

REPUBLIC OF KENYA

ECONOMIC SURVEY 1989

Central Bureau of Statistics
Ministry of Planning and National Development

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ECONOMIC SURVEY 1989

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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. Totals may not add up due to rounding.
5. "—" means nil or negligible
6. ".." means figures not available
7. mn=million

SUMMARY AND OUTLOOK

Overview

The world economy was buoyant in 1988 following a slow-down in 1987. Real Gross National Product (GNP) in the Organisation of Economic Co-operation and Development (OECD) countries grew by 4 per cent; with the growth spread across most of the countries. World trade expanded by 9 per cent, while the inflation rate in the OECD countries rose marginally to around 4 per cent.

Non-OPEC developing countries continued to perform badly. Despite recognition of their debt problem, not much progress was made to increase the capital flows to the poorest African, Asian and Latin American countries. Africa in general had a welcome respite from food shortages, and cereal harvests were larger, chiefly due to abundant and widespread rains.

On the domestic scene, the Kenyan economy grew strongly, despite a somewhat higher rate of inflation. Real Gross Domestic Product (GDP) grew by 5.2 per cent in 1988, compared to 4.8 per cent in 1987 and 5.5 per cent in 1986. Both agriculture and manufacturing performed well, by growing at 4.4 and 6.0 per cent, respectively. Other sectors also performed reasonably: building and construction recorded growth rate of 5.2 per cent; trade, restaurants and hotels, 5.8 per cent; and finance, insurance and business services, 6.1 per cent.

Despite higher average prices for the main exports (coffee and tea) Kenya's merchandise trade balance registered a higher deficit in 1988. Nonetheless, the overall balance of payments out-turn was better than in the previous year as the current account deficit was reduced from K£409 million in 1987 to K£403 million in 1988, while the overall balance of payments deficit declined from K£104 million in 1987 to K£68 million in 1988. The improvement was largely due to increased tourist earnings (which has now replaced coffee as the main foreign exchange earner), increased inflows of grants; and substantial drawings under the Agricultural and Industrial Sector Adjustment loans from the World Bank and associated co-financing by Japan.

Since there were problems in the sugar, textiles and steel industries, total wage employment grew only moderately by 3.7 per cent in 1988. For the first time on record, there was a decline in Central Government wage employment, principally because of laying-off of works-paid staff.

Even though the inflation rate rose to 10.7 per cent during the year, real wage earnings grew by 1.9 per cent compared to no change in 1987 over 1986.

International Scene

The year 1988 was characterized by buoyant economic conditions, particularly in the leading Western industrial economies. As already indicated, GNP growth in the Organisation for Economic Co-operation and Development (OECD) exceeded 4 per cent. World trade rose at a rapid rate of 9 per cent, with the dynamism emanating from strengthened economic activity in the large industrial countries.

Movements in commodity prices were marked by contrasts during 1988. Metal prices rose considerably, while oil prices remained weak due to overproduction by the leading producers. Soft commodities were generally poor with the price of cocoa falling to a historic low; sugar prices rose to a seven year high before declining; coffee prices rose and then fell, with the market characterised by an abundance of robusta and shortage of arabica coffee.

The rise in commodity prices, particularly of metals, coupled with increased economic activity led to fear of a resurgence of inflation. The rate, however, rose only marginally to

around 4 per cent in OECD countries, thanks to better productivity performance, lower oil prices and deliberate action by monetary authorities to head-off any further rise.

Non-OPEC developing countries continued to perform less favourably, despite improved world trade. Their combined trade balance surplus fell marginally from $19 billion in 1987 to $18 billion in 1988. Despite recognition of their problems, especially in areas of debt, not much progress was made towards increasing external capital flows to the poorest African, Asian and Latin American countries. As for OPEC countries, the low oil prices led to increased current account deficits resulting in continued borrowing and a further run-down in their foreign reserves. But while world cereal production declined by 59 million tonnes, mainly due to drought in USA, cereal harvests were larger in Asia, Africa and Oceania. Increased food output in Africa was due mainly to abundant and widespread rains.

Domestic Economy

The performance of Kenya's economy in 1988 was significantly better than in the previous year. Improved weather conditions, moderately high world coffee and tea prices, increased domestic and international demand, trade liberalisation and budget rationalisation policies were the major factors which provided a boost to the country's economic activities. Real GDP expanded by about 5.2 per cent compared to 4.8 per cent in 1987. An acceleration in productivity was noticeable in virtually all sectors of the economy.

Agriculture and manufacturing, the two dominant sectors of the economy, registered growth rates of 4.4 per cent and 6.0 per cent, which compared well with the growth rates of 3.8 per cent and 5.7 per cent, respectively, recorded in 1987. Tighter financial policies helped to decelarate money supply by 3 percentage points to 8 per cent in 1988. Gross fixed investment in real terms rose significantly by about 9 per cent, as a result of higher investment in non-residential buildings, machinery and plants. However, inflation rose from 7.1 per cent in 1987 to 10.7 per cent in 1988, due to an increase in prices of certain basic consumer products, a faster growth of domestic demand as well as cost escalation arising from further depreciation of the Kenya Shilling during the year.

Highlights of the Agricultural Production Survey 1986/87

Data highlighting some of the results from the 1986/87 Agricultural Production Survey (APS) are presented in Chapter 3. The survey covered about 8,000 households spread in 24 districts. Budgetary constraints and difficulties associated with access to households in some districts hindered coverage of more than the 24 districts. The aim of the survey was to study movements in variables ranging from household composition, land use, use of agricultural and livestock inputs and milk production and disposal.

Results of the Survey indicate that 66 per cent of households have 5 persons or more, with the median household having 5-7 persons. Nearly all holders grow maize but majority also grow other food crops such as beans, potatoes, sorghum, peas and millet. Inter-cropping remains a major farming practice among small holders. Production and consumption of milk varies markedly between the various .districts covered. On the whole, the use of inputs, particularly fertilizers, is widespread although actual quantities used reflect production activities in a particular district.

Employment, Earnings and Consumer Prices

In spite of the problems experienced by the sugar, textiles and steel industries, total wage employment expanded by 3.7 per cent in 1988. The economy created 86,400 new jobs, representing an increase of 5.4 per cent. The modern sector provided 46,500 new jobs; the small scale enterprises, 34,100 jobs; and self employment, 5,800 jobs. Employment creation in private sector agriculture continued to slow down, while it

increased in the public sector agriculture - largely due to the development of Nyayo Tea Zones. Remarkable employment growth was observed in finance, insurance, real estate and business services. Wage employment by the Central Government declined slightly principally because of laying-off of works-paid employees.

The implementation of the recommendations of the Hinga Commission on Salary Review for Police Officers, Scheme of Service for graduate teachers and late implementation of the Ramtu Salary Review by local authorities, resulted in a substantial increase in total public sector wage bill; whereas wage bill for the private sector registered just a nominal growth. Nominal average wage earnings for all workers increased by 12.6 per cent - with 12.7 per cent growth being recorded in the private sector and 11.7 per cent in the public sector - which in real terms, were 1.9 per cent, 2.0 per cent and 0.9 per cent, respectively.

Inflation, as measured by the Nairobi Consumer Price Indices, continued to rise; from the low level recorded in 1986, reaching 10.7 per cent in 1988.

Money, Banking and Finance

There was a significant decline in the rate of growth in money and liquidity in 1988. Money supply grew by 8 per cent in 1988, compared to increases of 33 per cent and 11 per cent registered in 1986 and 1987, respectively. While the deceleration in money supply in 1987 was chiefly due to balance of payments deficit, that of 1988 was mainly a result of a contraction of Government borrowing from the banking sector. Total domestic credit, a component of the structure underlying money supply, grew at a modest rate of 7 per cent, mainly due to a significant contraction in bank lending to the Government, which declined by K£86 million. Despite a significant increase in gross foreign reserves, net foreign assets declined from a net liability of K£64 million at the end of 1987 to a net liability of K£137 million at the end of 1988.

The excess liquidity generated by the mini-coffee boom of 1986 moderated significantly during the year. Liquid assets of commercial banks declined from K£465 million in December, 1987 to K£375 million in December, 1988, largely due to reduced holding of Treasury bills. Consequently, liquidity ratios of commercial banks declined from 31 per cent in December, 1987 to 24 per cent in December, 1988. Correspondingly, advances-to-deposits ratios were on the average higher than those observed in 1987. The declining trend in monetary expansion reflect the effects of measures that were introduced recently to control the growth in money supply to rates consistent with growth in real GDP.

Despite a significant rise in the rate of inflation, most interest rates remained positive in real terms. There were, however, some upward adjustments in some interest rates. Treasury bond issues replaced Treasury Bills as the main vehicle for Government borrowing. Other major developments in the financial sector during the year included the formation of Capital Market Development Advisory Council and the floatation of Kenya Commercial Bank shares to the public.

Public Finance

There are indications that current expenditure will continue to outpace current revenue in 1988/89 despite Government' efforts to restructure tax administration and collection coupled with an objective to instil better financial discipline and efficiency within the economy. Current revenue and current expenditure are expected to grow by 17 per cent and 24 per cent, respectively, in 1988/89 resulting in a current deficit of K£250 million. The growth in current expenditure was due to among other factors, the twin celebrations of the Ten Years of Nyayo Era and the 25th Anniversary of Independence, preparation for the National Population Census, as well as high debt service payments.

Provisional figures for 1988/89 indicate that the overall deficit is expected to be around K£352 million underscoring the Government's efforts to maintain it at manageable levels.

Net external financing is expected to exceed net internal financing of the deficit, the objective being to free resources internally for use by the private sector.

External Trade and Balance of Payments

In spite of a larger deficit of K£813 million compared to that of K£641 million in the balance of trade in 1987, an improvement in Kenya's external trade and balance of payments position was registered in 1988. Both export and import values expanded significantly. The rise in export earnings resulted from better average prices of the major export commodities, coffee, tea and horticultural produce. The rise in the value of imports is attributable to continued modification and liberalisation policy on import licensing and the depreciation of the Shilling against the currencies of Kenya's major trading partners.

The improvement in the balance of payments position in 1988 was largely assisted by a record surplus of K£293 million on the invisible transactions resulting from increased inflows of grants and tourist earnings, and larger inflow of concessional external loans under various sector adjustment credit programmes from the World Bank and other bilateral donors. There was a significant rise in the foreign exchange reserves from KJE215 million in 1987 to K£255 million in 1988.

The terms of trade, though unfavourable in 1988, recovered slightly from the 1987 position since the increase in export prices was somewhat higher than the increase in import prices.

Kenya's trade with the Preferential Trade Area (PTA) continued to improve with her export and import values rising by 14 per cent and 34 percent, respectively, in 1988.

Agriculture

The agricultural sector achieved a commendable growth rate of 4.4 per cent in 1988, compared to 3.8 per cent in 1987. The food supply situation remained quite satisfactory, especially with regard to maize and wheat, owing partly to generally good weather conditions and price incentives introduced by the Government. Maize production in the 1988/89 crop year is estimated at 30.7 million bags, up from 26.8 million bags in 1987/88. Despite a bumper harvest, production of beans and potatoes failed to reach the level forecast at the beginning of the crop year because of above—normal rains during the critical stages of growth, particularly in parts of Central and Eastern Kenya.

With the exception of maize, cotton and sisal, deliveries to marketing boards improved in 1988. While the revenue accruing from sales of cereals and temporary industrial crops declined in 1988, the rise in sales of permanent crops, livestock and livestock products, more than compensated for the shortfall. The total value of marketed production rose by 15.6 per cent from K£815 million in 1987 to K£946 million in 1988.

Agricultural terms of trade in 1988 were slightly better than in 1987, although they were still below parity. Some of the factors which affected the rise in agricultural terms of trade were the prices of inputs and the weakening of the Kenya Shilling. The indices of agricultural input prices, for example, increased from 129.6 in 1987 to 145.5 in 1988, while sales of agricultural output only edged up marginally from 150.3 in 1987 to 151.5 in 1988.

Environment and Natural Resources

Total expenditure on water supplies is projected to decrease by about 21 per cent from K£18 million in 1987/88 to K£14 million in 1988/89 as a result of Government's withdrawal of funds previously allocated to water development and the need to complete existing projects before initiating new ones.

Overall, there was a decline in total quantity of fish landed in 1988 compared to 1987 with the corresponding value, decreasing marginally from K£25.4 million in 1987 to K£25.2 million in 1988.

Forest area under indigenous woods rose by 90 per cent in 1987 and stabilized in 1988 at 15 thousand hectares. Total forest area stood at 168,000 hectares in 1987 and 1988.

Mineral production increased by 6 per cent in 1988 compared to a marginal increase of 1 per cent in 1987; with flourspar and salt contributing most to this increase. Soda ash remained the dominant mineral produced, registering an output of 220,000 tonnes in 1988. There has been an upward trend in export prices of soda ash upto 1987 followed by a marginal downturn of 2 per cent in 1988. On the other hand, the export price of flourspar has been subject to seasonal fluctuations as a result of unstable world prices of the product.

Energy

OPEC members continued to overproduce crude oil through 1988. At the same time, importation of crude petroleum decreased by 4 per cent in 1988 below the 1987 import level resulting in a saving of K£30.6 million. Export of petroleum products to neighbouring countries increased by 20 per cent in quantity terms.

Total electricity generation increased by 16 per cent in 1988, with hydrobased electricity generation accounting for nearly 82 per cent of total electric power generation. However, installed capacity remained at the 1987 level of 575 MW.

Wood energy currently dominates the overall energy use in Kenya accounting for 75 per cent. This situation, therefore, calls for an extensive re-afforestation programme to cope with the current demand especially in light of the rapidly diminishing forest reserves and increasing population.

Manufacturing

Rising domestic demand coupled with liberal allocation of foreign exchange for imports of intermediate inputs required by the manufacturing sector improved the performance of this sector in 1988. In real terms, gross output of this sector grew by 6.0 per cent in 1988 compared with 5.7 per cent recorded in 1987; indeed, this being the best performance of the sector since 1979. Significant increases were recorded in the metal, chemicals, paper and paper products industries. Many other industries also recorded appreciable growth rates during 1988, with a notable decline being recorded only in the plastic products industry.

Employment in the sector, however, grew only marginally by 0.3 per cent, due partly to the closing down of two sugar mills and problems experienced by the textiles and steel industries.

The value of sales and stocks for the sector recorded increases of 22.4 and 16.0 per cent, respectively. Similarly, there was a 28 per cent improvement in net additions to fixed assets.

Labour productivity has been improving continuously while wage costs have been declining relative to value added.

Building and Construction

Building and construction sector continued to perform well in 1988 and recorded a respectable 5.2 per cent growth. Growth was recorded in both building and other construction work as shown by increases in employment, total receipts for work done by private contractors, and value of buildings completed. Employment, one of the indicators for the sector's performance, rose from 58,000 persons in 1987 to 65,000 persons in 1988. Total receipts rose from K£218 million in 1987 to K£238 million in 1988, an increase of 9 per cent. The indices on value of reported private and public buildings recorded growth rates of 7 per cent and 35 per cent, respectively. The overall building and construction cost index rose by 10.3 per cent in 1988 as compared with 11.9 per cent the previous year, reflecting mainly an increase in material costs.

Tourism

Growth in the tourism sector continued in 1988, but at a slower pace. International arrivals showed a growth rate of 5 per cent during the year compared with 8 and 14 per cent growth rates recorded in 1987 and 1986, respectively. Departures indicated an even lower growth rate of only 2 per cent. While hotel occupancy grew by 2.1 per cent, the total number of beds available grew slightly faster, by 2.4 per cent, thus leading to a marginal decline in occupancy rate to 52.9 per cent, from 53.1 per cent in 1987.

Tourist earnings, however, recorded a significant growth rate of 20 per cent, rising from K£292 million recorded in 1987 to K£349 million in 1988. This growth is attributable to the drop in the value of the Kenya shilling against the main international currencies, in addition to the moderate growth in the overall number of visitors.

Transport, Storage and Communications

The sector's total output at current prices experienced a growth of 12 per cent from K£845 in 1987 to K£948 in 1988. While water transport experienced a marginal decline of 4 per cent, services incidental to transport had a 28 per cent growth in 1988 over 1987. Earnings from road traffic increased by 8 per cent in 1988 with road passenger traffic contributing the major share. Newly registered motor vehicles remained at the 1987 level. The Government Commuter Service was established in July 1988 as a state Corporation - the Nyayo Bus Service Corporation. By end of 1988, the Corporation had 140 buses and had extended services to all major towns.

The Social Scene

The total estimated Government expenditure on Social Services increased by 15.7 per cent from K£569 million during the 1987/88 fiscal year to K£658 million in 1988/89. Education continued to receive the highest allocation of total Government spending.

Enrolment in primary schools in 1988 was 5.12 million, an increase of 1.8 per cent over the previous year, while total enrolment in secondary schools rose by 3.4 per cent to reach 540,200. The four public universities admitted over 7,400 undergraduates during the 1988/89 academic year, bringing the total university enrolment to over 21,600 students.

With the completion of six hospitals and expansion of some existing health facilities, the number of beds and cots increased from 31,356 in 1987 to 31,983 in 1988. Contributions received by National Hospital Insurance Fund(NHIF) rose by 23.4 per cent while benefits paid out increased from K£6.2 million in 1986/87 to K£8.9 million in 1987/88.

Outlook for 1989

The outlook for the Kenyan economy for 1989 remains optimistic, although the rate of growth may be marginally lower than 1988. There are several reasons to expect continued growth in the year 1989. The early months of 1989 experienced ample and widespread rainfall. Agricultural output is, therefore, expected to register high growth on account of normal rains and improved agricultural production incentives. Consequently, agro-based manufacturing industries should also benefit and are expected to raise their output.

Progressive tightening of monetary and fiscal policies have helped to reduce both the growth rate of money supply and the Government budget deficit. Given the present high rate of fixed investment in manufacturing and services, and the increase in work-in-progress in the construction sector, aggregate demand is expected to rise moderately. The continued economic expansion in the industrial countries accompanied by some slight increases in the prices of beverages should augur well for Kenya's exports activity. Growth in industrial countries is also expected to increase tourist traffic to Kenya.

However, a number of factors are likely to have negative effects on the economy.

Increasing interest rates in the industrial countries will push up the cost of borrowing and also dampen the inflow of foreign investment capital. World petroleum prices have risen substantially in the first quarter of 1989. Higher oil prices are likely to weaken the overall performance and also increase foreign exchange outlays on this item, resulting in a larger current account deficit in the balance of payments.

Given the above scenario, the tentative expectation is that the economy's real GDP will grow at around 5.0 per cent in 1989.

KEY ECONOMIC AND SOCIAL INDICATORS, 1984-1988*

Table 1

		1984	1985	1986	1987	1988**	
1. Population	(million)	19.5	20.2	210	21.8	22.7	
2. Growth of GDP at constant prices	(per cent)	0.7	4.9	5.5	4.8	5.2	
3. GDP at market prices	(K£mn)	4,441	4,993	5,843	6,561	7,634	
4. Net cost of petroleum products	(K£mn)	185	257	110	179	135	
5. Trade balance	(K£mn)	-320	-385	-351	-641	-813	
6. Money supply	(K£mn)	1,262	1.346	1,784	1,983	2,141	
7. Total domestic credit	(K£mn)	1,389	1,569	2,018	2,430	2,589	
8. Balance of payments (current account)	(K£mn)	-86	-79	-31	-409	-392	
9. Coffee marketed production	('000 tonnes)	119	97	115	105	125	
10. Tea marketed production	('000 tonnes)	116	147	143	156	164	
11. Maize marketed centrally	('000 tonnes)	561	583	670	652	485	
12. Wheat marketed centrally	('000 tonnes)	135	194	225	148	220	
13. Sugar-cane production	('000 tonnes)	3,611	3,463	3,552	3,698	3,835	
14. Milk sold centrally	(mn litres)	190	231	316	347	359	
IS. Manufacturing output	(K£mn)	2,957	3,536	4,297	5,090	6,103	
16. Construction output	(K£mn)	420	443	486	488	483	
17. Cement consumption	('000 tonnes)	541	610	702	890	854	
18. Petroleum consumption	('000 tonnes)	1,482	1,497	1,583	1,748	1.730	
19. Electricity consumption	(Mn Kwh)	1,845	2,041	2,158	2,372	2,407	
20. Tourism earnings	(K£mn)	152	197	248	292	349	
21. New registration of vehicles	(Number)	15,694	13,663	16,955	18,727	18,764	
22. Rair freight	(Mn tonnes/km)	2,034	1,860	1,831	1,702	1,740	
23. Air passengers handled	('000)	2,058	2,159	2,289	2,397	2,540	
24. Wage employment	('000)	1,126	1,174	1,221	1,263	1,311	
25. Education-primary enrolment	('000)	4,380	4,700	4,843	5,031	5,124	
26. Education—secondary enrolment ..	('000)	498	437	459	522	540	
27. Education—post secondary enrolment	('000)	28	29	33	40	41	
28. Hospital beds and cots	(Number)	30,886	30,936	31,356	31,512	31,983	
29. Registered doctors and dentists	(Number)	3,083	3,226	3,421	3,563	3,703	
INDEX NUMBERS: (1982=100)							**Annual %** Rate of change 1984-1988
Export volumes		95	99	114	110	116	5.1
Import volumes		93	86	101	106	119	6.
Terms of trade		no	92	103	85	88	-5.4
Consumer prices		125	138	146	156	173	8.5
Real wages		94	91	95	95	97	0.8
Agricultural terms of trade		99	94	99	95	89	-2.6*

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

CHAPTER 1—INTERNATIONAL SCENE

The year 1988 was marked by buoyant economic conditions, especially in the leading industrial economies. Growth in output in the Organisation for Economic Co-operation and Development (OECD) countries recorded an annual rate of over 4 per cent and was widely spread across most of the member countries. Prices of many non-oil primary commodities, especially base metals, rose considerably during the year. Oil prices remained weak, mainly due to over-production by the leading producers. Inflation edged up only marginally in the leading industrial economies, while more stable financial and market conditions were experienced over most of the year. World trade rose at a high rate of 9 per cent, with the dynamism largely due to strengthened activity in the OECD area. African economies continued to perform less favourably, the only good occurrence during the year being better food harvests as a result of abundant and widespread rains.

1.2. Commodity markets remained active but were characterized by sharp contrasts. Nickel, Copper, Aluminium and Zinc registered record prices, while oil price fell below US $12 a barrel, and the soft commodities moved unevenly. Nickel reached an all time high of $23,900 a tonne; Copper topped $2,000 a tonne; while the price of Zinc also rose considerably. All these commodities benefited from improved demand as well as production problems resulting from strikes, and due to low stocks. Aluminium prices were boosted by increased demand, particularly from the automotive industry, while stocks ran low. Tin prices picked up due to the success of the new production control system. Turning to soft commodities, cocoa had the worst year, with prices falling to a historic low due to market uncertainty as well as the International Cocoa Organisation (ICCO) September meeting ending in disarray. Coffee prices rose and then declined, with the market having abundant robusta coffee and at the same time being short in arabica supplies. Prices rose to over 120 US cents a pound in December 1988, and the International Coffee Organisation (ICO) wants to defend this level in 1989. Sugar had a good year due to demand outstripping supply, and even managed to reach a seven year high of $393 a tonne in July 1988, before declining gradually in the second half of 1988.

1.3. The acceleration in economic activity in the OECD countries is believed to have set-in in mid-1987. Several underlying forces that have been present for several years had a considerable effect on a strong pick-up of investment in most countries within the region. These include: the terms of trade gains resulting from the notable 1986 oil price decline; increased confidence that the marked reductions in inflation achieved in the first half of the 1980's would not be reversed; ensuing moderate nominal wage increases in most countries; and the restoration of previously eroded profits and financial positions of enterprises within the region. An additional push is also attributable to the cumulative effects of several years' broadly accomodating monetary policy, the ongoing structural reform and the closer international economic co-operation in the recent past. The culminating effect of the combination of these forces has been increased output, resulting from the dynamic productive investment, which has been supported by a notable improvement in productivity performance. Even Europe, which has in the past been characterized by slow growth and high unemployment, had real GNP growing by over 3 per cent, the highest level in the past decade.

1.4. The rise in primary commodity prices and the excess demand pressure in the wake of increased economic activity in some countries led to fears of a resurgence of inflation. The rate, however, only increased marginally in 1988, remaining at 4 per cent in the second half of the year. The potential rise was subdued by the better productivity performance, lower non-oil prices later in the year, lower oil prices, and the deliberate actions by monetary authorities aimed at heading off any resurgence of inflation. There was pressure on interest rates to rise, and some adjustments were made in the UK, the USA, West Germany and Japan, and in other smaller countries within the OECD area.

1.5. The increased world trade has also meant increased export and import volumes in the rest of the World, with only the eastern bloc of countries (Soviet Union and Eastern

Europe countries) not participating on the export side. The growth in the aggregate trade volumes has been tremendous for the Asian newly industrialising economies-Korea, Taiwan, Singapore and Hong Kong. The lower oil prices led to renewed deterioration of oil producers terms of trade, which were not fully offset by the increased volume of their exports. In fact there was no recovery of import volumes for the Organisation of Petroleum Exporting Countries (OPEC) in aggregate. The surplus in the current balances of the Asian Newly Industrialised Economies (NIEs), however, declined; while the deficit of the OPEC members continued to widen. Strong OECD demand and rising commodity prices have contributed to a rapid growth in exports from non-oil commodity producing countries in Asia, Africa and Latin America (excluding Asian NIEs and OPEC). Their imports expanded considerably less than their exports, leading to an improvement in their combined current balance of almost $10 billion. These developments, did not, however, favour the majority of African countries for they are more dependent on exports of food and tropical beverages, whose prices have risen less than those of other primary commodities.

1.6. Table 1.1 gives a summary of the Key Economic Indicators and Projections for the OECD countries. Looking at the real GNP growth, it is evident that growth in 1988 was

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

Table 1.1

	1987	1988	1989	1990
	(percentage changes from preceding period)			
Real GNP—				
United States	3.40	3.75	3.00	2.50
Japan	4.30	5.75	4.50	3.75
OECD European members	2.80	3.50	3.00	2.50
Total OECD membership	3.30	4.00	3.25	2.75
Real total domestic demand-				
United States	3.00	3.00	2.50	2.25
Japan	5.10	7.50	5.00	4.25
OECD European members	3.70	4.00	3.00	2.75
Total OECD membership	3.60	4.00	3.25	2.75
Inflation (GNP/GDP deflators)				
United States	3.30	3.25	4.50	4.75
Japan	-0.20	0.25	1.00	1.50
Germany, Federal Republic of	2.10	1.75	2.00	1.75
OECD European members	4.40	4.75	4.75	4.25
Total OECD membership	3.40	3.50	4.00	4.00
World Trade**	5.70	9.00	7.50	7.00
	(US $billion)			
Current balances—				
United States	-154.00	-132.00	-116.00	-108.00
Japan	87.00	79.00	77.00	72.00
Total OECD membership	36.00	1100	9.00	7.00
OPEC	-7.50	-21.00	-18.00	-11.00
Non-Oil developing countries	8.40	8.00	-3.00	-12.00
	(per cent of labour force)			
Unemployment—				
United States	6.20	5.50	5.50	5.50
Japan	2.80	2.50	2.50	2.50
OECD European members	10.70	10.25	10.25	10.25
Total OECD membership	7.90	7.25	7.25	7.50

Source: OECD Economic Outlook No. 44, December, 1988.
*Assumptions underlying the projections include:
- no change in actual and announced policies;
- unchanged exchange rates from 2nd November, 1988;
- no significant change in dollar price for internationally traded oil of US$12 per barrel;

**Arithmetic average of the growth rates of the world import volume and the world export volume.
The cut-off date for information used in the compilation of the forecasts was 18th November, 1988.

more evenly spread across OECD member countries than in the recent past. In particular, growth has picked up in many European countries, where for a number of years growth has been below the OECD average, due partly to structural problems they were facing. These countries expanded by a fast rate of 3.5 per cent compared with 4.0 per cent for the whole OECD area during the year. Investment, and especially non-residential private investment, played a relatively important role in the overall growth. Consumer expenditure also continued to expand, at 3 per cent in 1988, and was more solidly based given that it was related more to increases in disposable income and less to falling saving ratios. Although certain forces, as noted in 1.3, led to increased OECD activity, forces originating within the member countries were more significant.

1.7. In USA, the sharp improvement in its competitive position associated with the dollar depreciation markedly boosted output and exports. Real GNP growth was 4 per cent in the first half of 1988. Personal consumption was sustained by a rapid rise in employment, while the real foreign balance contributed significantly to the economic expansion. The net effect was a decline in the trade deficit and a movement towards a better external balance. While growth in construction sector remained sluggish, total domestic demand grew by over 2.5 per cent, with business fixed investment being the strongest element of the domestic demand. Manufactured exports expanded by about 30 per cent, and the improvement in real net exports added about 1 per cent to GNP growth. However, high deficit continues to be the concern to the rest of the world.

1.8. The strong economic performances by Japan and West Germany continued during 1988. In Japan, the current account surplus declined slightly, but domestic demand remained high, at 8 per cent, with unemployment and real net exports declining while prices remained stable. The re-orientation of the Japanese economy towards greater reliance on domestic sources of growth remained an important aspect. There was a marked strengthening of private consumption and business investment. The decline in real net exports was offset by the improved terms of trade emanating from competitively priced imports of manufactured products, as well as lower oil prices. In the case of Germany, the fast pace of growth was maintained, with exports providing the momentum. Exporters benefitted from the stronger foreign market growth and a weaker Deutschemark. The economy also gained from rising capacity utilisation and profits, which boosted business investments. The current economic trend suggest that the Japanese surplus of $80 billion is expected to decline slowly, while the German surplus of $45 billion may stabilize at the current level. There is thus a continuing uncertainty about the extent of further adjustment in large imbalances between these two countries and the United States, despite continued economic policy co-ordination.

1.9. Turning to the exchange rate developments, the US dollar appreciated against all major currencies except the Canadian dollar. The initial rebound was a correction to the sharp decline late 1987, and was triggered by the large and well co-ordinated official intervention. The slower improvement in trade and the abating of the buoyancy of the US economy, however, led to its decline in the last few months of 1988. The other moderating factor was the rise in the US interest rates being matched abroad, through the international linkage of money and capital markets. The upswing of the US dollar for most of 1988 led to a strong pick-up of long-term private capital flows to USA, and of outflows of West Germany. Even long-term capital outflows from Japan, which remained more or less the same, shifted in their composition in favour of direct investment rather than securities purchases. The outflows from Germany was a counterpart reaction to the restoration of confidence on the dollar, which put downward pressure on European currencies.

1.10. The widespread growth within the OECD area led to increased employment in almost all the member countries and, as a consequence resulted to a reduction in unemployment in most countries. Employment in Europe rose by 1 per cent or by around 6 million persons. Only three countries-Denmark, Norway and New Zealand-registered a significant rise in unemployment in 1988. Unemployment in USA fell to 5.5 per cent, the

lowest level since 1979. On the overall, the average OECD unemployment rate fell to 7.25 per cent or by about 4.5 million persons below its 1983 peak.

1.11. As has already been observed the trade surge in industrialized countries had no significant effect on the Soviet Union and its Eastern Allies on the export side. Most of these economies werepre—occupiedwith reforms and structural adjustments during 1988, with Soviet Union leading the way. However, the fall in oil price, is likely to have resulted in a 4 per cent decline in the group's terms of trade. This combined with a rising trend of exports from OECD countries, is estimated to have led to a decline in the current account surplus from $17 billion in 1987 to $13 billion in 1988. In the area of food production, the Soviet Union's Cereal production level of 195 million tonnes in 1988 was below the 1987 level by 16 million tonnes.

1.12. Non-OPEC developing countries continued to perform less favourable, despite improved world trade. Their trade balance declined from $19 billion in 1987 to $18 billion, while official transfers remained at a low $16 billion. Since their net services and private tranfers remained even, at a deficit of $26 billion, their current balance remained unchanged at $8 billion. Despite the recognition of the problems facing these countries, and especially in areas of debt, not much progress was made in increasing substantially the capital flows to the poorest African, Asian, and Latin American countries.

1.13. Some selected commodity prices are shown in Table 1.2. A discussion of the commodity situation during the year is also carried above (para 1.2). However, the current food situation deserves some mention in that the world production of cereals in 1988 fell below aggregate consumption for the second year running. The main reason for the decline was the protracted drought in North America, particularly USA, which was the worst in 50 years. World cereal output at 1,743 million tonnes in 1988 was 59 million tonnes below the 1987 output. Wheat fell by 6 million tonnes to 509 million tonnes; coarse grains by 72 million tonnes to 750 million tonnes; and rice (paddy) by 19 million tonnes to 484 million tonnes. Compared to 1987, however, cereal harvests were larger in 1988 in Asia, Africa, Western Europe and Oceania. Output was lower in all other regions, with North American output falling by 27 per cent. With depressed stocks, Food Agricultural Organisation (FAO) estimates that developing countries will require $5 billion to import cereals during 1988-89 period.

SELECTED WORLD COMMODITY PRICE INDICES, 1984-1988
(1980=100)

Table 1.2

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum++	All+++ Commodities	Industrial Countries	Developing Countries
1984	93.70	155.20	76.30	72.60	97.60	87.40	88.00	86.70
1985	88.60	89.00	68.60	73.00	95.70	76.00	76.40	75.60
1986	113.00	86.60	67.30	84.30	72.20	73.10	71.70	74.70
1987	71.20	76.60	66.90	94 80	70.60	79.10	81 40	77.20
1988		80.40	68.80	107.80	66.80*+	98.00	103.70	91 30

Source: IMF, *International Financial Statistics,* (February, 1989).
•All Coffee (New York).
**Average Auction (London).
***East African (Europe).
+E.E.C. Import Price.
++OECD Petroleum Products (Table 84, OECD Economic Output No. 44).
+++World (Non fuel commodities)
*+September, 1988.

1.14. World oil supplies remained high in 1988, averaging 50.4 million barrels per day. The peak was in the fourth quarter, when non-communist world oil supplies reached 53.5 million barrels per day. Consumption in industrialized countries also went up during 1988, growing by 2.7 per cent to reach 50.1 million barrels per day, the highest level since 1979. OPECs oil production averaged 19.5 million barrels per day, which was an increase by some 2 million barrels per day over 1987 output. The rise in the group's output was due to indiscipline among producers, which prompted Saudi Arabia to produce beyond its quota. A peak of 22.7 million barrels per day was produced by the OPEC from September,

which resulted to a decline in spot prices to a low of $11.4 a barrel in early October, 1988. Prices, however, picked up to between $16 and $17 a barrel by the end of 1988. Weak prices for most of the year led to deterioration in terms of trade and less earnings for oil producers, despite the increased output. The net effect of the fall in export earnings was continued borrowing by OPEC economies and a further run-down in foreign reserves to finance the projected current account deficit.

1.15. The debt problem continued to plague most developing countries and to receive considerable attention, both in the industrialized countries and the developing countries. The Toronto summit of the leading Western economies-the Group of Seven (USA, West Germany, Japan, UK, France, Italy and Canada)-underscored the futility of expecting new measures to yield results if what has become an overriding debt is not drastically reduced. These same sentiments were re-affirmed in the September meeting of the World Bank, which tentatively agreed that Western donor countries should move away from the Baker Plan's emphasis on debt rescheduling and develop a strategy of debt reduction in its place. Japan with the assistance of France is leading in generating the impetus for debt reduction. One other strategy gaining momentum is the suggestion that the creditors should write down the worth of their outstanding loans to their actual market value.

1.16. The concern of the African sub-saharan debt of around $140 billion out of Africa's debt of about $230 billion is also increasing. The main problem is that, while the regions debt is the fastest growing in the world, the region has the least resources to meet it. But while the concern over debt continues to warrant increased attention, 1988 was marked by increased food production in the continent, owing largely to abundant and widespread rains. In fact, larger harvests were gathered in the majority of both the Sahelian and Sub-Saharan region countries. There was severe localized flooding in the Western Africa, but it posed no danger to production of either cereals or rice. Desert locust activity also received attention during the year, but was well contained. There is, however, a continued risk of locusts afflicting crops in the next 5 years. In general, only supply problems remain in the areas affected by civil strife: Ethiopia-where there was limited drought in the north; Sudan-in the displaced populations of the South; and in Mozambique.

1.17. A recent joint report by the World Bank and UNDP on Africa's Adjustment and Growth is optimistic about recent economic performance of African countries due chiefly to policy reforms adopted by many of them over the period 1983 to 1988. It also talks of substantial donor support of these reform programmes. Creditors are taking special actions to help relieve the onerous debt burdens of the poorest countries, as evidenced by the Toronto Accord among Paris Club creditors.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

The economic performance in Kenya since mid-1980s has been more satisfactory than in the first half of this decade. Gross Domestic Product (GDP) in real terms grew at an annual average rate of about 5.1 per cent between 1984 and 1988. High year-on-year growth rates in economic activity were recorded in 1986 and 1988, when real GDP rose by 5.5 and 5.2 per cent, respectively. Growth in 1988 exceeded that of 1987 by some 0.4 percentage points. The relatively faster growth in the economic activity in 1988 was widespread, being observed in virtually all sectors of the economy.

2.2. Value added in agriculture grew by 4.4 per cent in 1988 compared to 3.8 per cent recorded in 1987. Value added in manufacturing increased by 6.0 per cent in 1988, up from 5.7 per cent growth registered in the year before. The rate of growth of gross fixed investment was even faster, recording 8.7 per cent in 1988, against 6.0 per cent in 1987. As in the past few years a combination of factors, which include a rise in domestic demand, good weather, appropriate economic policies, better coffee and tea prices culminated in boosting the economic activity during 1988. However, this growth was accompanied by some upsurge in inflation which rose to 10.7 per cent in 1988 compared with 7.1 per cent in 1987.

2.3. The annual rate of expansion of money supply declined dramatically as a result of the tight monetary and credit policies initiated two years ago. This rate fell from a record high of 33 per cent in 1986 to some 11 per cent in 1987, and further to 8 per cent in 1988. The main factors responsible for the decline were :- a fall in net foreign assets from a positive level of K£9 million at the end of 1986 to net liability levels of K£64 million and K£137 million at the end of 1987 and 1988, respectively; reduced lending to the public sector from domestic sources; a decline in the growth of demand deposits particularly in 1988, (see Table 5.3); and finally, due to the contraction of the volume of money in the private sector through sale of Treasury bonds to non-bank-sector, and the maintenance of cash ratio on commercial banks.

Sectoral Contributions

2.4. The performance of various National Accounts Sectors in absolute and relative terms is given in Tables 2.1, 2.2 and 2.3. Net output or value added in agriculture registered an average annual growth of 4.2 per cent during the period 1984 to 1988. The 1984 drought dealt a severe blow to the sector's production, leading to a decline of 3.9 per cent in its value added, with a consequent deceleration of the growth rate of overall GDP to a modest O.7 per cent. High rates of growth were observed in the following two years, with the highest level of 4.9 per cent being recorded in 1986, thanks to abundant and widespread rains, coupled with high coffee and tea prices in that year. In 1987, the rate of growth of agricultural output fell slightly due to inadequate and delayed rainfall. An increase in area planted and better yields, and increases in producer prices resulted in the growth of value added accelerating from 3.8 per cent in 1987 to 4.4 per cent in 1988.

2.5. Over the period 1984 to 1988, manufacturing value added recorded an average annual growth rate of 5.5 per cent at constant 1982 prices. The performance of the sector has improved in recent years with the growth rate in real GDP rising from 4.5 per cent in 1984 to 5.7 and 6.0 per cent in 1987 and 1988, respectively. This impressive performance is attributable to a combination of factors which include: steady growth in agricultural output as a result of favourable weather, which ensured adequate supply of inputs to agro-based industries during 1985 to 1988; the rise in international prices of coffee and tea and the sharp decline in oil prices in 1986, which resulted in greater availability of foreign exchange for the purchase of imported industrial inputs and capital goods; trade liberalisation policy which removed selective restrictions on imports of raw materials; export promotion measures which encouraged exports of manufactured goods; and finally, higher domestic

GROSS DOMESTIC PRODUCT, 1984—1988

Table 2.1 *K£million*

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1984	1985	1986	1987	1988"	1984	1985	1986	1987	1988*
A. NON-MONETARY ECONOMY										
Forestry	28.36	32.01	34.19	40.38	45.48	23.21	23-34	24.88	25.70	26.55
Fishing	1.25	1.46	180	1.85	2.11	1.29	1.66	1.45	1.50	1.54
Building and Construction	62.65	76.97	78.76	88.91	99.19	54.01	64.11	56.80	58.01	59.60
Water Collection	24.89	28.04	29.83	32.52	34.38	20.34	21.14	21.95	22.80	23.69
Ownership of Dwellings	99.34	107.46	136.87	169.13	213.69	79.55	82.65	86.07	89.33	92.89
TOTAL NON-MONETARY ECONOMY	216.49	245.94	281.45	332.79	394.85	178.40	192.90	191.15	197.34	204.27
B. MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture	1,244.34	1,357.17	1,598.05	1,669.26	1,902.67	941.05	975.59	1,023.39	1,062.57	1,109 26
Forestry	27.99	27.35	30.66	34.65	41.22	24.84	23.69	24.04	26.18	29.37
Fishing	10.34	12.09	15.09	17.50	17.94	8.05	9.43	9.59	10.93	12.27
Mining and Quarrying	8.51	9.97	11.45	13.27	13.69	7.41	8.11	8.40	9.12	10.15
Manufacturing	460.96	518.40	608.23	690.14	797.56	405.84	424.07	448.67	474.34	502.80
Building and Construction	132.55	161.41	176.19	212.93	302.36	105.72	110.19	114.72	120.26	126.51
Electricity and Water"	33.57	44.53	48.87	58.26	66.66	26.21	26.16	28.37	31.18	33.88
Trade. Restaurants and Hotels**	439.67	511.84	559.44	628.25	714.98	332.60	355.22	389.98	412.53	436.27
Transport. Storage and Communications	235.86	264.11	308.23	345.10	366.96	202.29	206.54	215.42	224.90	234.02
Finance, Insurance. Real Estate and Business Services	269.00	314.85	365.22	418.65	501.83	222.50	244.51	261.02	274.52	291.27
Ownershipof Dwellings**	218.31	239.90	258.23	303.89	355.93	187.98	193.20	199.25	205.63	212.20
Other Services'* ..	107.27	129.58	153.72	181.66	197.92	94.20	99.10	104.05	111.74	119.72
Less Imputed Bank Service Charges	-120.18	-130.64	-150.24	-172.98	-195.79	-99.40	-102.97	-105.94	-113.43	-121.81
TOTAL	3,068.19	3,460.56	3,983.14	4,400.58	5,083.93	2,459.29	2,572.84	2.720.96	2.850.47	2,995.91
2. PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	44.88	51.78	62.94	70.59	79.23	37.16	39.74	43-32	47.82	52.11
3. PRODUCERS OF GOVERNMENT SERVICES										
Public Administration	103.01	117.96	143.79	166.24	209.85					
Defence	17.42	16.35	18.17	25.48	27.91					
Education	240.12	292.78	373.26	412.19	481.61					
Health	56.56	65.85	77.51	86.45	93.73					
Agricultural Services	37.29	42.03	43.21	44.31	48.44					
Other Services	67.82	81.37	100.51	111.27	132.65					
TOTAL	522.22	616.34	756.45	845.94	994.19	473.13	497.26	528.73	554.13	586.16
TOTAL MONETARY ECONOMY	3,635.29	4.128.68	4.802.53	5,317.11	6,157.35	2,969.58	3,109.84	3,293.01	3.452.42	3,634.18
TOTAL NON-MONETARY AND MONETARY ECONOMY	3,851.78	4,374.62	5.083.98	5,649.90	6,552.20	3,147.98	3.302.74	3,484.16	3.649.76	3,838.45
GROSS DOMESTIC PRODUCT PER CAPITA K£	197.73	216.14	241.86	258.81	289.15	161.60	163.18	165.75	167.19	169.39

*Provisional.
**Estimates have been revised. These revisions, however, have had minimal impact on the annual growth rates.

Table 2.2 *Percentages*

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1985-86	1986-87	1987-88*	1984-88**	1985-86	1986-87	1987-88*	1984-88**
A. NON-MONETARY ECONOMY								
Forestry	6.8	18.1	12.6	12.5	6.6	3.3	3.3	3.3
Fishing	23.3	2.8	14.1	14.0	-12.7	3.4	2.7	4.4
Building and Construction	2.3	12.9	11 .6	12.1	-11.4	2.1	2.7	2.4
Water Collection	6.4	9.0	5.7	8.4	3.8	3.9	3.9	3.8
Ownership of Dwellings	27.4	23.6	26.3	21.1	4.1	3.8	4.0	4.0
TOTAL TRADITIONAL ECONOMY	14.4	18.2	18.6	16.1	-0.9	3.2	3.5	3.5
B. MONETARY ECONOMY								
1. Enterprises and Non-Profit Institutions								
Agriculture	17.7	4.5	14.0	11.2	4.9	3.8	4.4	4.2
Forestry	12.1	13.0	19.0	10.1	1.5	8.9	12.2	4.2
Fishing	24.8	16.0	2.5	14.8	1.7	14.0	12.3	11.0
Mining and Quarrying	14.8	15.9	3.2	12.6	3.6	8.6	11.3	8.2
Manufacturing	17.3	13.5	15.6	14.7	5.8	5.7	6.0	5.5
Building and Construction	9.2	20.9	42.0	22.9	4..1	4.8	5.2	4.6
Electricity and Water	9.7	19.2	14.4	18.6	8.4	9.9	8.7	6.6
Trade, Restaurants and Hotels	9.3	12.3	13.8	13.0	9.8	5.8	5.8	7.0
Transport, Storage and Communications	16.7	12.0	6.3	11.7	4.3	4.4	4.1	3.8
Finance, Insurance. Real Estate and Business Services	16.0	14.6	19.9	16.8	6.8	5.2	6.1	7.0
Ownership of Dwellings	7.6	17.7	17.1	13.0	3.1	3.2	3.2	31
Other Services	18.6	18.2	9.0	16.6	5.0	7.4	7.1	6.2
Total (Excluding imputed bank service charges)	15.1	10.5	15.5	13.5	5.8	4.8	51	5.1
2. Private Households (Domestic Services)	21.6	12.2	12.2	15.2	9.0	10.4	9.0	8.8
3. Producers of Government Services								
Public Administration	21.9	15.6	26.2	19.5				
Defence	11.1	40.2	9.5	12.5				
Education	27.5	10.4	16.8	18.9				
Health	17.7	11.5	8.4	13.5				
Agricultural Services	2.8	2.5	9.3	6.8				
Other Services	23.5	10.7	19.2	18.2				
TOTAL	22.7	11.8	17.5	17.4	6.3	4.8	5.8	5.5
TOTAL MONETARY ECONOMY	16.3	10.7	15.8	14.0	5.9	4.8	5.3	5.1
TOTAL NON-MONETARY AND MONETARY ECONOMY	16.2	11.1	16.0	14.2	5.5	4.8	5.2	5.1
GROSS DOMESTIC PRODUCT PER CAPITA .. K£	11.9	7.0	11.7	9.9	1.6	0.9	1.3	1.2

***Provisional.**
****Cummulative.**

Table 2.3

K£million

	1987					1988*				
	Gross Output at approx. Basic Prices***	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)			Gross Output at approx. Basic Prices***	Inter-mediate Con-sumption	Gross Domestic Product (at Factor Cost)		
			Total	Labour Costs	Operating Surplus**			Total	Labour Costs	Operating Surplus**
A. NON-MONETARY ECONOMY	451.26	118.47	332.79	5.74	327.05	529.54	134.69	394.85	6.05	388.80
B. MONETARY ECONOMY										
1. Enterprises and Non-ProGt Institutions										
Agriculture	1,907.55	238.29	1,669.26	155.12	1,514.14	2,189.03	286.36	1.902.67	186.36	1,716.31
Forestry	38.43	3.78	34.65	23.70	10.95	45.69	4.47	41.22	27.39	13.83
Fishing	18.54	1.04	17.50	5.38	12.12	18.99	1.05	17.94	4.75	13.19
Mining and Quarrying	44.69	31.42	13.27	7.96	5.31	50.45	36.76	13.69	8.24	5.45
Manufacturing	5,089.68	4,399.54	690.14	303.83	386.31	6,102.68	5,305.12	797.56	328.07	469.49
Electricity and Water	133.09	74.83	58.26	24.81	33.45	144.03	77.37	66.66	30.57	36.09
Building and Construction	587.45	374.52	212.93	149.05	63.88	694.50	392.14	302.36	211.65	90.71
Trade, Restaurants and Hotels	1,146.67	518.42	628.25	298.60	329.65	1,330.92	615.94	714.98	344.91	370.07
Transport. Storage and Communications	845.84	500.74	345.10	200.33	144.77	947.66	580.70	366.96	220.50	146.46
Finance, Insurance, Real Estate and Business Services .. .. "	561.86	143.21	418.65	177.80	240.85	685.89	184.06	501.83	212.22	289.61
Ownership of Dwellings	334.88	30.99	303.89	0.00	303.89	392.26	36.33	355.93	0.00	355.93
Other Services	347.06	165.40	181.66	138.46	43.20	379.86	181.94	197.92	150.72	47.20
Less: Imputed Bank Service Charges	0.00	172.98	-172.98	0.00	-172.98	0.00	-195.79	-195.79	0.00	195.79
TOTAL	11,055.74	6,655.16	4,400.58	1,485.04	2,915.54	12,981.96	7.898.03	5.083.93	1,725.38	3,358.55
2. Private Households (Domestic Services)	70.59	0.00	70.59	70.59	0.00	79.23	0.00	79.23	79.23	0.00
3. Producers of Government Services	1,292.60	446.66	845.94	840.44	5.50	1,549.24	555.05	994.19	986.83	7.36
TOTAL MONETARY ECONOMY	12,418.93	7,101.82	5,317.11	2,396.07	2,921.04	14,610.43	8,453.08	6,157.35	2,791.44	3,365.91
TOTAL MONETARY AND NON-MONETARY ECONOMY	12,870.19	7,220.29	5,649.90	2,401.81	3.248.09	15,139.97	85,87.77	6,552.20	2,797.49	3,754.71

*Provisional

**Including consumption of fixed capital

***Excluding net indirect taxes

demand for manufactured goods owing to high incomes from agricultural production coupled with expanded sales of tea and coffee in the world markets.

2.6. Exports of manufactured goods performed well in 1988. At nominal value, manufactured exports increased by 25 per cent from K£109 million in 1987 to K£136 million in 1988. Improved administration of export compensation scheme, depreciation of the Kenya Shilling against currencies of Kenya's main trading partners, easy access to foreign exchange to import inputs and spare parts; reduced tariffs on manufacturing inputs and aggressive external trade promotion activity, particularly in the P.T.A. countries, were the principal factors which contributed to the dramatic surge in manufactured exports.

