

REPUBLIC OF KENYA

ECONOMIC SURVEY

1990

Central Bureau of Statistics

Ministry of Planning and National Development

ECONOMIC SURVEY
1990

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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 slowed slightly in 1989 with GNP in the Organization for Economic Co-operation and Development (OECD) area growing by 3.6 per cent in 1989, while inflation rose further to 4.3 per cent. In Africa, while agriculture and manufacturing continued to expand, growth in GDP slowed down to 2.4 per cent in 1989 from 2.9 per cent the previous year, leading to slight fall in income per capita.

While the domestic economy continued to perform satisfactorily, there was a slow-down in GDP growth, from 5.2 per cent in 1988, to 5.0 per cent in 1989. Agriculture, though enjoying the continuing run of favourable climatic conditions, grew less buoyantly than in 1988, by 3.9 per cent, chiefly due to the low prices for coffee. Manufacturing grew by 5.9 per cent compared with 6.0 per cent in 1988. Other sectors that performed considerably well are electricity and water, by 8.4 per cent; finance and business services, 7.5 per cent; and other sen/ices, 6.8 per cent. There was a 1.6 per cent growth in the real value of gross fixed capital formation.

It was a bad year for Kenya's export trade due to low coffee prices, and declining exports of petroleum products, while the import bill rose faster, leading to a high balance of trade deficit in 1989. The value of exports rose moderately by 7.1 per cent while imports rose by 26.8 per cent, resulting in a balance of trade deficit of K£1,219 million. Kenya's terms of trade worsened by 10.2 per cent. The overall balance of payments outturn, however, recorded K£81 million surplus, chiefly due to a surplus in the services transactions coupled with large capital inflows. Tourism earnings rose by 23 per cent.

Total wage employment grew by 2.4 per cent, with public sector rising by 3.8 per cent compared to private sector's 1.1 per cent. The inflation rate was 10.5 per cent, compared with 10.7 per cent in 1988. Real wage earnings rose by 1.3 per cent.

International Scene

World economic growth, which entered its 7th year of expansion in 1989 slowed down as the year progressed. Growth of Gross National Product in the OECD area declined to 3.6 per cent compared with 4.4 per cent recorded in 1988; while world trade fell to 7.6 per cent relative to 9.0 per cent in the previous year. The average rate of inflation in these countries, which reached 4.3 per cent in 1989, caused much concern and led to further tightening of monetary policies.

Developments in commodity prices were mixed. Metal prices generally began to slide, while food prices remained weak. Tropical beverages were most hit, with coffee recording the largest decline following the breakdown of the quota system in July, 1989. Oil prices remained firm, having increased by 21 per cent in the OECD area between 1988 and 1989.

The year 1989 was also characterized by dramatic political changes in the USSR and Eastern Europe. These events were not, however, immediately

translated into economic reforms. But the economic slow-down in the leading industrial countries did have an effect on growth of the developing countries, which had their GDP growth decline from 4.1 per cent in 1988 to 2.9 per cent in 1989.

In Africa, while agriculture and manufacturing continued to expand, growth in GDP rose by only 2.4 per cent compared with 2.9 per cent registered in 1988. With faster population growth, per capita GDP continued to decline falling by 0.1 per cent during 1989.

Domestic Economy

In 1989, overall GDP which had risen by 5.2 per cent in 1988, slowed-down to 5.0 per cent. This relative slow-down stemmed from several factors, including: inadequate rainfall in some parts of the country; weak world coffee prices resulting in loss of export earnings; fiscal contraction by Government and poor performance of industrial countries as well as other African economies.

The agricultural sector, which was affected by the loss in coffee earnings and uneven distribution of rainfall, registered a growth rate of 3.9 per cent compared to 4.4 per cent in 1988. Manufacturing, although affected by the above-mentioned adverse factors, continued to be assured of essential inputs. It grew by a commendable 5.9 per cent compared to 6.0 per cent recorded in 1988.

Real Gross Fixed Capital Formation (GFCF) grew marginally by 1.6 per cent. Inter-industry analysis reveals that while GFCF in dwellings rose remarkably, notable declines occurred in agriculture, manufacturing, and building and construction.

Highlights of the Urban Labour Force Survey, 1986

Chapter 3 presents highlights of the results of the Urban Labour Force Survey (ULFS) conducted during 1986. Data on ULFS was collected from households within sample clusters defined in the National Sample Survey and Evaluation Programme (NASSEP - 1980/84). Six large towns, Nairobi, Mombasa, Kisumu, Nakuru, Eldoret and Thika were treated individually while other towns were grouped into one. Returns were received from 2,670 of the 3,058 targeted households.

The economically active population comprise 70 per cent of the sample population. Out of the economically active population, 11.0 per cent are unemployed while 59.0 per cent are employed. Those who are economically inactive come from three dominant groups: voluntarily inactive, discouraged workers and those at school fulltime. There appears to be an increasing number of females joining the labour force since 1977/78. Participation rates remain low for females for all age groups between 20-64 possibly due to child related activities. The labour force is becoming increasingly educated but in general males are still more educated than females though the gap appears to be narrowing.

Labour force participation rates are an important measure of labour force involvement of the population. The 1986 survey measured participation rates by sex, age and level of education. Over 80 per cent of males in the 15-64 age bracket participate in the labour force compared with 55 per cent for females. Participation rate increases progressively from 61 per cent for those with no education to 90.5 per cent for those with university education. Central province has the highest participation rate of nearly 77 per cent and Western province the lowest with 61.2 per cent. Nairobi has the highest participation rate for males (86 per cent) while Central province has the highest for females (67 per cent).

The ULFS found that the overall rate of open urban unemployment in Kenya is approximately 16 per cent of the economically active population between ages 15-64. Major determinants of unemployment include age, sex, level of education and location. The youngest members of the labour force have the highest unemployment rates. Rates are lower for those with an education beyond secondary school. Nairobi registered higher unemployment rates than other urban areas. The underemployed are dominantly male and tend to be in the 20-35 age group.

Employment, Earnings and Consumer Prices

Moderate performance was recorded in the employment scenario with the economy generating 76,600 new jobs, representing a growth rate of 4.5 per cent. This figure excludes employment in small scale agriculture for which no annual estimates are made. Modern sector wage employment expanded by 2.4 per cent, creating 32,400 new jobs. Small-scale enterprises increased employment at an impressive rate of 12.6 per cent, generating 43,700 jobs. Job creation in the private sector increased marginally by 1.1 per cent creating 7,200 new jobs; while public sector employment increased by 3.8 per cent. Employment in private sector agriculture declined by 1.7 per cent chiefly due to the poor performance of the coffee industry. The rural electrification programme together with the building of classrooms and workshops for the 8-4-4 system of education resulted in the highest employment growth rates in electricity and water and building and construction activities in the public sector. Nairobi Province recorded the lowest growth of 0.6 per cent in employment, mainly due to Government policy of diverting investment away from the capital.

Nominal average wage earnings for all workers in the modern sector increased by 12.0 per cent with increases of 11.9 per cent and 12.2 per cent for the private and public sectors, respectively. In real terms, average wage earnings increased by 1.3 per cent with increases of 1.2 per cent and 1.5 per cent for private sector employees and public sector employees, respectively.

Inflationary pressures have been maintained by the continuous depreciation of the Kenya Shilling, the continuing price decontrol measures announced in May, 1988 and the regular revision of producer prices of agricultural products. Inflation rate, as measured by Nairobi consumer price indices, was 10.5 per cent in 1989, compared with 10.7 per cent in 1988.

Money, Banking and Finance

Growth in money supply, which had declined to only 8 per cent in 1988, accelerated to 13 per cent in 1989. The expansion in money supply was mainly due to an improvement of K£106 million in the holdings of net foreign assets. Total domestic credit grew at a modest rate of 7 per cent, the same rate as that of 1988. The slow expansion of domestic credit, mainly attributed to a contraction of K£26 million in lending to the Government, reflects the continuation of restrictive monetary policies pursued since 1986.

As a result of the noted expansion in money supply, liquid assets of commercial banks increased from K£1,597 million in December, 1988 to a peak level of K£1,915 million in November, 1989. Correspondingly, liquidity ratios of commercial banks rose from 24 per cent to 29 per cent over the same period. Treasury bonds, with maturity period of 1, 2 and 5 years, remained the main Government debt instrument, with their sales directed mainly at the private non-bank sector.

Most principal interest rates were adjusted upwards twice, in April and November, 1989, and remained positive in real terms during the year. These adjustments were intended to bring commercial banks to the same competitive level with non-bank financial institutions, encourage banks to venture into long term lending, and ensure positive return on savings. Other major developments in the financial sector during the year included the launching of the Capital Market Development Authority (CMDA), floatation of the Standard Chartered Bank (Kenya) Ltd. shares to the public, establishment of Consolidated Bank of Kenya Ltd and the gazetting of the Banking Act, 1989.

Public Finance

Government's efforts to improve the revenue base continued to yield positive results. According to budget estimates, current revenue is expected to expand by K£287 million from K£1,887 million in 1988/89 to K£2,174 million in 1989/90. Revised estimates indicate that current expenditure will grow by K£472 million over the period, thus increasing the current account deficit by K£185 million. Due to heavy demand for public projects during the year, capital expenditure is likely to increase by 56 per cent and consequently increase the overall deficit. The Government resorted to various deficit financing instruments, especially non-inflationary sources outside the domestic banking sector, in order to avoid excessive growth in domestic liquidity and money supply.

Public debt redemption dropped to K£410 million in 1989/90 after a high K£503 million in 1988/89, reflecting, in part, recent debt write-offs by several donor countries. The level of indebtedness is expected to fall further when some more debt cancellations are effected.

As a result of the introduction of "local service charge", municipal councils enjoyed a rare surplus on current account of K£23 million. Town, urban and county councils which offer limited services in comparison to municipalities recorded substantial revenue increases from service charges. Overall, expenditure for all local authorities has grown from K£150 million to

K£264 million in the last five years, mainly due to various public projects undertaken to provide better services.

External Trade and Balance of Payments

The external trade and balance of payments situation in 1989 was rather mixed. The balance of trade deficit rose to K£1,219 million compared to K£813 million in 1988; thus surpassing the level of export earnings for the first time in the 1980's. This worsening of the trade deficit resulted from rapid growth in imports, which rose by 26.8 per cent, while exports grew by a low 7.1 per cent. On the other hand, net services, transfers and official capital inflows all improved, culminating in an overall balance of payments surplus of K£81 million - the highest since 1977.

The weakened export performance is attributable to low coffee earnings and the general failure for exports to expand, a fact indicated by 1 per cent decline in the quantum index of exports. Export earnings in real terms actually declined given that the Kenya Shilling depreciated by 18 per cent. Imports recorded growth in both quantity and value. As a result of the sharp fall in the price of coffee and the sharp rise in the price of oil, Kenya's terms of trade deteriorated further by 10.2 per cent in 1989.

As already indicated, net services and transfers did remarkably well. Net services rose by K£83 million, with the increase largely being accounted for by the better tourism earnings; while grants rose by K£131 million in 1989 compared with K£87 million in 1988.

While the current account deficit widened, owing mainly to the large trade deficit, the basic balance improved as a result of the increase in official long term capital, which rose by K£261 million. Foreign reserves also improved, rising from K£258 million at the end of 1988 to K£324 million at the end of 1989.

Agriculture

Production activity in the agricultural sector continued to benefit from generally satisfactory climatic conditions that have characterised the country since 1985. Favourable weather conditions, increased earnings from sales of commodities and livestock products and farmers positive response to producer incentives accounted for the 3.9 per cent growth rate registered in 1989.

Revenue from sales of cereals and permanent crops rose by 17.4 per cent and 1.6 per cent respectively despite lower earnings from coffee exports. Earnings from sales of livestock and livestock products grew by 4.5 per cent thus accounting for 24.9 per cent of growth in marketed production.

Output of maize declined slightly by 4.6 per cent during 1989 due to poor harvest; coffee output and deliveries also fell following problems experienced both in the domestic and external markets. Tea, cotton, wheat, sugarcane, sisal and pyrethrum all registered increased production while horticultural exports fetched lower revenue as a result of poor packaging which rendered the otherwise quality crop fetch less value at their final export markets.

Slaughters of cattle, sheep, goats and pigs increased significantly to satisfy demand for meat products while milk sales to Kenya Co-operative Creameries declined slightly from 359 million litres in 1988 to 353 million litres during 1989.

Overall terms of trade for the sector deteriorated slightly by 1.2 per cent during the year despite an increase in the index of agricultural output. Factors contributing to the decline include low revenue from coffee exports, the general rise in prices paid for agricultural inputs and problems experienced by coffee and tea farmers. However, food supply situation remained satisfactory during 1989.

Environment and Natural Resources

To ensure reasonable trade off between development and preservation of environment, the Government has continued to implement policies and programmes aimed at combating deforestation, overstocking, soil erosion, air and water pollution.

In 1989, total development expenditure on water supplies and related services continued to decline, reflecting the Government's recent policy to withdraw funds previously allocated to potentially less productive projects and the need to complete existing projects before initiating new ones. Overall total expenditure on water declined for the fourth year running from K£35.4 million in 1985/86 to K£10.4 million in 1989/90.

Total fish landed increased by 5.4 per cent in 1989 with the corresponding value increasing from K£32.4 million in 1988 to K£34.4 million.

Total forest plantation area declined by 1 per cent from 167.4 thousand hectares in 1988 to 165.7 thousand hectares in 1989, largely due to reduction in area planted under indigenous species and the progressive conversion of forest land to agriculture.

Mineral production registered an overall increase of 13.6 per cent, in 1989 largely from increased output of soda ash, fluorspar and limestone products. Soda ash continued to contribute the largest share of total mineral production of 47.2 per cent with a corresponding increase in value from K£21.2 million in 1988 to K£31.2 million in 1989.

Energy

The peace accord between Iraq and Iran, and the various OPEC meetings have not helped in the streamlining of the oil industry. Importation of crude petroleum decreased marginally in 1989 while the import bill rose from K£250.1 million in 1988 to K£303.4 million in 1989. Export earnings from petroleum products declined by 70 per cent.

Electricity generation increased from 2,844 GWH in 1988 to 2,900 GWH in 1989; while installed capacity increased by 29 per cent. Overall demand grew by 3 per cent in 1989.

Woodfuel, an important household fuel, accounted for nearly 72 per cent of all energy use in 1989. However, a welcome relief was the increased development of renewable energy resources notably solar energy.

Manufacturing

By recording a 5.9 per cent growth in real output, the manufacturing sector sustained its upward trend. A favourable weather in 1989, provision of a wide range of incentives to entrepreneurs, and policy moves towards a more liberal economy, significantly contributed to the good performance. Growth in the sector would have been higher but for depressed coffee prices and generally weaker growth in both industrial and developing economies of the world.

Substantial gains in volume of output were recorded in the production of metal products, petroleum and chemical products and in clay and glass all registering over 10 per cent growth. The food processing industry grew at a slow rate in 1989, due to large declines in output of grain milling products.

The nominal value of sales of manufactured products grew faster from K£3,127 million in 1988 to K£3,568 million in 1989; while value of stocks grew by 15.2 per cent, higher than the 11 per cent recorded in 1988.

Employment in the manufacturing sector grew by 2.8 per cent in 1989 to 182,282 from the level of 177,354 persons in 1988.

Building and Construction

Building and Construction sector continued to perform well in 1989 as shown by the sector's major indicators namely: employment, total receipts for work done by private contractors and cement consumption. Employment rose by 7.7 per cent, from 62,600 people in 1988 to 67,400 people in 1989. Total receipts for work done by private contractors recorded a growth of 11 per cent from K£238 million in 1988 to K£264 million in 1989. The index on government expenditure on roads registered a growth of 33 per cent in 1989, slightly higher than 31 per cent recorded the previous year. Cement consumption which recorded a 4 per cent decline in 1988, recorded an increase of 19 per cent, from 854.0 thousand tonnes in 1988 to an estimated 1,014.5 thousand tonnes in 1989.

Tourism

Despite developments in the international scene that generally hinder foreign travel such as the rise in inflation, interest and mortgage rates, and an increase in oil prices, the tourism industry performed remarkably well. Relative to 1988, international arrivals in 1989 rose by 5 per cent while departures grew by 5.5 per cent. Other indicators of the general improvement were the rise in hotel bed-night occupancy by 3.5 per cent; an increase in the number of visitors to national parks and game reserves by 12.9 per cent; and the higher attendance of conferences held at the Kenyatta International Conference Centre.

The strong growth in foreign exchange earnings in the industry continued in 1989. Total earnings increased to K£432 million compared with

K£349 million and K£292 million registered in 1988 and 1987, respectively. Efforts also continued to be made to improve the industry with several hotels undergoing expansion and modernisation.

Transport, Storage and Communications

In 1989 the value of total output in the transport, storage and communications sector grew by 12 per cent, slightly higher than the 10.3 per cent recorded in 1988. Other pointers of the improved performance in the sector, during the year were new motor vehicle registrations, which increased by 3.0 per cent; combined revenue from rail and road transport rose by 7 per cent; and notable growths were recorded in postal and telecommunications services. Marked increases in exports and imports handled, by 12 per cent and 7 per cent, respectively, are a direct evidence of the overall improvement of the performance of the Kenya Ports Authority.

The Social Scene

The total estimated Government expenditure on social services increased by 15.5 per cent from K£657.80 million during the 1988/89 fiscal year to K£759.72 million in 1989/90. Education absorbed 68.6 per cent of the total budgetary outlay for social services.

Primary and Secondary Schools enrolments increased by 5.2 per cent and 18.6 per cent, respectively. The first group of Form IV candidates, under the 8-4-4 system of education, sat their Kenya Certificate of Secondary Education (KCSE) examination while at the same time the last group of Form Six candidates under the old System of education of 7-4-2-3 sat the Kenya Advanced Certificate of Education (KACE) examination.

The four public universities, including the newly established Jomo Kenyatta University College of Agriculture and Technology (JKUCAT), enrolled a total of 27,572 students during the 1989/90 academic year of whom 24,264 were pursuing undergraduate courses, 1,775 post-graduate courses and 1,553 diploma courses.

Four new hospitals were built and improvement of the existing facilities continued in 1989. Due to increases in the number of medical personnel, the number of doctors, dentists and other medical personnel excluding clinical officers per 100,000 population increased compared to 1988.

Developmental activities organized by the National Youth Service realized a total income of K£5.9 million in 1989 compared to K£2.6 million in 1988. Total investments by the National Social Security Fund increased by 18 per cent to K£544.7 million in 1989.

OUTLOOK

Growth of real GNP for all OECD countries combined is expected to decline to 2.9 per cent in 1990, compared to 4.4 per cent and 3.6 per cent in 1988 and 1989, respectively. Real domestic demand for these countries is

expected to rise by 2.9 per cent in 1990 compared to the 3.7 per cent witnessed a year ago.

Thus, since prospects for domestic exports are mainly dependent on the world economic performance, Kenya's exports of manufactured goods and horticultural products are expected to rise only moderately in 1990. However, foreign exchange earnings from coffee and tea are expected to record substantial increases on account of the current upswing of their prices. High demand for tea by the U.S.S.R., and increased domestic tea demand in India are expected to trigger a sharp rise in world tea prices in 1990. Kenya's tea export auction prices jumped from KShs.25.33 per kg. in February, 1989, to KShs.37.49 per kg. in February, 1990. The continuing dry weather in Brazil is expected to lower that country's coffee output appreciably. Also, frantic efforts are being made to revive the International Coffee Agreement that collapsed in July, 1989. Kenya may, therefore, expect a significant increase in earnings from increased price and demand for its coffee. The increase in coffee and tea earnings is expected to more than compensate for the sluggish growth in other exports. Overall, therefore, export earnings in 1990 are expected to be much higher than in 1989.

Turning to the agricultural sector, the increased world demand for coffee and tea, accompanied by their higher prices and good weather are expected to raise farmers real incomes. In addition, the 1990 main season harvest is expected to be satisfactory following adequate rains in earlier part of the year. However, excessive and earlier than usual rains, are likely to adversely affect planting of certain crops. Agriculture may therefore perform as well as or slightly better than in 1989.

Although sluggish domestic demand and price increases affected manufacturing sector output in 1989, there appears to be some scope for further expansion of activity in 1990. Rising agricultural incomes mentioned above will create demand for manufactured goods. Agro-based industries are expected to benefit from the favourable 1990 harvest. The expected increase in export earnings will boost the importation of machinery and raw materials which may be required by the manufacturers in 1990. Manufacturing may, therefore, grow at a faster pace in 1990 compared with 1989.

Several factors point towards a reduced aggregate public consumption expenditure in 1990. These factors include, among others, the introduction of cost-sharing in the Ministry of Health, and the discontinuation of free artificial insemination, and other treatment for livestock. Public consumption spending is therefore forecast to decelerate to about 5.0 per cent in 1990 from 5.5 per cent in 1989.

Against the background of high inflation and high mortgage rates, demand for private sector's construction of new residential buildings is unlikely to record any significant increase. Private investment in non-residential projects may increase on account of the proposed construction of shops and offices for Unga Limited in Nairobi, the Nairobi Golf Hotel and the Asili Co-operative Society offices. Given the large number of public enterprises, dwelling projects that

were in progress at the end of 1989, which included housing schemes worth K£21.5 million under construction by the National Housing Corporation, the Kenya Pipeline offices, the Kenya Commercial Bank Training Centre and the intensification of rural road access programme, public sector's building and construction is forecast to grow at a higher pace in 1990 than the previous year. Hence in 1990 growth rate of building and construction sector is expected to remain at 3.8 per cent as was the case in 1989.

Inflation forecast for 1990 will be determined by three factors. The general wage pressures to increase workers real incomes, the trend of the expected changes of sales tax to value added tax, and the depreciation of the Shilling against other currencies. Imported inflation will continue to exert pressure on domestic prices of imported investment goods and intermediate inputs. A further rise in wage earnings is also in prospect. The already anticipated wage increments of lower-cadre civil servants and the salary review commission being set up to review salaries of Civil Servants later in the year, together with the continuing wage negotiations in the private sector put the prospects of wage increases in the later part of 1990 quite high. This prospect once in place, will boost consumer spending on domestic goods.

Inflation is therefore likely to be higher in 1990 than in 1989. In spite of the foregoing factors, the longer term prospects seem promising, given that recent growth in inflation comes mainly from the "once-only" decontrol of prices exercise being implemented gradually since May, 1988.

In summary, domestic demand should pick up moderately but only in the later part of 1990. The balance of payments is likely to improve considerably, thereby boosting aggregate disposable income. However, since the economy's performance appears not so buoyant during the first half of 1990, real gross domestic product is expected to grow at about 5.1 per cent in 1990.

KEY ECONOMIC AND SOCIAL INDICATORS, 1985-1989*

Table 1.

			1985	1986	1987	1988	1989**	
1.	Population	(million)	20.1	20.9	21.6	22.4	23.2	
2.	Growth of GDP at constant prices ..	(per cent)	5.1	5.6	4.9	5.2	5.0	
3.	GPD at market prices	(K£mn)	5,037	5,874	6,523	7,470	8,521	
4.	Net cost of petroleum products ..	(K£mn)	257	110	179	135	269	
5.	Trade balance	(K£mn)	-385	-351	-641	-813	-1,219	
6.	Money supply	(K£mn)	1,346	1,784	1,983	2,141	2,418	
7.	Total domestic credit	(K£mn)	1,569	2,018	2,430	2,589	2,739	
8.	Balance of payments (current account)	(K£mn)	-79	-31	-406	-403	-604	
9.	Coffee marketed production	('000 tonnes)	97	115	105	125	113	
10.	Tea marketed production	('000 tonnes)	147	143	156	164	181	
11.	Maize marketed centrally	('000 tonnes)	583	670	652	485	626	
12.	Wheat marketed centrally	('000 tonnes)	194	225	148	220	233	
13.	Sugar-cane production	('000 tonnes)	3,463	3,552	3,698	3,835	4,261	
14.	Milk sold centrally	(mn litres)	231	316	347	359	353	
15.	Manufacturing output	(K£mn)	3,536	4,297	5,090	6,103	7283	
16.	Construction output	(K£mn)	451	499	582	653	796	
17.	Cement consumption	('000 tonnes)	630	713	891	854	1,015	
18.	Petroleum consumption	('000 tonnes)	1,497	1,583	1,748	1,730	1,807	
19.	Electricity consumption	(mn kwh)	2,014	2,158	2,372	2,407	2,482	
20.	Tourism earnings	(K£mn)	197	248	292	349	432	
21.	New registration of vehicles	(number)	13,663	16,955	18,727	19,524	20,206	
22.	Rail freight	(mn tonnes/km)	1,860	1,831	1,702	1,755	1,910	
23.	Air passengers handled	('000)	2,159	2,289	2,397	2,522	2,649	
24.	Wage employment	('000)	1,190	1,227	1,274	1,327	1,359	
25.	Education-primary enrolment	('000)	4,700	4,843	5,031	5,124	5,389	
26.	Education-secondary enrolment	('000)	437	459	522	540	641	
27.	Education-post secondary enrolment	('000)	29	33	40	41	63	
28.	Hospital beds and cots	(number)	30,936	31,356	31,512	31,983	32,534	
29.	Registered doctors and dentists ..	(number)	3,226	3,421	3,563	3,703	3,827	
	INDEX NUMBERS: (1982 = 100)							**Annual % Rate of change 1985-1989**
	Export volumes		99	114	110	116	115	3.8
	Import volumes		86	101	106	119	125	9.8
	Terms of trade		92	103	85	88	79	-3.7
	Consumer prices		138	146	156	173	191	8.5
	Real wages		91	95	95	97	97	1.6
	Agricultural terms of trade ..		94	99.	95	99	98	1.1

*More precise measures are given in individual chapters.

** Provisional.

CHAPTER 1 - INTERNATIONAL SCENE

The fast pace of world economic growth witnessed since late 1987 began slowing down towards the first half of 1989. The leading Western industrial countries recorded a growth rate of 3.6 per cent in 1989 compared to a rate of 4.4 per cent registered in 1988. The lower rate of economic activity is further indicated by the slowdown in the growth of world trade, which fell to 7.6 per cent relative to a buoyant 9.0 per cent recorded in 1988. Inflation continued to command increasing attention, having risen virtually in all the leading industrial countries; with the resultant restrictive monetary policy beginning to warrant fears of a recessionary situation. In the area of debt, the Toronto accord of 1988 was followed up in March, 1989 by the Brady initiative, aimed at relieving debt burdens of those highly indebted countries who are prepared to adopt growth fostering economic reform programmes. For the world's poor countries, 32 nations agreed to provide $15.2 billion over the next three years under the 9th replenishment of the International Development Agency (IDA). The year 1989 closed with much uncertainty about the effects of the momentous events in Eastern Europe as the dramatic political changes have created new aspirations and possibilities for economic reform.

1.2. In the Organisation for Economic Co-operation and Development (OECD) countries, the average rate of inflation rose from 3.5 per cent in 1988 to 4.3 per cent last year. Table 1.1 presents these and related data. The policy response, in general, was one of demand management through a restrictive monetary policy. Most of the leading countries participated in rounds for co-ordinated interest rate increases. The resulting monetary tightening is currently believed to have stabilised inflation. In the United States, short-term interest rates came down in the second half of the year, although the rates on average remained above their levels in 1988. In general, a firm monetary policy is being maintained in the U.S. despite some slowdown of economic activities and the fear of a possible recession. In most other industrial economies, the prospect of further wage-push inflationary pressures has led to a continuation of cautious monetary management policies.

1.3. Commodity prices strengthened as growth accelerated during 1988, but several factors led to weakening of some prices in 1989. In the case of metals, higher stocks and the slow-down in growth of demand had a dampening effect on prices, while the recovery of the US from the drought, had a similar effect on food prices. Oil prices, rose markedly by 21 per cent in OECD area between 1988 and 1989. Non-fuel commodity prices such as coffee and cocoa weakened in 1989. This weakening was due to reduced demand as economic activity in western economies slowed down. Tropical beverages were hard-hit, with the collapse of the International Coffee Agreement in July, 1989 further aggravating the difficult balance of payments situation in developing countries.

1.4. With overall world trade declining from 9.0 per cent in 1988 to 7.6 per cent in 1989, the trade in manufactures fell more profoundly from 10.5 per cent to 8.3 per cent over the same period. This decline is largely explained by the deceleration in OECD merchandise trade volumes, where growth of exports declined from 8.3 per cent in 1988 to 7.5 per cent last year. Growth of imports slowed down much faster from 8.9 per cent to 7.9 per cent, despite increases

in energy imports from 4.0 per cent in 1988 to 4.6 per cent in 1989. Among the leading economies, export growth was strong for United States and West Germany, while it declined by 0.4 per cent for Canada. Export volume growth of the non-OECD region decelerated sharply during 1989. While this slowdown was widespread, it was more marked for the Newly Industrialising Economies (NIEs) of Asia, whose rate of export expansion fell from 16 per cent in 1988 to 7 per cent in 1989. There was also a partial reversal of the sharp increase of petroleum shipments witnessed in the second half of 1988. Import volume of non-OECD regions also slowed, but less significantly compared to exports.

1.5. The dramatic reforms in the USSR and Eastern Europe did not have direct effects on world trade during 1989, but are likely to have effects from 1990 as the pattern of trading blocks change, particularly in Europe. Their export volume growth remained unchanged at 3 per cent in 1989 as in 1988. Imports grew more significantly, rising by 11 per cent compared to 7 per cent in 1988. For the time being, export prospects of the Eastern European Countries continue to be limited by their inability to produce goods that are competitive in the Western markets.

1.6. The performance of the key Western industrial economies, which forms the OECD grouping is set out in Table 1.1. It is clear from the indicators that there was a general decline in the rate of growth during 1989, with the whole area's GNP growth falling to 3.6 per cent in the year compared with 4.4 per cent in 1988. The major reason for the decline is falling real total demand which was and continues to be evident for the whole region. Towards the end of 1989, however, the trend towards deterioration in productivity seemed to be turning round in areas such as manufacturing in USA, UK and smaller countries within OECD.

1.7. There appears to have been little progress in the reduction of the external imbalances for the three major OECD countries - the US, Japan and West Germany. In the US, the current account deficit remained unchanged between mid-1988 and the end of 1989. The Japanese surplus declined substantially due to the continued strengthening of the Yen and the resultant reduction in visible trade surplus accompanied by a widening of the deficit on invisibles, especially expenditure on tourism. The German surplus on the other hand increased further due to a stronger balance on goods trade and in net investment income. Efforts are also being made to resolve the major imbalances, which have recently emerged in Europe. These imbalances, have been financed smoothly; a reflection in part of the growing economic and financial integration of the region.

1.8. The US economy performed relatively well in the area of exports. Export volume rose by 11.6 per cent in 1989, while imports grew by 5.1 per cent. This led to trade balance falling to a deficit of $113 billion in 1989 compared with a deficit of $127 billion the previous year. Exchange rates remained volatile in 1989, with the US dollar showing considerable strength despite heavy official intervention. The strengthening of the dollar in the second half of 1988 and first half of 1989 could lead to reduced prospects for exports and raise the potential for import growth in 1990. Other indicators of further US economy slowdown in late 1989 included lower retail sales, employment growth and business investment.

KEY ECONOMIC INDICATORS AND PROJECTIONS FOR WESTERN INDUSTRIAL COUNTRIES (OECD)*

Table 1.1 (SEASONALLY ADJUSTED ANNUAL RATES)

	1986	1989	1990	1991
	(percentage changes from preceding period)			
Real GNP -				
United States	4.4	3.0	2.3	2.5
Japan	5.7	4.8	4.5	4.3
OECD European members ..	3.7	3.5	2.8	2.7
Total OECD membership ..	4.4	3.6	2.9	2.9
Real total domestic demand -				
United States	3.3	2.5	2.2	2.4
Japan	7.7	5.6	4.6	4.0
OECD European members ..	4.3	3.6	2.9	2.9
Total OECD membership ..	4.7	3.7	2.9	2.9
Inflation (GNP/GDP deflators)				
United States	3.3	4.3	4.4	4 5
Japan	0.4	1.3	2.6	2.5
Germany, Federal Republic of..	1.5	2.6	3.0	2.8
OECD European members	4.9	5.6	5.4	4.8
Total OECD membership ..	3.5	4.3	4.5	4.3
World Trade**	9.0	7.6	6.4	6.8
	(US $billion)			
Current balances-				
United States	-126.6	-121.5	-118.1	-123.8
Japan	79.6	60.8	61.1	68.6
Total OECD membership ..	-50.2	-85.3	-72.3	-71.4
OPEC	-14.8	-1.8	-0.7	-0.1
Non-OPEC developing countries..	4.5	-8.6	-12.1	-12.6
	(per cent of labour force)			
Unemployment-				
United States	5.5	5.2	5.4	5.5
Japan	2.5	2.3	2.3	2.3
OECD European members ..	9.6	9.0	8.9	8.9
Total OECD membership ..	7.0	6.6	6.6	6.6

Source: OECD Outlook no. 46, December, 1989.

** Assumptions underlying the projections include:*
no change in actual and announced policies;
unchanged exchange rates from 31st October, 1989;
no significant change in dollar price for internationally traded oil of US$ 17 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 *20th November, 1989.*

1.9. Japan and West Germany continued to perform well. In the case of Japan, the unemployment level fell to its lowest level since 1981; while output growth remained strong, although below the 1988 level. Exports grew less rapidly in 1989, but this was partly due to production abroad by Japanese companies, especially automobiles. The low export growth and the faster growth of imports are essentially continuing effects of the rise in the external value of the Yen in recent years. Some other factors causing low GNP growth include a decline in consumption growth, resulting from the imposition of a consumption tax; high cost of borrowing following the interest rate increases; and lower housing construction, due to high mortgage rates. The German expansion was a result of the worldwide increase of economic activity, and

especially in areas where the German economy remains strong - in the production of engineering and investment goods. An added stimulus was the weakening of the Deutschemark. Investment expenditure grew by nearly 8 per cent, while exports grew by 9.6 per cent. In all, the Japanese surplus is estimated to stabilize at the current level of $61 billion before picking up again; while the West German surplus is expected to rise further to $71 billion this year after increasing from $49 billion in 1988 to $61 billion in 1989.

1.10. The OECD economic expansion enters its 8th year in 1990, with moderate inflation and no definite signs of recession. This has meant buoyancy in labour market with large gains in employment registered in 1989 in US, Japan, Australia, Canada, Spain and Luxembourg. Employment fell in Denmark, New Zealand and Norway. Unemployment continued to fall in 1989, declining to 6.6 per cent for the whole of OECD area. The slow-down in economic activity is expected to lead to unemployment stabilizing at 6.5 per cent or 26 million persons within the OECD area. The rate may pick-up slightly in US and Canada, while it is expected to stabilize at the current rate in Japan, and the OECD area as a whole.

1.11. The spill-over effects of the decelerating growth in industrial countries is also reflected in the lower growth of GDP in developing countries, which fell from 4.1 per cent in 1988 to 2.9 per cent last year. This group of countries suffered from the decline in non-fuel commodity prices in 1989, particularly tropical beverages and some metals, leading to a decline in their terms of trade. Their aggregate trade and current account balances, however, improved somewhat; owing largely to a substantial decline in the Organisation of Petroleum Exporting Countries (OPEC) deficit, off-setting reduced surpluses or increased deficits in other regions. The Latin American countries suffered generally from low growth of exports in Brazil and the negative implications of the debt overhang in the region. Africa seems not to have taken advantage of the earlier robust OECD area growth, and actually recorded only a slight improvement in growth of the GDP; which rose from 2.4 per cent in 1988 to 2.9 per cent in 1989.

1.12. World oil price rose in the first half of 1989, and stabilised thereafter, with the result that OPEC region made substantial gains in terms of trade. These developments are reflected in the regions sharp reduction of the aggregate current account deficit, of this region which fell from a high level of $15 billion in 1988 to $2 billion in 1989. OPEC area production declined slightly in the first quarter of 1989 to a low level of 20.1 million barrels a day before rising to 23.2 million barrels per day in October. OECD import price of crude oil peaked in May, 1989 at $18.64 per barrel, before declining to $16.81 a barrel in August 1989. World consumption edged up slightly to 51.7 million barrels a day compared with 50.7 million barrels per day in 1988, with major increases recorded by OECD area and non-oil developing countries. OECD area production fell from 16.6 million barrels per day to 16.1 million barrels per day; while the centrally planned economies' production also declined slightly. Supply balance was, therefore, attained only as a result of increases of production by the OPEC region and non-OPEC developing countries' production. Continuing increases of OPEC supplies coupled with difficulties elsewhere are likely to leave oil prices at approximately $19 a barrel throughout 1990. Selected commodity indices are shown in Table 1.2.

SELECTED WORLD COMMODITY PRICE INDICES, 1985-1989

(1985=100)

Table 1.2

Year	All Coffee*	Tea**	Sisal***	Sugar+	Petroleum + +	All + + + Commodities	Industrial Countries	Developing Countries
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	127.6	97.2	98.1	115.4	51.2	96.1	93.9	98.8
1987	80.4	86.1	97.6	133.0	65.9	104.4	106.5	102.2
1988	86.2	90.2	104.9	147.7	52.5	128.8	135.7	120.9
1989	51.2* +	101.4	124.0	142.5	63.6	128.3	136.5	118.6

Source: IMF, International Financial Statistics, (February , 1990).

** All Coffee (New York).*

*** Average Auction (London).*

**** East African (Europe).*

+ E.E.C. Import Price.

+ + Average crude price(Spot) (US $ per barrel).

+ + + World (non fuel commodities).

** + August, 1989.*

1.13. There was an overall decline in the current account surplus of the four Asian NIEs from $25 billion in 1988 to $20 billion in 1989. The decline was largely attributed to Korea, which had export losses emanating from strikes; but also due to the effects of the continued appreciation of these economies' currencies coupled with strong real wage growth. Exports by Korea and Taiwan to other buoyant economies in Asia are likely to compensate for the slower export growth to OECD countries. In China, there were attempts to reduce the rapid growth in demand through credit squeeze and expenditure reductions by state enterprises in 1989, which resulted in a deterioration in the trade balance as well as domestic inflation.

1.14. A new debt initiative - Brady Plan - was put into effect in March 1989, while countries continued to negotiate for debt reduction and rescheduling under the terms set out in the Toronto accord of 1988. The Brady Plan recognises the magnitude of the debt problem and addresses both its severity and ways of alleviating it. The Plan works on a case by case approach and three countries - Mexico, Costa Rica and the Philippines - are nearing agreement using this new strategy. The terms set out in the Toronto initiative benefited 12 Sub-Saharan African countries during 1989, with debt forgiveness by individual bilateral creditors helping to reduce the region's debt build-up by between $5 and $6 billion in 1989. The region will also continue to benefit from the 9th IDA replenishment, which was agreed on by 32 nations in December 1989. Under this new replenishment, which replaces the current one worth $12.4 billion ending in June 1990, a total of $15.2 billion has been set aside. The share going to Sub-Saharan Africa remains around 45 to 50 per cent and usual concessionary terms have been maintained provided that the region's performance warrants this share. Developing countries' debt in 1989 reached $1,290 billion compared with $1,284 billion and $1,292 billion in 1988 and 1987, respectively. It is, however, worth noting that due to higher interest rates net inflows to the region fell short of net transfers by $52 billion to developed countries. Only South Asia and Sub-Saharan Africa were net recipients of funds.

