231	340	235
Crude materials, inedible	101	110	116	119	121
Mineral fuels	85	84	69	89	78
Animal and vegetable oils and fats	156	460	201	82	116
Chemicals	92	94	106	95	99
Manufactured goods	83	78	77	99	98
Machinery and transport equipment	51	38	44	38	84
Miscellaneous manufactured articles	76	82	104	144	107
All Exports	96	95	99	114	110
Non oil Exports	100	98	108	121	119
IMPORTS—					
Food and live animals	85	206	158	115	113
Beverages and tobacco	72	46	53	45	54
Crude materials, inedible	138	134	107	129	158
Mineral fuels	92	90	91	94	100
Animals and vegetable oils and fats	72	63	86	112	117
Chemicals	85	87	74	100	122
Manufactured goods	72	91	82	97	105
Machinery and transport equipment	60	84	77	104	102
Miscellaneous manufactured articles	73	103	83	105	107
All imports	79	93	86	101	106
Non-oil Imports	72	94	83	103	109

machinery and transport equipment may be a reflection of the existing stocks in the manufacturing sector, which had increased during 1987. The recovery in beverage and tobacco imports to 1985 level shows rising demand including replenishing inventories, but it remains low because of the on-going import substitution in this area. Overall, non-oil import index rose from 103 in 1986 to 109 in 1987 or by 6 per cent.

Composition of Exports

7.11. Given the decline in the value of exports in 1987, major export categories by broad economic terms also followed a similar trend. The food and beverages category fell to the lowest level since 1983, recording a diminished share of 60 per cent during the year, compared with shares of 68 and 63 per cent recorded in 1986 and 1985, respectively. Industrial supplies (non-food) continued the upward trend that began in 1977. In 1987, the growth in this category was attributed to exports of primary non-food industrial supplies such as hides and skins, which increased to K£86 million from K£78 million in 1986. The result was an increase in the share of this category to 20 per cent from 15 per cent in 1986. Fuel and lubricants, whose earnings had dropped by 16 per cent in 1986, declined only slightly. This was due to better prices of petroleum products which, unfortunately, were counteracted by the marked decline in the quantities exported. The share, however, slightly improved to 13 per cent in 1987 compared with 11 per cent in 1986. Machinery and other capital equipment remained at almost the same level as in 1986, while transport equipment improved, as consumer goods (not specified elsewhere) declined only slightly. Details of the values of exports by broad economic category are shown in Table 7.5.

Quantities of Principal Exports

7.12. The decline in the volume of exports that was observed in Table 7.4 is clearly reflected in Table 7.6. Only five of the principal exports registered growth in the quantities sold during 1987. These were tea, raw maize, hides and skins and beans and peas. The

other commodities recorded lower export quantities; the notable ones being coffee by 21 per cent; petroleum products, by 18 per cent; meat and meat products, by 89 per cent; cement, by 29 per cent; animal feeds, by 43 per cent; raw cotton, by 89 per cent; and butter and ghee, by 26 per cent. Coffee exports declined due to lower international prices, following Brazil's return to the coffee market after the 1985 drought. The decline in meat and meat products was the result of the poor performance during the re-organisation of the Kenya Meat Commission (KMC) and the collapse of the Uplands Bacon Factory; the two main exporters of the products. On the other hand the increases in hides and skins were attributable to more animals being delivered for slaughter to private abattoirs. Tea performed well following increased production. The decline in cement exports which began in 1982 continued, while fluorspar recovered slightly during 1987.

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1983-1987

Table 7.5 *K£million*

	1983	1984	1985	1986	1987**
1. Food and Beverages	358.53	467.06	492.71	646.77	451.85
Primary	319.51	420.70	446.17	598.61	402.81
For Industry	166.23	208.58	233.25	391.88	196.97
For Household Consumption	153.28	212.12	212.92	206.73	205.84
Processed	39.02	46.37	46.54	48.16	49.04
For Industry	5.02	3.79	1.66	2.11	3.03
For Household Consumption	34.00	42.58	44.88	46.05	46.01
2. Industrial Supplies (Non-Food)	110.31	113.21	128.14	146.71	147.20
Primary	60.22	58.68	64.05	78.01	85.04
Processed	50.09	54.53	64.08	68.70	62.16
3. Fuel and Lubricants	134.37	142.19	126.51	106.85	101.20
Primary	0.02	0.01	0.01	0.02	0.03
Processed	134.36	142.18	126.50	106.82	101.18
Motor Spirit	27.78	31.91	27.05	24.39	24.56
Other	106.58	110.26	99.45	82.43	76.62
4. Machinery and Other Capital Equipment	2.60	2.16	2.63	4.17	4.06
Machinery and Other Capital Equipment	2.15	1.85	2.16	3.16	3.36
Parts and Accessories	0.45	0.30	0.48	1.01	0.70
5. Transport Equipment	1.03	1.24	1.57	3.23	4.14
Passenger Motor Vehicles	—	—	—	0.27	0.38
Other	0.29	0.14	0.37	0.72	0.89
Industrial	0.26	0.14	0.34	0.68	0.78
Non-Industrial	0.03	—	0.03	0.04	0.11
Parts and Accessories	0.74	1.10	1.19	2.24	2.87
6. Consumer Goods not elsewhere specified	26.09	28.42	33.37	49.95	44.72
Durable	0.47	0.53	0.64	5.13	1.30
Semi-Durable	4.95	7.11	10.37	12.40	9.13
Non-Durable	20.67	20.78	22.36	32.42	34.29
7. Goods not elsewhere specified	0.15	0.54	0.17	0.29	0.28
TOTAL	633.08	754.81	785.10	957.97	753.45
PERCENTAGE SHARES:					
1. Food and Beverages	56.7	61.9	62.8	67.5	60.0
2. Industrial Supplies (Non-Food)	17.4	15.0	16.3	15.3	19.5
3. Fuel and Lubricants	21.2	18.8	16.1	11.2	13.4
4. Machinery and other Capital Equipment	0.4	0.3	0.3	0.5	0.6
5. Transport Equipment	0.2	0.1	0.2	0.3	0.6
6. Consumer Goods not elsewhere specified	4.1	3.8	4.3	5.2	5.9
7. Goods not elsewhere specified	—	0.1	—	—	
TOTAL	100.0	100.0	100.0	100.0	100.0

*Excluding Re-exports.
**Provisional.

QUANTITIES OF PRINCIPAL EXPORTS, 1983-1987

Table 7.6

COMMODITY	unit	1983	1984	1985	1986	1987*
Coffee	Tonnes	90,457	96,914	104,679	126,498	99,977
Tea		99,938	91,198	126,303	116,456	134,627
Petroleum Products	Mn. Lt	765	795	731	834	684
Pyrethrum Products	Tonnes	1,147	843	742	850	459
Meat products		2,367	4,294	3,669	763	87
Sisal		38,942	39,120	40,024	31,696	27,913
Hides and Skins		9,158	9,055	10,451	13,965	16,052
Soda Ash		125,487	222,880	205,766	229,260	196,684
Flourspar		48,899	52,180	60,726	41,133	45,681
Cement		736,318	602,933	485,839	495,623	353,249
Maize (raw)		122,514	47,434	17,683	227,951	247,688
Canned pineapples		47,752	50,216	44,484	44,645	42,977
Butter and ghee		1,179	438	275	423	315
Beans and peas		91,657	14,626	1,576	21,266	47,943
Cotton (raw)		726	131	1,733	499	56
Wool		1,182	1,701	689	1,109	1,024
Animal feeds		30,818	16,676	9,731	16,966	9,723

*Provisional.

Export Prices

7.13. Most of the exports recorded higher prices in 1987 compared with 1986, with the exception of the two leading agricultural crops, coffee and tea. As shown on Table 7.7 the price of coffee declined to it's lowest level of Kshs 39 per Kg within the last four years. This represents a 36 per cent decline from the good price of KSh.61 per kilogramme recorded in 1986. Weak international tea prices also led to a decline in the tea's export price to it's lowest level since 1982 - recording KSh.24 per Kg in 1987 compared with KSh.29 and Ksh.30 per Kg registered in 1986 and 1985, respectively. Commodities which recorded higher prices included petroleum products, meat and meat products, sisal, hides and skins, pyrethrum extract, soda ash, cement, wool, pineapples, butter and ghee, wood carvings, scrap metal and more remarkably wattle bark - due to continued high demand in West Germany. Kenya benefitted from the general rise in commodity prices that were witnessed worldwide, except for the poor prices of beverages which are the country's key exports. The fact that the Kenya shilling also deteriorated in value in 1987 relative to currencies of trading partners also meant that the country was getting more in local currency terms from her exports.

EXPORT PRICES, 1983-1987

Table 7.7 KSh./Unit

COMMODITY	Unit of Quantity	1983	1984	1985	1986	1987*
Coffee, unroasted	Kg.	35.40	42.03	44.07	61.43	38.93
Tea	Kg.	24.70	41.55	30.35	29.67	24.27
Petroleum Products	1,000 Lt.	3,236.65	3,311.44	3 ,187.15	2 ,373.97	2 ,784.78
Maize (raw)	100 Kg.	198.48	249.91	140.32	128.65	157.12
Meat and meat products	Kg.	33.78	34.51	37.37	41.66	49.68
Pyrethrum Extract	Kg.	808.55	776.01	907.34	895.29	996.60
Sisal	100 Kg.	621.22	643.09	721.01	690.51	708.19
Hides and Skins (undressed)	Kg.	13.83	15.73	19.11	18.06	21.02
Wattle extract	Kg.	9.30	10.60	12.21	14.54	11.32
Soda Ash	100 Kg.	115.91	93.82	132.55	123.56	138.54
Flourspar	100 Kg.	126.92	128.84	133.93	117.36	105.55
Cement	100 Kg.	59.08	58.12	63.49	54.00	55.88
Beans, Peas, etc.	Kg.	3.02	3.36	7.98	6.34	5.59
Wool	Kg.	15.94	16.49	21.42	22.25	28.73
Animal feeds	100 Kg.	134.18	157.85	122.77	129.07	132.40
Cotton (raw)	Kg.	23.78	22.65	22.80	21.97	17.86
Pineapples (canned)	Kg.	8.75	10.33	10.97	10.84	11.99
Butter and ghee	Kg.	25.22	29.59	33.35	29.61	32.89
Wattle bark	100 Kg.	202.97	183.84	169.93	275.70	980.74

*Provisional.

7.14. The analysis of changes by value, quantity and price shown in Table 7.8, it is evident that it is more the decline in quantities of exports than the fall in prices that led to the fall in overall value of Kenya's exports in 1987. Coffee, for which the reinstatement of quotas came too late in the year to have any impact on its price, experienced both lower prices and less sales. This was also the case for raw cotton, whose value declined by 91 per cent; a reflection of the low production attributable to the farmers' complaints about poor and untimely payments. Only tea, wattle extract, fluorspar, and beans and peas, recorded increases in quantity but poor prices. Products that enjoyed higher prices but had lower sales included petroleum products, meat and meat products, pyrethrum extracts, sisal, soda ash, cement, wool, animal feeds, canned pineapples, butter and ghee and wood carvings. Of these products only beans and peas, etc, and wattle extract recorded higher value, an indication that lower quantities countered the rise in prices. A few commodities. hides and skins, scrap metal, and wattle bark . recorded increases in both quantity and price, and hence registered a higher value. Wattle bark continued the recovery that began in 1986, recording an impressive threefold price increase to KSh.981 per 100 Kg, and over four-fold increase in quantity exported.

EXPORT CHANCE IN VALUE, QUANTITY AND PRICE* 1986-1987

Table 7.8

COMMODITY	VALUE *K£*'000			PERCENTAGE CHANGE IN		
	1986	1987**	Changes	Value	Quantity	Price
Coffee, unroasted	3 88,486.5	1 94,569.2	-193,917.3	-49.9	-21.0	-36.6
Tea	1 72,789.4	1 63,365.6	-9423.8	-5.5	15.6	-18.2
Petroleum products	99,024.3	95,264.6	-3759.7	-3.8	-18.0	17.3
Meat and meat products	1,588.7	216.4	-1372.3	-86.4	-88.6	19.3
Pyrethrum extract	11,497.1	9,622.7	-1874.4	-16.3	-24.8	11.3
Sisal	10,943.1	9,884.0	-1059.1	-9.7	-11.9	2.6
Hides and skins (undressed)	12,611.4	16,874.5	4263.1	33.8	14.9	16.4
Wattle extract	4,547.6	5,246.8	699.2	15.4	48.1	-22.1
Soda ash	14,163.5	13,623.9	-539.6	-3.8	-14.2	12.1
Fluorspar	2,413.6	2,410.9	.2.7	-0.1	11.1	-10.1
Cement	13.381.4	9,870.5	-3510.9	-26.2	-28.7	3.5
Beans, peas. etc.	6,744.3	13,410.0	6,665.7	98.8	125.4	-11.8
Wool	1,234.3	1,471.6	237.3	19.2	-7.7	29.1
Animal feeds	1,094.9	643.7	-451.2	-41.2	-42.7	2.6
Cotton (raw)	548.2	49.9	-498.3	-90.9	-88.8	-18.7
Pineapples (canned)	24,203.9	25,767.9	1,564.0	6.5	-3.7	10.6
Butter and ghee	626.8	517.6	-109.2	-17.4	-25.7	11.1
Wood carvings	1,160.1	1,236.7	76.6	6.6	-0.9	7.6
Metal scrap	1,464.6	1,659.1	194.5	13.3	10.4	2.7
Wattle hark	11.9	238.3	226.4	1902.5	465.1	255.7
All other items	1 89,434.7	1 87,506.3	-1,928.4	-1.0		
TOTAL	9 57,970.3	7 53,450.2	-204,520.1	-21.3		

*Excluding Re-exports.
**Provisional.

Composition of Imports

7.15. Analysis of imports by broad economic category set out in Table 7.9 shows that only two categories of imports . Food and beverages and transport equipment-registered declines in value in 1987. It is encouraging to note that non-food industrial supplies, machinery and other capital equipment expanded much faster since most of these go into increasing the country's capital formation as well as into servicing the existing capacity. The decline in imports of foods and beverages category may be an indication of the on-going import substitution, as well as the increased stocks during 1987. In the case of transport equipment, the imports still remain high even after the value of the two Airbuses imported in 1986 are netted out. In 1987, the percentage shares of non-food industrial materials rose to 33 per cent; fuels and lubricants to 20 per cent; machinery and capital equipment to 22 per cent; and consumer goods (not specified) to 5 per cent. Those which declined include food and beverages to 7 per cent, and transport equipment to 13 per cent.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1983-1987

Table 7.9 *K£million*

	1983	1984	1985	1986	1987*
1. Food and Beverages	82.78	127.58	109.00	116.21	98.10
Primary	19.05	83.41	50.74	37.01	35.34
For Industry	13.36	77.06	34.49	21.50	21.63
For Household Consumption	5.70	6.35	16.25	15.51	13.71
Processed	63.73	44.18	58.26	79.20	62.76
For Industry	52.08	37.89	45.13	42.02	40.68
For Household Consumption	11.65	6.29	13.13	37.18	22.07
2. Industrial Supplies (Non-Food)	250.64	289.14	353.33	407.97	468.97
Primary	13.25	15.30	13.59	14.70	16.51
Processed	237.39	273.84	339.73	393.27	452.46
3. Fuel and Lubricants	-331.70	332.43	376.19	238.55	282.42
Primary	277.76	295.78	347.96	210.48	248.27
Processed	53.94	36.65	28.23	28.07	34.15
Motor Spirit	11.39	4.05	4.69	5.81	3.15
Other	42.55	32.59	23.55	22.27	31.00
4. Machinery and Other Capital Equipment	140.35	184.89	180.19	254.46	319.67
Machinery and Other Capital Equipment	100.86	129.14	124.44	181.00	214.76
Parts and Accessories	39.49	55.75	55.76	73.46	104.91
5. Transport Equipment	63.14	113.46	122.16	259.61	190.72
Passenger Motor Vehicles	9.11	13.21	19.35	28.94	34.61
Other	27.86	59.52	56.60	164.84	90.84
Industrial	27.37	58.40	55.39	162.50	87.98
Non-Industrial	0.49	1.13	1.21	2.35	2.86
Parts and Accessories	26.16	40.73	46.20	65.83	65.27
6. Consumer Goods not elsewhere specified	36.67	47.40	53.96	59.79	70.60
Durable	6.64	9.90	10.60	10.03	12.22
Semi-Durable	4.69	8.77	10.61	9.44	11.76
Non-Durable	25.34	28.74	32.76	40.32	46.63
7. Goods not elsewhere specified	0.35	2.30	1.18	1.30	0.41
TOTAL	905.62	1 ,097.21	1 ,196.00	1 ,337.89	1 ,430.88
PERCENTAGE SHARES:					
1. Food and Beverages	9.1	11.6	9.1	8.7	6.9
2. Industrial Supplies (Non-Food)	27.7	26.4	29.5	30.5	32.8
3. Fuel and Lubricants	36.6	30.3	31.5	17.8	19.7
4. Machinery and other Capital Equipment	15.5	16.9	15.1	19.0	22.4
5. Transport Equipment	7.0	10.3	10.2	19.4	13.3
6. Consumer Goods not elsewhere specified	4.1	4.3	4.5	4.5	4.9
7. Goods not elsewhere specified	—	0.2	0.1	0.1	—
TOTAL	100.0	100.0	100.0	100.0	100.0

*Provisional.

7.16. Table 7.10 indicates values of some selected imports. All categories of imports increased in 1987 - with the exception of fertilizers and rice - in line with the general trend of overall growth in the value of imports. Crude petroleum recorded a higher value following the recovery of oil prices from the low of US$9 a barrel or on average US$14.6 a barrel in early 1986 to $18 a barrel in 1987. The value recorded of K£245 million, is lower than for any other year, except 1986, when K£208 million was imported. Industrial machinery grew by 18 per cent as a result of an increase in both quantity and prices; reflecting the emphasis the Government continues to place on industrial growth. Further assistance to the local manufacturing sector is indicated in the growth of iron and steel, by 31 per cent; motor vehicle and chassis, by 22 per cent; artificial resins and plastic materials, and cellulose esters and ethers, by 36 per cent; agricultural machinery and tractors, by 36

per cent; and paper and paper products, by 4 per cent. The rise in motor vehicle and chassis imports is due to recent licensing, by the Government, of firms to assemble saloon cars locally. Imports of refined petroleum products could have been done to take advantage of the existing low prices of white petroleum products charged by oil producers, in a bid to increase sales of petroleum. The fall in the imports of fertilizers was due to existence of carry-over stocks in 1987.

SELECTED IMPORTS, 1983-1987

Table 7.10 *K£million*

	1983	1984	1985	1986	1987*
Crude Petroleum	275.24	292.42	344.12	207.83	245.06
Industrial Machinery (including Electrical)	137.22	173.58	164.64	236.68	277.78
Iron and Steel	48.39	62.98	64.77	64.44	84.49
Motor Vehicle and Chassis	32.29	55.08	63.78	88.01	107.77
Petroleum Products refined	53.66	35.74	27.88	27.89	33.78
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	21.81	33.01	37.41	41.42	56.36
Pharmaceauticals	19.62	19.96	23.31	32.67	38.22
Fertilizers	25.09	13.89	52.03	50.01	38.96
Agricultural Machinery and Tractors	6.15	11.04	13.80	19.66	26.70
Wheat	9.29	20.81	19.07	12.06	17.51
Paper and Paper Products	11.76	9.36	15.73	20.93	21.84
Rice	10.04	0.05	0.10	12.31	5.33

*Provisional.

Direction of Trade

7.17. All destinations of Kenya's exports by region with the exception of Africa recorded lower intake during 1987 compared with 1986. As Table 7.11 indicates, the European Economic Community (EEC) region remained the most important region by registering an intake of K£335 million in 1987, although there was a decline of 24 per cent, compared with the record K£440 million registered in 1986. The overall decline of export sales to the region was spread across all countries, except France and those classified as "Other" which recorded slight increases. The continued expansion of exports to the "Other" group of countries, that was also evident in 1986, should be most welcome as it may be a pointer to a potential in increased sales of exports to non-traditional markets. Export sales to the two most important trading partners within the region, United Kingdom and West Germany/ declined by 7 per cent and 44 per cent, respectively. Italy and Netherlands recorded declines of 17 and 38 per cent, respectively.

7.18. Other Western Europe recorded the lowest intake of exports since 1983. Their combined intake was worth K£25 million in 1987, which was 50 per cent less than the total recorded in 1986. Exports to Eastern Europe declined, for the second year in a row, by 17 per cent. This is not surprising since in absolute terms, the trade with the region remains generally small.

7.19.Trade with the major North American countries - USA and Canada - that had been picking up in the years to 1986-slipped. Exports to the USA fell by 50 percent, while sales to Canada declined by nearly 30 per cent to only K£6 million. Movement in imports value show an opposite trend.

7.20. Africa, the second most important destination of Kenya's exports, recorded an increase of 4 per cent with the purchase of exports worth K£220 million in 1987 compared with K£211 million recorded in 1986. This growth was attributable to increased export sales to Zambia and countries classified as "Other". Exports to Uganda and Tanzania which had maintained an upward trend during the last two years fell by 4 and 28 per cent, respectively.

7.21. Exports to all destinations within the Middle East, except Iran, also shown in Table 7.11, declined during 1987 after a strong performance in 1986. Exports to United

Arab Emirates fell to 1984-1985 levels, while those to Saudi Arabia declined from K£23 million in 1987 to K£15 million in 1986. Overall export sales to the region declined by 29 per cent.

DESTINATION OF TOTAL EXPORTS*, 1983-1987

Table 7.11 *K£million*

	1983	1984	1985	1986	1987**
E.E.C—					
United kingdom	96.25	142.27	135.56	143.06	133.16
West Germany	82.01	98.05	93.46	136.48	76.20
Italy	14.76	21.28	17.78	20.46	17.01
France	11.35	11.18	27.20	14.13	15.47
Netherlands	32.57	52.58	52.75	91.84	56.88
Other	17.90	22.94	19.46	34.49	36.05
TOTAL	254.84	348.30	346.21	440.46	334.77
Other Western Europe, Total	24.94	33.69	35.49	50.54	25.17
Eastern Europe, Total .	5.48	6.78	13.74	10.66	8.87
U.S.A	39.10	38.82	54.05	85.79	42.61
CANADA	5.13	5.91	5.42	9.20	6.27
AFRICA					
Tanzania	6.29	9.73	19.18	27.26	19.55
Uganda	71.48	67.58	70.07	72.62	69.69
Zambia	1.64	0.86	1.66	1.37	2.09
Other	116.31	124.63	116.03	110.14	128.40
TOTAL	195.72	202.80	206.94	211.39	219.73
MIDDLE EAST					
Saudi Arabia	2.42	3.79	9.17	22.95	14.62
United Arab Emirates	1.86	2.28	2.20	4.28	2.20
Iran	0.30		0.11	0.42	2.91
Other	15.19	19.06	14.91	14.65	10.45
TOTAL	19.77	25.13	26.39	42.30	30.18
FAR EAST AND AUSTRALIA—					
Australia	1.74	2.72	2.42	3.09	3.52
Japan	4.63	6.13	6.23	8.56	7.03
India	4.70	3.08	5.12	5.89	4.28
China (Mainland)	1.88	3.29	2.38	3.97	2.75
Other	52.30	64.86	68.45	76.69	62.25
TOTAL	65.25	80.08	84.60	98.20	79.83
ALL OTHER COUNTRIES	5.56	3.62	0.96	0.85	0.16
Aircraft and Ships Stores	36.39	31.77	37.64	37.46	42.32
ALL EXPORTS	652.18	776.91	811.43	986.85	789.90

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

7.22. The upward trend in export growth to the Far East and Australia that began in 1982 faltered in 1987, when an overall decline in sales to K£80 million compared with K£98 million in 1986. Exports to all destinations within the region fell with only Australia recording a slight improvement. The value of exports to the region remained low with countries categorized as "Other" recording the highest decline of 19 per cent. The sale of exports to all other countries, not included within the main regions, remained insignificantly low; while exports that were taken up by aircraft and ships stores rose to K£42 million after remaining at about K£37 million in 1986 and 1985.

7.23. Details of Kenya's source of imports are shown in Table 7.12. Unlike exports the intake of import supplies from most of the regions increased, with the notable exception of the EEC region. There were significant increases in supplies from the two major North American countries, Africa, Middle East and the Far East and Australia. USA and African supplies continued the upward growth that began in 1983. while those from the Middle East started to recover after the poor performance in 1986, which was associated with the low oil prices.

ORIGIN OF TOTAL IMPORTS, 1983-1987

Table 7.12 *K£million*

	1983	1984	1985	1986	1987*
EEC—					
United kingdom	121.56	152.34	164.26	208.94	244.12
West Germany	70.32	98.06	95.68	146.07	118.29
France	38.63	56.00	42.04	153.71	98.09
Italy	15.68	34.10	33.29	48.84	48.40
Netherlands	27.69	29.31	32.56	34.35	41.76
Other	17.19	28.77	41.34	55.85	71.08
TOTAL	291.07	398.58	409.17	647.76	621.74
Other Western Europe, Total	55.20	39.69	64.40	58.45	73.23
Eastern Europe, Total	4.05	5.83	8.21	18.77	10.72
U.S.A	56.64	51.05	66.19	65.29	101.11
CANADA	7.56	9.12	11.21	6.58	10.87
AFRICA—					
Tanzania	1.02	3.02	1.71	2.21	3.44
Uganda	0.86	1.15	2.58	2.16	0.91
Zambia	1.04	1.84	1.71	2.79	3.14
Other	19.31	15.95	22.06	29.71	35.74
TOTAL	22.23	21.96	28.06	36.87	43.23
MIDDLE EAST—					
United Arab Emirates	119.80	123.62	223.47	127.26	228.88
Saudi Arabia	68.68	85.09	49.47	38.95	16.48
Iran	50.53	60.83	48.50	19.84	
Other	45.06	39.05	41.76	41.98	34.43
TOTAL	284.07	308.59	363.20	228.03	279.79
FAR EAST AND AUSTRALIA—					
Japan	85.84	111.76	120.01	146.28	155.66
Australia	6.72	13.25	13.52	6.07	6.69
India	6.67	11.96	15.42	18.23	18.72
China (Mainland)	3.08	8.52	10.88	12.65	14.15
Other	76.05	113.06	81.27	83.49	85.13
TOTAL	178.36	258.55	241.10	266.72	280.35
ALL OTHER COUNTRIES	6.45	3.83	5.47	9.42	9.84
Parcel Post and Special Transactions		0.01			
TOTAL	905.62	1,097.21	1,196.00	1,337.89	1,430.88

*Provisional.

7.24. The overall distribution of imports by country of origin remained stable in 1987, with EEC region supplying the bulk of Kenya's imports, despite the fall by 4 per cent from K£648 million in 1986 to K£622 million in 1987. The slight drop could be attributed to supplies from West Germany and France, which fell by 19 and 36 per cent, respectively. Increases in both countries were above average in 1986, and the 1987 import figures more

or less fits with the past trend. Imports from France for example, fell sharply only since the 1986 high import figures were due to the importation of the two Airbuses. Supplies from United Kingdom, Netherlands and other countries within this region grew by 17, 22 and 27 per cent respectively during 1987.

7.25. Total import supplies from other Western Europe rose remarkably, while those from Eastern Europe declined after much improvement in 1986. The value of imports from the two leading North American countries also rose, with supplies from USA increasing by 55 per cent.

7 26 The value of imports from Africa and the Middle East, as has been noted, rose in 1987. Within Africa, supplies from all the countries, indicated in Table 7.12, increased except Uganda which recorded a decline. In the case of the Middle East, the United Arab Emirates (UAE) recorded the most substantial growth, while there were declines in supplies from Saudi Arabia, Iran and from all other countries within this region. UAE remains the single most important supplier of crude oil, and hence the value of imports from there rose from K£127 million in 1986 to K£229 million in 1987 or by 80 per cent owing to the recovery of oil prices and increased quantities imported.