2.7. Between 1984 and 1988, the annual rate of expansion in the value added for building and construction sector was around 4.7 per cent in real terms. Construction of non-residential buildings greatly contributed to the increase. Value added in the building and construction sector nearly doubled from K£64 million in 1984 to K£125 million in 1988. These figures reflect the rising fortunes in various sectors of the economy. Output of other construction work grew by more than 13 per cent during the same period; reflecting increased Government expenditure on road programmes, sporting facilities and expansion of education facilities to cater for the 8-4-4 system of education.

2.8. For the last three years, GDP for "trade, restaurants and hotels" and "other services" sectors have experienced a boom. The strength of this expansion emanates from the increased domestic demand created by the favourable performance in agriculture and manufacturing sectors. High agricultural output facilitated greater rural incomes which increased demand for manufactured commodities and other goods. At the same time, increased manufacturing output provided higher incomes to the urban population. The net effect of these developments has been the spurring of activities in the "trade, restaurants and hotels" and "other services" sectors resulting in higher real GDP growth rates. In addition, increased tourist activities also boosted output in the service sector.

2.9. Growth rate of value added in electricity and water sector rose sharply from 4.5 per cent registerd in the 1984 drought year to 8.4 per cent in 1985. It has remained above 8 per cent in the succeeding years. Much of this rise was observed in the electricity subsector. This subsector recorded nominal net output of K£18 million in 1984, rising to K£45 million by 1988. There was also a corresponding surge in intermediate inputs in electricity generation. The value of inputs increased from K£45 million to K£77 million over the same period, implying an average yearly growth of 14 per cent. The rise in gross inputs reached a peak of 30 per cent between 1986 and 1987, when over 80 per cent of this value was spent to purchase fuel and to meet the cost of generation. These huge expenditures are reflected in the unusually high thermal oil generation experienced in 1986 to 1987 period (see Table 10.8). Thermal oil generation rose sharply from 139 GWH in 1985 to 202 GWH and 267 GWH in 1986 and 1987, respectively. This further explains the sector's high intermediate consumption figures recorded in Table 2.3.

2.10. Performance of the forestry sector remained buoyant on account of ample rainfall during the last three years. Increased afforestation activity helped to raise both the value of forest stock and the labour cost component of its GDP. Through afforestation programmes currently being implemented, the value of newly planted hectares of forest trees rose by nearly 74 per cent, from K£5.4 million in 1985 to K£9.3 million in 1988. Employment in the forestry sector, rose by about 12 per cent between 1985 and 1988, pushing up labour cost component of the value added considerably. Most of the increase was concentrated in the logging and tree nursery areas. Charcoal burning activity has steeply declined since 1984.

2.11. Contribution of various sectors to total GDP is presented in Table 2.4. Agriculture continues to have the largest share in the overall GDP, but this share has tended to decline during the last five years. The sector's contribution to the aggregate GDP

fell from 31.3 per cent in 1983 to 29.9 in 1984, and declined further in subsequent years, fell from to 28.9 per cent in 1988. The major explanation of this decrease is the expansion of economic activity in the manufacturing and services sectors. The share of manufacturing in total GDP increased from 12.9 per cent in 1985 to about 13.1 per cent in 1988. The share of services (i.e Financial, "Trade, Restaurants and Hotels" and "Other Services" sectors combined) has also increased from 20.7 per cent to 22.1 per cent between 1984 and 1988 Contribution of the construction industry to the overall GDP remained unchanged at about 3.3 per cent between 1984 and 1988.

GROSS DOMESTIC PRODUCT

SECTOR SHARES AT CONSTANT (1982) PRICES, 1984—1988

Table 2.4 *Percentage*

	1984	1985	1986	1987	1988*
A. NON-MONETARY ECONOMY					
Forestry	0.7	0.7	0.7	0.7	0.7
Fishing ..	0.0	0.1	0.0	0.0	0.0
Building and Construction	1.7	1.9	1.6	1.6	1.6
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.5	2.5	2.5	2.4	2.4
TOTALNON-MONETARY	5.7	5.8	5.5	5.4	5.3
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	29.9	29.5	29.4	29.1	28.9
Forestry	0.8	0.7	0.7	0.7	0.8
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.2	0.2	0.2	0.2	0.3
Manufacturing	12.9	12.8	12.9	130	13.1
Building and Construction	3.4	3.3	3.3	3.3	3.3
Electricity and Water	0.8	0.8	0.8	0.9	0.9
Trade, Restaurants and Hotels	10.6	10.8	11.2	11.3	11.4
Transport, Storage and Communications	6.4	6.3	6.2	6.2	6.1
Finance, Insurance, Real Estate and Business Services	7 1	7.4	7.5	7.5	7.6
Ownership of Dwellings	6.0	5.8	5.7	5.6	5.5
Other Services	3.0	3.0	3.0	3.1	3.1
Less: Imputed Bank Service Charges	-3.2	-3.1	-3.0	-3.1	-3.2
TOTAL	78.1	77.9	78.1	78.1	78.0
2. Private Households (Domestic Services)	1.2	1.2	1.2	1.3	1.4
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.0	15.1	15.2	15.2	15.3
TOTAL MONETARY ECONOMY	94.3	94.2	94.5	94.6	94.7
TOTAL MONETARY AND NON-MONETARY ECONOMY	1000	1000	1000	1000	100.0

*Provisional.

Terms of Trade

2.12. The effect of terms of trade on the real incomes of Kenyans may be seen in Table 2.5. Instability in the international prices of coffee and tea (the principal exports

contributing about 60 per cent of the merchandise export earnings) has caused erratic fluctuations in the country's terms of trade. Compared with the immediate preceding years, 1985 and 1987 witnessed lower world prices for these two commodities, accompanied by high oil prices. Consequently, terms of trade declined by 16 per cent and 17 per cent, respectively (see Tables 7.3 and 7.7). These unfavourable terms of trade movements adversely affected Kenyans' real income per capita. Thus, the per capita income adjusted for terms of trade changes declined by 4.4 per cent in 1985 and by 5.7 per cent in 1987.

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1985-1988

Tables 2.5

	1984	1985	1986	1987	1988*
1. Unadjusted GDP at constant Factor Cost (K£mn.) ..	3,147.98	3,302.74	3,484.16	3,649.76	3,838.45
2. Adjustment for changes in terms of trade (K£mn.)	89.75	-87.63	39.00	-201.16	-160.93
3. Adjusted GDP (K£mn.)	3,237.73	3,21511	3,523.16	3,448.60	3,677.52
4. Growth in unadjusted per capita GDP per cent	-3.00	1.00	1.60	0.90	1.30
5. Growth in adjusted per capita GDP per cent	1.70	-4.40	5.50	-5.70	2.70

* Provisional.

2.13. By contrast, terms of trade in 1986 were favourable, reflecting significant gains in coffee and tea prices during the period, and the lower oil prices. The favourable terms of trade had the welcome effect of increasing Kenyans' real per capita incomes by over 5 per cent in 1986. Compared to the previous year, 1988 experienced a 3.5 per cent improvement in the terms of trade. This modest rise was a consequence of some 38 per cent increase in the price of coffee and 10 per cent increases in the price of tea in international markets. Oil prices remained depressed for most of the year. As a result of these favourable developments in prices, the required adjustment on real GDP improved from negative K£201 million in 1987 to negative K£160 million in 1988. Consequently, adjusted GDP rose to K£3,678 million; or by 6.6 per cent. The resultant per capita income was 2.7 per cent above that of 1987.

Resource Allocation

2.14. Table 2.6 presents data on public and private consumption. The rate of growth of total domestic consumption fell from 22.2 per cent in 1986 to 15.2 per cent in 1988. Ratio of private consumption to total disposable income declined from about 60 per cent in 1986 to 58 per cent in 1988. This trend augured well for the volume of private fixed investment which rose by nearly 16 per cent between the same period in real terms (see Table 2.9). The increased private fixed investment was also confirmed by the impressive performance of the economy between 1985 and 1988. Over the same period, the contribution of public consumption to national disposable income remained stable at around 18 per cent, which reflects the Government's declared intention of restricting and rationalising its expenditure on goods and services.

2.15. Another important feature noticeable in Table 2.6 is the rapid decrease in net exports during the last two years. Net export of goods and non-factor services fell steeply from a surplus of K£10 million in 1985 to a deficit of K£389 million in 1988. During the same period, domestic savings fell short of total gross fixed investment by K£149 million in 1986, and further by K£536 million and K£608 million in 1987 and 1988, respectively. The Government's consumption (current and capital) also exceeded its current revenue by K£220 million, K£289 million and K£305 million in the respective calendar years of 1986, 1987 and 1988. An increase in foreign savings inflows was consequently necessary to bridge the wide gap between domestic savings and aggregate investment. These

developments are reflected in the sharp increase in net foreign capital inflow observed in Tables 2.7 and 6.11. They also explain the large current account deficits registered during the years 1987 and 1988 as indicated in Table 7.14.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1985-1988

Table 2.6 *K£million*

	1985	1986	1987	1988*
G.D.P. at Factor Cost	4,374.62	5,083.98	5,649.90	6,552.20
Of which—				
Non-Monetary	245.94	281.45	332.79	394.85
Monetary	4,128.68	4,802.53	5,317.11	6,157.35
+ Indirect Taxes	619.65	759.79	911.57	1,081.92
—Subsidies	0.99	0.58	0.67	0.15
=G.D.P. at Market Prices	4,993.28	5,843.19	6,560.80	7,633.97
+Imports of goods and services	1,328.40	1,506.43	1,734.12	2,054.30
- Export of goods and services	1,274.84	1,516.68	1,399.59	1,664.85
= Import Surplus	53.56	-10.25	334.53	389.45
Total Resources available for Domestic Investment and Consumption	5,046.84	5,832.94	6,895.33	8,023.42
Gross Fixed Capital Formation	880.38	1,153.22	1,286.74	1,491.62
Change in Stocks	410.14	-97.99	338.22	460.43
Gross Investment	1,290.52	1,251.21	1,624.96	1,952.05
Public Consumption	880.10	1,075.91	1,214.46	1,448.64
Private Consumption	2,876.22	3,661.06	4,055.89	4,622.74
TOTAL CONSUMPTION	3,756.32	4,591.98	5,270.35	6,071.38

*Provisional.

2.16. The share of gross investment to GDP at market prices rose from 21.4 per cent in 1986 to around 26 per cent in the period between 1987 and 1988. The rising share of investment to GDP is a result of both exogenous factors (especially higher coffee and tea prices and favourable weather) and domestic policies. Availability of domestic credit, liberalisation of import licensing, increased domestic demand and political stability have all played significant roles in improving the investment climate in the country.

2.17. Table 2.7 presents data on the financing of capital formation in Kenya. The gap between domestic savings and gross fixed investment has widened considerably in the last two years. About 69 per cent of fixed investment was financed through domestic resources in 1988. The proportion is significantly lower than the 86 per cent recorded in 1986, but 2 percentage points higher than that of 1987. Consequently, the country has increased the

FINANCING OF CAPITAL FORMATION, 1985-1988

Table 2.7 *K£million*

	1984	1985	1986	1987	1988*
GROSS CAPITAL FORMATION—					
Gross Fixed Capital Formation	807.15	880.39	1,153.22	1,286.74	1,491.62
Changes in Stocks	-121.53	410.14	-57.25	338.22	460.43
TOTAL	928.68	1,290.53	1,095.97	1,624.96	1,952.05
FINANCING—					
Grants from Abroad	92.55	108.69	117.71	126.99	205.27
Net borrowing from Abroad	86.30	79.40	31.06	409.47	403.01
Domestic Saving	749.83	1,102.44	947.20	1,088.50	1,343.77
TOTAL	928.68	1,290.53	1,095.97	1,624.96	1,952.05

*Provisional.

share of foreign savings in financing gross fixed capital formation. This share went up to 31 per cent in 1988, compared with that of 13 per cent recorded in 1986. A large share of foreign resources invested in fixed assets was in form of loans from friendly countries (e.g. mainly U.S.A., Japan and West Germany)and international agencies such as the World Bank and the E.E.C. Grants from friendly' Governments doubled from K£109 million in 1985 to K£205 million in 1988.

Factor Incomes And National Product

2.18. Table 2.8 shows the distribution of factor incomes and the gross national product (GNP). The annual growth of the nominal GNP has followed a rather irregular trend between 1984 and 1988. It rose appreciably from 12.1 per cent in 1985 to 17.1 per cent in the following year, fell to about 12.0 per cent in 1987, and then rose by 4 percentage points to 16.1 per cent in 1988. These changes appear to be associated with the movements in factor incomes paid abroad. The rate of growth of GNP has inevitably been lower in the years with relatively high percentage increases in the factor incomes paid abroad. Factor income payments to foreign countries have consistently increased at an annual growth rate of between 16 and 18 per cent, except between 1985 and 1986, as a result of factors such as high international interest rates, depreciation of the Kenya shilling, and the Government's willingness to allow foreign investors to remit dividends with minimum delay.

GROSS NATIONAL PRODUCT AT CURRENT PRICES, 1985-1988

Table 2.8 *K£million*

	1985	1986	1987	1988*
FACTOR INCOMES—				
A. Non-Monetary Economy	245.94	281.45	332.79	394.85
B. 1. Remuneration of Employees:				
Enterprises	1,132.20	1,277.07	1,485.04	1,725.38
Private Households	51.78	62.94	70.59	79.23
Producers of Government Services	610.98	750.91	840.44	986.83
TOTAL	1,794.96	2,090.92	2,396.07	2,791.44
2. Rental Surplus (including depreciation)	239.90	258.23	303.89	355.93
3. Other Operating Surplus (including depreciation)	2,093.82	2,453.38	2,617.15	3,009.98
TOTAL MONETARY ECONOMY	4,128.68	4,802.53	5,317.11	6,157.35
TOTAL FACTOR INCOMES=GROSS DOMESTIC PRODUCT (AT FACTOR COST)	4,374.62	5,083.98	5,649.90	6,552.20
Add: Indirect Taxes	619.65	759.79	911.57	1,081.92
Deduct: Subsidies	0.99	0.58	0.67	0.15
GROSS DOMESTIC PRODUCT AT MARKET PRICES	4,993.28	5,843.19	6,560.80	7,633.97
Add: FACTOR INCOMES RECEIVED FROM ABROAD	35.62	29.99	30.75	17.85
Deduct: FACTOR INCOMES PAID ABROAD	218.86	239.15	282.24	327.81
GROSS NATIONAL PRODUCT	4,810.04	5,634.03	6,309.31	7,324.01

*Provisional.

2.19. Average yearly rate of growth of labour costs (i.e. remuneration of employees) remained high in the range of 13 and 16 per cent between 1984 and 1988. This increase reflects the recent upward adjustments of civil servants' salaries and wages by the Ramtu Salary Commission, and the raising of the minimum wage payable to Kenyan workers. The current favourable economic climate may also have contributed to the high growth rate of compensation of employees.

Trends In Gross Fixed Capital Formation

2.20. Gross fixed capital formation (GFCF) by asset and by industry are set out in Tables 2.9 and 2.10. Measured at constant 1982 prices, GFCF increased by nearly 30 per

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1985-1988

Table 2.9

K£million

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1985	1986	1987	1988*	1985	1986	1987	1988*
DWELLINGS—								
PRIVATE:								
Non-Monetary	76.74	81.89	89.51	97 98	56.39	56.67	55.46	53.57
Monetary	36.17	60.01	68.10	48.84	26.57	41.53	42.20	26.70
TOTAL	112.91	141 90	157.61	146.82	82.96	98.20	97.66	80.27
PUBLIC	18.20	29.68	33.35	34.50	13.37	20.54	20.66	18.86
TOTAL	131.11	171.58	190.96	181.32	96.33	118.74	118.32	99.13
NON-RESIDENTIAL BUILDINGS—								
PRIVATE	56.59	53.83	62.42	84.93	43.00	37.96	38.74	47.34
PUBLIC	57.66	64.56	71.75	151.70	43.81	45.53	44.54	84.56
TOTAL	114.25	118.39	134.17	236.63	86.81	83.49	83.28	131.90
OTHER CONSTRUCTION WORKS—								
PRIVATE	16.40	25.77	16.16	15.92	11.10	16.33	9.51	8.47
PUBLIC	163.23	177.33	185.50	247.31	110.44	112.38	109.12	131.55
TOTAL	179.63	203.10	201.66	263.23	121.54	128.71	118.63	140.02
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT—								
PRIVATE	9.00	8.75	12.74	12.19	7.07	6.45	7.57	6.37
PUBLIC	2.88	0.12	0.07	006	1.26	1.70	0.07	0.02
TOTAL	11.88	8.87	12.81	12.25	8.33	8.15	7.64	6.39
TRANSPORT EQUIPMENT—								
PRIVATE	98.95	125.74	146.49	175.52	63.92	59.90	65.93	68.35
PUBLIC	35.88	120.36	80.40	73.84	23.18	57.34	36.19	28.75
TOTAL	134.83	246.10	226 89	249.36	87.10	117.24	102.12	97.10
MACHINERY AND OTHER EQUIPMENT—								
PRIVATE	240.88	315.55	417.01	436.60	153.33	163 50	221.63	233.32
PUBLIC	65.67	83.46	96.42	107.33	41.80	43.25	51.24	57.36
TOTAL	306.55	399.01	513.43	543.93	195.13	206.75	272.87	290.68
BREEDING STOCK AND DAIRY CATTLE—								
PRIVATE	2.13	6.16	6.81	4.90	1.92	5.00	5.09	4.07
TOTAL								
Non-Monetary Dwellings	76.74	81.89	89.51	97.98	56.39	56.67	55.46	53.57
Other	460.12	595.81	729.73	778.90	306.91	330.67	390.67	394.62
TOTAL PRIVATE	536.86	677.70	819.24	876.88	363.30	387.34	446.13	448.19
TOTALPUBLIC**	343.52	475.51	467.49	614.74	233.86	280.74	261.82	321.10
TOTAL PRIVATE AND PUBLIC	880.38	1,153.21	1,286.73	1,491.62	597.16	668.08	707.95	769.29

*Provisional

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

CAPITAL FORMATION BY INDUSTRY, 1985-1988

Table 2.10

K£million

	CURRENT PRICES				CONSTANT (1982) PRICES			
	1985	1986	1987	1988*	1985	1986	1987	1988*
A. NON-MONETARY ECONOMY								
Non-Monetary Dwellings	76.75	81 89	89.51	97.98	56.39	56.67	55.46	53.57
B. MONETARY ECONOMY								
Enterprises and Non-Profit Institutions:								
Agriculture	75.70	89.64	106.36	113.52	50.84	53.79	58.87	60.09
Forestry	0.60	0.38	0.31	1.66	0.40	0.23	0.18	0.78
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	4.88	7.03	12.74	10.21	3.11	3.64	6.73	5.44
Manufacturing	101.76	161.34	171.83	218.74	6518	83.87	89.64	112.53
Electricity and Water	43.30	48.55	62.20	81.70	29.05	29.93	35.68	43 40
Building and Construction	31.47	50.31	70.19	70.46	20.29	27.01	37.19	37.07
Trade, Restaurants and Hotels	34.51	24.86	24.88	36.35	24.22	14.23	13.36	18.98
Transport, Storage and Communications	164.19	289.04	306.66	269.28	106.60	144.83	151 08	119.62
Finance, Insurance, Real Estate and Business Services	19.15	13.48	21.60	38.40	13.05	7.58	11.86	20.74
Ownership of Dwellings	55.70	90.86	104.55	84.71	40.79	62.67	64.50	46.30
Other Services	80.02	75.89	85.80	105.98	55.10	45.49	49.55	57.84
TOTAL	611.28	851.38	967.12	1031.01	408.63	473.27	518.64	522.79
Producers of Government Services								
Public Administration	34.52	69.62	77.30	56.98	23.80	43.44	44 46	29.50
Defence	0.00	0.00	0.02	0.05	0.00	0.00	0.01	0.02
Education	24.81	31.00	31.30	87.41	17.42	19.38	18.28	47.92
Health	10.65	12.89	12.60	21.48	7.88	8.57	7.51	11.63
Agricultural Services	10.40	15.92	13.43	19.50	7.14	10.33	7.95	9.97
Other Services	111.98	90.52	95.46	177.21	75.90	56.41	55.64	93.89
TOTAL	192.36	219.95	230.11	362.63	132.14	138.13	133.85	192.93
NON-MONETARY ECONOMY	76.75	81.89	89.51	97.98	56.39	56.67	55.46	53.57
MONETARY ECONOMY	803.64	1071.33	1197.23	1393.64	540.77	611.40	652.49	715.72
TOTAL	880.39	1,153.22	1,286.74	1,491.62	597.16	668.07	707.95	769.29
C. PERCENTAGE RATES OF GROWTH—								
Non-Monetary Economy	- 1.29	6.70	9.31	9.46	-13.26	0.50	- 2.14	- 3.41
Monetary Economy	10.18	33.31	11.75	16.4-1	2.31	13.06	6.72	969
TOTAL	9.07	30.99	11.58	15.92	0.61	11.87	5.97	8.66

*Provisional.

cent between 1985 and 1988. The private sector was responsible for much of this surge in GFCF; accounting for 63 per cent and 58 per cent of the total in 1987 and 1988, respectively. Its largest investment was in the purchase of machinery and other equipment, whose share to total private GFCF shot up from 42 per cent to 73 per cent during the four years ending in 1988. Public sector investment was directed mainly at non-residential construction works, which accounted for over 52 per cent and 43 per cent of its total investment in 1985 and 1988, respectively.

2 21. Construction industry has played a dominant role in GFCF in the past three years On average, construction accounted for nearly 48 per cent of the overall GFCF in the period 1986 to 1988. The structure of the building industry has changed appreciably since 1985. At constant 1982 prices, the share of new dwellings in aggregate investment, in building and construction, fell from 42 per cent in 1984 to about 37 per cent in 1987 and further to 28 per cent in 1988. This decline was observed in both public and private sectors. Private and public investment in dwellings fell by almost 17 per cent and 9 per cent, respectively, in 1988. The fall in public sector investment in dwellings is in line with the current budget rationalisation policy which directs most of the Government funds into high priority projects.

2.22. The decline of more than one-third in the private sector's output of new dwellings in the monetary economy is surprising, given the present high demand for residential buildings. A major factor may have been the high interest rates charged on the housing loans currently supplied by the mortgage institutions. A second factor is the recent increase in the prices of building materials. According to the Construction Cost Index, the cost of building materials rose by nearly 52 per cent between 1984 and 1988. The recent shortage of nails may have further contributed to the sharp fall of about 16 per cent in the real output of new dwellings in 1988.

2.23. The fall in the erection of dwellings was compensated by a boom in the output of non-residential buildings. The latter's share in total output of the construction industry swelled from 25 per cent in 1986 to 35 per cent in 1988. This phenomenon is attributable to the favourable economic climate currently prevailing in the country, especially in "transport and communication", and service sectors. In 1988, output of non-residential buildings by transport and communication sector rose by 26 per cent, while that of the financial sector quadrupled. Non-residential buildings output by the services sector also increased sharply with a real growth rate of nearly 28 per cent and 27 per cent in 1987 and 1988, respectively. The three sectors mentioned above accounted for over 85 per cent of total new non-residential buildings in 1988.

2.24. The public sector dominates in investment in other construction works. In 1988, public sector's investment in this area was K£132 million compared to about K£8 million spent by the private sector. These figures reflect recent increases in Government expenditure on sporting grounds, grain silos, roads, bridges and a workshop for the Nyayo Bus Service.

2.25. As mentioned earlier, the Government's trade liberalisation policies assisted by increased inflow of external resources enabled the manufacturing sector to increase its gross fixed investment in recent years. In real terms, GFCF for manufacturing rose sharply from K£84 million in 1986 to K£113 million in 1988 or by nearly 16 per cent per year. This increase was wholly due to private sector investment which recorded a 25 per cent rise over its 1987 level of K£88 million. A large proportion of this investment went into machinery and related equipment.

CHAPTER 3 - AGRICULTURAL PRODUCTION SURVEY, 1986/87

Introduction

Data on the status and performance of the agricultural sector has been collected by the Central Bureau of Statistics since independence. In the early years of the development of agricultural statistics, emphasis was placed on acquisition of data on large scale commercial farms. This was partly due to historical reasons, through which the colonial Government gave greater attention to large scale farms rather than its small scale counterpart, and partly due to absence of an adequate sample frame within which the entire sector could be covered. In the late 1960's and early 1970's, an attempt was made to cover the small scale farming sector through special "Small Farm Surveys". However, coverage remained limited and incomplete mainly due to lack of resources with which to effect required coverage and inadequate sample frame.

3.2 With the launching of the National Integrated Sample Survey Programme (NISSP) in 1974/75, the first attempt to collect comprehensive agricultural data was made, within which core surveys on agricultural sector were undertaken through the Integrated Rural Surveys (IRS). Modules conducted within the NISSP, included such surveys on literacy, child nutrition and labour force. By 1978/79, a total of four core surveys covering the agricultural sector under the IRS were completed and the results have been published in two separate reports.

3.3 By the end of 1979, NISSP was replaced by the National Sample Survey and Evaluation Programme (NASSEP) in which several modules dealing with the agricultural sector statistics were incorporated. In addition to the on-going Agricultural Census of Large Farms, the other surveys are the Crop Forecast/Area Surveys, the Rural Household Budget Survey, the highlights of which were presented in Chapter 3 of the Economic Survey, 1988, and the Agricultural Production Survey (APS) 1986/87, which is the subject of preliminary presentation in this chapter.

Methodology and Coverage

3.4 Data on APS was collected from households within the sample clusters defined in the NASSEP II frame. The frame comprised of 32 districts each of which was divided into 24 clusters. However, for budgetary reasons and difficulties in access to some districts, the APS coverage was confined to 24 districts only. Each cluster was defined to cover 150 households, though for logistical reasons the actual number of households covered varied between 100 and 200. A ten per cent sample of households was drawn from each cluster using systematic random sampling procedure. Thus about 360 households were covered in each district resulting in 8,000 households being covered in the 24 districts.

3.5 Six questionnaires were utilised for data collection. These questionnaires were designed to take account of the variables considered relevant for investigations and which included household composition, land use, areas under different crops, livestock numbers and type, use of crop and livestock inputs and levels of agricultural output and disposal. Field data collection was spread over a period of 15 cycles of 28 days each, although the total number of visits to each household varied from 2 to 15 depending on the subject of interview.

3.6 As at the time of reporting, data processing was continuing, and therefore this report only covers results related to household composition, size of land holding, land use patterns, the use of agricultural and livestock inputs, and milk production and disposal. In addition, weighting of the data to provide district totals was still being processed and hence the results presented in this chapter are unweighted and only show proportions. The proportions have nevertheless been carefully checked against overall data and as far as possible, represent the general situation in the districts as far as the topics for presentation are concerned. A full and more comprehensive report on the results from the APS will be published before the end of this calendar year.

Household Size

3.7 The survey results on household size indicate that, 57 per cent of all the households had between 3 to 7 persons. Further analysis indicates that, at district levels, there is wide variation in household sizes ranging from 5 persons per household in Kiambu to 7 in Machakos. As indicated in Table 3.1, it is equally noticeable that about 30 per cent of the households reported more than 7 members as opposed to 34 per cent of families with between 1 to 4 members. This suggests that, on the whole, Kenyan families tend to be large. While the comparison between these results and those from Integrated Rural Surveys (IRS) show no significant differences between average household sizes by district for 1979, 1982 and 1986, further analysis will have to be undertaken to reveal most representative household size.

Proportion of households by size of household

Table 3.1

District	Number of Persons per Household (Household Size)				
	1-2	3-4	5-7	8-9	9 plus
Kilifi	6	11	31	18	34
Kwale	13	26	33	12	16
Taita-TaVeta	15	16	43	15	11
Machakos	10	14	47	20	9
Kitui	15	16	30	21	18
Meru	12	21	43	14	10
Embu	11	21	38	18	12
Nyeri	16	20	34	16	14
Murang'a	16	22	38	16	8
Kirinyaga	18	21	39	15	7
Kiambu	22	18	37	16	7
Nyandarua	12	18	37	18	15
Nakuru	18	19	35	15	13
Nandi	11	18	44	14	13
Kericho	6	23	37	19	15
Uasin-Gishu	9	18	40	18	15
Trans-Nzoia	11	15	35	14	25
S.Nyanza	22	19	33	13	13
Kisii	10	20	39	21	10
Kisumu	22	29	33	10	6
Siaya	28	29	31	6	6
Kakamega	10	21	41	14	14
Bungoma	9	19	33	17	22
Busia	19	21	33	13	14
Mean	14	20	37	15	14

Holding Size

3.8 With regard to land holding sizes, Table 3.2 indicates that although more than 60 per cent of farm holdings have up to 4 acres of land, a significant 40 per cent have less than 2 acres. The majority of these households are to be found mainly in Nyeri, Murang'a, Kiambu, Kisii, Kisumu, Kakamega, Taita Taveta and Kirinyaga. On the other hand, large holdings of 10 acres or more are to be found mainly among farmers in Kilifi, Machakos, Kitui, Nyandarua, Nandi, Kericho and Uasin-Gishu districts. While the fact that larger

Proportion of Households /Holders by Size of Holding

Table 3.2

District	No Holding	Holding Size in Acres								**Total**
		Up to 2	2.1-4	4.1-6	6.1-8	8.1-10	10.1-15	15.1-20	Over 20	
Kilifi		36	22	12	10	4	14	1	1	100
Kwale		30	26	15	12	4	5	3	5	100
Taita-Taveta		52	16	10	5	3	6	4	4	100
Machakos		30	15	15	6	10	8	5	11	100
Kitui	6	17	20	13	7	7	15	3	12	100
Meru	2	47	32	9	4	3	2	1	0	100
Embu	1	42	25	12	6	9	4	0	1	100
Nyeri	1	62	18	11	5	0	1	0	2	100
Murang'a		65	21	5	3	2	3	0	1	100
Kirinyaga		51	24	15	8	2	0	0	0	100
Kiambu	8	68	16	4	2	2	0	0	0	100
Nyandarua	2	27	21	10	9	3	7	5	16	100
Nakuru	22*	25	23	10	4	7	3	4	2	100
Nandi	6	25	16	10	9	8	12	6	8	100
Kericho		25	22	10	6	7	14	7	9	100
Uasin-Gishu	3	28	11	10	5	10	11	10	12	100
Trans-Nzoia	7	45	19	12	5	5	2	1	4	100
S.Nyanza	2	47	14	8	4	5	4	6	10	100
Kisii	1	58	25	9	1	2	1	3	-	100
Kisumu		59	22	9	5	4	1	-	-	100
Siaya		42	28	14	6	3	3	-	4	100
Kakamega		59	23	5	5	3	2	2	1	100
Bungoma	2	27	32	14	6	5	9	2	3	100
Busia	5	23	29	20	9	5	6	6	2	100
Mean		40	21	10	5	5	5	4	5	100

* Mainly workers in large scale farms and estates but including farming members of land buying companies whose farms had not been subdivided at the time of the survey.

farm households are generally associated with districts in the Arid and Semi-arid Land (ASAL) areas, the data from the APS only indicates this fact for Kitui and Machakos districts This departure from experience could have resulted from the fact that much of the land in the ASAL areas are communally owned and therefore not directly owned by individual households except where land adjudication and registration have taken place to give individual titles. The other reason is the fact that many of the ASAL districts were not covered in the survey.

3.9 As regards ownership of holdings, the same data further confirms the fact that in Kenya, farmers operate their own land holdings given to them under family customary laws, hence 90 per cent of households have reported that they own the land on which they operate. However, with increasing land pressure, it is becoming evident that more and more people can only have access to land through outright purchase or renting from other farmers that have land to spare. Although not specifically brought out in this preliminary report, it is a fact that a large number of people are now acquiring land through various land purchase arrangements such as the case of co-operatives and land purchase companies. However, 50 per cent of those that rent the land pay in fixed cash amounts although this is but one way through which rental arrangements can be made in the traditional setting. The other is through share cropping, free temporary transfer of land or a combination of these. These other arrangements were found to be practiced by 5 per cent of all holders. Table 3.3 shows holder by rental arrangement.

Proportion of Holders by Type of Rental Arrangement.

Table 3.3

District	Share Cropping	Fixed Cash	Other	Not Applicable (Not Renting)
Kilifi	0	5	16	79
Kwale	0	0	9	91
Taita-Taveta	2	0	5	92
Machakos	1	0	0	97
Kitui	0	2	3	95
Meru	0	4	6	89
Embu	0	2	3	96
Nyeri	1	6	7	85
Murang'a	0	5	1	93
Kirinyaga	0	3	2	95
Kiambu	0	7	1	91
Nyandarua	0	5	12	84
Nakuru	0	10	1	89
Nandi	0	8	3	88
Kericho	0	11	0	89
Uasin-Gishu	0	6	2	92
Trans-Nzoia	1	9	10	80
S.Nyanza	0	2	2	96
Kisii	1	8	0	90
Kisumu	1	2	6	90
Siaya	1	2	3	94
Kakamega	0	3	2	95
Bungoma	0	11	2	86
Busia	3	3	3	92
Mean	1	5	4	90

Holders by Residence

3.10 The survey results further confirm the fact most farmers tend their holdings in residence, hence 88 per cent of the farms covered by the survey indicate that owners reside in the holdings. This is presented in Table 3.4. However, it is to be noted that both Kilifi and Kwale districts indicate relatively high levels of non-resident farmers at 35 and 40 per cent, respectively. This indicates the strong influence of Mombasa town and the tourist industry as major sources of income earnings and employment.

Proportion of Holders by Place of Residence

Table 3.4

District	On Holding	Off Holding (But in District)	Outside District
Kilifi	64	35	1
Kwale	60	40	0
Taita-Taveta	83	14	3
Machakos	90	4	5
Kitui	84	10	6
Meru	95	4	1
Embu	88	11	1
Nyeri	96	2	2
Murang'a	93	5	2
Kirinyaga	96	2	2
Kiambu	90	9	1
Nyandarua	83	14	3
Nakuru	85	14	1
Nandi	89	6	5
Kericho	96	2	1
Uasin-Gishu	87	12	1
Trans-Nzoia	94	5	1
S.Nyanza	99	1	0
Kisii	95	2	3
Kisumu	85	14	1
Siaya	92	8	0
Kakamega	93	3	3
Bungoma	90	9	1
Busia	97	2	0
Mean	88	10	2

Land Use

3.11 As would be expected of farming communities anywhere in the world, the allocation of land between various competing demands is one important decision farmers have to make in relation to available labour, household food security requirements and expected returns. Generally, the data show that most Kenyan smallholder farmers, would like to keep the correct balance between these competing demands through mixed crop and livestock production on their holdings. In this regard, the data in Table 3.5 indicate that farmers give greater priority in achieving household food security needs by planting food crops such as maize and beans. Overall, these occupy about 50 per cent of land use for the whole country. On the other hand, in certain areas, the production of high income

generating permanent crops is important. This fact is to be noted for Kwale and Kilifi where coconut, palm and cashew nuts are important; Meru, Embu, Kirinyaga, Nyeri, Murang'a, Kiambu, Nyandarua, Kericho, and Kisii where coffee and tea are dominant sources of cash incomes. The allocation of land between pasture and woodland/forests cover almost the same proportions of land - 17 and 19 per cent, respectively. However, since the questionnaires were were administered just before the growing season, it is suspected that most of the land was lying fallow and hence the reason for slightly larger figures on pastureland for Bungoma, Busia, Siaya and Murang'a districts.

Land Use: Proportion of Total Holding under Different Uses

Table 3.5

District	Annual Perenial Crops	Permanent Crops	Pasture Land	All Other Land Woodland/ Forests	Total
Kilifi	41	47	6	7	100
Kwale	21	65	14	1	100
Taita-Taveta	37	4	20	39	100
Machakos	35	2	17	45	100
Kitui	42	1	17	41	100
Meru	45	23	9	24	100
Embu	44	18	20	17	100
Nyeri	54	13	26	7	100
Murang'a	33	18	28	21	100
Kirinyaga	43	26	17	14	100
Kiambu	43	19	13	26	100
Nyandarua	52	1	19	28	100
Nakuru	78	0	19	3	100
Nandi	78	12	1	9	100
Kericho	65	25	6	4	100
Uasin-Gishu	74	-	3	23	100
Trans-Nzoia	73	1	10	16	100
S.Nyanza	63	8	21	9	100
Kisii	56	21	9	14	100
Kisumu	53	7	13	27	100
Siaya	48	1	33	18	100
Kakamega	52	3	23	22	100
Bungoma	46	5	35	14	100
Busia	37	3	35	25	100
Mean	50	13	17	19	100

3.12 In the majority of cases, smallholder agriculture in Kenya is typified by crop interplanting. As shown in Table 3.6, although maize remains the foremost annual crop, most smallholders interplant maize with other crops such as beans, potatoes and sorghum. While on average, only 29 per cent of total land holding is allocated to maize as pure stand, nearly 50 per cent of the total land is allocated to maize interplanted with other crops as shown in Table 3.7. At district levels, the data show that all districts interplant maize with other crops in 30 per cent of the holdings. Farmers with less than 0.4 acres of land are more inclined to optimise land use through interplanting. This is evident in Nyeri, Nandi, Kericho, Kwale, Taita Taveta, Kisumu and Siaya districts. Further evidence of the importance farmers attach to the growing of food crops can be observed in Table 3.8 which provide data on the proportion of total holding allocated to food crops other than maize.

Proportion of Total Holding Area Under Pure Maize by Holding Size and District
(In Hectares)

Table 3.6

District	Up to 0.4	0.5-0.9	1.0-1.9	2.0-2.9	3.0-3.9	4.0-4.9	5 & above	mean
Kilifi	85	65	66	38	38	39	23	55
Kwale	100	69	58	34	17	-	-	53
Taita-Taveta	65	71	18	27	11	-	6	45
Machakos	22	12	27	21	19	28	5	17
Kitui	-	-	-	-	-	16	1	9
Meru	15	35	28	14	11	17	17	25
Embu	33	29	19	13	14	11	7	20
Nyeri	-	25	-	13	-	-	-	16
Murang'a	31	8	10	-	-	—	1	21
Kirinyaga	40	21	9	22	6	-	-	28
Kiambu	30	7	11	8	6	16	1	14
Nyandarua	100	27	21	37	12	5	5	16
Nakuru	100	18	58	70	-	9	37	46
Nandi	90	57	25	17	42	12	14	28
Kericho	91	61	37	30	18	12	13	35
Uasin-Gishu	77	40	52	34	24	40	15	32
Trans-Nzoia	-	35	-	-	-	53	24	34
S.Nyanza	68	22	42	17	14	9	8	25
Kisii	22	20	21	12	12	-	14	19
Kisumu	43	38	32	24	14	6	1	32
Siaya	39	41	28	24	13	7	9	29
Kakamega	45	26	21	12	-	4	11	27
Bungoma	58	48	36	40	13	24	10	35
Busia	20	35	13	11	17	13	6	14
Mean	51	39	28	23	18	16	10	29

Proportion of Total Holding Area Under Mixed Maize by Holding Size and District.
(In Hectares)

Table 3.7

District	Up to 0.4	0.5-0.9	1.0-1.9	2.0-2.9	3.0-3.9	4.0-4.9	5 & Above	Mean
Kilifi	77	70	69	59	59	56	47	65
Kwale	100	93	68	40	43	—	25	69
Taita-TaVeta	87	68	40	34	36	48	30	56
Machakos	64	63	48	44	33	37	25	47
Kitui	78	71	71	53	57	42	31	56
Meru	63	45	36	34	2	23	11	42
Embu	62	58	42	39	21	24	13	47
Nyeri	100	49	64	34	-	—	—	44
Murang'a	60	55	34	34	6	24	21	51
Kirinyaga	55	40	48	33	39	58	—	44
Kiambu	58	43	25	28	25	17	8	45
Nyandarua	77	78	54	33	23	23	7	41
Nakuru	83	60	70	56	39	47	20	59
Nandi	89	75	46	16	19	9	11	49
Kericho	82	49	31	32	14	16	11	30
Uasin-Gishu	70	57	50	38	23	17	18	35
Trans-Nzoia	55	25	36	10	-	-	6	30
S.Nyanza	73	36	48	22	11	—	14	40
Kisii	63	46	42	36	39	51	26	47
Kisumu	83	61	39	36	31	16	14	57
Siaya	83	62	50	37	37	31	15	55
Kakamega	73	59	47	35	64	26	26	57
Bungoma	59	63	55	41	39	26	31	50
Busia	56	38	32	30	25	18	13	31
Mean	69	56	45	36	34	31	20	49

Proportion of Total Holding Under Different Food Crops by District

Table 3.8

District	Wheat	Finger Millet	Sorghum	Beans	Cowpeas	Pigeon Peas	English Potatoes	Sweet Potatoes	Cassava
Kilifi	-	-	-	11	82	86	-	-	62
Kwale	-	-	-	82	82	22	-	-	55
Taita-Taveta	-	5	37	55	28	37	5	39	70
Machakos	-	7	55	47	37	46	1	23	27
Kitui	-	64	28	55	50	53	-	-	4
Meru	—	—	52	40	23	54	29	19	37
Embu	-	4	71	38	51	35	12	11	38
Nyeri	-	-	-	41	33	-	33	16	—
Murang'a	-	-	-	50	60	36	19	16	13
Kirinyaga	-	-	28	47	35	8	26	14	8
Kiambu	-	-	-	39	10	-	30	15	15
Nyandarua	15	-	-	43	78	25	24	-	20
Nakuru	29	19	80	61	-	32	47	-	—
Nandi	-	22	6	49	-	-	25	37	18
Kericho	3	5	28	30	-	-	3	3	-
Uasin-Gishu	34	4	—	34	40	-	17	-	-
Trans-Nzoia	-	28	—	32	8	-	20	13	18
S.Nyanza	-	13	42	38	38	-	-	9	17
Kisii	-	21	7	42	-	-	5	11	10
Kisumu	-	30	56	60	45	8	-	31	31
Siaya	-	11	52	43	35	-	2	17	39
Kakamega	-	10	24	57	6	-	-	6	20
Bungoma	—	10	8	51	8	-	25	5	25
Busia		25	60	25	-			50	33
Mean	20	17	40	45	39	37	19	18	28

Agricultural Inputs

3 13 As confirmed from experience, the use of agricultural inputs, although widespread, is still limited in scope depending on the type of input in question. For all districts, that data in Table 3.9 indicate that at least some inputs were used. However, the proportion of smallholders using these inputs varied markedly between the districts. Thus, while 59 per cent of farmers in Uasin-Gishu district used fertilizers, the proportion of farmers that used this input falls below 10 per cent in Kilifi, Kwale, Taita Taveta, Machakos Kitui, Kisumu, Siaya and Busia. Similarly, while 42 per cent of farmers in Kiambu district used manure, only 1 per cent used this input in Trans-Nzoia district thus signifying the fact that more organic fertilizers are used extensively in commercial cereal grain growing areas. The use of herbicides/pesticides becomes of greater significance in such districts as Meru, Nyeri, Murang'a, Kirinyaga and Kiambu where coffee and tea are grown.

3.14 On the other hand, districts that specialize in commercial maize, wheat, tea and sugar-cane production show greater percentage use of machinery and hired labour inputs. This is particularly so for Nandi, Kericho, Uasin-Gishu, Trans-Nzoia and Kisumu districts. Livestock feeds and dipping costs, on the other hand, constitute significant production inputs where intensive livestock and dairy production is undertaken in such districts as Nyeri, Murang'a, Kiambu, Nyandarua, Nakuru, Nandi, Uasin-Gishu, Trans-Nzoia and Kisii.

3.15 One of the most important elements in the promotion of agricultural input use is the availability of farm credit. The results of the survey on this item are, however, rather inconclusive since only 2 per cent of the farmers interviewed reported having obtained credit. The only viable explanation would be that most of the small scale farmers who obtained credit through the input supply system did not respond to this question. When this fact is taken into account and cross-checked with the figures from the banking system and the co-operative societies, the proportions in Table 3.9 give higher figures.

Cattle

3.16 In all the districts covered, a large number of holders kept cattle. Table 3.10 which provides information on the proportion of the holders keeping cattle by holding size also indicates that in most districts, holders with larger land sizes tend to keep cattle than holders with small land sizes. However, even where land holding sizes are small, cattle rearing remains a major economic activity. These results compare very favourably with past CBS survey results especially the IRS series data, where it was observed that between 40 and 44 per cent of all smallholders throughout the country kept cattle.

Milk Production and Disposal

3.17 From the figures presented in Table 3.11, it is to be observed that in proportional terms, about half of total milk production in the country was consumed within the households, and 44 per cent is sold in the market for cash. While this is true for the whole country, the patterns of milk disposal vary greatly between the individual districts. Thus, while 80 per cent of all milk produced in Trans-Nzoia is sold to consumers, only 12 per cent of the milk produced in Kitui is sold. When further analysis of the data is undertaken in terms of actual quantities, it will be of interest to see how much milk produced is consumed within each district.

Proportion of Holders Using Listed Imputs by District

Table 3.9

District	Manure	Fertilizer	Herbicide/ Pesticide	Machinery	Hired Labour	Farm Credit	Livestock Feeds	Dipping Cost
Kilifi	-	0	2	1	17	6	—	1
Kwale	3	-	0	1	11	—	1	4
Taita-Taveta	4	0	2	-	6	0	0	10
Machakos	22	9	6	-	8	2	1	15
Kitui	15	2	6	2	5	—	5	—
Meru	3	21	23	0	4	-	8	9
Embu	25	26	9	2	13	2	8	11
Nyeri	36	55	34	-	8	1	25	5
Muranga	22	50	20	0	13	2	20	15
Kirinyaga	10	34	52	3	6	—	11	3
Kiambu	42	42	22	2	13	0	47	22
Nyandarua	38	43	2	4	11	1	35	32
Nakuru	9	30	3	5	7	2	26	26
Nandi	3	35	-	19	26	—	39	20
Kericho	1	24	2	14	11	0	42	26
Uasin-Gishu	17	59	1	33	21	4	63	58
Trans-Nzoia	1	42	2	20	12	3	16	22
S.Nyanza	7	14	2	—	16	2	—	—
Kisii	7	25	4	2	12	—	32	22
Kisumu	3	3	6	8	19	5	8	4
Siaya	16	0	2	-	20	1	4	5
Kakamega	17	24	1	1	22	3	2	5
Bungoma	18	42	3	8	11	2	13	28
Busia	9	6	3		8	0	1	3
Mean	14	26	8	5	13	2	17	14

Proportion of Holders Keeping Cattle by Size of Holding and District

Table 3.10

District	Size of Holding in Acres								
	Up to 2	2.1-4	4.1-6	6.1-8	8.1-10	10.1-15	15.1-20	20+	Mean
Kilifi	11	10	13	12	20	6	33	33	11
Kwale	12	12	18	19	30	18	50	64	18
Taita-Taveta	44	68	33	38	67	44	33	60	47
Machakos	10	12	19	23	22	35	10	4	15
Kitui	28	11	35	31	50	31	-	15	24
Meru	60	63	83	80	100	100	100	100	65
Embu	43	68	75	93	35	75	100	100	58
Nyeri	66	91	96	100	100	100	-	100	76
Murang'a	39	57	21	57	50	67	100	100	44
Kirinyaga	69	87	97	55	100	-	-	—	77
Kiambu	50	77	83	100	67	100	100	100	58
Nyandarua	42	64	86	88	100	95	80	96	72
Nakuru	28	49	50	100	91	100	100	100	51
Nandi	43	70	89	88	100	97	100	100	72
Kericho	51	83	100	100	100	97	87	84	81
Uasin-Gishu	40	81	93	100	87	88	93	100	74
Trans-Nzoia	20	53	54	71	64	100	75	100	40
S.Nyanza	36	58	54	29	50	29	40	29	41
Kisii	68	88	95	100	100	100	100	100	78
Kisumu	27	60	83	46	82	67	100	100	44
Siaya	40	52	69	76	71	63	-	80	52
Kakamega	49	71	73	86	89	100	100	100	61
Bungoma	50	74	80	89	100	88	100	100	73
Busia	27	33	57	43	58	85	92	100	46
Mean	40	58	65	68	72	73	80	81	53

Milk Production and Disposal (Proportions)

Table 3.11

District	Sold	Consumed	Given to Labour	Given to Stock'	Total
Kilifi	60	22	18	0	100
Kwale	30	68	—	2	100
Taita-Taveta	45	54	1	—	100
Machakos	16	83	0	1	100
Kitui	12	72	16	—	100
Meru	41	57	1	1	100
Embu	26	62	2	10	100
Nyeri	75	17	4	4	100
Muranga	28	63	1	8	100
Kirinyaga	26	73	0	1	100
Kiambu	31	53	3	13	100
Nyandarua	52	29	1	18	100
Nakuru	39	45	4	11	100
Nandi	52	46	2	0	100
Kericho	33	63	1	2	100
Uasin-Gishu	50	50	—	–	100
Trans-Nzoia	81	15	1	4	100
S.Nyanza	19	79	1	1	100
Kisii	39	39	-	22	100
Kisumu	76	23	1	0	100
Siaya	49	42	0	9	100
Kakamega	70	29	0	0	100
Bungoma	25	71	2	2	100
Busia	76	24	0	0	100
Mean	44	49	3	5	100

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

In 1988 a number of economic activities had a significant impact on employment and earnings. The most notable ones were the launching of the Nyayo Tea zones as an agro-corporation, the closure of Ramisi and Miwani Sugar Mills coupled with problems in textile and steel industries. The introduction of policy measures like the decontrol of prices of certain essential commodities and farm machinery undertaken during the year contributed to inflationary trend. The economy created 86,400 new jobs during the year, representing an increase of 5.4 per cent. Average nominal wages rose by 12.6 per cent, which in real terms was an increase of 1.9/per cent. Inflation rate, as measured by the Nairobi Consumer Price Indices, rose from a low 5.7 per cent in 1986 and 7.1 per cent in 1987 to 10.7 per cent in 1988.

Employment

4.2. As shown in Table 4.1, an estimated 1.7 million people were engaged in 1988. The modern sector created 46,500 new jobs in 1988, slightly more than the 44,000 new jobs recorded in 1987; while the small-scale enterprises created a total of 34,100 new jobs in 1988 compared with 31,100 in 1987; a 9.6 per cent increase in new jobs created. Self employment contributed an additional 5,800 jobs.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1985-1988

Table 4.1

	1985	1986	1987	1988*
Modern Establishments—Urban and Rural Areas—				
Wage Employees	1,174.4	1,220.5	1,264.5	1,311.0
Self-employed and unpaid family workers	33.4	35.4	38.1	43.9
Small Scale Enterprices	254.5	281.1	312.1	346.2
TOTAL	1,462.0	1,537.0	1,614.7	1,701.1

*Provisional.

4.3. ***Modern Sector***—Table 4.2 gives an analysis of modern sector wage employment by industry and sector for the period 1985 to 1988. Wage employment increased by 3.7 per cent in 1988. Rate of job creation in the private sector revealed a declining trend, recording 3.5 per cent, 3.2 per cent and 1.5 per cent in 1986, 1987 and 1988, respectively. This is not in line with the Government's aspiration that the private sector shoulder a heavier responsibility of providing jobs to a growing labour force. In the private sector, agriculture plays a major role in providing jobs. In 1988, however, it generated only 2.2 per cent more jobs compared with 3.5 per cent in 1987. Employment in the coffee industry decreased, but enough job opportunities to compensate for the loss were created by the tea industry.