1.15. Africa's debt is estimated to have risen to $250 billion in 1989. The UN Commission for Africa estimates that debt service took about 40 per cent of the export income and the stock of debt stands at 80 per cent of the total GDP. For the Sub-Saharan region, outstanding debt rose further despite the debt rescheduling and forgiveness, but this was mainly due to increased official net lending. Countries in the region continued to benefit from International Monetary Fund (IMF), and were beneficiaries under IMF's Enhanced Structural Adjustment Facility (ESAF) and Structural Adjustment Arrangements - as well as the World Bank's Special Programme of Assistance.

1.16. The overall African economic performance continues to be appalling. A growth rate of 2.9 per cent in GDP was recorded in 1989 compared with 2.4 per cent in 1988. This fell short of population growth rate, which was estimated at 3 per cent, hence leading to per capita GDP fall of 0.1 per cent compared with a fall of 0.6 per cent in 1988. Good weather led agricultural output to rise from the level of 2.8 per cent in 1988 to 3.1 per cent in 1989. Manufacturing also improved rising from 4.3 per cent in 1988 to 4.9 per cent last year. Minerals were mixed, with oil prices being firm. The external sector performance remained poor owing to poor export demand. With the collapse of the ICO coffee quota system in July, 1989, there was further revenue loss. The region's trade deficit fell marginally from $11.3 billion 1988 to $9 billion in 1989. The decline was due to a faster growth in exports from $58 billion to $67 billion over the two years; while imports rose less modestly from $69 billion to 76 billion over the same period.

1.17. The current economic upturn in the industrial countries seems poised to continue even though at a slower pace. With inflation stabilizing at 4.5 per cent in the OECD area in 1990, there is continued optimism that recession will not set-in in the near future. However, developing countries will likewise have to adjust to lower OECD growth. In Africa, though some recovery is expected due to the on-going structural changes, the less favourable terms of trade and global conditions imply that growth will remain sluggish.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

Kenya's economic performance has been fairly strong during the past five years. The growth rate of the country's real Gross Domestic Product (GDP) averaged by 5.1 per cent per year between 1985 and 1989. Real per capita GDP, which had stood at K£165 in 1985, reached K£175 in 1989. The Government's major contribution to this success has been the provision of an enabling environment through trade liberalisation, reduction of average level of tariffs, budget rationalisation and appropriate monetary policies. Other reasons for this commendable economic performance during the last half of 1980's have been political stability and favourable world economic environment, particularly in 1986 and 1988.

2.2. In 1989, overall real GDP, which had risen by 5.2 per cent in 1988, grew at a moderate rate of 5.0 per cent. Several reasons account for the moderation in growth. Firstly, the world coffee prices became relatively weak in 1989 compared to 1988, resulting in appreciable loss of export earnings. Secondly, sluggish economic growth in industrial countries meant reduced demand for exports from Kenya. Thirdly, there was inadequate rainfall in some areas of the country. Finally, there was decreased domestic demand resulting from the stagnation in real average wage earnings and the low coffee earnings.

2.3. The rate of inflation declined sharply from the 1982 peak of 22.3 per cent to 5.7 per cent in 1985, before rising again to 10.7 per cent and 10.5 per cent in 1988 and 1989, respectively. The major cause of this inflation was the increase in costs of imported machinery and intermediate inputs. As the Shilling depreciated following continuous adjustments in both 1988 and 1989, the price of imports increased as indicated in Table 7.2. This inevitably, caused an increase in the consumer prices of domestic products, particularly those which use imported raw materials. The impact of increase in import prices on domestic prices in Kenya is strong because imports of goods and services account for over 25 per cent of the country's final expenditure. As is evident from Table 7.9, about 88 per cent of import expenditure was used in the purchase of non-food industrial supplies, petroleum and machinery items. Demand for these category of imports is relatively inelastic since domestic substitutes are not, in general, available.

2.4. The tourism industry was successful in 1989. The recorded number of 714 thousand visitor departures in 1989 was 5.5 per cent above that of 1988. Total bed-nights spent in hotels went up by 182 thousand; a 3.5 per cent gain. Consequently, nominal tourist earnings surged by 23 per cent to reach K£432 million in 1989. This improved performance was mainly due to international tourism. One major factor which may have accounted for the favourable growth in foreign tourists in 1989 was the 18 per cent weakening of the Shilling's value against the trade weighted index of currencies of Kenya's trading partners. This resulted into cheaper holidays for tourists to Kenya. In addition, Government's firm commitment to preserve wildlife as expressed through the burning of elephant tusks and rhino horns and increased anti-poaching surveillance also assisted in attracting more tourists to Kenya.

Sectoral Contributions

2.5. Sectoral contributions and growth rates of various components of the GDP are given in Table 2.1 and Table 2.2. During the period 1985-1989, agricultural value added grew by of 4.2 per cent per year. A number of factors explain this impressive gain, the most important being the provision of market incentives. Respective producer prices of maize and wheat rose by over 19 and 26 per cent between 1985 and 1989. Likewise, decontrol of livestock prices helped increase livestock production over the period. Beef and bacon prices rose by nearly 60 per cent and 63 per cent, respectively. As a consequence, volume of livestock and livestock products delivered to marketing authorities surged by about 53 per cent. It is also evident that the application of chemical fertilizers, pesticides, irrigation and high yield grain varieties increased productivity of land already under cultivation. Small holder's tea yield per hectare, for example, rose from 1.1 tonnes in 1985 to 1.6 tonnes in 1989. In the corresponding period, average yield per hectare of coffee in large farms rose from 809 kilogrammes to 1,054 kilogrammes.

2.6. As shown in Table 8.19, transformation of marginal lands into arable lands, which has been effected through establishment of various development authorities, turned about 11,000 hectares of extra land for cultivation. Acquisition of improved agricultural transport, machinery and other farm inputs, also facilitated increased output, especially in large farms. In real terms, gross fixed investment in agriculture expanded from some K£54 million in 1985 to K£60 million in 1988. Favourable weather conditions in the 1985-1987 period was, of course, an additional factor helping agricultural activity during 1985-1989 period. The decline of half a percentage point recorded in the growth rate 1989 is attributable mainly to lower coffee earnings in the world market.

2.7. Over the last five years, manufacturing real value added has had strong annual average growth rate of 5.7 per cent. Manufacturing growth has mainly depended on the performance of agricultural sector and the world prices of Kenyan exports and imports. When agricultural sector performed satisfactorily and the world prices of coffee and tea were favourable in 1986 and 1988, the country earned adequate foreign exchange which increased the national real income by 5.6 per cent and 5.2 per cent, respectively. The extra earnings increased consumer spending on manufactured goods. Investment in manufacturing activity also benefited from the price decontrol, trade liberalisation and tariff reduction policies which have been followed since the beginning of the 1980's. This scenario was responsible for the impressive growth rates of 5.8 per cent and 6.0 per cent in the GDP for manufacturing observed in 1986 and 1988, respectively. Annual growth in manufacturing GDP slowed to 5.9 per cent in 1989.

2.8. The Transport, Storage and Communications Sector has continued to make significant contribution to Gross Domestic Product. In 1989, it recorded a modest growth rate of 12.0 per cent at current prices and 3.0 per cent in real terms. Similarly, the growth of the sector's value of gross output at current prices also depicts an upward trend. On a comparative basis, it registered growth rates of 8 per cent, 15 per cent and 14 per cent for the years 1987, 1988 and 1989, respectively. However, a close examination of the output

components reveal a consistently high value of intermediate consumption. In fact, the figures show that the values of inputs have persistently been more than 50 per cent of the value of gross output.

2.9. The various sub-sectors of transport industry depict a disparate performance during 1989. Provisional figures indicate that road transport grew by only 3 per cent, in terms of acquiring new motor vehicles. Growth in passenger vehicles on hire recorded no growth at all. An impressive growth rate of over 40 per cent was recorded in freight vehicles licensed. The matatu sub-sector, which is very dynamic and constitutes a large share of road transport in the country, contributed about K£150 million to road transport total output. Railway transport statistics reveal marked improvement in revenue collected during the year. An increase of 23 per cent was registered mainly due to revision of passenger tariffs. The overall performance of the Kenya Ports Authority was good, as it grew by 8 per cent. Concessionary preferences and special remover facilities installed at the Kilindini harbour have encouraged neighbouring countries and those in the northern corridor to intensify the use of the port. This is evidenced in the marked improvement in the exports and imports handled, which grew by 12 per cent and by 7 per cent, respectively, during the year.

2.10. Kenya's financial sector continued to expand significantly in the period under review. The number of both commercial banks and non-bank financial institutions and building societies rose from about 70 in 1985 to 90 in 1989. This increase is also reflected in the growth in the sector's volume of employment, which grew from 53,400 to some 63,700 persons in the corresponding years. Over the same period, deposits and advances of both commercial banks and non-bank financial institutions rose from K£2,034 million to K£3,515 million; while loans and advances of financial institutions increased from K£1,910 million to K£3,327 million. This remarkable growth in financial activity explains the rapid real growth rates observed in the sectors value added. An annual growth rate of 5.2 per cent in its real value added was registered in 1985. In 1989, the sector grew by some 7.5 per cent compared to the 6.1 per cent observed in 1988.

2.11. The continuing impressive investments in building and construction has considerably boosted GDP for 'ownership of dwellings and 'building and construction' sectors. Due to the gradual growth of population in both urban and rural areas, demand for housing has increased considerably in the recent past. In response to the increased demand, new houses worth K£212 million and K£232 million were built in 1988 and 1989, respectively. The additional dwellings constructed during that period raised growth rate of real GDP for ownership of dwellings from 3.2 per cent in 1988 to 4.0 per cent in 1989. During the same period, building and construction experienced an increase in real growth from 4.3 per cent to 5.4 per cent.

GROSS DOMESTIC PRODUCT, 1985-1989

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
A. NON-MONETARY ECONOMY										
Forestry	33.58	37.26	43.68	52.60	59.27	26.86	27.72	28.62	29.53	30.46
Fishing	1.46	1.80	1.85	2.11	2.85	1.66	1.45	1.50	1.53	1.54
Building and Construction	76.34	71.77	77.07	84.17	90.42	70.60	65.33	67.65	68.24	71.50
Water Collection	28.09	31.57	35.78	40.73	47.06	20.66	21.13	21.72	22.56	23.44
Ownership of Dwellings	107.46	121.41	139.00	162.29	189.43	82.65	86.07	89.33	92.89	96.41
TOTAL NON-MONETARY ECONOMY	246.93	263.81	297.38	341.90	389.03	202.43	201.70	208.82	214.75	223.35
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture**	1,357.17	1,598.05	1,669.26	1,902.69	2,088.39	975.59	1,023.39	1,062.57	1,109.26	1,152.51
Forestry	32.39	37.91	49.57	61.60	93.42	26.75	29.37	33.64	38.14	40.62
Fishing	12.09	15.09	17.50	20.09	27.39	9.43	9.59	10.93	12.27	12.83
Mining and Quarrying	9.97	11.45	13.27	13.69	18.62	8.11	8.40	9.12	10.15	10.62
Manufacturing	518.40	608.23	652.47	752.96	855.36	424.07	448.67	474.34	502.80	532.47
Building and Construction	161.49	175.12	210.81	284.13	386.93	108.07	112.06	116.68	121.68	128.25
Electricity and Water	49.54	52.14	55.24	57.63	64.03	29.03	31.22	33.61	36.47	39.53
Trade, Restaurants and Hotels	520.64	561.01	628.25	712.03	829.07	355.22	389.98	412.53	436.27	455.47
Transport, Storage and Communications	296.40	341.08	393.35	433.74	485.79	206.54	215.42	224.90	234.02	241.06
Finance, Insurance, Real Estate and Business Service	314.85	365.22	418.65	501.83	576.89	244.51	261.02	274.52	291.27	313.11
Ownership of Dwellings**	231.74	262.96	303.58	355.62	393.87	190.34	196.53	205.63	212.20	220.63
Other Services**	129.58	153.72	181.66	197.92	228.00	99.10	104.05	111.74	119.72	127.86
Less:Imputed Bank Service Charges	-130.64	-150.24	-172.98	-245.95	-281.62	-102.97	-105.94	-113.43	-121.81	-129.12
TOTAL	3,503.62	4,031.74	4,420.63	5,047.98	5,766.14	2,573.79	2,723.76	2,856.78	3,002.44	3,145.84
2.PRIVATE HOUSEHOLDS(DOMESTIC SERVICES)	51.78	62.96	71.78	83.94	97.49	39.80	44.00	48.71	55.30	62.36
3.Producers Of Government Services										
Public Administration	117.96	143.79	165.78	169.20	172.67					
Defence	16.35	18.17	26.11	15.64	37.59					
Education	292.78	373.26	399.17	478.48	588.25					
Health	65.85	77.51	86.45	101.67	114.77					
Agricultural Services	42.03	43.21	40.68	50.61	60.20					
Other Services	81.37	100.51	104.53	101.69	104.36					
TOTAL	616.34	756.45	822.72	917.29	1,077.84	497.26	528.73	554.13	586.16	618.40
TOTAL MONETARY ECONOMY	4,171.74	4,851.15	5,315.13	6,049.21	6,941.47	3,110.85	3,296.49	3,459.62	3,643.90	3,826.60
TOTAL NON-MONETARY AND MONETARY ECONOMY	4,418.67	5,114.96	5,612.51	6,391.11	7,330.50	3,313.28	3,498.19	3,668.44	3,858.65	4,049.95
GROSS DOMESTIC PRODUCT PER CAPITA K£	219.45	245.08	259.58	285.45	316.34	164.55	167.62	169.67	172.34	174.77

* Provisional.

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

GROSS DOMESTIC PRODUCT, 1984-1989

Table 2.2

Percentages

	Current Prices						Constant (1982) Prices					
	1964-65		1986-87	1987-88	1988-89*	1985-89**	1984-85	1985-86	1986-87	1987-88	1988-89*	1985-89**
A. NON-MONETARY ECONOMY												
Forestry	18.3	11.0	17.2	20.4	12.7	15.2	9.6	3.2	3.2	3.2	3.1	3.1
Fishing	16.8	23.3	2.8	14.1	35.1	18.2	28.7	-12.7	3.4	2.0	0.7	-1.7
Building and Construction	23.0	-6.0	7.4	9.2	7.4	4.2	19.5	-7.5	3.6	0.9	4.8	0.3
Water Collection	13.3	12.4	13.3	13.8	15.5	13.7	2.0	2.3	2.8	3.9	3.9	3.1
Ownership of Dwellings	8.9	13.0	14.5	16.8	16.7	15.2	2.6	4.1	3.8	4.0	3.8	3.8
TOTAL NON-MONETARY ECONOMY ..	14.8	6.8	12.7	15.0	13.8	11.9	9.0	-0.4	3.5	2.8	4.0	2.4
B. MONETARY ECONOMY												
1 Enterprises and Non-Profit Institutions												
Agriculture	9.1	17.7	4.5	14.0	9.8	11.2	3.7	4.9	3.8	4.4	3.9	4.2
Forestry	11.0	17.0	30.8	24.3	51.7	30.3	5.9	9.8	14.5	13.4	6.5	10.9
Fishing	16.9	24.8	16.0	14.8	36.3	22.6	17.1	1.7	14.0	12.3	4.6	8.0
Mining and Quarrying	17.2	14.8	15.9	3.2	36.0	16.8	9.4	3.6	8.6	11.3	4.6	6.8
Manufacturing	12.5	17.3	7.3	15.4	13.6	13.3	4.5	5.8	5.7	6.0	5.9	5.7
Building and Construction	20.9	8.4	20.4	34.8	36.2	24.5	3.4	3.7	4.1	4.3	5.4	4.2
Electricity and Water	14.6	5.2	5.9	4.3	11.1	6.6	8.5	7.5	7.7	8.5	8.4	8.0
Trade, Restaurants and Hotels	18.4	7.8	12.0	13.3	16.4	12.3	6.8	9.8	5.8	5.8	4.4	6.4
Transport, Storage and Communications	18.4	15.1	15.3	10.3	12.0	13.0	2.1	4.3	4.4	4.1	3.0	3.8
Finance, Insurance, Real Estate and Business Sen/ices	17.0	16.0	14.6	19.9	15.0	16.3	9.9	6.8	5.2	6.1	7.5	6.2
Ownership of Dwellings	8.0	13.5	15.4	17.1	10.8	14.0	3.1	3.3	4.6	3.2	6.8	3.6
Other Services	20.8	18.6	18.2	9.0	15.2	15.0	5.2	5.0	7.4	7.1	6.8	6.6
Total (Excluding imputed bank service charges)..	13.4	15.1	9.6	14.2	14.2	13.2	4.8	5.8	4.9	5.1	4.8	5.1
2. Private Households (Domestic Services) ..	15.4	21.6	14.0	16.9	16.1	17.1	6.9	10.6	10.7	13.5	12.8	11.9
3.Producers of Government Services							..					
Public Administration	14.5	21.9	15.3	2.1	2.1	9.9				..		
Defence	-6.1	11.1	43.7	-40.1	140.3	23.2						
Education	21.9	27.5	6.9	19.9	22.9	25.0						
Health	16.4	17.7	11.5	17.6	12.9	14.9						
Agricutural Services	12.7	2.8	-5.9	24.4	18.9	9.4						
Other Services	20.0	23.5	4.0	-2.7	2.6	6.4						
TOTAL	18.0	22.7	8.8	11.5	17.5	14.9	5.1	6.3	4.8	5.8	5.5	5.5
TOTAL MONETARY ECONOMY	14.1	16.3	9.6	13.8	14.8	13.5	49	6.0	4.9	5.3	5.0	5.3
TOTAL NON-MONETARY AND MONETARY ECONOMY	14.1	15.8	9.7	13.9	14.7	13.3	5.1	5.6	4.9	5.2	5.0	5.1
GROSS DOMESTIC PRODUCT PER CAPITA ..	10.0	11.7	5.9	10.0	10.8	9.5	1.4	1.9	1.2	1.6	1.4	1.5

* Provisional

** Cummulative

2.12. A welcome feature in the afforestation efforts is the gradual decline in the contribution of charcoal burning activity to the value added for forestry sector. At constant prices, the share of charcoal burning to total forestry GDP fell from 75 per cent in 1985 to 70 per cent in 1989. Demand for this commodity has been suppressed by several factors. First, its consumer price increased considerably. Second, there was increased use of more energy efficient charcoal and wood stoves. Finally, there has been more public awareness of appropriately priced alternative energy supplies such as kerosene and liquified petroleum gas (L.P.G). It should be observed that in the last five years the consumer price of L.P.G. has risen by only 22 per cent; which is far much lower than the price increase in charcoal.

2.13. Over the past decade, the Government has made great efforts to combat soil degradation through increased soil conservation and afforestation programmes. To implement these programmes efficiently, the Government had to hire extra labour, which inevitably increased labour costs of the forestry department. As a consequence, public sector's GDP for forestry increased nearly five-fold to K£19 million in 1989. Concomitantly, the share of public sector to overall forestry GDP rose from 8 per cent in 1985 to 18 per cent 1989.

2.14. A striking trend observed in the non-monetary sector was the persistent rapid decline in its GDP. The sector's real GDP growth rate fell sharply from 9.0 per cent in 1985 to 2.8 per cent in 1988, before picking up in 1989. Increased construction activity was principally responsible for the upsurge in 1985. As stated in the 1987 edition of the Economic Survey, the unprecedented high growth rate in 1985 was a result of massive investment in self-help projects which were initiated to acquire additional facilities required to accommodate the new 8-4-4 system of education. Through community participation and self-help contributions, a total of 1,740 education projects were completed in 1985. The scenario decelerated drastically in the succeeding years, as parents completed construction of classrooms and workshops for the education system. Total education projects completed fell to 205 in 1987, but rose slightly to 237 in 1989. This decline in self-help activity was responsible for the dramatic fall in growth rate of GDP of the sector.

2.15. The GDP of producers of Government Services continued to increase at a rate of 18 per cent in current prices. Public administration grew at a rate of 2 per cent, since the Government's aim was to reduce re-current expenditure in the public sector. There was, however, a marked increase of GDP by 140 per cent in defence, due to salary increases for the Armed Forces. In nominal terms education experienced GDP increase of 20 per cent and 23 per cent in 1988 and 1989, respectively. This high growth was attributed to the rapid expansion of education services, especially at the university level to absorb the intake of the old 7-4-2-3 and the new 8-4-4 systems of education. In health, 1988 and 1989 recorded increases of 18 per cent and 13 per cent, respectively. The diminishing rate of growth in GDP for health is in line with the introduction of cost sharing in the health services.

2.16. The value of gross output, at current prices, as presented in Table 2.3, had a fluctuating growth rate between 1985 and 1989. Over the five-year

period, it registered an average growth rate of 15.4 per cent. It then declined to 14 per cent in 1989, after recording a high growth rate of 19 per cent in 1988. The depressed growth in the value of gross output in 1989 was a result of slower growth in effective demand in the economy.

2.17. Table 2.4 shows the various sectoral shares in overall GDP. Agriculture still continues to have the largest share in the overall GDP. However, its share has continued to decline. It fell from 31.3 per cent in 1983 to 29.4 per cent in 1985 before declining further, to reach 28.5 per cent in 1989. The most plausible explanation is the continued strengthening of the manufacturing and services sectors. Manufacturing has continued to increase its share in overall GDP, having grown from the 1983 level of 12.5 per cent to a share of 13.2 per cent recorded in 1989. The most dynamic sectors of the economy in the last few years are manufacturing, finance, services and agriculture. Growth in these sectors were in response to the changes that are occurring within the economy in terms of liberalisation.

Terms of Trade Effects

2.18. The conventional national accounts methods of estimating GDP, shown in Table 2.1, do not take into account fluctuations in a country's terms of trade. The effects of international trade on Kenya's real income is shown in Table 2.5. During the 1985-1989 period, developments in Kenya's terms of trade have been dominated by changes in the world export prices of coffee and fuel imports. The negative rates of growth of 4.0 per cent, 5.4 per cent and 2.9 per cent in 1985, 1987 and 1989, respectively, resulted from weaknesses in coffee prices and the upsurge in oil prices in the world markets in the respective years. Improvements in prices of coffee coupled with the decline in petroleum prices contributed greatly to the increases of 5.8 per cent and 3.0 per cent in real per capita income during 1986 and 1988, respectively.

2.19. The year-to-year movements in world coffee and crude oil prices are heavily influenced by supply factors. The total supply of world petroleum fuels has been, to a large extent, dependent on the success of the Organisation for Petroleum Exporting Countries (OPEC) member states with regard to restraints on their individual outputs and export levels. The OPEC agreement collapsed in 1986 following over-production by member countries as well as increased output by non-OPEC producers. Prices firmed up in 1987, but declined again due to widespread overproduction, and the eventual failure to reach an agreement in their Vienna meeting in December, 1987; which made prices to fall again in 1988. With the return of oil production restraint by the OPEC members during early 1989, oil prices rose considerably.

2.20. Prices of coffee on the other hand, fell sharply by 37 per cent and 23 per cent in 1987 and 1989, respectively. The 1986 sharp rise followed a severe frost which caused a crop failure in Brazil, the world's leading coffee exporter. Recovery of Brazilian output weakened prices in 1987; and the collapse of the International Coffee Agreement in July, 1989 was responsible for the depressed prices which prevailed in the second half of 1989.

PRODUCTION ACCOUNTS, 1988 AND 1989

Table 2.3 — K£million

	1988					1989*				
			Gross Domestic Product (at Factor Cost)					Gross Domestic Product (at Factor Cost)		
	Gross Output at approx. Basic Prices***	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus**	Gross Output at approx. Basic Prices***	Inter-mediate Con-sumption	Total	Labour Costs	Operating Surplus**
A. NON-MONETARY ECONOMY	425.68	83.78	341.90	3.19	338.71	485.84	96.81	389.03	423	384.80
B. MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	2,189.03	286.36	1,902.69	186.36	1,716.33	2,381.57	293.18	2,088.39	187.96	1,900.43
Forestry	65.68	4.09	61.60	27.48	34.12	98.86	5.45	93.42	37.05	56.36
Fishing	21.14	1.05	20.09	532	14.77	29.77	2.38	27.39	20.00	7.39
Mining and Quarrying	50.45	36.76	13.69	824	5.45	20.11	1.49	18.62	13.59	5.03
Manufacturing	5,823.75	5.070.79	752.96	313.80	439.16	6,960.22	6,104.86	855.36	368.74	486.62
Building and Construction	652.62	368.49	284.13	198.89	85.24	795.95	409.02	386.93	261.79	125.14
Electricity and Water	151.79	94.16	57.63	31.23	26.40	149.56	85.53	64.03	37.39	26.64
Trade, Restaurants and Hotels	1,327.97	615.94	712.03	341.96	370.07	1.506 61	677.54	829.07	368 64	460.43
Transport, Storage and Communications	913.84	480.10	433.74	211.96	221.78	1,047.48	561.69	485.79	229.06	256.73
Finance, Insurance, Real Estate and Business Services	685.89	184.06	501.83	212.22	289 61	791.91	215.02	576.89	243.21	333 69
Ownership of Dwellings	392.26	36.64	355.62	0.00	355.62	434.29	40.42	393.87	000	393.87
Other Services	379.86	181.94	197.92	150.72	47.20	437.14	209.14	228.00	173.28	54.72
Less: Imputed Bank Service Charges ..	0.00	245.95	-245.95	0.00	-245.95	-563.24	-281.62	-281.62	0.00	-281 62
	12,654.28	7,606.33	5,047.98	1,688.18	3,359 80	14,090.23	8.324.10	5,766.14	1,940.71	3,825 43
2.Private Households (Domestic Services)..	83.94	0.00	83.94	83 94	0.00	97.49	0.00	97.49	97.49	0.00
3.Producers of Government Services	1.472.34	555.05	917.29	909.93	7.36	1,773.01	695.17	1,077.84	1,069.35	8.50
TOTAL MONETARY ECONOMY	14.210.56	8,161.38	6,049.21	2,682 05	3,367.16	15,960.73	9,019.27	6,941.47	3,107.55	3,833.93
TOTAL MONETARY AND NON-MONETARY ECONOMY	14,636.24	8,245.16	6,391.11	2,685.24	3,705.87	16,446.57	9,116.08	7,330.50	3,111.78	4,218.73

* Provisional

** Including consumption of fixed capital.

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

GROSS DOMESTIC PRODUCT

SECTOR SHARES AT CONSTANT (1982) PRICES, 1985 - 1989

Table 2.4 *Percentage*

	1985	1986	1987	1988	1989*
A. NON-MONETARY ECONOMY					
Forestry	0.8	0.8	0.8	0.8	0.8
Fishing	0.1	0.0	0.0	0.0	0.0
Building and Construction	2.1	1.9	1.8	1.8	1.8
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.5	2.5	2.4	2.4	2.4
TOTAL NON-MONETARY ECONOMY	6.1	5.8	5.7	5.6	5.5
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	29.4	29.3	29.0	28.7	28.5
Forestry	0.8	0.8	0.9	1.0	1.0
	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.2	0.2	0.2	0.3	0.3
Manufacturing	12.8	12.8	12.9	13.0	13.1
Building and Construction	3.3	3.2	3.2	3.2	3.2
	0.9	0.9	0.9	0.9	1.0
Trade, Restaurants arid Hotels	10.7	11.1	11.2	11.3	11.2
Transport, Storage and Communications ..	6.2	6.2	6.1	6.1	6.0
Finance, Insurance, Real Estate and Business Services	7.4	7.5	7.5	7.5	7.7
Ownership of Dwellings	5.7	5.6	5.6	5.5	5.4
Other Services	3.0	3.0	3.0	3.1	3.2
Less: Imputed Bank Service Charges ..	-3.1	-3.0	-3.1	-3.2	-3.2
TOTAL	77.6	77.9	77.9	77.8	77.7
2. Private Households (Domestic Services).	1.2	1.3	1.3	1.4	1.5
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricutural Services					
Other Services					
TOTAL	15.0	15.1	15.1	15.2	15.3
TOTAL MONETARY ECONOMY	93.9	94.2	94.3	94.4	94.5
TOTAL MONETARY AND NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* *Provisional*

2.21. The above observations on the coffee and oil prices imply that Kenya can maintain a long-term growth in real income from foreign trade if it diversifies its exports. For this reason, recent increases in manufactured exports augur well for stability of the country's future real export earnings. Manufactured exports rose from K£95 million in 1987 to K£117 million in 1988, and further to K£147 million in 1989.

Resource Allocation

2.22. Table 2.6 presents yearly trends of the estimated total resources which were available to Kenya for domestic investment and consumption during 1985 to 1989. Against the background of relatively high inflation, low world coffee prices, high oil prices, nominal private consumption expenditure growth

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1985 - 1989

Table 2.5

	1985	1986	1987	1988	1989*
1. Unadjusted GDP at constant Factor Cost (K£mn.)	3,313.28	3,498.19	3,668.44	3,858.64	4,049.95
2. Adjustment for changes in terms of trade (K£mn.)	-87.63	39.00	-201.16	-160.93	-331.00
3. Adjusted GDP (K£mn.)	3,225.65	3,537.19	3,467.28	3,697.71	3,718.95
4 Growth in unadjusted per capita GDP .	1.40	1.90	1.20	1.60	1.30
5. Growth in adjusted per capita GDP	-4.04	5.82	-5.38	2.98	-2.81

* *Provisional.*

rates remained unchanged in the period 1987-1989. The growth rate of Government consumption expenditure in 1989, at 27 per cent, was higher than the rate of 6 per cent recorded in the previous year.

TOTAL USE OF RESOURCES AT CURRENT PRICES, 1985 -1989

Table 2.6 *K£million*

	1985	1986	1987	1988	1989*
G.D.P. at Factor Cost	4,418.67	5,114.96	5,612.51	6,391.11	7,330.50
Of which:					
Non-Monetary	246.93	263.81	297.38	341.90	389.03
Monetary	4,171.74	4,851.15	5,315.13	6,049.21	6,941.47
+ Indirect Taxes	619.65	759.79	911.57	1,079.19	1,190.50
- Subsidies ..	0.99	0.58	0.67	0.15	0.07
= G.D.P. at Market Prices ..	5,037.33	5,874.17	6,523.41	7,470.15	8,520.93
+ Import of goods and services** ..	1,328.40	1,506.43	1,734.12	2,054.30	2,492.37
- Export of goods and services ..	1,274 84	1,51668	1,399.59	1,664.85	1,997.68
= Import Surplus	53 56	-10.25	334.53	389.45	494.69
Total Resources available for Domestic Investment and Consumption ..	5,090.89	5,863.92	6,857.94	7,859.60	9,015.62
Gross Fixed Capital Formation ..	880.38	1,153.22	1,286.74	1,522.20	1,712.11
Change in Stocks	405.94	125.22	305.81	370.87	460.43
Gross Investment	1,290.52	1,278.44	1,592.55	1,893.07	2,172.54
Public Consumption	880.10	1,075.91	1,214.46	1,287.46	1,636.11
Private Consumption	2,920.27	3,519.82	4,050.93	4,679.07	5,206.97
TOTAL CONSUMPTION	3,800.37	4,595.73	5,265.39	5,966.53	6,843.08

* *Provisional.*

** *The 1989 figure excludes K£ 120 million value of imports for purchase of one and leasing of of another aircraft by the Kenya Airways Corporation.*

2.23. The higher public spending in 1989 was attributable to increased labour costs for Armed Forces, the preparation for the 1990 double intake in the public universities and the additional recruitment to the National Youth Service. As a result of these extra activities, the share of public sector's consumption to total domestic resources rose from 16.4 per cent in 1988 to 17.9 per cent in 1989. Except for defence and education, there was a general decline in the pace of growth for most sectors of the Central Government. The growth rate of Central Government consumption of 12 per cent in 1989 was lower than the 19 per cent recorded in the previous year. This decline might be attributed to

the cost sharing measures introduced by the Government, particularly in the education and health sectors. The abolition of out-patient medical allowance, travelling and special accommodation allowances were other factor which reduced its consumption expenditure.

2.24. Gross investment, measured in terms of fixed capital formation and stock accumulation, grew by some 15 per cent in 1989 compared to 19 per cent in 1988. Carry-over stocks rose by 22 per cent in 1989 compared to 36 per cent in the previous year. This reduction in stock accumulation is attributable to low domestic demand. Gross fixed capital formation as a percentage of total domestic sources fell by 1.5 percentage points to 17.9 per cent in 1989.

2.25. The 58 per cent rise in import surplus, observed in Table 2.6, reflects the impact of the rise in of oil prices and the decline in the growth rate of value of exports, especially coffee and mineral fuels. Exports of fuels and lubricants to neighbouring countries declined from K£118 million in 1988 to K£114 million in 1989. During the same period, the value of coffee exports decreased by K£40 million.

2.26. Table 2.7 presents expenditure on gross investment and how it was financed. One of the reasons for increasing interest rates ceilings in recent years was to encourage domestic savings. But the respective percentage share of gross domestic savings to GDP, at market prices, stagnated at about 17 per cent in 1988 and 1989. This was, however, lower than the 22 per cent recorded in 1985. One reason for the failure of aggregate domestic savings to increase, while interest rates were raised, was the high prices of essential goods and services which have eroded private households incomes and hence their ability to save.

FINANCING OF CAPITAL FORMATION, 1985- 1989

Table 2.7 ***K£million***

	1985	1986	1987	1988	1989*
GROSS CAPITAL FORMATION:					
Gross Fixed Capital Formation ..	**880.39**	**1,153.22**	**1,286.74**	**1,522.20**	**1,712.11**
Changes in Stocks	**405.94**	**125.22**	**305.81**	**370.87**	**460.43**
TOTAL	**1,286.33**	**1,278.44**	**1,592.55**	**1,893.07**	**2,172.54**
FINANCING:					
Grants from Abroad	**108.69**	**117.71**	**126.99**	**205.27**	**266.57**
Net borrowing from Abroad	**79.40**	**31.06**	**409.47**	**403.01**	**484.20**
Domestic Saving	**1,098.24**	**1,129.67**	**1,056.09**	**1,284.79**	**1,421.77**
TOTAL	**1,286.33**	**1,278.44**	**1,592.55**	**1,893.07**	**2,172.54**

* ***Provisional.***

Factor Incomes and National Product

2.27. The distribution of Gross National Product (GNP), at current and market prices is set out in Table 2.8. Nominal GNP grew by a constant 14 per cent in 1988 and 1989. Factor incomes paid abroad rose remarkably from K£239 million in 1986 to K£375 million in 1989. Consequently, the percentage of factor payments abroad to GNP rose from 4.2 per cent in 1986 to 4.6 per cent in 1989. This trend reflects, in part, the Government's commitment to allow repatriation of business profits by foreign investors with minimum delay.

Between 1985 and 1989, indirect taxes as a percentage of GNP rose from 12.8 per cent to 14.6 per cent. This increase is attributable to the improvements in the tax collection system and the enlargement of the tax base.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1986 - 1989

Table 2.8 *K£million*

	1985	1986	1987	1988	1989*
FACTOR INCOMES:					
A. Non-Monetary Economy ..	246.93	263.81	297.38	341.90	389.03
Enterprises	1,128.54	1,278.71	1,471.03	1,688.18	1,946.65
Private Households	51.78	62.96	71.78	83.94	97.49
Producers of Government Services	610.98	750.91	817.22	909.93	1,069.35
TOTAL	1,791.30	2,092.58	2,360.03	2,682.05	3,113.49
2. Rental Surplus (including depreciation)	231.74	262.96	303.58	355.62	393.87
depreciation)	2,148.70	2,495.61	2,651.52	3,011.54	3,429.79
TOTAL MONETARY ECONOMY	4,171.74	4,851.15	5,315.13	6,049.21	6,937.15
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	4,418.67	5,114.96	5,612.51	6,391.11	7,326.18
Add:Indirect Taxes	619.65	759.79	911.57	1,079.19	1,190.50
Deduct:Subsidies	0.99	0.58	0.67	0.15	0.07
GROSS DOMESTIC PRODUCT AT MARKET PRICES ..	5,037.33	5,874.17	6,523.41	7,470.15	8,516.61
Add: Factor Incomes Received From Abroad	35.62	29.99	30.75	7.20	12.32
Deduct: Factor Incomes Paid Abroad	218.86	239.15	279.39	327.81	375.37
GROSS NATIONAL PRODUCT	4,854.09	5,665.01	6,274.77	7,149.54	8,153.56

2.28. In 1989, over 37 per cent of the GNP came from the total labour costs, i.e. remuneration of employees. Rental surplus' contribution to GNP has remained constant at about 5 per cent for the period 1985-1989. The share of operating surplus in GNP, which is dominated by gross profits of business firms, declined by 2 percentage points from 44 per cent in (1985-1986) to 42 per cent in (1987-1989).

Trends in Capital Formation

2.29. Information on capital formation at current and constant prices is given in Table 2.9. There was an increase of about 1.6 per cent in the real value of gross capital formation between 1988 and 1989. The public sector fixed investments grew by 1.4 per cent. This increase was mainly attributed to large investment in machinery and related equipment, particularly the purchase of telex communication equipment worth K£88 million by the Kenya Posts and Telecommunications Corporation. There were also significant imports of tea processing machinery and also aircraft spare parts worth K£4 million and K£10 million, respectively. Investment in private sector grew by 1.7 per cent. Indeed, private sector has been the principal source of capital formation in all the 5 years. On the average, it accounted for 60 per cent of total investment during the period. Investment in dwelling units increased by 15.2 per cent from K£99

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1986-1989

Table 2.9 — K£ million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
DWELLINGS:										
PRIVATE:										
Non-Monetary	76.74	81.90	89.51	97.62	109.49	56.39	56.67	55.46	53.57	53.93
Monetary	36.17	60.01	68.10	69.98	73.48	26.57	41.53	42.20	26.70	36.19
TOTAL	112.91	141.91	157.61	167.60	182.97	82.96	98.20	97.66	80.27	90.12
PUBLIC	18.20	29.68	33.35	44.50	48.94	13.37	20 54	20.66	18.86	24.11
TOTAL	131.11	171.59	190.96	212.10	231.91	96.33	118.74	118.32	99.13	114.23
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	56.59	53.83	62.42	84.93	110.41	43.00	37.96	38 74	47.34	55.95
PUBLIC	57.66	64.56	71.75	151.70	138.56	43.81	45.53	44.54	84.56	70.21
TOTAL	114.25	118.39	134.17	236.63	248.97	86.81	83.49	83.28	131.90	126.16
OTHER CONSTRUCTION WORKS:										
PRIVATE	16.40	25.77	16.16	15.92	27.00	11.10	16.33	9.51	8.47	13.24
PUBLIC	163.23	177.33	185.50	247.31	256.06	110.44	112.38	109.12	131.55	125.53
TOTAL	179.63	203.10	201.66	263 23	283.06	121 54	128.71	118.63	140.02	138.77
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	9.00	8.75	12.75	12.19	12.33	7.07	6.45	7.57	6.37	6.37
PUBLIC	2.88	0.12	0.07	0.06	0.15	1.26	1.70	0.07	0.02	0.02
TOTAL	11.88	8.87	12.82	12.25	12.48	8.33	8.15	7.64	6.39	639
TRANSPORT EQUIPMENT:										
PRIVATE	98.95	125.74	146.49	175.52	209.75	63.92	59.90	65.93	68.35	80.32
PUBLIC	35.88	120.36	80.40	73.84	68 22	23 18	57.34	36.19	28.75	26.12
TOTAL	134.83	246.10	226.89	249.36	277.97	87.10	117.24	102.12	97.10	106.44
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	240.88	315.55	417.01	436.60	469 93	153.33	163.50	221.63	233 32	205.52
PUBLIC	65.67	83 46	96.42	107.33	182.37	41 80	43 25	51.24	57 36	79 76
TOTAL	306.55	399.01	513.43	543.93	652.30	195.13	206.75	272.87	290.68	285.28
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	2.13	6.16	6.81	4.70	5.42	1.92	5.00	5.09	4.07	4.07
TOTAL:										
Non-Monetary Dwellings	76.74	81.90	89.51	97.62	109.49	56.39	56.67	55.46	53.57	53.93
Other	460.12	595.81	729.74	799.84	908.32	306.91	330.67	390.67	394.62	401.66
TOTAL PRIVATE	536.86	677.71	819.25	897.46	1,017.81	363.30	387.34	446.13	448.19	455.59
TOTAL PUBLIC**	343.52	475.51	467.49	624.74	694.30	233.86	280.74	261.82	321.10	325.75
TOTAL PRIVATE AND PUBLIC	880.38	1,153.22	1.286.74	1,522.20	1,712.11	597.16	668.08	707.95	769.29	781.34

* Provisional.