7.27. Trade with the Preferential Trade Area (PTA) and other African countries continued to flourish, despite the overall poor export performance in 1987. As Table 7.13 indicates exports to PTA countries declined by slighly less than 2 per cent compared with the overall exports fall of 20 per cent. This was because nearly 95 per cent in the decline in the value of exports was due to the fall in earnings from coffee, which is not sold to PTA countries. Imports from the region increased slightly, by 3 per cent; while exports from Uganda, Tanzania. Rwanda, Mauritius, Comoros and Djibouti declined. Gains were, however made in Zambia, Ethiopia, Burundi, Somalia, Malawi, Swaziland, Zimbabwe and Lesotho. The most notable was Zimbabwe, whose intake more than doubled. In the case of other African countries outside the PTA region, notable increases in exports were registered in respect of Mozambique, more than four-fold; Egypt, by 37 per cent; and "All Other Countries", by 30 per cent. The increase in the level of exports outside the PTA led to overall growth in exports within the African region, while the share of exports to the region stood at 29 per cent compared with 1986. As already observed, imports from the PTA region and African Countries outside the region also increased in 1987, thus leading to an increase in value of imports from the continent. Overall,the value of goods from the African continent was 3 per cent of all imports value, with Tanzania, Zambia, Burundi, Zimbabwe, Mozambique, Madagascar and Seychelles, all PTA members, increasing their import supplies to Kenya.

7.28. Import supplies from the Far East and Australia grew in value by 5 per cent while imports from Japan reached a peak of K£156 million in 1987; an increase of 6.8 per cent over 1986.

Balance of Payments

7.29. As shown in Table 7.14, Kenya suffered an overall balance of payments deficit of K£76 million in 1987 compared to a surplus of K£73 million in 1986 and a larger deficit of K£94 million in 1985. The downturn in the balance of payments position was caused, as has been stated earlier, by a sharp fall in the world market prices of coffee and tea, a decline in the volume of coffee exports and of some other export commodities and a rise in the price of crude petroleum. These factors led to a fall in export earnings and a growth in the import bill The foreign reserves of the Monetary Authorities were hence reduced by K£125 million in 1987.

7.30. The invisible transactions performance declined by recording an overall net surplus of K£179 in 1987 compared with K£196 million in 1986. Tourism made the largest contribution to the surplus.

TRADE WITH AFRICAN COUNTRIES, 1983-1987

Table 7.13 K£000

COUNTRY	EXPORTS					IMPORTS				
	1983	1984	1985	1986	1987*	1983	1984	1985	1986	1987*
PREFERENTIAL TRADE AREA**—										
Uganda	71,476	67,583	70,073	72,625	69,687	855	1,149	2,585	2,155	910
Tanzania	6,285	9,727	19,176	27,257	19,554	1,015	3,019	1,713	2,212	3,438
Zambia	1,641	862	1.658	1,366	2,091	1,040	1,836	1,712	2,788	3,143
Ethiopia	2,982	2,858	3,780	6,865	8,886	4.424	3,755	3,030	5,945	2,700
Burundi	14,699	14,927	8,832	8,897	11,769	331	775	1,613	2,640	2,875
	2,734	2,981	5,526	6,826	7,831	40	36	71	235	38
Rwanda	24,758	26,644	25,291	25,239	23,793	3,391	2,253	6,711	8,164	7,997
Malawi	510	472	1,368	463	473	129	92	61	94	68
Mauritius	2,687	3,674	2,953	2,541	2,184	49	111	358	216	334
Swaziland	1,056	808	875	1,146	1,715	2,738	3,703	4,121	2,300	2,203
Zimbabwe	799	255	750	2,455	5,783	251	418	2,624	7,475	11,040
Comoros	831	1,920	965	1,194	899		1	—	—	—
Djibouti	2,506	1,974	3,988	2,527	1,490	10	3	5	1	490
Lesotho	165	9	29	381	937	—	—	—	2	—
TOTAL P.T.A	133,129	134,694	145,264	159,782	157,092	14,274	17,150	24,604	34,227	35,236
OTHER AFRICAN COUNTRIES—										
Sudan	24,602	20,999	30,063	21,450	22,229	17	2,397	12	77	332
Zaire	6,963	7,712	6,808	11,389	11,575	1,214	1,413	2,543	1,337	963
Mozambique	6,363	4,253	1,156	1,997	10,424	—	155	14	701	2,327
Egypt	9,494	18,900	13,016	5,021	6,835	6,687	3	92	36	202
Algeria and Libya	560	1,061	330	385	228	—	2		1	2
Ghana and Nigeria	2,793	110	374	1,417	1,066	22	56	293	1	41
Reunion	5,122	3,871	2.867	3,000	3,093	—	—	—	4	—
Madagascar and Seychelles	3,327	3,114	4,000	2,310	1,154	1	101	5	25	1,928
All Other African Countries	3,372	8,086	3,059	4,644	6,011	17	682	493	463	2.199
Total	62,596	68,10	61,67	51,61	62,63	7,95	4,80	3,452	2,64	7,994
TOTAL	195,725	202,800	206,937	211,395	219,727	22,232	21,959	28,056	36,872	43,230
Percentage of all Exports/Imports	30.1	26.1	25.5	21.4	27.8	2.5	2.0	2.3	2.8	3.0

*Provisional.

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

KENYA BALANCE OF PAYMENTS, 1985-1987

Table 7.14 *K£million*

ITEM	1985+			1986*			1987*		
	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.)	1,045.61	774.95	Dr. 270.66	1,181.72	949.41	Dr. 232.31	1,334.95	747.58	Dr. 587.37
2. Shipment	169.50	33.91	Dr. 135.59	189.39	29.99	Dr. 159.40	213.72	31.39	Dr. 182.33
3. Other Transportation	33.20	125.05	91.85	39.53	131.78	92.25	37.81	151.87	114.06
4. Travel	12.40	204.35	191.95	17.39	246.50	229.11	20.02	292.07	272.05
5. International Investment Income	204.20	35.45	Dr. 168.76	223.30	29.81	Dr. 193.49	262.80	30.55	Dr. 232.25
6. Other goods, services and income—Govt	42.45	124.25	81.80	54.05	146.41	92.36	88.28	159.86	71.58
7. Other goods, services and income—Private	39.90	12.50	Dr. 27.40	45.05	12.78	Dr. 32.27	58.78	17.87	Dr. 40.91
8. Unrequited transfers-Government	3.20	93.65	90.45	3.25	123.91	120.66	3.70	121.00	117.30
9. Unrequited transfers-Private	20.55	87.50	66.95	25.09	72.28	47.19	31.39	90.65	59.26
TOTAL CURRENT ACCOUNT	1,571.01	1,491.61	Dr. 79.40	1,778.77	1,742.87	Dr. 35.90	2,051.45	1,642.84	Dr. 408.61
of which: Visible Balance	1,045.61	774.95	Dr. 270.66	1,181.72	949.41	Dr 232.31	1,334.95	747.58	Dr 587.37
Invisible Balance	525.40	716.66	191.26	597.05	793.46	196.41	716.50	895.26	178.76
B.—CAPITAL ACCOUNT									
10. Government Long-term	131.15	110.85	Dr. 20.30	143.81	147.56	3.75		162.25	162.25
11. Private Long-term	15.20	18.95	3.75	1.58	25.23	23.65	25.29	35.28	9.99
12. Parastatals	49.55	23.90	Dr. 25.65	—	56.31	56.31		61.57	61.57
13. Short-term	21.77	59.39	37.62	63.30	89.25	25.95	6.53	96.60	90.07
TOTAL CAPITAL ACCOUNT	217.67	213.09	Dr. 4.58	208.69	318.35	109.66	31.82	355.70	323.88
C.—ERRORS AND OMISSIONS			Dr. 10.22			Dr. 0.76			8.86
D.—OVERALL BALANCE			Dr. 94.20			73.00			Dr. 75.87
E.—MONETARY MOVEMENTS									
14. Change in reserves**	18.70		Dr. 18.70	19.95	—	Dr. 19.95	Cr. 124.55		124.55
15. Transactions with I . M .F		105.20	105.20	—	Dr. 54.40	Dr. 54.40		Dr. 51.33	Dr 51.33
16. Change in other liabilities		7.70	7.70	—	1.35	1.35		2.65	2.65
TOTAL MONETARY MOVEMENTS	18.70	112.90	94.20	19.95	Dr. 53.05	73.00	Cr. 124.55	Dr. 48.68	75.87

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

7.31. Tables 7.14 and 7.15 set out more details of the balance of payments out-turn. Net export earnings declined substantially by K£202 million while the adjusted import bill increased by K£153 million. Net earnings on services and the inflow of grants declined by K£26 million while the inflow of grants increased by K£9 million. The current account thus worsened by K£373 million. Net earnings from tourism increased by K£43 million. On the other hand the outflow of international investment income increased by K£39 million reflecting the rising debt servicing payments.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES,* 1985-1987

Table 7.15 K£million

	1985	1986	1987
1. Export (f.o.b.)**	+29.40	+174.46	-201.83
2. Imports (f.o.b.)**	-73.96	-136.11	-153.23
3. Services(net)	+21.36	-5.30	-26.36
4. Transfers (net)	+30.10	+10.45	+8.71
5. Change on current account	+6.90	+43.50	-372.71
6. Private long term capital (net)	-3.00	+ 19.90	-13.66
7. Public long term capital (net)	-155.101	+106.01	+163.76
8. Change on basic balance (net balance on lines 5.7)	-151.20	+169.41	-222.61
9. Short term capital, errors and omissions (net)	+4.85	-2.25	+73.68
10. Net change on all above items (Monetary movements)	-126.45	+167.2	+148.87

*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.
**Derived from Merchandise Account and hence some adjustments have been effected

7.32. The current account deficit was estimated at K£409 million in 1987 against K£36 million in 1986. With the public longterm capital inflow rising by K£164 million in 1987 and the private longterm capital inflow declining by K£14 million, the basic balance recorded a deficit of K£223 million in 1987 compared with a surplus of K£169 million in 1986.

7.33. Tables 7.14 and 7.16 show that foreign reserves decreased from K£334 million in 1986 to K£208 million in 1987. At the end of 1987 the overall net transactions with the IMF stood at K£51 million compared with K£54 million deficit at the end of 1986.

International Liquidity

7.34. Table 7.16 shows that the total net foreign reserves of the Central Bank, not taking into account liabilities to the IMF, which have been increasing since 1983 declined in 1987. The decline is attributable to the unfavourable balance of payments position and repayments made to the IMF during the year. Foreign liabilities other than with the IMF increased by 10 per cent from K£4.26 million in 1986 to K£4.70 million in 1987. Special Drawing Rights (SDR's) increased by 27 per cent at the end of 1987 over 1986. Kenya's subscription to the IMF increased from K£136 million in 1986 to K£149 million in April 1987 and remained stable up to the end of October, 1987.

7.35. At the end of 1987 the Kenya shilling was valued at SDR 1= KSh.21.03 compared with SDR l = KSh 19.14 in December, 1986; a depreciation of 10 per cent over the year. Table 7.17 shows that the shilling continued to depreciate during the year. Among the major currencies the highest rates of depreciation were 34 per cent and 30 per cent against the Japanese Yen and the Pound sterling, respectively; but depreciated by only 3 per cent against the US Dollar. In trade weighted terms the shilling depreciated by 13 per cent.

7.36. As a result of the shilling's continued depreciation against currencies of Kenya's major trading partners,the overall weighted index showed a rise to 142 compared with 126 in 1986. This shows that the shilling depreciated by 13 per cent in 1987 compared with the 6 per cent decline in the previous year. The shilling has lost 46 per cent of its value since December, 1984.

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1983-1987

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. Counter Liability+ S.D.R. Account
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	9.46	333.53	4.26	338.73	0.53	339.26	135.86	461.37	-325.51	36.20
1987										
1987-										
January	1.26	371.82	10.85	362.23	1.71	363.94	139.61	466.73	-327.12	36.36
February	0.98	375.16	3.95	372.19	1.88	374.07	139.61	466.73	-327.12	36.36
March	0.47	370.58	3.76	367.29	1.08	368.37	139.61	454.43	-314.82	36.36
April	0.86	372.57	4.50	368.93	0.97	369.90	149.31	479.06	-329.75	38.89
May	0.24	359.68	4.46	355.46	0.98	356.44	149.31	467.94	-318.63	38.89
June	0.70	302.66	4.52	298.84	0.86	299.70	149.31	452.63	-303.32	38.89
July	3.03	247.02	4.29	245.76	1.19	246.95	149.31	448.90	-299.59	38.89
August	1.80	224.70	4.09	222.41	1.05	223.46	149.31	448.90	-299.59	38.89
September	3.63	209.15	4.20	208.58	0.56	209.14	149.31	445.47	-296.16	38.89
October	1.94	207.16	4.44	204.66	0.58	205.24	149.31	435.52	-289.21	38.89
November	1.66	244.52	4.19	241.99	1.27	243.26	149.31			38.89
December	11.98	207.62	4.70	214.90	2.42	216.32	149.31			38.89

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, 1983-1987

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1983	31st Dec. 1984	31st Dec. 1985	31st Dec. 1986	31st Dec. 1987
1 US Dollar	13.796	15.781	16.284	16.042	16.515
1 Pound Sterling	20.059	18.401	23.466	23.566	30.685
1 Deutsche Mark	5.083	5.039	6.621	8.242	10.357
1 French Franc	1.662	1.641	2.159	2.490	3.059
1 Swiss Franc	6.340	6.099	7.863	9.872	12.802
1 Dutch Guilder	4.523	4.461	5.876	7.292	9.203
1 Swedish Kroner	1.730	1.766	2.150	2.355	2.830
1 Norwegian Kroner**	I.790	1.743	2.151	2.162	2.632
1 Zambian Kwacha**	11.338		2.867	1.262	2.912
1 Austrian Schilling	0.717	0.716	0.940	1.170	1.472
1 Belgian Franc	0.244	0.251	0.324	0.396	0.493
1 Danish Kronor	1.402	1.402	1.817	2.174	2.683
1 Canadian Dollar	11.086	11.959	11.648	11.602	12.686
1 Finish Marka	2.368	2.418	3.002	3.330	4.158
1 Australian Dollar	12.389	13.061	11.106	10.655	11.911
100 Japanese Yen	5.958	6.306	8.120	10.030	13.400
100 Italian Lira	0.834	0.821	0.971	1.184	1.404
1 Indian Rupee	1.315	1.275	1.348	1.224	1.286
1 Pakistan Rupee	1.022	1.029			
100 Burundi Francs**	11.750	12.188	14.540	13.882	16.475
100 Rwanda Francs**	14.037	15.065	17.370	18.940	22.474
Overall Weighted Index* 1982=100	99.2	97.2	118.3	125.8	141.8

*Trade weighted Fisher's Ideal. The Index excludes weighting by unavailable exchange rates.
**P.T.A. Exchange Rates (Zambia, Rwanda and Burundi).

CHAPTER 8 - AGRICULTURE

In 1987 the performance of the Agricultural Sector was characterised by unfavourable weather conditions and low world prices for both coffee and tea. These two factors resulted in low production levels for maize, beans, potatoes, cotton, sisal, wheat and coffee. The falling world prices for both coffee and tea had a negative impact on agricultural terms of trade, implying reduced returns to producers. However, tea and pyrethrum production recorded high increases setting new record levels since 1984. Sugar-cane production recorded only marginal increase in 1987. Milk production increased further, setting a new record level in 1987. The year also saw the final changes to the Kenya Meat Commission and the Uplands Bacon Factory as well as the total decontrol of the meat industry in Kenya. In the marketing field, produce movements were eased in an attempt to reduce the monopolistic nature of the National Cereals and Produce Board (NCPB), resulting in the reduction on inter-provincial retail price differentials, especially for maize in 1987. On aggregate, the agricultural sector is estimated to have grown by a satisfactory 3.8 per cent in 1987 as opposed to the 4.9 rate of growth recorded in 1986.

8.2. Table 8.1 provides details of the performance of the agricultural sector since 1983. Output at current prices recorded a 3.3 per cent increase in 1987 due to the relatively lower prices observed for coffee and tea, in addition to the lower production levels observed in 1987. Output at constant prices increased by 2.4 per cent in 1987 compared with 6.5 per cent in 1986. However, as mentioned earlier, the net growth in value added at constant prices were 4.9 and 3.8 per cent respectively, in 1986 and 1987. This slowdown in the growth of the agricultural sector in 1987 will have a direct impact on the performance of other sectors. The impact of the vagaries of weather conditions on agricultural production performance remains a major drawback to the declared policy of realisation of sustained growth and productivity of this vital sector. There is therefore the need to consider long term programmes aimed at maintaining agricultural production at or above target levels.

AGRICULTURAL OUTPUT AND INPUT, 1983-1987

Table 8.1 *K£million*

	1983	1984	1985	1986	1987*
AT CURRENT PRICES—					
Total Output	1,274.08	1,412.39	1,562.86	1,814.05	1,873.38
Less Inputs	147.54	168.05	205.69	216.00	204.12
Value Added	1,126.54	1,244.34	1,357.17	1,598.05	1,669.26
AT CONSTANT (1982) PRICES—					
Total Output	1,121.63	1,086.43	1,142.35	1,217.32	1,246.43
Less Inputs	142.56	145.38	166.96	193.93	183.86
Value Added	979.07	941.05	975.39	1,023.39	1,062.57

*Provisional.

Marketed Production

8.3. Data on recorded value of marketed agricultural production provided in Table 8.2, is used to represent output of selected agricultural products. The effects of less favourable rainfall in 1987 and low world prices for coffee and tea can be seen from the value of marketed production. The two effects had depressing impacts on quantities produced and reduction in revenues realized from the two main export commodities. The value of marketed cereals in 1987 dropped by 5.7 per cent to K£ 101 million compared with the 1986 record level of K£107 million. Though actual volumes marketed were low, higher producer prices helped improve revenues earned. Production of temporary industrial crops such as sugar-cane and pyrethrum increased in volume in 1987 compared with 1986. This, coupled with higher prices pushed revenue up from K£93 million in 1986 to K£103 million in 1987. Output value from permanent crops declined in 1987 owing mainly to the low world prices for coffee and tea. These low prices and production changes for some commodities resulted in a 26.5 per cent drop in the marketed value of permanent crops between 1986 and 1987. The value of marketed livestock and products on the other hand improved in 1987 in response to increased domestic demand for beef and dairy products. The abolition of price

controls in the beef industry in 1987 resulted in upward movement of both livestock and beef prices during the year; thus making the beef industry more attractive to the producers. These favourable economic developments resulted in an 18.7 per cent increase in the value of marketed livestock and livestock products in 1987 compared with 1986. Overall, the total value of recorded marketed production declined by 12.9 per cent from a record high of K£938 million in 1986 to K£818 million in 1987. This downturn in marketed output reflects the overall performance of the agricultural sector in 1987.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1983-1987

Table 8.2 K£million

	1983	1984	1985	1986	1987*
CEREALS—					
Maize	48.95	49.05	54.56	66.50	68.09
Wheat	26.92	17.84	26.26	32.88	21.88
Others	5.54	4.52	10.19	7.82	11.07
Total	81.41	71.41	91.01	107.20	101.04
TEMPORARY INDUSTRIAL CROPS—					
Sugar-cane	34.34	40.99	46.75	52.79	55.47
Pyrethrum	5.03	1.94	2.92	4.48	5.64
Others	11.87	15.53	16.24	35.45	42.26
Total	51.24	58.46	65.91	92.72	103.37
OTHER TEMPORARY CROPS	11.96	9.57	17.27	27.81	18.83
PERMANENT CROPS—					
Coffee	166.25	227.67	191.89	288.32	192.16
Tea	130.31	301.12	247.60	242.33	194.76
Sisal	15.54	17.34	15.03	15.42	13.54
Others	4.52	5.62	4.86	4.71	4.34
Total	316.62	551.75	459.38	550.78	404.80
TOTAL CROPS	461.23	691.19	633.57	778.51	628.04
LIVESTOCK AND PRODUCTS—					
Cattle and Calves	51.81	58.95	70.36	84.26	103.87
Dairy Produce	32.80	25.78	36.26	56.51	62.08
Others	9.64	12.86	15.75	19.03	23.71
Total	94.25	97.59	122.37	159.80	189.66
GRAND TOTAL	555.48	788.78	755.94	938.31	817.70

*Provisional.

8.4. Price and quantum indices of marketed production are summarized in Table 8.3. The quantum indices indicate the general drop in output in 1987 compared with 1986 when agricultural output reached record levels. Quantum indices for cereals and permanent crops dropped from 104.3 and 130.9 to 92.4 and 121.4, respectively. However, quantum indices of temporary crops, livestock and livestock products improved from 82.0 and 92.7 in 1986 to 89.1 and 105.1 respectively, in 1987. Overall, there was a drop of nearly 5 points in the quantum indices of marketed production in 1987 compared with 1986 . further evidence of an overall decline in agricultural output during the reference period due to the factors mentioned above. Price indices reflect both the pricing policy of the Government on locally traded commodities and the effects of international economic conditions on internationally traded commodities. Price indices of both cereals and temporary industrial crops continued their upward trend in 1987. In accordance with the country's domestic pricing policy which calls for periodic revision of producer prices, the cereals price index increased from 171.2 in 1986, to 179.5 in 1987, and the price index for temporary industrial crops increased from 148.5 to 150.3. The price index for permanent crops declined from 181.6 to 140.7 as a result of

the low world prices for both coffee and tea during 1987. This resulted in a net drop in the overall price index for crops from 180.0 to 142.7. The effects of the decontrolled prices in the beef industry are reflected in the increase in the price index for livestock and products during the review period. Between 1986 and 1987 this index increased by 11.4 points to 150.2. The net effect of these price movements was a 15.6 per cent decrease in the overall price index of marketed production in 1987.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1983-1987

Table 8.3 *1982=100*

	1983	1984	1985	1986	1987*
QUANTUM INDICES—					
Cereals	105.8	86.7	93.6	104.3	92.4
Temporary Industrial Crops	95.6	104.3	81.7	82.0	89.1
Permanent Crops	116.4	122.0	112.2	130.9	121.4
TOTAL CROPS	111.4	102.0	110.3	128.0	119.0
Livestock and Products	100.3	145.9	82.2	92.7	105.1
TOTAL GROSS MARKETED PRODUCTION	110.7	117.9	104.6	120.8	116.2
PRICE INDICES—					
Cereals	129.8	139.8	160.7	171.2	179.5
Temporary Industrial Crops	100.7	127.6	137.6	148.5	150.3
Permanent Crops	118.0	185.7	144.9	181.6	140.7
TOTAL CROPS	117.9	178.8	145.3	180.0	142.7
Livestock and Products	100.3	105.0	118.9	134.8	150.2
TOTAL GROSS MARKETED PRODUCTION	116.9	174.8	139.9	170.8	144.2

*Provisional.

8.5. Table 8.4 provides data on price trends for a selected number of farm products. A very notable observation is the drastic decline in the price of coffee in 1987, after the 1986 "coffee boom". In the space of only one year, coffee prices dropped by 27 per cent to their 1983 levels as a result of increased coffee production by Brazil. Sisal prices which had somewhat improved in 1986 declined in 1987 owing to depressed demand in the world market. Domestic commodity prices indicated a general upward movement. Producer prices of livestock products particularly beef and bacon increased substantially in response to attempts to revitalize the industry and attract more resources to help meet increasing demand. This is in addition to the impact of decontrol policy announced in 1987.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1983-1987

Table 8.4 *KSh.* *per stated unit*

PRODUCT	Unit	1983	1984	1985	1986	1987**
Coffee	100kg	3,488.00	3,844.00	3,972.00	5,020.00	3,662.00
Tea		2,184.00	5,184.00	3,366.00	3,382.00	2,500.00
Sisal		625.00	674.00	707.00	743.00	705.00
Sugar-cane	tonne	227.00	227.00	270.00	297.00	300.00
Pyrethrum(extract equivalent)	Kg	1,150.00	1,150.00	1,150.00	1,210.00	1,210.00
Seed Cotton	100Kg	369	448	480	470	482
Maize		154.00	175.00	187.00	198.00	209.00
Wheat		222.00	269.00	271.00	293.00	295
Rice Paddy		178	178	342	348	372
Beef (third grade)		1,138.00	1,101.00	1,492	1,857.00	2,115
Bacon Pigs		1,459.00	1,482.00	1,394	2,057.00	2,432.00
Milk	100 litres	240	240	285	325	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.

**Provisional.

8.6. Table 8.5 shows the distribution of the value of recorded marketed production between large and small scale producers. While overall marketed output fell by 12.9 per cent in 1987 compared with 1986, the large farm contribution to marketed output declined by 16.2 per cent while the small farm contribution to marketed output declined by 8.8 per cent in 1987. The smaller decline in small farm contribution was attributed to increases in the production of smallholder tea, pyrethrum and sugar-cane. Overall, the share contribution from small farms increased marginally from 45.1 per cent in 1986 to 47.2 per cent in 1987 suggesting a revival of the upward trend started in the early 1980's.

SALES TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1983-1987

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	
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
1987*	432.07	—16.2	385.63	—8.8	817.70	—12.9	47.2

*Provisional.

8.7. Improvements in agricultural production over time are partly reflected in the use of inputs. Table 8.6 provides both quantum and price indices of selected agricultural inputs. The quantum indices indicate a generally increasing trend in the use of inputs over the five year period. Between 1986 and 1987, the quantum index increased from 139.5 to 157.9. The greatest changes in the quantum indices since 1983 are recorded for both

AGRICULTURAL INPUT INDICES*, 1983-1987

Table 8.6 *1982=100*

	1983	1984	1985	1986	1987**
QUANTUM INDICES—					
Fertilizers	95.8	109.9	169.2	162.4	224.1
Fuel and Power	91.2	104.2	103.4	115.5	131.9
Bags	96.5	125.2	94.6	139.6	139.1
Manufactured Feeds	110.8	253.4	247.5	255.7	280.9
Purchased Seeds	93.5	123.8	111.1	145.4	109.3
Other Material Inputs	99.0	111.8	87.5	98.2	106.1
Total Material Input	93.5	131.8	132.0	143.3	162.9
Service Inputs	99.8	101.3	105.7	111.2	121.2
TOTAL INPUTS	96.7	128.2	128.9	139.5	157.9
PRICE INDICES—					
Fertilizers	104.4	105.0	128.3	151.4	151.4
Fuel and Power	108.8	121.1	164.8	122.9	127.9
Bags	113.7	128.4	137.7	157.7	159.0
Manufactured Feeds	88.5	116.9	131.8	132.4	136.5
Purchased Seeds	115.7	133.8	143.9	161.3	175.0
Other Material Inputs	143.3	153.3	77.0	91.1	102.0
TOTAL MATERIAL INPUT	105.4	127.7	121.7	123.2	129.4
NON-FACTOR SERVICE INPUTS	103.5	106.0	112.6	123.1	131.7
TOTAL NON-FACTOR INPUTS	104.2	125.1	120.7	123.2	129.6

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

fertilizers and manufactured feeds. The increasing use of these inputs reflect changing technology in crop and dairy production to meet increasing demand for the various crop and livestock products. The decline in the purchased seed quantum index may have been due to reduced rainfall in 1987 which implied reduced area under crops. Since. 1983 input price indices, on the other hand, have increased but at a lower rate in response to official policy of increasing returns from agriculture. The total material input price index increased from 123.2 in 1986 to 129.6 in 1987. Most input types recorded fairly small price increases between 1986 and 1987, with fertilizer prices remaining unchanged upto the last quarter of 1987. However,since very little fertilizer was used during the last quarter of 1987, no change in the overall fertilizer price index occurred during 1987.

8.8. Table 8.7 sets out of the values of various inputs used in the agricultural sector. The data generally potray an increasing trend. Total value of material inputs increased by 7.9 per cent, from K£151 million in 1986 to K£163 million in 1987. However, with increasing use of service inputs such as tractor hire services, artificial insemination and dip services, overall value of inputs used increased from K£165 million in 1986 to K£178 million in 1987. A notable feature in the use of inputs in Kenya is the increasing importance attached to the use of fertilizers, energy, feeds and seeds. The four inputs accounted for about 63 per cent of the total value of agricultural inputs in 1987. In particular, use of feeds has increased dramatically since 1983. Use of poultry feeds has also increased during this period, reflecting the viability of the poultry industry due to the rising demand for chicken. This trend is likely to continue in the near future as the chicken-beef ratio approaches unity due to increase in beef prices. The reduced crop during 1987 was partly responsible for the under utilisation of agricultural chemicals in 1987.