4.4. The closure of two sugar mills, Ramisi and Miwani, coupled with problems experienced in some textile and steel industries led to substantial loss of jobs. The measures taken by the Government to stabilise the banking industry had positive results as reflected by an increase in employment in the finance, insurance, real estate and business services. In the public sector, community, social and personal services activity, composed mainly of civil servants, continue to provide the highest number of jobs. Agriculture and forestry which created more than 10,000 jobs follows closely behind.

4.5. A breakdown of employment in various public sector domains is presented in Table 4.3. Central Government, which is the single major employer, recorded a small drop of 1.4 per cent in wage employment against a rise of 5.7 per cent in 1987. The decrease which is in line with the provisions of the Budget Rationalisation Programme resulted from laying off some works paid staff. Employment in the Teachers Service Commission continued to expand going up by 7.0 per cent in 1988 compared with 5.5 per cent and 8.6 per cent in 1987 and 1986, respectively. This expansion was necessary in order to meet the requirements of the education system as spelt out by the Report of the

Working Party on Education and Manpower Planning of 1988. The significant increase in employment registered by the parastatal bodies is principally attributable to the Nyayo Tea Zones Corporation launched in 1987. The Corporation had by 1988, created job opportunities for more than 10,000 persons. Local Government Authorities employment similarly expanded by an impressive 16.3 per cent in 1988.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR, 1985-1888

Table 4.2 *'000's*

	1985	1986	1987	1988*
PRIVATE SECTOR—				
Agriculture and Forestry	186.0	193.0	199.7	204.0
Mining and Quarrying	3.2	3.8	3.9	3.5
Manufacturing	123.6	128.7	132.9	132.7
Electricity and Water	—	—	—	—
Construction	25.8	24.8	26.1	29.7
Wholesale and Retail Trade, Restaurants and Hotels	83.8	88.1	91.2	90.7
Transport and Communications	20.5	20.5	19.1	20.6
Finance, Insurance, Real Estate and Business Services	40.1	40.4	41.2	43.4
Community, Social and Personal Services	116.8	121.4	126.6	125.5
TOTAL	599.8	620.7	640.7	650.1
PUBLIC SECTOR—				
Agriculture and Forestry	54.9	55.5	57.3	67.3
Mining and Quarrying	1.6	1.7	0.5	0.6
Manufacturing	35.2	36.1	36.8	37.6
Electricity and Water	17.7	18.2	19.2	20.4
Construction	24.1	30.8	32.1	35.2
Wholesale and Retail Trade. Restaurants and Hotels	5.9	6.3	8.3	8.4
Transport and Communications	35.2	37.0	39.0	38.1
Finance, Insurance, Real Estate and Business Services	13.3	15.6	16.3	17.1
Community, Social and Personal Services	386.7	398.6	414.4	436.1
TOTAL	574.6	599.8	623.9	660.9 *

*Provisional.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1985-1988

Table 4.3 *'000's*

	1985	1986	1987	1988*	Annual Percentage Change 1987/88*
Central Government	252.0	259.7	274.4	270.5	-1.4
Teachers Service Commission	151.0	164.0	173.0	185.1	7.0
Parastatal Bodies**	90.4	94.1	94.5	109.4	15.8
Majority Control by the Public Sector	35.6	38.7	39.2	45.3	15.6
Local Government	45.6	43.3	43.5	50.6	16.3
TOTAL	574.6	599.8	624.6	660.9	5.8

*Provisional.

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

4 6. Trend analysis of wage employment by province for the years 1985-1988 is presented in Table 4.4. Overall, Nairobi Area led in wage employment accounting for 26.8 per cent of the total modern sector wage employment. Wage employment in Nairobi rose by 3.3 per cent in 1988 compared with 1.0 per cent and 2.9 per cent recorded in 1987 and 1986, respectively. North-Eastern Province registered the highest growth rate, although in absolute terms it was equivalent to only 500 new jobs. This was followed by Eastern and Central Province which registered a growth rate of 4.3 per cent attributed to good rains coupled with the development of Nyayo Tea Zones. This growth should have been higher, were it not for the various problems experienced by the coffee industry. Good rains together with the activities of Nyayo Tea Zones around Kakamega forest and Mt. Elgon areas, had a significant impact on employment creation in Western Province. In 1988, Nyanza Province recorded a lower growth rate compared with 1987, mainly due to the closure of Miwani Sugar Mills. A similar trend was registered in Coast Province due to the closure of Ramisi Sugar Mills.

WAGE EMPLOYMENT BY PROVINCE, 1985-1988

Table 4.4 *'000's*

Province	1985	1986	1987	1988' 4	Percentage Change 1987/88*
Nairobi	327.2	336.8	340.3	351.7	3.3
Coast	148.7	152.1	156.3	160.6	2.8
North Eastern	10.4	10.6	11.3	11.8	4.4
Eastern	97.3	99.8	103.4	107.4	3.9
Central	165.1	170.3	184.8	192.3	4.1
Rift Valley	257.7	264.5	272.8	284.1	4.1
Nyanza	101.5	112.1	119.0	123.5	3.8
Western	66.5	74.3	76.6	79.6	3.9
TOTAL	1,174.4	1,220.5	1,264.5	1,311.0	3.7

*Provisional.

4.7. Wage employment in the six dominant activities in the major towns expanded, except in Thika. Table 4.5 shows that all the major activities were well represented in Nairobi and Mombasa. This was mainly due to the investment comparative advantage offered by these two major towns. Rapid industrialisation now evident in Kisumu and Eldoret has between 1983 and 1988 helped to provide employment to 8,900 persons and 2,100 persons, respectively. The increased tourist activities in Malindi had a substantial impact on employment creation in trade, restaurants and hotels as well as community, social and personal services. Several textile industries and one motor assembly plant located in Thika experienced problems arising from lack of raw materials. This inevitably resulted in contraction of employment in the manufacturing activities in the town.

4.8. Table 4.6 provides a summary of wage employment by industry and sex. Female participation in modern sector wage employment, as a proportion of total employment, remained at the same level of about 21 per cent as in 1987. Females took a quarter of all new jobs created in 1988. However, there was a conspicuous shift in female employment tendencies into activities generally considered for males. Female wage employment in construction expanded by 21.9 per cent and by 82.4 per cent in electricity and water, while it grew by only 3.3 per cent in agriculture.

4.9. Wage employment in the modern sector clearly shows male domination. Males, accounted for 78.7 per cent of the total modern sector employment in 1988 and dominated in every industry. However, male increases by industry were not as wide-spread as in the case of females. Intra-sectoral comparison shows that agriculture and forestry still continue to engage the largest number of males, accounting for approximately 20 per cent of the total males engaged. Activities in the Nyayo Tea Zones helped increase employment

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1983 AND 1988

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	
	1983	1988*	1983	1988*	1983	1988*	1983	1988*	1983	1988*	1983	1988*	1983	1988*
Nairobi	58.8	63.7	32.5	32.5	39.2	43.4	22.1	24.3	31.5	40.6	107.0	125.8	291.1	330.3
Mombasa	19.2	22.1	5.1	5.0	12.5	14.5	20.2	22.6	6.6	8.0	28.7	34.0	92.3	106.2
Kisumu	3.4	4.6	1.2	2.1	1.8	2.3	1.4	1.5	0.8	2.0	10.7	15.7	19.3	28.2
Nakuru	5.8	6.0	1.1	2.6	3.0	3.4	1.1	1.0	1.0	1.0	8.0	8.9	20.0	22.9
Thika	10.2	9.9	0.4	0.4	1.0	1.3	0.2	0.2	0.5	0.5	4.1	3.4	16.4	15.7
Eldoret	7.0	8.8	0.5	1.3	1.5	1.6	0.6	0.5	0.6	1.4	4.1	2.8	14 3	16.4
Malindi	—	0.3	—	0.3	1.1	1.5	0.2	0.2	0.6	0.3	1.4	2.1	3.3	4.7
Kericho	2.2	2.4	0.4	0.6	0.6	0.7	0.1	0.1	0.2	0.2	3.2	4.2	6.7	8.2
Others	12.8	16.7	7.0	9.6	8.6	12.0	2.5	4.4	2.4	3.3	62.7	62.5	96.0	108.5
TOTAL	119.4	134.5	48.2	54.4	69.3	80.7	48.4	54.8	44.2	57.3	229.9	259.4	559.4	641.1

* Provisional

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1987 AND 1988

Table 4.6 *'000's*

INDUSTRY	MALES		FEMALES		TOTAL	
	1987	1988*	1987	1988*	1987	1988*
Agriculture and Forestry	196.6	208.9	60.4	62.4	257.0	271.3
Mining and Quarrying	4.3	3.4	0.1	0.7	4.4	4.1
Manufacturing	151.4	152.4	17.2	17.9	168.6	170.3
Electricity and Water	17.5	17.3	1.7	3.1	19.2	20.4
Construction	54.9	61.1	3.2	3.9	58.1	65.0
Trade, Restaurants and Hotels	83.4	83.0	16.0	16.1	99.4	99.0
Transport and Communications	51.0	51.5	7.1	7.3	58.1	58.8
Finance, Insurance, Real Estate and Business Services	45.1	47.7	12.4	12.9	57.5	60.6
Community, Social and Personal Services—						
Public Administration	138.5	148.3	35.0	39.5	173.5	187.8
Education Services	147.9	147.6	64.0	63.9	211.9	211.4
Domestic Services	46.0	48.0	18.7	18.9	64.7	66.9
Other Services	60.4	62.3	31.7	33.1	92.1	95.4
TOTAL	997.0	1,031.4	267.5	279.6	1,264.5	1,311.0
Of which: Regular	858.8	882.5	234.9	239.4	1,093.7	1,122.0
Casual	138.2	148.9	32.6	40.1	170.8	189.1

*Provisional.

of males in agriculture and forestry by 6.2 per cent. Manufacturing, public administration and education are the other sectors that have a significant number of male employees. Electricity and water observed a slight drop of 200 males which was compensated for by an increase in female employment. There was also drop in male employment in the small and unpredictable mining and quarrying industry.

4.10. ***Wage Earnings in the Modern Sector***—The implementation of the recommendations of the Ominde Commission on Salary Review for Police Officers, Scheme of Service for Graduate Teachers and the normal growth in regular public employment earnings, resulted in a substantial increase in the total wage bill paid out in 1988. Table 4.7 shows that the wage bill for public sector agriculture rose by 37.8 per cent mainly attributable to the Nyayo Tea Zones Corporation. The wage bill for community, social and personal services registered a 22 per cent increase in 1988. In the private sector, a higher wage bill was registered in agriculture and forestry, basically as a result of good performance in the tea industry. However, wage bill for the manufacturing activity decreased. All other activities in the private sector registered a normal growth in the wage bill.

4.11. Total wage payment by the various domains of the public sector are set out in Table 4.8. Local Governments' wage bill rose significantly by 16.2 per cent in 1988. This can be explained by the implementation of the Ramtu Salary Review Commission recommendations which had been delayed due to financial constraints faced by most local authorities.

4.12. Table 4.9 details average wage earnings per employee for the period 1985 to 1988. The average wage earnings per employee improved by 12.7 per cent in 1988. This improvement was contributed by both private and public sectors which increased by 13.6 and 11.7 per cent, respectively. Employees in the Central Government, the Teachers Service Commission and in some companies benefitted from higher average wage earnings. Earnings in the parastatal bodies and in local Governments declined due to large employment of persons earning low wages. Overall trend analysis of average earnings per employee in both the private and public sector reveals improvements in earnings.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1985-1988

Table 4.7 K£*million*

	1985	1986	1987	1988*
PRIVATE SECTOR—				
Agriculture and Forestry	61.55	72.01	83.04	97.69
Mining and Quarrying	1.58	2.07	2.65	2.51
Manufacturing	148.62	163.48	187.20	215.23
Electricity and Water	—	—	—	—
Construction	24.10	23.78	27.54	34.92
Trade, Restaurants and Hotels	121.76	138.67	155.61	183.86
Transport and Communications	32.84	35.03	36.72	45.97
Finance, Insurance, Real Estate and Business Services	89.84	95.95	106.59	129.11
Community, Social and Personal Services	94.72	108.22	127.68	134.96
Total	575.01	639.21	727.03	844.25
PUBLIC SECTOR—				
Agriculture and Forestry	30.34	35.40	39.44	54.35
Mining and Quarrying	3.37	3.60	1.21	1.47
Manufacturing	39.61	41.99	46.45	37.05
Electricity and Water	23.26	26.71	35.87	42.54
Construction	23.39	25.79	28.03	32.75
Wholesale and Retail Trade, Restaurants and Hotel	9.56	10.72	15.63	16.95
Transport and Communications	57.88	67.60	75.22	83.42
Finance, Insurance, Real Estate and Business Services	38.94	52.83	57.44	67.80
Community, Social and Personal Services	430.92	489.11	513.44	626.51
Total	657.27	753.75	812.73	962.85
TOTAL PUBLIC AND PRIVATE	1,2392.28	1,392.96	1,539.76	1.807.10

*Provisional.

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1985-1988

Table 4.8 *K£ million*

	1985	1986	1987	1988*
Central Government	276.32	320.35	353.72	442.31
Teachers Service Commission	148.20	180.01	196.47	215.83
Parastatal Bodies **	139.90	151.54	155.22	179.32
Majority Control by the Public Sector	46.04	53.64	58.07	68.18
Local Government	46.81	48.21	49.25	57.21
TOTAL	657.27	753.75	812.73	962.85

*Provisional.

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

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1985-1988

Table 4.9 *K£*

	1985	1986	1987	1988*
PRIVATE SECTOR—				
Agriculture and Forestry	330.9	373.1	415.9	478.9
Mining and Quarrying	499.0	543.3	620.2	725.4
Manufacturing	1,165.9	1,270.5	1,420.9	1,622.2
Electricity and Water	—	—	—	—
Construction	934.4	957.1	1,147.7	1,174.8
Trade, Restaurants and Hotels	1,452.4	1,573.5	1,707.0	2,028.0
Transport and Communications	1,602.9	1,710.6	1,918.7	2,228.2
Finance, Insurance, Real Estate and Business Services	2,243.1	2,375.7	2,686.3	2,971.1
Community, Social and Personal Services	810.7	891.5	1,008.9	1,075.7
TOTAL PRIVATE SECTOR	958.7	1,029.8	1,143.5	1,298.7
PUBLIC SECTOR—				
Agriculture and Forestry	552.8	638.4	688.2	807.4
Mining and Quarrying	2,082.4	2,136.0	2,322.1	2,324.0
Manufacturing	1,126.5	1,162.7	1,261.4	986.1
Electricity and Water	1,314.1	1,468.3	1,870.1	2,082.8
Construction	970.5	836.3	874.2	929.3
Trade, Restaurants and Hotels	1,624.2	1,692.6	1,892.8	2,024.5
Transport and Communications	1,645.1	1,825.7	1,928.2	2,187.5
Finance, Insurance, Real Estate and Business Services	2,925.6	3,388.1	3,517.3	3,957.9
Community, Social and Personal Services	1,114.3	1,227.3	1,239.0	1,819.3
TOTAL PUBLIC SECTOR	1,143.9	1,256.8	1,303.8	1,456.9
TOTAL	1,049.3	1,141.3	1,222.7	1,378.5
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	1,096.2	1,233.5	1,289.2	1,634.8
Teachers Service Commission	981.5	1,097.6	1,135.9	1,166.3
Parastatal Bodies**	1,547.6	1,610.4	1,659.2	1,639.1
Majority Control by the Public Sector	1,293.3	1,386.0	1,479.8	1,506.2
Local Government	1,026.5	1,116.0	1,131.8	1,130.7
TOTAL PUBLIC SECTOR	1,143.9	1,256.8	1,303.8	1,456.9

*Provisional.

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

4.13. Percentage changes in wage employment and average earnings are shown in Table 4.10. Percentage changes for the years 1983/1988 in the private sector show increases in employment in all activities except transport and communications which registered a slight decline. Most remarkable was the change registered in the mining and quarrying sector whose employment increased by a significant 66.7 per cent. A study of the memorandum items in the public sector reveals positive growth in employment between 1983 and 1988; with the largest increase experienced by the Teachers Service Commission.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1983/88 - 1987/88

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1983/1988*	1987/1988*	1983/1988*	1987/1988*
PRIVATE SECTOR—				
Agriculture and Forestry	15.1	2.2	78.8	15.2
Mining and Quarrying	66.7	-10.2	64.6	17.0
Manufacturing	13.3	-0.2	57.1	14.2
Electricity and Water	—	—	—	—
Construction	5.4	14.0	47.0	2.4
Trade, Restaurants and Hotels	21.6	-0.1	66.0	18.8
Transport and Communications	-2.4	7.8	66.5	16.1
Finance, Insurance, Real Estate and Business Services ..	20.5	5.6	61.9	10.6
Community, Social and Personal Services	18.7	-0.9	79.1	6.6
Total Private Sector	15.0	1.6	65.2	13.6
PUBLIC SECTOR—				
Agriculture and Forestry	25.1	17.5	59.3	17.3
Mining and Quarrying	-57.2	16.8	15.6	0.1
Manufacturing	18.6	2.0	0.7	-21.8
Electricity and Water	19.3	6.5	102.7	11.4
Construction	22.2	9.9	19.1	6.3
Trade, Restaurants and Hotels	47.4	1.4	30.8	7.0
Transport and Communications	12.4	-2.3	48.7	13.5
Finance, Insurance, Real Estate and Business Services	78.1	4.9	70.0	12.5
Community, Social and Personal Services	26.1	5.2	88.9	46.8
Total Public Sector	25.2	5.8	49.7	11.7
TOTAL PUBLIC AND PRIVATE	19.9	3.8	57.3	12.7
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	19.4	-1.4	62.8	26.8
Teachers Service Commission	49.2	7.0	6.3	2.7
Parastatal Bodies"	12.1	15.8	72.4	-1.2
Majority Control by the Public Sector	31.3	15.6	59.4	1.8
Local Government	11.9	16.3	35.4	-0.1
Total Public Sector	25.2	5.8	49.7	11.7

*Provisional.

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

4.14. The Government increased producer prices for some agricultural products and decontrolled prices of some essential commodities. These measures affected real earnings of wage earners. Table 4.11 and 4.12 details the estimated real average wage earnings. The average real earnings for all workers, improved markedly in 1988 rising by 1.9 per cent compared with 0.1 per cent in 1987. However, the private sector average real earnings increased by 2.6 per cent in 1988, while that for the public sector only went up by 0.9 per cent. Thus workers in private sector were better off than those in the public sector.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1985-1988

Table 4.11 *K£*

	1985	1986	1987	1988**
PRIVATE SECTOR—				
Agriculture and Forestry	98.5	105.2	109.6	114.0
Mining and Quarrying	148.6	153.3	163.4	172.7
Manufacturing	377.2	358.3	374.4	386.2
Electricity and Water	—	—	—	—
Construction	278.3	269.9	302.4	279.7
Trade, Restaurants and Hotels	432.5	443.7	449.8	482.9
Transport and Communications	477.3	482.4	533.7	530.5
Finance, Insurance, Real Estate and Business Services	668.0	670.0	707.9	707.4
Community, Social and Personal Services	241.4	251.4	265.9	256.1
Total Private Sector	285.5	290.4	301.3	309.2
PUBLIC SECTOR—				
Agriculture and Forestry	164.6	180.0	181.3	192.2
Mining and Quarrying	620.1	602.4	611.9	553.3
Manufacturing	335.5	327.9	332.4	234.8
Electricity and Water	391.3	414.1	492.8	495.9
Construction	289.0	235.8	230 4	221.3
Trade, Restaurants and Hotels	483.7	477.3	498.8	482.0
Transport and Communications	489.9	514.9	508.1	520.8
Finance, Insurance, Real Estate and Business Services	871.2	955.5	926.8	942.4
Community, Social and Personal Services	331.8	346.1	326.5	433.2
Total Public Sector	340.6	354.4	343.6	346.9
TOTAL	312.5	321.9	322.2	328.2
MEMORANDUM ITEMS IN PUBLIC SECTOR—				
Central Government	326.4	347.9	339.7	389.2
Teacher's Service Commission	292.3	309.5	299.3	277.7
Parastatal Bodies'"	460.5	454.1	437.2	390.3
Majority Control by the Public Sector	385.1	390.9	389.9	358.6
Local Government	305.7	314.7	298.2	269.2
Total Public Sector	340.6	354.4	343.6	346.9

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

**Provisional.

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

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1985-1988

Table 4.12 *Percentage*

	1985	1986	1987	1988*
Wage employment	4.9	3.9	3.5	3.7
Current price average earnings	9.3	8.8	7.1	12.7
Consumer prices"	10.7	5.7	7.1	10.7
Real average earnings	-1.5	3.0	0.1	1.9

*Provisional.

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

4.15. ***Small Scale Enterprises***—The ability of the Small Scale Enterprises to create jobs at a reasonable cost is now fully recognised. According to the results of the Annual Survey of the Small Scale Enterprises, the sector created employment at the rate of 10 per cent per year since 1985. The Government is committed to providing incentives and infrastructure which will accelerate sustainable development by this sector and positive results are starting to be realised. In 1988, 34,100 new jobs were created with the rural areas share being higher than that of the urban centres. This was in conformity with the Government policy of encouraging development of Small Scale Enterprises in the rural areas. Table 4.13 shows the distribution of the number of persons engaged by the Small Scale Enterprises by Province. Nairobi, Rift Valley and Central Provinces, with 59 per cent of total employment, account for the highest number of persons engaged in the sector.

SMALL-SCALE ENTERPRISES, 1985-1988

NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4 13 *Number*

Province	1985	1986	1987	1988
Nairobi	62,041	68,105	75,279	83,319
Central	38,787	44,602	49,855	56,486
Nyanza	32,440	35,563	39,147	43,007
Western	17,747	19,456	21,323	23,373
Rift Valley_	47,219	51,767	57,269	63,070
Eastern	26,921	29,498	32,630	35,924
Coast	29,302	32,122	36,656	41,055
TOTAL	254,457	281,113	312,159	346,234
Of which				
Urban	166,572	182,687	202,125	223,056
Rural	87,885	98,426	110,034	123,178

4.16. The sectoral breakdown of the number of persons engaged in the small scale enterprises sector is detailed in Table 4.14. The wholesale and retail trade, hotels and restaurant activities engage the largest number of persons in absolute terms. However, community, social and personal services together with manufacturing realised the highest growth of 15.7 per cent and 13.1 per cent, respectively, in 1988.

SMALL-SCALE ENTERPRISES, 1985-1988

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 *Number*

Activity	1985	1986	1987	1988
Manufacturing	43,472	49,899	58,424	66,096
Construction	36	37	38	40
Wholesale and Retail Trade, Hotels and Restaurants	172,230	185,905	200,714	219,131
Transport and Communications	4,437	4,746	5,076	5,540
Community, Social and Personal Services	34,282	40,526	47,907	55,427
TOTAL	254,457	281,113	312,159	346,234

Consumer Prices

4.17. Table 4.15 sets out the inflation rate as measured by the Nairobi Consumer Price Indices, has been rising moderately. After reaching a low 5.7 per cent in 1986, it rose to 7.1 per cent in 1987 and to double digit level of 10.7 per cent in 1988. Inflation continued to rise and had reached 11.0 per cent in March, 1988.

4.18. The rising inflationary pressures were partly attributed to the policy decision to decontrol prices of some items in May, 1988. The price increases on essential food items

announced during the third quarter of the year, the January increase in electricity charges and increases on petrol, beverages and cigarettes prices announced during 1988/89 budget speech with accompanying multiplier effects all contributed to the observable inflationary pressure during this period. However, the growth of money supply was curtailed through credit control measures which were in force in 1988 resulting in the dampening of some of the inflationary pressures.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1985/84—(1988/87)

Table 4.15

Income Group	1985/84	1986/85	1987/86	1988/87
Nairobi Lower Income Index	13.0	4.0	5.1	8.3
Nairobi Middle Income Index	11.1	7.7	8.3	12.0
Nairobi Upper Income Index	8.0	5.3	7.8	11.8
Average Increases for 12 Months	10.7	5.7	7.1	10.7

*For the purpose of the index:

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

4.19. During 1988, the food index for the lower and middle income groups recorded almost twice the increase recorded for the previous year. Increases of 7.6, 9.0 and 7.3 per cent were recorded for the lower, middle and upper income groups, respectively. Table 4.16 shows the combined Nairobi Indices for food, rent and other items. The decontrol of farm machinery and related spare parts announced in May, 1988 resulted in increased farming costs and consequently to higher consumer prices of food items. During the third quarter of the year, price increases were announced for rice, bread, milk, wheat flour and maize flour, while price increases on edible fats were effected in November, 1988.

NAIROBI CONSUMER PRICE INDICES, 1984-1988

Table 4.16

Income Group/Year	Food	Rent	Others	All Groups
LOWER INCOME—				
1984	283.2	365.8	290.9	315.2
1985	337.6	413.6	326.7	356.3
1986	348.4	429.9	344.5	370.4
1987	361.5	452.1	369.7	389.4
1988	388.9	489.7	402.9	421.8
MIDDLE INCOME—				
1984	269.8	332.7	299.4	295.4
1985	306.3	369.6	327.0	328.2
	311.8	398.0	359.4	353.5
1987	326.4	431.3	394.9	- 383.0
1988	356.3	482.8	443.6	428.8
UPPER INCOME—				
1984	283.4	299.3	309.8	298.9
1985	317.2	323.2	331.2	322.8
1986	324.2	340.1	354.4	339.8
1987	348.8	366.6	375.7	366.2
1988	374.1	409.9	429.4	409.5

4.20. Substantial increases were recorded in the fuel and power, transport and communication, health and personal care and drinks and tobacco indices. The increase in electricity charges led to the sharp rise in the fuel and power index. Increases on petrol, road licence fees, beer, spirits and cigarettes caused the transport and communication, drinks and tobacco indices to rise. The decontrol of soap prices coupled with higher hospital charges affected the health and personal care index.

4.21. Consumer price indices for the urban centres of Mombasa, Kisumu and Nakuru are set out in Table 4.17. Inflation rates of 11.1, 10.0 and 8.8 per cent were recorded for Mombasa, Nakuru and Kisumu, respectively. Analysis of quarterly data for these urban centres show that Mombasa recorded significant increases in the fuel and power, food, drinks and tobacco indices. Nakuru experienced a rise in fuel and power, health and personal care, clothing and footwear and food indices; while Kisumu recorded marked increases in fuel and power and food indices. The food index, in particular, increased by 9.2 per cent for Mombasa, 9.4 per cent for Nakuru and 11.2 per cent for Kisumu, reflecting the rising food costs in these urban centres.

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU, 1984-1988

Table 4.17 *1976=100*

Year		Mombasa	Kisumu	Nakuru
1984	Anual Average	268.6	261.2	257.0
1985	Anual Average	283.8	286.3	276.0
1986	Anual Average	291.9	295.5	282.9
1987	Anual Average	316.5	327.2	301.6
1988	March	333.5	342.0	320.0
	June			
September		355.7	361.5	334.0
December		369.2	365.5	341.1
Annual Average		352.2	356.1	331.6

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

CHAPTER 5—MONEY, BANKING AND FINANCE

Overall Trends

After two years of rapid growth in money supply and liquidity, 1988 was a year of financial adjustment. With help, primarily of active Government debt operations, the monetary authorities managed to contain growth in money supply to 8 per cent and the growth in total domestic credit to 7 per cent. This restored a more balanced relationship between money supply and nominal GDP. The average liquidity ratio of commercial banks fell by 7 percentage points from 31 per cent in December, 1987 to 24 per cent in December, 1988. Although the inflation rate rose to 10.7 per cent at the end of 1988, most interest rates remained positive in real terms during the year.

5.2. Table 5.1 summarises the main monetary indicators and illustrates some of the trends. Net foreign assets declined by K£73 million from a net liability of K£64 million at the end of 1987 to a net liability of K£137 million at the end of 1988. Despite the decline in net foreign assets, gross foreign reserves increased significantly over the year due to large net borrowing from IMF and valuation changes arising from the depreciation of the Kenya Shilling.

5.3. Total domestic credit rose from K£2,429 million in December, 1987 to K£2,589 million at the end of 1988; about a 7 per cent growth rate, which is below the rate of growth in nominal GDP. This sharp decline from 20 per cent growth rate observed in 1987 was mainly due to contraction in bank lending to the Government, which declined by K£86 million, or by 9 per cent. This development reflects the return to an active Government debt management policy. In the course of 1988 Treasury bonds worth K£244 million were issued, the bulk being sold outside the banking system. Quantitative credit controls introduced on commercial banks and the cash ratio of 6 per cent did not prevent a growth in commercial banks' lending to private sector.

MONETARY INDICATORS, 1985—1988

Table 5.1

Date	Net Foreign Assets K£mn	DOMESTIC CREDIT K£MN			Money** Supply K£mn	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio per cent
		Private*	Government	Total			
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	- 64 15	1,461.35	967.73	2,429.08	1,983.31	31	83
1988 December	-137.10	1,707.67	881.38	2.589.05	2,140.85	24	85
1988 March	- 76 81	1,493.54	862.29	2,355.83	1,915.21	27	84
June	- 42 36	1,536.45	813.96	2,350.41	1.938.44	26	86
September	- 90 19	1,596.19	802.15	2,398.34	1,992.66	26	87
December	-137.10	1,707 67	881.38	2,589.05	2,140.85	24	85

Source: Central Bank of Kenya.

*Includes parastatal bodies.

***See* Table 5.2 for Coverage.

5.4. The annual growth rate in money supply decelerated to 8 per cent in 1988, compared with 33 and 11 per cent increases recorded for 1986 and 1987 respectively. The reduced rate of expansion in the money supply was recorded in both the money proper (Ml) and quasi-money compents as shown in Table 5.2. Thus, Ml increased by almost 6 per cent compared with 10 and 13 per cent increases observed in 1986 and 1987, respectively. The share of Ml to the total money supply, that had been stable at around 58

per cent for the last three years, declined slightly to below 57 per cent. The high level of liquidity in the commercial banks in both 1986 and 1987 moderated to 24 per cent of deposits at the end of 1988, although this was still above the minimum requirement of 20 per cent. Correspondingly, advances-to-deposits ratios were on the average higher than those observed in 1987. As already stated, the declining trend in monetary expansion and the tightening liquidity situation reflect the impact of monetary measures, primarily the sale to the non-bank sector of Treasury bonds.

MONEY AND QUASI-MONEY SUPPLY, 1985—1988

Table 5.2 *K£million*

As at end of	Money*	Quasi-Money**	Total
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
1988 December	1,211.47	929.38	2,140.85
1988 January	1,175.23	861.14	2,036.37
February	1,168.06	883.22	2,051.28
March	1,050.39	864.82	1,915.21
April	1,089.56	865.51	1,955.07
May	1,115.38	873.17	1,988.55
June	1,059.96	878.47	1,938.43
July	1,061.27	882.56	1,943.83
August	1,101.98	877.53	1,979.51
September	1,104.19	888.47	1,992.66
October	1,130.99	893.09	2,024.08
November	1,191.97	924.05	2,116.02
December	1,211.47	929.38	2,140.85

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. Table 5.3 presents a consolidated balance sheet of the banking system. Total liabilities of the banking system rose moderately from K£2,365 million at the end of 1987 to K£2,452 million at the close of 1988. The 4 per cent growth in the liabilities, compared with 35 and 17 per cent increases during 1986 and 1987, respectively, underlines the declining trend in monetary expansion mentioned above. Among the components of money supply, demand and savings deposits rose by 2 per cent and 9 per cent respectively, while the proportions of money and quasimoney to the total liabilities have remained fairly constant in recent years. The structure of assets shows that the reduced growth in domestic credit is a reflection of both the significant decline in net credit to the Central Government, and a slowdown in the growth of banking system credit to the other public bodies. Credit to the private sector, however, rose significantly by 20 per cent.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1984—1988

Table 5.3 *K£million*

	As at the end of							
					1988			
	1984	1985	1986	1987	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES—								
1. Money:								
1.1 Demand Deposits	445.04	460.94	565.69	564.04	577.43	550.06	539.29	577.55
Other	114.88	137.55	163.26	195.97	176.48	185.91	201.39	252.31
1.2 Currency in Circulation:								
Notes	249.91	291.49	359.07	425.08	418.35	393.09	410.48	474.96
Coins	6.58	9.13	12.07	13.70	13.39	13.48	13.67	14.37
Sub-Total	816.41	899.11	1,100.09	1,198.79	1,185.65	1,142.54	1,164.83	1,31919
2. Quasi-Money:								
2.1 Savings Deposits	279.68	334.27	447.46	564.77	571.81	594.35	583.69	618.25
2.2 Time Deposits	217.28	225.15	293.27	274.13	293.01	284.12	304.78	311.13
3. Other Items (Net)	95.66	42.25	185.95	327.24	228.55	287.02	254.84	203.38
Sub-Total	592.62	601.67	926.68	1,166.14	1,093.37	1,165.49	1,143.31	1,132.76
TOTAL	1,409.03	1,500.78	2,026.77	2,364.93	2,279.02	2,308.03	2,308.14	2,451.95
ASSETS—								
4. Net Foreign Assets	20.18	-68.22	8.74	- 64.15	- 76.81	-42.36	-90.19	-137.09
5. Domestic Credit:								
5.1 Central Government (Net)	436.00	478.48	744.36	967.73	862.29	813.95	802.15	881.37
5.2 Private Sector	847.18	970.66	1,134.20	1,284.42	1,302.49	1,383.76	1,418.79	1,535.76
5.3 Other Public Bodies	105.67	119.86	139.47	176.93	191.05	152.68	177.39	171.91
TOTAL	1,409.03	1,500.78	2,026.77	2,364.93	2,279.02	2,308.03	2,308.14	2,451.95

Source: Central Bank of Kenya.

5.6. Table 5.4 presents changes in the money supply and sources of the changes and illustrates some of the trends. Net foreign assets, a source of money creation, fell in both 1987 and 1988, thus reducing the growth in money supply in the two years. The declining growth in quasi-money is also reflected in both the K£86 million decline in credit to the Central Government and the K£5 million decline in the lending to other public institutions.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1984—1988

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

	1984	1985	1986	1987	1988
MONEY SUPPLY—					
1. Currency plus demand deposits	+70.67	+82.70	+200.98	+98.70	+ 120.40
2. Quasi-money	+75.23	+62.46	+ 181.31	+98.17	+90.48
3. Total money supply	+ 145.90	+ 145.16	+382.29	+ 196.87	+210.88
SOURCES OF CHANGES—					
4. Net foreign assets	+31.51	-88.40	+76.96	-72.89	-72.95
5. Domestic credit—					
(a) to Central Government (net)	+44.52	+42.48	+265.88	+223.37	-86.35
(b) to other public sector	+ 12.77	+ 14.19	+ 19.61	+ 37.46	-5.02
(c) to private sector	+78.20	+ 123.48	+ 163.54	-49.78	+251.34
(d) all domestic credit	+ 135.49	+ 180.15	+449.03	+411.05	+ 159.97
6. Other Items (Net)	-21.10	+53.41	-143.70	-141.29	+ 123.86
7. Total sources of changes	+ 145.90	+ 145.16	+382.29	+ 196.87	+210.88

5.7. Table 5.5 presents information on the real values, i.e. nominal values deflated by the Nairobi Consumer Price Index, of some financial aggregates. With the exception of total commercial bank credit and total liabilities of non-bank financial institutions, real values of the other financial aggregates recorded slight declines from their end 1987 levels. This reversal of the recent trend is attributed partly to a faster rise in the deflator since 1986, and partly to the decline in money and credit growth during the year.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1984—1988

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

	1984	1985	1986	1987	1988**
1. Money	612.1	570.3	714.8	733.6	700.3
2. Quasi-money	397.6	405.4	507.4	537.8	537.2
3. Total liabilities of banking system	1,127.2	1,087.5	1,388.2	1,516.0	1,417.3
4. Commercial bank credit to private sector	637.0	660.2	729.6	753.3	790.2
5. Total commercial bank credit	843.1	836.8	1,002.2	1,074.0	1,023.0
6. Total liabilities of non-bank financial institutions	693.1	722.2	757.8	714.7	781.8
Memorandum Item					
7. Line 6 as per cent of line 3	61.5	66.4	54 6	47.1	55.2

*Deflated by average Consumer Price Indices

** Provisional.

Interest Rates

5.8. Table 5.6 depicts movements in the principal interest rates during the last three years. Of the major rates revised in 1988, the discount rate for Treasury bills was raised, reflecting the tight liquidity situation in the banking system. For the same reason, lending rates for short-term securities were also adjusted upwards. Commercial banks' time

deposit rates and maximum lending rates were adjusted upwards; partly as a move to narrow the differential in interest rates between commercial banks and non-bank financial institutions, and partly to widen the spread between minimum deposit rate and maximum lending rate, with a view of encouraging commercial banks to lend for longer terms. The long-term intention is to move gradually towards interest rates determined by market forces as money and capital markets become more flexible.

PRINCIPAL INTEREST RATES, 1986—1988

Table 5.6 *Percentage*

	As at 31st December		
	1986	1987	1988
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	11.15	13.00	15.00
Advances against Treasury Bills	12.00	12.00	15.00
Bills and Notes under Crop Finance Scheme:			
Discounts	11.25	11.25	16.00
Advances	11.50	11.50	16.00
Other Bills and Notes:			
Discounts	12.00	12.00	16.00
Advances	12.50	12.50	16.00
KENYA COMMERCIAL BANKS			
Time Deposits:			
12 months (KSh. 250,000-1,000,000)	11.75-12.00	9.50-10.00	12.50-13.00
Savings Deposits	11.00	11.00	10.00
Loans and Advances (Maximum)*	14.00	14.00	15.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	11.00	11.00	11.00
Agricultural Finance Corporation, Loans			
(a) Land Purchase	12.00	12.00	12.00
(b) Seasonal Crop Loan	14.00	14.00	14.00
(c) Other	13.00	13.00	13.00
Hire-purchase Companies and Merchant Banks:			
Deposits (time)	13.00-14.50	10.00-13.50	10.00-15.00
Loans	19.00	18.00	18.00
Buildings Societies:			
Deposits	13.00-14.25	10.75-12.50	11.00-12.50
Loans	16.00	14.50	14.50

Source: Central Bank of Kenya

*Loans and advances for less than 3 years.

5.9. Table 5.7 provides information on the trends in selected real interest rates, i.e. nominal interest rates deflated by the rate of inflation as measured by Nairobi Consumer Price Index. Despite a modest rise in inflation rate, most of the interest rates listed in the table remained positive in real terms. Positive real interest rates have been maintained since 1984, although the rising trend in the inflation rate has greatly reduced real interest rates from their 1986 levels. It is the intention of the monetary authorities to ensure that return on savings and investments remain positive in order to encourage mobilization of savings and contribute to the maintenance of financial stability.

Central Bank of Kenya-Assets and Liabilities

5.10. The assets and liabilities of the Central Bank are given in Table 5.8. Total assets increased from K£1,005 million at the end of 1987 to K£1,119 million at the end of 1988. This increase of 11 per cent is slightly higher than the 8 per cent increase recorded in 1987. Foreign exchange reserves of the Bank also made a modest recovery from K£220

TRENDS IN SELECTED REAL INTEREST RATES, 1984—1988

Table 5.7 *Percentage*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposits (min)	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
	1988	10.0	10.7	-0.7
2. Commercial bank loans and advances (max)	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
	1988	15.0	10.7	+4.3
3. POSB deposits***	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
	1988	11.0	10.7	+0.3
4. Building society loans (max)	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
	1988	14.5	10.7	+3.8

*Taken from Table 4.15.
**Nominal interest rate minus inflation rate gives the approximate measure.
***POSB deposits are excempt from income tax on interest earned.

million in December, 1987 to K£259 million at the end of 1988, representing an equivalent of about two months of imports.

5.11. On the liabilities side, there was an increase of K£50 million in total currency since 1987. Deposits from Kenya banks have been oscillating around K£115 million since 1986, a situation largely explained by the 6 per cent cash ratio that was re-introduced in 1986.

Commercial Banks-Credit and Liquidity

5.12. Table 5.9 shows that credit extended by commercial banks in the form of bills, loans and advances had increased from K£1,675 million at the end of 1987 to K£1,770 million by December,1988. The decline in the growth in commercial banks' total credit in 1988 to 6 per cent compared with 27 and 15 per cent increases observed at December, 1986 and 1987, respectively, is attributable to the fall in credit to the Government. Public Sector credit from commercial banks declined by K£98 million by December, 1988, as Government restrained its own recourse to bank credit as a part of the new debt management policy. The decline in credit to the Public Sector came mainly from a fall in the banks' holding of Treasury bills.

5.13. Lending to the private sector increased by K£192 million or by 16 per cent. Agriculture and manufacturing registered the largest increase of bank credit. Bank credit to agricultural sector increased by 25 per cent and absorbed 16 per cent of the total deposit liabilities of commercial banks. This was an achievement since selective credit controls require commercial banks to lend 17 per cent of their deposit liabilities to agriculture. Credit to manufacturing sector increased by K£58 million by December, 1988, taking 23 per cent of commercial banks' deposit liabilities. Commercial banks' credit to other financial institutions, however, declined by K£8 million.

CENTRAL BANK OF KENYA—ASSETS AND LIABILITIES, 1984—1988

Table 5.8 *K£million*

ASSETS	1984	1985	1986	1987	1988			
					1st Or.	2nd Or.	3rd Or.	4th Or
1. Foreign Exchange—								
1.1 Balances with External Banks	254.88	279.95	293.00	171.79	194.20	187%	199.24	224.32
1.2 Treasury Bills	28.29	18.33	13.07	10.83	11.13	32.30	3.78	11.98
1.3 Other Investments	28.61	29.99	27.46	24.99	24.66	21.97	21.78	22.13
1.4 Special Drawing Right	1.69	0.65	9.45	11.98	5.91	1.42	1.94	0.65
TOTAL	313.47	328.92	342.98	219.59	235.90	243.65	226.74	259.08
2. Securities issued or Guaranteed*, by Kenya Government. Advances and Discounts	262.33	261.06	261.07	261.61	261.61	261.61	261.61	261.61
3. Advances to Kenya Government	65.81	160.78	264 80	449.28	366.53	387.81	407.61	497.54
4. Other Assets including Kenya Treasury Bills	35.46	84.53	62.98	74.67	137.88	125.47	84.16	100.29
TOTAL ASSETS	677.07	835.29	931.83	1,005.15	1.001.92	1,018 54	980.12	1,118.52
LIABILITIES								
1. Capital and General Resources Fund	19.88	24.36	29.26	33.87	33.88	41.41	41.41	41.41
2. Currency in Circulation—								
2.1 Notes	249.91	291.48	359.07	425.08	418.35	393.09	410.48	474%
2.2 Coins	6.58	9.13	12.07	13.70	13.39	13.48	13.67	14.37
TOTAL CURRENCY	256.49	300.61	371 14	438.78	431.74	406.57	424.1-5	489.33
3. Deposits—								
3.1 Kenya Government								
3.2 Kenya Banks	40.87	55.17	116.38	115.07	104 42	104.73	116.08	110.23
3.3 External Banks	300.14	408.13	349.92	296.34	331.32	363.30	349.66	405.35
3.4 Other	17.84	10.86	23.27	53.44	24.02	18.75	21.16	18.70
TOTAL	358.85	474.16	489.57	464.85	459.76	486.78	486.90	534.28
4. Revaluation Account	12.35			7.63	7.63			
3. Other Liabilities	29.50	36.16	41.86	60.02	68.91	83.78	27.66	53.50
TOTAL LIABILITIES	677.07	835.29	931.83	1,005.15	1,001.92	1,018 54	980.12	1,118.52

Source: Central Bank of Kenya.

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

COMMERCIAL BANKS—BILLS, LOANS AND ADVANCES, 1984—1988

Table 5.9 *K£million*

	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.
PUBLIC SECTOR —					
Central Government	0.02	0.05	4.84	3.62	0.04
Local Government	0.87	0.89	1.28	2.13	3.83
Enterprises, Parastatal bodies and other Public entities	76.30	86.73	87.82	174.51	167.31
Treasury Bills	144.04	109.81	235.17	282.49	193.71
TOTAL PUBLIC SECTOR	221.23	197.48	329.11	462.75	364.89
PRIVATE ENTERPRISES—					
Agriculture	136.47	148.39	147.11	204.72	256.02
Mining and Quarrying	7.08	8.54	8.96	4.56	5.82
Manufacturing	180.34	220.14	239.57	302.65	360.66
Building and Construction	51.81	58.70	57.34	65.90	78.96
Transport, Storage and Communication	27.45	36.30	47.11	43.94	55.75
Trade:					
Exports**	49.05	51.67	64.03		
Imports**	39.62	55.04	68.90		
Domestic	118.12	124.54	146.32	236.02	285.24
Financial Institutions	41.65	55.74	68.48	23.87	15.45
Other Business	144.62	152.03	217.35	293.49	309.14
TOTAL PRIVATE ENTERPRISES	796.21	91109	1,065.17	1,175.15	1,367.04
PRIVATE HOUSEHOLDS*— (including non-profit making institutions)	36.45	46.22	68.94	37.53	37.90
TOTAL BILLS, LOANS AND ADVANCES	1,053.89	1,154.79	1,463.22	1,675.43	1,769.83

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.

5.14. Table 5.10 gives deposit liabilities and liquid assets of commercial banks. These banks experienced a decline in liquidity in 1988, a turn-around from the high liquidity levels experienced in previous years. Liquid assets of commercial banks peaked at K£534 million in November 1987. However, this trend was reversed with liquid assets declining to K£375 million at the end of 1988, largely due to a significant decline in the commercial banks' holding of Treasury bills. Consequently, the liquidity ratios for commercial banks declined during the year to a low ratio of 24 per cent, still 4 points above the minimum requirement.

Non-banking Financial Institutions

5.15. Tables 5.11 and 5.5 show the performance of non-bank financial institutions during the last five years. The growth in liabilities of these institutions had been declining since 1985, largely due to liquidity problems that faced the sub-sector in 1986. These insolvency problems had the effect of inducing a shift of deposits to more established commercial banks. However, available data on these institutions show some improvement of their performance in 1988. Their total liabilities increased by 21 per cent during the year compared with 11 and 1 per cent increases in 1986 and 1987, respectively. As shown in Table 5.5,the financial institutions' share of total liabilities of the banking system increased by some 8 percentage points. Deposits from Central and Local Government declined by 8

COMMERCIAL BANKS—DEPOSIT LIABILITIES AND LIQUID ASSETS, 1985—1988

Table 5.10

	Deposit Liabilities* *K£mn*	Liquid Assets** *K£mn*	Current Liquidity Ratio+ *Per cent*
1985 December	1,037.28	223.19	22
1986 December	1,354.88	416.40	31
1987 December	1,433.99	429.35	31
1988 December	1,594.30	375.45	24
1988—			
January	1,596.10	462.80	30
February	1,552.70	458.35	29
March	1,493.50	405.70	27
April	1,480.40	364.50	25
May	1,501.50	520.00	28
June	1,476.90	377.30	26
July	1,511.20	400.20	27
August	1,527.75	430.50	27
September	1,539.60	388.70	26
October	1,546.45	361.00	25
November	1,621.40	390.75	24
December	1,594.30	375.45	24

Source: Central Bank of Kenya.

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

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

+The ratios given in this column are not quite consistent with figures in the other two columns because of the inclusion of certain other minor items in the denominator. From 9th February, 1983 the prescribed minimum was fixed at 20 per cent.

per cent at the end of 1988 from the 1987 level while deposits from other public entities increased significantly throughout 1988.

5.16. The structure of assets of the non-bank financial institutions indicates an increase in private sector credit throughout 1988. Assets of the non-bank financial institutions in the form of cash and bank deposit holdings increased from K£66 million at the end of 1987 to K£114 million during the fourth quarter. The significant improvement in the performance of these institutions in 1988 reflects, in part, the effectiveness of the 1985 amendments to the Banking Act. The amendments helped to restore public confidence in the financial institutions by strengthening their balance sheets, improving the framework for their supervision, and establishing the Deposit Protection Fund.

Financial Sector: Developments

5.17. Continued implementation of the Banking Act and its amendments has greatly enhanced stability and efficiency in the financial sector following the insolvency crisis in 1986. The opening of Trust Bank Limited increased the number of commercial banks operating in the country to 24 with 217 full branches, 70 sub-branches and numerous agencies and mobile units. The operational non-bank financial institutions remained at 54 in 1988 with 94 branches concentrated in urban areas. There were at the end of 1988, 207 hire purchase companies, 22 building societies, 39 locally incorporated insurance companies and numerous savings and credit societies.

5.18. The Minister for Finance gazetted the formation of Capital Market Development Advisory Council late in 1988. The council will work out the modalities for the establishment of a Capital Markets Development Authority. The other main developments

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1984—1988

Table 5.11 *K£million*

	AS AT END OF				1988			
	1984	1985	1986	1987	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
LIABILITIES:								
Deposits—								
Central and Local Government .	25.64	26.92	23.28	32.88	30.19	32.58	28.97	30.22
Other Public Sector	161.17	155.04	146.82	136.97	146.87	137.13	14311	144.28
Other Depositors	420.88	519.75	635.68	714.18	743.89	740.72	807.95	863.36
Other Liabilities	258.64	294.97	300.56	230.87	265.76	285.45	294.57	314.68
TOTAL LIABILITIES	866.33	996.68	1,106.34	1,114.90	1,186.71	1,195.88	1,274.60	1,352.54
ASSETS:								
Cash and Banks	103.24	98.91	123.52	66.24	60.07	73.59	83.61	114.33
Other Financial Institutions	85.71	75.31	98.98	116.09	71.91.	67.00	88.85	91.82
Associated Companies	15.61	10.38	12.67	5.91	9.96	6.80	7.71	11.63
Investments, Loans, Advances, etc.—								
Public Sector	97.63	141.18	169.45	167.25	196.17	162.66	165.56	151.56
Private Sector	516.18	614.52	642.81	698.05	771.54	805.89	844.50	888.96
Other Assets	47.96	56.38	58.91	61.36	77.06	79.94	84.37	94.24
TOTAL ASSETS	866.33	996.68	1,106.34	1,114.90	1,186.71	1,195.88	1,274.60	1,352.54

Source: Central Bank of Kenya.

that took place during the year were the floatation of the Kenya Commercial Bank shares to the public and the gazettment of further amendments to the Banking Act through the 1988 Finance Act. The latest amendments are designed to: (1) enhance penalties charged under the Banking Act; (2) allow more transparent disclosure of information relating to the banking institutions' balance sheets to the public; and (3) increase the membership of the Deposit Protection Fund Board to include representations of banks and other financial institutions.

CHAPTER 6 - PUBLIC FINANCE

During the last fiscal year the Government made tremendous strides in line with last year's budget theme: "Economic Growth through Financial Discipline and Efficieny". Despite the structural imbalances which Kenya has been experiencing in recent years the Government has attempted to restructure the economy both in the short and medium terms. A relatively slower growth in money supply and tighter liquidity situation were achieved primarily through substantial sale of Treasury bonds to the non-bank sector.