** Includes Central Government. Municipalities. Councils and Parastatals

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1985-1989

Table 2.10 K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	76.75	81.89	89.51	97.62	109.49	56.39	56.67	55.46	53.57	53.93
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	75.70	89.64	106.36	113.52	102.80	50.84	53.79	58.87	60.09	47.71
Forestry	0.60	0.38	0.31	1.66	10.08	0.40	0.23	0.18	0.78	0.50
Fishing	0.00	0.00	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	9.42	3.11	3.64	6.73	5.44	4.12
Manufacturing	101.76	161.34	171.83	218.74	249.91	65.18	83.87	89.64	112.53	108.59
Building and Construction	31.47	50.31	70.19	70.46	65 20	20.29	27.01	37.19	37.07	28.41
Electricity and Water	43.30	48.55	62.20	81.70	124.51	29.05	29 93	35 68	43.40	60.09
Trade, Restaurants and Hotels	34.51	24.86	24.88	36.35	33.55	24 22	14.23	13.36	18.98	14.80
Transport,Storage and Communications	164.19	289.04	306 66	269 28	349.24	106.60	144.83	151.08	119.62	145.32
Finance,Insurance,Real Estate and Business Services	19.15	13.46	21.60	38 40	47.07	13.05	7.58	11.86	20.74	22.37
Ownership of Dwellings	55.70	90.86	104.55	115.85	124.43	40.79	62.67	64.50	46.30	61.18
Other Services	80.02	75.89	85.80	105.98	145.65	55.10	45.49	49.55	57.84	69.26
TOTAL	611.28	851.36	967.12	1,062.15	1.261.86	408.63	473.27	518.64	522.79	562.35
Producers of Government Services										
Public Administration	34.52	69.62	77.30	56.98	128.19	23.80	43.44	44.46	29.50	58.85
Defence	0.00	0.00	0.02	0.05	0.02	0.00	0.00	0.01	0.02	0.08
Education	24.81	31.00	31.30	87.41	54.24	17.42	19.38	18.28	47.92	26.33
Health	10.65	12.89	12.60	21.48	12.38	7.88	8.57	7.51	11.63	5.76
Agricultural Services	10.40	15.92	13.43	19.50	21.38	7.14	10.33	7.95	9.97	9.78
Other Services	111.98	90.52	95.46	177.21	133.47	75.90	56.41	55.64	93.89	64.33
TOTAL	192.36	219.95	230.11	362.63	349.68	132.14	138.13	133.85	192.93	165.13
NON-MONETARY ECONOMY	76.75	81.89	89.51	97.62	109.49	56.39	56.67	55.46	53.57	53.93
MONETARY ECONOMY	803.64	1,071.31	1,197.23	1,424 78	1,611.54	540.77	611.40	652.49	715.72	727.48
TOTAL	880.39	1,153.20	1,286.74	1,522.40	1,721.03	597.16	668.07	707.95	769.29	781.41
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	-1.29	6.70	9.31	9.06	12.16	-13.26	0.50	-2.14	-3.41	0.67
Monetary Economy	10.18	33.31	11.75	18.30	7.57	2.31	13.06	5.97	8.66	-2.61
TOTAL	9.07	30.99	11.58	18.30	7.57	0.61	11.87	5.97	5.25	-2.61

• Provisional.

million in 1988 to K£114 million in the following year. A major factor which accounted for this favourable performance were the housing schemes. However, the 1.6 per cent growth of Gross Fixed Capital Formation (GFCF) in 1989 was lower than the 8.7 per cent recorded in the previous year. Specific factors that depressed overall level of investment were high import prices and low coffee export earnings.

2.30. Table 2.10 sets out GFCF by industry. In nominal terms, capital formation grew by 12.5 per cent in 1989. This rate of growth was lower than the 18.3 per cent experienced in 1987. Inter-industry analysis reveals that there were notable increases in real terms of GFCF in transport and communications, and electricity and water, which rose remarkably by over 21 per cent and 38 per cent, respectively during the year. After a slump in the growth of ownership of dwellings in 1988, the activity had a turn-around and grew by a remarkably 32 per cent in 1989.

CHAPTER 3 - URBAN LABOUR FORCE SURVEY, 1986

Introduction

One of the most important factors to be considered in assessing the potential long run economic growth of a developing country is the growth of its labour force. There are two important components of this growth. First, there is the growth of the working age population which is governed by changes in the trends in fertility and mortality rates. Second, there may also be significant changes in the rates at which those of working age choose to participate in the labour force.

3.2. The overall growth rate of the population remains high and is estimated to be about 3.5 per cent per year. For this reason alone, the working age population is likely to grow rapidly in the next several years. The growth rate of the working age population between 1969 and 1979 was 3.9 per cent. Recent evidence also suggests that participation rates for women may be increasing. The net effect of these two factors is likely to be an even more rapid increase in the labour force in future. This is of particular concern in urban areas where continued high rates of immigration pose the possibility of increasing rates of urban unemployment. The main objective of the 1986 Urban Labour Force Survey (ULFS) was to update information on the activities of the Kenyan labour force since the last survey of 1977/78. Information on the structure and composition of the labour force was collected as well as data on employment, unemployment and underemployment; the distribution of the labour force across industries and occupations; and the nature of job search activities.

Sample and Methodology

3.3. Data on ULFS was collected from households within the sample clusters defined in the National Sample Survey and Evaluation Programme (NASSEP - 1980/84) master frame. The enumeration areas were selected using probability sampling proportionate to size in terms of expected clusters of an average of 100 households. Six large towns, Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, and Thika were all included in the sample. Other smaller towns were grouped by provinces and selection from them was made using probability sampling proportionate to size. Listing of the selected clusters was conducted to provide an updated list of households as well as to obtain information on the characteristics of households. A total of 150 clusters were sun/eyed and questionnaires were returned from 146 clusters. Returns were received from 2,670 of the 3,058 targeted households, a response rate of 88.2 per cent.

Concepts and Definitions

3.4. The ULFS follows the conventional definitions utilized by the International Labour Organization (ILO). The labour force, or the currently economically active population, consists of those members of the population who are either at work or else looking for work during a specified reference period. Economically inactive members of the population include full time housewives, students, children, retirees and the infirm. The labour force participation rate is the proportion of the total population who are economically active during the reference period. The labour force status of an individual is normally determined

according to a specific reference period. The ILO suggests two standards for the short term reference period; either the previous day or the previous week. The ULFS used a one week reference period, but also asked questions for the previous day in order to allow comparisons with the 1977/78 survey. Questions related to labour activities were asked of all persons over the age of 14, though results for the 1986 ULFS are reported for the 15-64 age bracket. Employed persons include paid employees, workers temporarily not at work but retaining a formal attachment to their job, and the self employed.

3.5. Unemployed persons comprise all persons who during the reference period were: without work, i.e. were not in paid employment or self employment; currently available for work, i.e. were available for paid or self employment during the reference period; and, those seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self employment. Underemployment refers to several types of labour under-utilization. The ILO distinguishes two basic types of underemployment: the visibly underemployed comprise persons in paid or self-employment involuntarily working for less than the normal duration of work determined for that activity; while the invisibly underemployed includes employed persons whose earnings are considered inadequate in relation to training and work experience.

Characteristics of the Sampled Households

3.6. Table 3.1 details the breakdown of respondents by age and sex. ULFS data are compared to:- (a) All urban centres with a population greater than 5,000 in the 1979 census; and (b) a 1985 age-sex distribution based on a rural-urban demographic projection model. The sex ratio of 1.13 for ULFS is slightly lower than the reported 1979 census figure of 1.23 for urban centres with populations greater than 5,000. The sex ratios of the sample respondents by age group follow the same pattern as that reported in the 1979 census. There are approximately equal numbers of females in the 0-4 age group, more females than males in the 10-19 age group and more males than females for ages above 25 years mainly due to significant male immigration. Comparing the age-sex distribution of ULFS to the 1985 distribution, the ratios differ by only 0.04. The pattern of sex ratios by age is similar to ULFS except for the 5-9 age bracket. The reported levels of education attained by ULFS respondents in Nairobi and Mombasa were higher than those reported in the 1979 Census, reflecting the Government's continued effort to improve education.

Activity Status of the Working Age Population

3.7. The urban working age population comprises two major categories: the economically active and the economically inactive populations. These two categories are schematically presented in Figure 3.1. The total number of respondents between ages 15-64 was 5,473, of which the economically active was 70 per cent, broken into 59 per cent employed and 11 per cent unemployed. The largest proportion of the economically inactive population are those who voluntarily choose not to work. The second largest group who are economically inactive are individuals currently enrolled in various educational institutions representing 9.8 per cent of the total working age population. Of the economically inactive population, 2.5 per cent were classified as discouraged

workers, i.e. workers who did not look for work because they believed there was no work available; and another 3.4 per cent indicated that they did not wish to work but gave no reason. The retired, sick or individuals otherwise unable to work represented slightly less than one per cent of the total economically inactive population.

THE AGE-SEX STRUCTURE OF ULFS RESPONDENTS

Table 3.1 *Percentage*

	1979 Census*			ULFS Survey**			1985 Projected*** Age		
Group	M	F	SR	M	F	SR	M	F	SR
0-4	14.6	18.0	1.00	14.4	15.8	1.03	18.6	21.5	1.02
5-9	11.0	14.1	0.96	14.9	14.5	1.16	11.1	13.3	0.98
10-14	8.4	11.3	0.92	10.4	14.4	0.81	8.8	10.9	0.94
15-19	9.4	13.0	0.89	7.7	9.8	0.89	7.3	9.4	0.91
20-24	14.4	13.5	1.32	9.8	11.1	0.99	8.6	10.7	0.94
25-29	12.4	9.9	1.55	11.8	12.0	1.11	11.8	10.5	1.32
30-34	9.1	6.1	1.86	8.2	7.3	1.26	9.9	7.6	1.52
35-39	5.8	4.0	1.80	6.7	5.7	1.33	7.2	4.8	1.76
40-44	4.7	2.9	2.03	5.2	2.6	2.25	4.8	3.2	1.74
45-49	3.9	1.9	2.17	4.4	2.4	2.05	3.9	2.3	1.95
50-54	2.4	1.6	1.85	2.7	1.4	2.18	2.9	1.7	2.04
55-59	1.5	1.1	1.72	1.5	0.9	1.88	1.9	1.3	1.73
60-64	0.9	0.8	1.32	0.6	0.7	1.03	1.2	0.9	1.53
65 +	1.8	1.8	1.23	1.6	1.4	1.33	2.0	1.9	1.22
Total	100.0	100.0	1.23	100.0	100.0	1.13	100.0	100.0	1.17

Note: M = Male, F = Female, SR = Sex ratio

Sources: * Unpublished tables for urban areas with populations greater than 5,000 in 1979, Source: Kenya Population Census, 1979

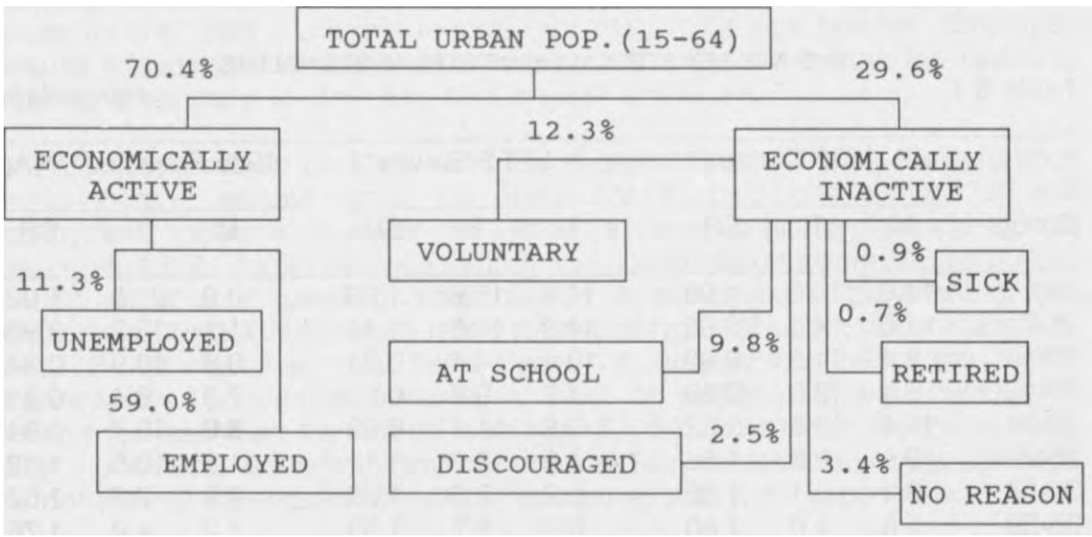
** Compiled from 1986 ULFS data, weighted

*** Based on an urban-rural population prediction model developed by Long Range Planning Unit

3.8. Table 3.2 depicts the structure of the employed urban labour force by industrial sector and sex. The largest sector is community, social and personal services, followed by wholesale and retail trade, with transport and communication being the third largest sector.

ACTIVITY STATUS OF THE ADULT URBAN POPULATION OF KENYA

Figure 3.1



INDUSTRIAL DISTRIBUTION OF THE EMPLOYED URBAN LABOUR FORCE

Table 3.2 Percentage

Industrial Sector	Males	Females	Total
Agriculture & Forestry	6.9	12.2	8.6
Mining & Quarrying	1.4	0.0	0.0
Manufacturing	10.3	3.9	8.3
Electricity & Water	3.2	0.5	2.3
Construction	7.1	2.0	5.0
Wholesale & Retail Trade	12.4	18.3	14.3
Transport & Communication	16.1	3.7	12.1
Finance, Insurance and Real Estate	3.7	4.3	3.9
Community, Social & Personal Sen/ices	38.9	55.1	44.6
Total	100.0	100.0	100.0

Participation Rates

3.9. Labour force participation rates are an important measure of labour force involvement of the population. They are calculated as the proportion of the total population who are economically active during the reference period. The 1986 survey disaggregated participation rates by sex, age, level of education and province.

3.10. Table 3.3 gives participation rates by age and sex. Over 80 per cent of males in the 15-64 age bracket participate in the labour force compared to

55 per cent of females. Participation rates for males exceed those for females in all age groups except for the 15-19 age bracket. Overall participation rates are lowest for the 15-19 age group, mainly because of schooling, and highest for the 40-44 age group. Male participation rates approach 100 per cent for the prime working age group between 30 and 54 years of age. The decline in participation rates begins after 50 years of age for both males and females, mainly due to retirement. For prime age males, the attachment to the labour market is generally continuous and strong. For females, there is strong attachment to the labour force for household heads, but considerable variation in participation for females who are not household heads. Factors determining participation rates of females include, marital status, education, child rearing and cultural activities, among other variables.

PARTICIPATION RATES BY AGE AND SEX

Table 3.3 *Percentage*

Age Group	Males	Females	Total
15-19	19.6	31.8	26.0
20-24	73.7	53.7	63.6
25-29	94.5	69.4	82.6
30-34	98.8	64.2	83.5
35-39	96.4	61.2	81.2
40-44	99.5	59.9	87.3
45-49	97.4	60.2	85.2
50-54	95.3	53.4	82.1
55-59	84.8	48.1	72.0
60-64	74.0	47.5	60.9
Total	82.2	55.8	70.4

3.11. Table 3.4 depicts participation rates by sex and level of education. Participation rates increase with the number of years of completed schooling, particularly for females. The participation rate for persons with no education is 61.0 per cent, while it is 90.5 per cent for those with university training. Rates registered for females after college and university level are much higher than the average. Males with no formal education have a significant 90.1 per cent participation rate compared with 44.9 per cent for females in the same category.

PARTICIPATION RATES BY EDUCATION LEVEL AND SEX

Table 3.4 *Percentage*

Level of Completed Education	Males	Females	Total
None	90.1	44.9	61.0
Standard 1-4	89.2	57.5	74.0
Standard 5-8	77.2	47.3	63.8
Form 1-2	74.2	59.3	67.3
Form 3-4	83.4	65.2	76.2
Form 5-6	81.3	67.8	76.9
College	84.3	87.6	85.7
University	95.7	76.8	90.5
Total	82.2	55.8	70.4

3.12. Participation rates by province and sex are depicted in Table 3.5. Central province has the highest participation rate of 76.7 per cent and Western province the lowest with 61.2 per cent. Comparing participation rates by sex, Nairobi has the highest male participation rate while Western has the lowest. On the other hand, Central province has the highest female participation rates while Coast province has the lowest. Participation rates are significantly higher for males in Nairobi, Central and Coast provinces compared to other Kenyan urban areas. This likely reflects increased job opportunities and higher wages reported in larger urban areas.

PARTICIPATION RATES BY PROVINCE AND SEX

Table 3.5 *Percentage*

Province	Males	Females	Total
Nairobi	86.0	59.0	74.8
Central	84.0	66.8	76.7
Coast	83.2	47.4	67.0
Eastern	81.0	59.1	72.5
Nyanza	79.0	52.3	66.8
Rift Valley	77.9	54.8	65.9
Western	70.2	52.8	61.2
Total	82.2	55.8	70.4

Unemployment Rates

3.13. The pattern of unemployment rates by age and sex is similar for both sexes, as indicated in Table 3.6. The rates are highest for the youngest members of the labour force. Unemployment rates are low for women in the 40-54 age group while for males rates are low in the 30-54 age group.

Unemployment rates for the youngest members of the labour force are matched by relatively low participation rates. Many are still in school, and those who join the labour force are inexperienced and have difficulty in obtaining jobs.

UNEMPLOYMENT RATES BY AGE AND SEX

Table 3.6 *Percentage*

Age Group	Males	Females	Total
15-19	63.1	39.6	47.9
20-24	34.0	45.0	38.6
25-29	10.9	23.4	15.9
30-34	5.3	14.1	8.3
35-39	3.2	12.3	6.2
40-44	2.0	3.1	2.3
45-49	3.3	1.4	4.8
50-54	3.6	4.1	1.8
55-59	7.8	43.2*	16.0
60-64	0.0	0.0	0.0
Total	11.7	24.1	16.2

* The sample size for female participants in this age group is too small for data on unemployment to be reliable.

3.14. Unemployment rates by sex and level of completed education are shown in Table 3.7. As expected, unemployment rates are lowest for those with higher education since higher education increases a person's employment opportunities.

UNEMPLOYMENT RATES BY EDUCATION LEVEL AND SEX

Table 3.7 Percentage

Level of Completed Education	Males	Females	Total
None	6.5	21.2	13.5
Standard 1-4	11.7	19.3	14.5
Standard 5-8	10.9	25.0	15.6
Form 1-2	13.4	39.0	23.8
Form 3-4	17.4	26.8	20.6
Form 5-6	9.5	5.1	8.2
College	3.4	17.9	9.5
University	1.2	0.0	0.9
Total	11.7	24.1	16.2

3.15. Unemployment rates by province are given in Table 3.8. Nairobi and urban areas in Western and Rift Valley provinces recorded the highest unemployment rates.

UNEMPLOYMENT RATES BY PROVINCE AND SEX

Table 3.8 *Percentage*

Province	Males	Females	Total
Nairobi	16.3	27.3	19.9
Central	6.6	5.8	6.3
Coast	7.6	29.5	14.6
Eastern	4.4	27.8	11.8
Nyanza	5.3	16.3	9.2
Rift Valley	7.1	30.5	17.2
Western	18.5	16.7	17.7
Total	11.7	24.2	16.1

Characteristics of the Unemployed

3.16. Table 3.9 gives the distribution of the unemployed by age and sex. The 1986 ULFS found that 52 per cent of females are unemployed compared to 48 per cent of males. Since the ratio of unemployed males to females was 3:1 in 1977/78; the data in the table confirms that the proportion of females who are currently economically active has been increasing over the last decade.

DISTRIBUTION OF THE UNEMPLOYED BY AGE AND SEX

Table 3.9 *Percentage*

Age Group	Males	Females	Total
15-19	14.9	15.9	15.4
20-24	42.4	36.0	39.0
25-29	22.1	28.6	25.8
30-34	7.8	9.8	8.9
35-39	3.9	5.8	4.9
40-44	2.0	0.7	1.3
45-49	3.5	1.2	2.3
50-54	1.6	0.8	1.2
55-59	1.9	1.2	1.5
60-64	0.0	0.0	0.0
Total	100.1	100.0	100.3

3.17. Completed education levels of the unemployed are summarized in Table 3.10. Large proportions of the unemployed either have more than four years of primary education or more than two years of secondary education. Overall, unemployed males have more years of completed education than unemployed females.

COMPLETED EDUCATION LEVELS OF THE UNEMPLOYED

Table 3.10 *Percentage*

Level of Completed Education	Males	Females	Total
None	5.4	11.7	8.7
Standard 1-4	7.7	8.5	8.1
Standard 5-8	25.3	26.8	26.1
Form 1-2	10.3	17.6	14.1
Form 3-4	46.4	31.5	38.6
Form 5-6	2.9	0.8	1.8
College	1.2	3.2	2.2
University	0.8	0.0	0.4
Total	100.0	100.1	100.0

3.18. Private and public training of the unemployed by sex is summarized in Table 3.11 and Table 3.12, respectively. Nearly three-quarters of the unemployed have no private training, and approximately 90 per cent report no public training. Females report more training by friends and relatives or at private schools and colleges while males report receiving training either on the job or on the job courses by employers. As regards public training of the unemployed, more males recorded polytechnic training while more females recorded college training.

PRIVATE TRAINING OF THE UNEMPLOYED

Table 3.11 *Percentage*

Type of Training	Males	Females	Total
None	73.6	69.5	71.5
Friend/relative	3.6	10.5	7.2
Apprenticeship	1.0	0.1	0.5
On the job	5.9	1.4	3.5
On the job courses by employers	3.9	1.1	2.4
Colleges or schools	10.2	15.6	13.0
No Report	1.9	1.8	1.8
TOTAL	100.1	100.0	99.9

PUBLIC TRAINING OF THE UNEMPLOYED

Table 3.12 *Percentage*

Type of Training	Males	Females	Total
None	85.8	92.6	89.4
Vocational school	1.8	0.2	1.0
Village Polytechnic	3.3	1.8	2.5
Institute of Technology	0.0	0.2	0.1
National Youth Service	0.4	0.3	0.4
Polytechnic	4.9	0.1	2.4
College	0.3	2.4	1.4
University	0.8	0.6	0.7
No Report	2.6	1.8	2.2
TOTAL	99.9	100.0	100.1

Characteristics of the Underemployed

3.19. The ULFS found very little statistical evidence of underemployment in urban areas. When underemployed persons are included in the measure of unemployment, the unemployment, rate increases by less than one per cent. The ULFS reported that over 80 per cent of the underemployed are male and less than 20 per cent are female. Table 3.13 summarizes the age-sex distribution of the underemployed. They are primarily from the 20-35 age group. There are no underemployed females beyond the age of 30 nor males beyond the age of 50.

Table 3.13 **AGE-SEX DISTRIBUTION OF THE UNDER-EMPLOYED** *Percentage*

Age Group	Males	Females	Total
15-19	6.4	7.0	6.5
20-24	24.3	19.9	23.4
25-29	35.2	73.1	43.0
30-34	12.7	0.0	10.1
35-39	7.5	0.0	5.9
40-44	3.7	0.0	3.0
45-49	10.2	0.0	8.1
50-54	0.0	0.0	0.0
55-59	0.0	0.0	0.0
60-64	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0

3.20. Data in Table 3.14 show that underemployed persons tend to have no education or levels of completed education of either Standard 5-8 and Form 3-4. Similar to the unemployed, the underemployed report very little public or private training.

COMPLETED EDUCATION LEVELS OF THE UNDER-EMPLOYED

Table 3.14 *Percentage*

Level of Completed Education	Males	Females	Total
None	21.8	0.0	16.9
Standard 1-4	4.1	0.0	3.3
Standard 5-8	36.1	23.8	33.3
Form 1-2	10.4	3.0	8.7
Form 3-4	26.4	73.2	36.8
Form 5-6	1.2	0.0	1.0
College	0.0	0.0	0.0
University	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0

Job Search Activities

3.21. Table 3.15 summarizes the different methods of job search used by the unemployed. These methods of job search were divided into three broad categories: most frequently used method, next most frequently used method, and the method used yesterday. The most frequently reported method of job search was a direct approach to an employer followed by asking a friend or relative. The third most commonly used method was writing letters to potential employers and answering newspaper advertisements. The choice of job search is quite similar for males and females, though females report no job search activities yesterday more frequently than males.

3.22. As shown in Table 3.16, the majority of the unemployed have been seeking work for over one year. The duration of job search is slightly longer for females than males.

3.23 Table 3.17 summarizes the job search and migration intentions of the unemployed. Approximately two-thirds of the unemployed will remain in their current location and one-third plan to move. Almost three-quarters of the unemployed plan to continue their job search.

METHODS OF JOB SEARCH BY THE UNEMPLOYED

Table 3.15 *Percentage*

	Most Frequently Used Method			Next Most Frequent			Method Used Yesterday		
	M	F	T	M	F	T	M	F	T
Did not look for work	2.7	0.6	2.9	5.5	12.8	9.3	34.3	47.2	41.0
Wrote letter to employer or relative	15.6	19.5	17.6	14.7	14.8	14.8	7.9	5.6	6.7
Applied to union office	2.1	0.7	1.4	1.6	1.2	1.4	2.6	1.0	1.8
Applied to labour office	6.4	4.0	5.2	11.4	4.5	7.8	2.5	2.5	2.5
Answered newspaper advertisement	14.0	11.2	12.6	14.3	10.8	12.5	8.7	2.2	5.3
Asked a friend or relative	24.6	28.2	26.4	27.2	20.9	23.9	15.1	14.5	14.8
Direct approach to employer	30.5	24.7	27.4	20.5	25.8	23.3	22.1	14.5	18.2
Other	0.6	8.8	4.9	1.0	6.2	3.7	3.1	10.2	6.8
No report	3.6	2.3	2.9	3.8	2.9	3.3	3.6	2.3	2.9
	100.1	100.0	100.0	100.0	99.9	100.0	99.9	100.0	100.0

M = Male, F = Female, T=Total

DURATION OF JOB SEARCH: THE UNEMPLOYED

Table 3.16 *Percentage*

Duration of Job Search	Males	Females	Total
Less than 3 months	9.7	8.2	8.9
3 to 6 months	5.0	7.3	6.2
6 months to 1 year	28.0	20.1	23.8
1 - 2 years	22.2	22.7	22.5
Longer than 2 years	31.1	39.3	35.4
No report	4.0	2.3	3.1
Total	100.0	99.9	99.9

Table 3.17 *Percentage*

	Males	Females	Total
Migration Intentions:			
1. Back to rural area	20.4	11.2	15.6
2. Another town	13.5	7.9	10.6
3. Stay in current location	62.1	77.8	70.2
4. No report	4.0	3.2	3.6
TOTAL	100.0	100.0	100.0
Job Type:			
1. Look for a different type of job	15.6	20.2	18.0
2. Keep looking	78.4	71.3	74.7
3. No report	6.0	8.5	7.3
TOTAL	100.0	100.0	100.0

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

The year 1989 was of moderate performance in terms of employment and inflationary tendencies. The economy, excluding small scale agriculture, generated 76,600 new jobs, representing a growth rate of 4.5 per cent. Job creation in the modern sector increased by 2.4 per cent, significantly lower than the 4.1 per cent recorded in 1988. Small scale enterprises sector created jobs at an impressive rate of 12.6 per cent. Average nominal wages rose by 12.0 per cent, but increased by only 1.3 per cent in real terms. Inflationary pressure was exerted by the continuous depreciation of the Kenya Shilling; the price decontrol measures announced in May, 1988 and the continuous revision of producer prices of agricultural products. The inflation rate, as measured by the Nairobi Consumer Price Indices, stabilised at 10.5 per cent in 1989 compared with 10.7 per cent in 1988.

Employment

4.2. An estimated 1.8 million persons were engaged in 1989 with a total of 76,600 new jobs being generated outside small scale agriculture; a growth of 4.5 per cent in the number of persons engaged. Table 4.1 shows that the modern sector created 32,400 of the new jobs. Small-scale enterprises, whose importance in employment generation to absorb the growing labour force is stressed in the Sixth Development Plan of 1989-1993, recorded an impressive growth of 12.6 per cent, creating a total of 43,700 new jobs compared with 34,100 in 1988. This sector accounted for about 22 per cent of total persons engaged in 1989 compared with 20 per cent in 1988.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1986-1989

Table 4.1 *'000's*

	1986	1987	1988	1989*
Modern Establishments - Urban and Rural Areas:				
Wage Employees**	1,226.6	1,274.1	1,326.6	1,359.0
Self-employed and unpaid family workers ..	35.4	38.1	43.9	44.3
Small-Scale Enterprises	281.1	312.1	346.2	390.0
TOTAL	1,543.1	1,624.3	1,716.7	1,793.3

* *Provisional.*

** *Revised series.*

4.3. ***Modern Sector*** - Analysis of modern sector wage employment by industry and sector is set out in Table 4.2. Growth in modern sector wage employment has been declining, recording 2.4 per cent in 1989; much lower than the 4.2 per cent projected in the Sixth Development Plan. The rate of job creation in private sector, in contrast to the Government's expectations, has been steadily declining from 4.2 per cent in 1987 to 3.8 per cent in 1988 and 1.1 per cent in 1989. Agriculture and forestry, the largest private sector employer, recorded a decrease of 1.7 per cent, attributed mainly to the declining performance of coffee industry, mixed farming activities and control of felling of trees. Community, social and personal services, a major provider of private

sector jobs, recorded an increase of only 0.7 per cent. In contrast, significant increases of 7.0, per cent, 6.1 per cent and 5.6 per cent were recorded in the building and construction; mining and quarrying; and transport and communications activities, respectively. Growth in manufacturing, the second largest private sector employer, has been declining and recorded a marginal increase of 0.8 per cent in 1989.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR*, 1986-1989

Table 4.2 *'000's*

	1986	1987	1988	1989**
PRIVATE SECTOR:				
Agriculture and Forestry	192.9	198.8	197.3	194.0
Mining and Quarrying	2.3	3.2	3.3	3.5
Manufacturing	130.1	136.1	141.8	143.0
Electricity and Water	-	0.2	0.2	0.2
Building and Construction	24.8	26.1	.30.0	32.1
Wholesale and Retail Trade, Restaurants and Hotels	89.1	92.7	98.0	101.7
Transport and Communications	19.6	19.7	21.4	22.6
Finance,Insurance, Real Estate and Business Services	40.7	41.6	44.2	45.3
Community, Social and Personal Services	121.4	128.3	135.0	136.0
TOTAL PRIVATE SECTOR	620.9	646.7	671.2	678.4
PUBLIC SECTOR:				
Agriculture and Forestry	55.5	54.2	62.8	63.1
Mining and Quarrying	1.5	0.5	0.6	0.6
Manufacturing	36.1	36.8	37.6	39.3
Electricity and Water	18.2	19.0	20.2	22.2
Building and Construction	30.9	32.1	32.6	35.3
Wholesale and Retail Trade, Restaurants and Hotels	6.3	8.2	8.4	8.6
Transport and Communications	42.4	44.7	45.8	46.8
Finance, Insurance, Real Estate and Business Services	15.6	16.3	17.1	18.4
Community, Social and Personal Services	399.3	415.6	430.3	446.3
TOTAL PUBLIC SECTOR	605.8	627.4	655.4	680.6

** Revised series.*

***Provisional.*

4.4. In line with Government's policy of restricting public sector growth, wage employment in the sector increased by 3.8 per cent in 1989 compared with 4.5 per cent in 1988. Increases were recorded in all public sector industries except mining and quarrying. Electricity and water recorded the highest growth of 9.9 per cent, creating 2,000 new jobs required mainly for the rural electrification programme. Employment in building and construction increased by 8.3 per cent, generating 2,700 new jobs necessary for the construction of roads, classrooms and workshops for 8-4-4 education system. The opening of many branches by public and private banks, nationwide, expanded employment in finance, insurance, real estate and business services industry by 7.6 per cent. Community, social and personal services, the major public sector employer, generated 16,000, new jobs; whilst agriculture and forestry contributed only 300 new jobs in contrast to the 8,600 jobs created in 1988.

4.5. Table 4.3 presents a breakdown of employment in various public sector domains. Central Government, accounting for highest public sector employment, recorded an increase of 3.8 per cent in 1989 after a decline of 1.4 per cent in 1988. The Teachers Service Commission (TSC), expanded employment by 5.4 per cent, creating 10,000 new jobs necessary for the increasing enrolment in primary and secondary schools. Employment in parastatal bodies declined in 1987, when Kenya Railways laid off a number of its workers, but has recovered with increases of 6.8 per cent and 3.8 per cent in 1988 and 1989, respectively. Local Government, however, recorded a decline of 4.5 per cent in 1989, after many casual workers were laid off in an effort to cut down on expenditure.

Table 4.3 **WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1986-1989** *'000's*

	1986	1987	1988	1989*	Annual Percentage Change 1989/1988
Central Government	259.7	274.4	270.5	280.8	3.8
Teachers Service Commission	164.0	173.0	185.1	195.1	5.4
Parastatal Bodies**	100.1	97.3	103.9	107.9	3.8
Majority Control by the Public Sector	38.7	39.2	45.3	48.5	7.1
Local Government	43.3	43.5	50.6	48.3	-4.5
TOTAL	605.8	627.4	655.4	680.6	3.8

** Provisional.*

***Includes Kenya Railways Corporation, Kenya Ports Authority,Kenya Posts and Telecommunications, Kenya Airways Limited, etc. The series has been revised.*

4.6. As shown in Table 4.4. Nairobi, accounts for the highest modern sector wage employment with 26.9 per cent of the total work force. However, its employment creation grew weakly by only 0.6 per cent in 1989; a consequence of Government's policy of moving investment away from the capital. Coast province recorded the highest increase of 6.0 per cent, creating 9,600 new jobs, principally a result of the strong growth in the tourism industry. North-Eastern province recorded a significant drop in its employment growth to 0.8 per cent compared with 7.1 per cent in 1988.

Table 4.4 **WAGE EMPLOYMENT BY PROVINCE*,1986- 1989** *'000's*

Province	1986	1987	1988	1989**	Percentage Change 1989/1988
Nairobi	339.2	347.4	363.0	365.0	0.6
Coast	153.4	155.2	160.6	170.2	6.0
North Eastern	10.6	11.3	12.1	12.2	0.8
Eastern	99.8	104.2	108.9	111.6	2.5
Central	171.1	184.8	193.7	195.4	0.9
Rift Valley	264.5	274.7	284.1	291.1	2.5
Nyanza	113.7	119.0	124.6	131.9	5.9
Western	74.3	77.5	79.6	81.6	2.5
TOTAL	1,226.6	1,274.1	1,326.6	1,359.0	2.4

** Revised series*

*** Provisional*

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES*, 1984 AND 1989

Table 4.5

'000's

Towns	Manufacturing		Building and Construction		Trade, Restaurants, and Hotels		Transport and Communications		Finance, Insurance, Real Estate and Business Services		Community, Social and Personal Services		Total Six Industries	
	1984	1989**	1984	1989**	1984	1989**	1984	1989**	1984	1989**	1984	1989**	1984	1989**
Nairobi	60.6	67.3	27.3	33.0	40.3	44.9	22.2	26.5	34.7	41.0	110.6	131.8	295.7	344.5
Mombasa	19.5	23.9	3.7	5.5	12.4	15.9	20.4	23.7	7.1	8.6	29.2	35.7	92.3	113.3
Kisumu	3.5	4.2	0.7	2.3	1.9	2.6	1.3	1.5	0.8	2.0	11.2	15.9	19.4	28.5
Nakuru	5.6	5.9	0.8	2.2	2.9	3.5	1.1	1.1	0.9	1.1	8.2	8.6	19.5	22.4
Thika	9.1	10.0	0.4	0.3	1.0	1.5	0.2	0.2	0.5	0.8	2.9	3.4	14.1	16.2
Eldoret	6.7	8.8	0.4	1.4	1.3	2.2	0.6	0.8	1.1	1.6	4.7	3.1	14.8	17.9
Malindi	0.0	0.3	0.1	0.4	1.0	1.7	0.2	0.2	0.7	0.3	3.0	2.1	5.0	5.0
Kericho	2.4	2.4	0.0	0.8	0.4	0.8	0.1	0.2	0.2	0.2	3.2	4.4	6.3	8.8
Others	14.3	17.0	4.5	9.9	8.7	11.5	3.1	4.9	2.7	3.6	68.9	63.0	102.2	109.9
TOTAL ..	121.7	139.8	37.9	55.8	69.9	84.6	49.2	59.1	48.7	59.2	241.9	268.0	569.3	666.5

* Revised series

** Provisional.

4.7. Table 4.5 presents wage employment in major towns by the six dominant activities for 1984 and 1989. Nairobi and Mombasa, which offer comparative advantage in investment, have all the six activities well represented. Employment growth was highest in Kisumu, Kericho, Mombasa and Eldoret, reflecting rapid development of these urban centres. This is consistent with the Government policy of diversifying investment away from the capital. In particular, manufacturing activity expanded by 31.3 per cent, 22.6 per cent and 20.0 per cent in Eldoret, Mombasa and Kisumu, respectively. Employment in building and construction industry expanded markedly in all towns; recording 47.2 per cent increase over the period under review. Substantial growth in trade, restaurants and hotels was recorded for Kericho, Eldoret, Malindi, Thika and Kisumu. Malindi, in particular, has benefitted from increased tourism activities.

4.8. Analysis of wage employment by industry and sex set out in Table 4.6 shows that female participation, as a proportion of total modern sector wage employment, was 20.9 per cent, the same level as in 1988. Of the new jobs created in the modern sector, females took a fifth. Overall, female wage employment expanded by 2.5 per cent with a high 8.2 per cent recorded in transport and communications activity, thus reflecting a shift of female employment into activities generally considered to be in the male domain. Female employment in agriculture and forestry expanded by 6.1 per cent, with these employees being mainly casual workers. Of the total number of females employed, 85.0 per cent were regular employees.