PURCHASED AGRICULTURAL INPUTS*, 1983-1987

Table 8.7 *K£million*

	1983	1984	1985	1986	1987**
MATERIAL INPUTS—					
Fertilizers	14.34	21.12	32.94	34.08	43.28
Other agricultural Chemicals	12.76	12.06	18.36	21.93	14.97
Livestock Drugs and Medicines	5.33	8.87	9.68	10.33	15.47
Fuel and Power	16.63	18.17	19.88	22.59	27.85
Bags	6.36	9.32	8.61	12.26	12.59
Manufactured Feeds	9.78	17.98	17.70	18.89	20.91
Purchased Seeds	6.14	17.59	15.77	23.73	20.09
Other Material Inputs	5.08	6.64	5.47	6.91	7.42
Total Inputs	76.42	111.75	128.41	150.72	162.61
SERVICE INPUTS	8.95	8.24	13.07	14.68	15.84
TOTAL INPUTS	85.37	119.99	141.18	165.40	178.45

*Except labour.
**Provisional.

8.9. Table 8.8 depicts the trends and relationships between inputs and output indices pertaining to the agricultural sector. The revised indices still depict a generally increasing trend with input indices growth dominating in 1984, 1985 and 1987. Output indices rose sharply in 1983 and 1986 when changes in producer prices were relatively significant. This dominance by either input or output prices is reflected in the terms of trade index for agriculture. The index has been declining since 1983 when above parity levels were recorded. This deterioration in the terms of trade was, however, temporarily halted in 1986 owing to high coffee and domestic commodity prices and lower input prices especially for fuel and fertilizers. The ratio thus improved from 6.5 points below parity in 1985 to 5.7 points above parity in 1986. The low coffee and tea prices and the higher energy prices in 1987 resulted in a worsening of the terms of trade in 1987 compared with 1986. The index dropped from 105.7 percentage points in 1986 to 93.6 percentage points in 1987. This index

also reflects the impacts of domestic agricultural support policies on the sector's profitability.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1983-1987

Table 8.8 *1982=100*

	1983	1984	1985	1986	1987*
General Index of agricultural output prices**	113.6	130.0	136.8	150.3	148.1
PRICE PAID—					
Purchased Inputs	104.2	125.1	120.7	123.2	129.6
Index of Purchased Consumer Goods— Rural Areas	113.8	134.0	154.8	159.9	167.8
INDICES OF PRICES PAID	111.4	131.8	146.3	150.7	158.8
Agricultural Sector terms of Trade	102.0	98.6	93.5	105.7	93.6

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

8.10. The effects of weather and other economic changes on agricultural production are depicted by production trends of selected food crops shown in Table 8.9. The increasing production trend after the 1984/85 drought peaked during the 1986/87 agricultural year. A downturn ensued thereafter resulting in lower production in the 1987/88 season. Maize production is estimated to have dropped by about 25.5 per cent from 32.2 million bags in 1986/87 to about 24.0 million bags in 1987/88. This production drop was more pronounced in the Central, Eastern and Coastal Provinces where the 1987/88 rainfall was largely inadequate. Similarly production of beans is estimated to have dropped by 49.4 per cent, from a record 3.6 million bags produced in 1986/87 to 1.82 million bags in 1987/88. Potato production is estimated to have declined by 60.2 per cent from 6.11 million bags in 1986/87 to 2.43 million bags in 1987/88. Shortfalls in the production of beans and potatoes also had their highest impacts in Central and Eastern provinces, which are also the major producers of beans and potatoes.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1983/84—1987/88

(Based on Crop Forecast Surveys)

Table 8.9 *Million Bags*

CROP	1983/84	1984/85	1985/86	1986/87	1987/88*
Maize	24.20	15.80	27.00	32.20	24.00
Beans	3.00	0.76	1.97	3.60	1.82
Potatoes	5.10	2.59	5.90	6.11	2.43

*Provisional.

8.11. Crop forecast surveys provide invaluable information on regional food supply situation in the country. The food production estimates are further complemented by data on rural market prices which provide a continuous information flow on food supply situation through retail prices of selected commodities in rural markets. Table 8.10 shows the provincial breakdown of a sample of retail prices for Kenya's three main food crops averaged for the months of March and September. The market prices provide a clear indication of temporal and regional fluctuations in the supply of the three commodities whose demand is fairly inelastic in the short run.

8.12. Provincial trends in prices of maize at the retail level were rather mixed in 1987. Central and Nyanza provinces recorded higher retail prices in 1987 compared with 1986. The increases were as high as 34 per cent between September, 1986 and September 1987, in Nyanza Province. The Rift Valley Province recorded a fairly marginal increase in maize prices, reflecting a lower demand for non-official market supplies. Maize prices in Eastern Province were lower in 1987 compared with 1986. This seemingly anomalous situation was occassioned by the increase in the supply of commercial maize through non-NCPB channels. This pushed maize prices lower than they would have been, indicating direct consumer benefits emanating from "controlled liberalization of the grain trade".

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1984-1987

Table 8.10 *KSh.per Kg.*

CROP	PROVINCE	1984		1985		1986		1987	
		March	September	March	September	March	September	March	September
Maize	Coast	2.63	4.68	3.03	2.27	2.90	2.86	2.43	2.54
	Eastern	2.09	4.00	2.88	2.46	3.22	3.04	4.02	3.41
	Central	2.41	3.90	2.45	2.69	2.10	2.39	2.20	2.38
	Rift Valley	2.98	2.71	2.84	2.10	2.47	1.87	2.51	2.50
	Nyanza	2.95	1.75	2.89	2.07	2.46	2.00	2.30	1.94
	Western								
Beans	Coast	7.60	14.75	12.99	10.46	8.20	7.95	10.00	11.85
	Eastern	5.82	11.26	9.97	5.70	4.66	4.12	3.96	4.35
	Central	5.82	10.60	10.47	7.18	6.30	5.68	5.83	5.94
	Rift Valley	5.75	9.13	10.57	7.76	8.78	6.31	8.30	5.31
	Nyanza	6.40	9.24	8.75	5.88	6.69	6.68	5.83	5.75
	Western	5.24	6.33	8.13	6.44	6.66	4.75	6.00	4.76
Potatoes	Coast	3.00	4.16	3.78	3.47	2.42	4.34	5.00	4.79
	Eastern	2.31	3.91	3.60	2.83	2.57	2.55	2.41	2.18
	Central	1.96	2.55	2.58	2.23	1.99	1.81	1.41	2.34
	Rift Valley	2.89	2.98	2.75	2.06	2.28	2.44	3.44	2.32
	Nyanza	—	1.36	2.26	2.59	1.76	2.90	1.25	2.06
	Western	4.44	3.56	5.81	2.73	2.84	3.84	4.38	3.33

8.13. Retail prices for beans also depicted mixed fluctuations in all provinces in 1987, except for Coast Province where prices have maintained an upward trend since September, 1986. Prices in Eastern and Central provinces were only marginally different in 1987 compared with 1986. Retail prices in Nyanza and Western provinces were between 5 and 14 per cent lower in 1987 compared with corresponding periods in 1986 . an indication of adequate supply of beans despite the low production levels recorded in the 1987/88 production year. This was mainly due to the substantial beans stocks carried forward from 1986/87 crop.

8.14. Increases in the retail prices of potatoes between 1986 and 1987 were recorded in the Coast Province and in Central Province only during the month of September. Other provinces recorded generally lower prices in 1987 compared with 1986 indicating that the 1987/88 production drop did not have a high impact on prices in 1987.

Production by Crop

8.15. Deliveries of selected crops to marketing agencies are shown in Table 8.11. These figures serve as important indicators for commodity production. As a whole, the 1987 year was characterized by a general drop in commodity production except for tea, pyrethrum, sugar-cane and rice paddy. Tea production recorded an all time high while rice paddy registered a remarkable production recovery from the serious decline experienced in 1986. The decline in deliveries of coffee, cotton and sisal reflect more or less the problems that have affected the production and marketing of these crops during and before 1987.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1983-1987

Table 8.11

CROP	UNIT	1983	1984	1985	1986	1987*
Maize	000 tonnes	636.0	560.6	582.9	669.5	651.9
Wheat		242.3	135.4	193.5	224.7	148.3
Rice Paddy		36.6	36.4	39.5	21.3	30.1
Cotton		25.8	22.8	38.0	25.4	23.8
Coffee		95.3	118.5	96.6	114.9	104.9
Tea		119.3	116.2	147.1	143.3	155.8
Sisal		49.7	51.4	45.0	41.5	37.0
Sugar-cane	mn. tonnes	3.2	3.6	3.5	3.6	3.7
Pyrethrum (Extract Equivalent)	000 tonnes	87	34	50	74	93

*Provisional.

8.16. *Maize* - After a record production in the 1986/87 period, maize production dropped sharply during the 1987/88 year. The combined effects of late and unevenly distributed long rains, followed by below normal short rains and a decline in the disbursement of seasonal credit led to a 25.5 per cent drop in maize production, from 32.2 million bags in 1986/87 to 24.0 million bags in 1987/88. Consequently maize deliveries to the NCPB declined from 7.4 million bags in 1986 to 7.2 million bags in 1987. The actual drop in maize deliveries is lower if account is taken of direct deliveries to millers in 1986.

8.17. *Wheat* - The recovery of wheat production which started in 1985 after the 1984 drought appears to have been severely affected in 1987. Wheat production is estimated to have declined by about 37.5 per cent from 257.4 thousand tonnes produced in 1986 to about 160.9 thousand tonnes in 1987. This drastic production fall is possibly the result of a combination of the following factors: inadequate and erratic rains combined with reduced use of seasonal credit for crop production were experienced in 1987/88; the wheat growing activity may have lost its competitiveness in some areas to other products such as barley owing to delayed and irregular payments to producers. The shortfall in production was, however, compensated by wheat imports and high carry-over stocks from the previous season. Wheat flour production decreased by only 4.7 per cent from 303.6 thousand tonnes in 1986 to 289.3 thousand tonnes in 1987.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1983-1987

Table 8.12 *Tonnes*

YEAR	PRODUCTION*	IMPORTS	FLOUR CONSUMPTION
1983	251.3	81.9	271.7
1984	144.4	140.3	224.0
1985	201.1	149.9	293.3
1986	254.4	115.3	303.6
1987**	160.9	217.9	289.3

*Includes retention for seed.
**Provisional.

8.18. *Coffee* - The continued depression of coffee prices in the world market in 1987 and the generally drier weather spells especially in the Coast and Central parts of Kenya had a negative impact on the coffee industry during 1987. Coffee prices fell to their lowest levels since 1984, dropping by almost 27 per cent between 1986 and 1987. Coffee deliveries to the Board by farmers similarly declined from 114.9 thousand tonnes in 1986 to 104.9 thousand tonnes during 1987; a drop of 8.7 per cent. This decline reversed the upward trend started in 1985. Despite abundant supply in the world market during 1987 and some reluctance by major coffee consumers to support the reintroduction of coffee quotas, the ICO finally agreed on the new coffee quotas for the 1987/88 through to 1988/89 coffee years. This welcome move somewhat improved coffee prices between October and December 1987 but not high enough to avoid a pro rata decrease in all quotas in December 1987. This latter move resulted in coffee quota for Kenya being set at at 80,800 tonnes, implying that in the near future about a quarter of Kenya's coffee will need to be sold through the non-quota markets.

8.19. While the total area under coffee remained unchanged during the 1986/87 year, coffee production declined by 8.4 per cent, from 113.9 thousand tonnes in 1985/86 to 104.3 thousand tonnes in 1986/87 as indicated in Table 8.13. Coffee production by co-operative producers recorded only a marginal drop associated with a decline in average yield, from 581 kg/ha in 1985/86 to 577 kg/ha in 1986/87. Estate producers recorded a 20 per cent drop in production between 1985/86 and 1986/87; also associated with a similar decline in yield rates. The latter could have resulted from deterioration in coffee husbandry due to the low returns realized from the industry in 1986/87. As mentioned above the ICO's coffee quotas, suspended since early 1986 continued into 1986/87 season, but were finally reintroduced in October 1987 for the 1987/88 and 1988/89 crop.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1982/83-1986/87

Table 8.13

	1982/83	1983/84	1984/85	1985/86	1986/87*
Area (Ha) '000—					
Co—operatives	103.1	114.2	116.3	117.7	117.7
Estates	33.6	35.7	35.7	38.6	38.6
TOTAL	136.7	149.9	152.0	156.3	156.3
Production (tonnes) '000—					
Co-operatives	54.1	61.5	64.7	68.4	67.9
Estates	33.1	49.0	28.9	45.5	36.4
TOTAL	87.2	110.5	93.6	113.9	104.3
Quota (tonnes)	78.0	83.4	79.8		
Average yield (kg./Ha.)—					
Co-operatives	509	539	556	581	577
Estates	981	1,372	809	1,179	942

*Provisional.

8.20. *Tea* -Despite the low world prices for tea and a restrictive trade warning by Pakistan, the tea industry continued to increase output in response to the present official policy of increasing tea production. Overall "made tea" production rose to a new record high of 155.8 thousand tonnes; an increase of 8.7 per cent over the 1986 production level of 143.3 thousand tonnes. This increase thus reversed the decline experienced in 1986. Out of this record production, it is estimated that estate producers and Kenya Tea Development Authority (KTDA) small holder producers contributed 50.7 and 47.7 per cent respectively. Tea production from the Nyayo Tea Zone Corporation is estimated to have contributed about 1.6 per cent of the 1987 output . an indication that small scale tea producers are set to dominate the tea industry in future. Although most tea producing areas in the country were not adversely affected by unfavourable weather conditions prevailing during 1987, better husbandry largely contributed to the rise in production. Table 8.14 depicts the production performance of smallholder tea under the KTDA auspices. There has been a general and a persistent increase in both area under tea, the number of growers and production levels over the last several years. Production of made tea increased by 12.8 per cent from 65.6 thousand tonnes in 1985/786 to 73.9 thousand tonnes in 1986/87. The corresponding productivity (average yield) rose from 1,177 kg/ha in 1985/86 to 1,300 kg/ha in 1986/87, an increase of 10.5 per cent. This increase is attributed mainly to improvements in crop husbandry and increased use of fertilizers.

DEVELOPMENT OF SMALL HOLDER TEA 1982/83-1986/87

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.)
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	65,564	1,177
1986/87	56,887	150,557	73,940	1,300

8.21. *Cotton* - After a peak in 1985, cotton production declined for the second year in succession. Total cotton production in 1987 was about 23.8 thousand tonnes; down by 6.3 per cent from the 25.4 thousand tonnes produced in 1986. Whereas the vagaries of weather must be an important factor contributing to production changes, the industry continued to experience financial constraints resulting from delayed payments to farmers during the year. Secondly, since 1985 cotton prices have stagnated at Kshs. 5.00 and Kshs. 2.45 for grades AR and BR, respectively. This implies a reduction in prices in real terms in 1987, thus further eroding farmers' returns from cotton growing.

8.22. *Sugar-Cane* -Despite domestic supply problems experienced by the sugar industry in 1987, sugar-cane production continued its upward trend into 1987. The intake of sugar-cane by sugar factories increased from 3.6 million tonnes in 1986 to about 3.7 million tonnes in 1987, an increase of 2.8 per cent. This is the highest cane production level since 1983, indicating possible attainment of self sufficiency in the near future. Smallholder sugar-cane producers still continue to dominate cane production. Their production level increased by 5.9 per cent from 1.7 million tonnes in 1986 to 1.8 million tonnes in 1987. Large farms and co-operative society producers increased cane production by 21.0 and 20.9 per cent, respectively. On the other hand cane production by factory estates and settlement schemes declined by 13.0 and 15.0 per cent respectively in 1987. These production performances reflect the responses of different producer types to economic signals and incentives, which include a better cane price and improvements in cane transportation. Cane production from settlement schemes has been on the decline since 1984; indicating inherent management problems in these schemes as well as gradual withdrawal of direct involvement by the Government in the management of farms in the schemes.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1983-1987

Table 8.15 *'000* *tonnes*

TYPE OF GROWERS	1983	1984	1985	1986	1987*
Factory Estates	789.3	729.3	931.1	796.0	692.8
Large Farms	617.8	599.9	485.7	502.1	607.5
Small-Holders	1,448.3	1,718.8	1,517.5	1,689.1	1,824.2
Co-operative Societies	197.6	218.4	221.7	261.3	315.9
Settlement Schemes	232.6	344.8	307.0	303.1	257.6
TOTAL	3,285.6	3,611.2	3,463.0	3,551.6	3.698.0

*Provisional.

8.23. Details about the status of supply and demand for sugar are provided in Table 8.16. Sugar production rose by 5.5 per cent from 369.7 thousand tonnes in 1986 to 390.0 thousand tonnes in 1987. This production increase was slightly higher than the corresponding increase in cane intake in 1987, indicating improvements in conversion ratios as a result of increased efficiency of factories. This production level though an improvement was not sufficient to meet domestic demand for sugar requirements, estimated to be about 400.7 thousand tonnes in 1987. The deficit in the demand/supply ratio for sugar necessitated the importation of 49.1 thousand tonnes not only to help meet domestic consumption but to also maintain a reasonable level of stocks. A fairly negligible amount of sugar was exported in 1987, leaving a surplus of about 34.4 thousand tonnes for stocks.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1983-1987

Table 8.16 *'000 Tonnes*

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
1983	325.20		333.00	4.00
1984	372.10	4.00	341.40	4.00
1985	345.90	41.80	376.90	
1986	369.70	126.20	381.40	
1987*	390.00	49.10	400.70	

*Provisional.
Negligible.

8.24. *Horticulture* - The horticultural industry has been quite promising in terms of its potential. However, its biggest constraint has been limitations in air cargo space as well as lack of cheaper alternative ways of transporting horticultural crops to overseas markets. Table 8.17 provides data on the value and quantity of horticultural exports. The volume of horticultural exports only increased marginally, from 36.2 thousand tonnes in 1986 to 36.5 thousand tonnes in 1987. The corresponding value however increased by 42.8 per cent from K£32 million in 1986 to K£45 million in 1987. This high increase in value was associated mainly with an increase in the prices of fresh cut-flowers. The latter, together with beans, was in great demand in the West European markets. Avocadoes were also in great demand but competition from Israel was fairly stiff. Attempts were also made in 1987 to export the less perishable horticultural products by sea. The viability of this alternative mode of transportation has yet to be evaluated. However, concerted efforts continue to be made to increase horticultural crops export capacity by air.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1983-1987

Table 8.17

YEAR	VOLUME '1000 TONNES	VALUE K£MILLION
1983	28.90	17.52
1984	31.30	20.79
1985	30.00	23.46
1986	36.20	31.52
1987*	36.50	45.00

*Provisional.

8.25. *Pyrethrum* -The pyrethrum industry maintained its recovery path for the third year running. Annual pyrethrum production increased by 25.7 per cent from 74 tonnes of extract equivalent in 1986 to 93 tonnes in 1987. A price increase of 8.7 per cent to Kshs. 12.50 per kg, effected in July 1987, plus the aggressive drive for increased production were central to the continued revival of the industry. Pyrethrum extract demand in the world markets was also stronger owing to strong pressure from environmental groups in the western world for a reduction in pollutants from artificial products. The marketing agency responsible for pyrethrum has also taken steps to decrease payment delays. These developments are likely to restore the pyrethrum industry to its pre-1983 production levels. However, its success will also depend on pyrethrum's competitive edge over other agricultural activities in the pyrethrum growing areas.

8.26. *Sisal* - The decline in sisal production which started in 1983, and was briefly arrested in 1984, continued into 1987. The industry recorded a production level of 37.0 thousand tonnes; down by 10.8 per cent from 41.5 thousand tonnes produced in 1986. Sisal prices in the world markets remained rather static for the entire 1987, indicating a static demand for sisal. The industry's future has remained rather bleak due to shifting world demand patterns and stiff competition from other fibres. These factors have partly contributed to a fall in production in some sisal estates.

Livestock Production

8.27. The continued increase in livestock population was not affected by the bad rainfall pattern experienced in 1987, though pasture and water shortages were occasionaly critical especially in the beef cattle areas. The industry also entered on a new development phase with the decontrolling of the beef industry. The year 1987, also saw the complete demise of the Kenya Meat Commission and the Uplands Bacon Factory as well as attempts to revive the two factories under co-operative management systems. A notable impact of the decontrol process was the increase in beef and beef prices countrywide. The price increase does not however seem to have reduced beef consumption on aggregate as can be seen from figures on livestock slaughters shown in Table 8.18. Countrywide slaughters of cattle and calves increased by 22.7 per cent from 427 thousand head in 1986 to 524 thousand head in 1987. Similarly slaughter of sheep and goats increased from 300 thousand head in 1986 to 359 thousand head in 1987; an increase of 19.7 per cent. However, pig slaughters decreased from 77 thousand head in 1986 to about 60 thousand head in 1987, probably due to uncertainties concerning the future of the industry and problems at Uplands. Beef demand pressures seem to have been stronger than supply pressures, resulting in the higher prices mentioned earlier. This is a welcome signal for the beef cattle industry in the country.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1983-1987

Table 8.18

	UNIT	1983	1984	1985	1986	1987*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	274	190	231	316	347
Milk Processed:						
Wholemilk and cream	Mn.Litres	215	230	249	292	302
Butter and ghee	Tonnes	3,721	2,301	3,424	4,215	4,754
Cheese	,,	227	203	252	208	207
Dried wholemilk powder	,,	1,693	205	970	3,057	2,346
Dried skim—milk powder	,,	1,921	206	766	2,733	2,040
Other products	,,	—	71	—	329	1,493
Livestock slaughtered***						
Cattle and Calves	'000 Head	384	614	524	427	524
Sheep and Goats	,,	293	405	327	300	359
Pigs	,,	64	87	65	77	60
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves	'000 Head	84	222	116	24	2
Sheep and Goats		7	13	—	_	_

*Provisional.
**Including sale licensed by the Kenya Dairy Board.
***Licensed abattoirs only.

8.28. The dairy industry, as reflected by intake of milk by KCC and Kenya Dairy Board, continued to improve for the third year. Marketed milk production reached an all time high of 347 million litres in 1987, an increase of 9.8 per cent over the 1986 level. With adequate availability of pasture, the indutry appears to positively respond to increased efficiency in milk collection and transportation, and payments for milk deliveries. The increase in marketed milk resulted in the increase in milk and cream production, and butter and ghee to meet increasing urban demand for these products. Another notable increase was in the production of other products for example yoghurt and 'mala'. However, production of wholemilk powder and dried skim.milk powder declined in 1987 compared with 1986. These changes in the production 'mix' are probably in response to structural changes in consumers' demand for dairy products.

Irrigation

8.29. Irrigation activities in Kenya are mainly concentrated in seven major schemes. These schemes, whose data is presented in Table 8.19,recorded a 19.2 per cent reduction in area cropped during the 1986/87. This reduction in area cropped was experienced in Mwea, 29.9 per cent and Ahero, 22.3 per cent. However marginal increases in cropped area were recorded in Tana, Perkerra and West Kano Irrigation Schemes. While the total number of plot holders in all the seven schemes increased by 3.7 per cent, gross value of output and payments to plot-holders increased by 2.0 and 36.7 per cent, respectively during the 1986/87 period compared with 1985/86. The latter's significant increase could be attributed to improvements in management. Rice production by Mwea, Ahero, West Kano and Bunyala recorded individual declines during the 1986/87 year in comparison with the 1985/86 period. Management, choice and state of the production technology as well as the 'incentive structure' for rice producers play an important role in overall production. The decreased rice production does not augur well for the industry as demand for rice is estimated to be growing at an annual rate of 6 per cent. Cotton production in Bura and Tana Irrigation Schemes recorded some increase during the 1986/87 year. However, the production of onions and chillies at Perkerra recorded declines of 16.2 and 7.3 per cent respectively in the 1986/87 period. With improvements in transportation, sugar-cane production resumed in West Kano, with about 4.5 thousand tonnes produced in 1986/87.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1982/83-1986/87

Table 8.19

	1982/83	1983/84	1984/85	1985/86	1986/87*
MWEA—					
Area cropped—*Hectares*	5,784	5,820	5,825	8,271	5,799
Plot-holders—*Number*	3,151	3,173	3,234	3,234	3,236
Gross value of output—*K£'000*	3,563	4,213	4,081	4,212	4,477
Payments to plot-holders— *K£''000*	1,788	2,198	2,066	1,458	2,499
ALL (7) SCHEME AREAS—					
Area cropped—*Hectares*	9,900	9,518	10,731	13,950	11,270
Plot-holders—*Number*	6,115	6,361	7,625	7,376	7,646
Gross value of output—*K£'000*	5,150	6,056	6,897	7,453	7,599
Payments to plot-holders— *K£'000*	2,495	2,858	3,404	2,862	3,911
CROPS PRODUCED—*Tonnes*					
Mwea-Paddy	28,751	29,336	27,553	26,407	25,236
Ahero-Paddy	3,388	3,324	3,777	4,378	3,894
W. Kano—Paddy	2,935	2,302	2,059	2,650	2,319
—Sugar-cane	5,715	5,594	2,341	—	4,463
Bunyala—Paddy	1,338	1,293	1,094	1,259	1,209
Tana—Cotton	1,478	1,559	2,374	1,839	1,966
Bura—Cotton	1,633	1,482	4,411	5,182	5,504
Pekera—Onions	967	975	690	587	492
Chillies	45	94	133	234	217

*Provisional.

Agricultural Training

8.30. Extension services by qualified personnel has a very important role in agricultural development. Both Ministries of Agriculture and Livestock Development provide training programmes geared towards the improvement of the quality of extension services provided to farmers. Table 8.20 gives details of enrolment by level at various training institutions under the two Ministries. A notable feature of this training programme is the expansion of training facilities with the establishment of the Kilifi Institute of Agriculture whose first intake of 203 students was admitted in 1987. The Animal Health and Industry Training Institute (AHITI) also expanded substantially in both 1986 and 1987 as evidenced by enrolment numbers in these two years. Between 1986 and 1987 enrolment at Kabete, and Ndomba increased by 15 and 10 per cent, respectively. Dairy farm related courses also recorded an increase in enrolment in 1987. A two-year course to accommodate developments in dairy technology was introduced at the Naivasha Dairy Training School in 1986. These efforts are geared towards providing adequate extension personnel in accordance with the requirements of the District Focus for Rural Development Policy.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS*, 1983-1987

Table 8.20 *Numbers*

	1983	1984	1985	1986	1987**
CERTIFICATE LEVEL—					
Bukura Institute of Agriculture	254	356	464	400	400
Embu Institute of Agriculture	210	293	280	402	400
Kilifi Institute of Agiculture	—	—	—	—	203
Animal Health and Industry Training Institutes—					
Kabete	135	156	156	275	290
Nyahururu	110	110	120	223	210
Ndomba	—	200	205	386	396
SHORT-TERM VOCATIONAL COURSES—					
Naivasha Dairy Training School	1,029	1,029	1,038	1,038	1,045
Athi River M.T. School	130	74	100	100	80

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

Co-operatives

8.31. The co-operative movement has been quite instrumental in Kenya's agricultural development. Its growth in terms of members by type of activity is shown in Table 8.21. The total number of unions and societies increased by 285 in 1987 from 3,524 in 1986 to 3,809. These societies and unions have been consistently increasing every year reflecting

NUMBER OF SOCIETIES AND UNIONS BY TYPES, 1983-1987

Table 8.21 *Number*

TYPE OF SOCIETY	1983	1984	1985	1986	1987
Coffee	181	183	189	191	203
Sugar-cane	73	74	77	78	82
Pyrethrum	58	58	53	53	54
Cotton	53	57	58	59	60
Dairy	114	121	139	142	153
Multiproduce	410	437	470	494	532
Farm Purchase	211	206	217	214	217
Other Agricultural Societies	320	326	298	332	359
Fisheries	51	53	56	56	56
TOTAL	1,471	1,515	1,557	1,619	1,716
Savings and Credit	1,088	1,187	1,352	1,462	1,608
Other Non-Agricultural Societies	279	299	340	377	419
TOTAL	1,367	1,486	1,692	1,839	2,027
Unions and Country-wide Co-operatives*	63	63	65	66	66
TOTAL	2,901	3,064	3,314	3,524	3,809

*Includes KCC and KGGCU.

the Government commitment to the policy of increased participation and mobilization of rural communities into the co-operative movement. The number of unions and country-wide co-operatives have remained more or less constant since 1985. A notable increase, however, occurred in the number of savings and credit societies; from 1,462 in 1986 to 1,608 in 1987, an increase of 16.8 per cent. These societies have become important sources of credit for economic development particularly among the salaried workers. Direct agricultural related societies increased by 6.0 per cent, from 1,619 in 1986 to 1,716 in 1987. All societies, except those handling pyrethrum, cotton and fish, recorded appreciable increases in numbers between 1986 and 1987.