6.2. Demand for more and better public services has led to increased total public expenditure. However, in order to maintain the budget deficit at the desired level, the Government has had to raise increased revenue in line with its expenditure. Improvement in tax administration helped to increase Government revenue while cost sharing enabled the Government to release more funds for development purposes.

Overall results.

6.3. Table 6.1 presents the budget out-turn from 1984/85 to 1988/89. Improved tax administration and the expansion of the revenue base resulted in a growth of 86 per cent in current revenue over this period. Over the same period, current expenditure registered a higher increase of 96 per cent resulting in a larger current deficit. Current revenue is expected to grow by 17 per cent in 1988/89, while current expenditure will increase by 24 per cent resulting in a current deficit of K£250 million compared to a provisional figure of K£102 million in 1987/88. The increase in current expenditure was necessary to meet the rising costs of salaries and allowances for civil servants and teachers, requirements of the new ministries, Ten Years of Nyayo Era and 25th Independence Anniversary Celebra-

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1984/85-1988/89

Table 6.1 *K£million*

	1984/85	1985/86	1986/87	1987/88**	1988/89**	Percentage Increases 1984/85 to 1988/89
Current Revenue	1016.89	1205.55	1386.67	1618.19	1890.08	85.87
Current Expenditure***	1091.32	1250.82	1517.21	1719.93	2140.28	96.12
Current Surplus	-74.43	-45.27	-130.54	-101.74	-250.20	236.15
Capital Revenue	2.70	3.77	2.94	4.12	8.32	208.15
Capital Expenditure***	217.77	177.00	324.58	285.17	393.11	80.52
Net Lending***	36.93	50.52	47.95	29.31	83.94	127.29
External Grants	70.50	54.80	62.80	159.40	366.70	420.14
OVERALL DEFICIT	-255.93	-214.22	-437.33	-252.70	-352.23	37.63
FINANCING OF THE DEFICIT—						
External Loans (Net)	24.85	-95.00	1.45	71.45	188.80	
Total Domestic Borrowing	87.58	204.15	406.35	225.85	169.50	93.54
Long-term (net)	6.85	36.28	156.35	220.80	47.90	
Short-term (net)	80.73	167.87	250.00	5.05	121.60	
CHANGES IN CASH BALANCES: Increase = +	-143.50	-105.07	-29.53	44.60	6.07	_
MEMORANDUM ITEMS—						
Public Debt Redemption	184.65	169.94	192.39	180.28	390.90	111.70
(a) External	120.75	146.00	156.27	163.00	203.30	68.36
(b) Internal	63.90	23.94	36.12	17.28	187.60	193.58

*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.

tions, preparations for National Population Census, establishment of a second industrial court, formation of National Water Conservation and Pipeline Corporation, implementation of the new 8 4-4 education system and the increased universties' enrolment. Despite having an erratic trend capital expenditure has remained substantial and increased by 38 per cent from K£285 million in 1987/88 to K£393 million in 1988/89. The Government has continued to concentrate budget allocations on high priority projects, thus raising the overall efficiency and productivity of development expenditure.

6.4. Since growth in revenue has been outpaced by growth in expenditure, the Government's objective of reducing the deficit to a sustainable level has proved difficult to attain. Provisional results for 1988/89 indicate that the overall deficit will probably be K£352 million. The share of deficit financed by net external loans has increased substantially in the last three years, from a negative figure or net outflow of K£95 million in 1985/86 to an expected net inflow of K£189 million in 1988/89. Up to 1987/88, domestic borrowing contributed the major share in financing the deficit; this trend is expected to be reversed in 1988/89 due to substantial growth in net external loans.

6.5. Some key fiscal trends have been analysed and presented in Table 6.2. The ratio, of capital expenditure to current expenditure seems to be increasing after dropping to 17 per cent in 1987/88, from 21 per cent in 1986/87. The ratio of external grants and loans to capital expenditure plus net lending has increased substantially in the last three years, while the ratio of net short term borrowing to capital expenditure plus net lending appear to be growing after declining for two years. The Government has continued in its task of reducing overall deficit as a percentage of GDP, although there has been temporary deviations from the target due to the need to accommodate expenditure on special items such as those mentioned in paragraph 6.3 above.

ANALYSIS OF KEY FISCAL TRENDS, 1984/85—1988/89

Table 6.2

	1984/85	1985/86	1986/87	1987/1988*	1988/1989*
1. Current surplus as % of Current Revenue	-7.3	-3.7	-9.4	-6.3	-13.2
2. Current surplus as % of Capital Expenditure plus Net Lending	-29.2	-19.9	-35.0	-32.3	-52.4
3. Ratio of Capital Expenditure to Current Expenditure	200	14.1	21.4	16.6	18.4
4. Overall deficit as % of Current Revenue	-25.2	-17.8	-31.5	-15.6	-18.6
5. Overall Deficit as % of Total Expenditure	-16.7	-13.0	-21.0	-11.4	-11.7
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	37.4	-17.7	17.2	73.4	116.4
7. Net Short-Term Borrowing as % of capital Expenditure plus Net Lending	31.7	73.8	67.1	1.6	25.5
8. Current revenue as % of GDP at current Market Prices	22.9	24.1	23.7	24.7	24.8
9. Total Government Expenditure as % of GDP at Current Market Prices	34.5	33.0	35.6	33.8	39.4
10. Overall Deficit as % of GDP at Current Market Prices	- 5.8	- 4.3	-7.5	-3.9	-4.6*

*Provisional

6.6. Table 6.3 compares the original budget estimates with the actual out-turns for the period from 1985/86 to 1988/89. This provides an indication of the predictability of the various budgetary items. Forecasting of recurrent revenue continued to be reasonably accurate with a surplus of 9 per cent in 1985/86, a shortfall of 3 per cent in 1986/87, a surplus of 3 per cent in 1987/88 and 6 per cent in 1988/89. In the recent past years, the

CENTRAL GOVERNMENT COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1985/86—1988/89

Table 6.3 *K£million*

	1985/86			1986/87		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	1,106.10	1,209.32	103.22	1,427.80	1,389.61	- 38.19
Recurrent Expenditure	978.26	1,176.67	198.41	1,423.03	1,433.92	10.88
Recurrent Balance	127.84	32.65	- 95.19	4.76	- 44.31	-49.07
Development Expenditure + Net Lending	381.35	301.70	-79.65	482.55	455.82	- 26.73
External Financing (Net)**	112.80	-40.20	153.00	218.70	64.25	-154.45
Balance for Domestic Financing (Net)	140.71	309.25	168.54	259.09	435.88	176.79
		1987/88*			1988/89*	
	Budget	Actual	Difference	Budget	Actual*	Difference
Recurrent Revenue	1,578.26	1,622.31	+44.05	1,796.49	1,898.40	+ 101.91
Recurrent Expenditure	1,610.98	1,631.23	20.25	1,958.15	1,851.89	-106.26
Recurrent Balance	- 32.72	- 8.92	+23.80	-161.66	+46.51	+208.17
Development Expenditure + Net Lending	608.56	403.19	-205.37	729.42	765.44	36.02
External Financing (Net)**	227.50	230.85	- 46.65	483.75	555.50	71.75
Balance for Domestic Financing (Net)	363.78	181.26	-182.52	407.33	163.43	-243.90

*Provisional.
**Includes external grants.

difference between the budgeted and actual recurrent expenditure has also been narrowed considerably. Actual recurrent expenditure exceeded the budget estimate by 20 per cent in 1985/86, was nearly equal in 1986/87 and 1987/88, and fell short by 6 per cent in 1988/89. External financing fell considerably in 1985/86 and 1986/87 but picked-up in 1987/88 and 1988/89. The balance for domestic financing exceeded the budget estimates in 1985/86 and 1986/87 but fell 50 per cent and 60 per cent, below the budget estimates in 987/88 and 1988/89, respectively.

6.7. Gross receipts as portrayed in Table 6.4 increased by 17 per cent in 1988/89, ompared with 17 per cent in 1987/88 and 15 per cent in 1986/87. Between 1984/85 to 1988/89 gross receipts had a growth of 86 per cent indicating considerable success of the Government's effort to improve revenue collection. All sources of revenue recorded encouraging performance with substantial rates of growth.

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1984/85—1988/89

Table 6.4 *K£million*

	1984/85	1985/86	1986/87	1987/88**	1987/88**
DIRECT TAXATION—					
Income Tax	300.97	358.12	385.73	454.48	515.00
Other	–	–	–	–	–
Total	300.97	358.12	385.73	454.48	515.00
INDIRECT TAXATION—					
Sales Tax on Domestic Manufacturers	158.00	191.00	241.75	301.25	353.40
Sales Tax on imports	115.55	112.59	155.77	218.71	242.10
Import Duties***	165.08	211.84	246.71	271.47	312.40
Excise Duties	78.78	89.04	106.27	123.06	135.10
Export Duties	27.04	39.64	33.88	16.46	25.30
Business and Trading Licences	3.69	5.95	6.31	5.50	9.20
Licences and Fees Under Traffic Act	8.12	11.21	12.34	13.19	18.40
Other Licences and Duties on Production or Sale	28.73	47.19	51.96	47.00	57.63
Total	584.99	708.46	854.69	996.04	1,153.53
OTHER REVENUE AND INCOME—					
Compulsory Fees, Fines and Penalities	17.71	20.36	22.02	26.68	39.02
Income From Property	57.45	64.77	60.54	69.58	§9.11
Current Transfers	2.59	11.36	15.32	8.27	10.05
Sales of Goods and Services	36.90	38.89	43.42	57.08	73.90
Other	18.98	10.36	7.59	9.58	17.79
Total	133.63	145.74	148.89	171.19	229.87
TOTAL	1,019.59	1,212.32	1,389.61	1,622.31	1,898.40
MEMORANDUM ITEM—					
Loan Repayments to Government	3.98	7.42	6.36	5.11	6.10

*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 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. For the last three years sales tax has displaced income tax as the most dominant source of revenue. Provisional results for 1988/89 indicate that in 1988/89 fiscal year, sales tax will record a growth of 15 per cent compared to a growth of 13 per cent for the income tax. Sealing of loopholes in tax administration and higher rates on petrol, beer and soda introduced in the last budget were in part responsible for the growth in sales tax. Export duties grew by 54 per cent in 1988/89 after a drop of 51 per cent in 1987/88 mainly due to recovery of coffee and tea prices in the world market. Indirect taxes contributed 61 per

cent of gross receipts, portraying the success of the Government's efforts to reduce the relative importance of direct taxation.

6.9. Import duty collections for various goods as shown in Table 6.5 had a growth of 17 per cent in 1988 compared with growths of 11 per cent in 1987 and 33 per cent in 1986. Due to good climatic conditions in the country, demand for food and tobacco imports has declined appreciably, leading to a fall in import duty on these products. Major sources of import duty continued to be machinery, transport equipment, chemicals, metals and fuels.

CENTRAL GOVERNMENT

IMPORT DUTY COLLECTIONS, 1984—1988

Table 6.5 *K£ million*

END USE CATEGORY	1984	1985	1986	1987	1988*
Food, drink and tobacco	22.40"	7.90	13.92	10.58	9.22
Basic materials.	8 91	8.91	10.30	14.80	14.72
Fuels	22.52	18.32	26.80	30.02	30.14
Chemicals	28.80	27.10	31.81	42.20	54.52
Textiles	4.43	4.00	5.60	6.89	5.28
Semi-manufactures	10.00	12.40	14.41	16.26	25.16
Metals	21.31	23.80	25.60	28.77	34.78
Transport Equipment	21.70	22.50	37.32	44.52	42.61
Machinery	40.72	34.71	48.60	43.68	59.97
Miscellaneous commodities	7.30	7.81	7.90	8.47	11.08
TOTAL	188.09	167.45	222.26	246.19	287.48

*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. Table 6.6 gives a breakdown of excise revenue receipts for some commodities. Total excise receipts had a growth of 14 per cent in 1988 compared with 20 per cent in 1987 and 8 per cent in 1986. Major sources of excise duty continued to be cigarettes, which contributed 63 per cent of total receipts. Imposition of additional duty on cigarettes has contributed to the substantial growth of excise revenue in the last five years.

CENTRAL GOVERNMENT

EXCISE REVENUE BY COMMODITIES, 1984—1988

Table 6.6 *K£'000*

	1984	1985	1986	1987	1988*
Beer and spirits	17,572	18,934	20,316	23,889	25,494
Sugar	17,373	17,205	14,748	18,178	20,400
Cigarettes	43,002	50,652	58,192	70,701	82,139
Other commodities**	350	714	1,326	1,162	1,553
TOTAL	78,297	87,505	94,582	113,930	129,586

*Provisional.

**Includes transfer adjustments not allocated by commodity.

6.11. Table 6.7 details the financing of capital expenditure and net lending. Capital expenditure registered a high level of K£393 million in 1988/89, compared with K£285 million in 1987/88 and K£325 million in 1986/87. Net lending to other Government agencies increased substantially to K£84 million in 1988/89 after dropping gradually from K£51 million in 1985/86 to K£29 million in 1987/88. Investors shifted their money from Treasury bills to Treasury bonds since the bonds offered higher returns. Sales of Treasury

bills declined sharply from K£255 million in 1985/86 to K£4 million in 1987/88. Over the same period Treasury bonds rose from K£36 million to K£221 million. The shift from Treasury bills to Treasury bonds had a significant role in reducing the growth of liquidity in the economy. The Government has continued to encourage participation of the non-bank sector in financing of the budget deficit by trying to sell the bulk of the Treasury bonds outside the banking system.

CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1984/85-1988/89

Table 6.7 *K£million*

	1984/85	1985/86	1986/87	1987/88*	1988/89*
EXPENDITURE—					
Capital Expenditure	217.77	177.00	324.58	285.17	393.11
Net Lending	36.93	50.52	47.95	29.31	83.94
TOTAL	254.70	227.52	372.53	314.48	477.05
FINANCING—					
Surplus on Current Account	-74.43	-45.27	-130.54	-101.74	-250.20
Capital Revenue	2.70	2.77	2.94	4.12	8.32
External Loans (Net)	24.85	-95.00	1.45	71.45	189.80
External Grants	70.50	54.80	62.80	159.40	366.70
Long-Term Domestic Borrowing (Net)	6.85	36.28	156.35	220.80	47.90
SHORT TERM BORROWING—					
Cereals and Sugar Finance Corporation (Net)	-4.64	-84.37	-65.00	-4.55	–
Treasury Bills (Net)	84.85	255.04	14.60	4.15	–
Other Short-Term Borrowing (Net)	0.52	-2.80	300.40	5.45	121.60
Change in Cash Balances (decrease=+)	+ 143.50	105.07	29.53	-44.60	-6.07
TOTAL	254.70	227.52	372.53	314.48	477.05

*Provisional.

Analysis of Government Expenditure

6.12. The Government continued with its efforts of redirecting budget allocations to high priority projects. By limiting overall growth of the Government expenditure and increased "cost sharing", especially in education and health, the desired level of budget deficit may be maintained. Table 6.8 provides details of expenditure incurred by the Government on various services. Between 1985/86 and 1988/89 total Government expenditure is expected to grow by 89 per cent with major share taken by education, agriculture, defence and health. The 27 per cent increase in expenditure on education in 1988/89 is due to the implementation of 8 4 4 education system and increased number of university enrolment. Expenditure on agriculture, forestry and fishing increased substantially from K£147 million in 1987/88 to K£213 million in 1988/89, or by 49 per cent.

6.13. Details of economic analysis of Government expenditure for 1985/86 to 1988/89 are presented in Table 6.9. Current expenditure (excluding write-off of loan and interest amounting to K£258 million owed to the Government by the National Cereals and Produce Board) increased by 24 per cent in 1988/89, while labour costs increased by 20 per cent mainly due to an increase in salaries for the police and prison officers. As already indicated, preparation for the National Population Census, establishment of a second industrial court, formation of the National Water Conservation and Pipeline Corporation, road maintenance and the urgent need to deal with the poaching menace are other factors that contributed to the increase in Government expenditure.

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1985/86-1988/89

Table 6.8

K£million

	1985-86			1986-87			1987-88*			1988/89*		
	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	68.78	33.72	102.50	84.74	110.39	195.13	96.55	63.06	159.61	122.78	114.11	236.89
External Affairs	22.19	0.84	23.03	27.36	0.99	28.35	28.71	0.99	29.70	30.67	2.28	32.95
Public Order and Safely	69.67	11.45	81.12	82.36	13.76	96.12	107.72	11.79	119.51	115 48	13.24	128.72
TOTAL	160.64	46.01	206 65	194 46	125.14	319.60	232.98	75.84	308.82	268.93	129.63	398 56
Defence..	113.66	13.68	127.34	144.01	22.76	166.77	21796	26.36	244.32	177.43	29.77	207.20
	313.85	15.84	329.69	371.05	25.45	396.50	431.15	25.65	456.80	502.78	77.15	579.93
Health	78.76	13.95	92.71	95.54	14.73	110.27	103.97	14.20	118.17	109.34	46.43	155.77
Housing and Community Welfare..	2.80	13.54	16.34	2.01	11.18	13.19	2.18	89.3	11.11	5.89	24.74	30.63
Social Welfare.	26.65	20.91	47.56	30.86	53.06	83.92	30.78	46.08	76.86	37.29	35.69	72.98
ECONOMIC SERVICES—												
General Administration	15.17	20.24	35.41	12.30	12.34	24.64	21.19	59.58	80.77	24.84	91.97	116.81
Agriculture. Forestry and Fishing	69.69	78.46	148 15	132.72	101.71	234.43	78.52	68.50	147.02	84.06	128.79	212.85
Mining, Manufacturing and Construction	29.91	5.77	35 68	36.63	64.2	43.05	35 98	5.85	41.83	40.58	52.41	92.99
Electricity, Gas, Steam and water	18.32	23.22	41 54	21.35	40.71	62.06	21.20	28.87	50.07	23.19	57.74	80.93
Road	10.56	42.75	53 31	10.58	39.88	50.46	8.45	42.99	51.44	10.95	79.86	90.81
Transport and Communications	8.74	4.78	13.52	9.33	6.50	15.83	9.36	40.6	13.42	13.04	17 36	30.40
Other Economic Services"	44.66	1.63	46 29	49.02	2.30	51.32	37.62	1.39	39.01	49.07	0.00	49.07
TOTAL ECONOMIC SERVICES	197.05	176.85	373 90	271.93	209.86	481.79	212.32	211.4	423.56	245.73	428.13	673.86
OTHER SERVICES; INCLUDING PUBLIC DEBT	453.20	8.34	461.54	516.45	0.00	516.45	580.17	0.00	580.17	895.40	0.00	895. 40
TOTAL***	1346.61	309.12	655.73	1626.31	462.18	2088.49	1811.51	408.30	2219.81	2242.79	771.54	3014..33

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

CENTRAL GOVERNMENT

ECONOMIC ANALYSIS OF EXPENDITURE, 1985/86-1988/89

Table 6.9 *K£million*

	1985/86	1986/87	1987/88*	1988/89*
CURRENT EXPENDITURE—				
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES—				
Labour Costs	335.80	398.42	453.22	545.30
Other Goods and Services	354.45	414.35	476.68	680.09
TOTAL	690.25	812.77	929.90	1,225.39
SUBSIDIES**	27.35	26.50	26.73	28.13
INTEREST—				
Foreign	91.04	102.04	121.26	153.27
DOMESTIC	175.01	198.17	248.22	311.24
TRANSFERS TO—				
Households and Unincorporated Enterprises including Private Non-profit Institutions	48.74	32.84	35.79	
Financial and Non-Financial Enterprises	1.03		6.95	
General Government	208.87	331.01	327.73	422.24
Rest of the World	5.81	12.28	9.69	
Funds	2.71	1.59	13.65	
TOTAL TRANSFERS	267.16	377.72	393.81	422.24
OTHERS	0.01	0.01	0.01	0.01
1. TOTAL CURRENT EXPENDITURE	1,250.82	1,517.21	1,719.93	2,140.28
2. CAPITAL EXPENDITURE—				
Gross Fixed Capital Formation	150.50	283.72	245.26	376.16
Catital Transfers	26.50	40.86	39.91	16.95
3. NET LENDING				
Purchase of Equity in Enterprises	10.48	7.87	7.13	16.70
Loans to Households. Enterprises and General Government Agencies	47.46	46.44	27.29	73.34
less Loan Repayments to Government	-7.42	-6.36	-5 1 1	-6.10
TOTAL	50.52	47.95	29.31	83.94
4. PUBLIC DEBT REDEMPTION	169.94	192.39	180.28	390.90
5. TOTAL EXPEDITURE (1+2+3+4)	1.648	2.082.13	2.214.69	3.008.23
MEMORANDUM ITEM				
Export Compensation	27.30	25.43	26.48	28.10

*Provisional.

**Includes Export Compensation.

Public Debt

6.14. Table 6.10 highlights details of both domestic and external debt (excluding interest payment). Public debt had a growth of 55 per cent from K£2,210 million as at June, 1984 to K£3,424 million as at June, 1988. Information on sources of public unfunded debt for the period June, 1984 to June, 1988 as detailled in Table 6.11, indicate that friendly countries were the major sources of funding with a contribution of 57 per cent of the total unfunded debt in 1988. In the last three years, the three major lending countries have been West Germany, Japan and U.S.A., while the World Bank institutions (IBRD and IDA) dominated the multilateral lenders. African Development Bank (ADB), I.M.F. and the E.E.C. were other main lenders in 1988. Recent inclusion of multilateral sources are International Funds for Agricultural Development (IFAD), Commonwealth Development Corporation (CDC) and African Developmment Fund (ADF). Lending to Kenya has expanded significantly in the last five years, with an increase of 78 per cent from K£l,542 million as at June, 1984 to K£2,727 million as at June, 1988.

CENTRAL GOVERNMENT
PUBLIC DEBT, 1984-1988

Table 6.10

K£million

As at 30th June	PUBLIC DEBT*								
	FUNDED			UNFUNDED			TOTAL		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1984	–	668.46	668.46	1,531.99	10.0	1,541.99	1,531.99	678.46	2,210.45
1985	–	681 00	681.00	1,542.58	10.0	1,552.58	1,542.58	691.00	2,233.58
1986	–	712.94	712.94	2,029.00	100	2,039.00	2,029.00	722.94	2,751.94
1987	–	706.93	706.93	2,280.65	100	2,290.65	2,280.65	716.93	2,997.58
1988	–	696.39	696.39	2,717.41	10.0	2,727.41	2,717.41	706.39	3,423.80

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

SOURCES OF UNFUNDED DEBT, 1984-1988

Table 6.11 *K£million*

Outstanding as at 30th June	1984	1985	1986	1987	1988
EXTERNAL DEBT—					
Lending Countries—					
U.S.A	101.41	122.23	137.22	139.05	149.58
West Germany	98.82	123.50	182.63	241.37	279.56
Japan	63.90	82.70	140.57	179.80	235.61
Netherlands	45.31	48.51	68.13	88.33	87.18
Denmark	17.50	21.10	31.75	43.42	38.61
Finland	–	1.91	2.63	3.04	4.16
Other	443.60	382.60	610.22	665.80	773.83
Total	770.54	782.55	1,173.15	1,360.81	1,568.53
International Organizations—					
I B R D.	413.93	332.80	367.12	380.00	391.89
I.D.A	260.10	334.32	367.00	399.83	515.06
African Development Bank	20.01	25.00	42.84	67.18	86.10
O.P.E.C	8.01	8.40	9.08	9.07	11.31
E.E.C	21.40	22.31	29.53	42.47	50.45
I M F	32.10	29.20	26.77	10.54	65.80
Arab League	2.60	2.70	2.55	2.37	2.39
Badea	3.30	3.60	3.51	0.34	3.57
I.F.A.D	–	1.70	3.29	3.05	3.12
C.D.C	–	–	4.16	5.00	7.83
A.D.F	–	–	–	–	11.36
Total	761.45	760.03	855.85	919.85	1,148.88
TOTAL EXTERNAL	1,531.99	1,542.58	2,029.00	2,280.66	2,717.41
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	1,541.99	1,552.58	2,039.00	2,290.66	2,727.41

6.15. Details of the holders of Public Funded Debt between June, 1984 and June, 1988 are presented in Table 6.12. There has been a decline in Public Funded Debt with a drop of 1 per cent, both as at June, 1987 and as at June, 1988. In the last two years, the

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS ON LOCAL REGISTER AS AT 30TH JUNE, 1984—1988

Table 6.12 *K£million*

	1984	1985	1986	1987	1988
PUBLIC BODIES—					
National Social Security Fund	272.81	298.33	317.35	297.08	294.77
Central Government	46.74	46 43	62 41	76.73	75.79
Local Government	0.52	0.40	0.28	0.45	0.40
Kenya Post Office Savings Bank	15.17	11 39	10.97	8.91	8 86
Former E.A. Community Institutions*	28.53	25.02	25.02	21.45	20 84
Central Bank	261 65	261.65	261.65	262.76	262.76
Other Public Sector	2.67	2.74	2.46	1.16	1.16
OTHER INTERNAL—					
Commercial Banks	12.37	8.77	9.07	9.07	5.43
Insurance Companies	11.33	9.60	9.44	8.73	8.20
Other Companies	16.57	16.57	14 19	20 49	1808
Private Individuals	0.10	0.10	0.10	0.10	0.10
TOTAL	668.46	681.00	712.94	706.93	696.39

Source: Central Bank of Kenya.

* And other successors.

main holders of funded debt were National Social Security Fund (NSSF) and Central Bank, with shares of 42 per cent and 37 per cent. There has been a decline in borrowing from insurance companies since 1984, while borrowing from commercial banks declined by 40 per cent in 1988 after no change in 1987.

6.16. Tables 6.13 and 6.14 provide information on debt servicing charges. Net debt servicing charges increased by 13 per cent in 1988 compared with 17 per cent in 1987,19 per cent in 1986 and 33 per cent in 1985. The decline in the rate of growth is in line with Government's policy of reducing cost of existing and new debt. The Debt Management Division in Treasury has the task of ensuring that more funds are available to the Government at competitive market rates of interest. External debt service charges as a percentage of exports of goods and services almost stagnated between June, 1985 and June, 1986 before rising to 18 per cent in 1987, and is expected to drop to 17 per cent in 1988.

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES, 1984-1988

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
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	149.78	149. 01
1986	237.03	191.96	428.99	–	19.72	19.72	237.03	172.24	409.27
1987	258.28	234.29	492.57	–	13.95	13.95	258.28	220.34	478.62
1988	284.27	265.50	549.77	_	11.17	11.17	284.27	254.33	538.60

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1984-1988

Table 6.14

	Debt Service Charges on External Debt*	Export of Goods and Services	External Debt Service Charges as a Percentage of Exports of Goods and Services
	K£million	*K£million*	
1984	153.27	1170.51	13.09
1985	194.78	1274.84	15.28
1986	237.03	1516.69	15.63
1987	258.28	1,399.59	18.45
1988**	284.27	1,664.85	17.07

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

Local Authorities

6.17. Local Authorities have over the years tried to meet increased demand for provision of basic needs facilities and services especially in urban centres. Their expenditure growth has outpaced revenue growth making them register large budgetary deficits. Local Authorities financed their large deficits through running down reserves and general fund and securing bank overdrafts. Introduction of local service charges and authorising wider coverage of agricultural cess will expand the revenue base of these authorities.

6.18. A summary of expenditure by Local Authorities from 1984 to 1988 is presented in Table 6.15. Upgrading of the status of various authorities has increased expenditure by Local Authorities in the last few years. Between 1984 and 1988 Nairobi City Commission expenditure was about half the total municipalities' expenditure. Expenditure by Town, Urban and County councils increased from K£10 million in 1984 to K£37 million in 1988 mainly due to upgrading of some trading centres to Urban councils and some Urban councils to Town councils.

EXPENDITURE BY LOCAL AUTHORITIES, 1984.1988

Table 6.15 *K£million*

	MUNICIPALITIES			Town, Urban and County Councils	Total
	Nairobi City Council	Other Municipal Councils	Sub-Total		
1984	48.26	16.98	65.24	10.34	75.58
1985	77.57	54.49	132.06	18.09	150.15
1986	57.16	48.73	105.89	19.28	125.17
1987*	64.90	39.80	104.70	26.42	131.12
1988*	68.94	75.10	144.04	37.12	181.16

*Provisional.

6.19. Table 6.16 gives details of Municipal councils expenditure by main services. Expenditure on sanitation, housing and water undertakings accounted for more than half of expenditure by Municipal councils. Although expenditure has been erratic, the general upward trend is an indication of the commitment by the municipalities to provide efficient and adequate services to their residents.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1984-1988

Table 6.16 *K£million*

	1984	1985	1986	1987*	1988*
Administration	10.16	18.31	16.75	16.43	22.79
COMMUNITY SERVICES:					
Roads ..	3.20	9.97	8.44	8.99	10.09
Sanitation	6.51	13.99	11.11	11.91	23.04
Other	1.42	1.52	1.91	1.23	1.87
Total	11.13	25.48	21.46	22.13	35.00
SOCIAL SERVICES:					
Education	10.52	10.84	6.68	6.16	7.91
Health	5.50	11.38	9.71	8.98	11.94
Other	0.31	1.26	0.65	1.24	1.70
Total	16.33	23.48	17.04	16.38	21.55
ECONOMIC SERVICES:					
General Administration	0.90	2.98	4.51	2.80	6.04
Water Undertakings	16.21	32.20	18.94	23.36	33.45
Housing Estates (including Staff Housing)	3.80	24.58	23.26	16.10	17.06
Other	6.71	5.03	3.93	7.50	8.15
Total	27.62	64.79	50.64	49.76	64.70
TOTAL EXPENDITURE	65.24	132.06	105.89	104.70	144.04

*Provisional.

6.20. Details of economic analysis of expenditure by municipal councils are provided in Tables 6.17 and 6.18. Current expenditure increased by 37 per cent while capital expenditure increased by 38 per cent due to expansion of various facilities and services. Information on economic analysis of revenue by Municipal councils for the period 1984-1988 indicate erratic trends in the various sources of revenue. The main sources of revenue are rates, loans and sale of goods and services which together contributed 93 per cent of the total revenue in 1988. With the introduction of local service charges, Municipal councils' finances are bound to improve considerably.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1984-1988

Table 6.17 *K£million*

	1984	1985	1986	1987*	1988*
CURRENT EXPENDITURE—					
Labour Cost	22.82	33.30	29.71	29.67	42.21
Other Goods and Services	17.30	27.39	25.86	26.29	32.32
Transfer to Households and Enterprises	0.54	1.07	1.05	1.45	1.27
Transfer to Funds (Current) Interest	0.27	0.48	3.69	0.83	4.00
Total	40.93	62.24	60.31	58.24	79.80
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	15.69	54.26	31.41	30.25	46.31
Loan Repayment**	8.41	15.35	12.50	15.61	16.94
Transfer to Funds (capital)	0.21	0.21	1.67	0.60	0.99
TOTAL	24.31	69.82	45.58	46.46	64.24
TOTAL EXPENDITURE	65.24	132.06	105.89	104.70	144.04

*Provisional.
**Includes Interest.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1982-1986

Table 6.18 *K£million*

	1984	1985	1986	1987*	1988*
CURRENT REVENUE—					
Direct Taxes (Rates**)	18.98	23.49	22.69	24.46	31.26
Indirect Taxes (Licences and cesses)	0.98	2.86	3.50	3.04	5.36
Income from Property	0.18	0.46	112	3.00	1.17
Current Transfers	0.65	0.99	0.46	0.83	0.63
Sale of Goods and Services	26.10	24.92	26.23	32.02	34.09
Total	46.89	52.72	54.00	63.35	72.51
CAPITAL REVENUE—					
Loans Raised	13.22	44.49	30.81	22.03	30.16
Loan Repayments	0.08	0.03	0.23	0.06	0.06
Total	13.30	44.52	31.04	22.09	30.22
TOTAL REVENUE	60.19	97.24	85.04	85.44	102.73

*Provisional.
**Paid by households and enterprises.

6.21. The continued increase in expenditure by Town, Urban and County councils as shown in Table 6.19 has been due to the upgrading of the status of several authorities. Substantial amounts were borrowed to finance capital projects. Indirect taxes, income from property and sale of goods and services dominated other sources, and accounted for 74 per cent of total revenue in 1988.

TOWN, URBAN AND COUNTY COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1984-1988

Table 6.19 *K£million*

	1984	1985	1986	1987*	1988*
CURRENT EXPENDITURE—					
Labour Cost	5.06	8.85	9.86	12.75	17.39
Other Goods and Services	1.86	4.14	4.76	5.38	6.86
Transfer to Households and Enterprises	012	0.46	0.45	0.44	0.56
Transfer to Funds (current)	0.12	0.39	0.30	0.43	0.34
Interest	..	..	..	..	..
Total	7.16	12.84	15.37	19.00	25.15
CAPITAL EXPENDITURE—					
Gross Fixed Capital Formation	3.06	3.82	3.31	6.48	10.96
Loan Repayments**	010	0.32	0.30	0.71	0.71
Transfer to Funds (capital)	0.02	0.11	0.30	0.23	0.30
Total	3.18	4.25	3.91	7.42	11.97
TOTAL EXPENDITURE	10.34	18.09	19.28	26.42	37.12
CURRENT REVENUE—					
Direct Taxes (Rates***)	0.99	2.11	1.00	2.77	2.27
Indirect Taxes (Licences and cesses)	4.70	10.43	8.25	9.04	9.75
Income from Property	0.67	1.39	6.71	2.17	7.87
Current Transfers	0.37	0.36	0.73	0.45	0.84
Sale of Goods and Services	1.53	2.44	4.27	3.12	6.45
Total	8.26	16.73	20.96	17.55	27.18
CAPITAL REVENUE—					
Loans Raised	0.07	0.67	1.15	1.31	5.28
Loan Repayments	0.07	0.01	0.02	0.01	0.01
Total	0.14	0.68	1.17	1.32	5.29
TOTAL REVENUE	8.40	17.41	22.13	18.87	32.47

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

CHAPTER 7 - EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

Overview

Despite a larger deficit of K£813 million compared with K£641 million in the balance of trade in 1987 there was some improvement in the performance of Kenya's external trade, with total export value expanding by 21 per cent and imports by 23 per cent in 1988. Higher average prices of the major export commodities, coffee and tea, and a wide range of other merchandise exports contributed to the rise in the export receipts. The rise in the value of imports is attributable to continued liberalisation of import licensing and the depreciation of the Shilling against the currencies of Kenya's major trading partners. In absolute terms, large adverse trade balances wee recorded against Japan (K£203million), United Arab Emirates (K£199 million), United Kingdom (K£147 million), France (K£91 million) and West Germany (K£53 million) and favourable trade balance was recorded with African countries.

7.2. The balance of payments out-turn for 1988 was slightly better than in the previous year as the current account deficit was reduced from K£409 million in 1987 to K£403 million in 1988 leading to the reduction of the overall balance of payments deficit by K£37 million. This improvement was largely assisted by a record surplus of K£293 million on the invisible transactions resulting from increased inflows of grants and tourist earnings, substantial drawings from the World Bank under the Agricultural and Industrial Sector Adjustment Credits and other external loans. There was a significant rise in the foreign exchange reserves from K£215 million in 1987 to K£255 million in 1988.

Balance of Trade

7.3. The 21 per cent decline in value of domestic exports in 1987 was followed by a 22 per cent rise in 1988, as a result of higher prices received for majority of the commodities. Imports, however, have kept increasing and registered a 23 per cent growth in 1988, compared with growth of 7 per cent in 1987 and 12 per cent in 1986. Although the value of total exports reached K£952 million in 1988, this was 4 per cent less than the total value of exports in 1986, which were exceptionally high because of the mini coffee boom. There was, however, a 6 per cent decline in the value of re-exports in 1988 compared with 1987. The K£334 million rise in imports in 1988 from K£1431 in 1987 is attributed to higher quantities and prices of most manufactured goods. Table 7.1 sets out details of balance of trade position since 1984.

BALANCE OF TRADE, 1984—1988

Table 7.1 *K£million*

	1984	1985	1986	1987	1988*
EXPORTS—					
Domestic Exports	754.81	785.10	957.97	753.41	917.72
Re-exports	22.09	26.33	28.88	36.45	34.16
Total	776.91	811.43	986.85	789.86	951.88
IMPORTS—					
Commercial	1,050.22	1,153.98	1,276.03	1,346.33	1,654.45
Government	46.99	42.02	61.87	84.56	110.70
TOTAL	1,097.21	1,196 00	1,337.89	1,430.88	1,765.15
BALANCE OF TRADE	-320.30	-384.57	-351.04	-641.02	-813.27

*Provisional.

7.4. Since 1986, trade deficit as a percentage of export earnings has risen from a low value of 35.6 per cent in 1986 to 85 per cent in 1988. During the period the balance of trade has worsened from a deficit of K£320 million in 1984 to K£813 million in 1988; a 26.9 per cent rise from the deficit recorded in 1987.

Price Changes

7.5. During 1988, there was a general rise in prices of both exports and imports except for mineral fuels which recorded a drop in prices. Other areas that recorded marginal declines in export prices were animal and vegetable oils and fats and chemicals. Indices in Table 7.2 show that exports had an overall rise of 15.1 per cent with machinery and transport equipment recording the highest rise at 45 per cent resulting from exports of car batteries and filament lamps. These were followed by beverages and tobacco and food and live animals which recorded increases of 27 per cent and 25 per cent, respectively. The fall in the prices of mineral fuels is due to availability of cheap petroleum products internationally. The rise in the price of beverages and tobacco is mainly due to the higher prices received for coffee and tea.

PRICE INDICES, 1984-1988

Table 7.2 *1982=100*

	1984	1985	1986	1987	1988
EXPORTS—					
Food and live animals	167	155	188	137	171
Beverages and tobacco	132	146	148	146	185
Crude materials, inedible	107	117	121	128	138
Mineral fuels	112	114	81	88	84
Animal and vegetable oils and fats	127	142	159	139	137
Chemicals	125	134	167	162	161
Manufactured goods	128	154	115	117	129
Machinery and transport equipment	223	208	322	202	293
Miscellaneous manufactured articles	170	169	174	177	184
All Exports	144	142	152	126	145
Non-oil Exports	154	151	174	138	165
IMPORTS—					
Food and live animals	116	102	161	126	150
Beverages and tobacco	141	190	218	262	269
Crude materials, inedible	130	169	144	145	164
Mineral fuels	112	127	77	86	79
Animal and vegetable oils and fats	216	213	159	136	147
Chemicals	156	258	227	214	256
Manufactured goods	140	175	165	184	216
Machinery and transport equipment	145	156	198	198	208
Miscellaneous manufactured articles	108	141	137	152	193
All Imports	131	155	147	149	164
Non-oil Imports	143	173	187	185	209

7.6. The overall import price index rose by 10 per cent in 1988 with miscellaneous manufactured articles recording the highest rise at 27 per cent, followed by chemicals with 20 per cent rise and food and live animals by 19 per cent. Moderate increases were also recorded for beverages and tobacco, up by 3 per cent and machinery and transport equipment by 5 per cent.

Terms of Trade

7.7. Table 7.3 sets out details on terms of trade. The slight improvement of 3.5 per cent per for all items and 5.3 per cent for non oil items indicate the non-recovery from the 1987 price fall of most commodities. The mild rise in prices was not strong enough to significantly improve terms of trade for the economy.

TERMS OF TRADE, 1984—1988

Table 7.3 *1982=100*

	1984	1985	1986	1987	1988
All Items	110	92	103	85	88
Non-oil Items	108	87	93	75	79

Volume changes

7.8. Quantum indices shown in Table 7.4 indicate a 5 per cent rise for exports and 12 per cent rise for imports. The rise in export index from 110 in 1987 to 116 per cent in 1988 was primarily due to a rise in quantities of crude inedible materials by 26 per cent, mineral fuels by 23 per cent, animal and vegetable oils and fats by 29 per cent, manufactured goods by 33 per cent and other manufactured articles by 14 per cent. Declines in quantities were recorded in food and live animals, beverages and tobacco, chemicals and machinery and transport equipment by 4 per cent, 23 per cent, 11 per cent and 37 per cent, respectively.

QUANTUM-INDICES, 1984—1988

Table 7.4 *1982=100*

	1984	1985	1986	1987	1988
EXPORTS—					
Food and live animals	102	114	126	125	120
Beverages and tobacco	105	231	340	235	180
Crude materials, inedible	110	116	119	121	153
Mineral fuels	84	69	89	78	96
Animal and vegetable oils and fats	460	201	82	116	150
Chemicals	94	106	95	99	88
Manufactured goods	78	77	99	98	130
Machinery and transport equipment	38	44	38	84	53
Miscellaneous manufactured articles	82	104	144	107	122
All Exports	95	99	114	110	116
Non-oil Exports	98	108	121	119	121
IMPORTS—					
Food and live animals	206	158	115	113	69
Beverages and tobacco	46	53	45	54	63
Crude materials, inedible	134	107	129	158	178
Mineral fuels	90	91	94	100	98
Animal and vegetable oils and fats	63	86	112	117	165
Chemicals	87	74	100	122	126
Manufactured goods	91	82	97	105	125
Machinery and transport equipment	84	77	104	102	134
Miscellaneous manufactured articles	103	83	105	107	107
All Imports	93	86	101	106	119
Non-oil Imports	94	83	103	109	128

7.9. The 12 per cent rise in overall import index in 1988 over 1987 was primarily due to rise in import quantities of animal and vegetable oils and fats (mostly soya beans, cotton and sun flower seeds) by 41 per cent, machinery and transport equipment by 31 per cent, manufactured goods by 19 per cent, beverages and tobacco by 17 per cent, crude inedible materials by 13 per cent and chemicals by 3 per cent. Decline in import quantities in 1988 was recorded in food and live animals by 40 per cent and mineral fuel by 2 per cent. Local agricultural production was good in 1988, which explains decline in food imports.

Composition of Exports

7.10. Table 7.5 gives total exports by broad economic categories. Kenya continues to rely heavily on agricultural exports although its percentage share has declined from 67.5 per cent in 1986 to 59.5 per cent in 1988. Industrial (non- food) exports have continued to

gain in importance since 1986. The 4 per cent decline in value of exports of fuel and lubricants was due to a fall in the export price of marine oil.

TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1984—1988

Table 7.5 *K£million*

	1984	1985	1986	1987	1988**
1. Food and Beverages	467.06	492.71	646.77	451.85	546.36
Primary	420.70	446.17	598.61	402.81	492.57
For Industry	208.58	233.25	391.88	196.97	248.00
For Household Consumption	212.12	212.92	206.73	205.84	244.58
Processed	46.37	46.54	48.16	49.04	53.78
For Industry	3.79	1.66	2.11	3.03	5.49
For Household Consumption	42.58	44.88	46.05	46.01	48.30
2. Industrial Supplies (Non-Food)	113.21	128.14	146.71	147.20	194.38
Primary	58.68	64.05	78.01	85.04	113.71
Processed	54.53	64.08	68.70	62.16	80.66
3. Fuel and Lubricants	142.19	126.51	106.85	101.20	118.34
Primary	0.01	0.01	0.02	0.03	–
Processed	142.18	126.50	106.82	101.18	118.34
Motor Spirit	31.91	27.05	24.39	24.56	25.45
Other	110.26	99.45	82.43	76.62	92.89
4. Machinery and other Capital Equipment	2.16	2.63	4.17	4.06	5.61
Machinery and Other Capital Equipment	1.85	2.16	3.16	3.36	4.55
Parts and Accessories	0.30	0.48	1.01	0.70	1.06
5. Transport Equipment	1.24	1.57	3.23	4.14	5.34
Passenger Motor Vehicles	–	–	0.27	0.38	0.09
Other	0.14	0.37	0.72	0.89	1.63
Industrial	0.14	0.34	0.68	0.78	1.61
Non-Industrial	–	0.03	0.04	0.11	0.02
Parts and Accessories	1.10	1.19	2.24	2.87	3.63
6. Consumer Goods not elsewhere specified	28.42	33.37	49.95	44.72	47.52
Durable	0.53	0.64	5.13	1.30	1.36
Semi-Durable	7.11	10.37	12.40	9.13	12.71
Non-Durable	20.78	22.36	32.42	34.29	33.45
7. Goods not elsewhere Specified	0.54	0.17	0.29	0.24	0.18
TOTAL	754.81	785.10	957.97	753.41	917.72
PERCENTAGE SHARES:					
1. Food and Beverages	61.9	62.8	67.5	60.0	59.5
2. Industrial Supplies (Non-Food)	15.0	16.3	15.3	19.5	21.2
3. Fuel and Lubricants	18.8	16.1	11.2	13.4	12.9
4. Machinery and other Capital Equipment	0.3	0.3	0.5	0.6	0.6
5. Transport Equipment	0.1	0.2	0.3	0.6	0.6
6. Consumer Goods not elsewhere specified	3.8	4.3	5.2	5.9	5.2
7. Goods not elsewhere specified	0.1	–	–	–	–
TOTAL	100.0	100.0	100.0	100.0	100.0

*Excluding Re-exports.

**Provisional

7.11. Industrial supplies exported from Kenya have improved considerably. From a level of K£147 million in 1987, value of exports of industrial supplies rose by 32 per cent to reach K£194 million in 1988. Significant increase in quantities exported were recorded in hides and skins, textile fibres, sisal minerals, mainly sodium chloride and flourspar.

Quantities of Principal Exports

7.12. Since 1986, the quantities of coffee exported have continued to decline while those of tea have risen. Exports of petroleum products have been oscillating over the

Price Changes

7.5. During 1988, there was a general rise in prices of both exports and imports except for mineral fuels which recorded a drop in prices. Other areas that recorded marginal declines in export prices were animal and vegetable oils and fats and chemicals. Indices in Table 7.2 show that exports had an overall rise of 15.1 per cent with machinery and transport equipment recording the highest rise at 45 per cent resulting from exports of car batteries and filament lamps. These were followed by beverages and tobacco and food and live animals which recorded increases of 27 per cent and 25 per cent, respectively. The fall in the prices of mineral fuels is due to availability of cheap petroleum products internationally. The rise in the price of beverages and tobacco is mainly due to the higher prices received for coffee and tea.

PRICE INDICES, 1984-1988

Table 7.2 *1982=100*

	1984	1985	1986	1987	1988
EXPORTS—					
Food and live animals	167	155	188	137	171
Beverages and tobacco	132	146	148	146	185
Crude materials, inedible	107	117	121	128	138
Mineral fuels	112	114	81	88	84
Animal and vegetable oils and fats	127	142	159	139	137
Chemicals	125	134	167	162	161
Manufactured goods	128	154	115	117	129
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Miscellaneous manufactured articles	170	169	174	177	184
All Exports	144	142	152	126	145
Non-oil Exports	154	151	174	138	165
IMPORTS—					
Food and live animals	116	102	161	126	150
Beverages and tobacco	141	190	218	262	269
Crude materials, inedible	130	169	144	145	164
Mineral fuels	112	127	77	86	79
Animal and vegetable oils and fats	216	213	159	136	147
Chemicals	156	258	227	214	256
Manufactured goods	140	175	165	184	216
Machinery and transport equipment	145	156	198	198	208
Miscellaneous manufactured articles	108	141	137	152	193
All Imports	131	155	147	149	164
Non-oil Imports	143	173	187	185	209

7.6. The overall import price index rose by 10 per cent in 1988 with miscellaneous manufactured articles recording the highest rise at 27 per cent, followed by chemicals with 20 per cent rise and food and live animals by 19 per cent. Moderate increases were also recorded for beverages and tobacco, up by 3 per cent and machinery and transport equipment by 5 per cent.

Terms of Trade

7.7. Table 7.3 sets out details on terms of trade. The slight improvement of 3.5 per cent per for all items and 5.3 per cent for non oil items indicate the non-recovery from the 1987 price fall of most commodities. The mild rise in prices was not strong enough to significantly improve terms of trade for the economy.

EXPORT PRICES, 1984—1988

Table 7.7 *KSh./Unit*

Commodity	Unit of Quantity	1984	1985	1986	1987	1988*
Coffee, unroasted	Kg.	42.03	44.07	61.43	38.93	53.89
Tea	Kg.	41.55	30.35	29.67	24.27	26.81
Petroleum products	1,000 Lt.	3,311.44	3,187.15	2,373.97	2,784.78	2,664.42
Maize (raw)	100 Kg.	249.91	140.32	128.65	157.12	259.13
Meat and meat products	Kg.	34.51	37.37	41.66	49.68	52.64
Pyrethrum extract	Kg.	776.01	907.34	895.29	996.60	693.59
Sisal	100 Kg.	643.09	721.01	690.51	708.19	771.48
Hides and skins (undressed)	Kg.	15.73	19.11	18.06	21.02	29.70
Wattle extract	Kg.	10.60	12.21	14.54	11.32	12.98
Soda Ash	100 Kg.	93.82	132.55	123.56	138.54	163.00
Fluorspar	100 Kg.	128.84	133.93	117.36	105.55	119.29
Cement	100 Kg.	58.12	63.49	54.00	55.88	60.02
Beans, Peas, etc	Kg.	3.36	7.98	6.34	5.59	6.46
Wool	Kg.	16.49	21.42	22.25	28.73	48.75
Animal feeds	100 Kg.	157.85	122.77	129.07	132.40	164.50
Cotton (raw)	Kg.	22.65	22.80	21.97	17.86	39.04
Pineapples (canned)	Kg.	10.33	10.97	10.84	11.99	12.21
Butter and ghee	Kg.	29.59	33.35	29.61	32.89	30.05
Wattle bark	100 Kg.	183.84	169.93	275.70	980.74	878.33

*Provisional.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE*, 1987—1988

Table 7.8

COMMODITY	VALUE K£'000			PERCENTAGE CHANGE IN		
	1987	1988"	Changes	Value	Quantity	Price
Coffee, unroasted	194,569.2	244,546.8	49,977.6	25.7	-9.2	38.4
Tea	163,365.6	185,262.7	21,897.1	13.4	2.7	10.5
Petroleum products	95,264.6	110,307.2	15,042.6	15.8	21.0	-4.3
Meat and meat products	216.4	186.2	-30.2	-14.0	-18.8	6.0
Pyrethrum extract	9,622.7	11,503.3	1,880.6	19.5	71.8	-30.4
Sisal	9,884.0	11,933.8	2,049.8	20.7	10.8	8.9
Hides and skins (undressed)	16,874.5	26,101.7	9,227.2	54.7	9.5	41.3
Wattle extract	5,246.8	4,671.7	575.1	-11.0	-22.3	14.7
Soda ash	13,623.9	18,613.0	4,989.1	36.6	16.1	17.7
Fluorspar	2,410.9	5,851.6	3,440.7	142.7	114.8	13.0
Cement	9,870.5	10,402.3	531.8	5.4	-1.9	7.4
Beans, peas, etc.	13,410.0	12,018.5	-1,391.5	-10.4	-22.4	15.6
Wool	1,471.6	1,938.4	466.8	31.7	-22.4	69.7
Animal feeds	643.7	619.5	-24.5	-3.8	-22.5	24.2
Cotton (raw)	49.9	0.7	-49.2	-98.5	-99.3	118.6
Pineapples (canned)	25,767.9	25,070.7	-697.2	-2.7	-4.5	1.8
Butter and ghee	517.6	337.4	-180.2	-34.8	-28.7	-8.6
Wood carvings	1,236.7	1,938.9	702.2	56.8	33.0	17.8
Metal Scrap	1,659.1	2,079.0	419.9	25.3	-19.5	55.7
Wattle bark	238.3	250.8	12.5	5.2	17.5	-10.4
All other items	187,468.9	244,084.6	56,615.7	30.2		
TOTAL	753,412.8	917,718.8	164,306.0	21.8		

*Excluding Re-exports
**Provisional.