WAGE EMPLOYMENT BY INDUSTRY AND SEX*, 1988 AND 1989

Table 4.6 ***'000's***

INDUSTRY	MALES		FEMALES		TOTAL	
	1988	1989**	1988	1989**	1988	1989**
Agriculture and Forestry ..	200.9	194.3	59.2	62.8	260.1	257.1
Mining and Quarrying	3.2	3.4	0.7	0.7	3.9	4.1
Manufacturing	159.3	164.3	18.1	18.0	177.4	182.3
Electricity and Water	17.3	19.2	3.1	3.2	20.4	22.4
Building and Construction	58.7	63.4	3.9	4.0	62.6	67.4
Trade, Restaurants and Hotels	90.3	93.8	16.1	16.5	106.4	110.3
Transport and Communications	59.9	61.6	7.3	7.9	67.2	69.5
Finance, Insurance, Real Estate and Business Services ..	48.4	50.6	12.9	13.1	61.3	63.7
Community, Social and Personal Services-						
Public Administration ..	144.2	146.7	39.5	40.3	183.7	187.0
Education Services	154.2	160.2	63.9	64.2	218.1	224.4
Domestic Services	48.0	49.8	18.9	19.3	66.9	69.1
Other Services	65.6	68.4	33.0	33.4	98.6	101.8
TOTAL	1,050.0	1,075.7	276.6	283.4	1,326.6	1,359.1
Of which: Regular	902.4	921.6	240.8	241.4	1,143.2	1,163.0
Casual	147.6	154.1.	35.8	42.0	183.4	196.1

* *Revised series*

** *Provisional*

4.9. Males accounted for 79.1 per cent of total modern sector wage employment and dominated in all industries. The highest number of males were employed in agriculture and forestry; manufacturing; education services and

public administration. Male employment expanded by 2.4 per cent, slightly lower than the growth in female employment. Agriculture and forestry, employing 18.1 per cent of total males employed, recorded a decrease of 3.3 per cent, which was partly compensated for by the increase in female employment in the industry. The largest increase in male employment of 11.0 per cent was in electricity and water activity; whilst building and construction and mining and quarrying followed with 8.0 per cent and 6.2 per cent, respectively. Overall, 85.0 per cent of employed males were regular employees.

4.10. ***Wage Earnings in the modern sector*** - Total wage payments by industry and sector detailed in Table 4.7 show that in 1989 the overall nominal wage bill increased by 14.0 per cent compared with 18.9 per cent recorded in 1988. Private sector wage bill increased at a slower rate than the 20.5 per cent recorded in 1988. A dampened growth rate was observed in all industries except in mining and quarrying and electricity and water activities which recorded increases of 50.4 per cent and 23.5 per cent, respectively. Public sector wage payments increased by 17.7 per cent, with manufacturing recording the highest growth of 74.6 per cent, attributed to the establishment of the Gilgil Complex by Kenya Posts and Telecommunications. Significant increases of 35.1 per cent and 23.2 per cent were recorded in wage payments for building and construction and electricity and water, respectively. Agriculture and forestry payments recorded lowest increase of 4.2 per cent, due to the declining performance of the coffee industry. Community, social and personal services, which account for 62.0 per cent of total public sector wage bill, increased wage payments by 15.5 per cent.

4.11. Table 4.8 summarises the total wage payments by various domains of the public sector. The wage bill of parastatal bodies recorded the highest increase of 35.6 per cent. The Central Government increased its wage payments by 16.1 per cent, while wage bill of Local Government increased by 6.0 per cent compared with 16.3 per cent increase in 1988 - a result of contraction in employment to ease the financial burden of the authorities.

4.12. Data in Table 4.9 show that overall, average wage earnings increased by 12.0 per cent in 1989 compared with 12.7 per cent in 1988. Average earnings in the public sector were higher than those in the private sector for all activities except manufacturing and building and construction. Employees in parastatals and Local Government, who had experienced decline in average earnings in 1988, benefitted from high rates of increase of 23.7 per cent and 11.1 per cent, respectively.

4.13. Between 1984 and 1989, above average increases in the private sector earnings were recorded in mining and quarrying and agriculture and forestry industries. Increases in public sector employment were recorded for all activities except mining and quarrying which declined by 60.0 per cent, although it was partly compensated by private sector employment in the industry. Kenya Fluorspar Company, a public owned company, decreased its employment by 57.0 per cent between 1984 and 1989. Examination of memorandum items reveals that in the public sector, the highest growth in employment was recorded by the Teachers Service Commission whilst Local Government recorded a marginal increase. Details of changes in employment and earnings by sector and industry are shown in Table 4.10.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1986-1989

Table 4.7 *K£million*

	1986	1987	1988	1989*
PRIVATE SECTOR:				
Agriculture and Forestry	72.0	82.6	94.7	102.3
Mining and Quarrying	1.3	2.3	2.4	3.6
Manufacturing	170.8	196.0	231.2	248.5
Electricity and Water	-	0.3	0.3	0.4
Construction	23.8	27.5	35.4	42.1
Wholesale and Retail Trade, Restaurants and Hotels	139.1	159.1	197.2	222.6
Transport and Communications ..	33.9	37.7	46.0	48.6
Finance, Insurance .Real Estate and Business Services	96.0	107.3	132.5	151.7
Community, Social and Personal Services	108.1	130.7	156.4	166.2
TOTAL PRIVATE SECTOR	644.8	743.4	896.0	985.9
PUBLIC SECTOR:				
Agriculture and Forestry	35.4	37.4	50.4	52.5
Mining and Quarrying	3.2	1.2	1.5	1.7
Manufacturing	42.0	46.5	37.1	64.7
Electricity and Water	26.7	35.9	42.5	52.4
Construction	25.8	28.0	30.3	40.9
Wholesale and Retail Trade, Restaurants and Hotels	10.7	15.6	17.0	19.6
Transport and Communications ..	75.9	85.6	97.7	111.1
Finance, Insurance ,Real Estate and Business Services	52.8	57.4	67.8	75.8
Community, Social and Personal Services	476.0	497.0	600.7	693.8
TOTAL PUBLIC SECTOR	748.5	804.7	944.8	1,112.5
TOTAL PUBLIC AND PRIVATE ..	1,393.3	1,548.1	1,840.8	2,098.4

** Provisional.*

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1986 - 1989

Table 4.8 *K£million*

	1986	1987	1988	1989*
Central Government	320.4	353.7	442.3	513.7
Teachers Service Commission ..	180.0	196.5	215.8	238.2
Parastatal Bodies**	146.3	147.2	161.3	218.8
Majority Control by the Public Sector	53.6	58.1	68.2	81.1
Local Government	48.2	49.3	57.2	60.7
TOTAL	748.5	804.7	944.8	1,112.5

**Provisional.*

***Includes Kenya Railways Corporation, Kenya Airways Ltd., Kenya Ports Authority, Kenya Posts and Telecommunication Corporation, etc. The series has been revised.*

4.14. Real average earnings per employee by sector and industry are shown in Table 4.11 and Table 4.12. Persistent inflationary pressure worsened by the continuous depreciation of the Kenya Shilling, increases in producer prices of agricultural products and decontrol of prices of essential commodities have eroded real earnings. Real average earnings increased by 1.3 per cent in 1989 compared with a 1.9 per cent increase in 1988. Private sector real

earnings increased by 1.2 per cent with electricity and water recording a significant increase of 36.9 per cent. However, agriculture and forestry; manufacturing; trade, restaurants and hotels;and transport and communications recorded declines in real earnings. Public sector real earnings increased by a higher rate of 1.5 per cent, with decreases in community, social and personal services, agriculture and forestry activities transport and communications and finance, insurance, real estate and business services. Real earnings, in general, were higher in public sector except in building and construction.

Table 4.9 AVERAGE WAGE EARNINGS PER EMPLOYEE, 1986-1989 *K£ per annum*

	1986	1987	1988	1989*
PRIVATE SECTOR:				
Agriculture and Forestry	373.1	415.9	478.9	527.1
Mining and Quarrying	543.3	620.2	725.4	1,022.9
Manufacturing	1,270.5	1,420.9	1,622.2	1,737.7
Electricity and Water	-	1,371.2	1,537.8	2,100.0
Building and Construction	957.1	1,147.7	1,174.8	1,312.5
Trade, Restaurants and Hotels ..	1,573.5	1,707.0	2,028.0	2,189.1
Transport and Communications ..	1,710.6	1,918.7	2,228.2	2,148.7
Finance, Insurance .Real Estate and Business Services	2,375.7	2,686.3	2,971.1	3,348.6
Community, Social and Personal Services	891.5	1,008.9	1,075.7	.1,221.9
TOTAL PRIVATE SECTOR	1,029.8	1,143.5	1,298.7	1,453.3
PUBLIC SECTOR:				
Agriculture and Forestry	638.4	688.2	807.4	831.9
Mining and Quarrying	2,136.0	2,322.1	2,324.0	2,750.0
Manufacturing	1,162.7	1,261.4	986.1	1,646.1
Electricity and Water	1,468.3	1,870.1	2,028.8	2,361.7
Building and Construction	836.3	874.2	929.3	1,158.6
Trade, Restaurants and Hotels ..	1,692.6	1,892.8	2,024.5	2,274.4
Transport and Communications ..	1,825.7	1,928.2	2,187.5	2,374.6
Finance, Insurance .Real Estate and Business Services	3,388.1	3,517.3	3,957.9	4,120.7
Community, Social and Personal Services	1,227.3	1,239.0	1,392.9	1,554.6
TOTAL PUBLIC SECTOR	1,256.8	1,303.8	1,456.9	1,634.6
TOTAL PRIVATE AND PUBLIC SECTOR ..	1,141.3	1,222.7	1,378.5	1,544.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,233.5	1,289.2	1,634.8	1,829.5
Teachers Service Commission ..	1,097.6	1,135.9	1,166.3	1,221.0
Parastatal Bodies**	1,610.4	1,659.2	1,639.1	2,027.3
Majority Control by the Public Sector	1,336.0	1,479.8	1,506.2	1,973.0
Local Government	1,116.0	1,131.8	1,130.7	1,256.1
TOTAL PUBLIC SECTOR	1,256.8	1,303.8	1,456.9	1,634.6

**Provisional.*

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

4.15. *Small Scale Enterprises* - The figures presented in Table 4.13 and Table 4.14 have been derived from "Small-Scale Enterprises Survey". From 1973 to 1979, the survey covered only Nairobi, Mombasa, Nakuru and Kisumu; but after 1979 all urban centres with over 2,000 population, as reported in the 1979 Population Census (excluding North-Eastern Province), are being covered. The Survey has had a serious draw-back of under-coverage, with the increase of the

number of urban areas with more than 2,000 population since the 1979 Census and omission of informal sector activities in the small centres below 2,000 population. Rural non-farm employment has also been under-estimated due to conceptual reasons as well as inadequate coverage. The figures presented should, therefore, be read with caution. Plans are underway to revise the surveys in order to correct for under-coverage.

4.16. Despite the under-coverage mentioned above, the data presented indicate strong growth in recent years. The support the small scale enterprises sector has continued to receive in terms of infrastructure availability, credit, provision of appropriate technology and continued expansion of marketing opportunities, have all had a positive impact in job creation in the sector. Overall, the sector recorded a significant growth rate of 12.6 per cent, much higher than the 10.9 per cent and 11.0 per cent recorded in 1988 and 1987, respectively. In 1989, the sector created a total of 43,719 new jobs. The sector's capacity to create jobs at a faster rate far outpaced that of the formal sector which grew at a rate of 2.4 per cent.

4.17. The regional and sectoral breakdown of persons engaged in the small scale enterprises sector indicates that both the urban and rural small scale enterprises sub-sector, expanded at the same rate, as opposed to previous years when the growth rate in the rural sub-sector was slightly faster than that in the urban areas. Nairobi has continued to record the largest number of persons employed in the small scale enterprises, and accounted for 23.8 per cent of persons engaged in the sector. Intra-sectoral analysis reveals that wholesale and retail trade, hotels and restaurants continue to be the largest employer of persons engaged in this sector. The potential of this sector to create jobs is yet to be fully realised.

Consumer Prices

4.18. Inflation rate, as measured by Nairobi Consumer Price Indices, is set out in Table 4.15. In both 1988 and 1989, inflation stabilised at double digit level of 10.7 per cent and 10.5 per cent, respectively. By March 1990, inflation accelerated and rose to 11.3 per cent. The first quarter of the year was characterised by a series of price increases for basic food items, postal and telecommunications charges, petrol, soap, toothpaste, coffee, cigarettes and beer.

4.19. The continuous depreciation of the Kenya Shilling has led to higher prices for imported raw materials, capital and final consumer goods and subsequently to persistent domestic inflation. Inflationary pressures have also been worsened by decontrol measures announced in May, 1988 which have had both direct and indirect impacts on the prices of final consumer goods. However, there has been no steep acceleration of inflation since prices have been decontrolled in a gradual manner. The policy of reducing growth in money supply is also aimed at controlling price rises. Similarly, new tax measures to reduce the budgetary deficit and lower tariffs on raw materials and intermediate goods are intended to partly offset effects of inflation on domestic production.

4.20. Nairobi indices for food, rent, other items and for all groups shown in Table 4.16 indicate that in 1989 the food index recorded significantly large

Increases of 9.2 per cent and 12.6 per cent for the Lower, Middle,and Upper income groups, respectively. The decontrol of prices of inputs of final goods, farm machinery and related spare parts have led to increased farming costs, necessitating the Government to revise upwards producer prices and consequently consumer prices of basic food items which are still under price control. Price increases for wheat, wheat flour, maize, rice, milk, bread and tea leaves were announced in April, 1989.

4.21. Marked increases were also recorded in drinks and tobacco; fuel and power; health and personal care; and transport and communications indices for all income groups. Increases in prices of wines, spirits and beer during the first quarter of the year together with the decontrol of soft drinks and beer prices in Class 'D' hotels announced in November contributed to the substantial rise in the drinks and tobacco index. The November increase in petrol prices and the three increases in bus fares during the year had an impact on the transport and

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS 1989/84-1989/88.

Table 4.10	EMPLOYMENT		AVERAGE	EARNINGS
	1989*/1984	1989*/1988	1989*/1984	1989*/1988
PRIVATE SECTOR:				
Agriculture and Forestry	7.0	-1.7	76.1	10.1
Mining and Quarrying	34.6	6.1	117.1	41.0
Manufacturing	19.5	0.8	56.4	7.1
Electricity and Water				36.6
Building and Construction	18.4	7.0	51.9	11.7
Trade, Restaurants and Hotels	28.4	3.8	62.0	7.9
Transport and Communications	12.4	5.6	48.0	-3.6
Finance, Insurance .Real Estate and Business Services	18.3	2.5	65.4	12.7
Community, Social and Personal Services	24.1	0.7	65.6	13.6
TOTAL PRIVATE SECTOR .	17.4	1.1	66.9	11.9
PUBLIC SECTOR				
Agriculture and Forestry	16.6	0.5	58.8	3.0
Mining and Quarrying	-60.0		28.3	18.3
Manufacturing	17.7	4.5	54.0	66.9
Electricity and Water	26.9	9.9	104.7	16.4
Building and Construction	59.7	8.3	28.1	24.7
Trade, Restaurants and Hotels	53.6	2.4	39.1	12.3
Transport and Communications	37.6	2.2	50.4	8.6
Finance, Insurance .Real estate and Business Services	55.9	7.6	58.9	4.1
Community, Social and Personal Services	23.5	3.7	53.3	11.6
TOTAL PUBLIC SECTOR	25.7	3.8	54.1	12.2
	21.4	2.4	60.9	12.0
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	21.5	3.8	78.6	11.9
Teacher's Service Commission	47.6	5.4	33.7	4.7
Parastatal Bodies** ..	13.1	3.8	63.7	23.7
Majority Control by the Public Sector	38.2	7.1	39.1	11.1
Local government	1.3	-4.5	37.5	11.1
TOTAL PUBLIC SECTOR	25.7	3.8	54.1	12.2

**Provisional*

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

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1986-1989

Table 4.11 — *K£ per annum*

	1986	1987	1988	1989**
PRIVATE SECTOR:				
Agriculture and Forestry	105.2	109.6	114.0	113.5
Mining and Quarrying	153.3	163.4	172.7	220.3
Manufacturing	358.3	374.4	386.2	374.2
Electricity and Water	-	294.4	330.3	452.2
Building and Construction	269.9	302.4	279.7	282.6
Trade, Restaurants and Hotels ..	443.7	449.8	482.9	471.4
Transport and Communications ..	482.4	533.7	530.5	462.7
Finance, Insurance ,Real Estate and Business Services	670.0	707.9	707.4	721.1
Community, Social and Personal Services	251.4	265.9	256.1	263.1
TOTAL PRIVATE SECTOR	290.4	301.3	309.2	312.9
PUBLIC SECTOR:				
Agriculture and Forestry	180.0	181.3	192.2	179.1
Mining and Quarrying	602.4	611.9	553.3	592.2
Manufacturing	327.9	332.4	234.8	354.5
Electricity and Water	414.1	492.8	495.9	508.5
Building and Construction	235.8	230.4	221.3	249.5
Trade, Restaurants and Hotels ..	477.3	4988	482.0	489.8
Transport and Communications ..	514.9	508.1	520.8	511.3
Finance, Insurance ,Real Estate and Business Services	955.5	926.8	942.4	887.3
Community, Social and Personal Services	346.1	326.5	433.2	334.8
TOTAL PUBLIC SECTOR	354.4	343.6	346.9	352.0
TOTAL PRIVATE AND PUBLIC	321.9	322.2	328.2	332.5
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	347.9	339.7	389.2	393.9
Teacher's Service Commission ..	309.5	299.3	277.7	262.9
Parastatal Bodies***	454.1	437.2	390.3	436.5
Majority Control by the Public Sector	390.9	389.9	358.6	360.2
Local government	314.7	298.2	269.2	270.5
TOTAL PUBLIC SECTOR	354.4	343.6	346.9	352.0

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

***Provlsional.*

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

communications index. Charcoal prices rose throughout the year; whilst paraffin and gas prices were increased in September, 1989, affecting the fuel and power index.

4.22. Table 4.17 sets out Consumer price indices for the urban centres of Mombasa, Kisumu and Nakuru. Inflation rates of 12.5 per cent for Mombasa, 9.5 per cent for Nakuru and 6.5 per cent for Kisumu were recorded. Analysis of quarterly data for these urban centres shows that significant increases were recorded in the food; drinks and tobacco; fuel and power; and transport and communications groups for both Mombasa and Nakuru. Kisumu recorded lower price increases which were moderately spread over all groups. The food index,

in particular, increased by 9.9 per cent, 7.8 per cent, and 4.6 per cent for Mombasa, Nakuru and Kisumu, respectively. Food, being a significant component in the expenditure patterns for these urban centres had a substantial impact on their Consumer Price Indices.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1986 -1989

Table 4.12 ***Percentage***

	1986	1987	1988	**1989***
Wage employment	3.1	3.9	4.1	2.4
Average earnings at current prices	8.8	7.1	12.7	12.0
Consumer prices**	5.7	7.1	10.7	10.5
Real average earnings	3.0	0.1	1.9	1.3

***Provisional.**

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

SMALL-SCALE ENTERPRISES, 1986-1989

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.13 ***Number***

Province	1986	1987	1988	1989
Nairobi	68,105	75,279	83,319	92,828
Central	44,602	49,855	56,486	63,836
Nyanza	35,563	39,147	43,007	48,603
Western	19,456	21,323	23,373	26,414
Rift Valley	51,767	57,269	63,070	71,277
Eastern	29,498	32,630	35,924	40,598
Coast	32,122	36,656	41,055	46,397
TOTAL	281,113	312,159	346,234	389,953
Of which				
Urban	182,687	202,125	223,056	251,221
Rural	98,426	110,034	123,178	138,732

SMALL-SCALE ENTERPRISES, 1986 - 1989

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 ***Number***

Activity	1986	1987	1988	1989
Manufacturing	49,899	58,424	66,096	74,441
Construction	37	38	40	49
Wholesale and Retail Trade, Hotels and Restaurants	185,905	200,714	219,131	246,799
Transport and Communications	4,746	5,076	5,540	6,239
Community, Social and Personal Services	40,526	47,907	55,427	62,425
TOTAL	281,113	312,159	346,234	389,953

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1986/85 - 1989/88

Table 4.15

Income Group	1986/1985	1987/1986	1988/1987	1989/1988
Nairobi Lower Income Index	4.0	5.1	8.3	9.8
Nairobi Middle Income Index.. ..	7.7	8.3	12.0	10.9
Nairobi Upper Income Index	5.3	7.8	11.8	10.9
Average Increases for 12 Months ..	5.7	7.1	10.7	10.5

***** For purpose of the index:

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

NAIROBI CONSUMER PRICE INDICES*, 1985-1989

Table 4.16 ***Jan-June 1975= 100***

Income Group/Year	Food	Rent	Others	All Groups
LOWER INCOME:				
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
1989	424.5	537.7	450.0	463.2
MIDDLE INCOME:				
1985	306.3	369.6	327.0	328.2
1986	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
1989	393.6	535.5	552.8	475.7
UPPER INCOME:				
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
1989	421.2	454.6	471.6	454.2

The indices are annual averages.

CONSUMER PRICE INDICES* FOR MOMBASA, KISUMU AND NAKURU, 1985 - 1989

Table 4.17 ***1976=100***

Year		Mombasa	Kisumu	Nakuru
1985	Annual Average	283.8	286.3	276.0
1986	Annual Average	291.9	295.5	282.9
1987	Annual Average	316.5	327.2	301.6
1988	Annual Average	352.2	356.1	331.6
1989	March	371.7	367.0	344.8
	June	386.6	375.6	359.9
	September	387.8	377.0	365.9
	December	438.3	398.0	385.5
	Annual Average	396.1	379.4	364.0

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

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

The monetary stability, restored in 1988, was slightly disturbed in 1989 as money expanded by 13 per cent after an increase of only 8 per cent in 1988. Total domestic credit growth stagnated at 7 per cent for both 1988 and 1989. As a result of the monetary expansion, average liquidity ratios of commercial banks rose in the latter part of the year, and stood at 26 per cent in December, 1989. Interest rates were twice reviewed upwards during the year, but remained positive in real terms.

5.2. Key monetary indicators are highlighted in Table 5.1. Net foreign assets recorded negative positions throughout 1989, but improved from a net liability of K£194 million at the end of 1988 to a net liability of K£88 million at the end of 1989. This was an improvement of K£106 million in the holding of net foreign assets in 1989 compared with a decline of K£130 million in 1988. The improved position of net foreign assets reflects improvements in the balance of payments.

5.3. Total domestic credit rose from K£2,591 million as at December, 1988 to K£2,771 million at the close of 1989. This represents a growth rate of 7 per cent, similar to that registered for 1988, but lower than the 20 increase recorded in 1987. The modest growth in total domestic credit was largely due to continued contraction in lending to the Government, which declined by 3 per cent in 1989. This is partially explained by the Government's monetary policy aimed at reducing its borrowing from the banking system, and leaving more resources for use by the private sector. Credit to the private sector and other public entities rose by 12 per cent in 1989 compared to 17 per cent in 1988.

MONETARY INDICATORS, 1986-1989

Table 5.1

Date		Net Foreign Assets K£mn	DOMESTIC CREDIT K£m			Money** Supply K£mn	Commercial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
			Private*	Government	Total			
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	-193.73	1,707.68	883.50	2,591.18	2,140.85	24	85
1989	December	-87.92	1,913.44	857.32	2,770.76	2,417.63	26	83
1989	March	-137.14	1,693.06	846.13	2,539.19	2,170.33	27	79
	June	-139.81	1,745.65	821.73	2,567.38	2,245.01	25	81
	September	-165.30	1,780.62	950.85	2,731.47	2,327.64	27	81
	December	-87.92	1,913.44	857.32	2,770.76	2,417.63	26	83

Source *Central Bank of Kenya.*

* *Includes parastatal bodies.*

** *See Table 5.2 for Coverage.*

5.4. The expansion in money supply is reflected in the growth in both domestic credit and net foreign assets. As a consequence of the monetary expansion noted above, the liquidity ratios of commercial banks rose from 24 per

cent in December 1988 to 26 per cent in December, 1989; six percentage points above the minimum requirement of 20 per cent. The ratio of advances to deposits remained high but dropped by 2 percentage points from 85 per cent in 1988 to 83 per cent at the end of 1989.

5.5. Table 5.2 details trends in the components of money supply. Narrow money (M1) increased by 9 per cent in 1989 compared to 6 per cent in 1988. The share of M1 in total money supply has been on the decline in the last two years. From a level of 58 per cent in 1986 and 1987, the share dropped to 57 per cent in 1988, and further to 54 per cent in 1989. The increase in M1 occurred mainly in demand deposits. Quasi-money grew by 19 per cent in 1989 compared with 13 per cent and 11 per cent in 1987 and 1988, respectively. Positive real interest rates in the year may have encouraged savings and hence the growth in quasi-money.

MONEY AND QUASI-MONEY SUPPLY, 1986 - 1989

Table 5.2 ***K£million***

As at end of		Money*	Quasi-Money**	Total
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
1989	December	1,315.78	1,101.85	2,417.63
1989	January	1,254.69	949.20	2,203.89
	February	1,254.44	982.76	2,237.20
	March	1,170.64	999.69	2,170.33
	April	1,238.04	1,034.50	2,272.54
	May	1,255.49	1,047.19	2,302.68
	June	1,202.73	1,042.28	2,245.01
	July	1,247.23	1,059.49	2,306.72
	August ..	1,297.47	1,063.24	2,360.71
	September	1,233.37	1,094.27	2,327.64
	October	1,325.84	1,088.44	2,414.28
	November	1,389.56	1,129.66	2,519.22
	December	1,315.78	1,101.85	2,417.63

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

5.6. Total liabilities and assets of the banking system have been rising steadily over recent years as shown in Table 5.3. They recorded a growth rate of 12 per cent in 1989 compared with 1 per cent in 1988. Demand, savings and time deposits registered rates of growth of 13 per cent, 14 per cent and 27 per cent, respectively. The structure of assets shows some improvement in net foreign assets, and a declining trend in domestic credit to the public sector since 1987. Net foreign assets improved significantly during the first quarter; declined over the second and third quarter reaching a liability position of K£165 million by the end of the third quarter; and finally improved to a liability level of K£88 million by the end of the year.

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1985-1989

Table 5.3 K£Million

	AS AT THE END OF							
					1989			
	1985	1986	1987	1988	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1. Money:								
1.1 Demand Deposits	397.60	561.72	564.06	532.34	544.66	576.52	542.30	603.01
Call and 7 days deposits	137.55	163.26	195.97	252.32	202.89	210.06	254.43	230.04
1.2 Currency outside banks	251.88	318.56	384 38	426.81	423.09	416.15	436.64	482.73
Sub-Total	787.03	1,043.54	1,144.41	1,211.47	1,170.64	1,202.73	1,233.37	1,315.78
2. Quasi-Money:								
2.1 Savings Deposits	334.27	447.46	564.77	618.25	630.72	667.81	663.00	705.29
2.2 Time Deposits	225.15	293.28	274.13	311.13	368.97	374.47	431.27	396.56
Sub-Total	559.42	740.74	838.90	929.38	999.69	1,042.28	1,094.27	1,101.85
3. Other Items (Net)	154.33	242.49	381.62	256.60	231.72	182.56	238.53	265.21
TOTAL	1,500.78	2,026.77	2,364.93	2,397.45	2,402.05	2,427.57	2,566.17	2,682.84
ASSETS-								
4. Net Foreign Assets	-68.22	8.74	-64.15	-193.73	-137.14	-139.81	-165.30	-87.92
5. Domestic Credit								
5.1 Central Govern-ment(Net)	478.48	744.36	967.73	883.50	846.13	821.73	950.85	857.32
5.2 Private Sector	970.66	1,134.20	1,284.42	1,535.76	1,534.59	1,633.85	1,683.06	1,775.58
5.3 Other Public Bodies ..	119.86	139.47	176.93	171.92	158.47	111.80	97.56	137.86
TOTAL	1,500.78	2,026.77	2,364.93	2,397.45	2,402.05	2,427.57	2,566.17	2.682.84

Source:Central Bank of Kenya.

5.7. An analysis of the changes in the money supply and the sources of these changes is presented in Table 5.4. Total money supply recorded an increase of K£277 million which was higher than during any of the last two years, and only comparable to the 1986 position. A source of money supply that had a significant change was an increase of K£106 million in net foreign assets.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1985-1989

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

	1985	1986	1987	1988	1989
MONEY SUPPLY-					
1. Currency plus demand deposits	+ 82.70	+ 200.98	+ 98.70	+ 120.40	+ 104.31
2. Quasi-money	+ 62.46	+ 181.31	+ 98.17	+ 90.48	+ 172.47
3. Total money supply	+ 145.16	+ 382.29	+ 196.87	+ 210.88	+ 276.78
SOURCES OF CHANGES-					
4. Net foreign assets	-88.40	+ 76.96	-72.89	-129.58	+ 105.81
5. Domestic credit --					
(a) to Central Government(net)	+ 42.48	+ 265.88	+ 233.37	-84.23	-26.18
(b) to other public sector	+ 14.19	+ 19.61	+ 37.46	-5.01	-34.06
(c) to private sector	+ 123.48	+ 163.54	-49.78	+ 251.34	+ 239.82
(d) all domestic credit	+ 180.15	+ 449.03	+ 411.05	+ 162.10	+ 147.61
6. Other Items (Net)	+ 53.41	-143.70	-141.29	+ 178.36	-156.22
7. Total sources of changes	+ 145.16	+ 382.29	+ 196.87	+ 210.88	+ 276.78

5.8. Table 5.5 shows trends in the real value of certain financial aggregates, obtained by deflating nominal values using average consumer price indices. Real value of narrow money continued to decline for three consecutive years; partly due to the rising trend in the deflators and restrictive monetary policies pursued since 1986. Quasi-money and commercial banks' credit to the private sector grew by 7 per cent and 5 per cent, respectively, in real terms. Commercial banks' total credit grew from K£1,143 million in 1988 to K£1,204 million in 1989 in real terms, representing 5 per cent growth.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*, 1985-1989

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

	1985	1986	1987	1988	1989
1. Money	570.3	714.8	733.6	700.3	688.9
2. Quasi-money	405.4	507.4	537.8	537.2	576.9
3. Total liabilities of banking system	1,087.5	1,388.2	1,516.0	1,385.8	1,404.6
4. Commercial bank credit to private sector ..	703.1	776.8	823.3	887.3	928.9
5. Total commercial bank credit	887.5	1,052.2	1,162.6	1,142.7	1,204.3
6. Total liabilities of non-bank financial institutions	722.2	757.8	714.7	781.8	869.0
Memorandum Item:					
7. Line 6 as per cent of line 3	66.4	54.6	47.1	55.2	61.9

* *Deflated by average Consumer Price Indices.*

Interest Rates

5.9. Information on the principal interest rates for the last three years is presented in Table 5.6. In 1989, most interest rates were adjusted upwards twice; in April and November. Central Bank rates were all raised by 0.5 percentage point, except for discount rate for treasury bills which was reduced by 1 percentage point. Interest rates on savings deposits were raised by 2.5 percentage points, while interest rates on loans by Agricultural Finance Corporation have remained constant in the last three years reflecting the Government's commitment to support the agricultural sector. The adjustments to the interest rate structure were made with the view to bringing banks and non-bank financial institutions (NBFIs) to the same competitive level, encouraging banks to venture into long term lending and ensuring positive real rate of return on savings.

PRINCIPAL INTEREST RATES, 1987-1989

Table 5.6 *Percentage*

	AS AT 31st DECEMBER		
	1987	1988	1989
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	13.00	15.00	14.00
Advances against Treasury Bills	12.00	15.00	15.50
Bills and Notes under Crop Finance Scheme:			
Discounts •	11.25	16.00	16.50
Advances	11.50	16.00	16.50
Other Bills and Notes:			
Discounts	12.00	16.00	16.50
Advances	12.50	16.00	16.50
KENYA COMMERCIAL BANKS			
Time Deposits:			
12 months (Ksh.250,000-1,000,000)	9.50 - 10.00	12.50 - 13.00	12.50 - 13.00
Savings Deposits	11.00	10.00	12.50 - 13.50
Loans and Advances(Maximum)*	14.00	15.00	15.50
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits ..	11.00	11.00	11.00
Agricultural Finance Corporations, Loans:			
(a) Land Purchase	12.00	12.00	12.00
(b) Seasonal Crop Loan	14.00	14.00	14.00
(c) Other	13.00	13.00	13.00
Hire-Purchase Companies and Merchant Banks:			
Deposits(time)	10.00 - 13.50	10.00 - 15.00	12.00 - 15.00
Loans	18.00	18.00	18.00
Building Societies:			
Deposits	10.75 - 12.50	11.00 - 12.50	11.75 - 14.00
Loans	14.50	14.50	16.50 - 18.00

Source: Central Bank of Kenya.

** Loans and advances for less than 3 years.*

5.10. Trends in real interest rates obtained after nominal interest rates are adjusted for the rate of inflation, as measured by Nairobi Consumer Price Index, are provided in Table 5.7. All the principal rates remained positive in 1989, and were above their 1988 levels. This is in conformity with the Government's policies as set out in Sessional Paper No. 1 of 1986 stating that positive real

interest rates should be maintained and used actively to promote monetary stability and economic growth.

TRENDS IN SELECTED REAL INTEREST RATES, 1985-1989

Table 5.7 *Percentage*

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposits (min)				
	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**
	1989	**12.5**	**10.5**	**+ 2.0**
2. Commercial bank loans and advances (max)				
	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**
	1989	**15.5**	**10.5**	**+ 5.0**
3. POSB deposits* **				
	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**
	1989	**11.0**	**10.5**	**+0.5**
4. Building society loans (max)				
	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**
	1989	**18.0**	**10.5**	**+ 7.5**

**** Taken from Table 4.15.***

***** Nominal interest rate minus inflation rate, gives the appropriate measure.***

****** POSB deposits are exempt from income tax on interest earned.***

Central Bank of Kenya - Assets and Liabilities

5.11. Table 5.8 sets out the assets and liabilities of the Central Bank. Total assets and liabilities grew by 17 per cent from K£1,119 million in 1988 to K£1,304 million in 1989, which compares with 8 per cent and 11 per cent increases in 1987 and 1988, respectively. Central Bank balances with external banks continued to recover for the second year after declining in 1987 when they recorded a low level of K£172 million. The growth in the balances in 1989 was 29 per cent compared with 31 per cent growth in 1988. The Bank's investments in foreign Treasury bills continued to decline, reaching a very low level in 1989 of K£2 million. Special Drawing Rights (SDRs) holdings rose substantially to K£12 million from about K£1 million in 1988. These changes resulted in an increase in the Bank's gross foreign reserves from K£259 million in 1988 to K£335 million in 1989. However, there was a substantial decline in the holdings of foreign reserves in the third quarter of 1989. The salient feature in the composition of assets is the three-fold increase of other assets including Kenya Treasury bills and bonds from K£100 million in 1988 to K£397 million in 1989.

CENRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1985-1989

Table 5.8 K£million

ASSETS	1985	196	1987	1988	1989			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	279.95	293.00	171.79	224.32	252.53	318.37	242.95	288.73
1.2 Treasury Bills	18.33	13.07	10.83	11.98	10.59	3.66	15.62	2.25
1.3 Other Investments	29.99	27.46	24.99	22.13	21.83	32.10	32.56	32.79
1.4 Special Drawing Rights	0.65	9.45	11.98	0.65	2.14	10.69	8.21	11.50
TOTAL	328.92	342.98	219.59	259.08	287.09	364.82	299.34	335.27
2. Securities issued or Guaranteed by Kenya Government, Advances and Discounts	261.06	261.07	261.61	261.61	161.61	161.61	161.61	161.61
3. Advances to Kenya Government	160.78	264.80	449.28	497.54	489.04	437.78	466.66	410.27
4. Other Assets including Kenya Treasury Bills & Bonds ..	84.53	62.98	74.67	100.29	234.47	251.17	280.89	397.31
TOTAL ASSETS	835.29	931.83	1,005.15	1,118.52	1,172.21	1,215.38	1,208.50	1,304.46
LIABILITIES								
1. Capital and General Resources Fund	24.36	29.26	33.87	41.41	41.41	50.42	50.42	50.42
2. Currency in Circulation-								
2.1 Notes	291.48	359.07	425.08	474.96	467.94	459.54	478.51	545.67
2.2 Coins	9.13	12.07	13.70	14.37	14.36	15.23	16.01	17.25
TOTAL CURRENCY	300.61	371.14	438.78	489.33	482.30	474.77	494.52	562.92
3. Deposits-								
3.1 Kenya Government								
3.2 Kenya Banks	55.17	116.38	115.07	110.23	148.71	117.76	140.66	126.95
3.3 External Banks	408.13	349.92	296.34	405.35	384.03	433.67	431.83	446.15
3.4 Other	10.86	23.27	53.44	18.70	25.85	28.99	21.44	35.26
TOTAL	474.16	489.57	464.85	534 28	558.59	580.42	593.93	608.36
4. Revaluation Account			7.63					
5. Other Liabilities	36.16	41.86	60.02	53.50	89.91	109.77	69.63	82.76
TOTAL LIABILITIES	835.29	931.83	1,005.15	1,118.52	1,172.21	1,215.38	1,208.50	1,304.46

Source: Central Bank of Kenya.

5.12. On the liabilities side, capital and general resources fund continued to grow by registering a rise of 22 per cent, while currency grew by 15 per cent from K£489 million in 1988 to K£563 million in 1989. Practically all deposits increased in 1989; with external banks recording a growth rate of 10 per cent and Kenya Banks a 15 per cent growth rate.

Commercial Banks - Credit and Liquidity

5.13. Table 5.9 on commercial banks' lending in the form of bills discounted, loans and advances shows an increase of 18 per cent from K£1,576 million in 1988 to K£1,863 million in 1989. This rate compares with 13 per cent growth rate observed in both 1987 and 1988. Advances to the Central Government grew from less than K£1 million in 1988 to K£59 million in 1989. Although lending to parastatal bodies and other public entities has continued to decline in the last two years, overall lending to public sector (excluding portfolio investment) rose by 15 per cent in 1989, compared with a decline of 5 per cent in 1988.

5.14. Lending to the private sector, excluding community and personal services, increased by 19 per cent from K£1,368 million at the end of 1988 to K£1,624 million at the end of 1989. Agriculture, manufacturing and domestic trade continued to be the major recipients of loans from commercial banks, and obtained 18 per cent, 26 per cent, and 20 per cent, respectively, of the total private enterprises loans in 1989. Loans to financial institutions recovered after a gradual drop, while loans to community and personal services improved after declining in 1987.