8.32. The importance of the co-operative movement in the production of key agricultural products is depicted in Table 8.22. Except for coffee and cotton, all other selected products recorded increased output values in 1987 compared with 1986. However, the value contribution of these selected products decreased by 14.4 per cent from K£247 million in 1986 to K£212 million in 1987. This decrease was largely attributed to the drop in output and price of coffee and also a drop in the volume of cotton produced in 1987. The share contribution to Gross Farm Revenue from the co-operative movement, however increased among all the selected products; resulting in an aggregate increase from 60 per cent in 1986 to 65 per cent in 1987, thus approaching the 1985 figure.

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE*, 1983-1987

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale *K£million*					
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	247.44
1987**	123.03	34.56	2.68	5.77	45.96	212.00
	Percentage Share					
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
1987**	60	64	46	100	81	65

*Marketed Production in Table 8.2.
**Provisional.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

It is widely recognised that exploitation of the natural resources must be accompanied by an elaborately planned conservation strategy to ensure a reasonable trade-off between use and deteriorating impact on the environment over time. Natural resources are exhaustible and their exploitation calls for further exploration and research to establish more resources and appropriate substitutes. It is because of these considerations that the Government has over the years initiated massive soil control campaigns, afforestation, water supply and pollution control programmes in an effort to abate environmental degradation. The Government's commitment to environmental protection, preservation and management is supplemented by a number of other non-governmental organizations.

Water Supplies

9.2. The Ministry of Water Development is the sole Government organ responsible for the management, development and maintenance of water resources including sewerage disposal and pollution control. Over the years, the Ministry has undertaken many activities to supplement various non-governmental programmes in order to expand the provision of clean (potable) piped water for both domestic and industrial use. To this end, the Government has committed substantial resources in development and maintenance of water supply systems throughout the country.

9.3. Table 9.1 shows expenditure on water supplies by the Ministry of Water Development since 1983. Total expenditure by the Ministry is projected to decrease by about 5 per cent, from K£40 million in 1986/87 to K£38 million in 1987/88.The decline in total expenditure is in part due to the withdrawal of funds previously allocated by the Government to some projects. This decline can also be attributed to the Ministry's recent decision to complete existing projects before embarking on new ones. Overall, there has been a general upward trend on expenditure for water since 1983, reflecting Government's long term commitment towards provision of clean and adequate water within easy reach by most households. Between 1983/84 and 1987/88, for example, rural water supplies, county and urban councils water supplies together represented on average, 64 per cent of the Ministry's total development expenditure. During 1987/88 alone, these items accounted for 75 per cent of total development expenditure. Allocation for rural water supplies increased by over 50 per cent, from K£14 million in 1986/87 to K£21 million in 1987/88. The allocation for water development activities has been projected to account for about 5 per cent of total development expenditure during 1987/88, compared with 13 per cent during the previous financial year, while allocation for training of water development staff registered a 48 per cent decline. The allocation for self-help water supplies was projected to decrease five-fold, from K£5 million during 1986/87 to K£1 million during 1987/88. These reductions were, however, compensated for in the allocation for rural water supplies.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1983/84-1987/88

Table 9.1 *K£'000*

	1983/84	1984/85	1985/86	1986/87**	1987/88*
Water Development	638	1,050	247	5,027	2,050
Training of Water Development Staff	44	270	144	599	310
Rural Water Supplies	7,470	8,782	10,972	13,637	20,688
Self-Help Water Supplies +	5,924	5,169	8,028	5,045	1,085
County Council and Urban Water Supplies	9,350	8,756	11,536	11,396	7,692
Miscellaneous and Special Water Programmes	4,651	5,592	4,394	4,173	6,059
TOTAL	28,077	29,619	35,321	39,877	37,884

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

9.4. A major challenge confronting the Ministry of Water Development is the provision of water to rural areas in conformity with the District Focus for Rural Development. In 1987, there were 55 rural water projects under construction compared with 42 in 1986. Out of these, 15 projects are expected to be completed by the end of 1988. These include major projects like Ndia Phase 1c in Kirinyaga, Makuyu in Muranga, Mukongani in Kwale, Nairage Engare in Narok, Singor Longisa in Kericho, and Kakuma in Turkana.

9.5. The Ministry of Water Development has continued to bear the responsibility of water conservation. To achieve this important goal, the Ministry has constructed and continues to construct dams and pans in various parts of the country, including among others, Machakos, Baringo, North Eastern Province and Marsabit. To date, about 200 dams and pans have been constructed and many more are under construction. The Ministry of Water Development has also worked in close collaboration with other non-governmental agencies. For instance, it has seconded personnel to work in the design, management and supervision of a joint Rural Water Development Project with a donor. Since it's inception in 1981, the project had completed 1,800 water points in Western Province and Siaya District by 1987, at a cost of K£17 million. Of the 1,800 completed water points, 621 are protected springs, 670 shallow wells and 509 boreholes. The project aims at creating 5,000 water points by the end of 1989 which will serve a population of one million at the ratio of 200 persons per water point.

9.6. In an attempt to ensure protection of the country's water resources, the Ministry of Water Development has established Water Quality Monitoring Stations on all major river systems. The Ministry has also decentralized water testing laboratories to ensure that the majority of the population has access to clean water. The Water Quality and Pollution Control Division of the Ministry continues to monitor the quality of water through samples submitted for analysis at various laboratories based in Nairobi, Mombasa, Kisumu, Nyeri and Kakamega.

9.7. The Ministry is also charged with the responsibility of providing water for irrigation purposes and flood control. The flood control activities currently include the Nzoia River Flood Control,which protects about 100 square kilometres against flood, the Taveta Irrigation and Drainage Area, which provides water to about 100 small holder families occupying about 500 hectares of land and the Yatta Canal which supplies water to about 1800 families and irrigates 750 hectares of occupied land. The latter canal also serves another 500 families along seasonal rivers fed by it. The output of Yatta Canal is estimated at 24 million cubic metres of water per annum, while that for Taveta is around 12 million cubic metres per year.

Fisheries

9.8. Table 9.2 shows the quantity and value of fish landed between 1983 and 1987. From an impressive increase of 13 per cent in the overall volume of fish and other marine products landed in 1986, only a 4 per cent increase was recorded in 1987. The corresponding value also increased by 5 per cent, from K£18 million in 1986 to K£19 million in 1987.

9.9. Since 1983, the supply of fresh water fish has dominated the Kenya fish market, accounting for about 95 per cent in 1987. Out of a total of 118 thousand tonnes of fresh water fish landed in 1987, Lake Victoria accounted for 91 per cent. In 1987, fish landings in Lake Victoria increased by 5 per cent, from previous year's tonnage of 103 thousand to 108 thousand tonnes. Marine products landed also increased marginally by 4 per cent, from 120 thousand tonnes in 1986 to 125 thousand tonnes in 1987.

9.10. Great concern has arisen in recent years over the ecological effects of fresh water pollution on fish and the aquatic environment. The discharge of wastes emanating from urban, agricultural and industrial activities can change the chemistry of aquatic environment thereby rendering it unsuitable for aquatic life. The development and optimization of fisheries resources and their maintenance in face of conflicting uses of

water requires high level inputs and expertise. The Kenya Marine and Fisheries Research Institute was set up to monitor and evaluate the effects of pollution on aquatic environment. Research activities of the institute during 1987 included some aspects of limnology of Lake Victoria, studies on phytoplankton and nutrient dynamics of the Nyanza gulf, trace elements analysis in some selected natural waters and a study on the concentration of heavy metals in fish benthic invertebrates and sediments of Kenyan inland waters. These research priorities will allow early detection of changes in water quality caused by human developmental activities.

QUANTITY AND VALUE OF FISH LANDED, 1983-1987

Table 9.2

	1983	1984	1985	1986	1987*
Quantities *Tonnes:*					
Freshwater fish.					
Lake Victoria	77,327	71,854	88,589	103,163	108,064
Lake Turkana	10,113	8,448	7,460	7,324	7,240
Other areas	3,628	3,898	3,715	2,707	2,912
TOTAL	91,068	84,200	99,764	113,194	118,216
Marine fish	5,798	6,069	5,777	6,156	6,096
Crustaceans	474	607	274	302	299
Other marine products	121	100	158	146	39
GRAND TOTAL	97,461	90,976	105,973	119,798	124,650
Value *K£'000*:					
Freshwater fish	8,329	9,336	12,594	14,558	15,596
Marine fish	2,062	2,205	2,496	2,719	2,700
Crustaceans	539	801	421	508	505
Other marine products	204	175	78	218	48
TOTAL	11,134	12,517	15,589	18,003	18,849

*Provisional

Forestry

9.11. The Government takes a serious view of indiscriminate excision of forests. Widespread and uncontrolled exploitation of forest resources could have far reaching consequences in the form of soil erosion and. desertification. Consequently, the Government strictly emphasizes the maintenance of adequate forest cover for environmental control and management to sustain sound economic development. Cautious exploitation through controlled felling of trees and subsequent replacement through planting is an important resource management activity undertaken by the Government.

9.12. Table 9.3 presents an overview of recorded forest plantation area since 1983. Forest area under indigeneous woods has been rising gradually. Total forest area rose to 168 thousand hectares in 1986, but declined by about 4 per cent to 161 thousand in 1987. This decline is due to a reduction in area planted with cypress, pines and fuel timber, some of which had been felled on maturity during the year. This phenomenon increased sales of forest products in 1987.

9.13. The Forest Department through the Rural Afforestation and Extension Services (RAES) has continued to promote rural afforestation programmes. By 1987, there were a total of 1,159 tree nurseries countrywide, 30 per cent of which were attributed to the Forest Department's afforestation programme, 10 per cent to self-help groups and the rest to other non-governmental and private institutions.

9.14. Afforestation programmes undertaken both by the Government and private institutions ensure that an overall balance in the ecosystem is maintained and provide the necessary forest products to meet both domestic and external demand. Table 9.4 shows the sales of forest products by the Forestry Department for the period 1983 to 1987. In 1987,

FOREST PLANTATION AREA, 1983-1987

Table 9.3 *'000 Hectares*

Type of Forest	1983	1984	1985	1986	19871
Indigeneous softwood	9.7	9.7	5.0	4.6	7.0
Indigeneous hardwood	11.6	11.6	3.6	3.5	8.4
Exotic softwoods.					
Cypress	59.2	62.7	70.0	71.4	64.2
Pines	67.2	68.3	61.5	70.7	66.6
Exotic hardwoods.					
Timber	3.6	3.6	5.8	4.0	4.1
Fuel	8.5	9.1	14.6	13.5	10.8
TOTAL AREA	159.8	165.0	160.5	167.7	161.1

*Provisional.

the sales of soft and hard woods recorded a 15 per cent increase. However, the sales of fuel wood and charcoal declined upto 1985 when an upturn was observed, recording an increase of 31 per cent and 19 percent in 1986 and 1987, respectively.The decline in the sales between 1983 and 1985 was attributed to restrictions imposed on tree felling during the period and the ban imposed on sales of trees for charcoal burning. The ban was partially lifted in 1987 to meet the rising demand for charcoal for domestic use. Except for a temporary drop in 1985, the sale of power and telegraph poles has been increasing to meet domestic demand for rural electrification and telephone services. In 1987 the number of poles sold were 30,000, reflecting an increase of 29 per cent over the previous year's figure of 23,000.

RECORDED SALE OF FOREST PRODUCTS, 1983-1987

Table 9.4

Forest Product	1983	1984	1985	1986	1987*
Timber '000 *true cu. metres.*					
Soft wood	464	572	447	408	480
Hardwood	263	204	133	268	298
TOTAL	727	776	580	676	778
Fuel '000 stacked cu. metres.					
Fuelwood and Charcoal	117.3	68	65	85	101
Power and Telegraph Poles. *numbers*	21,146	25,606	20,346	23,252	30,000

*Provisional.

Mining

9.15. Mineral production registered a marginal increase in 1987 over 1986, as shown in Table 9.5. The increase came largely from output of salt and limestone products. Salt production increased by about 17 per cent, from 62 thousand tonnes in 1986 to 72 thousand tonnes in 1987. The output of limestone products has gradually risen since 1984 and increased by about 7 per cent, from 35 to 37 thousand tonnes in 1986 and 1987, respectively.

9.16. Soda ash continued to dominate overall mineral production, reaching a record production of 230 thousand tonnes in 1986. The marginal decline in output of soda ash in 1987 was partly attributable to rail transport and warehousing constraints which forced the management to cut down on production. Buoyant export sales of soda ash were however, recorded in 1987 due to an increase in demand from traditional Far East consumers and renewed interest from African markets, particularly those in the Preferential Trade Area. The decline in output of fluorspar in 1987 was, on the other hand, attributed to a glut in the world market and subsequent collapse of world prices for the product.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1983-1987

Table 9.5

Mineral	1983	1984	1985	1986	1987*
Quantities *Tonnes:*					
Minerals.					
Soda Ash	193,690	226,000	227,760	230,000	228.000
Fluorspar	59,084	50,883	57,949	50,851	46,568
Salt	83,427	58.352	67,213	61,980	72,269
Limestone Products**	34,150	20,855	30,479	35,000	37,460+
Other	41,475	35,818	37,202	39,276	37,705+
TOTAL	411,826	391,908	420,603	417,107	421,992
Value *K£*'000:					
Soda Ash***	7,273	11,836	13,180	16,514	17,442
Fluorspar***	3,099	2,951	3,761	3,129	2,497
Salt	2,963	2,744	2,662	2,763	2,317
Limestone Products	480	662	1,126	1,150	1,173+
Other	1,738	1,500	1,558	1,663	1,779+
TOTAL	15,553	19,693	22,287	25,219	25,208 *

*Provisional.
**Excluding limestone used as input into cement product.
+Rough Estimates only

9.17. The combined effects of the above experiences is reflected in the very negligible increase in the overall value of minerals in 1987. Production value of salt also declined by about 7 per cent, from K£2,763 thousand in 1986 to K£2,583 thousand in 1987. One of the major salt manufacturing firms contributed to this decline through its shift from imported to local raw materials. Table 9.6 shows the trend in export prices for soda ash and fluorspar since 1983. In contrast to the falling prices of fluorspar, the prices of soda ash have continued to rise in the world market, and increased by about 7 per cent in 1987 compared with 1986.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1983-1987

Table 9.6 *K£ per tonne*

Mineral	1983	1984	1985	1986	1987*
Soda Ash	58.0	61.0	65.9	71.8	76.5
Fluorspar	63.5	58.0	64.9	61.5	53.6

*Provisional.

Resources assessment and monitoring activities

9.18. In 1987, the Department of Resources Surveys and Remote Sensing, formerly KREMU, continued to generate data on the dynamics of the country's natural resources with the objective of monitoring trends and developing a data bank for planning purposes. Emphasis was given to land use/cover mapping, crop types, forestry, and other vegetation types in particular to determining the protection and conservation of some aspects of plant genetic resources; maize and wheat forecasts: wildlife and livestock censuses; and many other environmental parameters. Efforts are also being made to cover physical facilities as well.

9.19. The Department has now a good data base on renewable resources in the country as an input to planning process as well as a modest Early Warning System. The data generating process and retrieval system has been disaggregated to district level in response to the district focus planning requirements. District planning requires a higher level of data resolution than at the National level. The acquisition of a Geographical Information System (GIS), has tremendously increased the Department's data analysis,

retrieval and storage capacities. This is particularly so in terms of automation of thematic mapping and interactive display of data as a basis of meeting this growing demand for data on some aspects of renewable resources and meeting the requirements of high resolution data at district level. The use of the GIS satellite technology and aerial photography under-scores the importance of high technology complimented with systematic aerial surveys and ground checks as being important elements of information generation from a multi-disciplinary point of view.

CHAPTER 10 - ENERGY

Overview

Conflict in the Gulf region continued to affect the oil industry resulting in most members of Petroleum Exporting Countries (OPEC) producing crude oil above their quotas during 1987. Daily crude oil production increased by about 8 per cent from the official 16.6 million to 18 million barrels. Crude oil prices during the year fluctuated at around US$ 18 per barrel compared with US $9 per barrel in 1986, while overproduction coupled with lower crude oil prices charged by some of the producing countries resulted in build-up of stocks.

10.2. Total imports of petroleum products was 2,271 thousand tonnes compared with 2,138 thousand tonnes imported in 1986, an increase of 133 thousand tonnes or 6 per cent. The total import bill rose by K£46.9 million from K£233.8 million in 1986 to K£280.7 million in 1987 as a result of the increase in imports and price of crude oil. This increase led to a heavier burden on Kenyan economy. Export earnings from petroleum products, on the other hand, declined by 18 per cent to K£102 million in 1987, registering the lowest level since 1983. This was mainly due to a sharp drop of 29 per cent in the quantity of petroleum fuels exported.

10.3. Generation of electricity has been rising steadily over the last five years reaching 2,454 GWH in 1987 as compared to 1,904 GWH in 1983. With the commissioning of Kipevu Power Plant, the installed capacity which had remained stagnant in 1985 and 1986 improved during 1987 by 16 MW to reach 575 MW. This improvement will be beneficial only if it is matched with concerted energy conservation measures. In response to the need to conserve energy the Ministry of Energy has set up the Kenya Industrial Energy Management Programme (KIEMP) whose main objective is to promote energy conservation in the industrial sector.

Petroleum

10.4. Petroleum is the major source of energy in Kenya which in 1987 accounted for about 86 per cent of the total commercial energy utilized. Table 10.1 sets out both imports and exports of petroleum products. During 1987, Kenya imported 2.3 million tonnes of crude oil and petroleum products as opposed to 2.1 million tonnes in 1986. Although most imports recorded increases, petroleum fuels recorded a 12 per cent decrease from 105 thousand tonnes in 1986 to 92 thousand tonnes in 1987. Export of petroleum products declined substantially from 816 thousand to 579 thousand tonnes in 1986 and 1987, respectively. The decline in the export of petroleum fuels from 805 thousand tonnes in 1986 to 572 thousand tonnes in 1987 largely contributed to the poor export performance. Correspondingly, total export earnings dropped to their lowest level of K£102 million for the period 1983 to 1987. The drop in export earnings was more pronounced in petroleum fuels and lubricating oils.

QUANTITY AND VALUE OF IMPORTS OF PETROLEUM PRODUCTS, 1983-1987

Table 10.1

	QUANTITY ('000 TONNES)					VALUE (K£Mn)				
	1983	1984	1985	1986	1987*	1983	1984	1985	1986	1987*
IMPORTS.										
Crude Petroleum	1,940.2	1,874.3	1,980.7	2,006.0	2,130.5	289.46	292.42	349.27	207.83	248.52
Petroleum Fuels	195.9	100.6	51.9	105.4	92.3	45.55	21.12	12.57	15.89	14.39
Lubricating Oils	22.5	35.4	35.0	26.0	46.0	7.25	12.54	13.41	9.64	15.41
Lubricating Greases		0.1	0.1	0.5	2.3	0.06	0.09	0.14	0.46	2.38
TOTAL	2,158.6	2,010.4	2,067.7	2,137.9	2,271.1	342.32	326.17	375.39	233.82	280.70
EXPORTS.										
Petroleum Fuels	630.8	685.3	596.8	804.5	571.9	118.24	131.72	108.58	116.94	96.43
Lubricating Oils	17.1	16.7	14.8	11.0	6.5	9.65	9.48	9.12	7.01	4.88
Lubricating Greases	0.9	0.4	0.3	0.3	0.4	0.49	0.30	0.33	0.26	0.43
TOTAL	648.8	702.4	611.9	815.8	578.8	128.38	141.50	118.03	124.21	101.74
NET BALANCE	1,509.8	1.308.0	1,455.8	1,322.1	1,692.3	213.94	184.67	257.36	109.61	178.96

*Provisional

10.5. Table 10.2 shows crude oil intake by type for the period 1983-1987. Considerable shifts have taken place in crude oil intake ranging from sharp decline of Arabian Light Berri from 272.2 thousand tonnes to no imports, Iranian Medium from 200.9 to 85.6 thousand tonnes and Qatar Durkhan from 267.9 thousand tonnes to no imports. However, the shift in crude oil intake during 1987 was in favour of Zakum and Murban which recorded the highest increases in intake of 381.8 and 314.3 thousand tonnes, respectively. At 1.32 million tonnes Murban was the largest intake. It is important to note that there was also an intake of 84.4 thousand tonnes of Oman crude which had not been imported in 1986. Due to the Gulf conflict there was an increase from 60 to 93 per cent of total crude oil imports from United Arab Emirates during 1986 and 1987, respectively.

CRUDE OIL INTAKE BY TYPE, 1983-1987

Table 10.2 *000 Tonnes*

Crude intake	A.P.I. Gravity	1983	1984	1985	1986	1987*
Arabian Light	33.4	281.6	58.2	38.2	26.5	0.1
Arabian Medium	31.0	67.0	3.6	38.6		
Arabian Heavy	27.9	208.3	244.5	93.5	26.3	26.9
Arabian Light Berri		57.9	314.8	66.2	272.2	
Iranian Light	33.9	242.1	76.9			
Iranian Medium		97.8	343.7	217.1	200.9	85.6
Qatar Marine	36.7		100.7	72.4		
Qatar Durkhan	41.2	64.6		104.2	267.9	
Kuwait	32.0	53.5	55.3	34.9	32.1	30.8
Zakum	40.1	226.2	268.3	305.9	181.0	562.8
Upper Zakum				58.4		
Murban	39.6	520.2	552.9	840.7	1,004.3	1,318.6
Dubai	32.4		0.1	71.3		
Oman	-	100.7	-	-		84.4
Suez Mix	-	64.4				
Slop	-	1.1	0.9	0.4	1.0	0.5
TOTAL	-	1,985.4	2,019.9	1,941.8	2,012.2	2,109.7

*Provisional.

10.6. The production of various petroleum products by the Kenya Petroleum Refinery are detailed in Table 10.3. At 2,110 thousand tonnes the 1987 production was 5 per cent above the 1986 output of 2,012 thousand tonnes. A significant increase was reported in the case of light diesel oil which recorded an increase of 11 per cent, attributable to an increase in use of diesel engine vehicles especially in the commercial sector. Illuminating kerosene oil (an important household fuel) increased from 392 thousand tonnes in 1986 to 413 thousand tonnes in 1987, a 5 per cent increase which was much lower than the 11 per cent recorded in 1986. Bitumen went up by 7 per cent from 29 thousand tonnes in 1986 to 31 thousand tonnes in 1987, reflecting increased effort in construction and maintenance of roads.

On. REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1983-1987

Table 10.3 *000 Tonnes*

	1983	1984	1985	1986	1987*
OUTPUT.					
Liquefied petroleum gas	20.3	23.0	21.8	26.1	26.2
Motor gasoline premium	141.2	135.4	136.6	143.3	138.3
Motor gasoline regular	159.4	168.7	182.5	188.7	198.0
Illuminating kerosene					
Jet/turbo fuel	326.6	357.2	351.3	391.8	412.8
Light diesel oil	419.3	437.1	466.4	489.5	547.1
Heavy diesel oil					
Marine diesel oil	28.9	31.6	32.1	35.5	33.8
Fuel oil	604.6	613.0	412.8	383.8	372.8
Export residues	191.5	154.3	240.2	257.7	260.2
Bitumen	26.3	30.7	27.0	28.6	31.1
Intermediates	-2.1	-2.1	2.9	-3.5	5.7
Refinery usage	69.4	71.1	68.3	70.9	83.8
THROUGHPUT=TOTAL OUTPUT	1,985.4	2,020.0	1,941.9	2,012.4	2,109.8

*Provisional.
**Excludes lubricants.

10.7. In 1987 domestic demand for petroleum products was 1,748 thousand tonnes compared with 1,583 thousand tonnes in 1986. Demand for illuminating kerosene increased from 109 to 134 thousand tonnes in 1986 and 1987, respectively; a 23 per cent increase compared with a 20 per cent increase in 1986. All types of petroleum products showed increases except for jet/turbo fuel which decreased by 5 per cent from 263 thousand to 249 thousand tonnes. Details of petroleum supply and demand balance are shown in Table 10.4.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1983-1987

Table 10.4 *000 Tonnes*

	1983	1984	1985	1986	1987*
DEMAND.					
Liquefied petroleum gas	19.9	21.6	22.4	24.1	25.3
Motor spirit premium and regular	256.4	257.7	267.8	295.1	321.8
Aviation spirit	6.1	5.6	5.9	6.1	6.3
Jet/turbo fuel	250.1	259.4	261.0	263.4	249.5
Illuminating kerosene	81.8	81.4	90.9	109.1	133.7
Light diesel oil	388.9	420.1	447.7	481.0	572.7
Heavy diesel oil	23.2	25.2	25.1	26.1	27.7
Fuel oil	346.7	411.4	376.5	378.3	410.8
TOTAL	1,373.1	1,482.4	1,497.3	1,583.2	1,747.8
Refinery usage	69.4	71.1	68.3	70.9	83.8
TOTAL DOMESTIC DEMAND	1,442.5	1,553.5	1,565.6	1,654.1	1,831.6
Exports of petroleum fuels	630.8	685.3	596.8	804.5	571.9
TOTAL DEMAND**	2,073.3	2,238.8	2,162.4	2,458.6	2,403.5
SUPPLY-					
Imports:					
Crude oil	1,940.2	1,874.3	1.980.7	2,006.0	2,130.5
Petroleum fuels	195.9	100.6	51.9	105.4	92.3
TOTAL	2,136.1	1,974.9	2,032.6	2,111.4	2,222.8
Adjustment***	-62.8	263.9	129.8	347.2	180.7
TOTAL SUPPLY**	2,073.3	2,238.8	2,162.4	2,458.6	2,403.5

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

10.8. As Table 10.5 shows, total domestic sales of petroleum fuels by consumer category increased from 1,583 thousand to 1,748 thousand tonnes in 1986 and 1987, respectively; an increase of 10 per cent which was higher than the increase of 6 per cent recorded in 1986. The transport sector being a major user of petroleum products consumed 1,210 thousand tonnes which was 69 per cent of total domestic sales but slightly lower than the proportionate 72 per cent recorded in the year 1986. The decrease in the proportion was due to a drop in aviation and marine sales noted in paragraph 10.7. On the other hand, road transport recorded a 13 per cent increase in domestic sales from 677 to 762 thousand tonnes in 1986 and 1987,respectively.

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1983-1987

Table 10.5 *000 Tonnes*

USER	1983	1984	1985	1986	1987*
Agriculture	45.5	44.0	48.9	61.2	71.2
Retail pump outlets and road transport	520.5	568.7	616.6	676.8	762.2
Rail transport	40.9	42.5	35.0	29.4	31.1
Tourism**	8.0	9.3	9.4	9.9	11.0
Marine (excl. Naval Forces)	201.7	158.9	147.1	177.0	168.5
Aviation (excl. Government)	250.6	258.8	260.4	263.0	249.5
Power Generation	43.6	54.5	27.4	34.3	87.2
Industrial, Commercial and Other	416.0	452.6	452.7	455.8	483.4
Government	47.7	51.8	46.7	52.3	127.7
Balancing Item	-201.5	-158.7	-146.9	-176.6	-244.0
TOTAL	1,373.2	1,482.4	1,497.3	1,583.2	1,747.8

*Provisional.
**Comprises sales to tour operators

10.9. The commercial and industrial sector used 483 thousand tonnes in 1987, reflecting an increase of 6 per cent over 1986. The agricultural sector recorded an increase of 16 per cent which was lower than the 25 per cent increase recorded in 1986. Use of petroleum products by the Government increased steeply from 52 to 128 thousand tonnes in 1986 and 1987, respectively, a 144 per cent increase. This increase resulted from the implementation of the District Focus for Rural Development, registration of voters and the Government's participation in the public transport services (Nyayo Buses).

10.10. Wholesale prices of all petroleum products except liquefied petroleum gas (LPG) and illuminating kerosene increased more than six times between 1973 and 1987 as shown in Table 10.6. The average price per tonne of motor spirit was Kshs. 1,509 in 1973 but this rose to Ksh. 11,234 in 1987, and a tonne of LPG increased from Kshs.2,060 to Ksh.6,400 over the same period. There has also been parallel increases in other types of products. This trend is part of a deliberate Government reaction to high crude oil import bill so that a proportion of the international price increase is borne by the consumer.