Composition of Imports

7.16. Table 7.9 gives a breakdown of imports by broad economic categories. Except for food and beverages which increased by 2.9 per cent, and fuel and lubricants which

recorded a 12.9 per cent decline, all other items registered significant increases in value of imports. The downward trend in food imports for four years running is an indication of the success of the improvement in agricultural production. The oscillation in the value of imports of fuel and lubricants reflects the volatility of the prices of petroleum products in the international market. Rapid increase in imports of capital and machinery have been recorded since 1986 and these, together with increased inputs of industrial supplies, add to and service the existing capital stock.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1984—1988

Table 7.9 *K£million*

	1984	1985	1986	1987	1988*
1. **Food and Beverages**	127.58	109.00	116.21	98.10	100.97
Primary	83.41	50.74	37.01	35.34	28.82
For Industry	77.06	34.49	21.50	21.63	13.95
For Household Consumption	6.35	16.25	15.51	13.71	14.87
Processed	44.18	58.26	79.20	62.76	72.14
For Industry	37.89	45.13	42.02	40.68	60.21
For Household Consumption	6.29	13.13	37.18	22.07	11.93
2. **Industrial Supplies (Non-Food)**	289.14	353.33	407.97	468.97	641.60
Primary	15.30	13.59	14.70	16.51	21.86
Processed	273.84	339.73	393.27	452.46	619.74
3. **Fuel and Lubricants**	332.43	376.19	238.55	282.42	245.91
Primary	295.78	347.96	210.48	248.27	215.75
Processed	36.65	28.23	28.07	34.15	30.17
Motor Spirit	4.05	4.69	5.81	3.15	5.93
Other	32.59	23.55	22.27	31.00	24.24
4. **Machinery and other Capital Equipment**	184.89	180.19	254.46	319.67	414.27
Machinery and Other Capital Equipment	129.14	124.44	181.00	214.76	259.57
Parts and Accessories	55.75	55.76	73.46	104.91	154.70
5. **Transport Equipment**	113.46	122.16	259.61	190.72	267.19
Passenger Motor Vehicles	13.21	19.35	28.94	34.61	43.24
Other ..	59.52	56.60	164.84	90.84	137.98
Industrial	58.40	55.39	162.50	87.98	132.44
Non-Industrial	1.13	1.21	2.35	2.86	5.54
Parts and Accessories	40.73	46.20	65.83	65.27	85.98
6. **Consumer Goods not elsewhere specified**	47.40	53.96	59.79	70.60	93.91
Durable	9.90	10.60	10.03	12.22	20.96
Semi-Durable—	8.77	10.61	9.44	11.76	16.66
Non-Durable—	28.74	32.76	40.32	46.63	56.29
7. **Goods not elsewhere Specified**	2.30	118	1.30	0.41	1.30
TOTAL	1,097.21	1,196.00	1,337.89	1,430.88	1,765.14
PERCENTAGE SHARES:					
1. **Food and Beverages**	11.6	9.1	8.7	6.9	5.7
2. **Industrial Supplies (Non-Food)**	26.4	29.5	30.5	32.8	36.4
3. **Fuel and Lubricants**	30.3	31.5	17.8	19.7	13.9
4. **Machinery and other Capital Equipment**	16.9	15.1	19.0	22.4	23.5
5. **Transport Equipment**	10.3	10.2	19.4	13.3	15.1
6. **Consumer Goods not elsewhere specified**	4.3	4.5	4.5	4.9	5.3
7. **Goods not elsewhere specified**	0.2	0.1	0.1	_	0.1
TOTAL	100.0	100.0	100.0	100.0	100.0

*Provisional.

7.17. Table 7.10 shows values of some selected imports. All values increased except crude petroleum, refined petroleum products, wheat and rice. Majority of the imports that registered increased values have shown a steady rise since 1984 except for industrial

machinery, which experienced a mild decline in 1985 and for fertilizers, where import values fell in 1986 and 1987. Iron and steel, pharmaceuticals and artificial resins and plastic materials and cellulose esters and ethers recorded significant increases.

SELECTED IMPORTS, 1984—1988

Table 7.10 *K£million*

	1984	1985	1986	1987	1988*
Crude Petroleum	292.42	344.12	207.83	245.06	210.43
Industrial Machinery (including Electrical)	173.58	164.64	236.68	278.21	395.45
Iron and Steel	62.98	64.77	64.44	84.49	120.64
Motor Vehicle and Chassis	55.08	63.78	88.01	107.77	138.06
Petroleum Products refined	35.74	27.88	27.89	33.78	30.02
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	33.01	37.41	41.42	56.36	80.92
Pharmaceauticals	19.96	23.31	32.67	38.22	43.73
Fertilizers	13.89	52.03	50.01	38.96	49.18
Agricultural Machinery and Tractors	11.04	13.80	19.66	26.70	29.48
Wheat	20.81	19.07	12.06	17.51	10.00
Paper and Paper Products	9.36	15.73	20.93	21.84	36.22
Rice	0.05	0.10	12.31	5.33	2.71

*Provisional.

Direction of Trade

7.18. The European Economic Community (EEC) continues to dominate as a destination of Kenyan products. In 1988, it took 48 per cent of Kenyan exports - mainly coffee and tea; Africa, which took 26 per cent of the exports continues to be the second most important market for Kenyan products. Exports to Africa increased rather slowly by 11 per cent compared with 35 per cent increase in exports to the EEC. Eastern Europe continues to be the least important destination of Kenyan exports, accounting for only 1 per cent of total exports in 1988. Exports to Eastern Europe and Middle East dropped by 33 per cent and 22 per cent, respectively. The Middle East and Asia continue to take fewer and fewer Kenyan goods. Details are presented in Table 7.11.

7.19. Although exports grew by 21 per cent in 1988 to register K£952 million, this value was still 4 per cent below the 1986 high of K£987 million. The K£35 million difference between 1986 and 1988 was a result of lower intakes by Eastern Europe, USA, Middle East and Asia. Trade between Kenya and Australia has steadily improved since the early 1980's while trade between Kenya and Japan and India improved steadily except in 1987 when the two countries took less Kenyan goods. Aircraft and ships stores performed very well, with a significant 16 per cent growth. This rise may be attributed to greater number of naval ships calling at Mombasa.

7.20. Within the EEC, the United Kingdom leads as a market for Kenyan exports, followed by West Germany, with the two countries accounting for about two thirds of the EEC market. Although Netherlands has been performing well as a destination for Kenyan goods, with a peak in 1986, during the last two years there has been a decline with 1988 exports valued at 47 per cent of 1986 exports.

7.21. Uganda and Tanzania, continue to be large markets for Kenya goods, taking K£107.98 million in 1988; a 21 per cent rise over 1987. Exports to Zambia more than doubled during the same period. The rest of Africa imported only about 1 per cent more than 1987, to record K£130 million in 1988.

7.22. Data showing the global sources of imports are set out in Table 7.12. The EEC is not only an important market for Kenyan goods but equally a major source of imports,

providing 48 per cent of the imports in 1988. The United Kingdom, West Germany, Japan, United Arab Emirates and France were the largest sources of imports. A comparison between Kenyan exports to EEC and imports from EEC indicates that trade was in favour of the EEC countries.

7.23. The second most important source of Kenyan imports is the Far East and Australia. Japan generally provides Kenya with manufactured items including motor vehicles and electronic equipment while the United Arab Emirates provide crude petroleum and petroleum products. All countries in the Far East increased their exports to Kenya in 1988 with an overall growth of 41 per cent to reach K£396 million. Imports from the Middle Eastern countries resistered decline from the 1987 trade, except for imports from Iran which did not sell any products to Kenya in 1987. These groups of countries recorded a 9 per cent decline in exports to Kenya. Africa is a basic provider of raw materials for direct consumption by industry.

DESTINATION OF TOTAL EXPORTS', 1984—1988

Table 7.11 *K£million*

	1984	1985	1986	1987	1988**
E.E.C.—					
United Kingdom	142.27	135.56	143.06	133.13	186.93
West Germany	98.05	93.46	136.48	76.19	114.65
Italy	21.28	17.78	20.46	17.01	32.76
France	11.18	27.20	14.13	15.47	17.54
Netherlands	52.58	52.75	91.84	56.88	48.82
Other	22.94	19.46	34.49	36.06	52.56
TOTAL	348.30	346.21	440.46	334.74	453.26
Other Western Europe, Total	33.69	35.49	50.54	25.17	43.64
Eastern Europe, Total	6.78	13.74	10.66	8.87	5.97
U.S.A	38.82	54.05	85.79	42.61	46.24
CANADA	5.91	5.42	9.20	6.27	8.61
AFRICA—					
Tanzania	9.73	19.18	27.26	19.55	24.28
Uganda	67.58	70.07	72.62	69.69	83.70
Zambia	0.86	1.66	1.37	2.09	5.58
Other	124.63	116.03	110.14	128.40	130.32
TOTAL	202.80	206.94	211.39	219.73	243.88
MIDDLE EAST—					
Saudi Arabia	3.79	9.17	22.95	14.62	9.73
United Arab Emirates	2.28	2.20	4.28	2.20	2.15
Iran		0.11	0.42	2.91	0.23
Other	19.06	14.91	14.65	10.44	11.46
TOTAL	25.13	26.39	42.30	30.17	23.57
FAR EAST AND AUSTRALIA—					
Australia	2.72	2.42	3.09	3.52	4.73
Japan	6.13	6.23	8.56	7.03	13.72
India	3.08	5.12	5.89	4.28	5.46
China (Mainland)	3.29	2.38	3.97	2.75	2.63
Other	64.86	68.45	76.69	62.25	50.40
TOTAL	80.08	84.60	98.20	79.83	76.94
ALL OTHER COUNTRIES	3.62	0.96	0.85	0.16	0.75
Aircraft and Ships Stores	31.77	37.64	37.46	42.32	49.04
ALL EXPORTS	776.91	811.43	986.85	789.86	951.88

*Excluding gold and currency but including Re-Exports

**Provisional.

ORIGIN OF TOTAL IMPORTS, 1984—1988

Table 7.12 *K£million*

	1984	1985	1986	1987	1988*
E.E.C.—					
United Kingdom	152.34	164.26	208.94	244.12	333.69
West Germany	98.06	95.68	146.07	118.29	167.31
France	56.00	42.04	153.71	98.09	108.87
Italy	34.10	33.29	48.84	48.40	63.92
Netherlands	29.31	32.56	34.35	41.76	86.22
Other	28.77	41.34	55.85	71.08	82.20
TOTAL	398.58	409.17	647.76	621.74	842.21
Other Western Europe, Total	39.69	64.40	58.45	73.23	98.22
Eastern Europe, Total	5.83	8.21	18.77	10.72	18.75
U.S.A	51.05	66.19	65.29	101.11	88.31
CANADA	9.12	11.21	6.58	10.87	8.80
AFRICA—					
Tanzania	3.02	1.71	2.21	3.44	6.04
Uganda	1.15	2.58	2.16	0.91	1.27
Zambia	1.84	1.71	2.79	3.14	3.80
Other	15.95	22.06	29.71	35.74	41.72
TOTAL	21.96	28.06	36.87	43.23	52.83
MIDDLE EAST—					
United Arab Emirates	123.62	223.47	127.26	228.88	201.44
Saudi Arabia	85.09	49.47	38.95	16.48	15.66
Iran	60.83	48.50	19.84		14.90
Other	39.05	41.76	42.03	34.43	21.32
TOTAL	308.59	363.20	228.08	279.79	253.32
FAR EAST AND AUSTRALIA—					
Japan	111.76	120.01	146.28	155.66	216.56
Australia	13.25	13.52	6.07	6.69	7.83
India	11.96	15.42	18.23	18.72	28.76
China (Mainland)	8.52	10.88	12.65	14.15	19.72
Other	113.06	81.27	83.49	85.13	123.22
TOTAL	258.55	241.10	266.72	280.35	396.09
ALL OTHER COUNTRIES	3.83	5.47	9.42	9.84	6.61
Parcel Post and Special Transactions	0.01				
TOTAL	1,097.21	1,196.00	1,337.89	1,430.88	1,765.15

*Provisional.

7.24. Imports from industrial countries grew in 1988 except for imports from the U.S.A. and Canada. Imports from USA declined from K£101 million to K£88 million or by 13 per cent and from Canada by 19 per cent. America as a source of Kenyan imports was overtaken by Other Western Europe in 1988. In 1987 the value of imports from the Middle East and the Far East were nearly equal. However, in 1988, Kenya imported from the Middle East goods worth K£253 million, a decline of 9 per cent while imports from the Far East increased considerably as already indicated. Therefore, the Far East seems to be gaining in importance as a source of Kenyan imports.

7.25. Kenyan exports to the Preferential Trade Area (P.T.A.) countries rose by 14 per cent in 1988 to reach K£179 million. For about a half of the member countries, Kenya's exports registered declines in 1988. Exports to Malawi registered the largest increase of 427 per cent with potatoes contributing most of the growth. During the same period, declines were noted for Lesotho (99 per cent), Djibouti (26 per cent), Comoros (46 per cent) and Ethiopia (28 per cent). Kenya's total exports to member countries have improved since the formation of the P.T.A. except in 1987 when they faltered.

7.26. Imports from P.T.A. member countries rose by 34 per cent to reach K£47 million. Except Ethiopia, Mauritius and Djibouti all other P.T.A. countries sold more to

Kenya in 1988 than in 1987. Kenya did not import any commodities from either Comoros or Lesotho.

7.27. Except Zimbabwe and Swaziland no other African countries had a favourable trade with Kenya. Although there was substantial decline in exports from Kenya to the rest of Africa, there was notable rise in exports to Egypt by 47 per cent to reach K£10 million, sisal fibre contributing most to this rise. Exports to Ghana and Nigeria also increased by 35 per cent. Value of imports from Africa as a proportion of all imports remained at 3 per cent, same as in 1987. Table 7.13 shows trade with African countries.

Balance of Payments

7.28. There was some improvement in the balance of payments out-turn in 1988 over 1987. This can be seen in Tables 7.14 and 7.15. A deficit of K£68 million was recorded in 1988 compared to that of K£104 million in 1987. This improvement can be attributed to increased earnings from exports and services, weak world oil prices and greater inflows of foreign grants and loans in 1988 with subsequent rise in foreign reserves of Kenya's Monetary Authorities by K£53 million.

7.29. Table 7.14 shows a marked improvement in invisible transactions from a surplus balance of K£178 million in 1987 to a surplus of K£293 million in 1988. This record surplus on the invisible transactions was accounted for mainly by tourism earnings and increased inflows of grants. Tourism earnings increased by 21 per cent in 1988 whereas inflows of grants almost doubled over 1987. These receipts far outweighed the outflows resulting from international investment income which comprises mainly of payments of dividends, profits and interests to foreign investors.

7.30. Details in Table 7.15, indicate an expansion in exports of K£155 million in 1988 compared with a contraction of K£202 million and an expansion of K£175 million in 1987 and 1986, respectively. The expansion of export value in 1986 was a result of a mini-coffee boom whereas the improvement in 1988 was due to better average prices of coffee and tea than in the previous year.

7.31. Despite rising foreign debt service payments and faster expansion of imports due to the continued liberalisation policy on import licensing in 1988, improvement in export value coupled with the other foreign inflows led to an improvement in basic balance of K£51 million compared to a deterioration of K£230 million in the previous year and an improvement of K£176 million in 1986 .

7.32. Table 7.14 shows that the current account deficit decreased marginally from K£409 million in 1987 to K£403 million in 1988.

7.33. Table 7.16 shows that after drawing down SDR 28 million from the IMF's Structural Adjustment Facility, loans and grants from the World Bank, other international organisations and some foreign Governments in the year, Kenya's foreign reserves increased to K£258 million in 1988 compared with K£208 million in 1987.

International Liquidity

7.34. The foreign exchange reserves of Kenya's Central Monetary Authorities are detailed in Table 7.16. Total net foreign reserves, defined to exclude liabilities other than those to IMF, fell sharply to K£215 million in 1987. In 1988 there was a significant rise to K£255 million. This rise was due mainly to the increased inflow of grants and loans from international institutions and friendly countries. The of holding of SDR's rose and declined sharply in the months of March and October, 1988, respectively, reflecting acquisition of loans from the IMF and their subsequent utilisation.

7.35. The Kenya shilling depreciated by 7.1 per cent against the SDR. The rate moved from Ksh 23.43 per SDR in December, 1987 to Ksh 25.09 per SDR at the end of 1988.

TRADE WITH AFRICAN COUNTRIES, 1984—1988

Table 7.13

K£'000

	EXPORTS					IMPORTS				
	1984	1985	1986	1987	1988*	1984	1985	1986	1987	1988*
PREFERENTIAL TRADE AREA**—										
	67,583	70,073	72,625	69,687	83,696	1,149	2,585	2,155	910	1.266
Tanzania	9.727	19,176	27,257	19,554	24,284	3,019	1,713	2,212	3,438	6.044
	862	1,658	1.366	2091	5.584	1,836	1,712	2.788	3,143	3.803
Ethiopia	2,858	3,780	6,865	**8,886**	6,355	3,755	3,030	5.945	2,700	1.278
	14,927	8,832	8,897	11,769	11,643	775	1,613	2.640	2,875	3.043
	2,981	5,526	**6,826**	7,831	6,988	36	71	235	38	68
	26,644	25,291	25,239	23.793	23,405	2,253	6,711	8.164	7,997	9.961
	472	1,368	463	473	2,495	92	61	94	68	286
Mauritius	3,674	2,953	2,541	2,184	2,327	111	358	216	334	325
Swaziland	808	875	1,146	1,715	1,355	3,703	4,121	2.300	2,203	4.836
Zimbabwe	255	750	2,455	5,783	9337	418	2,624	7.475	11,040	16,291
Comoros	1.920	965	1,194	899	481	–	–	–	–	–
Djibouti	1,974	3,988	2,527	1,490	1,096	3	5	1	490	55
	9	29	381	937	11	–	–	2	–	–
TOTAL P.T.A	134,694	145,264	159,982	157,092	179,057	17,150	24,604	34,227	35,236	47,256
OTHER AFRICAN COUNTRIES—										
	20,999	30.063	21,450	22.229	21,774	2,397	12	77	332	62
	7,712	**6,808**	11,389	11,575	10,734	1,413	2,543	1,337	963	586
Mozambique	4,253	1,156	1,997	10,424	9,065	155	14	701	2,327	2,163
Egypt	18,900	13,016	5,021	6,855	10,045	3	92	36	202	524
Algeria and Libya	1,061	330	385	228	227	2	–	1	2	10
Ghana and Nigeria	110	374	1,417	1,066	1,436	56	293	1	41	753
Reunion	3,871	2,867	3,000	3,093	5,795	–	–	4	–	–
Madagascar and Seychelles	3,114	4.000	2,310	453	**1,860**	101	5	25	1,928	23
All Other African Countries	**8,086**	3,059	4,644	**6,011**	3,888	682	493	463	2,199	1,451
Total	**68,106**	61,673	51,613	62,634	64,824	4,809	3,452	2,645	7,994	5,572
TOTAL	**202,800**	206,927	211,395	219,726	243,881	21,959	28,056	36,872	43,230	52,828
Percentage of all Exports/Imports	**26.1**	25.5	21.4	27.8	25.6	**2.0**	2.3	**2.8**	3.0	3.0

*Provisional.

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

Table 7.14 *K£million*

	1986+			1987*			1988*		
	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits	Debits/ Assets	Credits/ Liabilities	Net Credits
A.—CURRENT ACCOUNT									
1. Merchandise (f.o.b);	1,180.10	949.41	Dr. 230.69	1,334.95	747.54	Dr. 587.41	1,599.20	902.8 4	Dr. 696 36
2. Shipment	189.18	29.99	Dr. 159.19	213.72	31.39	Dr. 182.33	256.02	40.68	Dr 215.34
3. Other Transportation	39.53	131.71	92.24	37.81	151.06	113.25	47.66	170.09	122430
4. Travel	18.20	246.50	228.30	20.02	292.07	272.05	20.39	349.30	328.91
5. International Investment Income	222.85	29.81	Dr. 193.04	262.80	30.55	Dr. 232.25	304.60	7.00	Dr. 297.60
6. Other, goods, services and income: Govt.	54.05	146.41	92.36	88.28	159.86	71.58	77.11	182.97	105.86
7. Other goods, services and income: Private	41.67	12.78	*Dr.* 28.89	58.78	17.87	Dr. 40.91	77.13	19.17	Dr. 57.96
8. Unrequited transfers—Government	3.25	123.91	120.66	3.70	121.00	117.30	0.97	229.03	228.06
9. Unrequited transfers—Private	25.09	72.28	47.19	31.40	90.65	59.25	34.09	113.08	78.99
TOTAL CURRENT ACCOUNT	1,773.92	1,742.86	Dr. 31.06	2,051.46	1,641.99	*Dr.* 409.47	2,417.17	2,014.16	Dr. 403.01
of which: Visible Balance	1.180.10	949.41	Dr. 230.69	1.334.95	747.54	Dr. 587.41	1.599.20	902. 84	Dr. 696.36
Invisible Balance	593.82	793.45	199.63	716.51	894.45	177.94	817.97	1,111.32	293.35
B.—CAPITAL ACCOUNT									
10. Government Long-term	143.81	147.56	3.75		162.25	Dr. 162.25		256.43	256.43
11. Private Long-term	4.02	29.25	25.23	25.29	35.28	9.99	1.97	Dr. 15.31	Dr. 17.28
12. Parastatals Long-term		56.31	56.31		61.57	61.57		39.38	39.38
13. Short-term	62.44	79.34	16.90	6.53	88.71	82.18		47.55	47.55
TOTAL CAPITAL ACCOUNT	210.27	312.46	102.19	31.82	347.81	315.99	1.97	328.05	326.08
C.—ERRORS AND OMMISSIONS			1.87			Dr. 10.89			9.22
D.—OVERALL BALANCE			73.00			*Dr* 104.37			Dr. 67.71
E.—MONETARY MOVEMENTS									
14. Change in reserves	19.95	–	Dr. 19.95	*Cr.* 124.55	–	124.55	53.02	–	Dr. 53.02
15. Transctions with I.M.F	–	Dr. 54.40	Dr. 54.40	–	Dr. 51.33	Dr. 51.33		109.54	109.54
16. Change in other liabilities	–	1.35	1.35	–	31.15	31.15	–	11.19	11.19
TOTAL MONETARY MOVEMENTS	19.95	Dr. 53.05	Dr. 73.00	*Cr.* 124.55	Dr. 20.18	104.37	53.02	120.73	67.71

*Provisional.

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

+Revised

CENTRAL MONETARY AUTHORITIES: FOREIGN EXCHANGE RESERVES, 1984-1988

Table 7.16 *K£million*

As at end of	CENTRAL BANK OF KENYA				Total Net Foreign Reserves of Central Govern-ment	Total Net Foreign Reserves of Central Monetary Authorities	GENERAL ACCOUNT WITH I.M.F			
	S.D.R.'s	Foreign Reserves	Foreign Liabilities (other than to I.M.F.)	Total Net Foreign Reserves of Central Bank*			Sub-scription	I.M.F. holding of Kenya Currency	Net use of Fund Credit**	Counter-part Liability+ S.D.R. Account
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	-381.92	33.00
1986	9.46	333.53	4.26	338.73	0.53	339.26	135.86	461.37	-325.51	36.20
1987	11.98	207.62	4.70	214.90	2.42	216.32	164.93	462.60	-297.67	38.89
1988—										
January	0.53	193.31	4.98	188.86	1.47	190.33	165.83	461.06	-295.23	43.20
February	0.37	227.52	5.08	222.81	0.95	223.76	165.83	475.89	-310.06	43.20
March	5.91	229.98	4.28	231.61	1.41	233.02	166.96	475.25	-308.29	43.49
April	0.73	228.01	4.51	224.23	1.31	225.54	167.61	471.90	-304.29	43.66
May	1.58	215.15	4.19	212.54	1.67	214.21	168.26	459.03	-290.77	43.83
June	1.42	242.23	4.00	239.65	1.59	241.24	168.26	471.71	-303.45	43.83
July	1.34	210.92	3.76	208.50	2.34	210.84	168.26	467.56	-299.30	43.83
August	1.94	219.56	3.96	217.54	2.89	220.43	168.91	459.86	-290.95	44.00
September	1.94	224.80	3.98	222.76	1.83	224.59	169.56	461.64	-292.08	44.17
October	20.12	250.03	4.08	266.07	2.79	268.86	172.87	532.99	-360.12	45.03
November	0.98	253.82	4.37	250.43	3.79	254.21	177.02	528.72	-351.70	46.11
December	0.65	258.42	4.16	254.91	3.64	258.55	177.02	540.43	-363.41	46.11

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.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES,* 1986-1988

Table 7.15 *K£million*

	1986	1987	1988
1. Exports (f.o.b.)**	+ 174.51	-201.8	+ 155.30
2. Imports (f.o.b.)**	-134.49	-154.85	-264.25
3. Services (net)	- 2.08	-30.39	-15.09
4. Transfers (net) .	+ 10.45	+8.70	+ 130.50
5. Changes on Current Account	+48.39	-378.41	+ 6.46
6. Private long-term capital (net)	+21.48	-15.24	-27.27
7. Public long-term capital	+ 106.01	+ 163.76	+71.99
8. Change on basic balance (net balance on lines 5-7)	+ 175.88	-229.89	+51.18
9. Short-term capital, errors and omissions (net)	-8.63	+52.52	-14.52
10. Net change on all the above items (Monetary Movements)	+ 167.25	-177.37	+ 36.66

*A plus sign indicates a change that improves the balance of payments outcome; a negative sign indicates a change worsening the outcome. Thus, an increase in imports or reduction in exports are marked as negative.
**Derived from Merchandise Account and hence some adjustments have been effected.

7.36. Table 7.17 sets out the details of exchange rates of the shilling for major foreign currencies. The US dollar and the sterling pound continued to strengthen as did the Japanese Yen as the Kenya shilling continued to weaken against them and most other currencies. The shilling recorded some slight appreciation against the French Franc of 0.3 per cent and the Indian Rupee by nearly 2 per cent and depreciated against the US dollar, the Japanese Yen and the Pound Sterling by 13 per cent, 10 per cent and 9 per cent, respectively.

7.37. The overall trade weighted index worsened by 14 per cent in 1988 and by 66 per cent since 1984. The shilling has, therefore, lost about two thirds of its value in terms of foreign currency, over the last five years.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1984-1988

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1984	31st Dec. 1985	31st Dec. 1986	31st Dec. 1987	31st Dec. 1988
1 US Dollar	15.781	16.284	16.042	16.515	18.599
1 Pound Sterling	18.401	23.466	23.566	30.685	33.302
1 Deutsche Mark	5.039	6.621	8.242	10.357	10.408
1 French Franc	1.641	2.159	2.490	3.059	3.051
1 Swiss Franc	6.099	7.863	9.872	12.802	12.293
1 Dutch Guilder	4.461	5.876	7.292	9.203	9.217
1 Swedish Kroner	1.766	2.150	2.355	2.830	3.023
1 Norwegian Kroner	1.743	2.151	2.162	2.632	2.825
1 Zambian Kwacha**		2.867	1.262	2.912	
1 Austrian Schilling	0.716	0.940	1.170	1.472	1.480
1 Belgian Franc	0.251	0.324	0.396	0.493	0.496
1 Danish Kronor	1.402	1.817	2.174	2.683	2.694
1 Canadian Dollar	11.959	11.648	11.602	12.686	15.606
1 Finish Marka	2.418	3.002	3.330	4.158	4.447
1 Australian Dollar	13.061	11.106	10.655	11.911	15.897
100 Japanese Yen	6.306	8.120	10.030	13.400	14.800
100 Italian Lira	0.821	0.971	1.184	1.404	1.414
1 Indian Rupee	1.275	1.348	1.224	1.286	1.240
1 Pakistan Rupee	1.029				. .
100 Burundi Francs**	12.188	14.540	13.882	16.475	17.615
100 Rwanda Francs**	15.065	17.370	18.940	22.474	24.032
Overall Weighted Index* 1982=100	97.200	118.300	125.800	141.800	161.700

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

CHAPTER 8 - AGRICULTURE

Overview

The overall performance of the agricultural sector in 1988 improved slightly above the 1987 level. Favourable weather conditions prevailing in many parts of the country combined with better prices for coffee and a number of other commodities stimulated agricultural production. While revenue accruing from sales of cereals and temporary industrial crops declined in 1988, the rise in sales of permanent crops and livestock products, more than compensated for the shortfall. The food supply situation remained satisfactory, following better harvests of maize and wheat. Except for cotton, sisal and maize, deliveries of various commodities to marketing boards in 1988 rose above 1987 levels. A bumper harvest for beans and potatoes, forecast at the beginning of 1988/89 crop year, was not realised because of above normal rains at critical stages of growth, especially in Central and parts of Eastern Kenya. Despite this setback, value added in agriculture registered a commendable growth rate of 4.4 per cent in 1988 compared with 3.8 per cent in 1987.

8.2. The performance of the agricultural sector at current and constant prices is shown in Table 8.1. Gross agricultural output at constant prices grew by a commendable rate of 4.1 per cent compared with 2.4 per cent in the previous year. The sector has thus continued to recover from the impact of the 1984 drought. The continued upward revision of producer prices by the Government augurs well for the sector.

AGRICULTURAL OUTPUT AND INPUT, 1984-1988

Table 8.1 *K£million*

	1984	1985	1986	1987	1988*
AT CURRENT PRICES—					
Total Output	1,412.39	1,562.86	1,814.05	1,873.38	2,189.03
Less Inputs	168.05	205.69	216.00	238.29	286.34
Value Added	1,244.34	1,357.17	1,598.05	1,635.09	1,902.69
AT CONSTANT (1982) PRICES—					
Total Output	1,086.43	1,142.35	1,217.32	1,246.43	1,297.84
Less Inputs	145.38	166.96	193.93	183.86	188.59
Value Added	941.05	975.39	1,023.39	1,062.57	1,109.25

*Provisional.

Marketed Production

8.3. Data on marketed agricultural production given in Table 8.2 show that, while the value of total wheat sales rose sharply by 60.5 per cent from about K£22 million in 1987 to K£35 million in 1988, total revenue realised from recorded sales of maize crop dropped by 20.4 per cent below the 1987 level. However, overall earnings from sales of cereals declined only marginally by 1.5 per cent. Although sales of coffee and tea went up by 44.7 per cent and 4.6 per cent respectively, this still fell short of achieving the 1986 levels. Sales of livestock and livestock products on the other hand continued to rise. All these changes led to an overall rise in the value of marketed production by 15.7 per cent from K£818 million in 1987 to K£946 million in 1988, exceeding the previous record of K£938 million realised in 1986.

8.4. The quantum and price indices of marketed production summarised in Table 8.3 show the relative changes in prices and the volume purchased by marketing boards. The quantum indices of cereals remained below parity for the second year running, from 92.4 in 1987 to 86.5 in 1988. Overall, the quantum index of marketed crops rose from 119.0 in 1987 to 130.4 in 1988. All price indices, on the other hand, maintained an upward trend, reflecting the regular upward revision of producer prices by the Government in order to boost domestic production.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1984-1988

Table 8.2 *K£million*

	1984	1985	1986	1987	1988*
CEREALS—					
Maize	49.05	54.56	66.50	68.09	54.18
Wheat	17.84	26.26	32.88	21.88	35.12
Others	4.52	10.19	7.82	11.07	10.23
Total	71.41	91.01	107.20	101.04	99.53
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	40.99	46.75	52.79	55.47	68.77
Pyrethrum	1.94	2.92	4.48	5.64	6.63
Others	15.53	16.24	35.45	42.26	18.04
Total	58.46	65.91	92.72	103.37	93.44
OTHER TEMPORARY CROPS	9.57	17.27	27.81	18.83	11.90
PERMANENT CROPS—					
Coffee	227.67	191.89	288.32	192.16	278.11
Tea	301.12	247.60	242.33	194.76	203.72
Sisal	17.34	15.03	15.42	13.54	13.76
Others	5.62	4.86	4.71	4.34	6.02
Total	551.75	459.38	550.78	404.80	501.61
TOTAL CROPS	691.19	633.57	778.51	628.04	706.48
LIVESTOCK AND PRODUCTS—					
Cattle and Calves	58.95	70.36	84.26	103.87	138.88
Dairy Produce	25.78	36.26	56.51	62.08	60.67
Others	12.86	15.75	19.03	23.71	39.71
Total	97.59	122.37	159.80	189.66	239.26
GRAND TOTAL	788.78	755.94	938.31	817.70	945.74

*Provisional.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1984-1988

Table 8.3 *1982=100*

	1984	1985	1986	1987	1988*
QUANTUM INDICES—					
Cereals	86.7	93.6	104.3	92.4	86.5
Temporary Industrial Crops	104.3	81.7	82.0	89.1	90.9
Permanent Crops	122.0	112.2	130.9	121.4	150.9
TOTAL CROPS	102.0	110.3	128.0	119.0	130.4
Livestock and Products	145.9	82.2	92.7	105.1	112.3
TOTAL GROSS MARKETED PRODUCTION	117.9	104.6	120.8	116.2	125.2
Price Indices—					
Cereals	139.8	160.7	171.2	179.5	193.6
Temporary Industrial Crops	127.6	137.6	148.5	150.3	177.5
Permanent Crops	185.7	144.9	181.6	140.7	145.9
TOTAL CROPS	178.8	145.3	180.0	142.7	159.1
Livestock and Products	105.0	118.9	134.8	150.2	178.8
TOTAL GROSS MARKETED PRODUCTION	174.8	139.9	170.8	144.2	161.8

*Provisional.

8.5. Table 8.4 provides information on average unit price trends for selected farm produce. Despite the problems experienced in the coffee industry over the last two years, average coffee prices per 100 kg for all grades increased by an impressive 21.9 per cent

from Kshs.3662 in 1987 to Kshs.4465 in 1988. Future coffee prices are likely to fluctuate because of the instability in the world coffee market, arising from changes in the demand for the commodity. Sugar-cane and seed cotton registered substantial price increases of 19.4 per cent and 21.6 per cent respectively, again as a result of upward revision of prices by the Government. Wheat, maize, rice and pyrethrum prices only increased moderately by 8.1, 7.1, 4.3, and 3.3 per cent respectively. On the other hand, prices paid to tea farmers fell to their lowest level in six years from a high Kshs.5,184 in 1985 to Kshs. 2,037 in 1988. It is expected that the prompt payment system for some cash crops introduced by the Government recently will provide further incentive to farmers.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1984-1988

Table 8.4 *KSh. per stated unit*

	Unit	1984	1985	1986	1987	1988**
Coffee	100kg.	3,844.00	3,972.00	5,020.00	3,662.00	4,465.00
Tea	"	5,184.00	3,366.00	3,382.00	2,500.00	2,037.19
Sisal		674.00	707.00	743.00	705.00	744.80
Sugar-cane	tonne	227.00	270.00	297.00	300.00	358.30
Pyrethrum (extract equivalent)	Kg.	1,150.00	1,150.00	1,210.00	1,210.00	1,250.00
Seed Cotton	100kg.	448.00	480.00	470.00	482.00	585.89
Maize	"	175.00	187.00	198.00	209.00	223.80
Wheat	"	269.00	271.00	293.00	295.00	318.90
Rice Paddy	"	178.00	342.00	348.00	372.00	388.00
Beef (third grade)	"	1,101.00	1,492.00	1,857.00	2,115.00	2,300.00
Bacon Pigs	"	1,482.00	1,394.00	2,057.00	2,432.00	2,200.00
Milk	100 litres	240.00	285.00	325.00	325.00	340.00

*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. Data on the estimated share of marketed production between large and small-scale producers is shown in Table 8.5. The value of output of small and large farms, rose by 15.5 per cent and 15.8 per cent, respectively. The nearly equal percentage changes for both producers indicate that their shares in the total value of marketed production remained about the same as in 1987.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1984-1988

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	
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
1988*	500.41	15.8	445.33	15.5	945.74	15.7	47.1

*Provisional.

8.7. Quantum and price indices of selected agricultural inputs are presented in Table 8.6. Increased use of agricultural inputs is a reflection of improvement in farming practices for better yields. Over the years, use of inputs by farmers has maintained an upward trend as reflected in the quantum indices of material and service inputs. However, in 1988 there was a drop in the quantum index of both manufactured feeds and purchased seeds, partly

AGRICULTURAL INPUT INDICES*, 1984-1988

Table 8.6 *1982=100*

	1984	1985	1986	1987	1988**
QUANTUM INDICES—					
Fertilizers	109.9	169.2	162.4	224.1	333.6
Fuel and Power	104.2	103.4	115.5	131.9	128.3
Bags	125.2	94.6	139.6	139.1	109.9
Manufactured Feeds	253.4	247.5	255.7	280.9	257.4
Purchased Seeds	123.8	111.1	145.4	109.3	92.9
Other Material Inputs	111.8	87.5	98.2	106.1	106.5
Total Material Input	131.8	132.0	143.3	162.9	177.4
Service Inputs	101.3	105.7	111.2	121.2	121.6
TOTAL INPUTS	128.2	128.9	139.5	157.9	170.8
PRICE INDICES—					
Fertilizers	105.0	128.3	151.4	151.4	155.7
Fuel and Power	121.0	164.8	122.9	127.9	140.7
Bags	128.4	137.7	157.7	159.0	159.8
Manufactured Feeds	116.9	131.8	132.4	136.5	151.6
Purchased Seeds	133.8	143.9	161.3	175.0	266.0
Other Material Inputs	153.3	77.0	91.1	102.0	117.6
TOTAL MATERIAL INPUT	127.7	121.7	123.2	129.4	147.2
NON-FACTOR SERVICE INPUTS	106.0	112.6	123.1	131.7	132.2
TOTAL NON-FACTOR INPUTS	125.1	120.7	123.2	129.6	145.5

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

in response to large price rises for these items. This drop in manufactured feeds does not seem to have adversely affected production as evidenced by rising production of livestock products. Prices of other inputs have similary maintained an upward trend.

8.8. Values of various agricultural inputs are shown in Table 8.7. Since the cost of inputs has direct bearing on the overall performance of the sector, material and services inputs should be readily accessible to farmers at affordable prices. The total value of inputs purchased increased by 10.2 per cent from K£178.5 million in 1987 to K£196.6 million in 1988. This increase is due partly to rising costs of major inputs and partly to increased use of those inputs. The value of fertilizers for example, increased by 24 per cent mostly due to

PURCHASED AGRICULTURAL INPUTS', 1984-1988

Table 8.7 *K£million*

	1984	1985	1986	1987	1988"
MATERIAL INPUTS—					
Fertilizers	21.12	32.94	34.08	43.28	53.51
Other Agricultural Chemicals	12.06	18.36	21.93	14.97	12.03
Livestock Drugs and Medicines	8.87	9.68	10.33	15.47	16.11
Fuel and Power	18.17	19.88	22.59	27.85	30.17
Bags	9.32	8.61	12.26	12.59	11.15
Manufactured Feeds	17.98	17.70	18.89	20.91	20.63
Purchased Seeds	17.59	15.77	23.73	20.09	26.03
Other Material Inputs	6.64	5.47	6.91	7.45	9.89
Total	111.75	128.41	150.72	162.61	179.52
SERVICE INPUTS	8.24	13.07	14.68	15.84	17.11
TOTAL INPUTS	119.99	141.48	165.60	178.45	196.63

*Except labour.
**Provisional.

increases in the quantities used. But, the value of seed increased by 30 per cent even though quantities used declined because of large price increases. Of the total value of inputs purchased in 1988, fertilizer accounted for 27.2 per cent, while fuel and seeds accounted for 15.3 per cent and 13.2 per cent, respectively.

8.9. Table 8.8 shows the price and terms of trade indices for agriculture. Since 1984 the terms of trade for agriculture have remained below parity despite general improvement in agricultural output. However, there was a slight improvement in the terms of trade from 94.7 in 1987 to 98.9 in 1988. Many factors have contributed to the fluctuations in the terms of trade. The factors include limitations of coffee quotas, worsening world tea prices, weakening of the Kenya shilling and general rise in prices of inputs and consumer goods. The index of purchased inputs rose from 129.6 in 1987 to 145.5 in 1988, while sales of agricultural output increased marginally from 150.3 in 1987 to 168.7 in 1988.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1984-1988

Table 8.8 *1982=100*

	1984	1985	1986	1987	1988*
General Index of Agricultural output prices**	130.0	136.8	149.0	150.3	168.7
PRICES PAID—					
Purchased Inputs	125.1	120.7	123.2	129.6	145.5
Index of Purchased Consumer Goods— Rural Areas	134.0	154.8	159.9	167.8	178.6
INDICES OF PRICES PAID	131.8	146.3	150.7	158.8	170.5
Agricultural Sector Terms of Trade	98.6	93.5	98.9	94.7	98.9

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

8.10. The bi-annual crop forecast surveys provide invaluable information on regional food supply and distribution in the country. Overall, the food supply situation in 1988 remained satisfactory as indicated by increases in production of essential food commodities. These improvements may be attributed to higher yields as a result of increased use of fertilizers, higher producer prices and, above all, favourable weather conditions during 1988. In general, the rains were on time, adequate and well-spaced. However, excessive rains were also reported in some parts of the country.

8.11. Output for selected food commodities from the crop forecast surveys for the period 1984/85 to 1988/89 are summarized in Table 8.9. The final maize production estimate for 1988/89 is about 30.7 million bags, up from 26.8 million bags realised in 1987/88 crop year. With the exception of Nyanza Province, output of maize for the rest of the provinces were above the 1987/88 estimates. Production of beans, on the other hand, is estimated at 2.70 million bags, up from the previous year's figure of 2.31 million bags but below the 1986/87 output of 3.60 million bags. Potato production is estimated to have increased only marginally by about 5 per cent from 2.43 million bags in 1987/88 to 2.55 million bags in 1988/89. Although the area planted with beans and potatoes in 1988/89 was similar to that of 1987/88, the expected bumper crop was hampered by excess rains reported at critical stages of growth, particularly in Central and Eastern Provinces.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1984/85-1988/89

(Based on Crop Forecast Surveys)

Table 8.9 *million bags*

CROP	1984/85	1985/86	1986/87	1987/88	1988/89*
Maize	15.80	27.00	32.20	26.84	30.68
Beans	0.76	1.97	3.60	2.31	2.70
Potatoes	2.59	5.90	6.11	2.43	2.55

*Provisional.

8.12. The monitoring of weekly rural market price trends provides yet another indicator of food supply situation in the country. A comparison of provincial rural retail prices for maize, beans and potatoes in recent years, is presented in Table 8.10. Provincial price trends for these commodities were rather mixed in 1988. Except for Central and Rift Valley provinces, retail prices for maize were above those of the corresponding period in 1987. It is worth noting that in September, 1988 maize retail prices were low in all the provinces compared with prevailing prices in March. Retail price averages varied between Kshs.2.35 per kilograme of maize in Rift Valley Province to Kshs. 2.93 in Central Province. As is evident from the table, there were no substantial inter-provincial price differences in retail prices for maize. This indicates adequate supply of maize in all the provinces.

Production by Crop

8.13. In 1986 the Government began to implement an agricultural adjustment program to stimulate growth of the sector. Some of the objectives of the program include maintenance of attractive producer incentives while speeding up payments to farmers and reducing public sector role in marketing. Since then, considerable progress has been made in reforming NCPB in order to eliminate its monopoly on grain marketing and reduce its need for budgetary financing. To encourage production and compensate farmers for increasing production costs, the Government raised producer prices in 1988, ranging from 4 per cent for sugar-cane, to 7 per cent for maize and wheat and 22 per cent for seed cotton. Table 8.11 shows actual deliveries of selected crops to marketing boards for the period 1984-1988. With the exception of maize, cotton and sisal, deliveries to marketing boards show some improvement over 1987, attributed partly to favourable weather conditions, and partly to the effects of incentives structure adopted by the Government.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1984-1988

Table 8.11

CROP	UNIT	1984	1985	1986	1987	1988*
Maize	'000 tonnes	560.6	582.9	669.5	651.9	485.3
Wheat	"	135.4	193.5	224.7	148.3	220.2
Rice Paddy	"	36.4	39.5	21.3	30.1	31.7
Cotton	"	22.8	38.0	25.4	23.8	10.9
Coffee	"	118.5	96.6	114.9	104.9	124.6
Tea	"	116.2	147.1	143.3	155.8	164.0
Sisal	"	51.4	45.0	41.5	37.0	36.9
Sugar-cane	mn. tonnes	3.6	3.5	3.6	3.7	3.8
Pyrethrum (Extract Equivalent)	tonnes	34	50	74	93	102.0

*Provisional.

8.14. ***Maize*** - Output of maize in 1988 is estimated at 30.7 million bags. Production is roughly matched by demand, leaving food security stocks unaffected. All indications show that the country will be in surplus in 1989. Deliveries to NCPB in 1988 are estimated at 5.4 million bags, a drop of about 25 per cent from previous year's figure of 7.2 million bags. The decline in deliveries is attributed to competition from private millers and financial constraints experienced by the NCPB. Sales to NCPB and local traders are estimated at 30 per cent and 10 per cent of production respectively, while 60 per cent is retained by small holders for home consumption.

8.15. ***Wheat*** - Table 8.12 shows the amount of wheat produced locally and the quantities imported. Production of wheat achieved a record increase of 51 per cent, from 160.9 thousand tonnes in 1987 to 243.0 thousand tonnes in 1988. This up-turn was largely attributable to Government intervention in increasing producer prices and paying farmers on time. The Government provided inexpensive services to small-scale farmers by providing low cost tractor and combine harvester services for hire. Although hectarage

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1985-1988

Table 8.10 Ksh. *per Kg.*

CROP	PROVINCE	1985		1986		1987		1988	
		March	September	March	September	March	September	March	September
Maize	Coast								
	Eastern	3.03	2.27	2.90	2.86	2.43	2.54	2.93	2.74
	Central	2.88	2.46	3.22	3.04	4.02	3.41	3.11	2.93
	Rift Valley	2.45	2.69	2.10	2.39	2.20	2.38	2.73	2.35
	Nyanza	2.84	2.10	2.47	1.87	2.51	2.50	2.79	2.72
	Western	2.89	2.07	2.46	2.00	2.30	1.94	2.69	2.64
Beans	Coast	12.99	10.46	8.20	7.95	10.00	11.85	9.03	10.67
	Eastern	9.97	5.70	4.66	4.12	3.96	4.35	6.97	5.55
	Central	10.47	7.18	6.30	5.68	5.83	5.94	7.53	4.75
	Rift Valley	10.57	7.76	8.78	6.31	8.30	5.31	7.57	7.06
	Nyanza	8.75	5.88	6.69	6.68	5.83	5.75	7.73	6.92
	Western	8.13	6.44	6.66	4.75	6.00	4.76	5.96	5.44
Potatoes	Coast	3.78	3.47	2.42	4.34	5.00	4.79	6.00	5.30
	Eastern	3.00	2.83	2.57	2.55	2.41	2.18	4.34	3.67
	Central	2.58	2.23	1.99	1.81	1.41	2.34	3.19	2.50
	Rift Valley	2.75	2.06	2.28	2.44	3.44	2.32	2.71	2.85
	Nyanza	–	2.26	2.59	1.90	1.25	2.06	5.87	2.90
	Western	5.81	2.73	2.84	3.84	4.38	3.33	4.02	3.90ŸÏ

under wheat in 1988 is estimated to be slightly lower than in 1987, production was much higher due to favourable weather conditions and early planting. As a result, in 1988, the country was less dependent on foreign imports of wheat than it had been for the last four years. Imports of wheat decreased by 65.4 per cent between 1987 and 1988.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1984-1988

Table 8.12 *'000 Tonnes*

YEAR	PRODUCTION*	IMPORTS	FLOUR CONSUMPTION
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
1988**	243.0	75.5	266.6

*Includes retention for seed
**Provisional.

8.16. ***Coffee*** - Table 8.13 provides details of coffee production and export quota. Although the total area planted under coffee changed marginally between 1987/88 and 1986/87, there was a significant increase in production. The share of total production by small holders in the co-operative movement increased slightly. Production of coffee by co-operatives increased by 24.2 per cent, while estates increased their production by 21.9 per cent in 1987/88 compared with 1986/87.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1983/84-1987/88

Table 8.13

	1983/84	1984/85	1985/86	1986/87	1987/88*
Area (Ha) '000—					
Co-operatives	114.2	116.3	117.7	116.1	117.7
Estates	35.7	35.7	38.6	38.4	38.6
TOTAL	149.9	152.0	156.3	154.5	156.3
Production (tonnes) '000—					
Co-operatives	61.5	64.7	68.4	67.9	84.3
Estates	49.0	28.9	45.5	36.4	44.4
TOTAL	110.5	93.6	113.9	104.3	128.7
Quota(tonnes)	83.4	79.8	-	–	72.0
Average yield (kg./Ha.)--					
Co-operatives	539	556	581	577	710
Estates	1,372	809	1,179	942	1,150

*Provisional.

8.17. Overall, total coffee production increased from 104.3 thousand tonnes in 1986/87 to 128.7 thousand tonnes in 1987/88. Earnings in the coffee industry are very sensitive to external market forces and limitations of the quota system administered by the International Coffee Organization(ICO). The current ICO coffee quota is due to expire late in the 1988/89 coffee year. Under the circumstances, uncertainties still persist as to the future of the industry in general and coffee prices in particular.

8.18. ***Tea*** - Although the world tea prices have continued to decline since the 1984 tea boom, there are hopes for better prices in the international market. The resumption of tea purchases by Pakistan could also act as an incentive for tea industry. However, tea prices are expected to take sometime before they start rising. Table 8.14 indicates that despite the downward trend in tea prices, ready made tea output produced by small holders has continued to increase. The estimated production of ready made tea increased by 3.4 per cent in 1987/88 while average yield per hectare rose by 1.9 per cent. The continuing improvement in physical infrastructure and elimination of crop deterioration, coupled with

favourable weather conditions and better tea husbandry, have resulted in the increase in yield and production, particulary by the small holder. The Nyayo Tea Zone Corporation will help to strengthen the tea industry by supplementing the efforts of Kenya Tea Development Authority (KTDA). Production by the estates sector of the industry was about 48 per cent of the total tea production in 1988. Prices fetched at Mombasa tea auctions continued to be disappointing with an overall average of KShs.24 per kg. in 1988 compared with KShs.22 in 1987.