5.15. As shown in Table 5.10 deposit liabilities of commercial banks expanded gradually from K£1,597 million in December, 1988 to peak at K£1,915 million in November, 1989; before falling slightly to K£1,825 million at the end of 1989. On the other hand, liquid assets recovered from K£380 million as at December, 1988 to reach a high level of K£567 million in November, before falling to K£444 million in December, 1989. Liquidity ratios fluctuated considerably during 1989 and were highest at 29 per cent in November; before declining to 26 per cent in December,partly as a result of the Government's fiscal operations aimed at mopping up excess liquidity from the system.

Non-Banking Financial Institutions

5.16. Table 5.11 shows that after stagnating between 1985 and 1987, growth in the liabilities of non-bank financial institutions started accelerating in 1988. The improvement in the operations of the institutions is mainly due to recent amendments to the Banking Act, which have helped restore public confidence in the financial intermediaries. Consequently, total liabilities of the non-bank financial institutions recovered from K£1,115 million at the end of 1987 to K£1,353 million at the end of 1988, rising eventually to K£1,660 million at the close of 1989. While deposits from central and local Government have remained fairly stable over the last three years, deposits from the private sector and other public entities rose substantially in the course of 1989. As shown in Table 5.5, total liabilities of the non-bank financial institutions constituted 62 per cent of total liabilities of the whole banking system; underlining their importance in the mobilization of savings.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES*, 1985 - 1989

Table 5.9 *K£million*

	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.
PUBLIC SECTOR:					
Central Government	0.05	4.84	3.62	0.04	59.09
Local Government	0.89	1.28	2.13	3.83	2.47
Enterprises, Parastatal bodies and other Public entities	118.63	137.82	173.16	166.61	134.11
TOTAL PUBLIC SECTOR	119.57	143.94	178.91	170.48	195.67
PRIVATE ENTERPRISES:					
Agriculture	148.39	147.11	204.72	256.02	291.73
Mining and Quarrying	8.54	8.96	4.56	5.82	9.67
Manufacturing	220.14	239.57	302.65	360.66	420.16
Building and Construction	58.70	57.34	65.90	78.96	105.97
Transport, Storage and Communication ..	36.30	47.11	43.94	55.75	63.65
Trade:					
Exports**	51.67	64.03			
Imports**	55.04	68.90			
Domestic	124.54	146.32	236.02	285.24	323.79
Financial Institutions	55.74	68.48	23.87	15.45	37.72
Other Business	120.13	167.35	294.82	309.84	370.93
TOTAL PRIVATE ENTERPRISES	879.19	1,015.17	1,176.48	1,367.74	1,623.62
COMMUNITY AND PERSONAL SERVICES*** (including non-profit making institutions)	46.22	68.94	37.53	37.90	43.97
TOTAL BILLS, LOANS AND ADVANCES ..	1,044.98	1,228.05	1,392.92	1,576.12	1,863.26

Source: Central Bank of Kenya.

* *Excludes portfolio investment by private enterprises and bank deposits placed with non-bank financial institutions.*

** *From 1987 figures on commercial banks lending for exports and imports are not readily available.*

*** *Prior to 1987 this category was classified as 'Private households'.*

5.17. Assets of the non-bank financial institutions, in the form of cash and bank deposits holdings, almost doubled between 1987 and 1988, and expanded by 24 per cent in the course of 1989. Holdings in other financial institutions also recorded a significant increase over the 1988 position. Sectoral allocation of non-bank credit in the form of portfolio investments, loans and advances shows 17 per cent increase to the private sector and 20 per cent increase to the public sector.

Financial Sector: Developments

5.18. Stability and efficiency in the financial sector were further enhanced by new regulations governing the operations of the financial intermediaries.

COMMERCIAL BANKS- DEPOSIT LIABILITIES AND LIQUID ASSETS, 1986-1989

Table 5.10

		Deposit Liabilities* K£mn	Liquid Assets** K£mn	Current Liquidity Ratio*** per cent
1986	December	1,354.88	416.40	31
1987	December	1,433.99	429.35	31
1988	December	1,596.77	380.44	24
1989	December	1,824.97	444.33	26
1989-				
	January	1,660.89	413.47	24
	February	1,688.90	419.11	25
	March	1,688.84	494.64	27
	April	1,749.31	493.28	27
	May	1,715.51	433.80	26
	June	1,723.43	421.90	25
	July	1,747.02	451.66	26
	August	1,844.74	488.21	27
	September	1,818.12	498.82	27
	October	1,886.13	504.90	27
	November	1,914.85	566.56	29
	December	1,824.97	444.33	26

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.*

Consequently, the sector continued to expand in size and rural network in the course of 1989. The number of operational commercial banks in the country stood at 24 at the end of 1989, with 219 full branches, 71 sub-branches and 169 agencies and mobile units. After consolidation of some financial institutions to form the Consolidated Bank of Kenya, non-bank financial institutions declined in number to 53 with 100 branches. Locally incorporated insurance companies, including Kenya Reinsurance Corporation, declined from 39 to 37 after one firm was refused a licence for failing to comply with various regulations stipulated in the Insurance Act, 1984 that became operational in 1987; while two were amalgamated into one. At the end of 1989 there were 207 registered hire purchase companies, 17 building societies and numerous savings and credit co-operative societies.

5.19. The Minister for Finance gazetted the Banking Act, 1989. The Act consolidates various amendments to the Banking Act, 1968. The Minister also announced the formation of the third state-owned commercial bank - the Consolidated Bank of Kenya Ltd. The bank was set up through the Deposit

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS, 1985-1989

Table 5.11

K£million

	AS AT END OF				1989			
	1985	1986	1987	1988	1st Qr	2nd Qr	3rd Qr	4th Qr
LIABILITIES:								
Deposits-								
Central and Local Government	26.92	23.28	0.88	30.22	27.83	31.90	31.34	32.75
Other Public Sector	155.04	146.82	136.97	144.28	152.97	176.40	189.49	190.53
Other Depositors	519.75	635.68	714.18	863.36	903.51	946.16	966.55	1,051.00
Other Liabilities	294.97	300.56	230.87	314.68	295.30	341.65	402.79	385.52
TOTAL LIABILITIES	996.68	1,106.34	1,082.90	1,352.54	1,379.61	1,496.11	1,590.17	1,659.80
ASSETS:								
Cash and Banks	98.91	123.52	66.24	0.34	110.50	119.41	128.39	142.26
Other Financial Institutions	75.31	98.98	68.36	91.82	96.20	122.39	108.80	140.47
Associated Companies	10.38	12.67	13.59	12.65	27.66	24.17	23.11	21.95
Investments, Bills, Loans and Advances-								
Public Sector	141.18	169.45	170.81	160.82	114.77	171.42	167.97	187.57
Private Sector	614.52	642.81	742.22	897.17	952.30	976.46	1,061.17	1,075.93
Other Assets	56.38	58.91	53.68	75.74	78.18	82.26	100.73	91.62
TOTAL ASSETS	996 68	1,106.34	1,114.90	1,352.54	1,379.61	1,496.11	1,590.17	1,659.80

Source: Central Bank of Kenya.

Protection Fund to take over banks and other financial institutions deemed likely to encounter insolvency problems. Other major developments in the course of the year were the launching of the Capital Markets Development Authority (CMDA), a corporate body formed to develop effective and efficient money and capital markets; and the floatation of shares to the public by the Standard Chartered Bank, Kenya Ltd.

CHAPTER 6 - PUBLIC FINANCE

As reflected in the themes of the last two budgets, the emphasis of the Government has been to increase efficiency in the utilization of resources in the public sector to enhance economic growth. The Government continued with its debt management policy aimed at reducing its indebtedness to the banking system through the sale of Treasury bonds to the non-banking sector.

6.2. The growing population has been putting stresses and strains on the economic infrastructure and the Government is increasingly finding it difficult to finance the continuing rise in demand for basic services from available resources. Nevertheless, a manageable budget deficit was maintained.

Overall Results

6.3. The budget out-turn for the last five fiscal years is presented in Table 6.1. During the period under review current revenue and current expenditure increased by 80 per cent and 89 per cent, respectively. Provisional figures indicate that the Government's efforts to improve the revenue base continued to yield positive results with current revenue expected to expand by K£287 million in 1989/90. This achievement was, however, largely offset by a greater expansion of current expenditure by K£472 million over the same period, thus increasing the current account deficit by K£185 million. Substantial amounts of this expenditure was used to meet higher labour costs for the Armed Forces, recurrent expenses on the anticipated double intake by the public universities and a heavier than expected recruitment for the National Youth Service. Capital expenditure is likely to increase by 56 per cent from K£417 million in 1988/89 to K£651 million in 1989/90. This is due to heavy demand for public projects during the year; among them the construction of better houses for the Police, extra facilities for the expanded universities' intake, expansion of prisons physical facilities to ease congestion and the expansion of Mombasa water supply pipeline.

6.4. Despite the Government's efforts to exert greater restraint on public expenditure, the demand for the above mentioned public projects weighed heavily on the overall deficit for 1989/90, which is provisionally projected at K£467 million. Consequently, the Government resorted to various deficit financing instruments notably, from non-inflationary sources outside the domestic banking sector in order to avoid excessive growth in domestic liquidity and money supply. Net external loans is expected to yield K£340 million in 1989/90, representing 83 per cent of the total deficit financing, up from a net out-flow of K£95 million in 1985/86. Net long-term domestic borrowing, including bonds, continued a down-ward trend and is projected to contribute K£33 million in 1989/90 from an all time high of K£221 million in 1987/88. The large increase in internal public debt redemption reflects repayment of bonds which had matured. The drop in the Government's borrowing from the banking sector has enabled banks to shift more of their lending to the private sector. Short-term domestic borrowing is expected to increase slightly from a net out-flow of K£31 million in 1988/89 to a net inflow of K£40 million in 1989/90.

6.5. An analysis of key fiscal trends between 1985/86 and 1989/90 given in Table 6.2 indicates that Government finances continued to be characterised

CENTRAL GOVERNMENT OUT-TURN OF REVENUE AND EXPENDITURE*, 1985/86 - 1989/90

Table 6.1 *K£million*

	1985/86	1986/87	1987/88	1988/89**	1989/90**	Percentage Increases 1985/86 to 1989/90
Current Revenue	1,205.55	1,386.67	1,614.31	1,886.94	2,173.74	80.31
Current Expenditure***	1,250.82	1,517.21	1,731.02	1,896.13	2,368.10	89.32
Current Surplus	-45.27	-130.54	-116.71	-9.19	-194.36	329.31
Capital Revenue	3.77	2.94	4.14	30.59	4.44	17.77
Capital Expenditure***	177.00	324.58	281.90	416.99	650.91	267.75
Net Lending***	50.52	47.95	29.32	62.69	74.84	48.14
External Grants	54.80	62.80	159.40	186.65	448.80	718.98
OVERALL DEFICIT	-214.22	-437.33	-264.39	-271.63	-466.87	117.94
FINANCING OF DEFICIT:						
External Loans (Net)	-95.00	1.45	71.45	200.00	339 60	-
Total Domestic Borrowing	204.15	406.35	225 85	88.00	72.20	-64.63
Long-term (net)	36.28	156.35	220.80	119.10	32.50	.
Short-term(net)	167.87	250.00	5.05	-31.10	39.70	.
CHANGES IN CASH BALANCES:						
Increase = +	-105.07	-29.53	32.91	16.37	-55.07	-
MEMORANDUM ITEMS:						
Public Debt Redemption	169.94	192.39	180.20	502.83	410.26	141.41
(a) External	146.00	156.27	163.00	212.27	207.07	41.83
(b) Internal	23.94	36.12	17.20	290.56	203.19	748.75

* *This Table details Kenya Governments deficit and its financing.*

Basic aggregates 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.*

by major fluctuations. The ratio of current deficit to current revenue is expected to rise to 9 per cent in 1989/90 after recording the lowest figure of under 1 per cent in 1988/89. Both ratios of the overall deficit to the current revenue and current expenditure rose slightly in 1989/90 after falling modestly in 1988/89. Net external loans and grants exceeded capital expenditure plus net lending in 1989/90.

6.6. Table 6.3 presents comparisons between budget forecasts with actual out-turns for 1986/87 to 1989/90. The table reveals considerable accuracy in forecasting of recurrent expenditure and revenue over the period. Notable discrepancies occur in budget and actual out-turns of development expenditure plus net-lending over the period 1987/88 to 1989/90, underlining the unpredictability of the pace of implementation of public projects. The same scenario is repeated on external resources with the out-turn falling by over K£154 million in 1986/87 and exceeding the budget proposals by over K£184 million in 1989/90.

6.7. Table 6.4 outlines sources of revenue on the government's current account. Gross receipts nearly doubled from K£1,212 million in 1985/86 to K£2,178 million in 1989/90. This is attributed mainly to the on-going tax reforms with emphasis on indirect taxes which alone are expected to contribute 58 per

cent of gross receipts in 1989/90. With the abolition of export tax on tea and coffee, export duty receipts became negligible.

ANALYSIS OF KEY FISCAL TRENDS, 1985/86 - 1989/90

Table 6.2

	1985/86	1986/87	1987/88	1988/89*	1989/90*
1. Current surplus/deficit as % of Current Revenue	-3.7	-9.4	-7.2	-0.5	-8.9
2. Current surplus/deficit as % of Capital Expenditure plus Net Lending	-19.9	-35.0	-37.5	-1.9	-26.8
3. Ratio of Capital Expenditure to Current Expenditure	14.1	21.4	163	22.0	27.5
4. Overall deficit as % of Current Revenue	-17.8	-31.5	-16.4	-14.4	-21.5
5. Overall Deficit as % of Total Expenditure	-13.0	-21.0	-11.9	-9.4	-13.3
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	-17.7	17.2	74.2	80.6	108.6
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	73.8	67.1	1.6	-6.5	5.5
8. Current Revenue as % of GDP at Current Market Prices	27.3	27.1	28.8	29.5	29.7
9. Total Government Expenditure as % of GDP at Current Market Prices	37.3	40.7	39.6	45.0	47.8
10. Overall Deficit as % of GDP at Current Market Prices	-4.8	-8.6	-4.7	-4.3	-6.4

* ***Provisional***

6.8. Despite its limitation to manufactured goods, sales tax contributed more than a third of total receipts in 1989/90. With the introduction of value added tax (VAT) in January 1990, which is designed to replace sales tax but include all business transactions and imports, it is hoped that the receipts from indirect taxes will improve even further. Notable growth is expected in receipts from income tax, at K£640 million in 1989/90 compared to K£512 million in 1988/89, due mainly to the introduction, in the last year's budget, of presumptive income tax on sales of selected agricultural produce.

6.9. Import duty collections by end-use category are shown in Table 6.5. Duty collections have almost doubled in four years from K£167 million in 1985 to K£309 million in 1989. This growth has been occasioned by progressive liberalisation of imports as well as a significant rise in their prices over the last few years. Thus, the total value of merchandise imports, excluding defence, also nearly doubled over the same period from K£1,195 million in 1985 to K£2,239 million in 1989. Duty collections from food, drinks and tobacco increased by 84 per cent in 1989; a consequence of increased imports of wheat and rice to supplement local production. Duty on transport equipment dropped slightly while receipts from machinery recorded a steady growth.

6.10. Table 6.6 shows excise revenue for selected commodities between 1985 and 1989. The most significant increase was revenue from sugar which registered a growth of over K£11 million in 1989. Nevertheless, cigarettes, and beer and spirits continue to be the main sources of excise revenue, the two together accounting for over K£123 million with cigarettes alone contributing 79 per cent of the total K£156 million collected in 1989. This was in spite of price

CENTRAL GOVERNMENT

COMPARISON OF BUDGET ESTIMATES WITH ACTUAL OUT-TURNS, 1986/87 - 1989/90

Table 6.3.

K£million

	1986/87			1987/88		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	1,427.80	1,389.61	-38.19	1,687.20	1,618.45	-68.75
Recurrent Expenditure	1,423.03	1,433.92	10.88	1,790.70	1,731.02	-59.68
Recurrent Balance	4.76	-44 31	-49.07	-103.50	-112.57	-9.07
Development Expenditure + Net Lending	482.55	455.82	-26 73	458.45	311.22	-147.23
External Financing (Net)**	218.70	64.50	-154.45	227.50	230.85	3.35
Balance for Domestic Financing (Net)	-259.09	-435.63	-176.79	-334.45	-192.94	141.51
	1988/89*			1989/90*		
	Budget	Actual	Difference	Budget	Actual	Difference
Recurrent Revenue	1,943.00	1,917.53	-25.47	2,222ł26	2,178.18	-44.08
Recurrent Expenditure	1,807.90	1,896.13	88.23	2.457.44	2.368.10	-89.34
Recurrent Balance	135.10	21.40	-113.70	-235.18	-189.92	45.26
Development Expenditure + Net Lending	599.85	529.68	-70.17	922.10	725.75	-196.35
External Financing (Net)**	483.75	386.65	-97.10	555.50	740.25	184.75
Balance for Domestic Financing (Net)	19.00	-121.63	-140.63	-601.78	-175.42	426.36

•Provisional.

**Includes external grants.

increases and an erosion of disposable incomes crucial to beer and cigarettes sales especially in rural areas.

CENTRAL GOVERNMENT

Table 6.4 GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1985/86-1989/90 *K£million*

	1985/86	1986/87	1987/88	1988/89**	1989/90**
DIRECT TAXATION:					
Income Tax	358.12	385.73	454.48	512.02	639.70
Other					
Total	358.12	385.73	454.48	512.02	639.70
INDIRECT TAXATION:					
Sales Tax on Domestic Manufactures	191.00	241.75	301.25	351.30	416.60
Sales Tax on imports	112.59	155.77	218.71	236.98	251.60
Import Duties***	211.84	246.71	273.69	300.98	350.80
Excise Duties	89.04	106.27	123.06	137.44	158.80
Export Duties	39.64	33.88	16.46	26.55	0.90
Business and Trading Licences ..	5.95	6.31	5 49	7.89	9.51
Licences and Fees Under Traffic Act	11.21	12.34	13.19	16.02	17.49
Other Licences and Duties on Production or Sale	47.19	51.96	47.00	54.54	64.44
TOTAL	708.46	854.99	998 85	1,131.70	1,270.14
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	20.36	22.02	26.68	40.47	35.12
Income From Property	64.77	60.54	69.55	94.90	98.71
Current Transfers	11.36	15.32	8.27	12.91	5.03
Sales of Goods and Services	38.89	43.42	51.05	76.91	101.99
Other	10.36	7.59	9.57	48.62	27.49
TOTAL	145.74	148.89	165.12	273.81	268.34
TOTAL	1,212.32	1,389.61	1,618.45	1,917.53	2,178.18
MEMORANDUM ITEM:					
Loan Repayments to Government	7.42	6.36	5.12	15.00	10.00

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

** *Provisional.*

*** *Gross collections before Export Compensation Payments.*

6.11. Further details on sources used to finance the capital account inclusive of deficit on current account are given in Table 6.7. As stated above, expenditure on capital account increased from K£480 million to K£726 million between the fiscal years ending in June 1989 and in June 1990 largely due to demand for some public projects. Net lending to parastatals and other entities picked up modestly to K£75 million in 1989/90 after falling to a low level of K£29 million in 1987/88. Net external loans and grants is expected to contribute more than K£788 million in 1989/90 to the account, thus financing part of the current account deficit in addition to the entire expenditure in the capital account.

CENTRAL GOVERNMENT

Table 6.5 IMPORT DUTY COLLECTIONS, 1985 -1989 *K£million*

END-USE CATEGORY	1985	1986	1987	1988	1989*
Food, drinks and tobacco	7.90	13.92	10.58	9.22	16.94
Basic materials	8.91	10.30	14.80	14.72	13.31
Fuels	18.32	26.80	30.02	30.14	29.53
Chemicals	27.10	31.81	42.20	54.52	58.31
Textiles	4.00	5.60	6.89	5.28	14.35
Semi-manufactures	12.40	14.41	16.26	25.16	25.66
Metals	23.80	25.60	28.77	34.78	32.68
Transport Equipment	22.50	37.32	44.52	42.61	42.70
Machinery	34.71	48.60	43.68	59.97	63.20
Miscellaneous commodities	7.81	7.90	8.47	11.08	12 34
TOTAL	167.45	222.26	246.19	287.48	309.02

* *Provisional.*

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Table 6.6 EXCISE REVENUE BY COMMODITIES, 1985 - 1989 *K£'000*

	1985	1986	1987	1988	1989*
Beer and spirits	18,934	20,316	23,889	25,975	27,929
Sugar	17,205	14,748	18,178	18,894	30,590
Cigarettes	50,652	58,192	70,701	89,803	95,711
Other commodities**	714	1,326	1,162	1,511	1,572
TOTAL	87,505	94,582	113,930	136,183	155,802

* *Provisional.*

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

CENTRAL GOVERNMENT

FINANCING OF CAPITAL EXPENDITURE AND NET LENDING, 1985/86 - 1989/90

Table 6.7 *K£million*

	1985/86	1986/87	1987/88	1988/89*	1989/90*
EXPENDITURE:					
Capital Expenditure	177.00	324.58	281.90	416.99	650.91
Net Lending	50.52	47.95	29 32	62.69	74.84
TOTAL	227.52	372.53	311.22	479.68	725.75
FINANCING:					
Surplus on Current Account	-45.27	-130.54	-116.71	-9.19	-194.36
Capital Revenue	3.77	2.94	4.14	30.59	4.44
External Loans (Net)	-95.00	1.45	71.45	200.00	339.60
External Grants	54.80	62.80	159 40	186.65	448.80
Long-Term Domestic Borrowing (Net)	36.28	156.35	220.80	119.10	32.50
SHORT TERM BORROWING-					
Cereals and Sugar Finance Corporation (Net)	-84.37	-65.00	-6.00	11.30	39.40
Treasury Bills (Net)	255.04	14.60	4.10	-37.15	-
Other Short-Term Borrowing (Net)..	-2.80	300.40	6.95	-5.25	0.30
Change in Cash Balances (decrease = +)	105.07	29.53	-32.91	-16.37	55.07
TOTAL	227.52	372.53	311.22	479.68	725.75

* *Provisional.*

Analysis of Government Expenditure

6.12. One of the crucial elements in the efforts by the Government to increase efficiency in the economy is discipline in public expenditure. The Government has continued to limit the growth in overall expenditure to enable it to maintain a manageable budget deficit. Details of expenditure on the main services are highlighted in Table 6.8. Education, defence, agriculture and health took the major share of the total Government expenditure over the period under review. Between 1986/1987 and 1989/90 total expenditure is projected to grow by 68 per cent compared to a 75 per cent increase between 1985/86 and 1988/89. Expansion of public universities' facilities and the implementation of the 8-4-4 education system resulted in a 67 per cent increase in expenditure on education between 1986/87 and 1989/90. During 1989/90 expenditure on defence doubled, while that of agriculture, forestry and fishing grew significantly by 44 per cent. The growth rate of economic services offered by the Government is expected to rise by 38 per cent in 1989/90 compared to an increase of 42 per cent in 1988/89 and a fall of 11 per cent in 1987/88. The share of economic services in total expenditure increased steadily from 19 per cent in 1987/88 to 21 per cent in 1988/89 and further to a projected share of 24 per cent in 1989/90. This indicates the Government's commitment to redirecting budget allocations to high priority areas.

6.13. Table 6.9 details economic analysis of Government expenditure from 1985/86 to 1989/90. Consumption expenditure on goods and services is expected to contribute 57 per cent of current expenditure and grew by 34 per cent in 1989/90. As already mentioned, total current expenditure expanded by 25 per cent due to an increase in salaries for the armed forces, anticipated double intake by the public universities and a higher recruitment for the National Youth Service. Public debt redemption dropped to K£410 million in 1989/90 after a high K£503 million in 1988/89, reflecting in part recent debt write-offs by several donor countries. Total expenditure grew by 22 per cent in 1989/90 compared with a 30 per cent growth in 1988/89, indicating a decrease in overall growth in expenditure as per Government's budget rationalisation policy.

Public Debt

6.14. The Government's liability on domestic and foreign debts, both funded and unfunded, (excluding short-term borrowing) is reflected in Table 6.10. Total internal debt rose by 7 per cent from K£1,164 million to K£1,241 million between June 1988 and June 1989; while total external debt declined by 4 per cent, due mainly to debt write-offs by some donor countries. Consequently, after recording a steady rise between June 1985 and June 1988, total public debt fell by K£44 million in the fiscal year 1988/89 to stand at K£3,838 million.

6.15. Table 6.11 details sources of unfunded debt, both external and internal, between June 1985 and June 1989. External debt contributions from bilateral sources fell from K£1,569 million in June 1988 to K£1,343 by June 1989 but still accounted for over 51 per cent of total unfunded debt. Substantial debts cancellation by friendly countries, notably West Germany and USA, contributed to this decline. This level of indebtedness is expected to fall further when some debt cancellation by France (Turkwell Power Project), Netherlands, Belgium and

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1986/87-1989/90

Table 6.8

K£million

	1986/87			1987/88			1988/89*			1989/90*		
	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	84.74	110.39	195.13	94.36	62.91	157.27	125.72	90.19	215.91	147.79	184.33	332.12
External Affairs	27.36	0.99	28.35	28.98	1.04	30.02	34.13	3.15	37.28	35.05	2.67	37.72
Public Order and Safety	82.36	13.76	96.12	107.73	11.82	119.55	134.17	11.55	145.72	146.79	15.65	162.44
TOTAL	194.46	125.14	319.60	231.07	75.77	306 84	294.02	104.89	398.91	329.63	202.65	532.28
Defence	144.01	22.76	166.77	217.96	26.36	244.32	108.29	29.76	138.05	258.06	27.52	285.58
Education	371.05	25.45	396.50	430.98	25.65	456.63	468.71	55.06	523.77	572.14	89.55	661.69
Health	95.54	14.73	110.27	103.97	13.96	117.93	117.47	21.05	138.52	108.84	54.17	163.01
Housing and Community Welfare	2.01	11.18	13.19	2.56	4.08	6.64	0.61	16.71	17.32	5.51	15.82	21.33
Social Welfare	30.86	53.06	83.92	36.74	50.93	87.67	37.03	35.97	73.00	34.00	35.86	69.86
ECONOMIC SERVICES:												
General Administration	12.30	12.34	24.64	21.21	59.58	80.79	21.03	83.07	104.10	27.47	153.62	181.09
Agriculture, Forestry and Fishing	132.72	101.71	234.43	78.49	69.11	147.60	82.85	92.17	175.02	91.75	159.45	251.20
Mining, Manufacturing and Construction	36.63	6.42	43.05	35.98	5.84	41.82	38.93	35.11	74.04	45.38	53.32	98.70
Electricity, Gas, Steam and Water	21.35	40.71	62.06	21.20	28.87	50.07	24.28	54.49	78.77	23.65	75.24	98.89
Road	10.58	39.88	50.46	8.45	42.99	51.44	10.11	96.61	106.72	10.58	99.71	110.29
Transport and Communications	9.33	6.50	15.83	9.53	4.07	13.60	10.53	2.17	12.70	11.9	12.72	24.68
Other Economic Services**	49.02	2.30	51.32	39.84	1.39	41.23	52.55	1.91	54.46	60.52	9.72	70.24
TOTAL ECONOMIC SERVICES	271.93	209.86	481.79	214.70	211.85	426.55	240.28	365.53	605.81	271.31	563.78	835.09
OTHER SERVICES; INCLUDING PUBLIC DEBT	516.45	0.00	516.45	580.97	0.00	580.97	998.26	0.00	998.26	945.27	0.00	945.27
TOTAL***	1,626.31	462.18	2,088.49	1,818.95	408.60	2,227.55	2,264.67	628.97	2,893.64	2.524.76	989.35	3,514.11

* 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 - 1989/90

Table 6.9 *K£million*

	1985/86	1986/87	1987/88	1988/89*	1989/90*
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES--					
Labour Costs	335.80	398.42	453.59	530.24	597.36
Other Goods and Services	354.45	414.35	483.72	467.78	744.58
TOTAL	690.25	812.77	937.31	998.02	1,341.94
SUBSIDIES**	27.35	26.50	28.96	31.10	38.04
INTEREST:					
Foreign	91.04	102.04	120.85	156.55	172.08
Domestic	175.01	198.17	249.50	306.87	333.12
TRANSFERS TO:					
Households and Unincorporated Enterprises					
including Private Non-profit Institutions	48.74	32.84	39.16	41.77	
Financial and Non-Financial Enterprises	1.03		6.95		
General Government	208.87	331.01	324.38	352.52	480.52
Rest of the World	5.81	12.28	10.25	7.00	
Funds	2.71	1.59	13.65	2.29	
TOTAL TRANSFERS	267.16	377.72	394.39	403.58	480.52
OTHERS	0.01	0.01	0.01	0.01	2.40
1. TOTAL CURRENT EXPENDITURE	1,250.82	1,517.21	1,731.02	1,896.13	2,368.10
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	150.50	283.72	242.00	372.82	588.41
Capital Transfers	26.50	40.86	39.90	44.17	62.50
TOTAL	177.00	324.58	281.90	416.99	650.91
3. NET LENDING:					
Purchase of Equity in Enterprises	10.48	7.87	7.13	16.72	29.35
Loans to Households, Enterprises and					
General Government Agencies	47.46	46.44	27.30	60.97	55.49
Less Loan Repayments to Government	-7.42	-6.36	-5.11	-15.00	-10.00
TOTAL	50.52	47.95	29.32	62.69	74.84
4. PUBLIC DEBT REDEMPTION	169.94	192.39	180.20	502.83	410.26
5. Total Expenditure (1+2+3+4)	1,648.28	2,082.13	2,222.44	2,878.64	3,504.11
MEMORANDUM ITEM:					
Export Compensation	27.30	25.43	28.70	31.00	38.00

* *Provisional.*

** *Includes Export Compensation.*

CENTRAL GOVERNMENT

PUBLIC DEBT, 1985 - 1989

Table 6.10 *K£million*

As at 30th June	Public Debt*								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
1985		681.00	681.00	1,542.58	10.00	1,552.58	1,542.58	691.00	2,233.58
1986		712.94	712.94	2,029.00	10.00	2,039.00	2,029.00	722.94	2,751.94
1987		863.18	863.18	2,280.65	10.00	2,290.65	2,280.65	873.18	3,153.83
1988		1,154.39	1,154.39	2,717.41	10.00	2,727.41	2,717.41	1,164.39	3,881.80
1989		1,231.00	1,231.00	2,596.57	10.00	2,606.57	2,596.57	1,241.00	3,837.57

**Excludes Short-term borrowing.*

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT, 1985-1989

Table 6.11 *K£million*

Outstanding as at 30th June	1985	1986	1987	1988	1989
EXTERNAL DEBT:					
Lending Countries:					
West Germany	123.50	182.63	241.37	279.56	0.00
Japan	82.70	140.57	179.80	235.61	299.62
France	44.07	85.89	121.14	201.19	163.41
U.S.A	122.23	137.22	139.05	149.58	76.10
Netherlands	48.51	68.13	88.33	87.18	93.74
Denmark	21.10	31.75	43.42	38.61	55.81
Finland	1.91	2.63	3.04	4.16	2.13
Other	338.53	524.33	544.66	572.64	652.29
Total	782.55	1,173.15	1,360.81	1,568.53	1,343.10
International Organizations:					
I.B.R.D	332.80	367.12	380.00	391.89	398.82
I D A	334.32	367.00	399.83	515.06	628.66
African Development Bank	25.00	42.84	67.18	86.10	105.75
O.P.E.C	8.40	9.08	9.07	11.31	13.77
E.E.C	22.31	29.53	42.47	50.45	63.34
I.M.F	29.20	26.77	10.54	65.80	4.73
Arab League	2.70	2.55	2.37	2.39	2.53
Badea	3.60	3.51	0.34	3.57	3.96
I.F.A.D	1.70	3.29	3.05	3.12	6.58
C.D.C	-	4.16	5.00	7.83	7.44
A D.F	-	-	-	11.36	17.89
Total	760.03	855.85	919.85	1,148.88	1,253.47
Total External	1,542.58	2,029.00	2,280.66	2,717.41	2,596.57
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 ..	1,552.58	2,039.00	2,290.66	2,727.41	2,606.57

Sweden are effected. The World Bank, and its subsidiary the International Development Agency (IDA), continued to be the major multilateral lenders with the latter accounting for over 51 per cent of all such funds in 1989. The African Development Bank (ADB), Africa Development Fund (ADF), E.E.C., O.P.E.C, and the Commonwealth Development Corporation (CDC) continued to increase their fund allocations.

6.16. Holders of public funded debt are outlined in Table 6.12. Total funded debt declined from K£713 million as at June 1986 to K£573 million as at June 1989. The National Social Security Fund (N.S.S.F.) remained the major holder of funded debt accounting for 48 per cent of total debt as at June 1989. The Central Bank maintained its second position though with a decline of K£100 million in 1989. Borrowing from commercial banks stagnated at K£5 million, after a peak of K£9 million in June 1987 reflecting a decline of 45 per cent over the

period, thus releasing more funds for use by the private sector as outlined in Sessional Paper No. 1 of 1986.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS

ON LOCAL REGISTER AS AT 30TH JUNE, 1985- 1989

Table *6.12* K£million

	1985	1986	1987	1988	1989
PUBLIC BODIES:					
National Social Security Fund	298.33	317.35	297.08	294.77	276.97
Central Government	46.43	62.41	76.73	75.79	74.46
Local Government	0.40	0.28	0.45	0.40	0.25
Kenya Post Office Savings Bank	11.39	10.97	8.91	8.86	5.12
Former E.A.Community Institutions*	25.02	25.02	21.45	20.84	15.37
Central Bank	261.65	261.65	262.76	262.76	162.76
Other Public Sector	2.74	2.46	1.16	1.16	1.16
OTHER INTERNAL:					
Commercial Banks	8.77	9.07	9.07	5.43	5.43
Insurance Companies	9.60	9.44	8.73	8.20	9.11
Other Companies	16.57	14.19	20.49	18.08	21.83
Private Individuals	0.10	0.10	0.10	0.10	0.09
TOTAL	681.00	712.94	706.93	696.39	572.55

* *And other successors*

Source: *Central Bank of Kenya.*

6.17. The debt service charges (i.e interest plus redemption) are detailed in Table 6.13. Total annual debt service charges rose steeply by 76 per cent. This was particularly apparent with respect to the internal public debt whose cost of servicing rose by more than K£331 million. This can be explained by the successive increase in interest rates offered by the Central Bank in the sale of medium-term bonds to the public enabling the Government to borrow more funds especially from the non-bank sector. External public debt servicing increased modestly by K£85 million. Consequently, the external debt service charges as a percentage of export of goods and services as shown in Table 6.14 increased by one percentage point from 17 per cent in 1988 to 18 per cent in 1989.

CENTRAL GOVERNMENT

DEBT SERVICING CHARGES*, 1985 -1989

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
1985	162.62	138.99	301.61		12.13	12.13	162.62	126.86	289.48
1986	237.04	198.95	435.99		19.72	19.72	237.04	179.23	416.27
1987	258.31	234.29	492.60		13.95	13.95	258.31	220.34	478.65
1988	283 85	266.70	550.55		11.17	11.17	283.85	255.53	539.38
1989	368 82	597.43	966.25		14.70	14.70	368.82	582.73	951.55

* *For breakdown between interest and repayments, see Table 6.1 and Table 6.9*

CENTRAL GOVERNMENT

DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1985-1989

Table 6.14

	Debt Service Charges on External Debt* (Financial Year)	Export of Goods and Services (Calender Year)	External Debt Service Charges as a Percentage of Export of Goods and Services
	K£million	K£million	
1985	162.62	1,274.84	12.76
1986	237.04	1,516.69	15.63
1987	258.31	1,399.59	18.46
1988	283.85	1,664.85	17.05
1989**	368.82	1,997.68	18.46

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

*** Provisional.*

Local Authorities

6.18. The relative inelasticity of revenue resources with respect to the increasing demand for services continued to hinder effective operations of most Local Authorities in the country. Great disparities remain in the revenue earning capacities of different Local Authorities. Local authorities have increasingly relied on property rates, cesses, licence fees, loans and the recently introduced local service charge to finance their expenditure. Needless to say, some of these avenues remain static for considerable periods despite increased operational costs occasioned by inflationary pressures and rapid population growth.

6.19. Total expenditure of local authorities comprising of 20 municipalities (including Nairobi), 22 towns, 39 county and 28 urban councils is shown in Table 6.15. There has been a general increase in expenditure by all categories of local authorities over the years. Total expenditure of the city of Nairobi is provisionally expected to rise by 45 per cent, while that of other municipalities is expected to rise by 43 per cent. Urban, Town and County councils predict a growth of 54 per cent mainly as a result of some rural market centres being upgraded to urban councils. Overall expenditure for all local authorities has grown from K£150 million to K£264 million in the last five years.