WHOLESALE PRICES* PETROLEUM PRODUCTS AT MOMBASA, 1983-1987

Table 10.6 *KSh. per tonne*

	30-9-1973	27-4-198	13-6-1986	1-4-1987	1-7-1987	Ratio 1987/73 (per cent)
Liquefied petroleum gas	2,060	6,399	5,893	6,400	6,400	310.7
Premium motor gasoline	1,551	10.869	9,975	10,868	11,418	736.2
Regular motor gasoline	1,468	10,512	9,734	10,622	11,051	752.8
Illuminating kerosene	736	4,859	4,012	4,012	4,012	545.1
Power kerosene (Blended)	763	6,555	5,728	6,095	6,123	802.5
Light diesel oil	892	6,365	5,525	5,886	5,886	659.9
Industrial diesel oil	471	4,019	3,136	3,982	3,982	845.4
Fuel oil	334	2,408	2,003	2,408	2,408	721.0

*Including duties and sales taxes.

10.11. The Nairobi retail prices for motor spirit and gas oil which remained relatively low for a year shot up again in April 1987, when new retail prices were announced by the Government, in response to the increase in price of oil from US $ 9 to US $ 18 in 1986 and 1987, respectively. Prices of premium, regular and gas oil went up by 59, 49 and 32 cents, respectively. Thus from 1st April, 1987 Ksh.8.61 was charged for premium, Ksh.8.13 for regular and Ksh.5.62 for gas oil. Three months later, the Nairobi retail prices were again adjusted upwards due to increased crude oil prices. July, 1987 witnessed price increases to Ksh.9.01 for premium and Ksh.8.43 for regular while there was no change in retail price for gas oil. The retail prices have since July, 1987 remained stable in response to the stability of crude oil prices around US$ 18 per barrel.

NAIROBI RETAIL PRICES, 1983-1987

Table 10.7 *KSh. per Litre*

Date	MOTOR SPIRIT		
	Premium/ Gasohol*	Regular/ Gasohol	Gas Oil
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
1-4-87	8.61	8.13	5.62
1-7-87	9.01	8.43	5.62

*Gasohol was introduced from 1983

Electricity

10.12. Table 10.8 provides details on installed capacity and generation of electricity. Whereas there was no change in hydro. and geothermal installed capacity since 1985, there was an increase of 16 GWH in thermal oil installation in 1987. Consequently, total installed capacity which had not changed since 1985 increased to 574.2 GWH from 558.7 GWH. With the increased capacity generation of electricity, the industry recorded a 6.4 per cent increase, compared with a 7.1 per cent increase in 1986. The lower growth in 1987 was mainly due to lower growth in geothermal generation. Hydro-based electricity generation recorded an improved performance of 4.4 per cent in 1987 compared with 3.3 per cent in 1986. Generation of thermal oil based electricity recorded a high 32.2 per cent increase although this performance was lower than 45.3 per cent growth in 1986. The continued overall improvement in electricity generation is the direct result of increased demand as well as Government's effort to provide electricity to the rural areas.

INSTALLED CAPACITY AND GENERATION OF ELETRICITY, 1983-1987

Table 10.8

Year	INSTALLED CAPACITY* MW**				GENERATION GWH***			
	Hydro	Thermal Oil	Goether. mal	Total	Hydro	Thermal Oil	Geother-mal	Total
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
1987+	353.5	176.2	45.0	574.7	1,813.0	267.0	374.0	2,454.0

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

10.13. The electrical energy demand and supply balance sheet covering the years 1983.1987 is presented in Table 10.9. The overall demand increased by 3 per cent in 1987 over the 1986 to reach 2.276 million KWH. All users recorded increases with large commercial and industrial sector consuming 58 per cent of the total electrical energy compared with 59 per cent in 1986. Domestic and small commercial sector used 24 per cent of the available electricity while street lighting used 9 million KWH in 1987 compared with 8 million KWH in 1986. Total supply improved by 5.5 per cent from 2,487 million KWH to 2,623 million KWH in 1986 and 1987, respectively. Import from Uganda, which had increased by 9 per cent to 235 million KWH in 1986, decreased by 10 per cent to 211 million KWH in 1987. Losses arising from transmission and unallocated demand which had been reduced from 310 million to 281 million KWH in 1985 and 1986, respectively, increased by 23 per cent to 347 million KWH in 1987.

ELECTRICITY ENERGY SUPPLLY AND DEMAND BALANCE, 1983-1987

Table 10.9 *Million KWH*

	1983	1984	1985	1986	1987*
DEMAND.					
Domestic and Small Commercial	484	514	545	611	634
Large Commercial and Industrial	1,144	1,206	1,354	1,476	1,522
Off-peak	109	116	106	111	111
Street Lighting	10	9	9	8	9
TOTAL	1,747	1,845	2,014	2,206	2,276
Transmission losses and unallocated demand	294	276	310	281	347
TOTAL DEMAND = TOTAL SUPPLY	2,041	2,121	2,324	2,487	2,623
of which imports from Uganda	179	215	215	235	211
Net generation	1,862	1,906	2,109	2,252	2,412

*Provisional

Energy Balance

10.14. Table 10.10 provides details on total domestic energy demand and supply balance. Consumpion of liquid fuels, which between 1985 and 1986 increased by only 6 per cent, went up by 11 per cent in 1987. Its share in the total commercial energy since 1973 continued to oscillate around 73 per cent. Total energy consumption increased by 9 per cent to 2.5 million tonnes from 2.3 million tonnes of oil equivalent consumed in the previous year. The trend reflects high demand for energy in both industrial and agricultural sectors of the economy. Local consumption of hydro. and geothermal energy increased marginally. High aggregate demand for energy by the modern sector of the economy resulted in a 5 per cent rise in per capita consumption in 1987.

10.15. Total energy consumption has been increasing since 1983 when a total of 1,967 thousand tonnes of oil equivalent were consumed. The consumption rose to 2,489 thousand tonnes of oil equivalent in 1987. This represents an average annual growth rate of 6 per cent since 1983, although a substantial increase of 208 thousand tonnes of oil equivalent or 9 per cent growth was recorded in 1987. A welcome development, however, was a 26 per cent increase in consumption of coal as a substitute for oil.

Household Energy Use

10.16. A large proportion of Kenya's population continue to depend on wood fuel and charcoal for cooking and heating. It is estimated that nearly 38 million cubic metres of wood, equivalent to 1 million tonnes of oil, are consumed annually. Afforestation measures must be enforced to help meet the growing demand of fuel wood for both rural and low income urban households. The Government through a number of ministries has embarked on programmes aimed at ensuring that adequate supplies of wood are maintained to satisfy demand. These measures include energy conservation through widespread use of efficient woodfuel burners (Jikos) and charcoal production kilns.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1983-1987

Table 10.10 *000 Tonnes Oil Equivalent*

	1983	1984	1985	1986	1987*
COAL AND COKE CONSUMPTION OIL:-	63.7	82.7	59.9	67.9	82.2
Imports of crude oil	1,940.2	1,932.7	1,980.7	2,006.0	2,130.5
Net exports of petroleum	-434.9	-584.7	-544.9	-699.0	-479.6
Stock changes and balancing item	-62.9	205.5	129.8	347.1	180.7
TOTAL CONSUMPTION OF LIQUID FUELS	1,442.4	1,553.5	1,565.5	154.1	1,831.6
HYDRO AND GEOTHERMAL ENERGY:-	354.7	357.8	403.2	416.7	435.1
Local production of hydro power					
Local production of geothermal power	62.9	55.9	80.6	88.6	89.8
Imports of hydro power	43.0	51.6	51.6	56.4	50.6
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	460.6	465.3	535.4	561.7	575.5
TOTAL LOCAL ENERGY PRODUCTION	417.6	413.7	483.8	505.3	524.9
TOTAL NET IMPORTS	1,612.0	1,482.7	1,547.3	1,428.4	1,783.7
TOTAL ENERGY CONSUMPTION	1,966.7	2,101.5	2,160.9	2,280.9	2,489.3
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	21.2	19.7	22.4	22.2	21.1
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	105	108	107	108	113

*Provisional.
**Modem sector only, excludes fuelwood and charcoal.

Alternative Sources of Energy

10.17. Alternative sources of energy include solar energy, windmills, power alcohol and biogas. Already, programmes for their increased use have been formulated and are intended to supplement and conserve, where appropriate, other major sources of energy. Currently, the use of these sources, except solar, have not gained in popularity and this calls for programmes aimed at educating the public and the application of cheaper technologies.

CHAPTER 11 - MANUFACTURING

Overview

Adverse weather conditions, low world prices of tea and coffee, rising crude oil prices, and the lowered value of the Kenya shilling, played a role in limiting the growth of output in the manufacturing sector in 1987. Real output growth of the sector, weakened marginally from 5.9 per cent in 1986 to 5.7 per cent in 1987. Liberalisation policies aimed at creating efficiency through competition have not yet borne fruit. In spite of these factors the investment by local credit institutions significantly improved in line with the Government's commitment to industrial development particularly in the rural areas.

11.2. As in the previous year, all subsectors in manufacturing industries recorded positive growth rates except the transport equipment industry. The recovery of the sugar and confectionery subsector which started in 1986, continued into 1987, contributing to a decline in sugar imports. Meat processing was steady despite the crises faced by Kenya Meat Commission and Uplands Bacon Factory. Food manufacturing and beverages and tobacco subsectors continued to improve while some significant recovery was recorded in wood and paper processing industries.

11.3. Employment in the manufacturing sector grew at 2.3 per cent compared with 3.7 and 3.8 per cent in 1985 and 1986, respectively. Total employment in manufacturing industries rose from 164,800 persons in 1986 to 168,567 in 1987.

11.4. Data from the Business Expectation Enquiries (BEE) indicate that the sales of manufactured goods increased by over 18 per cent in 1987 compared with the growth in 1986. Provisional data shows that sales increased from K£2,288 million to K£2,707 million in 1986 and 1987, respectively. The increase in sales is attributed to the expanding local and export demand. Stocks of manufactured goods increased by almost 19 per cent from K£ 436 million in 1986 to K£ 519 million in 1987.

Industrial Output

11.5. Table 11.1 sets out estimates of the value of output, input, value-added and wages paid in the manufacturing sector from 1984 to 1987. The value of inputs rose by 19.3 per cent; while output, value-added and labour costs rose by 18.5, 13.5 and 13.7 per cent, respectively in 1987. The proportion of value added in manufacturing output decreased from 15.3 per cent in 1985 to 14.2 and 13.6 in 1986 and 1987, respectively.

MANUFACTURING SECTOR*—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES, 1984-1987

Table 11.1 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
1987**	5,089.68	4,399.54	690.14	233.64

*Includes tea processing.
**Provisional

Quantum Indices

11.6. Table 11.2 provides indices of real output in the manufacturing sector from 1985 to 1987. The quantum index of total manufacturing increased by 5.7 per cent in 1987. Significant improvements were recorded in the food processing and the beverages and tobacco subsectors; both of which have little import content in their inputs.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1985-1987

Table 11.2 *1976=100*

INDUSTRY	1985	1986	1987*	PERCENTAGE CHANGE 1987/1986
Meat and Dairy Products	81.0	97.0	115.3	19.0
Canned Vegetables, Fish, Oils and Fats	194.9	228.2	268.1	17.5
Grain Mills Products	177.4	192.2	198.3	3.2
Bakery Products	120.9	134.6	151.5	12.5
Sugar and Confectionery	177.6	180.1	184.2	2.3
Miscellaneous Foods	142.8	169.0	189.7	12.2
Food Manufacturing	135.7	144.9	157.8	8.9
Beverages	141.9	166.8	196.9	18.0
Tobacco	151.8	156.2	170.8	9.3
Beverages and Tobacco	144.6	166.0	194.3	17.1
Textiles	174.3	186.5	192.5	3.2
Clothing	352.5	354.8	359.8	1.4
Leather and Footwear	80.1	81.9	83.5	2.0
Wood and Cork Products	66.4	67.1	68.1	1.5
Furniture And Fixtures	71.6	72.7	73.5	1.1
Paper And Paper Products	147.1	157.1	170.0	8.2
Printing and Publishing	330.8	350.4	372.2	6.2
Basic Industrial Chemicals	163.3	166.5	170.0	2.1
Petroleum and Other Chemicals	257.2	279.0	303.5	8.8
Rubber Products	247.2	262.3	277.0	5.6
Plastic Products	198.0	205.7	212.3	3.2
Clay and Glass Products	289.1	289.7	291.7	0.7
Non-Metallic Mineral Products	121.9	135.0	142.7	5.7
Metalic Products	94.8	104.4	116.2	11.3
Non-Electrical Machinery	109.6	118.4	127.9	8.0
Electrical Equipments	154.5	162.9	168.4	3.3
Transport Equipments	674.8	593.7	547.4	-7.8
Miscellaneous Manufactures	202.1	260.1	336.0	29.2
TOTAL MANUFACTURING	178.2	188.7	199.4	5.7

*Provisional.

11.7. The food processing industry performed much better in 1987 compared with 1986. Sugar and confectionery subsector, which accounts for a sizeable share of gross output in the agro-based industry, continued its recovery with a growth of 2.3 per cent in 1987 against 1.4 per cent growth in 1986. Output of canned vegetables, fish oils and fats also improved. The growth of the grain milling industries slowed down from 8.3 per cent in 1986 to 3.2 per cent in 1987. The decline in the growth rate was attributable to a 12 and 14 per cent decline in output of maize and wheat flour, respectively.

11.8. Table 11.3 gives details of the output of some important processed cereal products. There was an overall decline in output of sifted maizemeal, wheat flour and rice. Production of maize flour dropped by 12 per cent from 226 thousand tonnes in 1986 to 198 thousand in 1987. Output of wheat flour declined by 14 per cent from 304 thousand tonnes in 1986 to 260 thousand in 1987. Similarly, production of whole rice declined from 19.8 thousand tonnes to 17.2 thousand tonnes. The low output of sifted maizemeal and wheat flour was compensated from sales of stocks carried forward from 1986. While the sales of grain milling products increased by about 40 per cent, stocks declined by a similar magnitude.

PRODUCTION OF GRAIN MILLING PRODUCTS, 1983-1987

Table 11.3 *000 tonnes*

YEAR	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
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*	225.7	303.6	19.8	0.1
1987**	197.9	260.0	17.2	0.6

*Revised
**Provisional.

11.9. The meat and dairy products industry grew at a rate of 19 per cent, as a result of considerable improvement in deliveries of livestock particularly to private abattoirs. In order to correct market imperfections existent in the meat industry the Government decontrolled prices of meat during the year and undertook a restructuring programme of the beef and pork manufacturing parastatals. Output of liquid milk increased by almost 20 per cent from 388 million litres in 1986 to 461 million litres in 1987. There was a marginal decline in output of cheese, baby foods and ice cream. Local output of butter improved by 22 per cent in 1987 against 1986, while the imports also increased.

11.10. The industrial output of canned vegetables, fish oils and fats continued its upward trend, registering a growth rate of 17.5 per cent in 1987 compared with 17.1 per cent in 1986. Increased production of fruits led to increased output of jams and marmalades. Output of edible oils rose by 11 per cent. This was in response to 1987/88 budgetary incentives coupled with increased intra-industry and retail competition.

11.11. The bakery products industry continued to register steady growth, rising by 12.5 per cent in 1987 from 11.3 per cent in 1986. This growth was a consequence of availability of raw materials, and capacity expansion. Increased consumer demand for bread both in urban and rural areas also contributed towards the rising trend. Output of bread rose from a revised 127 thousand tonnes in 1986 to 137 thousand tonnes in 1987. Output of cakes increased by 10 per cent while the output of biscuits remained constant due to a drop in export demand.

11.12. The sugar and confectionery industry continued its recovery after declining by a negative 6.1 per cent in 1985 followed by a modest rise of 1.4 per cent in 1986 and 2.3 per cent in 1987. Higher domestic demand coupled wth the Government's effort to protect the sugar industry stimulated local production. Output of both white and refined sugar rose by 5.5 per cent from 370 thousand tonnes to 390 thousand tonnes in 1986 and 1987 respectively. During the same period,imports of sugar declined by 61 per cent from 126 to 49 thousand tonnes in 1987. Output of mollases declined by 7 per cent from 126 to 117 thousand tonnes in 1986 and 1987, respectively.

11.13. Table 11.4 gives details on production of beverages and tobacco from 1983 to 1987. The output of beer increased by a modest 5 per cent in 1987, mainly as a result of increased domestic demand. Production of cigarettes increased by 9.5 per cent while output of mineral waters rose by 8.4 per cent. New export market opportunities contributed to a 10 per cent increase in exports of cigarettes. The output of wines and spirits increased by 60 per cent. However, exports of alcoholic beverages declined three-fold as a result of a substantial loss of the Uganda beer market.

PRODUCTION OF BEVERAGES AND TOBACCO, 1983-1987

Table 11.4

YEAR	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	'000 Litres	Million Litres	Million Litres	Million Sticks
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	292.6	182.1	5,822
1987*	909.9	307.5	197.4	6,372

*Provisional.

11.14. Growth in output of the textiles industry slowed markedly from 4.6 and 7.6 per cent during 1985 and 1986 respectivley, to 3.2 per cent in 1987. Two possible reasons for the sluggish growth of the local textile industry were; decreased sisal production due to adverse weather conditions in sisal producing districts, and enhanced competition from increased textile and clothing imports. Production of cotton woven fabrics and polyester viscose remained at the 1986 level of around 51 million and 30 million square metres, respectively. Output of wollen woven fabrics increased by 18 per cent, while gunny bags output fell from 18 million bags in 1986 to 6.5 million in 1987.

11.15. The local clothing industry continued its recovery which started in 1986, recording a 1.4 per cent growth in 1987 compared with a 0.7 per cent in 1986. The output of shirts, and 'T' shirts showed a decline of nearly 8 per cent, while the output of inner wear, dresses and men and boys trousers rose by 40, 29 and 19 per cent, respectively.

11.16. Recovery in the livestock industry has ensured sustained growth in the leather and footwear sub-sector. Output of finished leather rose by 11.5 per cent from 182 thousand metres in 1986 to 203 thousand in 1987. Output of sheep and goat skins rose from 2.7 million pieces in 1986 to 4.1 million in 1987. Output of leather shoes in 1987 was 1.7 million pairs, 13 per cent above the 1.5 million pairs produced in 1986.

11.17. Steady aggregate demand for wood products coupled with the restriction on the exploitation of forests have resulted in the slow growth of the wood and cork products subsector. Output of sawn timber rose from 91 thousand cubic metres in 1986 to 99 thousand in 1987; an increase of 8.8 per cent. Output of wood and cork, increased by 1.5 per cent while production of furniture and fixtures grew by 1.1 per cent in 1987.

11.18. Demand for various types of paper, such as newsprint and kraft paper-board continued to rise in 1987. Output of kraft paper-board increased by 27 per cent from 7.1 thousand tonnes in 1986 to 9.0 thousand in 1987. Output of both corrugated paper containers and carton cardboards more than doubled. On the other hand imports of paper and paper-board fell by 9 per cent while those of newsprint fell to one third of the 1986 levels. High import duty on various brands of paper products probably acted as a deterrent towards increased paper importation. Local demand for paper which has sometimes over-stretched available supply enabled the paper and paper products industry to attain an overall growth rate of 8.2 per cent in 1987.

11.19. The printing and publishing industry grew by 6.2 per cent in 1987. This subsector which is closely linked to the paper industry was weakened in the early 1980's by the economic recession and high input prices. Presently the growth of the industry is limited by the shortage of pulp paper. Consequently paper manufacturers have switched to paper recycling, although paper supply constraints persist.

11.20. The basic industrial chemicals subsector grew by 2.1 per cent in 1987 compared with 1.9 per cent in 1986. This was in response to increased demand for inputs needed by

other economic activities. Output of oxygen, hydrogen and nitrogen gases increased by almost 60 per cent from 3.2 million litres in 1986 to 5.1 million in 1987. Production of electrodes and acetylene increased by 38 and 16 per cent, respectively. The output of vaccines increased from 13.2 million doses in 1986 to 19.5 million in 1987; a 50 per cent increase. Liquid insecticides and herbicides recorded similar increasing trends in 1987.

11.21. Despite a high degree of import dependence, the petroleum and other chemicals industry withstood foreign exchange difficulties to register a growth of 8.8 per cent in 1987. This was slightly higher than the 8.5 per cent achieved in the previous year. Output of all categories of petroleum products recorded increases in 1987. The output of paints in 1987 was 1.9 million litres; 6 per cent higher than the 1.8 million for 1986. Distempers and varnishes and lacquers rose by 33 and 38 per cent respectively while output of drugs declined by 17 per cent. However the production of toothpaste, shoepolish and resin emulsion increased by 18, 26, and 10 percent, respectively.

11.22. Although the overall rubber industry output slowed again in 1987, production of some rubber goods improved markedly. The output of new motor vehicle tyres in 1987 was 425 thousand units, 5 per cent above the 405 thousand tyres produced in 1986. The output of retread tyres declined marginally while new motor vehicle tubes and new bicycle tyres rose by 19 and 7 per cent respectively. Estimated output of rubber shoes in 1987 was 6.12 million pairs, a slight improvement over the 5.9 million pairs produced in 1986.

11.23. The output of the plastic industry continued to grow at declining rates, from 6.3 per cent in 1985 to 3.9 and 3.2 per cent in in 1986 and 1987, respectively. The continued decline is due to the high proportion of import content in the plastics industry. The increased import duty for polyvinyl chloride (PVC) in the 1987/88 budget may have contributed to the decline in the output of PVC pipes. The output of plastic shoes rose by almost 8 per cent from 1.3 million pairs in 1986 to 1.5 million in 1987. The output of PVC floor tiles rose by a significant 35 per cent, while there were modest declines in the output of polythene film bags and plastic plates.

11.24. The commissioning of a glass processing plant in the middle of 1987 is expected to accelerate growth in the clay and glass products subsector. The output of windscreens more than doubled, but estimated production of clay tiles remained almost at the 1986 level of 2.6 million units.

11.25. Declines in export earnings from tea and coffee, in addition to other economic difficulties, reduced demand for non-metallic products. Growth in output of the non-metallic industry was 5.7 per cent in 1987 against 10.7 per cent in 1986. However, as shown in Table 11.5, continued construction activity, mostly public, resulted in a 25 per cent increase in local cement consumption. Exports to Uganda and Tanzania slowed down; while exports to all other countries fell by 30 per cent.

CEMENT PRODUCTION AND UTILIZATION, 1983-1987

Table 11.5 *'000 tonnes*

YEAR	PRODUCTION	IMPORTS FROM		CONSUMPTION AND STOCKS	EXPORTS TO	
		Uganda and Tanzania	All Other Countries		Uganda and Tanzania	All Other Countries
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*	1,198.7	—	0.5	713.4	54.8	431.0
1987**	1,243.3	—	0.4	890.5	50.6	302.6

*Revised
**Provisional.

11.26. There is a strong linkage between metal industries and the small scale and informal sectors. This linkage has ensured a continued growth of the metal industry. The industry grew by 6, 10.1 and 11.3 per cent in 1985, 1986 and 1987, respectively. The estimated output of galvanized sheets, used mainly in urban and rural construction, was 30 per cent above the output of 27 thousand tonnes in 1986. Production of exhaust pipes, and silencers went up by 38 and 14 per cent, respectively, in 1987, while production of both gas cylinders and metal beds declined marginally. The output of nails dropped by 36 per cent from 17 thousand tonnes in 1986 to 11 thousand tonnes in 1987.

11.27. Growth in the eletrical machinery industry fluctuated from 5.0 per cent in 1985 to 5.4 per cent in 1986 and 3.3 per cent in 1987. The fluctuating growth is attributed to high dependence on imported raw materials and semi-knocked down components. The output of motor vehicle batteries increased by 5 per cent from 138 thousand units in 1986 to 144 thousand in 1987. On the other hand, the production of dry cells remained at the 1986 level while the estimated output of assembled radios declined from 53 thousand units in 1986 to 45 thousand units in 1987. Imports of TV sets rose from 14 thousand units in 1986 to 19 thousand in 1987.

11.28. Sales tax reduction and liberalization of import licences have helped to improve the transport equipment industry. Increased benefits to the industry were, however, offset by continued weakening of the Kenya shilling against the Japanese Yen and French Franc; two of Kenya's major motor vehicle trading currencies. The output of assembled vehicles in 1987 was 11,803 up by 17 per cent from 10,077 in 1986. The manufacture of coaches and lorry bodies remained at about their 1986 levels. Sales tax reduction for vehicles meant for export helped improve sales for buses, motor cars and lorries.

Industrial Credit

11.29. The industrial development finance institutions have continued to be the main channel for Government's investment, sustaining industrial development. During the last few years, there has been a significant shift towards rural based industrialization as opposed to the past, urban-skewed investment. This is intended, alongside other Government policy measures, to create employment in rural areas and control the urban population influx. Provisional data on project approvals by the four main industrial credit institutions is shown on Table 11.6. In 1987, these institutions concentrated more on servicing industrial projects initiated in the past. New approvals of industrial projects thus dropped from a record 443 in 1986 to 209 in 1987, with an estimated expenditure of K£27.5 million.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1985-1987

Table 11.6

INSTITUTION	NUMBER OF PROJECTS			APPROVED EXPENDITURE K£MILLION		
	1985	1986	1987	1985	1986	1987
Industrial Development Bank Limited (I.D.B.)	6	10	18	3.32	5.65	11.30
Development Finance Company of Kenya (D.F.C.K.)	13	10	12	6.59	4.23	6.12
Kenya Industrial Estates Limited (K.I.E.)	229	411	164*	2.08	4.33	2.44*
Industrial and Commercial Development Corporation (I.C.D.C.)	9	12	15	1.85	6.06	7.63
TOTAL	257	443	209	13.83	20.17	27.49

**Provisional.

11.30. During 1987 the Industrial Development Bank (IDB) approved a total of 18 projects compared with 10 approved in the previous year. The bank committed a total of

K£11.3 million, the highest during the last four years. Out of the 18 projects, there were 11 new investment undertakings, 5 expansions while the other two were for the purchase of spares and project rehabilitation. The eleven new projects earmarked for financing will be concentrated in food processing, textiles, metal work engineering and mining activities.

11.31. The Development Finance Company of Kenya (DFCK) approved a total of 12 projects in 1987, compared with 10 projects approved in 1986. The amount of investment in 1987 was K£6.12 million, 45 per cent above the K£4.23 million in 1986. Apart from having a direct effect of generating 3,000 employment opportunities, the investments will also significantly contribute to the renewed growth strategy by promoting additional production capacity in various sectors of the economy.The depreciation of the Kenya shilling against convertible currencies continued to adversely affect DFCK projects financed from foreign loans. All the new projects were located outside Nairobi and Mombasa in line with the Government policy for rural development.

11.32. Provisional data on performance of the Kenya Industrial Estates (KIE) indicates that although it continued to finance the largest number of projects among the four institutions, approvals in 1987 declined significantly to 164, from a record 411 projects in 1986. Similarly, the commitment for 1987 of K£2.44 million was about half the K£4.33 million commitment of the previous year. The main reason for the reduction in new investments was the continued servicing of previously approved projects whose implementation stages were delayed. These investments in small scale enterprises created employment for roughly 3 persons per project.

11.33. In 1987 the Industrial and Commercial Development Corporation (ICDC) made no commitments to new projects but continued to rehabilitate the existing ones. The Corporation invested a total of K£7.63 million in 15 projects. While these projects were under rehabilitation, a bottling plant in Kisii is already under implementation. Equity investment accounted for 31 per cent of total commitments, while large/medium loans and small industrial loans took 62 and 7 per cent, respectively.

Labour Costs and Productivity

11.34. Table 11.7 presents data on changes in manufacturing parameters including employment, wage costs and labour productivity. The manufacturing sector has steadily grown in the last four years, despite substantial increase in wage costs. The steep decline in employment change for 1987 at 2.3 per cent coupled with decline in wage cost as a proportion of value added, suggest rising operating surplus.

INDICATORS OF LABOUR COST AND PRODUCTIVITY IN MANUFACTURING, 1985-1987

Table 11.7 *percent*

INDICATOR	1985	1986	1987*
1. Change in the quantum index of manufacturing	+4.6	+5.9	+5.7
2. Change in numbers employed in manufacturing	+3.7	+3.8	+2.3
3. Implicit change in labour productivity	+0.9	+2.1	+3.4
4. Wage cost as percentage of gross output	5.3	4.8	4.6
5. Wage cost as percentage of value added	34.7	33.8	33.8

*Provisional.