DEVELOPMENT OF SMALL HOLDER TEA, 1983/84-1987/88

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.)
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	56,889	150,557	73,940	1,300
1987/88*	57,688	151,860	76,429	1,325

*Provisional

8.19. ***Cotton*** - There is a lot of room for increased production of cotton for the local market. Due to the shortfalls in the locally produced cotton, the Government, through the Cotton Lint and Seed Marketing Board, imports substantial amount of cotton to supplement local output. Although cotton was once an important cash crop in the country, production over the years has declined. The country has 15 ginneries capable of ginning about 200,000 bales or 43.5 tonnes if there is sufficient cotton. In 1988, cotton production dropped by more than half to 10.9 thousand tonnes.

8.20. ***Sugar-cane*** - Production of cane has been rising in the last three years in succession. Table 8.15 indicates the contribution to domestic cane production by type of grower. The share of cane production by small holders' is by far the most predominant. In 1988, small holders' contribution of the total cane intake to factories was 49.3 per cent. Overall, the sugar-cane intake by factories reached a high 3.8 million tonnes in 1988, which was 3.7 per cent above the 1987 figure. The good performance in sugar production has been realised despite the closure of Miwani and Ramisi Sugar Mills, hitherto, two of the most important sugar processing factories. Their closure has no doubt, increased the workload of the three remaining factories particularly Chemelil and East African Sugar Industries in meeting domestic requirements. The inability of these factories to cope with increased cane intake has also led to mushrooming of jaggery factories in the sugar belt.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1984-1988

Table 8.15 *'000 tonnes*

TYPE OF GROWER	1984	1985	1986	1987	1988*
Factory Estates	729.3	931.1	796.0	692.8	695.7
Large Farms	599.9	485.7	502.1	607.5	630.0
Small-Holders	1,718.8	1,517.5	1,689.1	1,824.2	1,891.9
Co-operative Societies	218.4	221.7	261.3	315.9	327.6
Settlement Schemes	344.8	307.0	303.1	257.6	290.0
TOTAL	3,611.2	3,463.0	3,551.6	3,698.0	3,835.2

*Provisional.

8.21. Details about the status of supply and demand for sugar are provided in Table 8.16. Domestic sugar production increased by 5.9 per cent while imports decreased by 14.4 per cent in 1988. The consumption of sugar increased by 21.1 per cent from 400.7 thousand tonnes in 1987 to 485.3 thousand tonnes in 1988. The amount of sugar available

as opening stock in 1988 was over 124 thousand tonnes. The decrease in importation of sugar, which started in 1987, does not necessarily indicate that the country is moving towards self-sufficiency in sugar. In fact, the gap between consumption and production has widened, which implies increased imports in the future.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1984-1988

Table 8.16 *000 tonnes*

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
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	
1988*	412.90	42.00	485.34	–

*Provisional.

8.22. ***Horticulture*** - Considerable improvements in horticultural exports have led to substantial expansion of the industry. The volume of horticultural exports, as shown in Table 8.17, increased from 136.9 thousand tonnes in 1987 to 151.5 thousand tonnes in 1988. Value of exports increased significantly from K£77.1 million in 1987 to K£94.8 million in 1988. The cash earnings have increased in part due to the weakening of the Kenya Shilling against the Pound Sterling since Britain is the largest market for Kenya's horticultural products. Although there has been considerable expansion in the horticultural exports and earnings, the growth of the horticultural sector has not been large enough to maintain the past levels of Kenya's agricultural export earnings. The high increase in the total value of horticultural exports was, however, associated with fresh cut-flowers and French beans, which appear to have dominated Kenyan exports to the European export market. Avocados and pineapples are now exported by sea especially to South Europe and Saudi Arabia.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1984-1988

Table 8.17

YEAR	VOLUME '000 TONNES	VALUE K£MILLION
1984	103.7	54.2
1985	84.5	53.0
1986	110.4	66.1
1987	136.9	77.1
1988*	151.5	94.8

*Provisional.

8.23. ***Pyrethrum*** - The volume of pyrethrum purchased by the Pyrethrum Marketing Board for export market increased by 9.7 per cent in 1988 following a 25 per cent recovery in 1987. This is an indication of a long term recovery of the industry which started after the slump of 1983. The Government is restructuring the pyrethrum industry's repayment system to the farmers. The new price of KShs. 12.50 per kilogramme introduced in July 1987, has led to a general rise in production. Of the total production level of 102 thousand tonnes in 1988, production by small scale farmers accounted for about 78.2 per cent. The total value of the extract equivalent is estimated at K£6.6 million, most of which is for the export market.

8.24. ***Sisal***-Although the average gross prices for sisal in 1988 was 5.6 per cent higher than in 1987, the industry has not recovered from the down-turn which started in 1983. The East African Bag and Cordage, the major producer of sisal products in Kenya,

has been experiencing considerable financial difficulties which have threatened its closure in the near future, unless major structural changes are effected. Deliveries to the Sisal Marketing Board dropped marginally from 37 thousand tonnes in 1987 to 36.9 thousand tonnes in 1988.

Livestock Production

8.25. Despite the closure of the Kenya Meat Commission (KMC) and Uplands Bacon Factory, other licensed abattoirs have continued to increase their throughput as indicated in Table 8.18. The number of sheep and goats slaughtered increased from 875 thousand heads in 1987 to 942 thousand heads in 1988. In the pig industry, Farmers Choice is gradually filling up the vacuum created by the closure of Uplands Bacon Factory. The intake of livestock slaughtered by the Kenya Meat Commission has been dwindling and reached its lowest level in 1987. Measures to revitalize the KMC are already underway in order to enable Kenya exploit the export market for meat and meat products.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1984-1988

Table 8.18

	Unit	1984	1985	1986	1987	1988*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	190	231	316	347	359
Milk Processed:						
Wholemilk and cream	Mn. Litres	230	249	292	302	346
Butter and ghee	Tonnes	2,301	3,424	4,215	4,754	4,187
Cheese	"	203	252	208	207	247
Dried wholemilk powder	"	205	970	3,057	2,346	1,717
Dried skim-milk powder	"	206	766	2,733	2,040	2,387
Other products	"	71	–	329	319	451
Livestock slaughtered:***						
Cattle and Calves	'000 " Head	614	524	427	524	701
Sheep and Goats+	"	714	764	818	875	942
Pigs	"	87	65	77	60	63
KENYA MEAT COMMISSION						
Intake of:						
Cattle and calves	'000 " Head	222	116	24	4	10
Sheep and Goats	"	13	–	–	–	–

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

8.26. In the dairy industry, recorded milk production has been increasing steadily since its recovery from the 1984 drought. The intake of fresh milk by the Kenya Co-operative Creameries (KCC) rose by 3.5 per cent, from 347 million litres in 1987 to 359 million litres in 1988. KCC increased production of whole-milk, cream, cheese and dried skim-milk, by 14.6 per cent, 19.3 per cent, 19.3 per cent, and 17.0 per cent, respectively. However, production of butter and ghee, and dried whole milk powder, went down by 11.9 per cent and 26.9 per cent, respectively. The KCC is now facing competition from Kitinda Dairy Co-operative Ltd. in Bungoma and the Meru Co-operative Union.

Irrigation

8.27. As indicated in Table 8.19 the overall cropped area under major irrigation schemes increased marginally by 1.9 per cent between 1987 and 1988. Gross earnings from sales of output increased by 5.5 per cent from K£7.6 million in 1987 to K£8.0 million in 1988, while the number of holders increased by 4 per cent during the same period. Sugar-cane production has become predominant in West Kano Irrigation Scheme after the 1986/87 crop failure but transport facilities to the nearest sugar factories remain a bottleneck. Paddy rice is the major food crop grown in both Mwea and Ahero while cotton

is the leading cash crop in Tana and Bura schemes. In Mwea irrigation scheme, paddy rice production increased by 7.6 per cent in 1987/88, thus reversing the prolonged decline which started in 1981/82.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1983/84-1987/88

Table 8.19

	1983/84	1984/85	1985/86	1986/87	1987/88*
MWEA—					
Area cropped—***Hectares***	5,820	5,825	8,271	5,799	5,795
Plot-holders—***Number***	3,173	3,234	3,234	3,236	3,236
Gross value of output—***K£'000***	4,213	4,081	4,212	4,477	4,643
Payments to plot-holders—***K£'000***	2,198	2,066	1,458	2,499	2,701
ALL (7) SCHEME AREAS—					
Area cropped—***Hectares***	9,518	10,731	13,950	11,212	11,422
Plot-holders—***Number***	6,361	7,625	7,376	7,646	7,949
Gross value of output—***K£'000***	6,056	6,897	7,453	7,599	8,017
Payments to plot-holders—***K£'000***	2,858	3,404	2,862	3,911	4,345
CROPS PRODUCED—***Tonnes***					
Mwea—Paddy	29,336	27,553	26,407	25,236	27,163
Ahero—Paddy	3,324	3,777	4,378	3,894	4,213
W. Kano—Paddy	2,302	2,059	2,650	2,319	1,728
—Sugar-cane	5,594	2,341	–	4,463	16,995
Bunyala—Paddy	1,293	1,094	1,259	1,209	1,379
Tana—Cotton	1,559	2,374	1,839	1,966	1,952
Bura—Cotton	1,482	4,411	5,182	5,504	5,500
Pekera—Onions	975	960	587	492	254
Chillies	94	133	234	217	68

*Provisional.

Agricultural Training

8.28. Table 8.20 gives detailed information on enrolments for extension services at the main Agricultural Institutes and Animal Health and Industry Training Institutes. The Naivasha Dairy Training School has reverted to longer-term training courses of 2 years duration as an alternative to vocational courses. As a result, enrolment for the latter declined considerably in 1988. However, establishment of Kilifi Institute of Agriculture will enhance the training of extension workers at the Coast. Overall, the enrolment in most centres has remained more or less the same partly because of limited accommodation. In order to increase the intake of trainees, short courses are sometimes preferred.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS*, 1984-1988

Table 8.20 ***Number***

	1984	1985	1986	1987	1988**
CERTIFICATE LEVEL—					
Bukura Institute of Agriculture	356	464	400	400	400
Embu Institute of Agriculture	293	280	402	400	400
Kilifi Institute of Agriculture	–	–	–	203	400
Animal Health and Industry Training Institutes:—					
Kabete	156	156	275	290	292
Nyahururu	110	120	223	210	207
Ndomba	200	205	386	396	396
SHORT-TERM VOCATIONAL COURSES—					
Naivasha Dairy Training School	1,029	1,038	1,038	1,045	111
Athi River M.T. School	74	100	100	80	87

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

CRUDE OIL INTAKE BY TYPE, 1984-1988

Table 10.2 *'000 Tonnes*

Crude intake	A.P.I. Gravity	1984	1985	1986	1987	1988*
Arabian Light	33.4	58.2	38.2	26.5	0.1	–
Arabian Medium	31.0	3.6	38.6	–	–	–
Arabian Heavy	27.9	244.5	93.5	26.3	26.9	–
Arabian Light Berri	–	314.8	66.2	272.2	–	–
Iranian Light	33.9	76.9	–	–	–	65.0
Iranian Medium	–	343.7	217.1	200.9	85.6	69.1
Qatar Marine	36.7	100.7	72.4	–	–	–
Qatar Durkhan	41.2	–	104.2	267.9	–	–
Kuwait	32.0	55.3	34.9	32.1	30.8	–
Zakum	40.1	268.3	305.9	181.0	562.8	227.7
Upper Zakum	–	–	58.4	–	–	–
Murban	39.6	552.9	840.7	1,004.3	1,318.6	1,659.8
Dubai	32.4	0.1	71.3	–	84.4	–
Oman	–	–	–	–	–	–
Suez Mix	–	–	–	–	–	–
Slop	–	0.9	0.4	1.0	0.5	0.4
TOTAL	–	2,019.9	1,941.8	2,012.2	2,109.7	2,022.0

*Provisional.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1984-1988

Table 10.3 *'000 Tonnes*

		1984	1985	1986	1987	1988*
OUTPUT—						
Liquefied petroleum gas		23.0	21.8	26.1	26.2	27.7
Motor gasoline premium		135.4	136.6	143.3	138.3	135.3
Motor gasoline regular		168.7	182.5	188.7	198.0	192.7
Illuminating kerosene						
Jet/turbo fuel		357.2	351.3	391.8	412.8	410.1
Light diesel oil		437.1	466.4	489 5	547.1	516.7
Heavy diesel oil						
Marine diesel oil			32.1		33.8	32.6
Fuel oil		613.0	412.8	383.8	372.8	392.2
Export residues		154.3	240.2	257.7	260.2	228.3
Bitumen		30.7	27.0	28.6	31.1	5.9
Intermediates		-2.1	2.9	-3.5	5.7	1.8
Refinery usage		71.1	68.3	70.9	83.8	78.7
THROUGHPUT=TOTAL OUTPUT		2,020.0	1,941.9	2,012.4	2,109.8	2,022.0

*Provisional.
**Excludes lubricants.

CHAPTER 9—ENVIRONMENT AND NATURAL RESOURCES

The Government of Kenya has continued to emphasize an elaborate conservation strategy to ensure reasonable trade-off between use and the deteriorating impact on the environment. In view of the fact that natural resources are exhaustible, the Government has initiated several research institutes and welcomed voluntary organizations in the overall campaign of establishing more resources and appropriate substitutes. Since the rate of extracting such resources has a bearing on the state of the environment, the Government has over the years initiated soil conservation and afforestation programmes including water supply and pollution control measures with the objective of abating environmental degradation.

Water Supplies

9.2. The Ministry of Water Development, in conjunction with the local authorities, administers the development, management and maintenance of water resources including sewerage disposal and water pollution control. The Government through the Ministry has over the years committed substantial resources in the development and maintenance of water supply systems and the provision of potable water for both domestic and industrial use.

9.3. Total expenditure on water development by the Ministry is projected to decrease by about 21 per cent, from K£18 million in 1987/88 to K£14 million in 1988/89. There has been a continued decline in total expenditure between 1986/87 and 1988/89 due to the Government's withdrawal of funds previously allocated to some projects and the Ministry's decision to complete existing projects before initiating new ones. Table 9.1 shows expenditure on water supplies by the Ministry of Water Development since 1984.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1984/85—1988/89

Table 9.1 *K£'000*

	1984/85	1985/86	1986/87	1987/1988**	1988/1989*
Water Development	1,050	247	5,027	1,543	103
Training of Water Development Staff	270	144	599	25	30
Rural Water Supplies	8,782	10,972	13,637	8,646	7,194
Self-Help Water Supplies+	5,169	8,028	5,045	1,363	820
County Council and Urban Water Supplies	8,756	11,536	11,396	3,041	2,908
Miscellaneous and Special Water Programmes	5,592	4,394	4,173	3,684	3,399
TOTAL	29,619	35,321	39,877	18,302	14,454

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

Fisheries

9.4. The Fisheries Department's management and development strategy emphasizes maximization of returns and the subsequent utilization of inland and marine resources. The strategy also includes increased production and supply of fish to provide cheap source of proteins and income to the rural communities engaged in the fishing industry. In this regard, the Department has initiated projects such as fish nurseries and fishing vessels with longer fishing range and higher capturing capacity and efficiency.

9.5. There has been notable advancement in fish farming programmes aimed at increasing freshwater fisheries output. These include production of 50,000 and 3,000 Tilapia and Carp fingerlings, respectively, per annum at the Sagana Fish Culture Farm. The fingerlings are sold to local farmers for rearing in locally owned fish ponds. Back-up extension work is provided by the station to the local fish farmers to ensure better yields.

Some fingerlings have been stocked in man-made dams and this has resulted in the mushrooming of fishing industry in the Masinga and Kindaruma Dams. Future plans for increased production of high quality fish, include hybridization of the tilapia species, artificial breeding by stripping, trial rearing of other endemic species such as clarias mossambicus and polyculture of various combination of species. The Department also operates the Ngomeni Prawn Culture Project at Malindi, a research undertaking aimed at facilitating increased production of prawns for both domestic consumption and export. In fish farming, it is planned that land area under water will be increased, improvement of aquacultural husbandry techniques will be intensified, while replenishing of stocks especially in inland waters and rivers will be encouraged.

9.6. The Department also initiated a trout hatchery project. The Kiganjo Trout Hatchery Farm is providing fingerlings for stocking cold rivers throughout the country. Plans are already underway to establish oyster culture farm at the coast which will be used to culture oysters for export markets in the Far East, where this product is in high demand.

9.7. Various foreign agencies and donors have assisted in the development of fisheries industry. Notable among these are the Norad Fisheries Project in Lake Turkana which is aimed at improving fisheries co-operative activities in the area and the Italian Fisheries Project, in the same lake, whose objective is to produce fingerlings for restocking the lake and fish ponds which have been constructed to enhance production. UNDP is currently assisting fish farmers around Lake Victoria with the distribution and marketing of their produce.

9.8. Overall, there has been a decline in the total quantity of fish landed in 1988 as compared to 1987. From an increase of about 10 per cent in the overall volume of fish and other marine products landed in 1987, a 6 per cent decrease was recorded in 1988. This was in part due to the ban on fishing in Lake Baringo and some parts of Lake Victoria. The corresponding value, however, decreased marginally by 1 per cent, from K£25.4 million in 1987 to K£25.2 million in 1988. Table 9.2 shows the quantity and value of fish landings between 1984 and 1988.

QUANTITY AND VALUE OF FISH LANDED, 1984-1988

Table 9.2

	1984	1985	1986	1987	1988*
Quantities ***Tonnes:***					
Freshwater fish—					
Lake Victoria	71,854	88,589	103,163	113,452	109,563
Lake Turkana	8,448	7,460	7,324	7,240	1,397
Other areas	3,898	3,715	2,707	2,742	3,560
TOTAL	84,200	99,764	113,194	123,434	114,520
Marine fish	6,069	5,777	6,156	6,755	7,600
Crustaceans	607	274	302	812	765
Other marine products	100	158	146	180	200
GRAND TOTAL	90,976	105,973	119,798	131,181	123,085
Value K£'000:					
Freshwater fish	9,336	12,594	14,558	20,208	18,749
Marine fish	2,205	2,4%	2,719	2,590	3,912
Crustaceans	801	421	508	2,318	2,184
Other marine products	175	78	218	299	332
TOTAL	12,517	15,589	18,003	25,415	25,177

*Provisional.

9.9. The supply of fresh water fish continues to dominate the Kenya fish market, accounting on average for about 94 per cent per annum between 1984 and 1988. Although, fish landings from Lake Victoria declined by 3 per cent, from 113 thousand tonnes in 1987

to 110 thousand tonnes in 1988, they still accounted for 93 per cent of all fresh water fish landed. In contrast, however, there was a very sharp decline of 81 per cent in fish landings from Lake Turkana largely due to the recession of water at Furgerson Gulf resulting in the movement of fish into deeper waters of the lake and because of the poor performance of the fishermen's co-operatives which led to a decline in purchases during the period under review.

Forestry

9.10. Kenya recognises the vital role of afforestation. As forests are cleared, soil erosion and siltation increase, and coastal habitats degenerate, severely affecting local fish population. Much of the deforested land to a large extent become marginalized and, where such land is cultivated, a lasting damage to the local environment results. In view of these considerations, the Government has continued to take a serious view of indiscriminate felling of trees especially for charcoal and fuelwood and has lately emphasized forest conservation measures as a priority objective for facilitating sound economic management.

9.11. The Rural Afforestation and Extension Service (RAES) has continued to undertake afforestation programmes with the objective of sustaining a balanced ecosystem while providing a continuous supply of forest products to meet varied demands. Recorded forest plantation area for the period 1984 to 1988 is presented in Table 9.3. Forest plantations under indigeneous woods rose by 90 per cent in 1987 and subsequently stabilized in 1988 at about 15 thousand hectares. Total forest area, on the other hand, rose to 168 thousand hectares in 1986 but declined by 4 per cent and has remained at 161 thousand hectares in 1987 and 1988, respectively. The decline in 1987 was a result of a reduction in area under cypress, pines and fuel timber which had been felled on maturity during the year.

FOREST PLANTATION AREA, 1984-1988

Table 9.3 *'000 Hectares*

Type of Forest	1984	1985	1986	1987	1988*
Indigeneous softwood	9.7	5.0	4.6	7.0	7.0
Indigeneous hardwood	11.6	3.6	3.5	8.4	8.4
Exotic softwoods—					
Cypress	62.7	70.0	71.4	64.2	64.2
Pines	68.3	61.5	70.7	66.6	66.5
Exotic hardwoods—					
Timber	3.6	5.8	4.0	4.1	4.1
Fuel	9.1	14.6	13.5	10.8	10.8
TOTAL AREA	165.0	160.5	167.7	161.1	161.0

*Provisional.

9.12. Table 9.4 shows the sales of forest products by the Forestry Department for the period 1984 to 1988. There was an overall increase of 15 per cent in the sales of soft woods and hard woods in 1987 compared with a neglible increase of 0.3 per cent in 1988. Sales of fuel wood and charcoal which had declined in 1985 recorded an upturn of 31 per cent and 19 per cent in 1986 and 1987, respectively, with no change in 1988. Prior to 1984, restrictions imposed on tree felling and the ban imposed on charcoal burning accounted for much of the decline in total sales although sale of forest products subsequently picked up and continued to rise up to 1987. The ban was partially lifted in 1987 to meet the rising domestic demand for charcoal and this partly accounted for the stabilization of sales in 1988. The sale of power and telegraphic poles has, however, been increasing to meet domestic demand for both urban and rural electrification and telephone services. A total of 30,060 poles were sold in 1988 compared with 30,000 poles in 1987; a 0.2 per cent increase.

RECORDED SALE OF FOREST PRODUCTS, 1984-1988

Table 9.4

Forest Product	1984	1985	1986	1987	1988*
Timber '000 ***true cu. metres—***					
Softwood	572	447	408	480	480
Hardwood	204	133	268	298	300
TOTAL	776	580	676	778	780
Fuel '000 ***stacked cu. metres—***					
Fuelwood and Charcoal	68	65	85	101	101
Power and Telegraph Poles— ***numbers***	25,606	20,346	23,252	30,000	30,060

*Provisional.

Mining

9.13. Mineral production increased by 6 per cent in 1988 compared with a marginal increase of 1 per cent in 1987. The increase in 1988 came largely from the output of fluorspar and salt. Salt and fluorspar registered increases of 31 per cent and 45 per cent, respectively. Soda ash however, continued to dominate overall mineral production reaching a record production of 230 thousand tonnes in 1986 but declined to 228 thousand tonnes in 1987 and to 220 thousand tonnes in 1988. The decline in 1988 was in part attributed to rail transport and warehousing constraints. Table 9.5. shows the quantity and value of mineral production between 1984 and 1988.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1984-1988

Table 9.5

Mineral	1984	1985	1986	1987	1988*
Quantities ***Tonnes:***					
Minerals—					
Soda Ash	226,000	227,760	230,000	228,000	220,000
Fluorspar	50,883	57,949	50,851	46,568	67,351
Salt	58,352	67,213	61,980	72,269	94,682
Limestone Products**	20,855	30,479	35,000	37,460	28,601+
Other	35,818	37,202	39,276	37,705	38,459+
TOTAL	391,908	420,603	417,107	422,002	449,093
Value K£'000:					
Soda Ash***	11,836	13,180	16,514	17,442	17,477
Fluorspar***	2,951	3,761	3,129	2,802	3,399
Salt	2,744	2,662	2,763	2,317	3,043
Limestone Products	662	1,126	1,150	1,173	924+
Other	1,500	1,558	1,663	1,779	1,783+
TOTAL	19,693	22,287	25,219	25,513	26,626

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

9.14. In 1987, buoyant export sales were recorded for soda ash due to an increased demand from traditional Far East consumers and renewed interest from markets within the Preferential Trade Area. Export value of fluorspar registered an impressive 21 per cent increase from K£2.8 million in 1987 to K£3.4 million in 1988.

9.15. Table 9.6 shows trends in export prices of soda ash and fluorspar since 1984. There has been an upward trend in export prices of soda ash upto 1987. A marginal

downturn of 2 per cent was recorded in 1988. However, the export price of fluorspar has been subject to seasonal fluctuations largely due to unstable world prices of the product.

AVERAGE EXPORT PRICES OF SELECTED MINERALS, 1984-1988

Table 9.6 *K£ per tonne*

Mineral	1984	1985	1986	1987	1988*
Soda Ash	61.0	65.9	71.8	76.5	74.6
Fluorspar	58.0	64.9	61.5	68.8	67.6

*Provisional.

Resource Assessment and Monitoring Activities

9.16. In 1988, the Department of Resource Surveys and Remote Sensing, (DRSRS) formerly KREMU, continued with the inventory and monitoring of natural resources. Emphasis was given to land cover mapping (forestry), maize and wheat yield forecasts and wild life and livestock censuses. Previous DRSRS surveys on forest cover mapping used 1976-1979 LANDSAT imagery which revealed about 15 per cent forest cover in the country. The general trend over many forests as a result of analysing the recent SPOT satellite scenes and aerial photographs reveal an average of about 1 per cent depletion rate per annum. This exercise will continue for all the forests using SPOT imagery and aerial photography as an update of the previous work based on LANDSAT imagery.

Other Activities for Preserving the Environment

9.17. Development process requires discrete and intensive use of natural resources. Exploration of the resource endowment must not be dictated by private economic interests but should constitute considerations of long term social welfare. To design and implement suitable conservation and preventive measures, calls for a concerted and all-round effort in addition to appropriate assessment of the state of the environment.

9.18. The National Environment Secretariat (NES) carried out a number of activities in 1988 which are planned to run into 1989. As a strategy for achieving a sound environmental management, NES continued to implement the District Environment Assessment Project (DEAP), which are district profiles portraying regional anatomies of resource endowments including related environmental potential and problems. The main objective of this programme is to provide a sound data base for use in the preparation and implementation of district development plans as well as identifying environmental pressure points and danger signals upon which to base immediate corrective counter-measures. NES has also been operating environmental education and information activities, village assessments, national plan of action to combat desertification and pollution control.

9.19. The Green Belt movement has played its part to avert desertification and savannization of the marginal lands and forest areas. By 1988, it had established 556 tree nurseries nationwide of which 78 per cent were active.

9.20. The International Union for Conservation of Nature and Natural Resources (IUCN), has since 1986 taken a two pronged approach to promoting sustainable development; to encourage discussion about and action on conservation issues; and to undertake practical conservation and development projects. The national conservation strategy is the most important undertaking IUCN will concentrate on during the coming years. It also intends to initiate the Biological Resource Monitoring Center and to open discussion with the Government on possible collaboration on national park support (both terrestial and marine), on natural forest management and on a marine conservation project. IUCN also intends to strengthen its practical support to non-governmental organizations working in the field of sustainable development and environmental protection.

CHAPTER 10—ENERGY

Overview

Crude oil prices remained weak in 1988 due to over-production by leading producers. Efforts to stabilise production and prices was not possible due to the continued conflict in the Gulf. With the ceasefire agreement between the warring parties late in the year, and if most oil producing countries adhere to their quotas, it is expected that this will enable the crude oil prices to become stronger in 1989. Indeed prices picked up to between $16 and $17 a barrel by the end of 1988.

10.2. Having maintained an upward trend during the last 4 years, the importation of petroleum products decreased in 1988 to 2,187 thousand tonnes from 2,271 thousand tonnes in 1987; a decrease of 4 per cent. The import bill also fell by 11 per cent from K£281 million in 1987 to K£250 million in 1988. In 1987, there was a 29 per cent drop in the quantity of petroleum fuels exported, but 1988 showed an increase of 20 per cent. As a result, and coupled with the declining value of the Kenya shilling relative to the U.S. dollar, the overall export earnings from petroleum products increased by 13 per cent from K£102 million in 1987 to K£115 million in 1988.

Petroleum

10.3. Table 10.1 sets out the trends in imports and exports of petroleum products since 1984. As already indicated, quantity of imported petroleum products decreased in 1988. Importation of high yield crudes may have contributed to this decline. Consequently, the import bill fell by 11 per cent. Apart from petroleum fuels imports which increased by nearly 16 per cent , all other products recorded a decrease with lubricating greases decreasing by 96 per cent. Crude petroleum imports, which also include imports by the Kenya National Oil Corporation, decreased by 4 per cent from 2,131 thousand tonnes in 1987 to 2,042 thousand tonnes in 1988. Lubricating oils decreased from 46 thousand tonnes to 38 thousand tonnes in the same year.

10.4. Exports of petroleum products, mostly to the neighbouring countries, picked up in 1988 after the decline in 1987 to record 697 thousand tonnes; the third highest export during the last 5 years. Exports of lubricating oils, which had been decreasing over the years, increased marginally from 6.5 thousand tonnes to 6.9 thousand tonnes in 1988.

10.5. Table 10.2 shows that out of the total 2,022 thousand tonnes crude oil intake by type in 1988, 82 per cent was Murban. This was the only crude oil intake to record significant increase except Iranian Light which recorded 65 thousand tonnes from 'no imports' in 1987. Zakum which recorded an increase of 382 thousand tonnes in 1987, decreased by 335 thousand tonnes to 228 thousand tonnes in 1988.

10.6. Table 10.3 details the output of petroleum products by the Kenya Petroleum Refineries Limited. As a result of the decrease in importation of crude petroleum, production of various petroleum products fell by 4 per cent from 2,110 thousand tonnes to 2,022 thousand tonnes.

10.7. Supply and demand balance in petroleum products is shown in Table 10.4. In 1988 domestic demand for petroleum products was 1,730 thousand tonnes compared to 1,748 thousand tonnes in 1987. Despite this decrease in demand, some products, notably motor spirits (premium and regular), Liquefied Petroleum Gas (L.P.G.), aviation spirit, jet turbo fuel, illuminating kerosene and heavy diesel oil increased, while light diesel oil, which was the major contributor of the decrease in demand, decreased by 35 thousand tonnes. Refinery usage decreased from 84 thousand tonnes in 1987 to 79 thousand tonnes, a 6 per cent decrease; which compares well with the 4 per cent decrease in imports of petroleum products.

10.8. Table 10.5 shows that there was a marginal decline of 1 per cent in total domestic sales of petroleum fuels by consumer from 1,748 thousand tonnes in 1987 to 1,730 thousand tonnes in 1988 compared with 10 per cent increase in 1987. Inspite of the overall

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1984-1988

Table 10.1

	QUANTITY ('000 TONNES)					VALUE (K£'Mn)				
	1984	1985	1986	1987	1988*	1984	1985	1986	1987	1988*
IMPORTS—										
Crude Petroleum	1,874.3	1,980.7	2.006.0	2,130.5	2,041.8	292.42	349.27	207.83	248.52	217.94
	100.6	51.9	105.4	92.3	106.8	21.12	12.57	15.89	14.39	18.43
	35.4	35.0	26.0	46.0	38.2	12.54	13.41	9.64	15.41	12.77
Lubricating Greases	0.1	0.1	0.5	2.3	0.1	0.09	0.14	0.46	2.38	0.95
TOTAL	2,010.4	2,067.7	2,137.9	2,271.1	2,186.9	326.17	375.39	233.82	280.70	250.09
EXPORTS—										
Petroleum Fuels	685.3	596.8	804.5	571.9	689.9	131.72	108.58	116.94	96.43	109.16
Lubricating Oils	16.7	14.8	11.0	6.5	6.9	9.48	9.12	7.01	4.88	5.38
	0.4	0.3	0.3	0.4	0.5	0.30	0.33	0.26	0.43	0.51
TOTAL	702.4	611.9	815.8	578.8	697.3	141.50	118.03	124.21	101.74	115.05
NET BALANCE	1.308.0	1.455.8	1,322.1	1,692.3	1,489.6	184.67	257.36	109.61	178.96	135.04

*Provisional.

CRUDE OIL INTAKE BY TYPE, 1984-1988

Table 10.2 *'000 Tonnes*

Crude intake	A.P.I. Gravity	1984	1985	1986	1987	1988*
Arabian Light	33.4	58.2	38.2	26.5	0.1	–
Arabian Medium	31.0	3.6	38.6	–	–	–
Arabian Heavy	27.9	244.5	93.5	26.3	26.9	–
Arabian Light Berri	–	314.8	66.2	272.2	–	–
Iranian Light	33.9	76.9	–	–	–	65.0
Iranian Medium	–	343.7	217.1	200.9	85.6	69.1
Qatar Marine	36.7	100.7	72.4	–	–	–
Qatar Durkhan	41.2	–	104.2	267.9	–	–
Kuwait	32.0	55.3	34.9	32.1	30.8	–
Zakum	40.1	268.3	305.9	181.0	562.8	227.7
Upper Zakum	–	–	58.4	–	–	–
Murban	39.6	552.9	840.7	1,004.3	1,318.6	1,659.8
Dubai	32.4	0.1	71.3	–	84.4	–
Oman	–	–	–	–	–	–
Suez Mix	–	–	–	–	–	–
Slop	–	0.9	0.4	1.0	0.5	0.4
TOTAL	–	2,019.9	1,941.8	2,012.2	2,109.7	2,022.0

*Provisional.

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**
1984-1988

Table 10.3 *'000 Tonnes*

		1984	1985	1986	1987	1988*
OUTPUT—						
Liquefied petroleum gas		23.0	21.8	26.1	26.2	27.7
Motor gasoline premium		135.4	136.6	143.3	138.3	135.3
Motor gasoline regular		168.7	182.5	188.7	198.0	192.7
Illuminating kerosene						
Jet/turbo fuel		357.2	351.3	391.8	412.8	410.1
Light diesel oil		437.1	466.4	489 5	547.1	516.7
Heavy diesel oil		31.6				
Marine diesel oil			32.1	35.5	33.8	32.6
Fuel oil		613.0	412.8	383.8	372.8	392.2
Export residues		154.3	240.2	257.7	260.2	228.3
Bitumen		30.7	27.0	28.6	31.1	5.9
Intermediates		-2.1	2.9	-3.5	5.7	1.8
Refinery usage		71.1	68.3	70.9	83.8	78.7
THROUGHPUT=TOTAL OUTPUT		2,020.0	1,941.9	2,012.4	2,109.8	2,022.0

*Provisional.
**Excludes lubricants.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1984-1988

Table 10.4 *'000 Tonnes*

	1984	1985	1986	1987	1988*
DEMAND—					
Liquefied petroleum gas	21.6	22.4	24.1	25.3	26.9
Motor spirit premium and regular	257.7	267.8	295.1	321.8	325.0
Aviation spirit	5.6	5.9	6.1	6.3	6.5
Jet/turbo fuel	259.4	261.0	263.4	249.5	254.6
Illuminating kerosene	81.4	90.9	109.1	133.7	154.7
Light diesel oil	420.1	447.7	481.0	572.7	537.3
Heavy diesel oil	25.2	25.1	26.1	27.7	32.7
Fuel oil	411.4	376.5	378.3	410.8	392.7
TOTAL	1,482.4	1,497.3	1,583.2	1,747.8	1,730.4
Refinery usage	71.1	68.3	70.9	83.8	78.7
TOTAL DOMESTIC DEMAND	1,553.5	1,565.6	1,654.1	1,831.6	1,809.1
Exports of petroleum fuels	685.3	596.8	804.5	571.9	689.9
TOTAL DEMAND**	2,238.8	2,162.4	2,458.6	2,403.5	2,499.0
SUPPLY—					
Imports:					
Crude oil	1,874.3	1,980.7	2,006.0	2,130.5	2,041.8
Petroleum fuels	100.6	51.9	105.4	92.3	106.8
TOTAL	1,974.9	2,032.6	2,111.4	2,222.8	2,148.6
Adjustment***	263.9	129.8	347.2	180.7	350.4
TOTAL SUPPLY**	2,238.8	2,162.4	2,458.6	2,403.5	2,499.0

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

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1984-1988

Table 10.5 *'000 Tonnes*

USER	1984	1985	1986	1987	1988*
Agriculture	44.0	48.9	61.2	71.2	72.7
Retail pump outlets and road transport	568.7	616.6	676.8	762.2	781.0
Rail Transport	42.5	35.0	29.4	311	22.2
Tourism"	9.3	9.4	9.9	11.0	11.6
Marine (excl. Naval Forces)	158.9	147.1	177.0	168.5	106.3
Aviation (excl. Government)	258.8	260.4	263.0	249.5	255.1
Power Generation	54.5	27.4	34.3	87.2	50.1
Industrial, Commercial and Other	452.6	452.7	455.8	483.4	489.8
Government	51.8	46.7	52.3	127.7	47.7
Balancing Item	-158.7	-146.9	-176.6	-244.0	-106.1
TOTAL	1,482.4	1,497.3	1,583.2	1,747.8	1,730.4

*Provisional.
**Comprises sales to tour operators.

decrease in domestic sales, some sectors reflected increased usage. Fuel usage in the agricultural sector increased marginally from 71 thousand tonnes in 1987 to 73 thousand tonnes in 1988 perhaps as a result of increased use of tractors. Transport sector (road, rail, marine and aviation) consumed 1,165 thousand tonnes; which was slightly over 67 per cent of the total net domestic sales, but less than the 69 per cent recorded in 1987. Retail pump outlets and road transport increased to 781 thousand tonnes in 1988 from 762 thousand tonnes in 1987.

10.9. Increased activity in the commercial and industrial sector resulted in 490 thousand tonnes of petroleum fuels being used in 1988; some 7 thousand tonnes more than

in 1987. Petroleum usage by Government, which had increased by 144 per cent in 1987 to reach 128 thousand tonnes, decreased drastically by 63 per cent to 48 thousand tonnes in 1988. The decline in 1988 was due to registration of the Nyayo Buses under a state corporation thus removing them from normal Government budget.

10.10. Data on Table 10.6 show that since September, 1973 wholesale prices of all petroleum products except L.P.G., illuminating kerosene, industrial diesel oil and fuel oil increased more than six-fold. This increase is attributable to a combination of factors like rising crude prices, devaluation and taxation. However, the wholesale price for L.P.G. and illuminating kerosene remained at 1987 prices, a welcome development, since the two products are major fuels in most of urban and some rural households.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973-1988

Table 10.6 *KSh. per tonne*

	3-9-1973	27-4-1984	20-3-1986	13-6-1986	17-6-1988	Ratio 1988/73 (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	11,831	762.8
Regular motor gasoline	1,468	10,512	9,734	10,622	11,337	772.3
Illuminating kerosene	736	4,859	4,012	4,012	4,012	545.1
Light diesel oil	892	6,365	5,525	5,886	6,005	673.2
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.

NAIROBI RETAIL PRICES, 1980-1988

Table 10.7 *KSh. per litre*

Date	MOTOR SPIRIT		
	Premium/ Gasohol*	Regular	Gas Oil
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	800	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
17-6-88	9.31	8.63	5.72

*Gasohol was introduced from 1983.

10.11. Having been increased twice in 1987, the Nairobi retail prices for motor spirit and automotive gas oil were increased only once, in June, 1988. The new price for premium, regular and automotive gas oil were KSh. 9.31, KSh. 8.63 and KSh. 5.72 respectively. It is worth noting that the price of automotive gas oil, which was decreased in 1986 and remained constant in 1987, was also marginally increased.

Electricity

10.12. Details on installed capacity and generation of electricity are given in Table 10.8. Although installed capacity remained at 1987 level of 575 MW, generation of electricity increased from 2,454 GWH in 1987 to 2,844 GWH in 1988; an increase of nearly

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1984-1988

Table 10.8

Year	INSTALLED CAPACITY* MW				GENERATION* GWH***			
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal Oil	Geother-mal	Total
1984	353.5	160.2	30 0	543.7	1,4910	225.0	233.0	1,9490
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
1988+	353.5	176.2	45.0	574.7	2,323.0	198.0	323.0	2,844 0

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

16 per cent. Of the total electricity generation, hydro-electricity accounted for nearly 82 per cent, an improvement of 8 per cent over 1987. Thermal oil based electricity recorded a fall of 26 per cent. Geothermal based electricity which had been increasing over the years also decreased from 374 GWH in 1987 to 323 GWH in 1988. The increase in electricity generation is as a result of normal growth of the economy, including new hook ups in the rural areas through the Rural Electrification Programme.

10.13. Table 10.9 shows that demand for electricity has been increasing continuously. The overall demand in 1988 was 2,407 million KWH; 35 million KWH above 1987 when demand was 2,372 million KWH. Despite the overall increase in demand, large commercial and industrial sectors decreased their demand from 1,580 million KWH to 1,574 million KWH due to some large consumers closing down e.g. two major sugar mills. Off-peak demand for electricity decreased by 52 million KWH in 1988. Domestic and small commercial sector was the only sector to record an increase. Out of the total supply of 2,882 million KWH, 110 million KWH was imported from Uganda, which was 38 per cent below 1987 imports.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1984-1988

Table 10.9 *Million KWH*

	1984	1985	1986	1987	1988*
DEMAND—					
Domestic and Small Commercial	514	545	600	616	709
Large Commercial and Industrial	1,206	1,354	1,441	1,580	1,574
Off-peak	116	106	109	162	110
Street Lighting	9	9	8	14	14
TOTAL	1,845	2,014	2,158	2,372	2,407
Transmission losses and unallocated demand .	276	310	335	367	475
TOTAL DEMAND=TOTAL SUPPLY	2,121	2,324	2,493	2,739	2,882
of which imports from Uganda	215	215	235	176	110
Net generation	1,906	2,109	2,258	2,563	2,772

*Provisional.

Energy Balance

10.14. Table 10.10 shows total domestic energy demand and supply balance. Consumption of liquid fuels which had risen steadily from 1,554 thousand tonnes of oil equivalent in 1984 to 1,832 thousand tonnes in 1987 fell marginally to 1,809 thousand tonnes in 1988. The demand for energy by the modern sector recorded a marginal increase of 2 per cent in per capita consumption in 1988. This was, however, below the 5 per cent increase realised in 1987. Consumption of hydro and geothermal based electricity has

continued to expand since 1984 from 465 thousand tonnes of oil equivalent to 661 thousand tonnes in 1988. Since consumption outstripped local production, the deficit had to be imported, but the amount imported has been decreasing for the last two years.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1984.1988

Table 10.10 *'000 Tonnes Oil Equivalent*

	1984	1985	1986	1987	1988*
COAL AND COKE CONSUMPTION OIL:	82.7	59.9	67.9	82.2	79.0
Imports of crude oil	1,932.7	1,980.7	2,006.0	2,130.5	2,041.8
Net exports of petroleum	.584.7	.544.9	.699.0	.479.6	.583.1
Stock changes and balancing item	205.5	129.8	347.1	180.7	350.4
TOTAL CONSUMPTION OF LIQUID FUELS	1,553.5	1,565.5	1,654.1	1,831.6	1,809.1
HYDRO AND GEOTHERMAL ENERGY:.					
Local production of hydro power	357.8	403.2	416.7	435.1	557.5
Local production of geothermal Power	55.9	80.6	88.6	89.8	77.5
Imports of hydro power		51.6	56.4	50.6	4
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	465.3	535.4	561.7	575.5	661.4
TOTAL LOCAL ENERGY PRODUCTION	413.7	483.8	505.3	524.9	635.0
TOTAL NET IMPORTS	1,482.7	1,547.3	1,428.4	1,783.7	1,609.1
TOTAL ENERGY CONSUMPTION	2,101.5	2,160.9	2,280.9	2,489.3	2,549.5
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	19.7	22.4	22.2	21.1	24.9
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	108	10.7	108	113	115

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

Household Energy Use

10.15. Wood energy is the most important source of energy in Kenya accounting for nearly 72 per cent of all energy use. A large proportion of Kenya's population continue to depend on fuelwood and charcoal. The principal use of wood in Kenya is for household cooking and space heating. Since the rate of fuelwood consumption exceeds replenishment, corrective measures need to be instituted to rectify the supply-demand imbalance through countrywide afforestation programmes, agro-forestry practices and introduction of more fuel efficient but cost effective cooking stoves (jikos).

Renewable Energy Resource

10.16. The sharp increase in energy prices and the need to develop substitutes for fuel-wood have aroused considerable interest in renewable energy resources which include solar energy, windmills, power alcohol and biogas. Solar energy which seems to be catching up in use is still fairly expensive. Commonly used is the solar water heating system in the residential areas, hospitals and public institutions. However, no performance standards have yet been established for the design and installation of solar water heaters-leading to a situation in which a large number of units have failed to perform as expected.

10.17. Solar photovoltaic (PV's) which can be used for water pumping, rural electrification, electric fencing, telecommunication systems and microelectronic devices is not widely used due to their high capital cost and lack of local maintenance, research, testing and development facilities. Wind machines fell into disuse after the advent of small diesel pumps and cheap oil in 1960s. Following the oil shock of 1973, a number of such wind machines have been rehabilitated and new ones are being manufactured locally . However, the development and installation of wind technologies face similar constraints like those of PV's, enumerated above .

Energy Conservation

10.18. The 1973 oil crisis brought about the need for energy conservation and a switch to alternative energies. Energy conservation involves savings, loss and waste preservation and protecting of natural resources. To promote conservation activities, the Ministry of Energy, in collaboration with the Kenya Association of Manufacturers, established Kenya Industrial Energy Management Programme (KIEMP) to assist the industrial sector in improving its efficiency in energy consumption through annual targets. To achieve this, the Ministry will assist the manufacturing sector by carrying out training seminars, supplying materials pertaining to energy conservation and undertaking regular reviews to monitor their progress.

CHAPTER 11 - MANUFACTURING

Overview

Manufacturing sector performed well in 1988. Favourable weather conditions ensured adequate supplies of raw materials for the agro based industries. Furthermore, the Government, in pursuance of the industrial growth objectives, continued with liberal allocation of foreign exchange for raw material imports for the sector. Commercial bank lending also increased adequately to support productive activities in the sector. However, a few other factors militated against a further rise in output of the sector. The Kenya shilling weakened against major currencies, making imports costly and thus adversely affecting the growth of imports of raw materials and machinery for the sector. A second adverse factor was deterioration of relations with a neighbouring country. Overall, the sector recorded a growth rate of 6.0 per cent in volume of output, only marginally below the Sixth Development Plan target of 6.4 per cent per annum but slightly above the performance recorded in 1987. This impressive growth is attributable mostly to rising domestic demand.

11.2. Total employment in the manufacturing sector rose from a revised figure of 169,800 persons in 1987 to 170,300 persons in 1988 . a marginal increase of 0.3 per cent. This was the lowest growth in employment recorded for the sector since 1982. This poor performance in employment creation was partly due to the fact that two sugar factories and two textile mills were non-operational during 1988. Also, some textile mills were operating with fewer employees because of lack of adequate market for their products.

11.3. The value of sales of products for the sector as obtained from the Business Expectations Enquiry (B.E.E.) rose from a revised figure of K£2,757 million in 1987 to a provisional figure of K£3,376 million in 1988 . an increase of 22.4 per cent. However, a substantial part of this increase may be attributed to increase in prices of manufactured goods. Similarly, the value of stocks of manufactured goods is estimated to have increased from K£519 million at the end of 1987 to K£602 million at the end of 1988. At current prices, net additions to fixed assets (capital formation) also rose by about 28 per cent, reflecting mainly the effect of inflation.

Industrial Output

11.4. Estimated values of output, intermediate consumption, value added and wages paid in manufacturing sector from 1985 to 1988 are set out in Table 11.1. In 1988 the value of output at current prices rose by 19.9 per cent while value added increased by 15.6 per cent. Intermediate consumption, however, rose faster by 20.6 per cent.

MANUFACTURING SECTOR*—OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES 1985.1988

Table 11.1 *K£million*

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
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
1988**	6,102.68	5,305.12	797.56	252.29

*Includes tea processing.

**Provisional. Awaiting final figures from the 1982 Census of Industrial Production.

Quantum Indices

11.5. Indices of real output in the manufacturing sector are set out in Table 11.2. Real output in manufacturing increased by 6.0 per cent compared with 5.7 per cent in 1987. Most industries recorded modest increases in output. However, notable increases were recorded for miscellaneous manufacturers, metal products, petroleum and other chemicals and paper and paper products. Negative growth rates were on the other hand registered by canned vegetables, edible oils and fats, wood and cork products, furniture and fixtures, plastic products and non-metallic mineral products.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1986.1988

Table 11.2 *1976=100*

INDUSTRY	1986	1987*	1988**	Percentage change 1988/1987
Meat and Dairy Products	97.0	115.3	127.9	10.9
Canned Vegetables, Fish, Oils and Fats	228.2	268.1	267.7	-0.1
Grain Mills Products	192.2	198.3	224.7	13.3
Bakery Products	134.6	151.5	155.4	2.6
Sugar and Confectionery	180.1	189.5	201.5	6.3
Miscellaneous Foods	169.0	189.7	224.7	18.5
Food Manufacturing	144.9	157.8	167.5	6.1
Beverages	166.8	196.9	207.9	5.6
Tobacco	156.2	170.8	178.1	4.3
Beverages and Tobacco	166.0	194.3	201.9	3.9
Textiles	186.5	192.5	197.2	2.4
Clothing	354.8	359.8	368.3	2.4
Leather and Footwear	81.9	83.5	88.1	5.5
Wood and Cork Products	67.1	68.1	66.4	-2.5
Furniture and Fixtures	72.7	73.5	72.7	-11
Paper and Paper Products	157.1	170.0	189.3	11.4
Printing and Publishing	350.4	372.2	389.1	4.5
Basic Industrial Chemicals	166.5	170.0	182.1	7.1
Petroleum and Other Chemicals	279.0	303.5	342.9	13.0
Rubber Products	262.3	277.0	286.3	3.4
Plastic Products	205.7	212.3	202.8	-4.5
Clay and Glass Products	289.7	291.7	306.5	5.1
Non-Metallic Mineral Products	135.0	142.7	140.7	-1.4
Metal Products	104.4	116.2	133.1	14.5
Non-Electrical Machinery	118.4	127.9	138.7	8.4
Electrical Equipments	162.9	168.4	189.3	12.4
Transport Equipments	593.7	547.4	612.4	11.9
Miscellaneous Manufactures	260.1	336.0	405.1	20.6
TOTAL MANUFACTURING	188.7	199.4	211.3	6.0

*Revised.
**Provisional.

11.6. The rate of growth in the food processing subsector slowed down somewhat from a 8.9 per cent in 1987 to 6.1 per cent in 1988. Within this subsector, grain mill products and sugar and confectionary industries performed relatively well. The slowdown in the rate of increase for the food industry as a whole may be explained by shortfalls in output of canned vegetables and fruits, edible oils, rice, sweets and liquid milk.

11.7. The output of selected grain milling products is detailed in Table 11.3. The success of Government's efforts to encourage increased food production by setting higher producer prices is evident in the increased output of sifted maizemeal and wheat flour in 1988. Production of sifted maizemeal and wheat flour increased by 32.0 per cent and 2.5 per cent, respectively; this compares with decline in production of both in 1987. However, production of whole and broken rice fell during the period under review. Other grain milling industries' products like wheat offals and maize germ registered increases, thereby leading the grain mill products industry to a significant increase of 13.3 per cent in 1988 as compared to only 3.2 per cent in the previous year.