EXPENDITURE ON LOCAL AUTHORITIES, 1985/86 - 1989/90

Table 6.15 *K£million*

	MUNICIPALITIES				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Town, Urban and County Councils	Total
1985/86	77.57	54.49	132.06	18.09	150.15
1986/87	57.16	48.73	105.89	19.28	125.17
1987/88	73.41	43.72	117.13	22.02	139.15
1988/89*	68.94	75.10	144.04	37.12	181.16
1989/90*	99.72	107.28	207.00	57.05	264.05

** Provisional.*

6.20. Analysis of expenditure on main services for municipal councils between 1985/86 and 1989/90 is given in Table 6.16. Expenditure on administrative services has picked up after suffering a decline in 1986/87. Community services recorded K£50 million in 1989/90 compared with K£35 million in 1988/89 where main contributors to this rise were sanitary services and road construction and maintenance. Expenditure on economic services were mainly on provision of water and housing, with the latter increasing by 95 per cent in 1989/90 as a result of housing projects being undertaken by municipal councils in collaboration with donor agencies. Mombasa municipal council undertook major improvements and repair of council houses, two site and service schemes, and two tenant purchase housing estates. Nairobi City Commission upgraded some staff houses, constructed some new primary schools, and continued with the Third Nairobi Water Project among many other ongoing projects. Kitale on the other hand, undertook a housing estate under the Third Urban Housing Project and embarked on the improvement of its water supply system. Provisional expenditure by municipal councils is set to increase from K£144 million as at June 1989 to K£207 million by June 1990.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES, 1985/86-1989/90

Table 6.16 ***K£million***

	1985/86	1986/87	1987/88	1988/89*	1989/90*
Administration	18.31	16.75	22.36	22.79	40.48
COMMUNITY SERVICES:					
Roads	9.97	8.44	7.02	10.09	15.28
Sanitation	13.99	11.11	10.88	23.04	32.44
Other	1.52	1.91	1.58	1.87	2.35
Total	25.48	21.46	19.48	35.00	50.07
SOCIAL SERVICES:					
Education	10.84	6.68	7.95	7.91	10.33
Health	11.38	9.71	10.90	11.94	17.54
Other	1.26	0.65	0.69	1.70	1.12
Total	23.48	17.04	19.54	21.55	28.99
ECONOMIC SERVICES:					
General Administration	2.98	4.51	4.32	6.04	5.42
Water Undertakings	32.20	18.94	24.90	33.45	38.07
Housing Estates (including Staff Housing)	2458	23.26	18.82	17.06	33.36
Other	5.03	3.93	7.71	8.15	10.61
Total	64.79	50.64	55.75	64.70	87.46
TOTAL EXPENDITURE	132.06	105.89	117.13	144.04	207.00

***** ***Provisional.***

6.21. Table 6.17 and Table 6.18 give an economic analysis of expenditure and revenue by municipal councils. Current expenditure grew marginally by 12 per cent from K£80 million in 1988/89 to K£90 million in 1989/90 as a result of expenditure on labour and "other goods and services" reflecting mainly upward adjustments of personal emoluments other than increased personnel. On the other hand, current revenue increased by 56 per cent from K£73 million to K£113 million in 1989/90 (as a result of the "local service charge") enabling

municipal councils to enjoy a rare surplus on current account of K£23 million. However, capital expenditure continued to grow at a faster rate than the provision of capital revenue thus offsetting the gains registered in the current account. The registered growth of 82 per cent in capital expenditure resulted from a sharp increase in gross fixed capital formation. Thus, while capital expenditure is expected to increase by K£53 million between June 1989 and June 1990, capital revenue will increase by K£37 million, the bulk of which is being raised as loans from both local and foreign sources. Nairobi and Mombasa alone borrowed more than K£23 million locally and 10 million externally.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE, 1985/86 - 1989/90

Table 6.17 *K£million*

	1985/86	1986/87	1987/88	1988/89*	1989/90*
CURRENT EXPENDITURE:					
Labour Cost	33.30	29.71	37.09	42.21	49.09
Other Goods and Services	27.39	25.86	27.31	32.32	36.34
Transfer to Households and Enterprises	1.07	1.05	0.32	1.27	0.19
Transfer to Funds (Current) Interest ..	0.48	3.69	4.78	4.00	4.34
Total	62.24	60.31	69.50	79.80	89.96
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	54.26	31.41	32.09	46.31	98.75
Loan Repayment**	15.35	12.50	15.18	16.94	17.43
Transfer to Funds (capital)	0.21	1.67	0.36	0.99	0.86
Total	69.82	45.58	47.63	64.24	117.04
TOTAL EXPENDITURE	132.06	105.89	117.13	144.04	207.00

* *Provisional.*

** *Includes interest.*

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE, 1985/86 -1989/90

Table 6.18 *K£million*

	1985/86	1986/87	1987/88	1988/89*	1989/90*
CURRENT REVENUE:					
Direct Taxes (Rates**)	23.49	22.69	27.39	31.26	32.02
Indirect Taxes (Licences and cesses)	2.86	3.50	3.07	5.36	3.33
Income from Property	0.46	1.12	1.40	1.17	1.75
Current Transfers	0.99	0.46	0.19	0.63	0.57
Sale of Goods and Services***	24.92	26.23	45.89	34.09	75.38
TOTAL	52.72	54.00	77.94	72.51	113.05
CAPITAL REVENUE:					
Loans Raised	44.49	30.81	18.73	30.16	67.33
Loan Repayment	0.03	0.23	0.14	0.06	0.11
TOTAL	44.52	31.04	18.87	30.22	67.44
TOTAL REVENUE	97.24	85.04	96.81	102.73	180.49

* *Provisional.*

** *Paid by households and enterprises.*

*** *1989/90 includes service charge.*

6.22. Information on economic analysis of expenditure and revenue by town, urban and county councils is given in Table 6.19. While current expenditure registered a modest growth of 14 per cent between 1988/89 and 1989/90 capital expenditure more than doubled in the same period from K£12 million to K£28 million mainly as a result of growth in gross fixed capital formation. Hence despite a substantial growth in the amount of loans raised, these Local Authorities continued to suffer from a substantial deficit on their capital account.

TOWN, URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE, 1985/86-1989/90

Table 6.19 ***K£million***

	1985/86	1986/87	1987/88	1988/89*	1989/90*
CURRENT EXPENDITURE:					
Labour Cost	8.85	9.86	11.51	17.39	17.44
Other Goods and Services	4.14	4.76	5.55	6.86	9.67
Transfer to households and Enterprises	0.46	0.45	0.30	0.56	1.12
Transfer to Funds (Current)	0.39	0.30	0.16	0.34	0.40
Interest					
Total	13.84	15.37	17.52	25.15	28.63
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	3.82	3.31	4.26	10.96	27.57
Loan Repayments**	0.32	0.30	0.24	0.71	0.78
Transfer to Funds (capital)	0.11	0.30	0.00	0.30	0.07
Total	4.25	3.91	4.50	11.97	28.42
TOTAL EXPENDITURE	18.09	19.28	22.02	37.12	57.05
CURRENT REVENUE:					
Direct Taxes (Rates***)	2.11	1.00	1.19	2.27	2.21
Indirect Taxes (Licences and cesses)	10.43	8.25	7.88	9.75	7.15
Income from Property	1.39	6.71	3.73	7.87	4.53
Current Transfers	0.36	0.73	0.64	0.84	0.48
Sale of Goods and Services +	2.44	4.27	5.48	6.45	9.18
Total	16.73	20.96	18.92	27.18	23.55
CAPITAL REVENUE:					
Loans Raised	0.67	1.15	2.23	5.28	16.32
Loans Repayments	0.01	0.02	0.02	0.01	0.00
Total	0.68	1.17	2.25	5.29	16.32
TOTAL REVENUE	17.41	22.13	21.17	32.47	39.87

* *Provisional.*

** *Includes Interest.*

*** *Paid by households and enterprises.*

\+ 1989/90 includes Service Charge

CHAPTER 7 - EXTERNAL TRADE AND THE BALANCE OF PAYMENTS

Overview

The key indicators of the performance of Kenya's external trade and balance of payments in 1989, show a contrasting situation. On one hand, the trade balance worsened considerably owing to a rapid growth in imports value by some 26.8 per cent, while exports value grew by a low 7.1 per cent. On the other hand, overall balance of payments position improved remarkably to record a huge surplus of K£81 million, which is mainly attributable to large inflows of grants, tourism earnings and higher official capital inflows.

7.2. The balance of trade deficit rose from K£813 million registered in 1988 to K£1,219 million in 1989. This increase in the deficit resulted from sluggish export growth at a time when liberalization of imports coupled with sharp rise in import prices had the effect of raising the value of imports strongly. The quantum index of exports showed a decline of nearly 1 per cent mainly due to a fall in petroleum exports; while the value rose by only 7.1 per cent relative to 18 per cent depreciation of the Kenya Shilling. The large fall in the value of the Shilling also contributed to the high growth in imports value even though the 5.5 per cent increase in volume played a considerable part in this growth. The relatively modest export growth was largely accounted for by the fall in coffee earnings, following poor prices, which followed the collapse of the quota system of the International Coffee Organisation in July, 1989; a situation which has since led to a period of further price instability and generally low prices.

7.3. The poor performance in the merchandise account portrayed above, had the effect other of offsetting sectors improved contribution to the overall balance of payments position. Thus, despite better than average growth from services and higher transfers, the current account deficit increased by 49.9 per cent. Strong growth in official capital inflows, however, led to an overall balance of payments surplus of K£81 million, the highest level since 1977, compared to a deficit of K£68 million recorded in 1988. The increase in the capital inflows was due, in part, to the substantial concessional loans for the industrial sector adjustment programme received from the World Bank and other bilateral donors.

Balance of Trade

7.4. Data in Table 7.1 show that in 1989, total exports grew by 7.1 per cent, with re-exports actually recording a decline of 41.7 per cent. The value of imports rose much faster, by recording an increase of 26.8 per cent. This mixed development led to a substantial balance of trade deficit of K£1,219 million, compared with deficits of K£813 million and K£641 million in 1988 and 1987, respectively. The slow growth in export earnings was mainly due to the large fall in coffee price, by 22.8 per cent and lower export volumes of petroleum products, pyrethrum extract, cement, soda ash, fluorspar and horticultural products. Hides and skins recorded both price and quantity declines. It is notable that tea, whose export value rose by 46.8 per cent, and sisal, were the only two main exports that recorded both higher prices and higher quantities. On the imports side only two major categories of imports, artificial resins etc., and agricultural machinery and tractors, recorded declines.

BALANCE OF TRADE, 1985 - 1989

Table 7.1 *K£million*

	1985	1986	1987	1988	1989*
EXPORTS:					
Domestic Exports.. ..	785.10	957.97	753.41	917.72	999.84
Re-exports	26.33	28.88	36.45	34.16	19.90
Total .. ,.	811.43	986.85	789.86	951.88	1,019.74
IMPORTS:					
Commercial	1,153.98	1,276.03	1,346.33	1,654.45	2,097.27
Government	42.02	61.87	84.56	110.70	141.70
TOTAL	1,196.00	1,337.89	1,430.88	1,765.15	2,238.97
BALANCE OF TRADE	-384.57	-351.04	-641.02	-813.27	-1,219.23

* *Provisional*

7.5. For the first time in the last decade, trade deficit exceeded the level of export earnings. Government exports remained low despite 28 per cent growth. The decline in re-exports is attributable to petroleum fuels and related products, whose exports have fallen since 1986, after the neighbouring countries began to import refined products directly as a result of changes in the oil market structure.

Price Changes

7.6. Export price index increased for the third year in a row, for most categories except for food and live animals, which was affected by the comparatively low prices for fish, goats, maize and sugar confectionery. Better prices for cigarettes, whisky, sesame, pyrethrum extract, sisal, non-lubricant and marine oil, tallow, vegetable waxes, cement, plywood and cotton cloth assisted in pushing the export price index up by 7.6 per cent in 1989 compared to 1988. However, even with these better prices, the non-oil index rose by only 3.6 per cent when compared to 1988.

7.7. On the other hand there was a 20.7 per cent rise in import price index for all commodities in 1989 when compared to 1988. Higher prices were recorded for wines, jute and synthetic fibres, lubricants and petroleum jelly, palm oil, antibiotics and polyethylene materials, paper pulp and paperboard, tea processing machinery, passenger cars and pick-up trucks. The import price index for mineral fuel rose sharply by 34.2 per cent. When mineral fuel is excluded, the index of non-oil import prices rose by 17.7 per cent. Details of price indices are shown in Table 7.2.

Terms of Trade

7.8. The depreciation of the Shilling made imports more expensive relative to exports. Table 7.3 shows that the terms of trade for all items fell by 10.2 per cent in 1989 when compared to 1988 and for non-oil items by 11.4 per cent. The generally poor commodity prices, particularly coffee, and the higher oil prices largely explain the deterioration of the terms of trade during 1989.

PRICE INDICES, 1985- 1989

Table 7.2 *1982 = 100*

	1985	1986	1987	1988	1989
EXPORTS:					
Food and live animals	155	188	137	171	162
Beverages and tobacco	146	148	146	185	209
Crude materials, inedible	117	121	128	138	198
Mineral fuels	114	81	88	84	104
Animal and vegetable oils and fats	142	159	139	137	205
Chemicals	134	167	162	161	178
Manufactured goods	154	115	117	129	154
Machinery and transport equipment	208	322	202	293	314
Miscellaneous manufactured articles..	169	174	177	184	200
All Exports	142	152	126	145	156
Non-oil Imports	151	174	138	165	171
IMPORTS:					
Food and live animals	102	161	126	150	171
Beverages and tobacco	190	218	262	269	322
Crude materials, inedible	169	144	145	164	220
Mineral fuels	127	77	86	79	106
Animals and vegetable oils and fats	213	159	136	147	192
Chemicals	258	227	214	256	308
Manufactured goods	175	165	184	216	262
Machinery and transport equipment	156	198	198	208	239
Miscellaneous manufactured articles ..	141	137	152	193	202
All imports	155	147	149	164	198
Non-oil Imports	173	187	185	209	246

TERMS OF TRADE, 1985 - 1989

Table 7.3 *1982 = 100*

	1985	1986	1987	1988	1989
All Items	92	103	85	88	79
Non-oil Items	87	93	75	79	70

Volume Changes

7.9. Quantum indices are shown in Table 7.4. The export volume index for food and live animals rose by 10.8 per cent in 1989 as a result of higher sales of tea, coffee and sisal. Lack of a strong market for soda ash and fluorspar caused the fall of crude inedible materials by 26.1 per cent. Kenya's neighbours have found it cheaper to import petroleum products directly; a change which has contributed to a decline in the quantum index of exports of mineral fuels by 20.8 per cent in 1989. The export quantum index for animal and vegetable oils and fats had the highest rise at 66.7 per cent brought about by price increase of tallow. Non-oil exports grew by only 5 per cent, while there was 0.9 per cent decline in index for all items.

QUANTUM-INDICES, 1985-1989

Table 7.4 *1982 = 100*

	1985	1986	1987	1988	1989
EXPORTS:					
Food and live animals	114	126	125	120	133
Beverages and tobacco	231	340	235	180	186
Crude materials, inedible	116	119	121	153	113
Mineral fuels	69	89	78	96	76
Animal and vegetable oils and fats ..	201	82	116	150	250
Chemicals	106	95	99	88	108
Manufactured goods	77	99	98	130	133
Machinery and transport equipment	44	38	84	53	59
Miscellaneous manufactured articles ..	104	144	107	122	130
All Exports	99	114	110	116	115
Non-oil Exports	108	121	119	121	127
IMPORTS:					
Food and live animals	158	115	113	69	107
Beverages and tobacco	53	45	54	63	59
Crude materials, inedible	107	129	158	178	157
Mineral fuels	91	94	100	98	101
Animals and vegetable oils and fats	86	112	117	165	141
Chemicals	74	100	122	126	118
Manufactured goods	82	97	105	125	127
Machinery and transport equipment	77	104	102	134	152
Miscellaneous manufactured articles ..	83	105	107	107	128
All imports	86	101	106	119	125
Non-oil Imports	83	103	109	128	135

7.10. Higher imports of wheat and rice pushed the import quantum index for food and live animals up by 55.1 per cent in 1989. Other indices which registered substantial increases are machinery and transport equipment by 13.4 per cent, mainly because of imports of tea processing machinery, road motor vehicles and airplanes.

Composition of Exports

7.11. Table 7.5 gives a breakdown of domestic exports by broad economic category. In terms of value, exports of food and beverages for industrial declined by 15.9 per cent, while the same for household consumption rose by 29.4 per cent. Exports of industrial supplies have steadily improved over the years. Their export value in 1989 rose to K£219 million from K£194 million in 1988. Exports of machinery and capital equipment as well as non-durable consumer goods have also shown an upward trend since 1987. ' Their percentage shares in total exports have improved even though their absolute values remain low.

Table 7.5 **TOTAL EXPORTS* BY BROAD ECONOMIC CATEGORY, 1985 -1989** ***K£million***

	1985	1986	1987	1988	1989**
1. FOOD AND BEVERAGES	492.71	646.77	451.85	546.36	598.19
Primary	446.17	598.61	402.81	492.57	525.16
For Industry	233.25	391.88	196.97	248.00	208.70
For Household Consumption	212.92	206.73	205.84	244.58	316.46
Processed	46.54	48.16	49.04	53.78	73.02
For Industry	1.66	2.11	3.03	5.49	4.98
For Household Consumption	44.88	46.05	46.01	48.30	68.05
2. INDUSTRIAL SUPPLIES (Non-Food)	128.14	146.71	147.20	194.38	219.49
Primary	64.05	78.01	85.04	113.71	110.47
Processed	64.08	68.70	62.16	80.66	109.02
3. FUEL AND LUBRICANTS	126.51	106.85	101.20	118.34	114.47
Primary	0.01	0.02	0.03	-	0.03
Processed	126.50	106.82	101.18	118.34	114.45
Motor Spirit	27.05	24.39	24.56	25.45	9.06
Other	99.45	82.43	76.62	92.89	105.39
4. MACHINERY AND OTHER CAPITAL EQUIPMENT ..	2.63	4.17	4.06	5.61	6.53
Machinery and Other Capital Equipment	2.16	3.16	3.36	4.55	5.94
Parts and Accessories	0.48	1.01	0.70	1.06	0.59
5. TRANSPORT EQUIPMENT	1.57	3.23	4.14	5.34	4.52
Passenger Motor Vehicles	-	0.27	0.38	0.09	0.06
Other	0.37	0.72	0.89	1.63	2.12
For Industry	0.34	0.68	0.78	1.61	2.07
Non-Industrial	0.03	0.04	0.11	0.02	0.05
Parts and Accessories	1.19	2.24	2.87	3.63	2.34
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED ,. ..	33.37	49.95	44.72	47.52	56.54
Durable	0.64	5.13	1.30	1.36	1.31
Semi-Durable	10.37	12.40	9.13	12.71	12.15
Non-Durable	22.36	32.42	34.29	33.45	43.07
7. GOODS NOT ELSEWHERE SPECIFIED	0.17	0.29	0.24	0.18	0.10
TOTAL	785.10	957.97	753.41	917.72	999.84
PERCENTAGE SHARES:					
1. Food and Beverages	62.8	67.5	60.0	59.5	59.8
2. Industrial Supplies (Non-Food)	16.3	15.3	19.5	21.2	22.0
3. Fuel and Lubricants	16.1	11.2	13.4	12.9	11.4
4. Machinery and other Capital Equipment.. ..	0.3	0.5	0.6	0.6	0.7
5. Transport Equipment	0.2	0.3	0.6	0.6	0.4
6. Consumer Goods not elsewhere specified	4.3	5.2	5.9	5.2	5.7
7. Goods not elsewhere specified	-	-	-	-	-
TOTAL	100.0	100.0	100.0	100.0	100.0

* *Excluding Re-exports.*

** *Provisional.*

Quantities of Principal Exports

7.12. Table 7.6 shows that despite a 7.9 per cent rise in quantity of coffee exported in 1989, the quantity was still 1.9 per cent below 1987 level and 22.5 per cent below the peak level recorded in 1986. While tea maintained its upward trend with 18.1 per cent rise in 1989, petroleum products, fluorspar, and soda ash have kept fluctuating. Exports of horticultural products declined in 1989, when a 17.0 per cent decrease was registered.

QUANTITIES OF PRINCIPAL EXPORTS, 1985-1989

Table 7.6

Commodity	unit	1985	1986	1987	1988	1989*
Coffee	Tonnes	104,679	126,498	99,977	90,831	98,041
Tea		126,303	116,456	134,627	138,201	163,279
Petroleum Products	Mn. Lt	731	834	684	828	646
Pyrethrum Products	Tonnes	742	850	459	488	540
Meat products..		3,669	763	87	71	401
Sisal		40,024	31,696	27,913	30,937	32,856
Hides and Skins		10,451	13,965	16,052	17,580	10,153
Soda Ash.. ..		205,766	229,260	196,684	228,384	206,812
Fluorspar ..		60,726	41,133	45,681	98,105	81,204
Cement		485,839	495,623	353,249	346,640	313,884
Maize(raw)		17,683	227,951	247,688	167,237	110,241
Horticulture		91,453	119,177	146,602	161,754	134,178
Butter and ghee		275	423	315	225	262
Cotton(raw) ..		1,733	499	56	-	-
Wool		689	1,109	1,024	795	445
Animal feeds ..		9,731	16,966	9,723	7,532	11,238

* *Provisional.*

7.13. The drop in export quantity of horticultural products, resulted from a 19.0 percent decline in exports of fruits and vegetables, mainly beans. Pineapples, the most important single item in this group, had a slight fall in average price, but the 49.1 per cent rise in quantity offset the expected negative price impact. Lack of freight space for bulk exports, poor packaging facilities and uncertainty in the market may have played a part in reduction of horticultural exports. Exports of other manufactures (excluding cement and processed foods) rose by 20 per cent in 1989. Among them, leather and leather products, rose by 136 per cent and iron and steel by 17 per cent. Glassware exports have increased by nearly 300 per cent since 1987.

Export Prices

7.14. Average prices of exports, detailed in Table 7.7, show an unsteady market since 1985. However, prices of most products recorded increases, with price declines recorded only in the cases of coffee, hides and skins, and wattle bark.

7.15. Analysis of changes in export value and quantity shown in Table 7.8, reveals that the most impressive rise in export prices was recorded for pyrethrum products at 133.5 per cent, which resulted from increased international demand. Other notable price changes are 42.0 per cent and 31.2 per cent

recorded by metal scrap and soda ash, respectively. The 20.6 per cent rise in export prices of meat and meat products resulted in the highest rises in both value and quantity. Tea registered 24.2 per cent rise in price and 18.1 per cent rise in quantity, which contributed to 46.8 per cent increase in value. Although the price of KShs.33.30 per kilogramme of tea was 20 per cent below the 1984 price, it was the highest since 1985.

EXPORT PRICES, 1985-1989

Table 7.7 *KSh./Unit*

Commodity	Unit of Quantity	1985	1986	1987	1988	1989*
Coffee, unroasted ..	Kg.	44.07	61.43	38.93	53.89	41.62
Tea	Kg.	30.35	29.67	24.27	26.81	33.30
Petroleum Products	1,000 Lt.	3,187.15	2,373.97	2,784 78	2,664 42	3,155.53
Maize(raw)	100Kg.	140.32	128.65	157.12	259.13	282.40
Meat and meat products	Kg.	37.37	41.66	49.68	52.64	63.47
Pyrethrum Extract ..	Kg.	907.34	895.29	996.60	693.59	1,619.75
Sisal	100Kg.	721.01	690.51	708.19	771.48	989.66
Hides and Skins(undressed)	Kg.	19.11	18.06	21.02	29.70	26.76
Wattle extract.. ..	Kg.	12.21	14.54	11.32	12.98	14.38
Soda Ash	100Kg.	132.55	123.56	138.54	163.00	213.92
Fluorspar	100Kg.	133.93	117.36	105.55	119.29	156.08
Cement	100Kg.	63.49	54.00	55.88	60.02	69.77
Horticulture	Kg	13.30	13.15	12.84	14.14	16.72
Wool	Kg.	21.42	22.25	28.73	48.75	57.26
Animal feeds	100Kg.	122.77	129.07	132.40	164.50	199.70
Cotton(raw)	Kg.	22.80	21.97	17.86	39.04	-
Butter and ghee ..	Kg.	33.35	29.61	32.89	30.05	34.34
Wattle bark	100Kg.	169.93	275.70	980.74	878.33	320.40

* *Provisional.*

Composition of Imports

7.16. There was substantial increase in import values for all groups as shown in Table 7.9, which details imports classified by broad economic categories. Imports of food and beverages increased by 40 per cent, although most growth occurred in imports of items for use by industry. Imports of industrial supplies have continued to lead other imports in terms of value since 1986. These imports registered an increase of 18.1 per cent in 1989, which was lower than 36.8 per cent registered in 1988.

7.17. The importation of machinery and capital equipment increased by 15 per cent compared with 29.6 per cent in 1988. This continuing growth indicates commitment for continued servicing of old equipment and machinery as well as creation of new capital for development. The increase in imports of transport equipment was due to the importation of two airplanes, one from France and the other from the United States of America by Kenya Airways.

7.18. There was a general rise in values of imports in 1989 except for a 7 per cent fall in artificial resins, plastic materials, cellulose esters and ethers and 9 per cent decline in agricultural machinery and tractors. As shown in Table

7.10 importation of industrial machinery has, since 1985, overtaken crude petroleum as the leading group in terms of total value of imports. During the period under review, imports of industrial machinery took 20.6 per cent of the total import bill compared with 13.4 per cent for crude petroleum. Importation of grains, wheat and rice in 1989, rose by 162.4 per cent - with the value being higher than at any other time in the past. This is mainly due to a 43 per cent decline in the value of these imports in 1988, which makes the base figure low. Fertilizers and pharmaceutical products registered increases of 41.1 per cent and 28.5 per cent, respectively.

EXPORT CHANGE IN VALUE, QUANTITY AND PRICE *, 1988- 1989

Table 7.8

Commodity	VALUE K£'000			PERCENTAGE CHANGE IN		
	1988	1989**	Changes	Value	Quantity	Price
Coffee, unroasted	244,546.8	203,813.2	-40,733.6	-16.7	7.9	-22.8
Tea	185,262.7	271,899.2	86,636.5	46.8	18.1	24.2
Petroleum products	110,307.2	101,937.4	-8,369.8	-7.6	-22.0	18.4
Meat and meat products.. ..	186.2	1,272.7	1,086.5	583.6	467.0	20.6
Pyrethrum extract	11,503.3	16,691.6	5,188.3	45.1	-37.9	133.5
Sisal	11,933.8	16,258.2	4,324.4	36.2	6.2	28.3
Hides and skins (undressed)..	26,101.7	13,583.0	-12,518.7	-48.0	-42.2	-9.9
Wattle extract	4,671.7	5,472.9	801.2	17.2	5.8	10.8
Soda ash	18,613.0	22,121.0	3,508.0	18.8	-9.4	31.2
Fluorspar	5,851.6	6,337.0	485.4	8.3	-17.2	30.8
Cement	10,402.3	10,949.1	546.8	5.3	-9.4	16.2
Horticulture	114,321.7	112,145.9	-2,175.8	-1.9	-17.0	18.2
Wool	1,938.4	1,275.4	-663.0	-34.2	-44.0	17.5
Animal feeds	619.5	1,122.1	502.6	81.1	49.2	21.4
Cotton (raw)	0.7	-	-0.7	-	-	-
Butter and ghee	337.4	449.4	112.0	33.2	16.6	14.3
Wood carvings	1,938.9	2,061.7	122.8	6.3	12.2	-5.3
Metal scrap	2,079.0	2,814.4	735.4	35.4	-4.7	42.0
Wattle bark	250.8	21.6	-229.2	-91.4	-76.4	-63.5
All other Commodities	166,852.1	209,615.9	42,763.8	25.6		
TOTAL	917,718.8	999,841.7	82,122.9	8.9		

* *Excluding Re-exports*

** *Provisional*

Direction of Trade

7.19. According to data given in Table 7.11, exports to France, United Kingdom and the Netherlands rose by 21.8 per cent, 6.3 per cent and 1.8 per cent, respectively. On the other hand, exports to West Germany and Italy declined by 22.6 per cent and 17.4 per cent, respectively. Although exports to the European Economic Community (EEC) dropped by 1.3 per cent in 1989, it still remains Kenya's main export market. Exports to other African countries fell by K£16 million, due to the K£18 million decline in exports to Uganda. Exports to the Far East and Middle East, however, rose by 64.1 per cent and 24.1 per cent, respectively, indicating welcome move in diversification of export markets.

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1985 - 1989

Table 7.9 — *K£million*

	1985	1986	1987	1988	1989*
1. FOOD AND BEVERAGES	109.00	116.21	98.10	100.97	141.30
Primary	50.74	37.01	35.34	28.82	30.33
For Industry	34.49	21.50	21.63	13.95	28.00
For Household Consumption	16.25	15.51	13.71	14.87	2.34
Processed	58.26	79.20	62.76	72.14	110.97
For Industry	45.13	42.02	40.68	60.21	70.77
For Household Consumption	13.13	37.18	22.07	11.93	40.20
2. INDUSTRIAL SUPPLIES (Non-Food)	353.33	407.97	468.97	641.60	757.80
Primary	13.59	14.70	16.51	21.86	29.50
Processed	339.73	393.27	452.46	619.74	728.30
3. FUEL AND LUBRICANTS	376.19	238.55	282.42	245.91	346.68
Primary	347.96	210.48	248.27	215.75	305.42
Processed	28.23	28.07	34.15	30.17	41.27
Motor Spirit	4.69	5.81	3.15	5.93	3.04
Other	23.55	22.27	31.00	24.24	38.22
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	180.19	254.46	319.67	414.27	476.48
Machinery and Other Capital Equipment	124.44	181.00	214.76	259.57	342.20
Parts and Accessories	55.76	73.46	104.91	154.70	134.28
5. TRANSPORT EQUIPMENT	122.16	259.61	190.72	267.19	393.92
Passenger Motor Vehicles	19.35	28.94	34.61	43.24	62.74
Other	56.60	164.84	90.84	137.98	237.49
Industrial	55.39	162.50	87.98	132.44	231.88
Non-Industrial	1.21	2.35	2.86	5.54	5.61
Parts and Accessories	46.20	65.83	65.27	85.98	93.69
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED ..	53.96	59.79	70.60	93.91	116.86
Durable .. .. :.	10.60	10.03	12.22	20.96	28.62
Semi-Durable	10.61	9.44	11.76	16.66	17.68
Non-Durable	32.76	40.32	46.63	56.29	70.55
7. GOODS NOT ELSEWHERE SPECIFIED	1.18	1.30	0.41	1.30	5.93
TOTAL	1,196.00	1,337.89	1,430.88	1,765.14	2,238.97
PERCENTAGE SHARES:					
1. Food and Beverages	9.1	8.7	6.9	5.7	6.3
2. Industrial Supplies (Non-Food)	29.5	30.5	32.8	36.4	33.8
3. Fuel and Lubricants	31.5	17.8	19.7	13.9	15.5
4. Machinery and other Capital Equipment	15.1	19.0	22.4	23.5	21.3
5. Transport Equipment	10.2	19.4	13.3	151.1	17.6
6. Consumer Goods not elsewhere specified	4.5	4.5	4.9	5.3	5.2
7. Goods not elsewhere specified	0.1	0.1	-	0.1	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0

* *Provisional.*

7.20. Analysis of data in Tables 7.11 and Table 7.12 indicates that there is a high trade imbalance between Kenya and the EEC with exports totalling K£447 million relative to imports valued at K£1,013 million. As a result of increased trade within the Preferential Trade Area (PTA), imports from other African countries increased significantly by 38.5 per cent.

7.21. Importation of an airplane from the USA in 1989 boosted their exports to Kenya by 36.4 per cent. United Arab Emirates remained the largest source of crude petroleum for Kenya, and improved their 1988 performance by 25.8 per cent. Japan has remained a major source of imports of electronics, motor vehicles and spare parts. Kenya's trade with both India and Australia is slowly but steadily picking up.

7.22. Trade with African countries is detailed in Table 7.13. Even though Kenya's trade balance with African countries continued to be favourable, it dropped from K£191.1 million in 1988 to just under K£154 million in 1989. This was the result of a drop of 16.9 per cent in exports to the PTA countries accompanied by a substantial increase in imports. Exports to Ethiopia, Burundi, Somalia, Malawi, Zimbabwe, Mozambique, Angola and Lesotho, within the PTA region, Ghana and Nigeria, Reunion and Madagascar and Seychelles in the rest of Africa, expanded.

SELECTED IMPORTS, 1985-1989

Table 7.10 ***K£million***

	1985	1986	1987	1988	1989*
Crude Petroleum	344.12	207.83	245.06	210.43	299.10
Industrial Machinery (including Electrical)..	164.64	236.68	278.21	395.45	460.20
Iron and Steel	64.77	64.44	84.49	120.64	151.96
Motor Vehicle and Chassis	63.78	88.01	107.77	138.06	174.96
Petroleum Products refined	27.88	27.89	33.78	30.02	40.14
Artificial Resins and Plastic Materials, and Cellulose Esters and Ethers	37.41	41.42	56.36	80.92	75.66
Pharmaceauticals	23.31	32.67	38.22	43.73	56.18
Fertilizers	52.03	50.01	38.96	49.18	69.41
Agricultural Machinery and Tractors..	13.80	19.66	26.70	29.48	26.92
Wheat	19.07	12.06	17.51	10.00	22.81
Paper and Paper Products	15.73	20.93	21.84	36.22	47.60
Rice	0.10	12.31	5.33	2.71	10.54

* ***Provisional***

7.23. The value of imports from PTA countries increased from K£49 million in 1988 to K£60 million in 1989. Imports from Tanzania increased substantially by 119.4 per cent; while imports from Zimbabwe increased by 65.3 per cent. Imports from Zambia, Somalia and Swaziland also picked up during the year. However, the overall trade balance with other PTA member countries remains in favour of Kenya.

Balance of Payments

7.24. The balance of payments improved remarkably in 1989 when an overall surplus of K£81 million, was recorded. This compares well with the

surplus of K£73 million, in 1986 and contrasts sharply with deficits of K£104 million and K£68 million in 1987 and 1988, respectively. The remarkable up-turn is mainly attributable to large inflows of unrequited transfers, official capital inflows and tourism earnings. Substantial amounts of concessional loans for the

DESTINATION OF TOTAL EXPORTS*, 1985-1989

Table *7.11* *K£million*

	1985	1986	1987	1988	1989**
E.E.C:					
United Kingdom	135.56	143.06	133.13	186.93	198.71
West Germany	93.46	136.48	76.19	114.65	88.75
Italy	17.78	20.46	17.01	32.76	27.07
France	27.20	14.13	15.47	17.54	21.36
Netherlands	52.75	91.84	56.88	48.82	49.74
Other	19.46	34.49	36.06	52.56	61.78
TOTAL	346.21	440.46	334.74	453.26	447.41
Other Western Europe, Total ..	35.49	50.54	25.17	43.64	42.01
Eastern Europe, Total	13.74	10.66	8.87	5.97	20.12
U.S.A	54.05	85.79	42.61	46.24	49.38
CANADA	5.42	9.20	6.27	8.61	10.02
AFRICA:					
Tanzania	19.18	27.26	19.55	24.28	27.48
Uganda	70.07	72.62	69.69	83.70	65.92
Zambia	1.66	1.37	2.09	5.58	2.82
Other	116.03	110.14	128.40	130.32	130.91
TOTAL	206.94	211.39	219.73	243.88	227.13
MIDDLE EAST:					
Saudi Arabia	9.17	22.95	14.62	9.73	8.93
United Arab Emirates	2.20	4.28	2.20	2.15	2.71
Iran	0.11	0.42	2.91	0.23	0.72
Other	14.91	14.65	10.44	11.46	16.90
TOTAL	26.39	42.30	30.17	23.57	29.26
FAR EAST AND AUSTRALIA:					
Australia	2.42	3.09	3.52	4.73	5.68
Japan	6.23	8.56	7.03	13.72	12.17
India	5.12	5.89	4.28	5.46	8.59
China(Mainland)	2.38	3.97	2.75	2.63	2.68
Other	68.45	76.69	62.25	50.40	97.54
TOTAL	84.60	98.20	79.83	76.94	126.66
ALL OTHER COUNTRIES	0.96	0.85	0.16	0.75	0.67
Aircraft and Ships Stores	37.64	37.46	42.32	49.04	67.09
ALL EXPORTS	811.43	986.85	789.86	951.88	1,019.74

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

** *Provisional.*

ORIGIN OF TOTAL IMPORTS, 1985-1989

Table 7.12 *K£million*

	1985	1986	1987	1988	1989*
E.E.C:					
United Kingdom	164.26	208.94	244.12	333.69	351.04
West Germany	95.68	146.07	118.29	167.31	198.77
France	42.04	153.71	98.09	108.87	196.66
Italy	33.29	48.84	48.40	63.92	100.13
Netherlands	32.56	34.35	41.76	86.22	64.78
Other	41.34	55.85	71.08	82.20	101.51
TOTAL	409.17	647.76	621.74	842.21	1,012.89
Other Western Europe, Total ..	63.40	58.45	73.23	98.22	121.05
Eastern Europe, Total	8.21	18.77	10.72	18.75	25.57
U.S.A	66.19	65.29	101.11	88.31	164.21
CANADA	11.21	6.58	10.87	8.80	5.64
AFRICA:					
Tanzania	1.71	2.21	3.44	6.04	13.26
Uganda	2.58	2.16	0.91	1.27	1.06
Zambia	1.71	2.79	3.14	3.80	8.89
Other	22.06	29.71	35.74	41.72	49.96
TOTAL	28.06	36.87	43.23	52.83	73.17
MIDDLE EAST:					
United Arab Emirates	223.47	127.26	228.88	201.44	253.33
Saudi Arabia	49.47	38.95	16.48	15.66	42.45
Iran	48.50	19.84	-	14.90	0.13
Other	41.76	41.98	34.43	21.32	53.79
TOTAL	363.20	228.03	279.79	253.32	349.70
FAR EAST AND AUSTRALIA:					
Japan	120.01	146.28	155.66	216.56	245.53
Australia	13.52	6.07	6.69	7.83	11.30
India	15.42	18.23	18.72	28.76	41.76
China(Mainland)	10.88	12.65	14.15	19.72	19.53
Other	81.27	83.49	85.13	123.22	159.70
TOTAL	241.10	266.72	280.35	396.09	477.82
ALL OTHER COUNTRIES	5.47	9.42	9.84	6.61	8.93
Parcel Post and Special Transactions	-	-	-	-	-
TOTAL	1,196.00	1,337.89	1,430.88	1,765.15	2,238.97

* *Provisional.*

TRADE WITH AFRICAN COUNTRIES, 1985-1989

Table 7.13 — K£'000

	EXPORTS					IMPORTS				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
Preferential Trade Area-**										
Uganda	70,073	72,625	69,687	83,696	65,919	2,585	2,155	910	1,266	1,063
Tanzania	19,176	27,257	19,554	24,284	27,476	1,713	2,212	3,438	6,044	13,263
Zambia	1,658	1,366	2,091	5,584	2,822	1,712	2,788	3,143	3,803	8,894
Ethiopia	3,780	6,865	8,886	6,355	8,993	3,030	5,945	2,700	1,278	153
Burundi	8,832	8,897	11,769	11,643	6,344	1,613	2,640	2,875	3,043	365
Somalia	5,526	6,826	7,831	6,988	7,996	71	235	38	68	1,002
Rwanda	25,291	25,239	23,793	23,405	16,865	6,711	8,164	7,997	9,961	1,584
Malawi	1,368	463	473	2,495	1,032	61	94	68	286	57
Mauritius	2,953	2,541	2,184	2,327	2,867	358	216	334	325	285
Swaziland	875	1,146	1,715	1,355	1,320	4,121	2,300	2,203	4,836	5,694
Zimbabwe	750	2,455	5,783	9,337	10,706	2,624	7,475	11,040	16,291	26,945
Comoros	965	1,194	899	481	401	-	-	-	-	
Djibouti	3,988	2,527	1,490	1,096	1,025	5	1	490	55	1
Mozambique	1,156	1,997	10,424	9,065	2,239	14	701	2,327	2,163	409
Angola	-	1,517	3,834	1,019	860					3
Lesotho	29	381	937	11	262	-	2	-	-	1
TOTAL P.T.A	146,420	163,296	171,350	189,141	157,127	24,618	34,928	37,563	49,419	59,719
Other African Countries:										
Sudan	30,063	21,450	22,229	21,774	20,970	12	77	332	62	7
Zaire	6,808	11,389	11,575	10,734	6,742	2,543	1,337	963	586	150
Egypt	13,016	5,021	6,855	10,045	10,844	92	36	202	524	374
Algeria and Libya	330	385	228	227	206	-	1	2	10	1
Ghana and Nigeria	374	1,417	1,066	1,436	2,117	293	1	41	753	197
Reunion	2,867	3,000	3,093	5,795	7,477	-	4	-	-	-
Madagascar and Seychelles ..	4,000	2,310	1,153	1,860	17,838	5	25	1,928	23	117
All Other African Countries ..	3,059	3,127	2,177	2,869	3,814	493	463	2,199	1,451	12,606
TOTAL	60,517	48,099	48,376	54.740	70,008	3,438	1,944	5,667	3,409	13,452
TOTAL AFRICA	206,937	211,395	219,726	243,881	227,135	28,056	36,872	43,230	52,828	73,171
Percentage of all Exports/Imports	25.5	21.4	27.8	25.6	22.3	2.3	2.8	3.0	3.0	3.3

* Provisional.

** The Eastern and South Africa Preferential Trade Area became operational on 1st July, 1984.

industrial sector adjustment programme were received from the World Bank and other donors, in particular Japan and the African Development Bank. A sizeable amount was also received under the International Development Association (IDA) reflow facility.