CHAPTER 12 - BUILDING AND CONSTRUCTION

The recovery in the building and construction sector which started in 1985 continued and registered some marginal growth in 1987. All the sectors' major economic indicators namely: cement consumption, employment and total receipts by private contractors registered some increases during the year. These increases in the sectors' activities were mainly due to the construction of roads, water projects, grain silos and other large public works, some of which were still in progress by the end of the year. As shown in Table 5.9, the sector also benefited from increased loans and advances in 1987. This had a positive effect on private sector's building activities in main towns, as reflected by increases in both plans approved and buildings completed.

12.2. Some of the major economic indicators for the building and construction sector over the last five years are shown in Table 12.1. Employment, a major indicator for the sector's performance, increased by 4 per cent from 55,700 persons in 1986 to 58,100 persons in 1987. This increase, however, was lower than the 12 per cent recorded in 1986. Cement consumption rose by about 19 per cent from 702 thousand tonnes in 1986 to about 834 thousand tonnes in 1987. The increase in cement consumption and employment were mainly due to the construction of large public projects, and private housing projects including the Harambee projects for schools and Nyayo wards. The indices on the value of reported private and public buildings continued to decline with the index for reported public buildings showing a record decline from 32 to 12, partly due to under reporting.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1983-1987

Table 12.1 *1982=100*

	1983	1984	1985	1986	1987**
"Index" of reported private building work completed in main towns***	79.5	57.9	59.8	58.2	
"Index" of reported public building work completed in main towns***	111.1	87.5	31.7	12.1**	
"Index" of government expenditure on roads	88.8	72.0	66.1	55.1**	52.6
Cement consumption ('000) tonnes)	511.0	542.5	610.1	702.4	834.2
"Index"	88.2	93.6	105.3	121.2	144.0
Employment ('(000)	60.2	49.2	49.9	55.7	58.1
"Index"	99.7	81.5	82.6	92.2	*96.2*

*Actual deflated by various building or construction cost indices.
**Provisional.
***The average of two succeeding years is taken in each case for reported completion of building.

12.3. The provisional results of the quarterly Business Expectation Enquiry (BEE) indicate that the total receipts for work done by private contractors in 1987 rose by 5 per cent, from K£220 million in 1986 to K£ 230 million in 1987. This increase was slightly higher than the 4 per cent increase reported in 1986. Similarly, the reported value of stocks and work in progress increased by 4 per cent over the 1986 stock level.

Buildings

12.4. The combined building and construction costs index rose by 11.9 per cent in 1987 as compared with 6.8 per cent in 1986 and 10.9 per cent in 1985. The rise was mainly attributed to 17.7 per cent and 9.7 per cent increases in the cost of labour and materials, respectively. The changes in material costs were mainly due to increases in prices of fuel and bitumen products resulting from rises in world crude oil prices in 1987. Other materials whose prices rose included: concrete, steel, and timber products. The increase in the price of timber was due to its increasing demand in building construction and for making household items. On the contrary the price of cement has remained constant for the last two years. The rises in labour costs was attributed to changes in monthly average basic wages in 1987 for workers within the sector. The building overall costs continued with their upward trend, rising by 12.6 per cent in 1987 as compared with only 6.9 per cent in 1986, while civil engineering works rose by 10.9 per cent in 1987.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES 1985-1987

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1985	1986	1987	1985	1986	1987	1985	1986	1987
Residential Buildings	14.5	5.4	10.3	10.7	9.5	17.7	13.8	6.2	11.7
Non-Residential Buildings	10.8	7.1	12.3	10.7	9.5	17.7	10.8	7.7	13.7
All Buildings	12.9	6.2	11.2	10.7	9.5	17.7	12.4	6.9	12.6
"Other" Construction	7.6	5.2	6.8	10.7	9.5	17.7	8.7	6.7	10.9
TOTAL COST INDEX	11.0	5.8	9.7	10.7	9.5	17.7	10.9	6.8	11.9

*December to December

12.5. The total value of plans approved by Nairobi City Commission and other towns are shown in Table 12.3. As is evident from the table the total value of plan approvals continued with the upward trend from K£144 million in 1986 to K£192 million in 1987; a rise of 33 per cent. This underlines the continued increase in demand for both residential and non-residential buildings in main towns despite the continued rise in building costs. The Nairobi City Commission approved plans worth K£114 million in 1987 compared with K£78 million in 1986;an increase of 46 per cent which was higher than 34 per cent recorded in 1986. The rise in value of plans approvals was attributed to increases in value of commercial and industrial buildings which contributed over 50 per cent of the total value of the plans approved by the Commission. Some of the plans approved by the Commission which were under construction by the end of 1987 included a building for the Kenya Re-Insurance Corporation along University Way and the proposed Kenya Pipeline staff housing units along Outer-Ring Road. The value of plans approved by other towns, including Mombasa, Kisumu, Nakuru and Eldoret, also showed a similar upward trend, rising to K£78 million, 20 per cent over the K£65 million recorded in 1986.

BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1983-1987

Table 12.3 *K£million*

Year	Nairobi	Other Towns	Total
1983	47.83	33.88	81.71
1984	36.53	40.67	77.20
1985	57.60	54.53	112.13
1986	78.44	65.38	143.82
1987*	113.55	78.12	191.67

*Provisional.

12.6. A comparison of the value of private plans approved and reported completions in main urban areas is detailed in Table 12.4. The value of plans approved and reported completions recorded increases of 35 per cent and 3 per cent, respectively. This confirms the increase in building activities in main urban areas. Whereas the value of plans approved continued with the upward trend from K£66.5 million in 1983 to K£191.4 million in 1987; the value of reported buildings completed compared with the value of plans approved continued to be low, indicating the slow pace at which some of the building projects are completed.

COMPARISON OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1983-1987

Table 12.4 *K£million*

Year	Plans Approved	Building Work Completed
1983	66.50	28.25
1984	74.48	14.09
1985	110.70	26.57
1986	141.82	21.80
1987*	191.42	22.36

*Provisional.

12.7. Tables 12.5 and 12.6 show the number and value of reported new private building structures including extensions completed in the main towns. Data on Table 12.5 shows that the total value of reported new private buildings in 1987 remained almost at the 1986 level of K£25 million, although the 1987 figure is likely to be slightly higher than 1986 figure after inclusion of late returns. Similar to the approved plans, Nairobi contributed over 50 per cent of the total value of reported completed private buildings in the main towns. This is attributed to Nairobi's large population, strong industrial and commercial base as compared with other towns and probably better statistical coverage . While there was 20 per cent and 14 per cent increases in value of reported building completed in Nairobi and Nakuru respectively, Mombasa showed a decline from K£7.6 million in 1986 to K£5.2 million in 1987. Some of the reported buildings completed in Nairobi include: Harambee Co-operative House and Juja Road Estate.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1983-1987

Table 12.5 *K£million*

Year	Nairobi	Mombasa	Kisumu	Nakuru	Eldoret	Others	Total
1983	20.83	6.85	—	2.38	—	0.44	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	14.30	7.61	0.18	2.38	0.38	—	24.85
1987**	17.09	5.15	0.09	2.71	—	—	25.04

*Including the value extensions.
**Provisional.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDING* IN MAIN TOWNS, 1983-1987

Table 12.6

Year	NUMBER		ESTIMATED COST		*K£million*
	Residential	Non. Residential	Residential	Non Residential	Total
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	1,078	67	16.83	*4.97	21.80
1987**	791	68	13.86	8.50	22.36

*Including the value of extensions.
**Provisional.

12.8. The analysis of the reported private buildings by residential and non-residential buildings is presented in Table 12.6. The total number of reported buildings completed in the main towns declined from a revised 1,145 units in 1986 to 859 units in 1987. The decline was due to a fall in the number of residential units; the number of non-residential units remained almost at 1986 level. The total value, excluding extensions, rose by 3 per cent. A notable increase was recorded in the value of non-residential buildings from K£5.0 million in 1986 to K£8.5 million in 1987. Most of the non-residential buildings completed were for commercial, financial, industrial and community services.

12.9. Table 12.7 gives the details of the reported new public buildings, excluding extensions, in main towns. There has been a mixed performance in the number and value of reported public buildings since 1983, from a record level of 790 units to 150 units in 1987; while the corresponding costs decreased from K£ 3.8 million in 1983 to K£ 2.4 million in 1987. Public buildings in progress in 1987 included buildings for Government City Bus Workshop and Advanced Engineering School at Ruaraka, both for the National Youth Service; Kasarani Police Lines, Nyanza Provincial Headquarters, Moi University and other institutions of higher learning including Teachers Training Colleges.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDING* IN MAIN TOWNS, 1983-1987

Table 12.7

Year	NUMBER		COST *K£million*		
	Residential	Non. Residential	Residential	Non. Residential	Total
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	184	18	2.97	0.82	3.79
1987**	150	26	1.65	0.79	2.44

*Including the value of extensions which are neglible.
**Provisional.

12.10. The downward trend observed in the previous two years in both approved and actual expenditure on housing by the Central Government continued in 1987 as shown in Table 12.8. The approved estimates for housing declined substantially from K£8.4 million in 1986/87 to K£6.7 million in the 1987/88 fiscal year. The decline of 20 per cent in 1987/88 as compared with 1986/87, was partly due to Government financial austerity measures during the period. Despite the decline in both approved and actual expenditure, the Government continues to seek for ways and means of solving the shelter problem by emphasising the provision of affordable low-cost housing.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1983/84-1987/88

Table 12.8

Year	K£ Million		Approved Expenditure as percentage of Development Expenditure
	Approved	Actual	
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	7.16	2.2
1987/88*	6.73		1.1

*Provisional.

12.11. The National Housing Corporation (NHC) has played a major role in the effort to increase the stock of dwelling units in urban areas. This is in keeping with the rising demand attributed to increase in urban population. Details set out in Table 12.9 show that since 1983, the Corporation has completed 5,284 units at a cost of K£17 million through site and service, rental and mortgage schemes in various main urban centres. Despite this considerable achievement by the Corporation, the total number of units completed through these schemes continued to decline over the last five years. From a high point of 2,398 units in 1984 the number has declined by about 76 per cent to 575 units in 1987, although there has been a large increase in non-site and service units completed. The decline was mainly due to the ever increasing residential building costs and lack of funds for the Corporation's housing development.

12.12. In 1987, the Corporation embarked on the construction of 2,000 low-cost flats at a cost of K£13 million at Pumwani in Nairobi. Phase 1 of this scheme, consisting of 284 units was under construction by the end of the year. This is in line with the Government efforts, through the National Housing Corporation, to build low cost houses for the low-income urban population and up. grade unplanned settlements. Schemes completed during the year included 223 tenant purchase units in Meru, and 85 and 40 mortgage units at Nairobi Uhuru Gardens and Kisumu, respectively. Meanwhile Naivasha tenant purchase and Maralal Rental schemes were under construction during the period under review. Schemes at advanced planning stages include those at Lamu, Mandera, Kajiado and Low-cost Flats at Kibera in Nairobi.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1983-1987

Table 12.9

	1983	1984	1985	1986	1987
Units completed					
PROVINCE—					
Nairobi	–	284	–	–	85
Coast	50	13	50	–	50
North-Eastern	–	–	–	–	–
Eastern	98	2	–	253	248
Central	187	–	45	95	111
Rift valley	302	199	745	115	41
Nyanza	–	1,900	169	152	40
Western	50	–	–	–	–
TOTAL NUMBER	687	2,398	1,009	615	575
Of which site and service	598	2,099	882	276	50
Value of units completed K£'000					
Nairobi	–	4,106	–	–	1,350
Coast	116	166	302	–	116
North-Eastern	–	–	–	–	–
Eastern	215	4	–	1,013	1,095
Central	330	–	618	186	349
Rift valley	908	550	1,737	506	240
Nyanza	–	1,500	210	268	604
Western	511	–	–	–	–
TOTAL VALUE	2,080	6,326	2,867	1,973	3,754

Roads

12.13. The development of the road network has stimulated remarkable growth of the road transport industry, which continues to command over a 40 per cent share of the total value of output of the whole of transport sector. By July, 1987, the total national road network had extended to 55,200 Km as shown in Table 12.10. Of this total, 37,800 Km are classified as secondary and minor roads, representing 68 per cent, while 26 per cent are classified as trunk and primary roads. The paved roads remained at the 1986 level of 6,700 Km, or 12 per cent of the total road network, leaving the balance as earth/gravel roads.

KILOMETRES OF ROAD As AT 1ST JULY, 1983 AND 1ST JULY 1987, BY TYPE AND CLASSIFICATION

Table 12.10 *'000Km*

Type of Road	1983		1987	
	Bitumen*	Earth/ Gravel**	Bitumen*	Earth/ Gravel**
A—International Trunk	2.3	1.3	2.3	1.3
B—National Trunk	1.2	1.6	1.2	1.6
C—Primary	2.0	5.9	1.9	5.9
D—Secondary	0.7	10.2	0.7	10.4
E—Minor	0.4	26.2	0.4	26.3
F—Special Purpose	0.1	2.6	0.2	3.0
TOTAL	6.7	47.8	6.7	48.5

*Bitumen Road :—Include Government access, township and municipality roads.

**Earth/Gravel:—Include township, settlement, strategic, tourist, sugar, tea. wheal and Special Rural Development Programme (S.R.D.P) roads.

12.14. Development and recurrent expenditure on roads by the Ministry of Transport and Communication is shown in Table 12.11. Total expenditure rose by 6 per cent from K£63 million in 1986/87 to K£67 million in 1987/88 fiscal year. Notable increases in expenditure amounting to K£7.2 million and K£6.4 million, were incurred on trunk and minor roads respectively. This is in line with the Governments concerted effort to speed up development in all the districts by rehabilitating, reconstructing and up-grading the roads. It is evident from the table that recurrent expenditure declined slightly from K£22.9 million in 1986/87 to K£21.1 million during 1987/88 fiscal year.

TOTAL EXPENDITURE ON ROADS, 1985/86—1987/88

Table 12.11 *K£million*

	1985/86	1986/87	1987/88*
DEVELOPMENT—			
Trunk Roads	17.5	12.6	19.8
Primary Roads	9.9	15.0	10.8
Secondary Roads	7.5	4.3	5.9
Unclassified Roads	1.3		6.4
Miscellaneous Roads	12.3	8.6	3.0
TOTAL	48.5	40.5	45.9
RECURRENT (maintenance and repair)	22.9	22.9	21.1
TOTAL	71.4	63.4	67.0

*Provisional.

12.15. The major road works completed by July, 1987 included: 44 kilometres from Nakuru to Nyahururu, 78 kilometres from Nairobi to Thika dual-carriage-way and Tana-Delta Crossing covering 29 kilometres. Other roads and bridges which were in progress by July, 1987 included: Lodwar-Kakuma, Kakuma . Lokichogio each at a cost of K£ 16 million, Thika-Kalanga at a cost K£11 million and Bura Bridge at a cost of K£2 million. All these works, when completed, will ease communication and stimulate productive activities between various towns and localities.

12.16. The Ministry of Transport and Communication continued with the Rural Access Road Programme (RARP) and Gravelling, Bridging and Culverting Programme (GBCP) which were started in 1974 and 1976, respectively. As at July, 1987, the RARP covered 7,636 kilometres in 26 districts, compared with 7,518 kilometres as at July, 1986 in the same number of districts. The two programmes continue to play an important role in facilitating the transportation of agricultural produce from farms to market centres, as well as strengthening the link between the major roads and the tourist resort places.

Other Construction

12.17. The completed construction projects included grain silos for the National Cereals and Produce Board (NCPB) in Kisumu, Bungoma and Nakuru and oil storage tanks at Kipevu in Mombasa. The Kiambere Hydro-electric Project, the Kasarani Sports Complex Phase II in Nairobi and the Kerio Valley Development Authority Headquarters in Eldoret were still under construction by the end of 1987.

CHAPTER 13 - TOURISM

The tourism sector continued to perform well, with foreign receipts from tourism increasing by 18 per cent from K£248 to K£292 million in 1986 and 1987, respectively. This was a significant performance despite the fear of the effect on foreign travel of the doubling of the price of oil.

13.2. The number of international arriving visitors has continued to increase but at a decreasing rate. The growth rate has decreased from 24 to 8 per cent in 1984 and 1987, respectively. On the other hand the change in the rate of growth has been more pronounced with respect to departing visitors whose reported growth rates have declined from 40 per cent in 1984 to 10 per cent in 1987.Visitors originating from Europe represented about 60 per cent of all departing visitors making this region the most important to Kenya's international tourism. Since 1983 the average length of stay has remained static at 16 days per visitor. However, visitors on holiday stayed longer for 18 days per visitor. In 1987 departing visitors stayed in Kenya for a total of 10.4 million days. an increase of 1 million days above the 9.4 million days spent in 1986 and more than double the 5.1 million days spent in 1983. The number of bed-nights spent in tourist hotels did not follow this trend but stagnated at about 5.0 million days for 1986 and 1987, indicating that over 5 million days are spent outside the tourist hotel circuit. The number of visitors to national parks and game reserves dropped in 1985 and 1986 but recovered by about 6 per cent to reach 977 thousand in 1987. Conference tourism which was at its lowest level in 1984 recovered well in 1986 and 1987.

International Tourism

13.3. The number of arriving international visitors by purpose of visit are shown in Table 13.1. The number of arriving visitors increased by nearly 8 per cent from 614 to 661

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1983-1987

Table 13.1 *000*

Quarter/Purpose	1983	1984	1985	1986	1987*
1st Qr. Holiday	85.4	107.5	115.9	127.3	136.6
Business	13.3	16.8	17.2	18.9	20.2
Transit	9.5	11.9	12.0	13.2	13.3
Other	1.7	2.1	3.1	3.5	3.1
TOTAL	109.9	138.3	148.2	162.9	173.2
2nd Qr. Holiday	44.6	60.9	68.4	78.9	87.2
Business	12.4	16.9	18.0	20.7	22.5
Transit	9.9	13.5	14.5	16.7	18.1
Other	1.7	2.3	3.3	3.8	3.3
TOTAL	68.6	93.6	104.2	120.1	131.1
3rd Or. Holiday	69.6	80.9	104.4	119.9	133.8
Business	9.1	10.5	13.4	15.5	17.0
Transit	9.4	10.9	14.0	15.8	14.6
Other	1.9	2.1	2.9	3.4	2.6
TOTAL	90.0	104.4	134.7	154.6	168.0
4th Qr. Holiday	85.7	104.1	124.5	143.1	150.4
Business	10.2	12.3	15.7	18.2	19.1
Transit	6.9	8.4	11.5	13.2	16.4
Other	1.0	1.1	1.8	2.1	3.1
TOTAL	103.8	125.9	153.5	176.6	189.0
Year Holiday	285.3	353.4	413.2	469.2	508.0
Business	45.0	56.5	64.3	73.3	78.8
Transit	35.7	44.7	52.0	58.9	62.4
Other	6.3	7.6	11.1	12.8	12.1
TOTAL	372.3	462.2	540.6	614.2	661.3

*Provisional.

thousand visitors in 1986 and 1987, respectively. Visitors on holiday accounted for just over 75 per cent of total arriving visitors. The data series also show that about 55 per cent of these visitors arrive during the first and fourth quarters. the period that corresponds to the cold season in the northern hemisphere from where most visitors originate.

13.4. Details of the number of international departing visitors are shown in Table 13.2. The number of departing visitors were 662 thousand in 1987 compared with 604 thousand in 1986, and more than double the 324 thousand departing visitors recorded in 1983. Between 1983 and 1984 the increase was 40 per cent but this dropped to 12 and 10 per cent in 1986 and 1987, respectively.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1983-1987

Table 13.2 *000*

Quarter/Purpose	1983	1984	1985	1986	1987*
1st Qr. Holiday	82.7	108.2	120.9	134.2	146.6
Business	10.3	12.8	14.0	15.1	16.4
Transit	9.3	11.6	13.0	13.9	14.2
Other	0.8	2.6	3.0	2.6	3.4
TOTAL	103.1	135.2	150,9	165.8	180.6
2nd Qr. Holiday	44.5	68.2	77.1	87.5	95.6
Business	8.6	12.6	15.5	17.1	17.9
Transit	9.0	13.4	15.6	17.8	19.2
Other	1.0	2.8	3.2	3.5	3.1
TOTAL	63.1	97.0	111.4	125.9	135.8
3rd Qr. Holiday	70.5	79.7	104.2	117.3	136.8
Business	7.5	8.1	11.5	12.3	18.1
Transit	10.5	11.2	15.4	17.0	18.8
Other	1.2	2.2	1.8	2.2	2.7
TOTAL	89.7	101.2	132.9	148.8	176.4
4th Qr. Holiday	53.1	93.1	111.7	125.5	131.4
Business	7.6	12.8	17.3	19.3	17.4
Transit	6.7	11.6	14.5	15.9	17.9
Other	1.0	1.7	2.5	2.8	2.6
TOTAL	68.4	119.2	146.0	163.5	169.3
Year Holiday	250.8	349.2	413.9	464.5	510.4
Business	34.0	46.3	58.3	63.8	69.8
Transit	35.5	47.8	58.5	64.6	70.1
Other	4.0	9.3	10.5	11.1	11.8
TOTAL	324.3	452.6	541.2	604.0	662.1

**Provisional.

13.5. There was a rise of 10 per cent for visitors who came on holiday and an increase of 9 per cent for visitors on business. The general rise is also reflected in the number of departing visitors by country of residence showing increases of 11, 12 and 13 per cent in the case of Europe, North America, Asia, respectively; while departing visitors to African countries recorded an increase of only 2 per cent Departing visitors to Europe accounted for 60 per cent of all departing visitors from Kenya while corresponding shares for North America, Africa and Asia were 12, 20 and 8 per cent, respectively. Details of departing visitors by country of residence are set out in Table 13.3.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1986-1987

Table 13.3 *'000*

Country of Residence	Holiday		Business		Transit		Total**	
	1986	1987*	1986	1987*	1986	1987*	1986	1987*
West Germany	103.0	109.6	2.5	2.7	4.2	4.4	111.7	118.7
United Kingdom	55.7	67.1	9.9	11.9	6.1	7.4	73.1	87.7
Switzerland	46.3	49.0	1.1	1.2	1.2	1.4	49.5	52.5
Italy	34.4	37.9	1.2	1.4	1.8	2.0	38.1	42.6
France	23.5	28.9	1.8	2.2	1.4	1.8	27.2	33.4
Scandinavia	11.8	12.7	1.6	1.7	1.4	1.6	15.1	16.3
Other Europe	33.4	36.1	3.0	3.3	2.7	2.9	39.8	43.0
TOTAL EUROPE	308.1	341.3	21.1	24.4	18.8	21.5	354.5	394.2
U.S.A	49.1	54.8	5.3	6.3	4.9	5.7	60.4	67.9
Canada	6.5	7.1	1.0	1.2	0.8	1.0	8.5	9.5
TOTAL NORTH AMERICA	55.6	61.9	6.3	7.5	5.7	6.7	68.9	77.4
Uganda	16.3	16.6	7.5	7.6	3.5	3.6	27.8	28.3
Tanzania	17.3	17.7	5.4	5.5	1.6	1.6	24.8	25.3
Zambia	3.7	3.7	1.4	1.5	4.4	4.5	9.7	9.9
Other Africa	27.5	28.0	15.7	16.0	20.8	21.2	65.2	66.4
TOTAL AFRICA	64.8	66.0	30.0	30.6	30.3	30.9	127.5	129.9
India	5.7	6.5	1.3	1.5	3.7	4.2	10.9	12.4
Japan	6.1	7.0	1.5	1.8	0.7	0.7	8.5	9.6
Israel	3.6	4.2	0.2	0.2	0.4	0.5	4.2	4.9
Other Asia	14.2	16.2	2.2	2.5	3.8	4.3	20.5	23.0
TOTAL ASIA	29.6	33.9	5.2	6.0	8.6	9.7	44.1	49.9
Australia and New Zealand	3.1	3.6	0.4	0.5	0.6	0.6	4.2	5.3
All Other Countries	3.3	3.7	0.8	0.8	0.6	0.7	4.8	5.4
TOTAL	464.5	510.4	63.8	69.8	64.6	70.1	604.0	662.1

*Provisional.
**The Total also includes "Other Visitors".

13.6. Table 13.4 outlines total number of days stayed by purpose of visit and the average length of stay. Whereas the total number of days stayed by departing visitors has more than doubled from 5.1 million days in 1983 to 10.4 million days in 1987, the average length of stay per visitor has remained constant at about 16 days. This is largely because 90 per cent of total days stayed are spent by visitors on holiday most of whom come on rigid pre-arranged packages. Further analysis reveals that on the average, visitors on holiday, business and on transit stayed for 18,12 and 3 days per visitor, respectively. In 1987 visitors on holiday stayed for 9.4 million days . an increase of 9 per cent over 8.6 million days in 1986, while the number of days stayed by visitors on business recovered sharply from a 13 per cent drop recorded in 1986 to record a 25 per cent increase in 1987. Comparison with Table 13.5 reveals that the number of days spent by non-Kenyans in private cottages, tour camps, private homes and other facilities outside the tourist hotel circuits increased from 3.6 to 4.5 million visitor days in 1986 and 1987, respectively a significant 26 per cent increase.