11.8. While action is being taken to reorganise parastatals involved in beef and pork manufacturing, domestic demand for meat will continue to be met through private abattoirs. Available information indicates that output of beef and mutton increased to 150,000 tonnes in 1988 compared with 116,000 tonnes in 1987. Inspite of this substantial growth, private abattoirs do not produce canned beef for export which implies loss of foreign exchange from this source. Other products in the meat and dairy products industry

PRODUCTION OF GRAIN MILLING PRODUCTS, 1984-1988

'000 tonnes

Year	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
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
1988**	261.2	266.6	14.7	0.1

*Revised.
**Provisional.

which registered notable increases in 1988 include processed chicken, cheese, butter and ice-cream. However, production of liquid milk rose from 461 million litres in 1987 to 500 million litres in 1988; and 8.4 per cent growth compared with the very high growth of 20.0 per cent registered in 1987. This, coupled with a large fall in output of milk based infant foods, contributed to the slow growth rate of 10.9 per cent recorded for the meat and dairy products industry compared with 18.9 per cent achieved in 1987.

11.9. Except for both canned vegetables and fruits and edible oils, all other products in the canned vegetables, oils and fats industry recorded increases in output. Canned vegetables and fruits account for the largest share of gross output in this group of products, which explains the marginal decline in this industry's overall output in 1988 compared with 1987. Output of canned fruits and vegetables respectively fell from 225,000 tonnes and 738 tonnes in 1987 to 180,000 tonnes and 713 tonnes in 1988. The decline in exports of canned fruits was occasioned by a shift by one of the major manufacturers from exports of canned fruits to fresh fruit exports. Output of edible oils will be enhanced in future due to the recent opening of the Ufuta edible oils manufacturing plant at the Coast which will draw the bulk of its raw materials from the domestic economy.

11.10. Financial and management problems rendered Miwani and the Associated Sugar Mills (Ramisi Sugar Mills) non-operational during 1988. As a consequence, employment in the sugar and confectionery industry fell by 2.0 per cent during the period under review. However, increased efficiency by the remaining sugar mills led to increase in overall output. Sugar production registered a rise of 5.9 per cent from 390,000 tonnes in 1987 to 413,000 tonnes in 1988. Molasses, the main by-product, recorded an increase of 24.7 per cent over the 1987 level. Weak performance by the confectionery industry did not significantly affect the growth of sugar and confectionery industry which recorded a growth rate of 6.3 per cent in 1988 compared with 5.2 per cent in 1987.

11.11. The miscellaneous manufactured foods industry includes processed tea, milled and roasted coffee, salt, cashew nut kernels and prepared animal feeds. As noted earlier, favourable weather conditions ensured increased supplies of green tea leaves to the factories and coffee to the mills. Output of black tea is provisionally estimated to have increased by 11.5 per cent and that of milled coffee by 25.3 per cent from 99,000 tonnes in 1987 to 124,000 tonnes in 1988. Output of all locally prepared animal feeds recorded substantial growth during 1988. Plans are underway to increase the number of tea factories, in particular, to cater for the Nyayo Tea Zones. This will increase capacity and hence total output of the entire miscellaneous manufactured foods industry.

11.12. Table 11.4 shows production of beverages and tobacco for the period 1984 to 1988. The growth rate of 3.9 per cent recorded by the entire beverages and tobacco industry in 1988 compares unfavourably with the 17.1 per cent attained during the previous year. The modest increases in output of beer and cigarettes combined with a fall in output of spirits and mineral waters resulted in this slow growth. Most products in this industry have enjoyed good domestic and export demand. However, export demand has been

declining after attaining a high level in 1986. Security problems in a neighbouring country has contributed to this fall. In addition some of the neighbouring countries are becoming more self sufficient in these products, thus importing less from Kenya.

PRODUCTION OF BEVERAGES AND TOBACCO, 1984-1988

Table 11.4

Year	COMMODITY			
	Spirits	Beer	Mineral Waters	Cigarettes
	'000 Litres	Million litres	Million litres	Million Sticks
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*	981.4	307.5	200.9	6,372
1988*	956.0	314.4	186.7	6,642

*Revised.
**Provisional.

11.13. Output of the textile industry grew more slowly in 1988. It recorded a rise of only 2.4 per cent compared to 3.2 per cent in 1987. Local output of cotton, as shown in chapter 8, fell significantly, thus denying the industry an adequate supply of required raw materials. Importation of textile products has also adversely affected this industry. One of the main producers of sisal bags had to cut-down production because of competition from imports. Financial problems also forced two other major textile plants to be placed under receivership. Output of cotton woven fabrics declined from 51 million square metres in 1987 to 46 million square etres in 1988 while that of woollen woven fabrics deopped to 3.3 million square metres in 1988 from 3.9 million square metres in 1987. Towelling material production fell by 47 per cent in 1988 compared with 1987, bedsheets fell by 4.5 per cent and gunny bags fell by 42 per cent. Modest increases were, however, recorded in the output of blankets, knitted fabrics and polyester viscose fabrics.

11.14. The clothing industry has also faced competition from imports. However, the performance of the industry improved slightly, recording a growth of 2.4 per cent compared with 1.4 per cent in 1987. Inspite of shortfalls in production of dresses and both men's and boys' suits, there were appreciable gains in output of shirts, trousers, sports shirts, vests, singlets and underwears, which contributed to the improved performance.

11.15. The upward trend in the leather and footwear industry was sustained in 1988. Output of sole leather, however, fell significantly by 24 per cent while finished leather decreased marginally from 203,000 metres in 1987 to 200,000 metres in 1988. Part of this decrease is explained by the 70 per cent increase in output of unfinished leather from 782,000 metres in 1987 to 1,328,000 metres in 1988. This coupled with P.V.C. leather cloth and leather shoes which recorded increases of 17.9 and 7.7 per cent, respectively, accounted for the 5.5 per cent growth for this industry compared with 2.0 per cent in 1987. The number of leather shoes rose from a revised figure of 1.3 million pairs to 1.4 million pairs; exports of leather footwear rose from 140,000 pairs in 1987 to 156,000 pairs in 1988.

11.16. Output of sawn timber declined from 99,000 cubic metres in 1987 to 90,000 cubic metres in 1988. The decline in local timber output is a reflection of the ban on felling of trees by the Government in its efforts to conserve forests. The wooden furniture and fixtures industry which relies heavily on supplies of timber was adversely affected, its employment declining from a revised figure of 3,829 persons in 1987 to 3,277 persons in 1988. Both wood and cork products and furniture and fixtures, recorded negative growth rates.

11.17. Fall in production of kraft paper board and carton cardboards was offset by increased output of wrapping paper, exercise books, corrugated pack containers,

envelopes, and paper bags and sacks resulting in a net increase of 11.4 per cent for the paper and paper products industry in 1988 compared with 8.2 per cent increase in 1987. To help meet increased local demand for products of this industry, 46,700 tonnes of paper and paperboard was imported in 1988 compared with 32,800 tonnes in 1987. On the other hand, exports of exercise books mainly to Zaire and Rwanda declined by 54 per cent from 489 tonnes in 1987 to 225 tonnes in 1988.

11.18. The printing and publishing industry grew by 4.5 per cent in 1988 compared with 6.2 per cent in 1987. While output of locally made paper is estimated to have remained at the 1987 level, that of. newsprint declined marginally by 0.7 per cent. Difficulties in importing some of the raw materials for this industry dampened its performance in 1988. Employment in the industry, similarly, declined marginally by 0.1 per cent from 5,926 persons in 1987 to 5,919 persons in 1988. To meet local demand for newsprint, a total of 7,000 tonnes of newsprint was imported compared with only 2,000 tonnes imported in 1987.

11.19. Performance of the various products in the basic industrial chemicals industry varied widely in 1988. Production of oxygen, nitrogen and hydrogen together fell from 5.1 million litres in 1987 to 3.7 million litres in 1988. Moderate decreases were also recorded in output of pyrethrum powder, liquid insecticides and herbicides. Significant increases in output of electrodes, acetylene, wattle extract, solid insecticides and cattle dips account for the improvement in the growth, although the country is still far from self-sufficiency in products of this industry. In 1988 the country imported almost the same level of fungicides, fertilizers and herbicides as in 1987, when 3,200, 226,000 and 1,100 tonnes, respectively, of these products were imported.

11.20. The petroleum and other chemicals industry continued its upward trend with output rising by 13.0 per cent in 1988 compared to 8.8 per cent during the previous year. All petroleum products recorded shortfalls in production; the only exception being LPG, residue and bitumen. Output of paints, varnishes and lacquers, liquid drugs and pharmaceuticals decreased. This industry depends heavily on imported inputs and the fall in output of some products is attributable to the escalating international prices in addition to the weakening of the shilling. The shortfalls, however, were offset by relatively large increases in output of other products of this industry. In particular, production of primers, undercoats and thinners almost doubled from 166,000 and 370,000 litres, respectively, in 1987 to 373,000 and 685,000 litres in 1988. Substantial increases were also recorded for distempers, laundry soaps, soap powders and liquid detergents. Inspite of declines in some petroleum products, earnings from the export market of refined petroleum products totalled K£118 million in 1988 up from K£101 million in 1987. Importation of medicinal and pharmaceutical products rose by 39.3 per cent.

11.21. During 1988, production of new motor vehicle tyres increased by 2.3 per cent from 425,000 in 1987 to 435,000. Retreaded tyres rose marginally by 2.1 per cent. Rubber shoes recorded a rise of 1.3 per cent from 6.12 million pairs in 1987 to 6.30 million pairs in 1988. These marginal increases coupled with decreases in output of other products of this industry, particularly new motor vehicle tubes and rubber soles, further depressed the growth Of the rubber industry in 1988. Overall, the industry recorded a 3.4 per cent growth in 1988 compared to 5.6 per cent in 1987. To help meet domestic demand, imports of rubber tyres rose in value terms by 68.3 per cent in 1988 compared with 57.7 per cent increase in 1987.

11.22. The plastic industry which has been performing poorly in recent years, recorded a decline in production of 4.5 per cent in 1988. High import duties for some of the inputs required for this industry have discouraged local production. Output of plastic shoes fell from 1.5 million pairs in 1987 to 1.0 million pairs in 1988. That of polythene film bags fell by 29.6 per cent from 1,376 tonnes in 1987 to 969 tonnes in 1988. P.V.C. pipes and P.V.C. floor tiles also recorded decreases in output.

11.23. Provisional data indicate a marginal decline in output of floor and wall tiles in 1988. However, output of glass bottles rose from 26,800 tonnes in 1987 to 28,400 tonnes in 1988, an increase of 6.0 per cent. Similarly, production of windscreens rose by an impressive 37.1 per cent above the 1987 level. Consequently, the entire clay and glass products industry registered a substantially higher growth of 5.1 per cent in 1988 compared with less than 1 per cent growth in 1987.

11.24. Table 11.5 portrays production and utilization of cement since 1984. Export of cement has been declining steadily. In response to the decline in exports, the cement producing firms cut down production from 1,243,300 tonnes in 1987 to 1,200,700 tonnes in 1988; a decrease of 3.4 per cent. Inspite of an increase in the output of concrete pipes and blocks in 1988, the fall in the output of cement, the main product in the non-metallic mineral products industry together with a drop in production of clinker and steel wool accounted for the 1.4 per cent decrease recorded for the entire industry.

CEMENT PRODUCTION AND UTILIZATION, 1984-1988

Table 11.5 *'000 tonnes*

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORTS TO	
				Uganda and	All Other Countries Tanzania
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	50.7	302.5
1988**	1,200.7	0.0	854.1	62.6	284.0

*Revised.
**Provisional.

11.25. The metal products industry relies on imported raw materials and machinery whose prices have been rising and to the weakening of the shilling. In 1988, imports of iron and steel waste and scrap metal dropped significantly to only 435 tonnes compared to 4,683 tonnes in 1987. To meet domestic demand 29,000 and 53,000 tonnes of wire rods and steel billets, respectively, were imported, compared with 23,000 and 46,000 in 1987. There was only a 0.6 1 per cent growth in local production of iron rods and bars, which stood at 39,000 tonnes in 1988. However, many other products in this industry recorded higher gains in volume of output. Output of galvanized iron sheets, padlocks, metal cans and tins, and gas cylinders rose by 2.1, 87.5, 7.2 and 34.0 per cent, respectively. Other products of this industry registered marginal increases except for exhaust pipes and silencers. The Government's emphasis on the development of the small scale industries is reflected in the growth of some of the products of the industry.

11.26. In 1988, the electrical machinery industry performed much better than in 1987. Real output for the industry grew at 12.4 per cent compared with only 3.3 per cent attained in 1987. Most of the products of this industry have a large domestic demand. The number of assembled radios declined from a revised figure of 54,000 units in 1987 to 49,000 units in 1988. The decline was however, compensated by the growth in production of radio casettes which increased by 30.4 per cent from 23,000 units in 1987 to 30,000 units in 1988. Production of motor vehicle batteries rose to 178,000 units, up from 144,000 units in 1987. Output of battery plates and dry cells rose by 31 and 21 per cent, respectively. As a consequence imports of motor vehicle batteries declined substantially from 6,266 units in 1987 to only 965 units in 1988; with exports of dry cells increasing to 244,000 units in 1988, up from 189,000 units in 1987. The substantial increases, coupled with more modest increases in output of gramaphone records and electric cookers, account for the good performance of the electrical equipments industry.

11.27. Performance of the transport equipments industry maintained its upward trend with a growth of 11.9 per cent in 1988 compared with 7.8 per cent in 1987. The number of

assembled vehicles went up by 10.9 per cent from 11,803 to 13,094. Output of coaches, buses and lorry bodies increased by over 60 per cent. Inspite of these increases, domestic sales for new locally assembled vehicles declined marginally. In 1988, a total of 113 buses were imported compared to only 5 in 1987. In addition, the number of imported motor vehicles for transport of goods and materials has been increasing steadily indicating that the local transport industry is yet to satisfy the domestic market.

Industrial Credit

11.28. Details on project approvals and expenditure by the four agencies charged by the Government to foster industrial expansion and development, are set out in Table 11.6. The Industrial Development Bank, (IDB), approved 15 projects in 1988, slightly below the 18 projects it approved the previous year . Of the 15 projects, 4 were new and located outside Nairobi and Mombasa. The main thrust of the bank's activities lay in the chemical, food and textile industries as well as imported spares and raw materials for industry. The projects are expected to create 532 new jobs.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1986-1988

Table 11.6

INSTITUTION	Number of Projects			Approved Expenditure K£million		
	1986	1987	1988	1986	1987	1988
Industrial Development Bank Limited (I.D.B.).	10	18	15	5.65	11.30	6.52
Development Finance Company of Kenya (D.F.C.K.)	10	12	4	4.23	6.12	0.69
Kenya Industrial Estates Limited (K.I.E.)	411	164	205*	4.33	2.44	3.31*
Industrial and Commercial Development Corporation (I.C.D.C.)		15	14	6.06	7.63	3.06
TOTAL	443	209	238	20.27	27.49	13.58

*Provisional.

11.29. Performance of the Development Finance Company of Kenya (DFCK) in project approvals was affected adversely by the weakening of the Kenya Shilling because of substantial foreign financing for some of its projects. Fewer number of project proposals, were also received, a majority of which were considered unviable. Only 4 projects were approved, with a small commitment of K£0.69 million, the lowest since 1986. Three of the projects were new, and located in Nairobi and Mombasa. The activities of the company were concentrated in clothing, bakery and drilling for water. Expected employment creation when these projects become operational will be 228 persons.

11.30. Kenya Industrial Estates, K.I.E., performed markedly better in both the number of industrial projects approved and the amount of funds committed. A total of K£3.31 million was committed to 205 projects in 1988 compared with K£2.44 million in 164 projects in 1987. KIE's activities were widely spread into food, textiles, clothing and leather, wood, furniture and fixtures, metal products, printing and publishing industries. However, the bulk of the activities were in the food processing industry which accounted for 116 of the total 205 projects approved. A total of 1,185 persons will be employed when the 205 projects become operational. Nearly all projects approved were outside Nairobi and Mombasa.

11.31. The Industrial and Commercial Development Corporation, (I.C.D.C), committed K£3.06 million in loans and equity participation to 14 projects in 1988 compared to K£7.63 million to 15 projects in 1987. The relatively low commitment was a result of the Corporation's emphasis on rehabilitating existing but ailing projects or strengthening the

equity base for others requiring small amounts. However, the Corporation approved 4 new projects which will rely mainly on local raw materials, thus saving foreign exchange. These new projects will be in food processing, and manufacture of mopeds (motor cycles). When fully operational, the Corporation's approved projects will create employment for 400 persons.

Labour Cost and Productivity.

11.32. Changes in the indices of manufacturing output, employment, wage costs and labour productivity are detailed in Table 11.7. Employment in the sector only grew marginally recording 170,300 persons in 1988 up from 169,800 persons in 1987. However, the change in output was substantial thus implying an increase in labour productivity. The continued decline in wage costs as a proportion of value added is a reflection of this growth in implicit labour productivity.

INDICATORS OF LABOUR COST AND PRODUCTIVITY IN MANUFACTURING, 1986-1988

Table 11.7 *Per cent*

INDICATOR	1986	1987	1988*
1. Change in the quantum index of manufacturing	+5.9	+5.7	+6.0
2. Change in numbers employed in manufacturing	+3.8	+2.3	+0.3
3. Implicit change in labour productivity	+2.1	+3.4	+5.7
4. Wage cost as percentage of gross output	4.8	4.6	4.1
5. Wage cost as percentage of value added	33.8	33.8	30.7

*Provisional.

CHAPTER 12 - BUILDING AND CONSTRUCTION

Building and construction sector performed well in 1988 despite the increase in costs of materials in addition to shortage of nails, which was experienced in the country during the year. Growth was recorded in both building and other construction activities as indicated by increases in employment, total receipts for work done by private contractors and value of buildings completed. The sector also benefited from 20 per cent increase in both loans and advances from the commercial banks.

12.2. Summary of real trends of some of the major indicators for building and construction sector over the last five years are shown in Table 12.1. Employment, one of the indicators for the sector's performance, rose from 58,100 persons in 1987 to 65,000 persons in 1988; with increases in both private and public sector employment, as shown in Table 4.2. The indices on value of reported private and public buildings recorded growths of 7 per cent and 35 per cent, respectively. Cement consumption which recorded 890,300 tonnes in 1987, declined by 4 per cent to an estimated 854,900 tonnes in 1988.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1984-1988

Table 12.1 *1988=100*

	1984	- 1985	1986	1987	1988**
"Index" of reported private building work completed in main towns***	57.9	59.8	64.3	69.0**	
"Index" of reported public building work completed in main towns***	87.5	31.7	12.1	16.28**	
"Index" of Government expenditure on roads	72.0	66.1	55.1	49.8	87.5
Cement consumption ('000 tonnes)	542.5	610.1	702.4	890.3	854.0
"Index"	93.6	105.3	121.2	149.3	147.3
Employment ('000)	49.2	49.9	55.9	58.1	65.0
"Index"	81.5	82.6	92.2	96.2	107.0

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

12.3. The provisional data from the Business Expectations Enquiry (B.E.E.) indicate that the sector continued to record a growth in total receipts for work done by private contractors in 1988, resulting to an increase in both building and other construction works. Total receipts increased from K£218 million in 1987 to K£238 million in 1988; an increase of 9 per cent. Reported value of stocks and work in progress increased by 18 per cent to record K£32 million during the period under review.

12.4. The annual building and construction cost indices are detailed in Table 12.2. The overall building and construction index rose by 10.3 per cent in 1988 as compared with 11.9 per cent in the previous year. Labour and materials, the two main inputs for the sector, rose by 4.6 per cent and 12.7 per cent, respectively. Skilled, semi-skilled and unskilled labour rose by 4.2, 4.9 and 4.7 per cent, respectively. The price of cement which had remained constant in 1986 and 1987 rose by about 10 per cent during the year, contributing to rise in prices of products which use cement; namely concrete blocks and pipes. Similarly, there were price increases in inputs such as nails, steel, timber, fuel and electrical installation. Price increases in construction inputs continued to affect the development of the sector's activities particularly the provision of housing.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1986-1988

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1986	1987	1988	1986	1987	1988	1986	1987	1988
Residential Buildings	5.4	10.3	14.8	9.5	17.7	4.6	6.2	11 7	12.7
Non-Residential Buildings	7.1	12.3	13.7	9.5	17.7	4.6	7.7	13.7	11.3
All Buildings	6.2	11.2	14.3	9.5	17.7	4 6	6.9	12.6	12.1
"Other" Construction	5.2	6.8	9.3	9.5	17.7	4.6	6.7	10.9	7.5
TOTAL COST INDEX	5.8	9.7	12.7	9.5	17.7	4 6	6.8	11.9	10.3

*From December to December.

12.5. Since 1984, the value of plan approvals by Nairobi City Commission and other major towns continued to rise as shown in Table 12.3. The total value of plans approved showed an increase of 14 per cent from K£202.6 million in 1987 to K£230.3 million in 1988. The 14 per cent increase, however, was lower than the 45 per cent, 28 per cent and 41 per cent increases registered in 1985, 1986 and 1987, respectively. The Nairobi City Commission approved plans worth K£148.4 million in 1988, compared with K£111.8 million in 1987; an increase of 33 per cent. The plans approved included: the proposed staff houses and community centre for the Kenya Pipeline Company, a godown for Kenya Planters Co-operative Union (KPCU) and residential houses for the Kenya Commercial Bank. The increase was also attributed to the rise in demand for commercial, industrial and residential buildings. The value of plans approved by other towns including Mombasa, Kisumu, Nakuru and Eldoret recorded a decrease of K£8.9 million in 1988.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1984-1988

Table 12.3 *K£million*

Year	Nairobi	Other Towns	Total
1984	36.53	40.67	77.20
1985	57.60	54.53	112.13
1986	78.44	65.38	143.82
1987	111.82	90.81	202.63
1988*	148.38	81.95	230.33

*Provisional.

12.6. Table 12.4 shows a comparison of the value of private plans approved and reported completions in main urban areas. Whereas, the value of plans approved continued to show an upward trend from K£74.5 million in 1984 to K£230.3 million in 1988, reported completions showed a mixed performance over the same period. The increase in value of completions in 1988 was partly attributed to availability of credit for the sector from commercial banks as shown in Table 5.9.

COMPARISON OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1984-1988

Table 12.4 *K£million*

Year	Plans Approved	Building Work Completed
1984	74.48	14.09
1985	110.70	26.57
1986	141.82	21.80
1987	202.15	33.49
1988*	230.33	35.02

*Provisional.

12.7. Details of the value of reported private buildings completed including the value of extensions in Nairobi, Mombasa, Kisumu, Nakuru and Eldoret are shown in Table

12.5. Total value of reported new private buildings rose in all five towns with the largest percentage increase registered by Kisumu. Nairobi and Mombasa reported the highest value of completions totalling to K£34.7 million mainly because of their commercial and industrial activities which accounted for 80 per cent of the total value of completions. Kisumu and Nakuru showed increases of K£0.4 million and K£1.1 million, respectively.

VALUE OF ALL REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1984-1988

Table 12.5 *K£million*

Year	Nairobi	Mombasa	Kisumu	Nakuru	Eldoret	Total
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	21.78	11.73	0.23	2.77	–	36.51
1988"	21.98	12.67	0.60	3.84	–	39.09

*Including the value of extensions.
**Provisional.

12.8. Table 12.6 gives a summary of the number of estimated value of reported new private buildings, excluding extensions. The total number of reported buildings completed in main towns rose by 201 units, from 1,124 units in 1987 to 1,325 units in 1988, with a corresponding 4.5 per cent increase in estimated value of completions. A total of 1,262 residential units and 63 non-residential units were completed at a cost of K£24.2 million and K£10.8 million, respectively. Increased urbanization has led to an increase in demand for residential houses, hence the growth in number of residential units constructed in major towns.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1984-1988

Table 12.6

Year	NUMBER		ESTIMATED COST *K£million*		
	Residential	Non. Residential	Residential	Non. Residential	Total
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	1,042	82	18.01	15.48	33.49
1988**	1,262	63	24.19	10.83	35.02

*Excluding the value of extensions.
** Provisional.

12.9. Public sector continues to play a key role in the provision of both residential and non-residential houses. Data on reported new public buildings, excluding extensions, provided in Table 12.7 show that in 1988, a total of 189 units were completed at cost of K£3.1 million. Comparable figures for 1987 were 176 units at K£2.4 million. The number of reported residential units increased from 150 units to 167 units, while the non-residential units declined by 4 units. Public buildings under construction in 1987 and 1988 included the Nyanza Provincial Headquarters in Kisumu, Industrial Area Police Lines in Nairobi, Nyayo Bus Complex at Ruaraka in Nairobi and Kirinyaga District Headquarters.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1984-1988

Table 12.7

Year	NUMBER		COST ***K£million***		
	Residential	Non. Residential	Residential	Non. Residential	Total*
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
1988**	167	22	2.31	0.81	3.12

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

12.10. Details of the approved estimate and actual Central Government expenditure on housing development during the last four fiscal years are shown in Table 12.8. After K£1.08 million decline in 1987/88 approved estimates for housing increased by K£1.86 million to K£9.2 million in 1988/89. The increase was partly due to increase in grants and loans to the National Housing Corporation and municipalities.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1984/85—1988/89

Table 12.8

Year	K£ Million		Approved Expenditure as percentage of Development Expenditure
	Approved	Actual	
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	7.33	4.08	1.2
1988/89*	9.19		1.3

*Provisional.

12.11. A summary of housing units completed by National Housing Corporation (NHC) during the last five years is given in Table 12.9. The decrease in number of units completed by the Corporation continued in 1988, mainly due to inadequate construction funds and the ever rising building construction costs. The NHC completed a total of 229 units at a total cost of K£1.5 million in Nyahururu, Maralal, Narok* Eldoret and Thika during the period under review. The above schemes completed in 1988 included a tenant purchase scheme comprising of 116 units, a rental scheme comprising of 55 units and two mortgage schemes comprising of 58 units. In addition to the already completed units,

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1984-1988

Table 12.9

	1984	1985	1986	1987	1988
Units completed					
PROVINCE—					
Nairobi	284	–	–	85	–
Coast	13	50	–	50	–
North-Eastern	–	–	–	–	–
Eastern	2	–	253	248	166
Central	–	45	95	41	63
Rift Valley	199	745	115	40	–
Nyanza	1,900	169	152	40	–
Western	–	–	–	–	–
TOTAL NUMBER	2,398	1,009	615	575	229
Of which site and service	2,099	882	276	50	–
Value of units completed K£'000					
Nairobi	4,106	–	–	1,350	–
Coast	166	302	–	116	–
North-Eastern	–	–	–	–	–
Eastern	4	–	1,013	1,095	–
Central	–	618	186	349	1,010
Rift Valley	550	1,737	506	240	524
Nyanza	1,500	210	268	604	–
Western	–	–	–		–
TOTAL VALUE	6,326	2,867	1,973	3,754	1,534

twelve schemes constituting 4,351 units were under construction at a cost of about K£3.7 million. These included the Kibera and Pumwani High Rise flats in Nairobi, comprising of 1,000 and 2,000 units, respectively; and the Uhuru Gardens Phase II comprising of 163 units, which are expected to benefit the Nairobi low and middle income earners.

12.12. In 1988, the NHC continued to assist the population to improve their residential houses in the rural areas under the "rural housing loans scheme". Since its inception in 1967, 7,206 people have benefited from the scheme. During the 1987/88 fiscal year, a total of K£1.l million was advanced to 377 people as compared with K£1.5 million advanced to 532 people during the previous fiscal year. The decline was attributed to limited financial resources earmarked for the scheme.

12.13. During the year, no units were completed under the "site and service scheme"; a scheme which in the past has been one of the major pre-occupations of the Corporation (see Table 12.9). The current trend is to shift from site and service scheme towards the development of core-units. The core-units not only provide minimal services but they also allow for basic minimum extendable shelter units.

12.14. Roads facilitate both passenger and freight transport, and therefore facilitate development of agriculture, tourism, industry and other sectors of the economy. As shown in Table 12.10, the total classified road network covered approximately 54,700 kilometres, of which 87 per cent are earth/gravel roads. Minor roads, which are feeders to the main road arterial system, made up 49 per cent of the total classified road network. Since the minor roads are the main means of transportation of agricultural produce to the markets, it is hoped that the development of Rural Trade and Production Centres will boost their growth. Trunk roads covered 6,400 kilometres, of which 58 per cent are paved.

KILOMETRES OF ROAD AS AT 1ST JULY, 1984 AND 1ST JULY, 1988 BY TYPE AND CLASSIFICATION

Table 12.10 *'000Km.*

Type of Road	1984		1988	
	Bitumen*	Earth Gravel**	Bitumen*	Earth Gravel**
A—International Trunk	2.3	1.3	2.4	1.2
B—National Trunk	1.2	1.6	1.3	1.5
C—Primary	2.0	5.9	2.0	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	0.1	2.5
TOTAL	6.7	47.8	6.9	47.8

*Bitumen Road:—Include Government access, township and municipality roads.
**Earth/Gravel:—Include township, settlements, strategic, tourist, sugar, tea, wheat and Special Rural Development Programme (S.R.D.P.) roads.

12.15. Table 12.11 provides a summary of development and recurrent expenditure on roads by the Ministry of Public Works for 1986/87 and the estimates for the 1988/89 fiscal year. The total actual expenditure on roads for 1987/1988 remained almost at the 1986/87 level, with an increase of only 3 per cent in development expenditure. Notable increases in expenditure were incurred on secondary and miscellaneous roads which include the Rural Access Road Programme (RARP), Minor Roads Programme (MRP), and the Gravelling Bridging and Culverting Programme (GBCP). The Recurrent Expenditure (maintenance and repair) showed a decline of 4 per cent from K£22.9 million in 1986/87 to K£21.9 million in 1987/88. During the 1988/89 fiscal year, expenditure on roads is estimated at K£119.9 out of which some K£39.3 million will be spent on trunk roads.

TOTAL EXPENDITURE ON ROADS, 1986/87-1987/88

Table 12.11 *K£million*

	1986/87	1987/88	1988/89*
DEVELOPMENT—			
Trunk Roads	12.6	8.9	39.3
Primary Roads	15.0	6.7	14.0
Secondary Roads	4.3	8.0	11.7
Unclassified Roads	–	–	–
Miscellaneous Roads	8.6	18.0	30.8
Total	40.5	41.6	95.8
RECURRENT (maintenance and repair)	22.9	21.9	24.1
TOTAL	63.4	63.5	119.9

*Provisional.

12.16. The Government, through the Ministry of Public Works, continued to upgrade, repair and reseal the roads which are already in use. By July 1988, the major roads completed included: the up-grading to bitumen standard of the Magumu-Njambini, Kabarnet-Tambach, sections A and B; rehabilitating the Turbo-Webuye road at a total cost of K£16.7 million; the repair and resealing of some roads in Central Kenya, Mombasa Phase I roads; and recarpeting of Uhuru Highway and Haile Selassie Avenue in Nairobi. Road works in progress during the year include Kendu Bay-Pap Onditi, Webuye-Malaba and Nakuru-Nyahururu; and repair and resealing of roads in Western and Rift Valley provinces.

12.17. In an attempt to improve the rural road network, the Ministry of Public Works has been involved in the Rural Access Roads Programme (RARP), the Minor Road Programme (MRP) and the Gravelling, Bridging and Culverting Programme (GBCP). During 1987/88 about K£18.0 million was spent on these road programmes, which was 28 per cent of the total road development and recurrent expenditure. It is estimated to spend K£30.8 during the 1988/89 fiscal year on these roads programme.

12.18. Major construction projects completed by the end of the year included the Kiambere Hydro-electric power station. The grain silos for the National Cereal and Produce Board (NCPB), Re-Insurance Plaza building along University Way, Kasarani Sports Complex Phase II . all in Nairobi; an office for Kenya Power and Lighting Company in Mombasa; the Kilifi Bridge . in Kilifi; and Turkwell Hydro-electric project were all under construction.

CHAPTER 13 - TOURISM

Overview

The key indicators in the tourism sector show that the industry has continued to grow. Tourist earnings expanded considerably by 19.5 per cent to record K£349 million in 1988, while departures increased only marginally by 2.2 per cent during the year. This compares with growth rates of 17.7 per cent and 9.6 per cent, respectively, in 1987. The fast growth in tourist receipts is a result of the weakening of the Kenya Shilling against major international currencies. It is also an indication that the country is attracting affluent visitors, thus generating more earnings from a fewer number of visitors.

13.2. With inflation in the leading industrial countries, which are Kenya's main tourist generating countries, remaining under control and the international oil prices being volatile but low, foreign travel remained attractive during 1988. Visitor arrivals and departures to and from Kenya, however, point to a decrease in the rate of growth. International arrivals showed a growth rate of 5 per cent in 1988 compared with 13.6 per cent and 7.6 per cent in 1986 and 1987, respectively. On the other hand, departures indicated a worsening trend as indicated above. Total days stayed by visitors grew by only 4 per cent, from 10.4 million days in 1987 to 10.8 million days in 1988. Hotel occupancy rate registered a marginal decline in 1988, falling to 52.9 per cent from 53.1 per cent in 1987. This decline was, however, due to occupancy growing at a lower rate of 2 per cent, while total beds available grew slightly faster by 2.4 per cent during the same period. Game reserves occupancy also declined slightly. Conference tourism, as measured by conferences held at Kenyatta International Conference Centre (KICC), continued to show an uneven trend, recording a decline in the number of international conferences, but a higher occupancy level.

International Tourism

13.3. Table 13.1 shows details of arriving international visitors by purpose of visit.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1984—1988

Table 13.1 ***'000***

Quarter/Purpose		1984	1985	1986	1987	1988*
1st Qr.	Holiday	107.5	115.9	127.3	136.6	150.8
	Business	16.8	17.2	18.9	20.2	22.3
	Transit	11.9	12.0	13.2	13.3	14.7
	Other	2.1	3.1	3.5	3.1	3.4
	TOTAL	138.3	148.2	162.9	173.2	191.2
2nd Qr.	Holiday	60.9	68.4	78.9	87.2	89.8
	Business	16.9	18.0	20.7	22.5	23.2
	Transit	13.5	14.5	16.7	18.1	18.6
	Other	2.3	3.3	3.8	3.3	3.4
	TOTAL	93.6	104.2	120.1	131.1	135.0
3rd Qr.	Holiday	80.9	104.4	119.9	133.8	158.7
	Business	10.5	13.4	15.5	17.0	20.2
	Transit	10.9	14.0	15.8	14.6	17.3
	Other	2.1	2.9	3.4	2.6	3.1
	TOTAL	104.4	134.7	154.6	168.0	199.3
4th Qr.	Holiday	104.1	124.5	143.1	150.4	134.8
	Business	12.3	15.7	18.2	19.1	17.1
	Transit	8.4	11.5	13.2	16.4	14.7
	Other	1.1	1.8	2.1	3.1	2.8
	TOTAL	125.9	153.5	176.6	189.0	169.4
Year	Holiday	353.4	413.2	469.2	508.0	534.1
	Business	56.5	64.3	73.3	78.8	82.8
	Transit	44.7	52.0	58.9	62.4	65.3
	Other	7.6	11.1	12.8	12.1	12.7
	TOTAL	462.2	540.6	614.2	661.3	694.9

*Provisional.

Total arriving visitors increased from 661 thousand in 1987 to 695 thousand in 1988. Increases in the number of visitors were recorded in the first three quarters of the year, but with more visitors arriving in the third quarter as opposed to the fourth quarter in previous years. Growth was recorded in all categories of visitors. However, the growth rate in international arrivals in 1988 is the lowest recorded since 1983.

13.4. Visitor departures indicate declines in the second and fourth quarters. The fourth quarter, however, recorded a decline in all categories of visitors. These declines, as shown in Table 13.2, contributed to the sluggish growth in total departures recorded in 1988, despite the 6 per cent growth rate in the number of departing visitors during first and third quarters.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1984—1988

Table 13.2 ***'000***

Quarter/Purpose	1984	1985	1986	1987	1988*
1st Qr. Holiday	108.2	120.9	134.2	146.6	155.2
Business	12.8	14.0	15.1	16.4	17.3
Transit	11.6	13.0	13.9	14.2	15.0
Other	2.6	3.0	2.6	3.4	3.6
TOTAL	135.2	150.9	165.8	180.6	191.1
2nd Qr. Holiday	68.2	77.1	87.5	95.6	92.7
Business	12.6	15.5	17.1	17.9	17.3
Transit	13.4	15.6	17.8	19.2	18.6
Other	2.8	3.2	3.5	3.1	3.0
TOTAL	97.0	111.4	125.9	135.8	131.6
3rd Qr. Holiday	79.7	104.2	117.3	136.8	145.0
Business	8.1	11.5	12.3	18.1	19.2
Transit	11.2	15.4	17.0	18.8	19.9
Other	2.2	1.8	2.2	2.7	2.9
TOTAL	101.2	132.9	148.8	176.4	187.0
4th Qr. Holiday	93.1	111.7	125.5	131.4	129.7
Business	12.8	17.3	19.3	17.4	17.2
Transit	11.6	14.5	15.9	17.9	17.7
Other	1.7	2.5	2.8	2.6	2.6
TOTAL	119.2	146.0	163.5	169.3	167.2
Year Holiday	349.2	413.9	464.5	510.4	522.6
Business	46.3	58.3	63.8	69.8	71.0
Transit	47.8	58.5	64.6	70.1	71.2
Other	9.3	10.5	11.1	11.8	12.1
TOTAL	452.6	541.2	604.0	662.1	676.9

*Provisional.

13.5. Further analysis of departing visitors is shown in Table 13.3. Marginal increases in the number of departing visitors were recorded in all the continents. Europe recorded the highest number of departures by continent, with West Germany recording 122 thousand and United Kingdom 90 thousand. Most departing visitors continued to be those on holiday. United Kingdom, Uganda and USA were the largest sources of visitors on business.

13.6. Analysis of number of days spent in Kenya by type of visitor are shown on Table 13.4. Overall growth rate in visitor days rose from 10.4 million in 1987 to 10.8 million in 1988. During 1988, visitors on holiday spent 9.7 million days compared with 9.4 million days in 1987; a slower growth rate of 4.1 per cent compared with 9.3 per cent recorded in 1987.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1987-1988

Table 13.3 *'000*

Country of Residence	Holiday		Business		Transit		Total*	
	1987	1988*	1987	1988*	1987	1988*	1987	1988**
West Germany	109.6	112.1	2.7	2.8	4.4	4.5	118.7	121.5
United Kingdom	67.1	68.7	11.9	12.1	7.4	7.5	87.7	89.7
Switzerland	49.0	50.1	1.2	1.2	1.4	1.4	52.5	53.7
Italy	37.9	38.8	1.4	1.4	2.0	2.0	42.6	43.6
France	28.9	29.6	2.2	2.2	1.8	1.8	33.4	34.2
Scandinavia	12.7	13.0	1.7	1.7	1.6	1.6	16.3	16.7
Other Europe	36.1	36.9	3.3	3.4	2.9	2.9	43.0	44.0
TOTAL EUROPE	341.3	349.2	24.4	24.8	21.5	21.7	394.2	403.4
U.S. A	54.8	56.1	6.3	6.5	5.7	5.8	67.9	69.5
Canada	7.1	7.4	1.2	1.2	1.0	1.0	9.5	9.7
TOTAL NORTH AMERICA	61.9	63.5	7.5	7.7	6.7	6.8	77.4	79.2
Uganda	16.6	17.0	7.6	7.8	3.6	3.7	28.3	28.9
Tanzania	17.7	18.1	5.5	5.6	1.6	1.6	25.3	25.9
Zambia	3.7	3.8	1.5	1.5	4.5	4.6	9 9	10.1
Other Africa	28.0	28.7	16.0	16.3	21.2	21.7	66.4	67.8
TOTAL AFRICA	66.0	67.6	30.6	31.2	30.9	31.6	129.9	132.7
India	6.5	6.6	1.5	1.5	4.2	4.3	12.4	12.6
Japan	7.0	7.2	1.8	1.8	0.7	0.7	9.6	9.8
Israel	4.2	4.3	0.2	0.2	0.5	0.5	4.9	5.0
Other Asia	16.2	16.6	2.5	2.5	4.3	4.4	23.0	23.4
TOTAL ASIA	33.9	34.7	6.0	6.0	9.7	9.9	49.9	50.8
Australia and New Zealand	3.6	3.8	0.5	0.5	0.6	0.5	5.3	5.4
All Other Countries	3.7	3.8	0.8	0.8	0.7	0.7	5.4	5.4
TOTAL	510.4	522.6	69.8	71.0	70.1	71.2	662.1	676.9

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

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1984-1988

Table 13.4 *'000*

Purpose	1984	1985	1986	1987	1988**
Holiday	6,314.1	7,480.3	8,569.2	9,364.3	9,747.4
Business	594.9	758.1	659.9	822.0	855.6
Transit	138.6	185.4	198.0	218.5	227.5
TOTAL	7,047.6	8,423.8	9,427.1	10,404.8	10,830.5
Average length of stay in days	15.9	15.9	15.9	16.0	16.0

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

Tourist Hotel Occupancy

13.7. Details of hotel bed-nights available and occupied by country of residence are set out in Table 13.5. Tourist hotel occupancy rate fell marginally to 52.9 per cent in 1988 compared with 53.1 per cent and 53.5 per cent in 1987 and 1986, respectively. Hotel occupancy grew by 2.1 per cent, with declines only being registered in residents from Africa, America, Asia and "All Other Countries" The largest decline in 1988 was occupancy by residents from East and Central Africa within the African region; while "Other Africa" recorded a significant increase. It is encouraging to note that Kenya residents continued to take-up increased bed-night occupancy. This may be an indication of increased domestic tourism, which is being encouraged particularly during the international tourist off-peak season.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1984—1988

Table 13.5 *'000*

	1984	1985	1986	1987	1988*
Permanent Occupants**	272.4	261.4	210.4	191.4	191.0
West Germany	1,097.2	1,161.9	1,229.7	1,215.9	1,274.2
Switzerland	495.5	522.1	501.8	467.8	475.3
United Kingdom	458.5	480.5	512.2	513.0	547.6
Italy	210.0	211.7	261.4	298.7	299.7
France	161.8	176.0	218.7	205.5	223.2
Scandinavia	71.9	80.3	87.5	87.2	82.5
Other Europe	234.9	228.4	227.1	223.3	222.9
EUROPE	2,729.8	2,860.9	3,038.4	3,011.4	3,125.4
Kenya Residents	842.9	819.9	837.1	847.5	853.9
Uganda	56.2	58.0	61.6	55.7	55.1
Tanzania	34.3	37.5	40.6	41.9	42.8
East and Central Africa		85.2	86.9	88.2	41.4
West Africa		33.8	29.9	30.9	12.7
North Africa		16.0	18.9	18.9	7.9
Other Africa	150.4	17.8	17.9	18.1	82.1
AFRICA	1,083.8	1,068.2	1,092.9	1,101.2	1,095.9
U.S.A	378.1	380.9	396.5	449.2	443.1
Canada	34.9	41.2	43.1	46.1	49.3
Other America		6.5	19.5	18.8	21.5
AMERICA	413.0	428.6	459.1	514.1	513.9
Japan		10.9	19.1	27.3	25.8
India	–	7.7	11.7	16.5	17.4
Middle East		13.1	17.6	20.2	22.9
Other Asia		76.8	62.2	55.5	52.2
Asia***	108.1	108.5	110.6	119.5	118.3
Australia and New Zealand		8.9	11.9	16.0	21.4
All Other Countries	77.2	82.0	86.7	77.7	68.6
TOTAL BEDS OCCUPIED	4,684.3	4,818.5	5,010.0	5,031.3	5,134.5
TOTAL BEDS AVAILABLE	9,203.8	9,024.8	9,371.2	9,479.2	9,704.3
Occupancy rate %	50.9	53.4	53.5	53.1	52.9

*Provisional.

**Persons staying one month or more in one hotel—includes some block bookings for aircrew. (Excluded in (Sub-total) for Europe but included in over all-total occupied).

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

13.8. Permanent occupants continued to decline, although the decline in 1988 was minimal. Foreign residents continued to occupy the majority of bed-nights occupied, taking nearly 80 per cent of the total bed-nights. The trend in hotel occupancy is similar to visitor arrivals and departures, and hence the dominance by Europe, followed by Africa, America and Asia.

13.9. It has been noted that one reason for increased receipts could be due to increased affluent visitors. This could explain the increase in visitors occupying the Nairobi high class hotels, a growth that has been evident in the last three years. This category of visitors is also included in the bed-nights at Coast beach hotels, where some of the best hotels are located. Visitors are venturing into non-traditional tourist circuits; a view that is confirmed by the growth in hotel occupancy in the Coast hinterland, Nyanza basin, Western and Northern zones. Hotel occupancy by area is shown in Table 13.6.

13.10. Table 13.7 gives the details of hotel bed-nights occupied by country of residence. Majority of visitors from USA took-up occupancy of hotels in the Coast hotels

HOTEL BED-NIGHTS OCCUPIED BY AREA, 1984—1988

Table 13.6 '000

Zone	1984	1985	1986	1987	1988*
Coastal—Beach	2,080.6	2,127.8	2,353.0	2,316.5	2,404.2
—Other	337.5	316.2	336.0	314.0	308.3
Coast Hinterland	115.4	121.6	132.0	141.5	142.4
Nairobi—High Class	553.9	612.0	548.9	564.8	577.5
—Other	843.5	874.9	841.6	864.9	843.3
Central	353.3	338.2	359.8	376.0	391.4
Masailand	243.3	241.6	248.6	259.8	268.2
Nyanza Basin	91.6	95.1	104.8	108.1	111.5
Western	56.3	83.1	76.7	77.0	78.9
Northern	8.9	7.9	8.6	8.7	8.8
TOTAL BEDS OCCUPIED	4,684.3	4,818.4	5,010.0	5,031.3	5,134.5
TOTAL BEDS AVAILABLE	9,203.8	9,024.8	9,371.2	9,479.2	9,704.3

*Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1988*

Table 13.7 *'000*

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	154.4	25.2	0.5	10.9	191.0
West Germany	68.6	1,103.1	88.8	13.7	1,274.2
Switzerland	27.1	392.3	46.5	9.4	475.3
United Kingdom	169.6	265.2	78.7	34.1	547.6
Italy	37.7	216.9	36.5	8.6	299.7
France	50.4	107.4	55.0	10.4	223.2
Scandinavia	40.9	23.2	9.0	9.4	82.5
Other Europe	57.3	128.6	28.8	8.2	222.9
Kenya	257.0	313.4	42.1	241.4	853.9
Uganda	42.2	9.1	0.4	3.4	55.1
Tanzania	30.5	9.8	0.3	2.2	42.8
Other East and Central Africa	37.0	3.4	0.2	0.8	41.4
West Africa	11.2	0.3	0.2	1.0	12.7
North Africa	6.9	0.4	0.2	0.4	7.9
Other Africa	63.1	15.6	1.3	2.1	82.1
U.S.A	204.0	50.0	148.5	40.6	443.1
Canada	22.9	10.6	11.1	4.7	49.3
Other America	16.1	1.5	2.5	1.4	21.5
Japan	16.2	2.8	3.3	3.5	25.8
India	11.3	2.1	2.2	1.8	17.4
Middle East	10.5	4.5	5.5	2.4	22.9
Other Asia	32.7	8.4	6.3	4.8	52.2
Australia and New Zealand	11.6	3.7	5.2	0.9	21.4
All Other Countries	41.6	14.9	7.5	4.6	68.6
TOTAL	1,420.8	2,712.4	580.6	420.7	5,134.5

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

and lodges, despite the drop in the overall number of hotel occupants from the country. European visitors prefer beach hotels while Americans opt for safaris . Most visitors from Africa, Asia, and "Other Countries" continued to take up more occupancy in Nairobi, since most of them come for either business or conferences. Non-Kenyans spent 4.9 million visitor days in private cottages, tour camps, private homes and other facilities outside the tourist hotel circuits.

13.11. Game lodges occupancy as detailed in Table 13.8 showed a contrasting trend during 1988. While total occupancy increased, occupancy in game reserves, both foreign

and East African (E.A.) residents, declined. Foreign residents continued to prefer full catering services, even though the number opting for self service also increased. The number of E.A. residents opting for full service remained at 36 thousand bed-nights, while those preferring self service declined to 7 thousand bed-nights in 1988 compared with 9 thousand bed-nights in the previous year.

GAME LODGES* OCCUPANCY, 1986-1988

Table 13.8 *'000*

Lodge Locality/Type	BED-NIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1986	1987	1988**	1986	1987	1988**
Game Reserves	241.5	262.8	257.0	11.4	14.2	12.1
National Parks	238.8	252.5	280.3	33.6	311	31.2
TOTAL	480.3	515.3	537.3	45.0	45.3	43.3
Of which full catering —	442.9	476.7	493.8	37.7	36.2	36.3
Self Service —	37.4	38.6	43.5	7.3	9.1	71

*Lodges in National Parks and Game Reserves only.

** Provisional.

Tourist Receipts

13.12. As already indicated, foreign exchange earnings from the tourism sector continued to expand. Total receipts increased from K£292 million in 1987 to K£349 million in 1988 or by 19.5 per cent. This growth is attributed to the fall in the value of the Kenya Shilling and to an increase in the number of more affluent visitors. On the average each visitor spent K£516 in 1988 compared with K£441 in 1987.

Domestic Tourism

13.13. Domestic tourism promotion continued during 1988. Kenyan residents continued to be encouraged to take-up safaris and visits to the coast and up-country by being offered discounted rates. Promotion of domestic tourism through workshops was tried with a very successful one being held at the Sarit Centre, in Nairobi.

Other Tourist Attractions

13.14. ***National Parks:-*** The number of visitors to national parks increased for the third year running to reach 1,063 thousand in 1988 compared with 977 thousand in 1987. The leading parks in terms of the visitors remained Lake Nakuru, Amboseli, Nairobi and Masai Mara. Details of visitors to national parks are shown in Table 13.9.

13.15. ***Museums and Sites:-*** Details on the number of visitors to museums and historic sites are given in Table 13.10. The total number of visitors rose from 789 thousand in 1987 to 829 thousand in 1988 or by 5 per cent. The increase was largely due to the high number of visitors who visited the National Museum in Nairobi, which recorded an increase of over 30 thousand visitors or 17 per cent increase over 1987. A new Museum, the Karen Blixen Museum, which was recently opened in Nairobi registered 51 thousand visitors.