7.25. In spite of the overall balance of payments surplus enjoyed in 1989, Table 7.14 shows that the current accounts deficit worsened in 1989 compared to 1988. This is due to a deterioration in adjusted merchandise transactions. The merchandise deficit widened to K£1,067 million in 1989 from K£696 million registered in 1988 or an increase of about 53 per cent. This is partly explained by the fast growth in the level of imports which in turn, was due to the continued liberalisation of import licensing as well as the weakening Kenya Shilling against the currencies of Kenya's major trading partners. On the other hand, total export earnings grew relatively slowly. The balance of invisible transactions, including transfers, improved sharply from a surplus of K£293 million in 1988 to a record surplus of K£463 million in 1989. Tourism earnings increased by 23 per cent.

7.26. More details of the balance of payments are set out in Table 7.15. Export earnings rose by K£50 million, while the adjusted import bill increased by K£420 million compared with an increase of K£264 million in 1988. Net services earnings increased by K£83 million. The growth is largely accounted for by increased tourism earnings. The inflow of grants rose by K£87 million in 1989, compared with an increase of K£131 million in 1988. Interest and dividend payments on international investment also recorded a marked growth of 13 per cent, by increasing from K£298 million in 1988 to K£336 in 1989.

7.27. There was a big rise in the capital inflows to parastatals as shown in Table 7.14. This is because of substantial loan receipts by the Kenya Airways and the Kenya Posts and Telecommunications which received about K£120 million and K£88 million, respectively.

7.28. Gross foreign reserves, as can be derived from Table 7.14 and Table 7.16, rose from K£258 million in 1988 to K£324 million in 1989. Transactions with the IMF, on a net basis stood at K£21 million in 1989 compared with K£110 million in 1988.

International Liquidity

7.29. From Table 7.16 it can be observed that total net foreign reserves of Central Bank of Kenya, excluding liabilities to the IMF, which started picking up in 1988 continued the upward trend and stood at K£311 million as at the end of December, 1989. The increase reflects the favourable balance of payments position and financial receipts under the IMF's three year Enhanced Structural Adjustment Facility (ESAF) of May, 1989. Special Drawing Rights (SDR) rose in May and then dropped sharply in July and December, 1989. This shows receipt and subsequent utilisation of about SDR 40 million in each of the two respective months under the ESAF arrangement.

7.30. As a result of adjustments, the Kenya Shilling depreciated against the SDR from SDR 1 = KShs. 24.934 in December 1988 to SDR 1=KShs. 28.584

KENYA BALANCE OF PAYMENTS. 1987-1989

Table 7.14 K£million

	1987+			1988*			1989*		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A. -CURRENT ACCOUNT									
1. Merchandise (f.o.b.)	1,334.95	747.54	Dr.587.41	1,599.20	902.84	Dr.696.36	2,019.62	952.65	Dr. 1,066.97
2. Shipment	213.72	31.39	Dr.182.33	256.02	40.68	Dr.215.34	329.38	52.29	Dr.277.09
3. Other Transportation	37.81	151.06	113.25	47.66	170.09	122.43	75.65	217.53	141.88
4. Foreign Travel	20.02	292.07	272.05	20.39	349.30	328.91	27.58	432.05	404.47
5. International Investment Income ..	259.93	30.55	Dr.229.38	304.60	7.00	Dr.297.60	347.77	12.10	Dr.335.67
6. Other goods, services and income : Government	88.28	159.86	71.58	77.11	182.97	105.86	106.40	305.98	199.58
7. Other goods, services and income Private	58.78	17.87	Dr. 40.91	77.13	19.17	Dr.57.96	81.34	17.40	Dr.63.94
8. Unrequited transfers-Government..	3.70	121.00	117.30	0.97	229.03	228.06	5.25	294.35	289.10
9. Unrequited transfers-Private	31.40	90.65	59.25	34.09	113.08	78.99	45.50	149.94	104.44
TOTAL CURRENT ACCOUNT	2,048.59	1,641.99	Dr 406 60	2.417.17	2,014.16	Dr.403.01	3,038.49	2,434.29	Dr.604.20
of which: Visible Balance	1,334.95	747.54	Dr.587.41	1,599.20	902.84	Dr.696.36	2,019.62	952.65	Dr.1066.97
Invisible Balance	71364	894.45	180.81	817.97	1,111.32	293.35	1,018.87	1.481.64	462.77
B. -CAPITAL ACCOUNT									
10.Government Long-term		162.25	162.25		256.43	256.43		389.55	389.55
11 .Private Long-term	25.29	62.33	37.04	1.97	Dr. 15.31	Dr.17.28	1.37	72.16	70.79
12.Parastatals Long-term		61.57	61.57		39.38	39.38		166.89	166.89
13.Short-term	8.47	54.78	46.31		47.55	47.55	30.95	85.12	54.17
TOTAL CAPITAL ACCOUNT	33.76	340.93	307.17	1.97	328.05	326.08	32.32	713.72	681.40
C. -ERRORS AND OMISSIONS	-		Dr. 4.94			9.22			3.32
D. -OVERALL BALANCE	-		Dr. 104.37	-		Dr.67.71			80.52
E. -MONETARY MOVEMENTS									
14.Change in reserves**	Cr. 124.55		124.55	53.02		Dr.53.02	114.15		Dr.114.15
15.Transactions with I.M.F		Dr. 51.33	Dr. 51.33		109.54	109.54		20.89	20.89
. 16.Change in other liabilities..		31.15	31.15		11.19	11.19		12.74	12.74
TOTAL MONETARY MOVEMENTS.. ..	Cr.124.55	Dr. 20.18	104.37	53.02	120.73	67.71	114.15	33.63	Dr.80.52

* Provisional.

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

\+ Revised.

in December 1989. The Kenya Shilling also depreciated against the Unit of Account of the Preferential Trade Area (UAPTA) by the same margin as the SDR. This is because the UAPTA is pegged to the SDR on a one to one basis. Thus the Shilling depreciated against both the SDR and the UAPTA by 13 per cent.

7.31. Table 7.17 shows that the nominal value of the Shilling continued to be adjusted against major currencies of Kenya's trading partners. The highest depreciations, were against the German Mark and the French Franc, by 19 per cent in both cases; followed by the US dollar by 14 per cent; and the Sterling Pound by 4 per cent. The Shilling declined only marginally, by nearly 2 per cent, against the Japanese Yen.

7.32. The trade weighted index of the Kenya Shilling against the major currencies rose from 161.7 in 1988 to 198.0 in 1989. This was a loss of 18 per cent in the value of the Shilling, the fastest annual depreciation in the last five years. The index also shows that the Shilling has depreciated by 28 per cent since 1987 and by 49 per cent since 1982 base year.

Changes In Kenya Balance Of Payments Magnitudes*, 1987-1989

Table 7.15 *K£million*

	1987	1988	1989
1. Exports (f.o.b.)* *	-201.87	+ 155.30	+ 49.81
2. Imports(f.o.b.) **	-154.85	-264.25	-420.42
3. Services(net)	-27.52	-17.96	+ 82.93
4. Transfers (net)	+ 8.70	+ 130.50	+ 86.49
5. Change on current account ..	-375.54	+ 3.59	-201.19
6. Private long term capital (net)	+ 11.81	-54.32	+ 88.07
7. Public long term capital (net)	+ 163.76	+ 71.99	+ 260.63
8. Change on basic balance (net balance on lines 5-7)	-199.97	+ 21.26	+ 147.51
9. Short term capital, errors and omissions (net) ..	+ 22.60	+ 15.40	+ 0.72
10. Net change on all above items (Monetary movements)..	-177.37	+ 36.66	+ 148.23

** 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 entries.*

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

Central Monetary Authorities: Foreign Exchange Reserves, 1985 -1989

Table 7.16 K£million

As at end of	Central Bank Of Kenya				Total Net Foreign Reserves of Central Government Authorities	Total Net Foreign Reserves of Central Monetary Authorities	General Accounts 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
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	217.32	164.93	462.60	-297.67	38.89
1988	0.65	258.42	4.16	254.91	3.64	258.55	177.02	540.43	-363.41	46.11
1989										
January	0.89	245.01	4.93	240.97	3.97	244.94	168.26	508.14	-339.88	45.65
February	1.91	264.43	4.51	261.83	3.85	265.68	168.26	498.72	-330.46	46.39
March	2.14	284.96	4.60	282.50	4.30	286. 80	168.26	491.84	-323.58	46.69
April	2.65	380.39	4.56	378.48	2.71	381.19	180.48	520.57	-340.09	47.01
May	26. 86	378.60	3.74	401.72	4.17	405.89	180.48	501.72	-321.24	47.74
June	10.69	354.12	3.71	361.10	3.66	364.76	180.48	485.04	-304.56	48.64
July	3.61	328.93	4.20	328.34	11.72	340.06	186.71	500.39	-313.68	49.39
August	6.19	283.16	20.24	269.11	11.47	280.58	186.71	489.94	-303.23	49.63
September ..	8.21	291.13	21.36	277.98	12.24	290.22	186.71	482.31	-295.60	51.37
October	25.98	233.11	23.83	235.26	12.12	247.38	186.71	475.08	-288 37	51.44
November ..	26.07	319.26	23.82	321.51	12.02	333.53	186.71	455.58	-268.87	51.95
December ..	11.50	323.77	24.08	311.19	12.21	323.40	186.71	441.01	-254.30	52.87

Source: Central Bank of Kenya.

* Excludes subscription to I.M.F.

** Figures with minus indicate use of fund credit.

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

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES, 1985-1989

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS				
	31st Dec. 1985	31st Dec. 1986	31st Dec. 1987	31st Dec. 1988	31st Dec. 1989
1 US Dollar	16.284	16.042	16.515	18.599	21.601
1 Pound Sterling	23.466	23.566	30.685	33.302	34.670
1 Deutsche Mark	6.621	8.242	10.357	10.408	12.812
1 French Franc	2.159	2.490	3.059	3.051	3.747
1 Swiss Franc	7.863	9.872	12.802	12.293	14.036
1 Dutch Guilder	5.876	7.292	9 203	9.217	11.341
1 Swedish Kroner	2.150	2.355	2.830	3.023	3.485
1 Norwegian Kroner	2.151	2.162	2 632	2.825	3.286
1 Zambian Kwacha**	2.867	1.262	2.912	..	1.033
1 Austrian Schilling	0.940	1.170	1.472	1.480	1.821
1 Belgian Franc	0.324	0.396	0.493	0.496	0.608
1 Danish Kronor	1.817	2.174	2.683	2.694	3.289
1 Canadian Dollar	11.648	11.602	12.686	16.606	18.681
1 Finish Marka	3.002	3330	4.158	4.447	5.352
1 Australian Dollar	11.106	10.655	11.911	15.897	17.162
100 Japanese Yen	8.120	10.030	13.400	14.800	15.032
100 Italian Lira	0.971	1.184	1.404	1.414	1.710
1 Indian Rupee	1.348	1.224	1.286	1.240	
1 Pakistan Rupee			..		
100 Burundi Francs**	14.540	13.882	16.475	17.615	12.552
100 Rwanda Francs**	17.370	18.940	22.474	24.032	27.829
Overall Weighted Index* 1982=100	118.300	125.800	141.800	161.700	198.000

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

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

CHAPTER 8 - AGRICULTURE

Overview

The overall performance of the agricultural sector declined slightly over the 1988 level. Value added, at constant prices, increased by 3.9 per cent compared with 4.4 per cent in 1988, despite low revenue earned from coffee exports and a decline in area under maize and other food crops. This growth was mainly attributable to favourable weather conditions in some parts of the country coupled with a rise in earnings from sales of commodities, particularly livestock and livestock products. Farmers' response to price incentives offered by the Government also contributed to this rise. The net effect of these factors resulted in increased production thereby maintaining a satisfactory food supply position in the country.

8.2. Data on agricultural output at current and constant prices is presented in Table 8.1. Total output at current prices rose by 8.8 per cent from K£2,189.0 million in 1988 to K£2,381.6 in 1989, compared to 16.9 per cent recorded in 1988. The output at constant prices increased by about 3.6 per cent compared with 4.1 per cent in 1988.

AGRICULTURAL OUTPUT AND INPUT, 1985-1989

Table8.1 *K£million*

	1985	1986	1987	1988	1989*
AT CURRENT PRICES-					
Total Output	1,562.86	1,814.05	1,873.38	2,189.03	2,381.57
Less Inputs	205.69	216.00	238.29	286.34	293.18
Value Added	1,357.17	1,598.05	1,635.09	1,902.69	2,088.39
AT CONSTANT (1982) PRICES-					
Total Output	1,142.35	1,217.32	1,246.43	1,297.84	1,345.14
Less inputs	166.96	193.93	183.86	188.59	192.63
Value Added	975.39	1,023.39	1,062.57	1,109.25	1,152.51

* *Provisional*.

Marketed Production

8.3. Table 8.2 provides data on recorded marketed production and indicates an overall improvement in output from sale of crops, livestock and livestock products. The combined effect of favourable weather, pricing and marketing incentives to farmers, as well as the liberalization of livestock prices, led to an increase in value of marketed output of 6.1 per cent in 1989. However, the increase is lower than the 15.7 per cent recorded in 1988. Revenue from sale of cereals, mainly maize and wheat, recorded a notable rise of 17.4 per cent compared with a 1.5 per cent decline in 1988. The observed decline in revenue for maize in 1988 is attributed to delays in payment of farmers, particularly during the last quarter of the year when bulk of the harvest takes place. Revenue from permanent crops grew marginally by 1.6 per cent, from K£502 million in 1988 to K£510 million, mainly due to lower revenue earned from coffee exports. Earnings from sale of livestock and livestock products grew by 4.5 per cent, and accounted for 24.9 per cent of the overall value of gross marketed production.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1985-1989

Table8.2 *K£million*

	1985	1986	1987	1988	1989*
CEREALS-					
Maize	54.56	66.50	68.09	54.18	69.89
Wheat	26.26	32.88	21.88	35.12	39.96
Others	10.19	7.82	11.07	10.23	6.98
Total	91.01	107.20	101.04	99.53	116.83
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	46.75	52.79	55.47	68.77	78.41
Pyrethrum	2.92	4.48	5.64	6.63	10.05
Others	16.24	35.45	42.26	18.04	14.15
Total	65.91	92.72	103.37	93.44	102.61
OTHER TEMPORARY CROPS	17.27	27.81	18.83	11.90	24.04
PERMANENT CROPS-					
Coffee	191.89	288.32	192.16	278.11	243.90
Tea	247.60	242.33	194.76	203.72	245.32
Sisal	15.03	15.42	13.54	13.76	16.63
Others	4.86	4.71	4.34	6.02	3.82
Total	459.38	550.78	404.80	501.61	509.67
TOTAL CROPS	633.57	778.51	628.04	706.48	753.15
LIVESTOCK AND PRODUCTS-					
Cattle and Calves..	70.36	84.26	103.87	138.88	148.98
Dairy Produce	36.26	56.51	62.08	60.67	66.21
Others	15.75	19.03	23.71	39.71	34.86
Total	122.37	159.80	189.66	239.26	250.05
GRAND TOTAL	755.94	938.31	817.70	945.74	1,003.20

* *Provisional.*

8.4. Changes in volume and value of sales to marketing boards are presented in Table 8.3. While quantum index rose by 4.1 per cent, the price index dropped marginally by 0.6 per cent during 1989; compared with increases of 7.8 per cent and 12.2 per cent, respectively in 1988. The decline in the rate of growth of quantum index as explained earlier, is due to a fall in coffee and paddy deliveries to the marketing boards and a drop in coffee prices during 1989. Livestock and products quantum index rose slightly by 0.9 per cent while the price index rose by 15.0 per cent due to significant price increases in the sector.

8.5. Table 8.4 summarizes annual average gross commodity prices paid to farmers. A striking feature of this table is the rising trend of prices for all commodities except coffee. The average price per 100kg of coffee fell from KShs.4,465 to KShs.4,312, clearly reflecting the effect of the glut in the coffee market during the year following the collapse of the International Coffee Agreement. Other commodities, such as sisal and tea, continued to enjoy better prices during 1989. As the Government continues to use price incentives to boost agricultural production it is expected that commodities which are price controlled will attract even higher prices in the future. The decontrol of livestock prices on the other hand is expected to stabilize domestic prices in the long run.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS, 1985-1989

Table 8.3 *1982 =100*

	1985	1986	1987	1988	1989*
QUANTUM INDICES-					
Cereals	93.6	104.3	92.4	86.5	97.0
Temporary Industrial Crops ..	81.7	82.0	89.1	90.9	100.1
Permanent Crops	112.2	130.9	121.4	142.9	132.0
TOTAL CROPS	110.3	128.0	119.0	130.4	131.6
Livestock and Products	82.2	92.7	105.1	126.1	127.2
TOTAL GROSS MARKETED PRODUCTION	104.6	120.8	116.2	125.2	130.3
PRICE INDICES-					
Cereals	1607	171.2	179.5	193.6	198.8
Temporary Industrial Crops ..	137 6	148.5	150.3	173.9	189.8
Permanent Crops	144 9	181.6	140.7	158.2	154.2
TOTAL CROPS	145.3	180.0	142.7	159.1	167.4
Livestock and Products	118.9	134.8	150.2	157.4	181.0
TOTAL GROSS MARKETED PRODUCTION	139.9	170.8	144.2	161.8	160.9

* *Provisional.*

AVERAGE GROSS COMMODITY PRICES* TO FARMERS, 1985- 1989

Table 8 . 4 . *KSh. per stated unit*

	UNIT	1985	1986	1987	1988	1989**
Coffee	100kg	3,972.00	5,020.00	3,662.00	4,465.00	4,312.00
Tea	..	3,366.00	3,382.00	2,500.00	2,037.19	2,717.00
Sisal	..	707.00	743.00	705.00	744.80	892.00
Sugar-cane	tonne	270.00	297.00	300.00	358.30	368.00
Pyrethrum(extract equivalent)	Kg	1,150.00	1,210.00	1,210.00	1,250.00	1,675.00
Seed Cotton	100Kg	480.00	470.00	482.00	585.89	570.50
Maize	..	187.00	198.00	209.00	214.23	223.32
Wheat	..	271.00	293.00	295.00	340.57	342.80
Rice Paddy	..	342.00	348.00	372.00	388.00	388.00
Beef(third grade).. ..	..	1,492.00	1,857.00	2,115.00	2,300.00	2,380.00
Bacon Pigs	..	1,394.00	2,057.00	2,432.00	2,200.00	2,275.00
Milk	100 litres	285.00	325.00	325.00	340.00	375.00

* *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 in Table 8.5 summarizes value of agricultural produce to marketing boards from large and small scale farmers. Value of sales from large farms increased by 1.6 per cent from K£500.4 million in 1988 to K£508.3 million in 1989. Sales by small scale farmers increased by 11.1 per cent. The small farms share of gross farm revenue increased from 47.1 per cent in 1988 to 49.3 per cent in 1989. The on-going sub-division of large scale farms into smaller holdings is expected to further boost contribution from small farms.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1985 -1989

Table 8.5

YEAR	LARGE FARMS		SMALL FARMS		TOTAL		PERCENTAGE
	K£mn.	Annual Percentage change	K£ mn.	Annual Percentage change	K£ mn.	Annual Percentage change	SHARE OF SMALL FARMS
1985	346.63	-10.30	409.31	1.70	755.94	-4.20	54.20
1986	515.53	48.80	422.79	3.30	938.32	24.10	45.10
1987	43207	-16.20	385 63	-8.80	817.70	-12.90	47.20
1988	500.41	15.80	445.33	15.50	945.74	15.70	47.10
1989*	508.32	1.58	494.88	11.13	1,003.20	6.07	49.33

** Provisional.*

8.7. Agricultural production relies heavily on the availability and cost of agricultural inputs. Data in Table 8.6 indicate that the quantum indices of most of the inputs declined in 1989 compared to 1988. There were substantial declines in quantum indices of fertilizer, fuel and power by 41.7 per cent and 19.3 per cent, respectively. Though the total value of fertilizer used increased during 1989, consumption dropped significantly reflecting probably high fertilizer prices and distribution problems prior to their decontrol. Non-factor service inputs grew by about 3.0 per cent in 1989.

AGRICULTURAL INPUT INDICES*, 1985-1989

Table 8.6 *1982=100*

	1985	1986	1987	1988	1989**
QUANTUM INDICES-					
Fertilizers	169.2	162.4	224.1	271.7	158.4
Fuel and Power	103.4	115.5	131.9	128.3	103.6
Bags	94.6	139.6	139.1	109.9	97.3
Manufactured Feeds	247.5	255.7	280.9	257.4	258.7
Purchased Seeds	111.1	145.4	109.3	92.9	122.6
Other Material Inputs	87.5	98.2	106.1	106.5	90.5
Total Material Input	132.0	143.3	162.9	177.4	161.2
Service Inputs	105.7	111.2	121.2	121.6	118.0
TOTAL INPUTS	128.9	139.5	157.9	159.9	131.6
PRICE INDICES-					
Fertillzers	128.3	151.4	151.4	155.7	167.2
Fuel and Power	164.8	122.9	127.9	140.7	147.3
Bags	137.7	157.7	159.0	159.8	158.8
Manufactured Feeds	131.8	132.4	136.5	151.6	176 6
Purchased Seeds	143.9	161.3	175.0	266.0	242.8
Other Material Inputs	77.0	91.1	102.0	117.6	129.4
TOTAL MATERIAL INPUT	121.7	123.2	129.4	147.2	153.9
NON-FACTOR SERVICE INPUTS	112.6	123.1	131.7	132.2	136.2
TOTAL NON-FACTOR INPUTS	120.7	123.2	129.6	145.5	152.2

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

*** Provisional.*

8.8. Table 8.7 provides data on value of purchased agricultural inputs used in crops and livestock production. Fertilizer remains the major input used by farmers and its value accounted for 30.8 per cent of total value of inputs used during 1989. The value of manufactured feeds increased sharply by 82.6 per cent reflecting a general rise in prices of animal feeds. The value of gunny bags decreased due to low sales resulting from the closure of East African Bag and Cordage Company and competition from distributors whose sales are not reflected in the data. Similarly, the value of service inputs declined almost to the 1987 level.

PURCHASED AGRICULTURAL INPUTS*, 1985-1989

Table 8.7 *K£million*

	1985	1986	1987	1988	1989**
MATERIAL INPUTS-					
Fertilizers	32.94	34.08	43.28	53.51	69.23
Other Agricultural Chemicals..	18.36	21.93	14.97	12.03	13.50
Livestock Drugs and Medicines..	9.68	10.33	15.47	16.11	19.57
Fuel and Power	19.88	22.59	27.85	30.17	25.49
Bags	8.61	12.26	12.59	11.15	9.87
Manufactured Feeds	17.70	18.89	20.91	20.63	37.67
Purchased Seeds	15.77	23.73	20.09	26.03	25.40
Other Material Inputs	5.47	6.91	7.45	9.89	8.08
Total	128.41	150.72	162.61	179.52	208.81
SERVICE INPUTS	13.07	14.68	15.84	17.11	15.87
TOTAL INPUTS	141.48	165.40	178.45	196.63	224.68

* *Except labour.*

** *Provisional.*

8.9. Terms of trade for the agricultural sector remained unfavourable to farmers for the fifth year running. Data presented in Table 8.8 indicate a slight deterioration by about 1.5 per cent during 1989 despite the noticeable increase in the index of agricultural output. Factors contributing to the decline include low revenue earned from coffee exports, after suspension of the quota system, the general rise in prices paid for agricultural inputs and problems experienced by coffee and tea farmers during the year. The general rise in prices is reflected by the index of purchased consumer goods and the index of purchased inputs which rose by 3.0 per cent and 4.6 per cent, respectively.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1985-1989

Table 8.8 *1982=100*

	1985	1986	1987	1988	1989*
General Index of Agricultural Output Prices**	136.8	149.0	150.3	168.7	176.4
PRICE PAID-					
Purchased Inputs	120.7	123.2	129.6	145.5	152.2
Index of Purchased Consumer Goods-Rural Areas	154.8	159.9	167.8	178.6	184.0
INDICES OF PRICES PAID	146.3	150.7	158.8	170.5	181.2
Agricultural Sector terms of Trade	93.5	98.9	94.7	98.9	97.4

* *Provisional.*

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

8.10. Although 1989 was a good crop year, the distribution of rains was not quite as good as that of 1988. The onset of long rains was normal but with reported rainfall amounts below normal in Nyanza, Western, Central, Rift Valley and Coast provinces. The Eastern province had good rains but these were either heavy or subsided drastically in the early stages of crop development. Recorded rainfall amounts from the short rains were also erratic but most parts of the country received normal rains. Nevertheless, the accumulated rainfall recorded for the two seasons were in general adequate to sustain good crop growth and development.

8.11. The overall food supply situation in 1989 remained satisfactory as indicated in production and sales of essential commodities and from observed trend of retail prices for selected food items. Table 8.9 shows estimated production of maize, beans, and potatoes from bi-annual crop forecast surveys. Total maize production for the 1989 agricultural year, is estimated at 29.2 million bags, a drop of about 4.6 per cent, compared with 1988 production of 30.7 million bags. The shortfall is attributed to uneven distribution of rainfall and to a general decline in area planted. Beans production increased by about 5.6 per cent, from 2.70 million bags in 1988/89 to 2.85 million bags in 1989/90. Potato production increased only marginally by 1.6 per cent, from 2.55 million bags to 2.59 million bags in 1989/90. The expected good crop from potato was hampered by excess rains and potato blight reported in some parts of the country.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1985/86-1989/90

(Based on Crop Forecast Surveys)

Table 8.9 *million bags*

CROP	1985/86	1986/87	1987/88	1988/89	1989/90*
Maize	27.00	32.20	26.84	30.68	29.23
Beans	1.97	3.60	2.31	2.70	2.85
Potatoes ..	5.90	6.11	2.43	2.55	2.59

* *Provisional.*

8.12. Observed rural retail prices for selected food crops for the period 1986 to 1989, are summarized in Table 8.10. Provincial average retail prices for maize in 1989 remained generally stable, fluctuating between Kshs.2.64 and KShs.3.42 per kilogramme in March and between KShs.2.63 and KShs.3.27 per kilogramme in September. The lack of substantial price differences may be explained by good harvests realized in recent years and by the Government's deliberate policy of domestic trade liberalization in grain marketing. Except for Coast province, inter-provincial bean prices depict similar stable trend, with price differences varying between KShs.4.74 and KShs.7.14 per kilogramme in September, 1989. Eastern province, the major bean supplier, had the lowest prices of beans. Compared with maize and beans, retail prices for potatoes were more volatile. In March, 1989 retail prices for potatoes in Nyanza were more than double those in Rift Valley province. Inter-provincial price

RURAL MARKET PRICES FOR SELECTED FOOD CROPS BY PROVINCE, 1986 -1989

Table 8.10

CROP	Province	1986		1987		1988		KSh. per Kg. 1989	
		March	September	March	September	March	September	March	September
Maize	Coast	2.90	2.86	2.43	2.54	2.93	2.74	2.67	2.74
	Central	3.22	3.04	4.02	3.41	3.11	2.93	2.75	3.27
	Rift Valley	2.10	2.39	2.20	2.38	2.73	2.35	2.66	2.63
	Nyanza	2.47	1.87	2.51	2.50	2.79	2.72	2.64	2.85
	Western	2.46	2 00	2.30	1.94	2.69	2.64	3.42	2.78
Beans	Coast	8.20	7.95	10.00	11.85	9.03	10.67	11.28	9.11
		4.66	4.12	3.96	4.35	6.97	5.55	6.02	4 74
	Central	6.30	5.68	5.83	5.94	7.53	4.75	7.54	8.33
	Rift Valley .	8.78	6.31	8.30	5.31	7.57	7.06	7.66	6.67
	Nyanza	6.69	6.68	5.83	5.75	7.73	6.92	7.27	6.91
	Western	6.66	4.75	6.00	4.76	5.96	5.44	7.16	7.14
Potatoes	Coast	3.00	4.16	3.78	3.47	6.00	5.30	5.98	11.00
	Eastern	2.31	3.91	3.60	2.83	4.34	3.67	4.14	4 03
	Central	1.96	2.55	2.58	2.23	3.19	2.50	5.12	4 64
	Rift Valley	2.89	2.98	2.75	2.06	2.71	2.85	3.37	2.62
	Nyanza	▪	1.36	2.26	2.59	5.87	2.90	6.78	4.98
	Western	4.44	3.56	5.81	2.73	4.02	3.90	4.03	371

comparisons for the two months indicate that prices of potatoes were low in Rift Valley and increasing in Eastern, Central, Western and Coast provinces in that order. The somewhat stable price observed for three commodities is an indication of adequate supplies and distribution of food in the country.

Production by Crop

8.13. To ensure adequate supplies of food at affordable prices, the government has continued to review domestic pricing policies, input use, agricultural research and development as well as expanding storage facilities, both on farm and at depots, in addition to maintaining the required strategic reserves. These efforts, among others, have stimulated agricultural production in the country thereby leading to expansion in sales to marketing boards. Periodic price reviews of producer prices have had the effect of motivating farmers to produce more, both for domestic and export markets. Table 8.11 indicates that apart from rice paddy and coffee all other crops recorded increased sales to marketing boards in 1989.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1985-1989

Table 8.11

CROP	UNIT	1985	1986	1987	1988	1989*
Maize	000 tonnes	582.9	669.5	651.9	485.3	625.9
Wheat		193.5	224.7	148.3	220.2	233.2
Rice Paddy		39.5	21.3	30.1	31.7	31.5
Cotton		38.0	25.4	23.8	10.9	13.8
Coffee		96.6	114.9	104.9	124.6	113.1
Tea		147.1	143.3	155.8	164.0	180.6
Sisal		45.0	41.5	37.0	36.9	37.4
Sugar-cane	mn. tonnes	3.5	3.6	3.7	3.8	4.3
Pyrethrum (Extract Equivalent)	tonnes	50.0	74.0	93.0	102.0	120.0

* *Provisional.*

8.14. ***Maize*** - Maize production declined in 1989 due to the reduction in area planted and slightly unfavourable weather reported in certain parts of the country during the long rains season. The unfavourable conditions include; inadequate rainfall in some parts of Nakuru, Laikipia, Meru, Kitui, Machakos, and the lower parts of Baringo, Elgeyo Marakwet and Central province. In addition, frost hit the crop particularly in Molo, Bahati, Nyandarua and Laikipia. Hailstorms were also reported in certain parts of Nandi, Kericho, Elgeyo Marakwet and Baringo districts. Late planting in some parts of Central and Eastern provinces was largely due to early onset of rains before harvesting previous crop. Finally, there was a 13.3 per cent decline in smallholder hectareage under maize in 1989 compared with area planted in 1988.

8.15. Deliveries to National Cereals and Produce Board (NCPB) are estimated at 7.0 million bags, up from previous year's 5.4 million bags. Since 1988, the Government has increased producer prices for maize by about 18 per

cent. Results from crop forecast surveys indicate that between 1986 and 1989 the proportion of sales to NCPB by small scale producers varied between 78 and 86 per cent of total marketed sales during the year. This underscores the vital role NCPB will continue to play even after relinquishing some of its functions in grain marketing to the private sector. Essentially, the role of NCPB as a buyer of last resort will be of particular significance in good crop years to ensure that surpluses are adequately absorbed.

8.16. ***Wheat*** - Wheat production in 1989 is estimated at 243,000 tonnes, an increase of about 3.8 per cent over 1988 estimate of 234,000 tonnes. Area under wheat showed a decline of about 1.7 per cent in 1989 compared with the 1988 estimate of 119.4 thousand hectares. Despite the decline in area, production went up due to two factors: first, the rains were good; secondly, yields per hectare were also high. Between 1988/89 and 1989/90 producer prices for wheat were adjusted by about 30.7 per cent. National consumption of wheat is currently estimated at 5.0 million bags and the shortfall in domestic demand is met through imports. Table 8.12 shows production, imports and flour consumption of wheat over the period 1985 - 1989. Wheat imports last year were 1.0 million bags, compared to previous year's imports of 2.3 million bags.

WHEAT PRODUCTION, IMPORTS AND FLOUR CONSUMPTION, 1985-1989

Table 8.12 *'000 Tonnes*

YEAR	PRODUCTION*	IMPORTS	FLOUR
1985	225.0	135.0	293.3
1986	252.0	153.0	303.6
1987.. ..	207.0	198.0	289.3
1988	234.0	207.0	266.6
1989**.. ..	243.0	90.0	188.9

* *Includes rentention for seed.*

** *Provisional.*

8.17. ***Coffee*** - The problems experienced by the coffee industry in both domestic and international scenes have adversely affected expanded production in recent years. During 1989 coffee prices fell drastically following the suspension of the International Coffee Agreement and subsequent scrapping of the quota system. Overall, internal and external influences have tended to discourage further expansion in production and area under the crop. Table 8.13 indicates that in 1989 production from co-operatives and estates fell by 9.2 per cent, from 128.7 thousand tonnes in 1988 to 116.9 thousand tonnes, while area declined from 156.3 thousand hectares to 153.1 thousand hectares. Inspite of these setbacks, there are indications for better prospects in the future. Efforts should therefore be made to expand production.

8.18. ***Tea*** - Table 8.14 indicates that "made tea" output by small holders during the 1988/89 agricultural year rose to over 95 thousand tonnes, a 25 per cent increase, compared with 76 thousand tonnes in 1987/88. Several factors account for the increase. These include among others, the steady increase in

total acreage under small holder tea since 1984 as a result of the rising number of tea growers including Nyayo Tea Zones Corporation. The combined effect of favourable weather and adoption of better crop management practices have contributed to higher crop yields, from 1,325 Kg to 1,643 Kg per hectare, reflecting a 24 per cent yield increase over 1987/88. Table 8.11 indicates that output of "made tea" rose by 10.1 per cent in 1989, while tea exports handled by the Tea Board of Kenya increased by 15.5 per cent, from 142 thousand tonnes during 1988 to 164 thousand tonnes in 1989. The rising demand for quality tea coupled with favourable world market conditions accounted for the increase in export volumes. Kenya particularly took advantage of reduced tea production in India and Sri Lanka where drought affected yields during the year. Lucrative exports to the U.S.S.R. was also a blessing. The overall demand for Kenyan tea remains high particularly in the European Economic Community and the country is expected to fully exploit her tea export potential.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1984/85-1988/89

Table 8.13

	1984/85	1985/86	1986/87	1987/88	1988/89*
AREA (Ha) 000-					
Co-operatives	116.3	117.7	116.1	117.7	116.4
Estates	35.7	38.6	38.4	38.6	36.7
TOTAL	152.0	156.3	154.5	156.3	153.1
Production (tonnes) '000-					
Co-operatives	64.7	68.4	67.9	84.3	78.3
Estates	28.9	45.5	36.4	44.4	38.6
TOTAL	93.6	113.9	104.3	128.7	116.9
Quota (tonnes) '000-.. ..	79.8	-	-	72.0	80.0
Average yield (kg./Ha.)-					
Co-operatives	556.0	581.0	577.0	710.0	673.0
Estates	809.0	1,179.0	942.0	1,150.0	1,054.0

* ***Provisional.***

DEVELOPMENT OF SMALL HOLDER TEA, 1984/85 -1988/89

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)
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
1988/89*	57,928	153,290	95,191	1,643

* *Provisional.*

8.19. ***Cotton*** - Local production of cotton increased for the first time after several years of stagnation. The volume of cotton purchased by Cotton Lint and Seed Marketing Board increased by 26.6 per cent, from 10.9 thousand tonnes during 1988 to 13.8 thousand tonnes in 1989. Despite the improved performance, domestic demand outstripped local production resulting in a net importation of processed fibre to supplement the deficit. In an effort to boost production, the Board has launched vigorous campaigns to open up new cotton growing areas as well as to increase productivity in existing zones. The upward adjustment of producer prices early this year is expected to give farmers further stimuli to produce more.

8.20. ***Sugar-cane*** - Total factory intake during 1989 increased by 11.1 per cent to 4.3 million tonnes against the 1988 intake, with small holder production accounting for slightly over half the intake as indicated in Table 8.15. Expansion programmes and improved cane crushing efficiency in the remaining operational factories, after the collapse of Miwani and Ramisi, have ensured a steady increase in national cane processing capacity to the present level. However, cane supply in West Kano still outstretches the available milling capacity, thus resulting in waste of cane due to lack of alternative milling outlets.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1985-1989

Table 8.15 ***'000 tonnes***

TYPE OF GROWER	1985	1986	1987	1988	1989*
Factory Estates	931.1	796.0	692.8	695.7	728.2
Large Farms	485.7	502.1	607.5	630.0	699.9
Small-Holders	1,517.5	1,689.1	1,824.2	1,891.9	2,185.7
Co-operative Societies..	221.7	261.3	315.9	327.6	363.9
Settlement Schemes ..	307.0	303.1	257.6	290.0	283.6
TOTAL	3,463.0	3,551.6	3,698.0	3,835.2	4,261.3

* ***Provisional.***

8.21. Table 8.16 shows that despite the sustained growth in cane output and subsequent increase in sugar production, there was a need to import additional 80 thousand tonnes to meet domestic requirements during 1989, almost double the previous year's imports. Domestic consumption of sugar in 1989 rose only marginally by 0.9 per cent compared with an increase in production of about 7.1 per cent during 1988. To achieve self sufficiency in sugar production, it will be necessary to monitor closely production and distribution mechanisms to ensure that the available resources are optimally utilized.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1985-1989

Table 8.16 ***'000 Tonnes***

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
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	
1989*.. ..	442.22	80.00	489.54	

* ***Provisional.***

8.22. ***Horticulture*** - As indicated in Table 8.17, in 1989 quantity of exports of horticultural produce dropped by 17.0 per cent while the price increased by 18.2 per cent resulting in only 1.9 per cent drop in value. The potential earnings were partly eroded by transit losses incurred as a result of poor packaging which rendered the otherwise quality crops to fetch low price at their final export markets. The Ministry of Agriculture is currently exploring ways of securing support from air-cargo carriers and encouraging potential growers to ensure that the opportunities existing in this rapidly growing subsector are fully exploited.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1985-1989

Table 8.17

YEAR	VOLUME '000 Tonnes	VALUE K£million
1985	84.5	53.0
1986	110.4	66.1
1987.. ..	136.9	77.1
1988	151.5	94.8
1989*.. ..	132.9	79.3

* ***Provisional.***

8.23. ***Pyrethrum*** - The production of 120 tonnes of pyrethrum extract equivalent during 1989 represents a 17.6 per cent increase over the previous year's output of 102 tonnes. The small scale farmers continued to play a major role in pyrethrum farming with their output accounting for over 50 per cent of total production. The recently restructured payment system to farmers and the long term crop promotion programmes initiated earlier by the Pyrethrum Marketing Board have accounted for the boost in production. Prospects for demand of pyrethrum in world markets are good and it is anticipated that the recently revised producer prices will undoubtedly encourage farmers to expand acreage under the crop.