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1983-1987

Table 13.4 *'000*

Purpose	1983	1984	1985	1986	1987**
Holiday	4,516.9	6,314.1	7,480.3	8,569.2	9,364.3
Business	460.6	594.9	758.1	659.9	822.0
Transit	116.9	138.6	185.4	198.0	218.5
TOTAL	5,094.4	7,047.6	8,423.8	9,427.1	10,404.8
Average length of stay in days	15.9	15.9	15.9	15.9	16.0

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

Tourist Hotel Occupancy

13.7. The number of hotel bed-nights available and occupied by country of residence of visitor are shown on Table 13.5. Hotel capacity remained at around 9.2 million bed-nights available between 1983 and 1985 but improved to 9.5 million bed-nights in 1987. The number of bed-nights occupied recorded a marginal increase of some 21 thousand bed-nights in 1987 over 1986. The occupancy rate, however, fell slightly from 54 to 53 per cent in 1986 and 1987, respectively as a result of an increase in the capacity by 108 thousand bed-nights.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1983-1987

Table 13.5 *'000*

	1983	1984	1985	1986	1987**
Permanent Occupants*	288.3	272.4	261.4	210.4	191.4
West Germany	1,051.2	1,097.2	1,161.9	1,229.7	1,215.9
Switzerland	484.0	495.5	522.1	501.8	467.8
United Kingdom	418.4	458.5	480.5	512.2	513.0
Italy	203.6	210.0	211.7	261.4	298.7
France	153.8	161.8	176.0	218.7	205.5
Scandinavia	75.3	71.9	80.3	87.5	87.2
Other Europe	216.9	234.9	228.4	227.1	223.3
EUROPE	2,603.2	2,729.8	2,860.9	3,038.4	3,011.4
Kenya Residents	814.1	842.9	819.9	837.1	847.5
Uganda	58.8	56.2	58.0	61.6	55.7
Tanzania	21.4	34.3	37.5	40.6	41.9
East and Central Africa	—	—	85.2	86.9	88.2
West Africa	—	—	33.8	29.9	30.9
North Africa	—	—	16.0	18.9	18.9
Other Africa	145.5	150.4	17.8	17.9	18.1
AFRICA	1,039.8	1,083.8	1,068.2	1.092.9	1,101.2
U.S.A	303.5	378.1	380.9	396.5	449.2
Canada	33.2	34.9	41.2	43.1	46.1
Other America	—	—	6.5	19.5	18.8
AMERICA	336.7	413.0	428.6	459.1	514.1
Japan	—	—	10.9	19.1	27.3
India	—	—	7.7	11.7	16.5
Middle East	—	—	13.1	17.6	20.2
Other Asia	—	—	76.8	62.2	55.5
ASIA***	117.2	108.1	108.5	110.6	119.5
Australia and New Zealand		—	8.9	11.9	16.0
All Other Countries	86.9	77.2	82.0	86.7	77.7
TOTAL—OCCUPIED	4,472.1	4,684.3	4,818.5	5,010.0	5,031.3
TOTAL—AVAILABLE	9,207.5	9,203.8	9,024.8	9,371.2	9,479.2
Occupancy rate %	48.6	50.9	53.4	53.5	53.1

*Persons slaying one month or more in one hotel—includes some block bookings lor aircrew.
**Provisional.
***No breakdown by country is available before 1985

13.8. Excluding permanent and Kenya residents, the number of bed-nights occupied by foreign residents has increased steadily since 1983. Foreign residents accounted for 75 per cent in 1983, 76 per cent in 1984, 78 per cent in 1985 and over 79 per cent in both 1986 and 1987 of all bed.nights occupied. The absolute numbers have increased appreciably from 3.4 million bed-nights occupied in 1983 to reach nearly 4.0 million bed-nights occupied in both 1986 and 1987. Residents of Continental Europe, including United Kingdom accounted for 61 per cent of total bed-nights occupied in 1986 which was 77 per

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1984-1987

Table 8.10 *KSh.per Kg.*

CROP	PROVINCE	1984		1985		1986		1987	
		March	September	March	September	March	September	March	September
Maize	Coast	2.63	4.68	3.03	2.27	2.90	2.86	2.43	2.54
	Eastern	2.09	4.00	2.88	2.46	3.22	3.04	4.02	3.41
	Central	2.41	3.90	2.45	2.69	2.10	2.39	2.20	2.38
	Rift Valley	2.98	2.71	2.84	2.10	2.47	1.87	2.51	2.50
	Nyanza	2.95	1.75	2.89	2.07	2.46	2.00	2.30	1.94
	Western								
Beans	Coast	7.60	14.75	12.99	10.46	8.20	7.95	10.00	11.85
	Eastern	5.82	11.26	9.97	5.70	4.66	4.12	3.96	4.35
	Central	5.82	10.60	10.47	7.18	6.30	5.68	5.83	5.94
	Rift Valley	5.75	9.13	10.57	7.76	8.78	6.31	8.30	5.31
	Nyanza	6.40	9.24	8.75	5.88	6.69	6.68	5.83	5.75
	Western	5.24	6.33	8.13	6.44	6.66	4.75	6.00	4.76
Potatoes	Coast	3.00	4.16	3.78	3.47	2.42	4.34	5.00	4.79
	Eastern	2.31	3.91	3.60	2.83	2.57	2.55	2.41	2.18
	Central	1.96	2.55	2.58	2.23	1.99	1.81	1.41	2.34
	Rift Valley	2.89	2.98	2.75	2.06	2.28	2.44	3.44	2.32
	Nyanza	—	1.36	2.26	2.59	1.76	2.90	1.25	2.06
	Western	4.44	3.56	5.81	2.73	2.84	3.84	4.38	3.33

HOTEL BEB-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1987*

Table 13.7

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	156.3	23.7	0.5	10.9	191.4
West Germany	65.4	1,050.7	85.6	14.2	1,215.9
Switzerland	28.5	387.4	43.9	8.0	467.8
United Kingdom	163.3	248.7	69.4	31.6	513.0
Italy	32.7	221.3	37.1	7.6	298.7
France	45.4	99.8	50.8	9.5	205.5
Scandinavia	41.2	28.3	9.8	7.9	87.2
Other Europe	58.1	128.3	28.7	8.2	223.3
Kenya	263.6	304.0	42.2	237.7	847.5
Uganda	41.2	10.4	0.4	3.7	55.7
Tanzania	30.4	8.9	0.3	2.3	41.9
Other East and Central Africa	68.9	16.8	0.8	1.7	88.2
West Africa	26.6	2.1	0.7	1.5	30.9
North Africa	17.3	0.9	0.2	0.5	18.9
Other Africa	15.8	1.3	0.4	0.6	18.1
U.S.A	208.7	49.1	140.1	51.3	449.2
Canada	21.4	9.9	10.7	4.1	46.1
Other America	14.4	1.2	1.9	1.3	18.8
Japan	18.8	2.1	3.4	3.0	27.2
India	11.0	2.4	1.5	1.6	16.5
Middle East	9.8	4.2	4.5	1.7	20.2
Other Asia	35.2	8.8	6.9	4.6	55.5
Australia and New Zealand	9.0	1.9	4.3	0.8	16.0
All Other Countries	46.9	17.3	8.7	4.8	77.7
TOTAL	1,429.9	2,629.5	552.8	419.1	5,031.3

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

GAME LODGES** OCCUPANCY, 1985-1987

Table 13.8

Lodge locality/Type	Bed-nights Occupied					
	Foreign Residents			E.A. Residents		
	1985	1986	1987*	1985	1986	1987*
Game Reserves	294.0	241.5	262.8	14.7	11.4	14.2
National Parks	160.4	238.8	252.5	33.2	33.6	31.1
TOTAL	454.4	480.3	515.3	47.9	45.0	45.3
Of which full catering—	421.9	442.9	476.7	36.4	37.7	36.2
Self Service —	32.5	37.4	38.6	11.5	7.3	9.1

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

Domestic Tourism

13.13. Realising that the contribution of domestic tourism is likely to remain minimal for sometime, the Government formed the Domestic Tourism Council (DTC) to promote local tourism. Among the activities of the council in 1987 includes work towards increased number of licenced tourist facilities and the creation of cheaper rates for special itineraries and groups. The DTC also works on a range of incentives for domestic travellers. On the side of education, the DTC has continued to encourage and support local magazines such as "Safari", "Coastweek" and "What's on". Even though the readership is still small, these magazines are expected to bring forward what the tourism industry can offer.

Other Tourist Attractions

13.14. *National Parks:*. The number of visitors to national parks is given in Table 13.9. The number of visitors to national parks has fluctuated with a peak of over one million

visitors in 1984. In 1987 there was an increase in Nairobi Animal Orphanage and Tsavo East National Parks while mild decreases were recorded in Amboseli and Tsavo West. For the third year running, Amboseli National Park reported the largest number of visitors followed by Lake Nakuru.

NUMBER OF VISITORS TO NATIONAL PARKS,** 1983-1987

Table 13.9 *'000*

	1983	1984	1985	1986	1987*
Nairobi	116.1	126.8	110.6	91.6	99.8
Animal Orphanage	114.0	99.9	102.5	73.0	82.1
Amboseli	135.3	143.9	151.5	157.0	148.5
Tsavo (West)	122.9	118.7	96.8	82.9	80.6
Tsavo (East)	76.5	76.0	73.3	75.3	89.6
Aberdare	45.2	47.4	43.1	42.5	54.0
Buffalo Springs	36.4	39.8	46.1	41.4	43.4
Lake Nakuru	108.8	125.3	135.5	127.9	127.9
Masai Mara	78.5	109.9	110.7	94.8	95.9
Malindi Marine	45.4	40.5	25.4	36.1	38.6
Lake Bogoria	20.6	24.4	23.8	25.6	31.2
Meru	16.4	15.5	18.9	20.4	26.8
Shimba Hills	11.5	13.5	13.0	10.9	13.4
Mount Kenya	11.0	10.0	13.2	16.6	19.2
Samburu	7.3	7.3	6.1	5.1	4.3
Kisite/Mpunguti	3.2	3.4	6.4	12.2	11.0
Mount Elgon	3.1	4.2	4.5	4.7	4.5
Ol-Donyo Sabuk	2.5	2.4	2.6	1.7	1.9
Marsabit	1.8	1.7	2.0	3.2	2.2
Saiwa Swamp	1.4	0.8	0.7	1.2	1.7
TOTAL	957.9	1,011.4	986.7	924.1	976.6

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

13.15. *Museums and Sites:* Table 13.10 shows the number of visitors to museums and other scenic and historic sites. With the exception of a 5 per cent fall in the number of visitors to museums and other tourist sites in 1985, there has been an appreciable increase since 1983. There was, however, only a modest increase of 3 per cent from 767 thousand visitors in 1986 to 789 thousand visitors in 1987. In 1987, half of the listed museums and sites recorded decreases with compensating increases in others. In paragraph 13.6 it was observed that visitor days spent outside the tourist hotel circuit increased by 26 per cent. This phenomenon could explain the apparent anomaly that while coastal tourist hotel occupancy decreased, visitors to museums and other sites increased.

VISITORS TO MUSEUMS, SNAKE PARKS AND SITES, 1983-1987

Table 13.10 *'000*

	1983	1984	1985	1986	1987*
National Museum:(Main Gate)	185.0	201.3	194.4	204.3	185.7
National Museum:(Snake Park)	161.5	221.9	177.0	188.1	163.6
Fort Jesus	152.1	182.0	171.0	168.8	187.6
Kisumu Museum	36.8	30.4	48.6	56.3	69.5
Kitale Museum	4.8	21.1	20.6	37.8	34.7
Gedi	21.8	26.2	28.6	32.8	46.5
Meru Museum	1.5	19.3	20.9	29.5	25.2
Lamu	12.7	21.7	13.7	28.0	52.4
Jumba la Mtwana	10.5	8.6	8.8	8.4	14.6
Olorgessaile	5.2	6.3	9.0	6.5	2.5
Kariandusi	3.3	4.0	7.3	4.1	2.8
Hyrax Hills	2.3	2.7	5.1	2.7	4.3
TOTAL	597.5	745.5	705.0	767.3	789.4

*Provisional.

Conference Tourism

13.16. As shown on Table 13.11 Conference Tourism has not developed on the lines of international arrivals or departures. Especially in the recent past, this component has witnessed ups and downs. The number of conferences and their duration has changed year after year while the number of international delegates has become unpredictable. In 1987 there were 58 international conferences held over a period of 176 days attended by 7,411 delegates. This compares positively with 30 conferences lasting 202 days and attended by 6,487 delegates in 1986. The year 1985 was unique since there was unprecedented attendance at three conferences. The occupancy rate at the Kenyatta International Conference Centre (KICC) for the last five years has kept on changing without a definite trend.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1983-1987

Table 13.11 *'000*

	1983	1984	1985	1986	1987*
Number of conferences	36	40	35	30	58
Number of conferences days	176	160	197	202	176
Attendance (Number of Delegates)	13,970	5,768	28,844	6,487	7,411
Percentage of Occupancy	48.2	44.0	54.0	55.3	48.1

*Provisional.

Development of Tourism

13.17. In addition to the efforts of the private sector, the public sector invests in the tourism industry through the Kenya Tourist Development Corporation (KTDC). Equity investment in the tourism industry by KTDC has been constant at K£5.4 million for the last four years. However, the loans portfolio increased by 6 per cent from K£7.8 million in 1986 to K£8.3 million in 1987. Out of this, the commercial loan programme took K£6.2 million . an increase of 11 per cent from K£5.2 million in 1986. The provision for the revolving fund programme remained at K£2.2 million in 1987 as in 1986. In 1987 KTDC carried out renovations in Mountain Lodge Serena Beach Hotel and Tea Hotel. Currently the renovations are going on in Nairobi Serena, Panafric, the Ark and Baobab Hotels. Technical assistance was also extended by KTDC to three projects under the Kenyanisation Loans programme, these were: Milimani Hotel, Kabarnet Hotel and El-Molo Lodge.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

Although the low oil price of 1986 did not continue throughout 1987, the performance of the transport, storage and communications sector improved over 1986. The sector's value of output at current prices increased by 13 per cent to K£885.8 million. However, the value of output has been increasing at a decreasing rate from 20 per cent in 1985, to 18 per cent in 1986 and finally to 13 per in 1987. All sub-sectors of the industry, including water transport which had recorded a decrease in 1986, recorded increases in the value of output. The highest increase of 26 per cent in value of output was observed in air transport followed by road transport and services incidental to transport which increased their output by 16 and 15 per cent, respectively. Railway transport and pipeline nominal output remained almost at the 1986 levels. New registrations of motor vehicles in 1987 increased by only 3 per cent over the previous year.

14.2 The nominal value of output at current prices in the transport, storage and communications sector is shown in Table 14.1. The value of output in the sector increased from K£512.6 million in 1983 to K£885.8 million in 1987. Some sub-sectors of the industry, such as road and air transport, more than doubled the value of their output between 1983 and 1987. In the case of air transport, the introduction of the Air-Buses, which have more passenger seats and freight capacity, contributed significantly to the growth of output in the sub-sector. The value of output in communications, pipeline and services incidental to transport has increased substantially between 1983 and 1987, while the value of output in railway transport has almost stagnated. The value of output in water transport has been growing steadily upto the merger in 1986 between Cargo Handling Services and Kenya Ports Authority; since then a decline has been recorded in the value of output. Indeed the value of output in 1987 was lower than that for either 1984 or 1985.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1983-1987

Table 14.1 *K£million*

	1983	1984	1985	1986	1987*
Road Transport	172.2	196.1	248.8	324.2	377.1
Railway Transport	58.2	62.2	57.7	59.5	60.9
Water Transport	67.5	81.8	89.2	73.8	77.8
Air Transport	69.1	73.8	86.8	111.4	140.8
Services Incidental to Transport	42.5	36.4	45.2	49.5	56.8
TOTAL	409.5	450.3	527.7	618.4	713.2
Pipeline	19.1	21.0	23.4	26.5	26.8
Communications	84.0	82.9	114.6	141.3	145.8
TOTAL	512.6	554.2	665.7	786.2	885.8

*Provisional.

14.3. The value of the output of road transport continued to dominate the sector, contributing 43 per cent of the value of the sector's output in 1987. The road passenger component comprised 76 per cent of the value of the output in the road transport sub-sectors. The sub.sectors are dominated by private enterprise and public participation is limited to Kenatco Taxis and Nyayo Buses. In 1987 Nyayo Buses had a fleet of 46 buses and provided employment to 301 persons. A revenue of about K£757 thousand was realised from the Nyayo Buses operation.

14.4. In Table 14.2 earnings from road and rail traffic between 1983 and 1987 are shown. It is clear that earnings from surface transport have grown substantially and reached K£438 million in 1987 compared with K£230.4 million in 1983. The data underscores the importance of road passenger transport. Most of the earnings of rail transport are realised from freight transportation, although freight traffic on road reported higher earnings than railway freight.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1983-1987

Table 14.2 *K£million*

	1983	1984	1985	1986	1987*
Passeger Traffic—					
Road	102.7	120.9	169.9	243.0	287.1
Rail	5.1	4.5	4.8	5.7	6.5
TOTAL	107.8	125.4	174.7	248.7	293.6
Freight Traffic.					
Road	69.5	75.2	78.9	81.2	90.0
Rail**	53.0	57.7	52.9	53.8	54.4
TOTAL	122.5	132.9	131.8	134.6	143.8
TOTAL ROAD TRAFTIC	172.2	196.1	248.8	324.2	377.1
TOTAL RAIL TRAFFIC	58.2	62.2	57.7	59.5	60.9
TOTAL	230.4	258.3	306.5	383.7	438.0

*Provisional.
**Includes other revenue.

Road Transport

14.5. Details on new registration of motor vehicles between 1983 and 1987, set out in Table 14.3, show that the total number of vehicles registered increased from 13,940 in 1983 to 17,413 in 1987. There was a slight drop in vehicles registered in 1985 owing to the ban on importation of second hand vehicles in 1984. In 1987, a substantial increase of 44 per cent was recorded in the number of saloon cars registered. This high increase is largely attributable to the increases in output of locally assembled saloon cars. The proportion of imported saloon cars has declined from 66 per cent in 1985 to 61 per cent and 45 per cent in 1986 and 1987, respectively.

NEW REGISTRATION OF ROAD VEHICLES, 1983-1987

Table 14.3 *Number*

TYPE OF VEHICLE	1983	1984	1985	1986	1987*
Saloon Cars	3,214	3,571	2,096	3,229	4,646
Station Wagons	1,781	1,877	1,821	3,092	2,891
Panel Vans, Pick—ups, etc	4,415	5,187	4,652	4,751	4,298
Lorries/Trucks	1,355	1,434	1,421	1,906	1,604
Buses and Coaches	304	651	791	680	686
Mini Buses	280	391	426	368	532
Special Purposes Vehicles	75	31	39	43	40
Trailers	491	498	477	565	538
Rollers, Graders, Cranes	184	57	15	79	50
Wheeled Tractors	843	852	876	1,038	1,020
Crawler Tractors	31	18	3	5	3
Motor and Auto Cycles	965	1,124	1,046	1,196	1,101
Three Wheelers	2	3	0	3	4
ALL VEHICLES	13,940	15,694	13,663	16,955	17,413

*Provisional

14.6. Data in Table 14.4 show that the number of new licenses issued for vehicles on hire increased by 13 per cent to reach 10,184 in 1987. Since 1983, an upward trend has been observed in the number of passenger service vehicles with an average growth rate of 19 per cent and a slight drop to 14 per cent growth rate recorded in 1987. On the other hand, licences for freight transport vehicles for hire have been on the decline since 1984, although an increase of 12 per cent was recorded in 1987.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1983-1987

Table 14.4 *Number*

	1983	1984	1985	1986	1987*
Passenger Service Vehicles	2,565	2,879	3,281	4,553	5,189
Freight Transport Vehicles	5,273	5,868	5,532	4,459	4,995
TOTAL	7,838	8,747	8,813	9,012	10,184

*Provisional.

14.7. It is recognised that 'matatus' and other mini-buses handle a significant share of passenger road transport. Nine thousand one hundred and fifteen (9,115) 'matatus' were registered in 1987 an increase of 6 per cent over 1986. A survey conducted in 1983 indicated that 'matatus' earned an average of K£13 million per annum from fares and each 'matatu' operated with at least two employees each earning K£750 per annum. On the basis of these statistics the sub-sector employed about 18,230 persons who earned approximately K£13.7 million in 1987. lt is also estimated that this sub-sector collected revenue amounting to K£118 million in 1987, compared to K£112 million in 1986. Available data further suggest that 30 per cent of total fare revenue constitutes 'matatus' contribution to GDP. In 1987, therefore, the subsector contributed about K£35 million to the GDP.

Railway Transport

14.8. A summary of the operations of Kenya Railways in the transportation of passengers and freight is given in Table 14.5. The tonnage of freight hauled has experienced a downward trend over the years. In 1987, it declined by a further 7 per cent to a low of 3,004 thousand tonnes. In freight haulage the corporation has faced very stiff competition from trailers especially over short distances. The tonne-kilometres made, therefore, dropped to 1,702 million, a decline of some 7 per cent from the previous year. Revenue earned from freight handled, also decreased marginally from K£50 million in 1986 to K£49 million in 1987.

RAILWAY TRAFFFIC, 1983-1987

Table 14.5

	Unit	1983	1984	1985	1986	1987*
Freight:						
Tonnes	'000	3,894	3,655	3,269	3,230	3,004
Tonne-km	million	2,091	2,034	1,860	1,831	1,702
Revenue	*K£million*	46.75	55.93	50.70	50.21	49.28
Revenue per tonne-Km	cts	45	55	55	55	58
Passengers:						
Journeys	'000	2,283	1,709	2,102	2,563	3,757
Passenger-Km	million	727.6	484.2	586.8	692.5	718.0
Revenue	*K£million*	4.85	4.54	4.82	5.68	6.45
Revenue per passenger-Km.	cts	13	19	16	16	18

*Provisional.

14.9. The number of railway passenger journeys has continued to increase since the low of 1,709 thousand journeys in 1984 and recorded a significant increase of 47 per cent in 1987. However, the passenger-kilometres covered improved by a mere 4 per cent from 692.5 million to 718.0 million. Most of the increase in the passenger journeys was due to the short distance city commuter train services which were started in August, 1986. As a result of this increase, passenger revenue improved by 14 per cent from K£5.68 million to K£6.45 million in 1986 and 1987, respectively.

Harbours and Shipping

14.10. Details of freight handled at the port of Mombasa are set out in Table 14.6. The total freight handled remained virtually at the 1986 level. The volume of goods exported through the port increased by only 1 per cent from 1,988 thousand tonnes in 1986 to 2,012

thousand tonnes in 1987. In the same period, the tonnage of imports through the port declined by 1 per cent to 4,881 thousand tonnes.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1983-1987

Table 14.6 *'000 Tonnes*

	1983	1984	1985	1986	1987*
Loaded—					
Dry Cargo	1,785	1,537	1,482	1,600	1,656
Bulk Liquids	411	521	396	388	356
TOTAL	2,196	2,058	1,878	1,988	2,012
Landed—					
Dry Cargo	1,607	1,971	2,256	2,070	2,134
Bulk Liquids	2,681	2,502	2,181	2,839	2,747
TOTAL	4,288	4,473	4,437	4,909	4,881
TOTAL FREIGHT HANDLED	6,484	6,531	6,315	6,897	6,893

*Provisional.

14.11. Exports of dry cargo, which had recorded declines between 1983 and 1985, improved in 1986 with increased exports of coffee, soda ash and cement. In 1987, a further increase of 4 per cent was achieved and 1,656 thousand tonnes of dry cargo were exported through the port. Imports of dry cargo, which have been rising, but recorded a decline in 1986, increased slightly to 2,134 thousand tonnes in 1987. Exportation of bulk liquids continued the downward trend which began in 1985 and only 356 thousand tonnes were exported in 1987 compared with 521 thousand tonnes in 1984. The volume of imported bulk liquids remained high at 2,747 thousand tonnes although this was a 3 per cent decrease when compared with 1986.

14.12. The volume of transit goods through the port of Mombasa improved in 1987. By end of 1987, some 507 thousand tonnes of transit cargo had been handled; back to the 1982 level. This is a reversal of the downward trend that had been observed upto 1986, when 300 thousand tonnes were handled.

14.13. Containerized freight haulage continued to be a popular mode of transporting goods. In 1987, the port handled 108,269 container units which were equivalent to 115 thousand twenty-foot. equivalent units. This represented a slight drop from 1986, when 120 thousand twenty-foot-equivalent units were handled by the port.

Pipeline Transport

14.14. Table 14.7 gives details of the throughput of white petroleum products delivered by Kenya Pipeline between 1983 and 1987. The figures indicate that annual

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1983-1987

Table 14.7 *'000* *Cubic Metres*

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumina-ting Oil	Light Diesel Oil	Jet fuel	Total
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
1987*	299.8	269.1	158.0	650.7	244.1	1,621.7

*Provisional.

throughput delivered has gone up steadily from 1,341.5 thousand cubic metres in 1983 to 1,621.7 thousand cubic metres in 1987; an average overall growth rate of 5 per cent compared with only 2 per cent increase in 1987. Except for jet fuel, which continued to record a downward trend, all other products recorded slight increases. The highest rates of increase were recorded in premium motor spirit, illuminating kerosene and regular motor spirit in that order.

Air Transport

14.15. 1987 was the first full year when Kenya Airways operated two Airbuses. Capacities for both passenger and cargo, therefore, increased considerably. This also enabled the airline to deploy the Boeing 720 and 707 on increased regional and local services. During the year, a new destination (Gaberone, Botswana) was added to the airline's network.

14.16. Table 14.8 highlights the performance of the Kenya Airways between 1984 and 1987. The airways carried 374,454 paying passengers . 5 per cent more than in 1986 . on its international flights while domestic flights attracted 4 per cent more passengers. Passenger-kilometres covered on international flights increased by 12 per cent to 1,242 million. Domestic distance also grew by the same percentage, recording 118.1 million passenger-kilometres. Capacity utilization on international flights dropped slightly while that on domestic flights remained at 71 per cent. Freight ferried to international destinations increased by 35 per cent to 10,414 tonnes. However, capacity utilisation on freight (load factor) dropped to 52.5 per cent compared with 55.9 per cent in 1986. This is a result of deploying aircrafts with more passengers and freight capacity than previously.

14.17. In Tables 14.9 and 14.10 details of commercial air traffic in Nairobi and Mombasa international Airports are set out. The number of passengers through Nairobi International Airport has continued to increase through the years and reached 1,875 thousand in 1987, an increase of 4.5 per cent over 1986. Cargo loaded in Nairobi remained at 1986 level i.e. 35.5 thousand tonnes while that landed increased only marginally. A similar trend was observed in Mombasa International Airport where the number of passengers handled has continued to grow and increased by 5 per cent in 1987; while freight remained around the 1986 level.

COMMERCIAL TRAFFIC AT NAIROBI AIRPORT, 1983-1987

Table 14.9

	1983	1984	1985	1986	1987*
PASSENGERS—000's					
Landed	478.4	529.8	571.7	633.7	681.4
Embarked	471.9	517.7	565.6	620.1	666.1
In Transit	588.0	593.0	578.3	540.1	527.7
TOTAL	1,538.3	1,640.5	1,715.6	1,793.9	1,875.2
FREIGHT—'000 *tonnes*					
Cargo: Landed	8.2	10.0	10.1	11.0	12.1
Loaded	28.4	30.1	32.8	35.4	35.5
Mail: Landed	1.3	1.2	1.5	1.3	1.4
Loaded	0.8	0.8	0.8	0.8	0.7
TOTAL	38.7	42.1	45.2	48.5	49.7

*Provisional.

Posts and Telecommunications

14.18. Table 14.11 details the performance of Kenya Posts and Telecommunications in the provision of postal services. Postal services and facilities have continued to expand. In 1987 there were 927 post offices compared with 756 in 1983 and 843 in 1986. Private letter boxes increased by 9 thousand in 1987. Whereas the number of letters handled has

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1984-1987

Table 14.8

ITEM	1984		1985		1986		1987*	
	Domestic	International	Domestic	International	Domestic	International	Domestic	International
PASSENGERS								
(a) Total Number of Revenue passengers carried	211,688	291,791	230,771	331,342	281,539	355,345	294,354	374,454
(b) Available Seal-Kilometres (Millions)	120.9	1,571.3	138.0	1,724.9	148.6	1,882.3	165.6	2,142.2
(c) Revenue Passenger-Kilometres (Millions)	87.8	933.5	95.5	1,056.0	105.4	1,113.3	118.1	1,242.0
(d) Cabin Factor =c/b *per cent*	72.7	59.4	69.2	61.2	70.9	59.1	71.3	58.0
(e) Passenger Revenue (KSh millions)	116.8	860.9	130.3	1,060.3	146.0	1,291.5	176.4	1,559.4
(f) Revenue per passenger-Kilometre (KSh. 000)	1.33	0.92	1.36	1.00	1.39	1.16	1.49	1.26
FREIGHT								
(a) Total Revenue Freight carried (Tonnes)	990.9	6,182.5	937.3	6,099.1	1,172.0	7.689.0	1,173.0	10,414.0
(b) Available Freight Tonne. Kilometres ('000)	3,022	53,385	3,219	49,277	3.997	69,077	4,426	103,214
(c) Freight Tonnes. Kilometres ('000)	424	29,683	393	29,660	445	38,603	395	54,237
(d) Load Factor =c/b *per cent*	14.0	55.6	12.1	60.2	11.1	55.9	8.9	53
(e) Freight Revenue (KSh Millions)	3.36	97.95	3.93	105.34	4.54	135.04	4.80	197.49
(f) Revenue Per Tonne-Kilometre (KSh.'000)	7.91	3.30	10.01	3.55	10.20	3.50	12.15	3.64

*Provisional.

increased, the number of parcels handled, which had dropped in the last few years due to competition from private couriers, recovered slightly in 1987.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1983-1987

Table 14.10

	1983	1984	1985	1986	1987*
PASSENGERS—000's					
Landed	182.7	193.1	204.7	226.0	234.6
Embarked	191.5	200.1	211.2	236.8	255.6
In Transit	15.3	24.1	27.0	32.4	31.3
TOTAL	389.5	417.3	442.9	495.2	521.5
FREIGHT—'000 *tonnes*					
Cargo: Landed	9.10	8.01	8.93	4.64	4.81
Loaded	8.43	8.22	7.87	5.26	4.62
Mail: Landed	0.12	0.10	0.09	0.07	0.55
Loaded	0.05	0.08	0.05	0.04	0.40
TOTAL	17.70	16.41	16.94	10.01	10.38

*Provisional

POSTAL AND TELECOMMUNICATION SERVICES, 1983-1987

Table 14.11

	Unit	1983	1984	1985	1986	1987*
Post Offices	No	756	806	826	843	927
Private Letter Boxes	No ('000)	172	179	189	198	207
Registered and Insured Items Posted	million	3.4	3.4	3.1	3.1	3.3
Total correspondence handled	million	219	230	234	246	258
Parcels handled	No ('000)	352	361	334	313	347
Telephone Exchange connections	'000	96	106	118	129	145
Public Call boxes	No	734	1,425	2,189	2,659	3,571
Manual Telephone Calls made	million	12.6	13.7	13.7	14.1	15.0
Subscriber Dialled Units	million	590	694	949	943	1,075
Telex Subscribers	No ('000)	1.8	2.0	2.1	2.1	2.4
Telegrams Handled	No ('000)	1,034	1,170	1,172	1,181	1,189
Money Orders	No. (million)	1.7	1.7	1.6	1.8	1.8
Postal Orders	No.('000)	169	139	118	98	124

*Provisional.