NUMBER OF VISITORS TO NATIONAL PARKS,** 1984—1988

Table 13.9 *'000*

	1984	1985	1986	1987	1988*
Nairobi	126.8	110.6	91.6	99.8	125.5
Animal Orphanage	99.9	102.5	73.0	82.1	84.8
Amboseli	143.9	151.5	157.5	148.5	137.7
Tsavo (West)	118.7	96.5	82.9	80.6	85.4
Tsavo (East)	76.0	73.3	75.3	89.6	87.3
Aberdare	47.4	43.1	42.5	54.0	59.9
Buffalo Springs	39.8	46.1	41.4	43.4	64.0
Lake Nakuru	125.3	135.5	127.9	127.9	138.6
Masai Mara	109.9	110.7	94.8	95.9	118.8
Malindi Marine	40.5	25.4	36.1	38.6	39.2
Lake Bogoria	24.4	23.8	25.6	31.2	32.8
Meru	15.5	18.9	20.4	26.8	23.7
Shimba Hills	13.5	13.0	10.9	13.4	16.7
Mount Kenya	10.0	13.2	16.6	19.2	18.0
Samburu	7.3	6.1	5.1	4.3	3.6
Kisite/Mpunguti	3.4	6.4	12.2	11.0	17.9
Mount Elgon	4.2	4.5	4.7	4.5	3.6
Ol-Donyo Sabuk	2.4	2.6	1.7	1.9	2.1
Marsabit	1.7	2.0	3.2	2.2	2.0
Saiwa Swamp	0.8	0.7	1.2	1.7	1.7
TOTAL	1,011.4	986.7	924.4	976.6	1,063.3

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

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1984—1988

Table 13.10 *'000*

	1984	1985	1986	1987	1988*
National Museum: (Main Gate)	201.3	194.4	204.3	185.7	217.2
National Museum: (Snake Park)	221.9	177.0	188.1	163.6	167.0
Fort Jesus	182.0	171.0	168.8	187.6	189.6
Kisumu Museum	30.4	48.6	56.3	69.5	70.5
Kitale Museum	21.1	20.6	37.8	34.7	35.1
Gedi	26.2	28.6	32.8	46.5	47.0
Meru Museum	19.3	20.9	29.5	25.2	25.5
Lamu	21.7	13.7	28.0	52.4	53.0
Jumba la Mtwana	8.6	8.8	8.4	14.6	14.8
Olorgessaile	6.3	9.0	6.5	2.5	2.5
Kariandusi	4.0	7.3	4.1	2.8	4.3
Hyrax Hills	2.7	5.1	2.7	4.3	2.7
TOTAL	745.5	705.0	767.3	789.4	829.0

*Provisional.

Conference Tourism

13.16. Conference tourism as measured by the performance of Kenyatta International Conference Centre, detailed in Table 13.11, continued to show an unpredictable trend. During 1988 the number of international conferences fell to 19 from 58 in 1987, with the international delegates also declining to 3,915 delegates, from 7,411 delegates in 1987. The number of conference days at the centre, however, rose to 180 days compared with 176 days recorded in the previous year. As a result of increase in conference days the Centre's

occupancy level rose slightly to 49.2 per cent compared with 48.2 per cent registered in 1987. The Centre was, however, extensively utilized by local community - both private and Government - with the number of local gatherings totalling 114 and the delegates at 98,365 persons. Some of the important activities at the centre during 1988 were the two exhibitions during the 10th Nyayo Era Celebrations and the 25th Anniversary of Independence. Data are, however, not available for the conference activities which take place outside the Centre.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1984—1988

Table 13.11

	1984	1985	1986	1987	1988*
Number of Conferences	40	35	30	58	19
Number of Conference days	160	197	202	176	180
Attendance (Number of Delegates)	5,768	28,844	6,487	7,411	3,915
Percentage of Occupancy	44.0	54.0	55.3	48.2	49.2

*Provisional.

Development of Tourism

13.17. The Ministry of Tourism has continued to co-operate with the private sector in a bid to promote the tourist industry. The private sector contributed 60 per cent of the cost of all the fairs and exhibitions, where both the Government and the private sector took part. The fairs and exhibitions in which Kenya participated in 1988 included: the International Tourism Fair, Berlin; International Tourism Fair, Milan; World Travel Market, London; and the Travel Trade Fair, Brussels.

13.18. The Kenya Government through the Kenya Tourist Development Corporation (KTDC) continued to participate in the development of the tourist industry. KTDC's loan portfolio increased by K£1.04 million to reach K£9.40 million as at 30th June,1988. Further analysis of the growth indicates that commercial loans programme increased by K£0.73 million, to stand at about K£7.0 million in June,1988, while Kenyanisation programme rose by K£0.21 million to stand at K£2.23 million as at 30th June, 1988. KTDC also continued to provide financial assistance to hotels to undertake refurbishments and renovations. In 1988, financial assistance was given to Mount Elgon Lodge, Homa Bay Hotel and Milimani Hotel. At the same time, KTDC also provided technical assistance to Egret Hotel and the Lake Turkana Lodge. The Corporation through it's subsidiary, the African Tours & Hotels Limited (AT&H), also signed management contracts with two hotels, the Panafric Hotel and Kabarnet Hotel, thus increasing the number of hotels and lodges under its management to 15.

13.19. The number of participants to courses at the Kenya Utalii College continued to expand. A total of 1,127 people attended courses and seminars offered at the college during 1988 compared with 627 in 1982, 983 in 1986 and 1,058 in 1987. It is encouraging to note that 462 participants attended the refresher courses or seminars which is an indication that those participating in the industry are striving to improve services.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

The transport, storage, and communications sector has experienced consistent growth over the years with value of output rising from K£554 million in 1984 to K£948 million in 1988. Most sub-sectors in the industry recorded increases in the value of output in 1988. The highest increase in value of output was observed in services incidental to transport, communications and air transport which increased their output by 28 per cent, 24 per cent and 18 per cent, respectively. Railway and water transport experienced marginal declines. New motor vehicle registrations remained at almost the 1987 level.

14.2. The performance of the sector in terms of value of output at current prices is shown in Table 14.1. The sector experienced a growth of 12 per cent in 1988. Some sub-sectors in the industry namely air transport, communications and services incidental to transport more than doubled in their value of output between 1984 and 1988. Introduction of two Air buses in late 1986 and early 1987 has contributed to the significant growth in value of output in this sub-sector. The value of output for water transport decreased to almost 1986 level while the pipeline services experienced marginal growth.

TRANSPORT AND COMMUNICATIONS—VALUE OF OUTPUT, 1984-1988

Table 14.1 *K£million*

	1984	1985	1986	1987	1988*
Road Transport	196.1	252.8	282.3	343.9	372.7
Railway Transport	62.2	57.7	59.5	60.7	60.3
Water Transport	81.8	89.2	73.2	77.4	74.3
Air Transport	73.8	86.8	102.2	131.3	155.0
Services Incidental to Transport	36.4	45.2	55.6	59.1	75.5
TOTAL	450.3	531.7	572.6	672.4	737.8
Pipeline	21.0	23.4	23.9	26.8	27.7
Communications	82.9	114.6	141.3	145.8	182.3
TOTAL	554.2	669.7	738.0	845.0	947.8

*Provisional.

14.3. Although road transport sub-sector continued to contribute the largest proportion of the sector's value of output, its share declined marginally from 41 per cent in 1987 to 39 per cent in 1988. Road passenger component accounted for 63 per cent of the value of the output in the road transport sub-sector. The sub-sector is dominated by private entrepreneurs supplemented by public participation through Kenatco taxis and Nyayo buses.

EARNINGS FROM ROAD AND RAIL TRAFFIC, 1984-1988

Table 14.2 *K£million*

	1984	1985	1986	1987	1988*
Passenger Traffic—					
Road	120.9	173.9	198.3	233.7	234.1
Rail	4.5	4.8	5.7	6.3	7.1
TOTAL	125.4	178.7	204.0	240.0	241.2
Freight Traffic—					
Road	75.2	78.9	83.9	110.2	138.6
Rail**	57.7	52.9	53.8	54.4	53.2
TOTAL	132.9	131.8	137.7	164.6	191.8
TOTAL ROAD TRAFFIC	196.1	252.8	282.2	343.9	372.7
TOTAL RAIL TRAFFIC	62.2	57.7	59.5	60.7	60.3
TOTAL	258.3	310.5	341.7	404.6	433.0

*Provisional.

**Includes other revenue.

14.4. Table 14.2 shows earnings from rail and road traffic between 1984 and 1987. Earnings from surface transport has grown from K£258.3 million in 1984 to K£433 million in 1988. Freight rail earnings experienced a slight drop in 1988 while passenger rail revenue grew marginally perhaps as a result of Nairobi City Commuter rail service.

Road Transport

14.5. The number of newly registered motor vehicles increased modestly to 18,764 in 1988, Details on new registration of motor vehicles contained in Table 14.3 show that the increase was contributed by buses/coaches which rose by 34 per cent, and saloon cars whose new registration increased by 10 per cent. Detailed analysis reveals that while 95 per cent of the newly registered buses were new additions to the existing stock, 47 per cent of the newly registered saloon cars were second hand. The proportion of imported saloon cars dropped by 3 percentage points to 42 per cent in 1988.

NEW REGISTRATION OF ROAD VEHICLES, 1984-1988

Table 14.3 *Number*

TYPE OF VEHICLE	1984	1985	1986	1987	1988*
Saloon Cars	3,571	2,096	3,229	4,914	5,422
Station Wagons	1,877	1,821	3,092	3,008	2,795
Panel Vans, Pick-ups, etc	5,187	4,652	4,751	4,720	4,492
Lorries/Trucks	1,434	1,421	1,906	1,759	1,694
Buses and Coaches	651	791	680	761	1,017
Mini Buses	391	426	368	569	489
Special Purposes Vehicles	31	39	43	46	32
Trailers	498	477	565	619	597
Rollers, Graders, Cranes	57	15	79	54	25
Wheeled Tractors	852	876	1,038	1,124	1,086
Crawler Tractors	18	3	5	3	2
Motor and Auto Cycles	1,124	1,046	1,196	1,146	1,110
Three Wheelers	3	0	3	4	3
ALL VEHICLES	15,694	13,663	16,955	18,727	18,764

*Provisional.

14.6. Data on Table 14.4 show that licences issued for vehicles on hire increased from 10,702 in 1987 to 12,003 in 1988; a 12 per cent increase. Most of this increase is attributable to the growth of the number of freight transport vehicles which increased by 63 per cent since 1986. On the other hand, passenger service vehicles increased only slightly by 3.7 per cent over the two year period.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1984—1988

Table 14.4 *Number*

	1984	1985	1986	1987	1988*
Passenger Service Vehicles	2,879	3,281	4,553	4,652	4,723
Freight Transport Vehicles	5,868	5,532	4,459	6,050	7,280
TOTAL	8,747	8,813	9,012	10,702	12,003

*Provisional.

14.7. Matatu operations contributed immensely to the performance of the passenger road transport sector. In 1988 10,277 matatus were licensed to conduct transportation business; a 13 per cent increase over the 9,115 matatus operating in 1987. A survey conducted in 1983 showed that each matatu operates with an average of two employees who earn about K£750 per annum per employee. On the basis of estimates from results of this survey, this sub-sector employed 20,554 people who earned K£15.4 million in 1988. It is further estimated that the sub-sector collected revenue amounting to K£133 million in 1988 compared to K£118 million in 1987. On the basis that 30 per cent of matatu passenger

revenue constitutes its' value added, it is, therefore, estimated that the matatus contributed K£40 million to the 1988 Gross Domestic Product.

14.8. The Government Commuter Service was established in July, 1988 as a state corporation under Nyayo Bus Service Corporation. At the end of 1988 the corporation had 140 buses operating in the major towns employing 584 persons. Passenger revenue for the financial year 1987/88 amounted to K£1.02 million.

Railway Transport

14.9. Railway operations in freight and passenger transportation are summarised in Table 14.5. Competition from road freighters has led to the decline in freight hauled over the last 5 years. However, in 1988, Kenya Railways recorded a 4 per cent growth over 1987 performance in both freight handled and freight revenue.

RAILWAY TRAFFIC, 1984-1988

Table 14.5

	Unit	1984	1985	1986	1987	1988*
Freight:						
Tonnes	'000	3,655	3,269	3.230	3,002	3,132
Tonne/Km	million	2,034	1,860	1,831	1,702	1,740
Revenue	K£million	55.93	50.70	50.68	51.0	53.18
Revenue per tonne/Km	cts	55	55	55	60	61
Passengers:						
Journeys	'000	1,709	2,102	2,563	3,757	3,834
Passenger/Km	million	484.2	586.8	692.5	752.0	848.0
Revenue	K£million	4.54	4.82	5.65	6.28	7.09
Revenue per passenger/Km.	cts	19	16	16	17	17

*Provisional.

14.10. On the other hand, the number of passenger journeys have shown an upward trend from 1,709,000 in 1984 to 3,834,000 in 1988. The short distance commuter train services have played a major role in boosting this increase. Passenger-kilometres grew by 13 per cent in 1988. However, this was still lower than the 21 per cent recorded in 1985. The growth in passengers and passenger-kilometres had a positive effect on revenue which rose from K£6.3 million in 1987 to K£7.1 million in 1988.

Harbours and Shipping

14.11. Table 14.6 gives a summary of the performance of the port of Mombasa in its role as a gateway for imports and exports for Kenya and some neighbouring countries in this sub-region. The overall performance in 1988 was 4 per cent lower than in the previous year. The decreased activity is mainly attributable to a decline in exports through the port. The level of imports through the port remained at the 1987 level with imports of bulk liquids increasing by about 5 per cent and dry cargo dropping slightly.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1984-1988

Table 14.6 *'000 Tonnes*

	1984	1985	1986	1987	1988*
Loaded—					
Dry Cargo	1,537	1,482	1,600	1,656	1,486
Bulk Liquids	521	396	388	354	297
Total	2,058	1,878	1,988	2,010	1,783
Landed—					
Dry Cargo	1,971	2,256	2,070	2,134	1,980
Bulk Liquids	2,502	2,181	2,839	2,747	2,887
Total	4,473	4,437	4,909	4,881	4,867
TOTAL FREIGHT HANDLED	6,531	6,315	6,897	6,893	6,650

*Provisional.

14.12. Dry cargo exports experienced a fall of 10 per cent. Most principal export commodities did not perform well especially maize exports which fell by over 50 per cent in 1988 compared to 1987. This decline was in line with Government policy of enhancing food security. Other items which contributed to the fall in dry cargo exports include coffee, tea and cement in bulk. The decline of bulk liquid exportation is attributable to the importation of high yield crude oil, which, when refined, has fewer by-products left for re-export.

14.13. Transit goods hit a low 306,000 tonnes in 1988 compared with 507,000 tonnes in 1987; a 29 per cent drop. Available information indicates that Rwanda and Zaire exported less cargo through Mombasa than in previous years.

14.14. In 1988, the Port handled 103,000 container units which were equivalent to 111 thousand-twenty-foot-equivalent units. This indicated a drop of 3.5 per cent from 1987 when 115 thousand twenty-foot-equivalent units were handled.

Pipeline Transport

14.15. The throughput of white petroleum products by the Kenya Pipeline is depicted in Table 14.7. This activity has experienced steady growth from 1,399,000 cubic metres in 1984 to 1,718,000 cubic metres in 1988. Of the major petroleum products jet fuel recorded the least growth of less than one per cent, while kerosene illuminating oil recorded the highest growth of 19 per cent.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1984-1988

Table 14.7 *'000 Cubic Metres*

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumina-ting Oil	Light Diesel Oil	Jet fuel	Total
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
1988*	334.3	273.0	187.6	677.8	245.7	1,718.4

•Provisional.

Air Transport

14.16. The performance of Kenya Airways between 1985 and 1988 is highlighted in Table 14.8. On international flights, the airline carried 394,365 passengers - 11 per cent more than in 1987. Domestic flights experienced a growth of 12 per cent. Overall passenger-kilometres covered dropped slightly from 1,360 million in 1987 to 1,322 million in 1988. Capacity utilization for both international and domestic flights increased marginally by 3 per cent. International freight handled recorded a growth of 7 per cent while capacity utilization (load factor) declined to 31.7 per cent compared with 52.5 per cent in 1987.

14.17. Commercial Traffic performance at both Jomo Kenyatta International and Moi International Airports is shown in Tables 14.9 and 14.10. Both Jomo Kenyatta International Airport and Moi International Airport have experienced consistent growth over the last five years in passengers handled. Moi International Airport recorded a high 587,000 passengers in 1988 compared to 522,000 in 1987. Cargo loaded at Jomo Kenyatta International Airport grew by 13 per cent, while at Moi it remained at almost the 1987 level.

14.18. The aerodromes department, in 1988, undertook several renovatory projects in airports and air strips. An aerodromes' administration complex at Jomo Kenyatta International Airport was completed at the same time with the construction of freight

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1985-1988

Table 14.8

	1985		1986		1987		1988*	
	Domestic	International	Domestic	International	Domestic	International	Domestic	International
PASSENGERS								
(a) Total Number of Revenue Passengers carried	230,771	331,342	281,539	355,345	294.354	356,458	329,402	394,365
(b) Available Seat-Kilometres (Millions)	138.0	1,724.9	148.6	1,882.3	165.6	2,142.2	182.5	1,997.6
(c) Revenue Passenger-Kilometres (Millions)	95.5	1,056.0	105.4	1,113.3	118.1	1,242.0	133.9	1,188.5
(d) Cabin Factor=c/*b percent* ..	69.2	61.2	70.9	59.1	71.3	58.0	73.3	59.5
(e) Passenger Revenue (KSh. millions)	130.3	1,060.3	146.0	1,291.5	176.4	1,559 4	206.0	1,687.5
(f) Revenue Per Passenger-Kilometre (KSh. 000)	1.36	1.00	1.39	116	1.49	1.26	1.54	1.42
FREIGHT								
(a) Total Revenue Freight carried (Tonnes)	937.3	6,099.1	1,172.0	7,689.0	1,173.0	10,414.0	1,423.0	11,119.0
(b) Available Freight Tonne-Kilometres ('000)	3,219	49,277	3,997	69,077	4,426	103,214	10,134	172,321
(c) Freight Tonnes-Kilometres ('000)	393	29.660	445	38,603	395	54,237	591	54,627
(d) Load Factor=c/b per cent	12.1	60.2	11.1	55.9	8.9	52.5	5.8	31.7
(e) Freight Revenue (KSh. millions)	3.93	105 34	4.54	135.04	4.80	197.49	6.05	248.01
(f) Revenue Per Tonne-Kilometre (KSh. 000)	10.01	3.55	10.20	3.50	12.15	3.64	10.23	4.54

*Provisional.

COMMERICAL TRAFFIC AT NAIROBI AIRPORT, 1984-1988

Table 14.9

	1984	1985	1986	1987	1988*
PASSENGERS—000's					
Landed	529.8	571.7	633.7	681.4	719.9
Embarked	517.7	565.6	620.1	666.1	707.1
In Transit	593.0	578.3	540.1	527.7	525.6
TOTAL	1,640.5	1,715.6	1,793.9	1,875.2	1,952.6
FREIGHT—'000 ***tonnes***					
Cargo: Landed	10.0	10.1	11.0	12.1	13.0
Loaded	30.1	32.8	35.4	35.5	40.9
Mail: Landed	1.2	1.5	1.3	1.4	1.4
Loaded	0.8	0.8	0.8	0.7	0.8
TOTAL.	42.1	45.2	48.5	49.7	56.1

*Provisional.

COMMERCIAL TRAFFIC AT MOMBASA AIRPORT, 1984-1988

Table 14.10

	1984	1985	1986	1987	1988*
PASSENGERS—000's					
Landed	193.1	204.7	226.0	234.6	266.1
Embarked	200.1	211.2	236.8	255.6	291.1
In Transit	24.1	27.0	32.4	31.3	29.9
TOTAL	417.3	442.9	495.2	521.5	587.1
FREIGHT—'000 ***tonnes***					
Cargo: Landed	8.01	8.93	4.64	4.81	3.74
Loaded	8.22	7.87	5.26	4.62	4.42
Landed	0.10	0.09	0.07	0.55	0.66
Mail: Loaded	0.08	0.05	0.04	0.04	0.48
TOTAL	16.41	16.94	10.01	10.02	9.30

*Provisional.

terminal in Moi Airport. Other developments included modification of terminal shelter at Wilson airport, re-construction of Kitale airstrip to bitumen standard including passenger building and development of Kabarnet airstrip.

Postal and Telecommunications

14.19. Provision of postal and telecommunications services, a responsibility of Kenya Posts and Telecommunications Corporation, is outlined in Table 14.11. Over the last one decade postal services have expanded tremendously with post offices increasing from 806 in 1984 to 972 in 1988. Private letter boxes increased by 1.4 per cent to 216,000 in 1988. The total number of parcels handled in 1988 decreased by 17 per cent to record 288,000 parcels. This indicates that the new services, such as Expedited Mail Service (EMS) Speedpost, have not been able to cope with competition posed by private couriers.

4.20. Telephone facilities continued to expand with telephone exchanges increasing from 343 in 1984 to 428, in 1988. Total exchange capacity increased from 157,252 in 1984 to 224,460 in 1988. Telephone exchange connections increased to 157,000 in 1988 while public call boxes increased from 3,571 in 1987 to 3,723 in 1988.

14.21. International telephone traffic (in terms of calls) increased from 2.4 million in 1984 to 3.8 million in 1988; an average annual growth rate of 13 per cent. Domestic manually handled calls recorded a decline of 16 per cent per annum from 15.0. million in 1987 to 12.5 million in 1988. This decline is as a result of rapid expansion of the automatic

POSTAL AND TELECOMMUNICATION SERVICES, 1984-1988

Table 14.11

	Unit	1984	1985	1986	1987	1988*
Post Offices	No	806	829	848	929	972
Private Letter Boxes	No ('000)	179	189	200	207	216
Registered and Insured Items Posted	million	3.4	3.1	3 1	3.3	3.7
Total correspondence handled	million	229	234	246	258	259
Parcels handled	No ('000)	362	334	313	347	288
Telephone Exchange connections	'000	106	118	129	145	157
Public Call Boxes	No	1,425	2,189	2,659	3,571	3,723
Manual Telephone Calls made	million	13.8	13.7	14.1	15.0	12.5
Subscriber Dialed Units	million	694	949	943	1,075	1,294
Telex Subscribers	No ('000)	2.0	2 1	2 1	2.4	2.4
Telegrams Handled	No ('000)	1,170	1,172	1,181	1,189	1,189
Money Orders	No. (million)	1.7	1.6	1.8	1.8	2.0
Postal Orders	No. ('000)	139	118	98	124	105

*Provisional.

EXTERNAL TELECOMMUNICATIONS TRAFFIC, 1984—1988

Table 14.12

	1984	1985	1986	1987	1988*
Telephone service—million paid minutes—					
Outgoing	7.1	9.8	9.4	10.7	11.6
Incoming	10.8	12.8	13.7	16.7	12.9
Telex service—million paid minutes—					
Outgoing	3.1	3.5	3.6	3.9	3.3
Incoming	3.6	3.7	3.7	4.0	3.0
Telegraph service—million paid Words—					
Outgoing	3.1	2.7	1.9	1.9	1.9
Incoming	2.6	2.7	1.9	1.6	1.6

*Provisional.

telephone services. Total international telephone traffic (in paid minutes) covering both incoming and outgoing traffic had an overall average growth of 9 per cent per annum during 1984 to 1988 period. It however, declined slightly in 1988 over 1987 from 27.4 million paid minutes to 24.5 million paid minutes. Telex traffic (in million paid minutes) declined from 7.9 in 1987 to 6.3 in 1988, while telegraph services have remained almost constant for the last three years. Details are shown in Table 14.13.

14.22. By the end of 1988 all district headquarters had exchanges providing international subscribers trunk dialling (STD) facility. 1 he Bureau Fax facility, introduced in 1984 has become quite popular. This facility was available in Mombasa and Nairobi by the end of 1988, and can now enable customers to communicate with their counterparts in all countries with which Kenya had direct telephone connection. The Corporation set up a multi-purpose workshop complex at Gilgil which became operational late 1988. This complex will help reduce the dependence on imported telecommunication services and components and will later go into the export market.

Information and Mass Media

14.23. Table 14.13 shows that both television and radio licences issued increased by 22 per cent and 6 per cent, respectively. During 1988, the then Voice of Kenya, commissioned a new television transmitting station in Meru. A new television tower, for existing television station at Timboroa, was erected and is due for commissioning soon.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1984-1988

Table 14.13 *'000*

	1984	1985	1986	1987	1988*
Radios	97.9	128.2	175.3	208.4	221.6
Television Sets	8.6	11.8	14.1	18.7	22.9

*Provisional.

14.24. The Kenya Institute of Mass Communications (KIMC) offers specialised training on various skills associated with collection and dissemination of information through the mass media. Training is organised around four training departments namely, Engineering, Film production, Television and Radio Production and Information. In 1988, 319 trainees were undertaking training in the various courses offered in the first three departments. In-service courses for 142 participants were also organized by the KIMC.

14.25. The average daily/weekly local newspaper circulation between 1984 and 1988 is depicted in Table 14.14. During the period under review, the English language newspapers have shown a consistent growth trend, while the Swahili language newspapers have experienced fluctuations. In terms of average copies circulated, Kiswahili newspapers were less than one third of the English newspapers in 1988. Circulation of daily newspapers went up by 3 per cent while English weeklies increased from 255,000 in 1987 to 276,000 in 1988, an increase of 8 per cent. A total of 9 rural newspapers are produced fortnightly. There were 4 ad hoc publications and two publications in commemoration of 10th Anniversary of Nyayo Era and 25th Anniversary of Independence.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1984-1988

Table 14.14 *'000 Copies*

	1984	1985	1986	1987	1988*
MORNING NEWSPAPERS—					
English	183.2	204.2	214.2	243.3	253.2
Swahili	71.4	60.9	64.8	60.6	56.9
OTHER NEWSPAPERS—					
English Weeklies	198.7	208.5	220.3	254.9	275.8
Swahili	97.5	93.6	92.9	90.0	76.8

*Provisional.

CHAPTER 15—THE SOCIAL SCENE

The total Government expenditure on social services is estimated to have gone up by 15.7 per cent from K£568.62 million during the 1987/88 to K£657.80 million in 1988/89. This growth is higher than the 10 per cent increase during 1987/88 over 1986/87. As shown in Table 15.1, the estimated recurrent expenditure absorbed K£572.41 million, which was 87.0 per cent of the total budgetary outlay for Social Services in 1988/89 financial year, compared with 92 per cent in 1987/88.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1985/86—1988/89

Table 15.1 *K£million*

	1985/86	1986/87	1987/88*	1988/89**
RECURRENT EXPENDITURE—				
Ministry of Education, Science and Technology	295.44	336.27	404.02	450.28
Ministry of Health	79.65	96.50	101.01	104.83
Ministry of Labour	5.51	5.66	4.57	3.27
Ministry of Culture and Social Services	11.73	12.40	11.33	14.03
DEVELOPMENT EXPENDITURE—				
Ministry of Education, Science and Technology	11.12	21.14	23.41	36.76
Ministry of Health	14.81	14.73	12.94	44.51
Ministry of Labour	1.35	0.64	–	0.09
Ministry of Culture and Social Services	11.26	29.55	11.34	4.03
TOTAL EXPENDITURE	430.87	516.89	568.62	657.80

*Provisional.
**Estimates excluding supplementaries.

15.2. The Local Authorities, as indicated in Table 15.2, are expected to incur an expenditure of K£19.74 million on Social Services during 1988/89: an increase of about 30 per cent over 1987/88.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1984—1988

Table 15.2 *K£million*

	1984	1985	1986*	1987*	1988**
Education	11.50	10.81	7.48	6.04	7.56
Health	5.52	8.43	7.04	7.20	10.84
Other Social Services	0.63	0.90	1.76	2.00	1.34
TOTAL EXPENDITURE	17.65	20.14	16.28	15.24	19.74

*Provisional.
**Estimates.

Education

15.3. Table 15.3 gives details of the expenditure of the Ministry of Education and the Ministry of Technical Training and Applied Technology; only technical and polytechnic education in the Ministry of Technical Training and Applied Technology are included in the table. As in previous years, education continues to take the largest share of the Government expenditure absorbing over 30 per cent of the national recurrent budget and over 78 per cent of the estimated recurrent expenditure on Social Services in 1988/89. Nearly 50 per cent of the estimated recurrent expenditure was earmarked for primary education which indicates the importance the Government accords primary education. The estimated development expenditure rose from K£23.41 million in 1987/88 to K£36.76 million in 1988/89: an increase of over 57 per cent, with higher education taking the largest proportion of K£18.88 million or 51.4 per cent of the total outlay. This reflects the Government's determination not only to offer primary education but also to expand and establish facilities for further education. The number of unaided and assisted schools which the Government has absorbed has also contributed to this increase.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1985/86—1988/89

Table 15.3 *K£million*

	1985/86	1986/87	1987/88*	1988/89**
RECURRENT EXPENDITURE-				
General Administration and Planning	42.09	35.44	41.38	56.92
Pre-Primary Education	0.18	0.22	0.30	0.58
Primary Education	158.37	189.24	221.40	224.29
Secondary Education	42.30	48.23	57.32	74.05
Technical Education	2.53	2.87	3.12	3.22
Teacher Training	11.42	12.80	15.08	13.90
Special Schools	1.40	1.85	2.73	3.37
Polytechnic Education	2.64	2.84	2.94	3.58
Higher Education***	32.99	41.40	58.42	68.61
Miscellaneous	1.52	1.38	1.33	1.76
TOTAL	295.44	336.27	404.02	450.28
DEVELOPMENT EXPENDITURE—				
General Administration and Planning	1.44	4.21	2.88	3.17
Pre-Primary Education	–	–		
Primary Education	1.15	0.81	0.62	0.90
Secondary Education	1.61	1.67	2.18	2.50
Technical Education	0.01		0.08	
Teacher Training	2.44	1.69	1.67	8.75
Special Schools	0.25	0.32	0.30	0.36
Polytechnic Education	0.02	1.21	0.21	1.84
Higher Education***	3.91	10.61	15.01	18.88
Miscellaneous	0.29	0.62	0.46	0.36
TOTAL	11.12	21.14	23.41	36.76

*Provisional.
**Estimates.
***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 1988. The number of primary schools rose by 3 per cent from 13,849 in 1987 to 14,288 in 1988, while the number of secondary schools increased by 4.8 per cent from 2,592 in 1987 to 2,717 in 1988. The Government is rapidly assisting Harambee Secondary Schools, by supplying them with teachers. Currently, these schools constitute 11 per cent of all the secondary schools in the country compared with 19 per cent in 1987.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1984—1988

Table 15.4

Category	1984	1985	1986	1987	1988*
Schools:					
Primary	12,539	12,936	13,392	13,849	14,288
Secondary	2,396	2,413	2,485	2,592	2,717
Training Colleges:					
Primary	17	16	16	16	16
Secondary	5	6	6	6	7
TOTAL	14,957	15,371	15,899	16,463	17,028

*Provisional.

15.5. The enrolment in primary schools is shown in Table 15.5. The enrolment in primary schools increased from 5.03 million in 1987 to 5.12 million in 1988. The enrolment in Standard 1 which had showed an increase of about 1 per cent in 1987, indicated a growth of 4 per cent in 1988. A transition rate of the pupils in Standard 7 proceeding to Standard 8 of 70 per cent was observed in 1988; 6 percentage points lower than in the previous year. The sex ratio (boys to 100 girls) improved from 107 in 1987 to 106 in 1988. However, at class level there were wider variations from 128 in Standard 8 to about parity in Standards 5 and 6.

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1985—1988

Table 15.5

Class	1985		1986		1987		1988*	
	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	436.5	412.1	473 0	439.0	476.0	442.3	491.6	461.2
Standard 2	363.1	338.1	372.8	346.4	400.2	373.6	402.9	382.6
Standard 3	332.5	312.9	337.6	318.3	351.4	326.9	358.4	337.4
Standard 4	314.9	306.4	319.0	306.5	328.0	313.5	331.3	319.3
Standard 5	283.5	276.7	290.2	282.3	295.8	290.2	294.5	290.5
Standard 6	260.9	247.2	269.6	258.2	273.3	267.3	273.8	269.3
Standard 7	242.5	215.0	255.3	230.4	271.5	253.2	279.4	263.0
Standard 8	201.0	159.1	195.1	149.8	207.8	160.4	206.6	161.8
TOTAL	2,434.9	2,267.5	2,512.6	2,330.9	2,604.0	2,427.4	2,638.5	2,485.1

*Provisional.

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 on maintained secondary schools by province and sex. Total enrolment increased by 3.4 per cent from 522,300 to 540,200 in 1987 and 1988, respectively. As in the previous years, girls constituted 41 per cent of total secondary schools' enrolment. In Government maintained schools, the proportion of girls showed an improvement over the previous years of a 1 percentage point to reach 38 per cent. As the Government continues to assist more and more of previously unaided schools, the enrolment figures from these schools is showing a steady decline while enrolments in assisted schools is showing a marked increase.

ENROLMENT IN SECONDARY SCHOOLS BY FORM, 1987—1988

Table 15.6 *Numbers*

Form	1987			1988*		
	Maintained	Assisted	Unaided	Maintained	Assisted	Unaided
Form I	71,369	59,337	34,541	75,327	65,631	32,647
Form II	72,309	59,008	30,848	74,526	57,424	27,461
Form III	–	–	–	71,490	57,621	25,913
Form IV	71,101	54,191	25,632	–	–	–
Form V	17,890	747	3,044	22,068	1,254	3,688
Form VI	18,472	807	2,965	20,168	1,033	3,941
TOTAL.	251,141	174,090	97,030	263,579	182,963	93,650
Boys	155,930	97,164	54,950	162,837	100,643	54,521
Girls	95,211	76,926	42,080	100,742	82,320	39,129

*Provisional.

ENROLMENT IN MAINTAINED SECONDARY SCHOOLS BY PROVINCE AND SEX, 1986—1988

Table 15.7 *Numbers*

PROVINCE	1986		1987		1988*	
	Boys	Girls	Boys	Girls	Boys	Girls
Nairobi	13,403	7,569	10,113	6,454	9,507	6,523
Coast	9,910	5,303	11,085	6,340	13,921	7,916
Eastern	22,283	13,382	27,016	15,677	26,644	17,058
North-Eastern	1,261	492	1,742	457	1,755	481
Central	32,564	23,254	35,440	24,897	35,060	24,804
Rift Valley	23,849	14,219	29,160	17,767	30,917	18,433
Nyanza	21,755	9,973	23,318	13,325	26,169	13,583
Western	17,293	9,721	18,056	10,294	18,864	11,944
TOTAL	142,318	83,913	155,930	95,211	162,837	100,742

*Provisional.

15.7. Table 15.8 gives details of the number of teachers by qualification and school level. The total teaching force in both primary and secondary schools rose by about 5 per cent from 173,402 in 1987 to 181,595 in 1988, with teachers in primary schools constituting 86 per cent of the total teaching force. This reflects an improvement in student teacher ratio from 33.7 to 32.9 for primary schools and from 21.5 to 20.9 for secondary schools in 1987 and 1988, respectively. A welcome development is the decline in the proportion of untrained primary school teachers from 32 per cent in 1986 to 30 per cent in 1988 while the corresponding change for secondary schools were 41 per cent to 36 per cent. The establishment and strengthening of the faculties of education in all the four public universities and the starting of the Laikipia Teachers Training College will go along way in providing trained teachers for the secondary schools and other institutions of higher learning. The total female teaching force in primary schools was 55,654, representing 36 per cent of the total while in secondary schools, female teachers were 7,814 or 30 per cent of the total.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1986—1988

Table 15.8 *Numbers*

	PRIMARY			SECONDARY		
	1986	1987	1988*	1986	1987	1988*
TRAINED-						
Graduate	7	25	16	6,427	7,044	7,569
Approved+	306	345	443	823	1,007	1,170
S1	3,109	3,273	3,752	5,837	6,723	7,669
P1	52,904	58,861	63,005	176	175	203
P2	27,771	28,610	28,607	–	–	–
P3	13,265	13,162	12,395	–	–	
P4	210	124	206	–	–	–
TOTAL	97,572	104,400	108,424	13,263	14,949	16,611
UNTRAINED—						
Graduate	–	–	–	1,177	1,376	936
K.A.C.E.	4,840	4,366	4,314	6,986	7,593	7,902
K.C.E	30,302	31,697	34,812	355	59	23
K.J.S.E	8,066	6,893	6,404	–	–	–
C.P.E	1,829	1,656	1,688	–	–	–
Other	198	139	52	515	274	429
TOTAL	45,235	44,751	47,270	9,033	9,302	9,290
GRAND TOTAL	142,807	149,151	155,694	22,2%	24,251	25,901

*Provisional.

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

15.8. Table 15.9 shows details of students enrolment in all primary teachers training colleges. The student enrolment rose by about 2 per cent from 14,190 in 1987 to 14,445 in 1988. Female trainees constituted 41 per cent of the student population; a 1 percentage point higher than in 1987. The student population in all the 7 diploma colleges rose from 3,300 in 1987 to 4,000 in 1988.

STUDENT ENROLMENT IN ALL PRIMARY TEACHERS TRAINING COLLEGES BY QUALIFICATION, 1988/89*

Table 15.9 ***Numbers***

QUALIFICATION	1ST YEAR		2ND YEAR		TOTAL	
	Male	Female	Male	Female	Male	Female
K.A.C.E	47	30	107	67	154	97
K.C.E	3,769	2,6%	4,367	3,000	8,136	5,6%
K.J.S.E	39	35	58	84	97	119
C.P.E	11	22	20	16	31	38
Special Education**	–	–	61	16	61	16
TOTAL	3,866	2,783	4,613	3,183	8,479	5,966

*Provisional.

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

15.9. Technical training programmes are offered at the Kenya, Mombasa and Eldoret polytechnics, Jomo Kenyatta University College of Agriculture and Technology (JKU-CAT), the Harambee Institutes of Technology (HITs) and the Technical Training Institutes (TTIs). In 1988, these institutions reported a student population of 14,480. In the polytechnics, 46 per cent and 19 per cent of the students were pursuing courses in the departments of engineering and commerce, respectively, while in the 17 operational HITs and 19 TTIs, in addition to engineering and commercial studies, the students were also engaged in carpentry, masonry, plumbing and textile courses.

15.10. The year 1988/89 was characterised by very rapid increase in university students population. The four public universities admitted over 7,400 undergraduate students of whom over 3,200 were pursuing education courses. The total student population in 1988/89 academic year is 21,635 compared with 16,565 in the 1987/88 academic year: a significant 31 per cent increase.

15.11. Table 15.10 shows the number of students by sex and faculty registered at the University of Nairobi. The undergraduate and diploma students population for the period under review was 10,112 while 1,165 students were enrolled for postgraduate courses. The

UNIVERSITY OF NAIROBI STUDENTS BY FACULTY AND SEX, 1987/88—1988/89

Table 15.10 *Numbers*

Course/Faculty	1987/88			1988/89		
	Male	Female	Total	Male	Female	Total
Undergraduate Course—						
Agriculture*	696	166	862	652	160	812
Architecture and Design	258	48	306	265	48	313
Building Economics and Land Economics	173	50	223	175	48	223
Arts	1,776	775	2,551	1,913	774	2,687
Commerce	551	172	723	720	199	919
Engineering	801	23	824	762	32	794
Law	289	214	503	362	233	595
Medicine	555	143	698	541	139	680
Science	1,002	190	1,192	919	187	1,106
Veterinary Medicine	371	56	427	357	55	412
Dental Surgery	88	54	142	64	56	120
Pharmacy	150	26	176	133	32	165
Education (Arts)	–	–	–	204	241	445
Anthropology	–	–	–	224	66	290
Education (Arts—External Degree)	–	–	–	381	115	496
	6,710	1,917	8,627	7,672	2,385	10,057
of which Kenya Students	6,628	1,877	8,505	7,634	2,346	9,980
Diploma Courses**Total	26	61	87	5	50	55
of which Kenya Students	25	58	83	5	49	54
Postgraduate Course—						
Agriculture	141	53	194	141	53	194
Architecture and Design	55	22	77	49	18	67
Arts	166	86	252	187	95	282
Commerce	24	17	41	31	14	45
Engineering	47	–	47	58	–	58
Law	6	1	7	6	–	6
Medicine	157	37	194	121	31	152
Science	185	27	212	178	31	209
Veterinary Medicine	35	7	42	47	4	51
School of Journalism	13	9	22	17	7	24
Institute of Computer Science	9	5	14	15	4	19
Institutes of African Studies	7	3	10	5	7	12
Institute of Population Studies	30	12	42	33	13	46
TOTAL..	875	279	1,154	888	277	1,165
of which Kenya Students	852	270	1,122	762	238	1,000
Total Enrolment—						
All Kenya students	7,505	2,205	9,710	8,401	2,633	11,034
Students from other countires	106	52	158	164	79	243
TOTAL	7,611	2,257	9,868	8,565	2,712	11,277

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

total number of students enrolled at the University of Nairobi were 11,277 compared with 9,868 in 1987/88 academic year.

15.12. Enrolment at Moi University by faculty and sex is shown in Table 15.11. The Faculty of Information Sciences and the School of Social, Cultural and Development Studies were introduced at the university. The faculty of education enrolled over one half of the total student population. Total enrolment has increased from 970 students in 1987/88 to 2,119 students in 1988/89.

MOI UNIVERSITY STUDENTS BY COURSE AND SEX, 1986/87—1988/89

Table 15.11 *Numbers*

Department	1986/87		1987/88		1988/89	
	Male	Female	Male	Female	Male	Female
Forestry	96	15	132	22	134	29
Wildlife Management	27	4	64	7	77	7
Wood Science and Technology	21	2	50	8	69	12
Production and Technology	13	1	58	2	76	2
Electrical and Communication Technology	24	–	70	3	91	4
Science	23	4	92	9	157	10
Education	–	–	321	132	716	363
Information Sciences	–	–	–	–	42	14
School of Social, Cultural and Development Studies	–	–	–	–	266	50
TOTAL	204	26	787	183	1628	491

15.13. Table 15.12 shows the enrolment at Kenyatta University by course and sex. During 1988/89 academic year a total of 6,414 students were enrolled compared with 5,135 in 1987/88. During the period under review, the Faculty of Commerce was started at the university.

KENYATTA UNIVERSITY STUDENTS BY COURSE AND SEX, 1987/88—1988/89

Table 15.12 *Numbers*

Course/Faculty	1987/88			1988/89		
	Male	Female	Total	Male	Female	Total
B.Ed. (Arts)	1,444	1,562	3,006	1,610	1,871	3,481
B.Ed. (Science)	751	246	997	754	256	1,010
B.A. (Fine Arts)	11	18	29	12	13	25
B.Ed. (Home Economics)	25	232	257	14	246	260
B.A	260	150	410	666	250	916
B.Sc	228	39	267	333	55	388
B.Com	–	–		28	14	42
Postgraduate*	116	53	169	207	85	292
TOTAL	2,835	2,300	5,135	3,624	2,790	6,414

*Include students pursuing Post Graduate Diploma in Education.

15.14. In 1988/89 academic year Egerton University had a total of 1,825 undergraduates, compared with 592 in the previous academic year. There were also 1,100 students pursuing diploma courses.

Health

15.15. Government is committed to the provision of adequate health facilities. In 1988, six rural health demostration centres, 24 health centres and 4 dispensaries were constructed. Construction of Nyayo Wards was continuing at several hospitals, e.g Pumwani in Nairobi, Karatina in Nyeri and Chepterwa in Nandi. Table 15.13 details the provincial distribution of health facilities for 1987 and 1988.

15.16. Expansions and improvements were carried out in some established hospitals. The most notable were: construction of 180-bed hospitals in Lamu Island and Kathiani; establishment of a maintenance unit at Mombasa hospital; completion of X-Ray unit in Nyeri and Kakamega hospitals; expansion and improvement of the out-patient department in Machakos, Voi, Moyale and Mandera hospitals; completion of Nyayo wards at Embu, Kanyakine, Eldoret, Kapsabet, Kapkatet, Sigowet and Mukurweini hospitals; construction of paediatric wards in Kakamega, Muriranja, Kericho and Kitale hospitals; and construction of maternity wards at Tigoni, Kwale and Nandi Hills hospitals.

15.17. Table 15.13 further indicates that the newly constructed units and expansions of the existing facilities increased the number of beds and cots from 31,512 in 1987 to 31,983 in 1988. In spite of this increase, the number of beds and cots available per 100,000 population decreased from 146 in 1987 to 141 in 1988 as a consequence of the rapid rate of population growth.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1988

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	18	135	183	5,6%	420
Coast	25	32	162	219	3,186	161
Eastern	42	42	224	308	4,601	114
North-Eastern	3	6	31	40	414	71
Central	42	46	232	320	4,883	143
Rift Valley	59	63	455	577	6,250	127
Nyanza	42	48	252	342	4,259	106
Western	17	39	62	118	2,694	102
TOTAL 1988	260	294	1,553	2,107	31,983	141
TOTAL 1987	254	282	1,535	2,071	31,512	146

15.18. The Government has continued to train and staff all health institutions with appropriate medical personnel. Table 15.14 shows the distribution of various types of medical personnel. Although negligible, it is significant to note that in 1988 the number of doctors, registered nurses and clinical officers per 100,000 population dropped compared with 1987 implying that production rates for these groups is not growing as fast as the population increase. However, there was a notable increase in the case of dentists and other medical personnel. The table further indicates that there were no significant changes in numbers of personnel undergoing training between 1987/88 and 1988/89.

REGISTERED MEDICAL PERSONNEL, 1987—1988

Table 15.14 *Numbers*

Type of Personnel	1987		1988		IN TRAINING	
	Number	No. Per 100,000 Population	Number	No. per 100,000 Population	1987-88	1988-89
Doctors	3,071	13.94	3,176	13.75	788	832
Dentists	492	2.23	527	2.30	79	120
Pharmacists	362	1.64	388	1 69	120	165
Pharmaceutical Technologists	494	2.04	526	2.29	141	145
Registered Nurses	9,862	44.77	10,009	43.65	1,188	1,172
Enrolled Nurses	13,202	55.92	14,078	61.38	7,614	7,632
Clinical Officers	2,355	10.29	2,464	10.74	475	472
Public Health Officers	480	2.18	515	2.24	120	120
Public Health Technicians	2,041	9.26	2,263	9.87	671	665

Other Social Services

15.19. *National Hospital Insurance Fund:* Contributions received by National Hospital Insurance Fund (NHIF) and benefits paid out have both been increasing steadily since 1984/85. Table 15.15 shows that contributions rose by 24.3 per cent from K£7.62 million in 1986/87 to K£9.47 million in 1987/88. Benefits paid increased faster by 43.8 per cent from K£6.16 million in 1986/87 to K£8.86 million in 1987/88. For the third year running, the fund reported a positive net balance.

NATIONAL HOSPITAL INSURANCE FUND, 1983/84—1987/88

Table 15.15 *K£million*

Year	Receipts	Benefits	Contribution Net of Benefits
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
1987/88	9.47	8.86	0.61

15.20. *Adult Education:* During 1988, adult literacy enrolment shown in Table 15.16 decreased for the second year running to 158,234 compared with 222,142 in 1986. The number of classes for the year under review was 8,871, of which 2,971 were fully Government maintained, 5,455 Government assisted and 445 self help. There were also 2,971 full-time teachers, 5,455 teachers on part-time basis and 445 voluntary teachers implying one teacher per class.

ADULT EDUCATION ENROLMENT BY SEX, 1984-1988

Table 15.16

Year	Male	Female	Total	Percentage of Female Enrolement
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
1988	52,744	105,490	158,234	67.0

15.21. *National Youth Service:* Table 15.17 shows the number of servicemen and servicewomen recruited into and income earned by National Youth Service between 1986 and 1988. Total number of recruits in 1988 was 10,100 compared with 9,840 in 1987; a 2.6 per cent increase compared with 31.2 per cent in 1987. The high percentage increase in 1987 was due to the double intake into the four public universities. The Service offers basic training in motor vehicle, carpentry, tailoring, secretarial courses etc.

NATIONAL YOUTH SERVICE RECRUITMENT AND INCOME EARNED, 1986-1988

Table 15.17

Year	Recruits (Numbers)					Income K£
	Servicemen		Servicewomen		Total	
	Regular	Pre-University	Regular	Pre-University		
1986	1,628	2,047	328	796	4,799	1,247,876
1987	2,102	5,578	603	1,557	9,840	1,646,947
1988	3,400	3,645	1,200	1,856	10,101	2,553,990

15.22. In 1988, the service was engaged in various activities all over the country mainly: road construction, transportation and farming. Road construction during the year included: Tana Basin Road Project in North-Eastern, Eastern, Coast and Central Provinces; and Kerio Valley Roads Project in Rift Valley Province. Farming activities included livestock rearing in Machakos and Samburu districts and mixed farming in Nyandarua, Kakamega, Machakos, Tana River, Nakuru, West Pokot and South Nyanza districts. As a result of all these activities the income earned by the Service increased from K£1.65 million in 1987 to K£2.55 million in 1988.

15.23. *National Social Security Fund:* Table 15.18 details the growth of the Fund during 1984 to 1988 period. In 1988, the number of registered employees increased by 73,800, or by 4.6 per cent, compared with 5.1 per cent increase in the previous year; while the number of registered employers increased by 1,028 or 2 per cent. The table also indicates that annual benefit payments increased by 26.6 per cent compared with 4.9 per cent in 1987. The comparatively high increase was due to the lowering of the withdrawal age from 55 to 50 years and qualifying age from 60 to 55 years. Total investment recorded an increase of 36 per cent mainly as a result of investments of K£123 million in Treasury bonds and bills.

NATIONAL SOCIAL SECURITY FUND, 1984-1988

Table 15.18

	1984	1985	1986	1987	1988
Employers registered '000	34.1	35.4	36.8	38.1	39.0
Employees registered '000	1,406.7	1,471.6	1,527.8	1,606.1	1,679.9
Annual contribution K£mn	39.4	43.8	47.4	54.2	55.2
Annual benefits paid K£mn	5.4	11.4	6.1	6.4	8.1
Total investments K£mn	96.0	121.6	213.3	338.6	461.5

15.24. *Women in Development:* The women's Bureau in the Ministry of Culture and Social Services, continues to promote and support programmes aimed at integrating women in development. Programmes undertaken include: training of women groups, evaluating the implementation of the Nairobi Forward Looking Strategies, promoting credit programmes for women, promoting gender-based statistics and disseminating information and legal awareness. The Bureau has collaborated and supported programmes with non-Governmental Organizations (NGOs) and other public sectors such as; environmental conservation, appropriate technology, literacy programmes and food and agriculture. The Women's Bureau is also a major contributor to women in development in rural areas through financial grants to women groups. Table 15.19 shows the number and distribution of government grants to women groups by province. Total grants in 1988 were Kshs.1.52 million compared to Kshs.2.56 million in 1987. In addition, Rural Development Fund disbursed some Kshs.9.33 million to women groups. The number of women groups in the country grew from 21,300 in 1985 to 25,727 in 1988. In recognition of the important role played by women in the economy, Maendeleo Ya Wanawake Organisation was affiliated to KANU.

GOVERNMENT GRANTS TO WOMEN GROUPS BY PROVINCE, 1986-1988

Table 15.19

Province	Number of Groups Assisted			Amount Granted KSh.'000		
	1986	1987	1988	1986	1987	1988
Nairobi	22	22	10	150	90	61
Coast	55	61	60	472	382	226
Eastern	60	74	60	432	372	201
North-Eastern	34	25	30	196	156	93
Central	50	42	50	380	288	200
Rift Valley	135	131	130	1,076	796	468
Nyanza	49	41	40	328	268	154
Western	33	32	30	276	206	118
TOTAL	438	428	410	3,310	2,558	1,521