14.19. In its-continued effort to improve telephone facilities, Kenya Posts and Telecommunications Corporation (KP&TC) installed 16,000 additional telephone exchange connections and 912 public call boxes in 1987. Telephone exchange connections have increased steadily from 96 thousand in 1983 to 145 thousand in 1987.

14.20. Data in Table 14.12 show that external telecommunications traffic has been growing steadily from 15.0 million paid minutes covering both in coming and out-going in 1983, to 27.4 million paid minutes in 1987. However, this rapid growth has been confined to telephone sevices. The growth in telex services has been rather sluggish and grew by 8 per cent from 7.3 to 7.9 million paid minutes in 1986 and 1987, respectively. Telegraph services have been on the decline over the years and in 1987 only 2.5 million paid words were recorded compared with 6.8 million paid words in 1983. The poor performance in telex and telegraph may be attributable to improvement in telephone services.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1983-1987

Table 14.12

	1983	1984	1985	1986	1987*
Telephone service—million paid minutes—					
Outgoing	6.2	7.1	9.8	9.4	10.7
Incoming	8.8	10.8	12.8	13.7	16.7
Telex service—million paid minutes—					
Outgoing	3.0	3.1	3.5	3.6	3.9
Incoming	3.2	3.6	3.7	3.7	4.0
Telegraph service—million paid Words—					
Outgoing	3.5	3.1	2.7	1.9	1.3
Incoming	3.3	2.6	2.7	1.9	1.2

*Provisional.

14.21. In its contribution to the success of the District Focus for Rural Development, the Kenya Posts and Telecommunications Corporation continued to expand telephone sevices outside the major towns. By the end of 1987, 34 district headquarters had been connected to the International Subscriber Dialling facility. The bureaufax service, which enables customers to convey messages by facsimile, is available in Nairobi and Mombasa. By December, 1987, customers could communicate with 83 countries using this facility and 60 countries using the telefax facility. The phone-card facility which was introduced in August, 1987 was by December, 1987 available in Nairobi, Mombasa, Kisumu, Malindi,Nakuru and Nyeri.

Information and Mass Media

14.22 The number of new radios and television sets licensed in 1987 are shown in Table 14.13. With the good performance of the economy, Kenyans bought 208,400 new radios and 18,700 new television sets; an increase of 19 and 3 per cent, respectively.

NEW RADIOS AND T.V. SETS SOLD AND LICENCED, 1983-1987

Table 14.13 *'000*

	1983	1984	1985	1986	1987*
Radios	151.2	97.9	128.2	175.3	208.4
Television Sets	8.7	8.6	11.8	14.1	18.7

*Provisional.

14.23 Table 14.14 presents details of newspaper circulation in the country, 1983 to 1987. It is observed that while morning English papers have been recording tremendous growth (16 per cent in 1987) Swahili newspapers had a sluggish growth.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1983-1987

Table 14.14 *'000* *Copies*

	1983	1984	1985	1986	1987*
MORNING NEWSPAPERS—					
English	171.3	183.2	204.2	214.2	248.0
Swahili	52.4	59.2	64.4	65.8	65.7
OTHER NEWSPAPERS—					
English Weeklies	232.0	283.9	310.3	335.6	385.4
Swahili	64.8	73.3	93.6	94.8	96.0

*Provisional.

CHAPTER 15 - THE SOCIAL SCENE

The total Government expenditure on social services is estimated to have gone up by 16 per cent from K£516.89 million during 1986/87 to K£600.18 million in 1987/88. The growth is slightly lower than that of over 18 per cent recorded annually since 1983/84. As shown in Table 15.1, the estimated recurrent expenditure of K£511.09 million absorbed about 85 per cent of the budgetary outlay in 1987/88 compared with 89 and 87 per cent recorded in 1985/86 and 1986/87, respectively. Table 15.2 shows that during the year, Local Authorities incurred an estimated expenditure on social services of K£15 million which was a slight drop from the expenditure in the previous year.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1984/85-1987/88

	1984/85	1985/86	1986/87*	1987/88**
RECURRENT EXPENDITURE—				
Ministry of Education, Science and Technology	229.85	295.44	336.27	385.58
Ministry of Health	73.01	79.65	96.50	100.59
Ministry of Labour	4.16	5.51	5.66	6.15
Ministry of Culture and Social Services	10.17	11.73	12.40	18.77
DEVELOPMENT EXPENDITURE				
Ministry of Education, Science and Technology	10.90	11.12	21.14	31.68
Ministry of Health	11.11	14.81	14.73	40.28
Ministry of Labour	0.91	1.35	0.64	0.61
Ministry of Culture and Social Services	12.49	11.26	29.55	16.51
TOTAL EXPENDITURE	352.60	430.87	516.89	600.18

*Provisional.
**Estimates excluding supplementaries.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1983-1987

Table 15.2 *K£million*

	1983	1984	1985	1986*	1987**
Education	13.45	11.50	10.81	7.48	6.04
Health	7.07	5.52	8.43	7.04	7.20
Other Social Services	1.43	0.63	0.90	1.76	2.00
TOTAL EXPENDITURE	21.95	17.65	20.14	16.28	15.24

*Provisional.
**Estimates.

Education

15.2. Education continues to take the largest share of the Government expenditure, absorbing nearly 33 per cent of the total recurrent budget and slightly over 75 per cent of the estimated recurrent expenditure on social services in 1987/88. Nearly 52 per cent of the estimated recurrent expenditure was allocated to primary education. The estimated development expenditure rose from K£21 million in 1986/87 to K£32 million in 1987/88, an increase of about 50 per cent. Teacher training colleges and higher education took the biggest share of K£8 million and K£13 million, respectively due to increased enrolments particularly universities' double intake. Table 15.3 details the expenditure of the Ministry of Education, Science and Technology for the period 1984/85 . 1987/88.

15.3. Concern for the welfare of the less fortunate and disadvantaged members of the society is demonstrated by the expansion of the Kenya Institute of Special Education (KISE) complex. The Institute is currently training 84 students (57 males and 27 females) at diploma level to teach handicapped children.

EXPENDITURE OF THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY, 1984/85-1987/88

Table 15.3 *K£million*

	1984/85	1985/86	1986/87*	1987/88**
RECURRENT EXPENDITURE—				
General Administration and Planning	34.06	42.09	35.44	59.19
Pre-Primary Education	0.14	0.18	0.22	0.24
Primary Education	121.18	158.37	189.24	199.16
Secondary Education	30.34	42.30	48.23	50.04
Technical Education	2.22	2.53	2.87	3.12
Teacher Training	9.76	11.42	12.80	14.32
Special School	0.95	1.40	1.85	2.25
Polytechnic Education	3.29	2.64	2.84	3.32
Higher Education***	26.57	32.99	41.40	52.20
Miscellaneous	1.34	1.52	1.38	1.74
TOTAL	229.85	295.44	336.27	385.58
DEVELOPMENT EXPENDITURE—				
General Administration and Planning	1.30	1.44	4.21	3.29
Pre-Primary Education	—	—		
Primary Education	0.45	1.15	0.81	1.11
Secondary Education	1.15	1.61	1.67	2.84
Technical Education	0.60	0.01		0.08
Teacher Training	2.55	2.44	1.69	8.27
Special School	0.22	0.25	0.32	0.45
Polytechnic Education	0.04	0.02	1.21	1.99
Higher Education***	4.59	3.91	10.61	13.03
Miscellaneous	—	0.29	0.62	0.62
TOTAL	10.90	11.12	21.14	31.68

*Provisional.

**Estimates excluding supplementaries.

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

15.4. Table 15.4 depicts the details of the number of educational institutions in the country from 1984 to 1987. The number of primary schools increased from 13,392 to 13,849 or by 3.4 per cent while the number of secondary schools increased at a faster rate of 7.2 per cent from 2,417 to 2,592 in 1986 and 1987, respectively. The increase in number of secondary schools is partly due to improved coverage. Harambee secondary schools, excluding Harambee schools which have already been taken over by the Government, constitute 19 per cent of all secondary schools compared with "none" at independence.

Table 15.4 NUMBER OF EDUCATIONAL INSTITUTIONS, 1984-1987

Category	1984	1985	1986	1987*
Schools:				
Primary	12,539	12,936	13,392	13,849
Secondary	2,396	2.413	2,417	2,592
Training Colleges:				
Primary	17	16	16	16
Secondary	5	6	6	6
TOTAL	14,957	15,371	15,831	16,463

*Provisional.

15.5. The enrolment in primary schools, shown in Table 15.5, increased from 4.84 to 5.03 million pupils in 1986 and 1987, respectively. The Standard 1 enrolment which had increased by 7.5 per cent in 1986 increased only by about 1 per cent in 1987. A transition rate of the pupils from Standard 7 to Standard 8 of 76 per cent was observed in 1987; a 1

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1984—1987

Table 15.5 *'000*

Class	1984		1985		1986		1987*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	447.2	417.4	436.5	412.1	473.0	439.0	476.0	442.3
Standard 2	366.1	340.9	363.1	338.1	372.8	346.4	400.2	373.6
Standard 3	339.3	319.1	332.5	312.9	337.6	318.3	351.4	326.9
Standard 4	316.8	308.6	314.9	306.4	319.0	306.5	328.0	313.5
Standard 5	282.5	274.6	283.5	276.7	290.2	282.3	295.8	290.2
Standard 6	267.2	247.6	260.9	247.2	269.6	258.2	273.3	267.3
Standard 7	250.2	202.8	242.5	215.0	255.3	230.4	271.5	253.2
Standard 8	—	—	201.0	159.1	195.1	149.8	207.8	160.4
TOTAL	2,269.3	2,111.0	2,434.9	2,267.5	2,512.6	2,330.9	2,604.0	2,427.4

*Provisional.

percentage point higher than that reported for 1986. The pupil's sex ratio (boys to girls) at national level remained as reported in the previous years 107:100. At the class level the ratio is lowest in Standard 5 and 6 and highest in Standard 8, 102:100 and 130:100, respectively.

15.6. Details of enrolment in all management categories of secondary schools are set out in Table 15.6 while Table 15.7 depicts the details of enrolment in maintained secondary schools by province and sex. Total enrolment increased by 14 per cent from 458,712 to 522,261 in 1986 and 1987, respectively. The large percentage increase in 1987 was, as noted above, mainly due to the improved coverage. As in the previous year, girls constituted 41 per cent of the total secondary schools' enrolment. The proportion of girls in maintained secondary schools was slightly worse at around 37 per cent.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1986-1987

Table 15.6 *Numbers*

Form	1986			1987*		
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form I	68,294	34,885	56,906	71,369	59,337	34,541
Form II	—	—	—	72,309	59,008	30,848
Form III	67,057	26,162	48,810	—	—	—
Form IV	62,494	23,838	33,896	71,101	54,191	25,632
Form V	15,029	2,500	1,328	17,890	747	3,044
Form VI	13,357	3,031	1,125	18,472	807	2,965
TOTAL	226,231	90,416	142,065	251,141	174,090	97,030
Boys	142,318	51,153	75,847	155,930	97,164	54,950
Girls	83,913	39,263	66,218	95,211	76,926	42,080

**Provisional.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX, 1985-1987

Table 15.7 *Numbers*

PROVINCE	1985		1986		1987*	
	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi	13,120	7,409	13,403	7,569	10,113	6,454
Coast	8,205	4,607	9,910	5,303	11,085	6,340
Eastern	19,638	9,107	22,283	13,382	27,016	15,677
North-Eastern	1,019	221	1,261	492	1,742	457
Central	30,850	21,501	32,564	23,254	35,440	24,897
Rift Valley	23,061	12,737	23,849	14,219	29,160	17,767
Nyanza	21,205	9,681	21,755	9,973	23,318	13,325
Western	18,470	9,568	17,293	9,721	18,056	10,294
TOTAL	135,568	74,831	142,318	83,913	155,930	95,211

*Provisional.

15.7. The total teaching force in both primary and secondary schools increased by 8,000 from 165,000 in 1986 to 173,000 in 1987. Teachers in primary schools constituted 86 per cent of the total teaching force, a level that has been maintained since 1984. This compares reasonably well with 90 per cent of primary school enrolment in total primary and secondary school enrolment. Trained secondary school teachers made up 62 per cent of the teaching force in secondary schools, about 3 percentage points higher than the previous year. The pupil-teacher ratio in primary schools continued to show some improvement while the teachers per class remained constant at unity. With the absence of the enrolment in Form III due to the 8 4 4 programme, the teacher/pupil ratio and the teachers per class ratio continued to appreciate in secondary schools. Female teachers

constitute 35 and 30 per cent in primary and secondary schools, respectively. Details on the number of teachers by qualification and school level between 1985 and 1987 are given in Table 15.8.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1985-1987

Table 15.8 *Numbers*

	PRIMARY			SECONDARY		
	1985	1986	1987*	1985	1886	1987*
TRAINED—						
Graduate	31	7	25	6,126	6,427	7,044
Approved+	253	306	345	793	823	1,007
SI	3,002	3,109	3,273	5,002	5,837	6,723
PI	48,990	52,904	58,861	217	176	175
P2	27,293	27,771	28,610	—	—	—
P3	13,168	13,265	13,162	—	—	—
P4	304	210	124	—	—	—
Others	—	—	—	414	—	—
TOTAL	93,041	97,572	104,400	12,552	13,263	14,949
UNTRAINED—						
Graduate	—	—	—	1,192	1,177	1,376
K.A.C.E.	4,857	4,840	4,366	7,104	6,986	7,593
K.C.E	29,488	30,302	31,697	351	355	59
K.J.S.E.	8,434	8,066	6,893	—	—	—
C.P.E	1,978	1,829	1,656	—	—	—
Other	577	198	139	513	515	274
TOTAL	45,334	45,235	44,751	9,160	9,033	9,302
GRAND TOTAL	138,375	142,807	149,151	21,712	22,296	24,251

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

STUDENT ENROLMENT IN ALL PRIMARY COLLEGES BY QUALIFICATION, 1987/88*

Table 15.9 *Numbers*

QUALIFICATION	1ST YEAR		2ND YEAR		3RD YEAR	
	Male	Female	Male	Female	Male	Female
K.A.C.E	132	71	137	89	269	160
K.C.E	3,903	2,662	4,089	2,727	7,992	5,389
K.J.S.E	64	86	27	35	91	121
C.P.E	20	24	15	25	35	49
Special Education**	69	15	—	—	69	15
TOTAL	4,188	2,858	4,268	2,876	8,456	5,734

*Provisional.
**Kenya Institute of Special Education (KISE) trains students on a bi—annual basis.

15.8. Students enrolment in all primary teachers training colleges increased by slightly over 1,000 or by 11 per cent in 1987 to reach 14,000. Female trainees constituted up to 40 per cent of the student population. The student population in the 6 diploma colleges rose from 2,880 in 1986 to 3,300 in 1987.

15.9. Technical training programmes are offered at the Kenya and Mombasa Polytechnics, Jomo Kenyatta College of Agriculture and Technology (JCAT) and the Harambee Institutes of Technology (HITs). In 1987, the 17 operational HITs enrolled over 4,200 students. Nearly 33 per cent of these students were pursuing masonry, plumbing,

textile and carpentry courses, while an equal percentage of students were pursuing business and professional courses. Total enrolment at the polytechnics and JCAT remained at 6,000.

15.10. All the four (4) Government Universities had double intake during the 1987/88 academic year. At the University of Nairobi, enrolment of undergraduate and diploma students rose to 8,714 and postgraduate to 2,127 giving an overall student total enrolment of 10,841 compared with 6,760 students in 1986/87.

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1986/87-1987/88

Table 15.10 *Numbers*

Course/Faculty	1986/87			1987/88		
	Male	Female	Total	Male	Female	Total
Undergraduate Course—						
Agriculture*	445	112	557	696	166	862
Architecture and Design	176	28	204	258	48	306
Building Economics and Land Economics	101	39	140	173	50	223
Art	925	409	1,334	1,776	775	2,551
Commerce	371	126	497	551	172	723
Engineering	542	20	562	801	23	824
Law	226	154	380	289	214	503
Medicine	458	118	576	555	143	698
Science	651	94	745	1,002	190	1,192
Veterinary Medicine	269	47	316	371	56	427
Dental Surgery	42	36	78	88	54	142
Pharmacy	98	19	117	150	26	176
TOTAL	4,304	1,202	5,506	6,710	1,917	8,627
Of which Kenya Students	4,256	1,163	5,419	6,628	1,877	8,505
Diploma Courses** Total	23	39	62	26	61	87
Of which Kenya Students	23	36	59	25	58	83
Postgraduate Course—						
Agriculture	114	40	154	1,113	54	1,167
Architecture and Design	53	11	64	55	22	77
Art	211	83	294	166	86	252
Commerce	30	10	40	24	17	41
Education	20	10	30			
Engineering	33	2	35	47	—	47
Law	6	2	8	6	1	7
Medicine	158	56	214	157	37	194
Science	215	38	253	185	27	212
Veterinary Medicine	37	9	46	35	7	42
School of Journalism	15	10	25	13	9	22
Institute of Computer Science	16	1	17	9	5	14
Institute of African Studies	7	5	12	7	3	10
Institute of Population studies	—	—	—	30	12	42
TOTAL	915	277	1,192	1,847	280	2,127
Of which Kenya Students	785	241	1,026	1,579	241	1,820
Total Enrolment—						
All Kenya students	5,064	1,440	6,504	8,232	2,176	10,408
Students from other countries	178	78	256	351	82	433
TOTAL	5,242	1,518	6,760	8,583	2,258	10,841

*Includes courses on Food Science and Technology and Range Management.
**Diploma courses were offered in Advanced Nursing and Adult Studies.

15.11. Moi University which started operating in the 1984/85 year with only 38 students enrolled 970 students in the 1987/88 academic year. In the period under review the faculty of education was started with a total student population of over 450 undergraduates while the already existing faculties were further expanded. The details of the course offered and the number per course are shown in Table 15.11.

MOI UNIVERSITY STUDENTS BY COURSE AND SEX, 1985/86-1987/88

Table 15.11 *Numbers*

Department	1985/86		1986/87		1987/88	
	Male	Female	Male	Female	Male	Female
Forestry	87	11	96	15	132	22
Wildlife Management	11	3	27	4	64	7
Wood Science and Technology	—	—	21	2	50	8
Production and Technology	—	—	13	1	58	2
Electrical and Communication Technology	—	—	24	—	70	3
Science	—	—	23	4	92	9
Education	—	—	—	—	321	132
TOTAL	98	14	204	26	787	183

15.12. Table 15.12 shows the enrolment at Kenyatta University by course and sex. During the 1987/88 academic year, a total of 5,135 students were enrolled as compared to 3,017 students enrolled in 1986/87. There was a marked drop in the number of students enrolled for postgraduate courses due to non-enrolment of students pursuing post-graduate Diplomas in Education (PGDE).

KENYATTA UNIVERSITY STUDENTS BY COURSE AND SEX, 1986/87-1987/88

Table 15.12 *Numbers*

Course/Faculty	1986/87			1987/88		
	Male	Female	Total	Male	Female	Total
B.Ed.(Arts)	655	866	1521	1444	1562	3006
B.Ed.(Science)	615	220	835	751	246	997
B. A.(Fine Arts)	8	8	16	11	18	29
B.Ed.(Home Economics)	20	126	146	25	232	257
B.A.(Music)	4	12	16			
B.A	80	36	116	260	150	410
B.Sc	63	13	76	228	39	267
Postgraduate*	155	55	210	116	53	169
TOTAL	1636	1381	3017	2835	2300	5135

*Include students pursuing Post Graduate Diploma in Education.

15.13. In 1986/87 academic year, Egerton University enrolled 136 students. The total number of students in 1987/88 stands at 1,935 of which 592 are under-graduates and 1,343 are diploma students.

Health

15.14. One of the several achievements of the provision of health services is the construction of new hospitals and amenity wards at Provincial Hospitals. During 1987, five new hospitals were opened: two in Kericho and one each in Machakos, Meru and South Nyanza. Expansions were also completed in Moyale and Mandera. Table 15.13 shows the location of health facilities by province.

15.15. Table 15.14 shows the distribution of medical personnel. Some increase was

realised in provision of clinical officers between 1986/87 partly because of the first output from two new schools in Mombasa and Kakamega.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1987

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	17	134	181	5,690	447
Coast	24	31	160	215	3,065	162
Eastern	40	37	221	298	4,457	122
North-Eastern	3	6	30	39	414	82
Central	41	45	229	315	4,848	152
Rift Valley	57	61	450	568	6,004	133
Nyanza	42	47	251	340	4,234	110
Western	17	38	60	115	2,644	107
TOTAL 1987	254	282	1,535	2,071	31,356	146
TOTAL 1986	249	276	1,424	1,949	30,936	148

REGISTERED MEDICAL PERSONNEL, 1985-1987

Table 15.14 *Numbers*

Type Of Personnel	1985	1986	1987		IN TRAINING	
				No. Per 100,000 Population	1986.87	1987.88
Doctors	2,842	2,980	3,071	13.94	792	788
Dentists	384	441	492	2.23	78	79
Pharmaceutical Technologists	459	493	494	2.04	147	141
Registered Nurses	9,377	9,627	9,862	44.77	1,163	1,188
Enrolled Nurses	11,248	12,452	13,202	59.92	6,242	7,614
Clinical Officers	2,107	2,224	2,355	10.29	440	475
Public Health Officers	420	450	480	2.18	121	120
Public Health Technicians	1,608	1,826	2,041	9.26	640	671

15.16. Table 15.15 shows that contributions to the NHIF rose by 7 percent from K£7.1 million in 1985/86 to K£7.6 million in 1986/87. The benefits paid rose by 18 per cent from K£5.2 million in 1985/86 to K£6.2 million in 1986/87. For the second year running the Fund reported a net positive balance.

NATIONAL HOSPITAL INSURANCE FUND, 1982/83-1986/87

Table 15.15 *K£million*

Year	Receipts*	Benefits**	Contribution Net of Benefits
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
1986/87	7.62	6.16	1.46

*Includes both compulsory and voluntary contribution and other receipts.
**Benefits include other payments, e.g. management expenses.

Adult Education

15.17. In 1987 there were 9,709 centres and 9,826 classes, representing about 1 class per centre. The programme seems to have lost its steam. The total number of centres and classes reported for 1987 shows a decrease of 453 centres and 434 classes compared with 1985 when 10,161 centres and 10,260 classes were operated. The decrease in the number of centres and classes is attributed to the high turnover of teachers in the programme, with replacement taking a longer time to effect.

15.18. In 1987 there were 159,126 students enrolled in adult education classes out of which 76 per cent were females. This total represents a drop of 26 per cent over 1986 enrolment. The higher enrolment rate among women than men in the programme over the years, as shown in Table 15.16 is likely to help remove the sex imbalance in literacy resulting from the traditionally higher enrolment of boys than girls in formal education.

ADULT EDUCATION ENROLMENT BY SEX, 1983-1987

Table 15.16

Year	Male	Female	Total	Percentage of Female Enrolment
1983	82,356	261,532	343,888	76.0
1984	48,660	170,664	219,324	78.0
1985	41,901	142,528	184,429	77.0
1986	49,910	172,232	222,142	78.0
1987	38,580	120,546	159,126	76.0

National Youth Service

15.19. In 1987 the total strength of the service was 9,104 compared with 7,500 in 1986. A total of 2,102 regular servicemen, 603 regular servicewomen, 5,578 pre-University male students and 1,557 female students were recruited in 1987. The type of activities of the service in 1987 were diversified and widely spread all over the country. Development activities in 1987 included the following: roads constructions such as the Tana Basin, Thika-Garissa and Kerio Valley road projects; transportation projects such as maize transportation in the Rift Valley and Western Provinces and operation of the Government sponsored commuter bus services in Nairobi City and Eldoret town; farming activities such as coffee, livestock, maize/horticultural crops and mixed farming in most parts of the country. The total income earned by the service in 1986/87 was K£1,646,947 compared with K£l,247,876 and K£976,545 earned in 1985/86 and 1984/85, respectively. These incomes have increased substantially in the last few years due to increases in development activities and in particular the introduction of the Commuter Bus Services.

National Social Security Fund

15.20. The Fund was active during the year with the number of employees ever registered by the NSSF rising by 5 per cent from 1.53 million in 1986 to 1.61 million in 1987 as shown in Table 15.17. The number of employers went up by 4 per cent. Consequently, the annual contribution received by the Fund increased substantially by almost 14 per cent as compared to an 8 per cent increase between 1985 and 1986. The amounts paid to members as benefits also rose considerably from K£6.1 million in 1986 to K£11.8 million in 1987. Total investment made during 1986 increased by 75 per cent as compared with a 59 per cent increase in 1987, although the actual investment, which was K£126 million in 1987, was higher than K£82 million invested in 1986.

NATIONAL SOCIAL SECURITY FUND, 1983-1987

Table 15.17

	1983	1984	1985	1986	1987
Employers registered '000	33.0	34.1	35.4	36.8	38.1
Employees registered '000	1,341.0	1,406.7	1,471.6	1,527.8	1,606.1
Annual contribution*K£mn*	36.1	39.4	43.8	47.4	54.2
Annual benefits paid K£mn	6.5	5.4	11.4	6.1	11.8
Total investments K£mn	86.3	96.0	121.6	213.3	338.6

6.7. Government's efforts to improve revenue collection were fruitful, although slow in growth, and resulted in increases in revenue collection as portrayed in Table 6.4. The better performance led to gross receipts rising by 14 per cent in 1987/88, compared with increases of 16 per cent and 19 per cent in 1986/87 and 1985/86, respectively. In the last five.years gross receipts have expanded by 74 per cent. The performance of all sources of revenue were encouraging, except for export duties which suffered in the cut back in coffee and tea revenues, and business and trading licences which recorded slight declines.

CENTRAL GOVERNMENT GROSS RECEIPTS ON RECURRENT ACCOUNT* 1983/84-1987/88

Table 6.4 *K£million*

	1983/84	1984/85	1985/86	1986/87**	1987/88**
DIRECT TAXATION—					
Income Tax	251.15	300.97	358.12	385.73	447.00
Other	0.60				
Total	251.75	300.97	355.12	385.73	447.00
INDIRECT TAXATION—					
Sales Tax on Domestic Manufactures	146.50	158.00	191.00	241.75	277.10
Sales Tax on imports	107.22	115.55	112.59	155.77	200.80
Imports Duties***	183.52	163.08	211.84	259.40	269.42
Excise Duties	79.43	78.78	89.04	106.27	118.60
Export Duties	10.05	27.04	39.64	33.88	-21.20
Business and Trading Licences	3.21	3.69	5.95	6.31	5.80
Licences and Feeds Under Traffic Act	7.61	8.12	11.21	12.34	12.90
Other Licences and Duties on Production or Sale	23.06	28.73	47.19	51.96	57.34
Total	560.60	584.99	708.46	867.68	963.16
OTHER REVENUE AND INCOME—					
Compulsory Fees, Fines and Penalties	13.56	17.71	20.36	21.92	26.90
Income From Property	54.17	57.45	64.77	67.33	82.14
Current Transfers	1.88	2.59	11.36	15.32	15.39
Sales of Goods and Services	27.45	36.90	38.89	43.19	60.39
Other	14.21	18.98	10.36	7.59	14.56
Total	111.27	133.63	145.74	155.35	199.38
TOTAL	923.62	1,019.59	1,209.32	1,408.76	1,609.54
MEMORANDUM ITEM—					
Loan Repayments to Government	5.60	3.98	7.42	7.35	8.52

*This is the name of the account used to cover current receipts. It includes internal A in A both recurrent and development However, it is not possible to identify A in A separately from this table because it is distributed under various heads including sales of goods and services.
**Provisional.
***Gross collections before Export Compensation Payments.

6.8. Since 1986/87 sales tax has overtaken income tax as the major source of revenue. Provisional results for 1987/88 indicate that income tax will increase by 16 per cent while sales tax will record a growth of 20 per cent. The increase in income tax may be attributed to the introduction of withholding tax on interest and the reduction of permitted error margin from 20 per cent to 10 per cent in the provisional estimates of income from businesses during the 1987/88 budget. Growth in sales tax was due in part to higher tax rates on some gasolines, beer and soft drinks and new sales tax regulations instituted in the last budget to seal loopholes on tax remission and tax-free goods. Decline in export duty was due to the drop in prices of coffee and tea in the world market and the raising of the export duty threshhold (level at which tax starts) during the last budget. Indirect taxes continued to contribute about 60 per cent of gross receipts. The change in policy from reliance on direct taxes to indirect taxes is consistent with the Government's policy of promoting investment by controlling consumption and encouraging savings.