8.24. ***Sisal*** - Although sisal production has fallen since 1985, the trend reversed during 1989 when 37.4 thousand tonnes of the crop was produced. This represents a marginal improvement of about 1.4 per cent compared with 1988 production of 36.9 thousand tonnes. The continuing problems experienced by the East African Bag and Cordage Company and her sister company, Kensack, will no doubt adversely affect future expansion of the industry in the country. Despite the poor performance, Kenya continues to play an important role in the overall supply of the commodity. World demand for sisal is fairly unstable even though significant improvements in prices of all fibres have occurred recently.

8.25. ***Livestock Production*** - The livestock industry is presently enjoying a sustained pace of development. Countrywide offtake of live animals for slaughter, as indicated in Table 8.18, has increased since 1985 despite problems earlier experienced by the Kenya Meat Commission (KMC) and the continued closure of Uplands Bacon Factory. The national cattle and calves slaughters increased from 701 thousand head during 1988 to 752 thousand head during

1989, representing an increase of 7.3 per cent; while goats and sheep slaughters rose to 998 thousand head in 1989. The opening of the KMC is expected to boost the processing of meat and meat products both for domestic and export markets. During 1989 the intake of cattle and calves by KMC rose almost threefold to 27 thousand head compared with 10 thousand head slaughtered in 1988. Pig slaughters also recorded improvement by 15.9 per cent despite inhibiting factors such as unavailability of both quantity and quality feeds at affordable prices.

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1985-1989

Table 8.18	UNIT	1985	1986	1987	1988	1989*
KENYA COOPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	231	316	347	359	353
Milk Processed:						
Wholemilk and cream	Mn. Litres	249	292	302	346	373
Butter and ghee	Tonnes	3,424	4,215	4,754	4,187	4,195
Cheese	"	252	208	207	247	215
Dried wholemilk powder	"	970	3,057	2,346	1,717	1,030
Dried skim-milk powder..	"	766	2,733	2,040	2,387	3,200
Other products	"		329	319	451	610
	"					
Livestock slaughtered						
Cattle and Calves	000 Head	524	427	524	701	752
Sheep and Goats	"	764	818	875	942	998
Pigs	"	65	77	60	63	73
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves..	000 Head	116	24	4	10	27
Sheep and Goats		-				

* *Provisional.*

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

8.26. Recorded milk sales to Kenya Co-operative Creameries declined slightly from 359 million in 1988 litres to 353 million litres during 1989. This is attributed to increased competition from other milk processing plants as well as to increased consumption of fresh milk by households. Overall production of whole milk derivatives went up in 1989, except for cheese and dried whole milk powder which declined by 13.0 and 40.0 per cent, respectively.

8.27. ***Irrigation*** - Table 8.19 indicates that, while there was a drop of 5.7 and 4.4 per cent in total irrigated land and number of plot holders, respectively, gross value of crop output and net payment to plot holders increased by 11.2 and 16.1 per cent respectively, reflecting the positive joint effect of producer price adjustments on paddy, cotton and sugar cane; the main crops grown in these areas. Notable among these, is sugar cane production in West Kano, which declined from 16,995 tonnes in 1987/88 to 3,339 tonnes during 1988/89 due to the closure of Miwani Sugar Company. Production of paddy in West Kano recovered from a low level of 1,728 tonnes in 1987/88 to 2,387 tonnes in

1988/89, slightly above the 1986 level. Mwea irrigation scheme recorded only a marginal increase of about 1.4 per cent over 1987/88 while production in Bunyala stagnated for two years in succession. Overall, paddy production remained almost constant between 1987 and 1989. Cotton farming continues to be the mainstay of farmers in Bura and Tana Irrigation schemes, which together produced over 7 thousand metric tonnes.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1984/85-1988/89

	1984/85	1985/86	1986/87	1987/88	1988/89*
MWEA-					
Area cropped-Hectares	5,825	8,271	5,799	5,795	5,818
Plot-holders-Number	3,234	3,234	3,236	3,236	3,238
Gross value of output-K£'000 ..	4,081	4,212	4,477	4,643	5,366
Payments to plot-holders-K£'000..	2,066	1,458	2,499	2,701	3,225
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	10,731	13,950	11,212	11,422	10,789
Plot-holders-Number	7,625	7,376	7,646	7,949	7,602
Gross value of output-K£'000 ..	6,897	7,453	7,599	8,017	8,913
Payments to plot-holders-K£'000..	3,404	2,862	3,911	4,345	5,044
CROPS PRODUCED - Tonnes					
Mwea-Paddy	27,553	26,407	25,236	27,163	27,555
Ahero-Paddy	3,777	4,378	3,894	4,213	2,983
W.Kano-Paddy	2,059	2,650	2,319	1,728	2,387
-Sugar-cane	2,341	.	4,463	16,995	3,339
Bunyala-Paddy	1,094	1,259	1,209	1,379	1,379
Tana-Cotton	2,374	1,839	1,966	1,952	1,938
Bura-Cotton	4,411	5,182	5,504	5,500	5,519
Pekera-Onions	960	587	492	254	939
-Chillies	133	234	217	68	-

* *Provisional.*

8.28. ***Agricultural Training*** - There were no major changes in total enrolment in institutions offering certificate level agricultural courses. Data presented in Table 8.20 indicates that enrolment in the three institutes in 1989 stood at 1 200 students, same as in 1988. Enrolment in Animal Health and Industry Training Institutes has been stable since 1987. Consequent upon substitution of short-term vocational courses with long term courses at Naivasha Dairy Training School, enrolment for the former declined to 80 students during 1989 while problems faced by KMC factory at Athi River contributed to lower intake of trainees at the Athi River Meat Training School in 1989.

8.29. ***Co-operatives*** - The adoption of district-based strategy for rural development has greatly instilled a sense of group participation in agricultural related activities among rural communities. This has been achieved through an increasingly expanding co-operative movement. Table 8.21 shows that overall, there was a sharp increase of 28.7 per cent in the total number of unions and co-operative societies in the country during 1989. Savings and credit and other

non-agricultural societies accounted for over half of the total number of societies while the number of unions and country-wide co-operatives, including KCC and KGGCU, has remained almost constant since 1986.

8.30. Table 8.22 summarizes the contribution of selected agricultural co-operatives to gross farm revenue since 1985. Gross farm revenue increased from K£277.52 million in 1988 to K£280.46 million in 1989, with coffee related co-operatives accounting for 59 per cent of total co-operatives' revenue. With the exception of sugar-cane, share of gross farm revenue for all other co-operatives increased in 1989.

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS*, 1985- 1989

Table 8.20 — *Number*

	1985	1986	1987	1988	1989**
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	464	400	400	400	400
Embu Institute of Agriculture	280	402	400	400	400
Kilifi Institute of Agiculture	.	.	203	400	400
Animal Health and Industry Training Institutes-					
Kabete	156	275	290	292	294
Nyahururu	120	223	210	207	200
Ndomba	205	386	396	396	400
SHORT-TERM VOCATIONAL COURSES-					
Naivasha Dairy Training School	1,038	1,038	1,045	111	80
Athi River M.T. School	100	100	80	87	69

* *Institutions under the Ministries of Agriculture and Livestock Development.*

** *Provisional.*

NUMBER OF SOCIETIES AND UNIONS BY TYPES, 1985-1989

Table 8.21 — *Number*

TYPE OF SOCIETY	1985	1986	1987	1988	1989
Coffee	189	191	203	203	206
Sugar-cane	77	78	82	85	89
Pyrethrum	53	53	54	53	56
Cotton	58	59	60	60	81
Dairy	139	142	153	157	116
Multiproduce	470	494	532	561	1,137
Farm Purchase	217	214	217	218	198
Other Agricultural Societies..	298	332	359	395	349
Fisheries	56	56	56	57	61
TOTAL	1,557	1,619	1,716	1,789	2,293
Savings and Credit	1,352	1,462	1,608	1,723	2,141
Other Non-Agricultural Societies	340	377	419	445	680
TOTAL	1,692	1,839	2,027	2,168	2,821
Unions and Country-wide Co-operatives*	65	66	66	67	66
TOTAL	3,314	3,524	3,809	4,024	5,180

* *Includes KCC and KGGCU.*

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE*, 1985-1989

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
1985	134.45	22.35	1.19	8.68	27.39	194.06
1986	163.87	33.23	1.81	5.97	42.56	247.44
1987	123.03	34.56	2.68	5.77	45.96	212.00
1988	177.99	44.01	3.18	3.20	49.14	277.52
1989**	165.85	48.61	5.12	3.93	56.95	280.46
	Percentage Share					
1985	70.00	48.00	41.00	95.00	76.00	68.00
1986	57.00	63.00	40.00	100.00	78.00	60.00
1987	60.00	64.00	46.00	100.00	81.00	65.00
1988	64.00	64.00	48.00	100.00	81.00	67.00
1989**	68.00	62.00	51.00	100.00	86.00	70.00

** Marketed Production in Table 8.2.*

*** Provisional.*

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

Rational exploitation and management of a country's natural resources is of critical importance to national development and the welfare of its people. The process of development, besides leading to improved welfare, can have deleterious effects on the natural environment in terms of deforestation, overstocking, soil erosion, air and water pollution.

9.2. To ensure a sustainable balance between development and environment, the Government has instituted programmes aimed at monitoring and protecting the environment, through institutions and organizations such as the Rural Afforestation Extension Service (RAES), Department of Resource Surveys and Remote Sensing (DRSRS), International Union for Conservation of Nature and Natural Resources (IUCN) and the National Environment Secretariat (NES).

Water Supplies

9.3. Water is one of the most critical resources for human, animal and plant survival. Its availability within easy reach of all households not only influences their survival and welfare but also releases their time and energy for other economic and social activities. It is towards this end that the Government in 1974 launched the National Master Water Plan with the aim of ensuring that every household has potable water within a distance of 4 kilometres by the year 2000. In order to achieve this objective, the Government, through the Ministry of Water Development and donor agencies, embarked upon the establishment of water supply projects, sinking of bore holes, construction of catchment dams, provision and treatment of water supplies and pollution control. By the first quarter of 1990, 330 water projects were gazetted as operational, out of which 220 were rural. The Ministry had also initiated 665 projects which are at various stages of implementation.

9.4. Demand for potable water has increased over the years due to growing population and increased awareness of the advantages of clean water This has necessitated expansion and decentralization of water testing facilities from the main central laboratory located in Nairobi. By the end of 1989, water testing facilities were operational in Kisumu, Kakamega and Nyeri districts. There are plans to fully equip laboratories in Nakuru and Mombasa.

9.5. To supplement the Ministry's efforts, the National Water Conservation and Pipeline Corporation (NWCPC) was established in 1988 with the ultimate aim of taking over the construction and operation of major water projects in the country. Among the major projects undertaken by the Corporation are the two Greater Nakuru Water projects (Western and Eastern Divisions) scheduled for completion in December, 1990 and the Kilimanjaro-Machakos project. Eventually the Corporation is expected to reduce its recourse to the Exchequer and rely on its own sources for the financing of its projects.

9.6. The task of providing water requires substantial amounts of investment. Given the limited resources at its disposal, the Ministry of Water Development has had to reallocate funds to projects yielding higher returns. Table 9.1 sets out details of development expenditure on water and related

services. Overall, there has been a general downward trend on development expenditure since 1986/87. In 1989/90, the Ministry witnessed a substantial drop of 40.9 per cent in development expenditure from K£17.4 million recorded in 1988/89 to K£10.3 million in 1989/90. All individual items recorded substantial declines except water development and training. Notable cuts in development expenditure were registered in county council and urban water supplies (85.3 per cent), miscellaneous and special water programmes (48.1 per cent), self help water supplies (47.3 per cent) and rural water supplies (13.4 per cent). In view of this, the Ministry decided to complete on-going projects before initiating new ones.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1985/86-1989/90

Table 9.1 ***K£'000***

	1985/86	1986/87	1987/88	1988/89	1989/90*
Water Development	247	5,027	1,543	86	131
Training of Water Development Staff.. ..	144	599	25	10	93
Rural Water Supplies	10,972	13,637	8,646	8,155	7,063
Self-Help Water Supplies** ..	8,028	5,045	1,363	767	404
County Council and Urban Water Supplies ..	11,536	11,396	3,041	4,715	692
Miscellaneous and Special Water Programmes	4,394	4,173	3,684	3,656	1,896
TOTAL	35,321	39,877	18,302	17,389	10,279

* *Provisional.*

** *Includes only contributions by the Ministry of Water Development.*

9.7. Rural water supplies, despite registering a drop of 13.4 per cent in 1989, was the largest recipient of development expenditure (68.7 per cent); thus underlining Government's continued commitment to provision of water to most rural households by the end of this decade.

Fisheries

9.8. The Fisheries Department is responsible for the development, management and utilization of inland and marine fish resources. The department's major objective is to provide increased production and supply of fish through conducting research on new species and initiating such projects as fish breeding farms, fish nurseries and fishing vessels with longer fishing range and higher capturing capacity and efficiency.

9.9. Although there has been notable progress in fish farming programmes in 1989, Kenya's fisheries' resources are far from full exploitation. Most of the inland sources such as lakes Turkana, Naivasha and Baringo continued to realize minimal contribution to total output. The Indian Ocean offers high potential for development of fishing industry, but has scarcely been exploited except for limited catches by local fishermen who are constrained by low level technology.

9.10. There was notable progress in fish farming programmes during the year. Among these are the increased production of tilapia and carp fingerlings

at the Sagana Fish Culture Farm, re-stocking of fingerlings in the Masinga and Kindaruma Dams and the expansion of Ngomeni Prawn Culture Project at Malindi. There are plans to increase production of high quality fish through the development and utilization of the country's 200-mile Exclusive Economic Zone by leasing it to competent bidders; who apart from paying rent, will also develop the zones' deep-sea fishing and train local manpower.

9.11. The Fisheries Department is also planning to introduce fish breeding farms for re-stocking depleted areas and species. Financial arrangements are being worked out through co-operatives and financial institutions to enable fishermen acquire credit facilities to procure better fishing vessels, transport and storage facilities and strengthen fish processing systems and marketing channels.

9.12. Table 9.2 depicts the quantity and value of fish landed between 1985 and 1989. Overall, the country realized 144 thousand tonnes in fish catches in 1989, representing an increase of 4.6 per cent over 1988. Out of this figure, 137 thousand tonnes were from inland waters, 6 thousand tonnes from marine fisheries and the remainder were crustaceans and other marine products. Revenue realized from the sale of fish increased from K£15.6 million in 1985 to K£34.4 million in 1989. This reflects a change in price per tonne from K£147 to K£238 over the period.

QUANTITY AND VALUE OF FISH LANDED, 1985- 1989

Table 9.2

	1985	1986	1987	1988	1989*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	**88,589**	**103,163**	**113,452**	**125,071**	**129,040**
Lake Turkana	**7,460**	**7,324**	**7,240**	**4,128**	**4,227**
Other areas	**3,715**	**2,707**	**2,742**	**1,835**	**3,728**
TOTAL	**99,764**	**113,194**	**123,434**	**131,034**	**136,995**
Marine fish	**5,777**	**6,156**	**6,755**	**6,027**	**6,345**
Crustaceans	**274**	**302**	**812**	**887**	**915**
Other marine products..	**158**	**146**	**180**	**185**	**190**
GRAND TOTAL ..	**105,973**	**119,798**	**131,181**	**138,133**	**144,445**
Value - K£'000:					
Freshwater fish	**12,594**	**14,558**	**20,208**	**27,080**	**28,700**
Marine fish	**2,496**	**2,719**	**2,590**	**2,498**	**2,651**
Crustaceans	**421**	**508**	**2,318**	**2,481**	**2,696**
Other marine products	**78**	**218**	**299**	**352**	**342**
TOTAL	**15,589**	**18,003**	**25,415**	**32,411**	**34,389**

* ***Provisional.***

9.13. Lake Victoria remained the major source contributing 89.3 per cent of the total fish output by weight. Production of marine fish, after a decrease of 10.8 per cent by weight in 1988, made a significant improvement of 5.3 per cent in 1989. Other inland sources, particularly lakes Turkana, Naivasha and Baringo increased their contribution to total output from 4.3 per cent in 1988 to 5.5 per cent in 1989.

Forestry

9.14. The Government recognizes the important role played by afforestation programmes and their contribution to the preservation of the environment. With reduction in forest cover, soil erosion escalates and siltation of rivers and reservoirs increases, leading to serious degradation of the environment. It is for this reason that the Government, through the Forest Department, has continued to support programmes aimed at promoting tree planting which will also increase the supply of wood and timber for household and commercial use. The forest department has been responsible for the management, conservation and development of forest resources. The Department also oversees the exploitation of indigenous forests and the development and management of industrial plantations.

9.15. One factor which has become critical in the design and implementation of forest resource management and preservation has been the great demand for woodfuel and charcoal. Woodfuel and charcoal have remained the main sources of energy for domestic use, with woodfuel accounting for about 75 per cent of the energy used in the country and over 90 per cent of households' energy requirements.

9.16. To control the widespread harvesting of woodfuel and the progressive conversion of forest land into agriculture, the Government, in 1989, instituted a number of environmental conservation programmes and schemes aimed at combating over-exploitation of this important resource. Most of the programmes were focused on conserving forests and catchment areas, increasing wood production and development of industrial plantations. Alongside these programmes, stricter regulations were also enforced on the indiscriminate felling of trees and burning of charcoal.

9.17. Information on forest plantation area managed by the Forest Department for the period 1985 to 1989 is shown in Table 9.3. The data reveal that total forest plantation area decreased by about 1.0 per cent from 167.4 thousand hectares recorded in 1988 to 165.7 thousand hectares in 1989. The only increase was recorded in pines; an increase reflecting demand for this softwood by Pan-African paper mills.

FOREST PLANTATION AREA, 1985-1989

Table 9.3 *'000 Hectares*

Type of Forest	1985	1986	1987	1988	1989*
Indigeneous softwood	5.0	4.6	7.0	5.8	5.0
Indigeneous hardwood	3.6	3.5	8.4	4.2	3.6
Exotic softwoods-					
Cypress	70.0	71.4	64.2	75.3	72.6
Pines	61.5	70.7	66.6	58.4	62.6
Exotic hardwoods-					
Timber	5.8	4.0	4.1	7.6	6.4
Fuel	14.6	13.5	10.8	16.1	15.5
TOTAL AREA	160.5	167.7	161.1	167.4	165.7

* *Provisional.*

9.18. Table 9.4 depicts the recorded sale of forest products for the last 5 years. There was an overall decrease of 8.7 per cent in the sale of timber in 1989, compared with a modest decrease of 1.3 per cent in 1988. Sales of woodfuel and charcoal recorded an increase of 2.4 per cent in 1989. This was however, lower than the increases of 4.5 per cent, 8.7 per cent and 12.1 per cent recorded in 1988, 1987 and 1986, respectively. The declining trend reflects Government's commitment to enforce stricter regulations on the burning of charcoal and indiscriminate felling of trees.

RECORDED SALE OF FOREST PRODUCTS, 1985-1989

Table 9.4

Forest Product	1985	1986	1987	1988	1989*
Timber - '000 true cu. metres-					
Soft wood	465	419	474	462	446
Hardwood	133	268	298	300	250
TOTAL	598	687	772	762	696
Fuel - '000 stacked cu. metres-					
Fuelwood /Charcoal	165	185	201	210	215
Power and Telegraph Poles - numbers	20,346	23,252	30,000	30,060	32,000

* ***Provisional.***

9.19. The sales of power and telegraph poles have grown by 6.5 per cent in 1989 compared to 0.2 per cent in 1988. This conforms with the increasing programmes of rural electrification and telephone services.

Mining

9.20. Table 9.5 gives details of quantity and value of mineral production between 1985 and 1989. Total mineral production in 1989 increased by 13.6 per cent by weight. Soda ash continued to contribute the largest share of total mineral production in the country with a record production of 241 thousand in 1989 compared with 220 thousand in 1988 and 228 thousand tonnes in 1987. The second most important mineral was salt with a record production of 103 thousand in 1989 compared with 95 thousand produced in 1988. The demand for soda ash by Far East consumers and also from markets in Africa went up, particularly within the Preferential Trade Area (PTA) for Eastern and Southern Africa.

9.21. The total revenue from sales of minerals rose by 44.0 per cent from K£30.3 million in 1988 to K£43.7 million in 1989. Fluorspar and soda ash registered impressive increases in overall sales of 78.1 per cent and 47.4 per cent, respectively. The value of fluorspar almost doubled from K£3.4 million in 1988 to K£6.1 million in 1989; while that of soda ash increased from K£21.2 million in 1988 to K£31.2 million in 1989.

9.22. Table 9.6 shows the trend in export prices for soda ash and fluorspar between 1985 and 1989. The average export price of soda ash resumed an upward trend recording a 34.6 per cent increase in 1989 compared with 25.9 per

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1985-1989

Table 9.5

Mineral	1985	1986	1987	1988	1989*
Quantities - Tonnes:					
Minerals-					
Soda Ash	227,760	230,000	228,000	220,000	240,880
Fluorspar	57,949	50,851	46,568	67,351	95,181
Salt	67,213	61,980	72,269	94,682	103,220
Limestone Products ..**	30,479	35,000	37,460	28,601	32,167
Other	37,202	39,276	37,705	38,459	38,921
TOTAL	420,603	417,107	422,002	449,093	510,369
Value - K£'000:					
Soda Ash***	13,180	16,514	17,442	21,177	31,216
Fluorspar***	3,761	3,129	2,802	3,399	6,053
Salt	2,662	2,763	2,317	3,043	3,303
Limestone Products.. ..	1,126	1,150	1,173	924	1,241
Other	1,558	1,663	1,779	1,783	1,865
TOTAL	22,287	25,219	25,513		43,678

Provisional.

** ***Excluding limestone used as input into cement product.***

*** ***Export Value only.***

cent 1988. The export prices of fluorspar declined for the second year running; a drop of 3.0 per cent in 1989 in comparison with a drop of 1.7 per cent experienced in 1988. Export prices of fluorspar have been fluctuating over time due to unstable world prices of this product.

AVERAGE EXPORT PRICES OF SODA AND FLUORSPAR, 1985 - 1989

Table 9.6

K£ per tonne

Mineral	1985	1986	1987	1988	1989*
Soda Ash	**65.9**	**71.8**	**76.5**	**96.3**	**129.6**
Fluorspar.. ..	**64.9**	**61.5**	**68.8**	**67.6**	**65.6**

Provisional

Resource Assessment and Monitoring Activities

9.23. The Department of Resource Surveys and Remote Sensing (DRSRS) continues to monitor, maintain and generate data on natural resources using aerial photography and remote sensing. Emphasis was more focused on land cover mapping, range monitoring for wildlife conservation and livestock population.

9.24. With the help of SPOT Satellite Scenes, the department was able to gauge the general trend of major environmental parameters such as forestry cover, vegetation type, wildlife and livestock numbers as well as the degree of forest depletion among others. The department was also able to verify previous survey data on forest area cover and its degree of depletion; which, according to 1988 survey, stood at 15 per cent of total land area and 1 per cent, respectively.

9.25. The National Environment Secretariat (NES) continued to initiate programmes aimed at achieving a sound environmental management. Their major activities during the year included conducting impact assessment surveys on the on-going projects and identifying environmental pressure points caused by human settlement, urbanization and other development programmes. They also continued to update and compile information on resource endowments, identifying regional environmental potential and problem areas as well as working out corrective counter-measures.

CHAPTER 10 - ENERGY

Overview

The last four years have been marked by fluctuation in crude oil prices ranging between $9 per barrel in 1986 to $19 in May, 1989. Despite various meetings and the peace accord between Iran and Iraq, members of the Organisation of Petroleum Exporting Countries (OPEC), have not adhered to their production quotas. At the beginning of the year, crude oil production was 20 million barrels per day, slightly below the level in the same period in 1988. By the end of the year, however, production had risen to 23 million barrels per day; 2 million barrels above the agreed quota.

Petroleum

10.2. Details of quantity and value of imports and exports of petroleum products for 1985-1989 are shown in Table 10.1. Total imports of petroleum production declined further to 2,169 thousand tonnes in 1989 from the already lower quantity of 2,187 thousand tonnes in 1988. This was mainly due to a sharp drop of 53 per cent in the importation of finished petroleum products; notably petroleum fuels and lubricating oils, which decreased by 48 per cent and 67 per cent, respectively. Crude oil importation which had declined by 4 per cent in 1988, increased by 3 per cent in 1989. However, total import bill rose by 21 per cent from K£250.09 million in 1988 to K£303.41 million in 1989, mainly due to continued depreciation of the Kenya Shilling against the US dollar.

10.3. Exports of petroleum products which had shown some improvement in 1988, after a decline in 1987, dropped to their lowest level of 188 thousand tonnes in 1989 from 697 thousand tonnes exported in 1988. A parallel decline of 70 per cent in export earnings from petroleum products was recorded in 1989 which was the lowest export earnings since 1985. The decline was due to an increase in importation of refined petroleum products from elsewhere by Kenya's traditional neighbouring markets. Of the volume exported, petroleum fuels accounted for over 90 per cent.

10.4. A breakdown of crude oil intake by type, detailed in Table 10.2, shows that Murban remained the single most important crude oil import since 1985. In 1988 alone, 1,660 thousand tonnes was imported, representing 82 per cent of the total crude oil importation. There was, however, significant drop in the importation of Murban in 1989, although it still accounted for 68 per cent of total crude oil imported. Zakum, which in 1988 recorded a 61 per cent decline in imported quantity compared to 1987, increased to 263 thousand tonnes in 1989 from 228 thousand tonnes in 1988. For the first time, Kenya imported 213 thousand tonnes of Marib light. United Arab Emirates continued to be Kenya's main crude oil supplier.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1985-1989

Table 10.1

	Quantity ('000 Tonnes					Value (K£' Mn)				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
IMPORTS-										
Crude Petroleum	1,980.70	2.006.00	2,130.50	2,041.80	2,100.90	349.27	207.83	248.52	217.94	299.10
Petroleum Fuels	51.90	105.40	92.30	106.80	55.90	12.57	15.89	14.39	18.43	3.56
Lubricating Oils	35.00	26.00	46.00	38.20	12.50	13.41	9.64	15.41	12.77	0.53
Lubricating Greases ..	0.10	0.50	2.30	0.10	0.10	0.14	0.46	2.38	0.95	0.22
TOTAL	2,067.70	2,137.90	2,271.10	2,186.90	2,169.40	375.39	233.82	280.70	250.09	303.41
EXPORTS-										
Petroleum Fuels	596.80	804.50	571.90	689.90	182.90	108.58	116.94	96.43	109.16	30.71
Lubricating Oils	14.80	11.00	6.50	6.90	4.50	9.12	7.01	4.88	5.38	3.70
Lubricating Greases ..	0.30	0.30	0.40	0.50	0.20	0.33	0.26	0.43	0.51	0.19
TOTAL	611.90	815.80	578.80	697.30	187.60	118.03	124.21	101.74	115.05	34.60
NET BALANCE	1,455.80	1,322.10	1,692 30	1,489 60	1,981.80	257.36	109.61	178.96	135.04	268.81

* Provisional

CRUDE OIL INTAKE BY TYPE, 1985-1989

Table 10.2 *'000 Tonnes*

Crude intake	A.P.I. Gravity	1985	1986	1987	1988	1989*
Arabian Light	33.4	38.2	26.5	0.1	-	-
Arabian Medium	31.0	38.6	-	-	-	-
Arabian Heavy	27.9	93.5	26.3	26.9	-	45.2
Arabian Light Berri	-	66.2	272.2	-	-	0.1
Iranian Light	33.9	-	-	-	65.0	-
Iranian Medium	-	217.1	200.9	85.6	69.1	87.0
Qatar Marine	36.7	72.4	-	-	-	-
Qatar Durkhan	41.2	104.2	267.9	-	-	-
Kuwait	32.0	34.9	32.1	30.8	-	-
Zakum	40.1	305.9	181.0	562.8	227.7	262.8
Upper Zakum	-	58.4	-	-		-
Murban	39.6	840.7	1,004.3	1,318.6	1,659.8	1,468.5
Dubai	32.4	71.3	-	-	-	68.2
Oman	-	-	-	84.4	-	-
Marib Light	-	-	-	-	-	212.8
Slop	-	0.4	1.0	0.5	0.4	0.9
TOTAL	-	1,941.8	2,012.2	2,109.7	2,022.0	2,145.5

* *Provisional.*

OIL REFINERY: THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS**, 1985-1989

Table 10.3 *'000 Tonnes*

	1985	1986	1987	1988	1989*
OUTPUT-					
Liquefied petroleum gas..	21.8	26.1	26.2	27.7	27.6
Motor gasoline premium ..	136.6	143.3	138.3	135.3	159.0
Motor gasoline regular ..	182.5	188.7	198.0	192.7	202.9
Illuminating kerosene and Jet/turbo fuel	351.3	391.8	412.8	410.1	454.0
Light diesel oil..	466.4	489.5	547.1	516.7	534.8
Heavy diesel oil and Marine diesel oil	32.1	35.5	33.8	32.6	26.8
Fuel oil	412.8	383.8	372.8	392.2	369.6
Export residues	240.2	257.7	260.2	228.3	261.2
Bitumen	27.0	28.6	31.1	5.9	21.3
Intermediates ..	2.9	-3.5	5.7	1.8	-5.2
Refinery usage ..	68.3	70.9	83.8	78.7	93.3
THROUGHPUT = TOTAL OUTPUT	1,941.9	2,012.4	2,109.8	2,022.0	2,145.3

* *Provisional.*

** *Excludes lubricants.*

10.5. Table 10.3 shows that after a decline of 4 per cent in 1988, output of petroleum products by Kenya Petroleum Refineries Limited increased by 6 per cent from 2,022 thousand tonnes in 1988 to 2,145 thousand tonnes in 1989. Output of Liquified Petroleum Gas (LPG) has changed marginally by only 1,500 tonnes between 1986 and 1989. Output of illuminating Kerosene and Jet/turbo

fuel, increased modestly by 11 per cent from 410.1 thousand tonnes in 1988 to 454.0 thousand tonnes in 1989.

10.6. Domestic demand for petroleum products increased by 4 per cent from 1,730 thousand tonnes in 1988 to 1,807 thousand tonnes in 1989. Demand for motor spirit (premium and regular) increased by 16 per cent from 325 thousand tonnes in 1988 to 377 thousand tonnes in 1989. With the exception of fuel oil and heavy diesel oil, whose demand fell below the 1988 level, all other petroleum products recorded increased demand. Notable demand increases were recorded in light diesel oil which increased by 7 thousand tonnes from 537 thousand tonnes in 1988 to 544 thousand tonnes in 1989; Jet/Turbo fuel demand went up by 19 thousand tonnes from 255 thousand tonnes in 1988 to 274 thousand tonnes in 1989. Table 10.4 gives more details on petroleum supply and demand balance for 1985-1989 period.

PETROLEUM SUPPLY AND DEMAND BALANCE, 1985-1989

Table 10.4 *'000 Tonnes*

	1985	1986	1987	1988	1989*
DEMAND-					
Liquefied petroleum gas ..	22.4	24.1	25.3	26.9	26.4
Motor spirit premium and regular	267.8	295.1	321.8	325.0	376.7
Aviation spirit	5.9	6.1	6.3	6.5	6.7
Jet/turbo fuel	261.0	263.4	249.5	254.6	274.3
Illuminating kerosene ..	90.9	109.1	133.7	154.7	181.1
Light diesel oil	447.7	481.0	572.7	537.3	543.6
Heavy diesel oil	25.1	26.1	27.7	32.7	26.8
Fuel oil	376.5	378.3	410.8	392.7	371.0
TOTAL	1,497.3	1,583.2	1,747.8	1,730.4	1,806.6
Refinery usage	68.3	70.9	83.8	78.7	93.3
TOTAL DOMESTIC DEMAND	1,565.6	1,654.1	1,831.6	1,809.1	1,899.8
Exports of petroleum fuels ..	596.8	804.5	571.9	689.9	182.9
TOTAL DEMAND**	2,162.4	2,458.6	2,403.5	2,499.0	2,082.7
SUPPLY-					
Imports:					
Crude oil	1,980.7	2,006.0	2,130.5	2,041.8	2,100.9
Petroleum fuels	51.9	105.4	92.3	106.8	55.9
TOTAL	2,032.6	2,111.4	2,222.8	2,148.6	2,156.8
Adjustment***	129.8	347.2	180.7	350.4	-74.1
TOTAL SUPPLY**	2,162.4	2,458.6	2,403.5	2,499.0	2,082.7

* *Provisional.*

** *Difference is due to rounding.*

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

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY, 1985-1989

Table 10.5 *'000 Tonnes*

User	1985	1986	1987	1988	1989*
Agriculture	48.9	61.2	71.2	72.7	63.5
Retail pump outlets and road transport	616.6	676.8	762.2	781.0	847.3
Rail transport	35.0	29.4	31.1	22.2	26.0
Tourism**	9.4	9.9	11.0	11.6	12.4
Marine (excl. Naval Forces) ..	147.1	177.0	168.5	106.3	158.4
Aviation (excl. Government) ..	260.4	263.0	249.5	255.1	273.2
Power Generation ..	27.4	34.3	87.2	50.1	39.8
Industrial, Commercial and Other	452.7	455.8	483.4	489.8	459.5
Government	46.7	52.3	127.7	47.7	49.0
Balancing Item	-146.9	-176.6	-244.0	-106.1	-122.6
TOTAL	1,497.3	1,583.1	1,747.8	1,730.4	1,806.5

* *Provisional*

** *Comprises sales to tour operator*

10.7. Sales of petroleum fuels by consumer category are shown in Table 10.5. Total net domestic sales, which declined by 23 per cent in 1988, recovered by nearly 5 per cent in 1989 to reach 1,807 thousand tonnes. Despite this improvement, sales to the agricultural sector, which had previously been on the increase, recorded a drop of 13 per cent. The transport sector (road, rail, marine and aviation) took the largest share of domestic sales, accounting for 72 per cent of total sales in 1989. Retail pump outlets and transport alone accounted for 65 per cent of the sector's fuel requirements. The commercial and industrial sectors, key users of energy, recorded a drop in petroleum fuel consumption by 6 per cent in 1989 over 1988. Sales to the government recorded an increase of 3 per cent in 1989, which was partly attributable to the National Population Census activities.

10.8. Changes in wholesale prices of petroleum products at Mombasa are shown in Table 10.6. Wholesale prices for petroleum products have maintained a general rise since 1973. With the exception of Liquified Petroleum Gas (LPG), all other petroleum products have increased prices more than eight-fold since 1973. These increases, have arisen from rising crude oil prices coupled with depreciation of the Kenya shilling against the US dollar - the currency in which international crude oil prices are denominated.

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA, 1973-1990

Table 10.6 *KSh. per tonne*

	30-9-1973	1-7-87	17-6-88	30-9-89	22-2-90	Ratio 1990/73 (per cent)
Liquefied petroleum gas	2,060	6,400	6,400	7,820	11,629	564.5
Premium motor gasoline.	1,551	11,418	11,831	13,441	14,156	912.7
Regular motor gasoline.	1,468	11,051	11,337	13,551	14,127	962.3
Illuminating kerosene.	736	3,993	4,012	5,033	6,471	879.2
Light diesel oil	892	5,886	6,005	7,227	8,275	927.7
Industrial diesel oil ..	471	3,982	3,982	4,668	6,089	1,292.8
Fuel oil	334	2,413	2,408	3,164	3,838	1,149.1

* *Including duties and sales taxes.*

NAIROBI RETAIL PRICES, 1981-1990

Table 10.7 *KSh. per litre*

Date	MOTOR SPIRIT		Gas Oil
	Premium/ Gasohol*	Regular	
17-6-81	6.35	5.91	4.13
10-7-81	6.75	6.31	4.53
5-11-81	7.50	7.02	5.18
3-12-82	8.00	7.52	5.48
27-4-84	8.61	8.13	5.94
20-3-86	8.02	7.64	5.45
13-6-86	8.02	7.64	5.30
1-4-87	8.61	8.13	5.62
1-7-87	9.01	8.43	5.62
17-6-88	9.31	8.63	5.72
30-9-89	10.48	10.18	6.76
22-2-90	11.00	10.70	7.65

** Gasohol was introduced from 1983*

10.9. Table 10.7 gives details of Nairobi retail prices of petroleum products since mid-1981 to February, 1990. Between June, 1981 and February, 1990 prices of premium/gasohol motor spirit increased nine-fold. The highest increase took place in September, 1989. The latest increases early in the year raised prices of premium and regular motor spirit by 5 per cent from Ksh 10 48 and Ksh.10.18 to Kshs. 11.00 and Ksh. 10.70 per litre, respectively. Correspondingly the price of gas oil was raised by 13 per cent from Ksh.6.76 to Ksh 7 65 per litre.

Electricity

10 10. Table 10.8 shows installed capacity and generation of electricity. Installed capacity increased by 160 MW from 559 MW in 1988 to reach 719 MW in 1989. Kiambere Hydro-Electric Project contributed most of the increase. Generation of electricity increased marginally by 56 GWH from 2,844 GWH in 1988 to 2,900 GWH in 1989. Hydro-based electricity increased by 146 GWH from 2,323 GWH in 1988 to 2,469 GWH in 1989; while thermal - based electricity decreased by 55 per cent from 198 GWH in 1988 to 109 GWH in 1989. However, with the commissioning of the Turkwell Hydro-Project, generation of electricity is expected to rise significantly to meet growing demand.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1985-1989

Table 10.8

	INSTALLED CAPACITY * MW**				GENERATION * GWH ***			
	Hydro	Thermal Oil	Geothermal	Total	Hydro	Thermal Oil	Geothermal	Total
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	160.2	45.0	558 7	2,323.0	198.0	323.0	2,844.0
1989 +	497.5	176.2	45.0	718.7	2,469.0	109.0	322.0	2,900.0

** Includes estimates for industrial establishment with generation capacity.*

*** 1 megawatt = million watts = 1,000 kilowatts.*

**** Gigawatt hour = 1,000,000 kilowatt hours*

+ Provisional

10.11. The overall demand for electricity has grown from 2,014 million KWH in 1985 to 2,482 million KWH in 1989; an increase of 23 per cent over the five year period. The highest increase was recorded in 1987 when demand went up by 10 per cent, while the lowest increase was in 1988 due to drop in demand - when some large consumers, notably sugar mills, were closed. Demand by large commercial and industrial consumers, which decreased by 6 million KWH in 1988, increased by 52 million KWH in 1989. Large commercial and industrial consumers accounted for 66 per cent of total demand while domestic and small commercial consumers accounted for 29 per cent, the same as in 1988. Off peak demand, which had decreased by 52 million KWH in 1988, recorded a modest increase of 3 million KWH in 1989. Demand for street lighting remained at the 1988, level of 14 million KWH. Imports of electricity from Uganda have continued to decline and accounted for only 3.8 per cent of total supply in 1989 compared with 9.3 per cent in 1985.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1985-1989

Table 10.9 *Million KWH*

	1985	1986	1987	1988	1989*
DEMAND-					
Domestic and Small Commercial	545	600	616	709	729
Large Commercial and Industrial	1,354	1,441	1,580	1,574	1,626
Off-peak	106	109	162	110	113
Street Lighting	9	8	14	14	14
TOTAL	2,014	2,158	2,372	2,407	2,482
Transmission losses and unallocated demand	310	335	367	475	482
TOTAL DEMAND = TOTAL SUPPLY	2,324	2,493	2,739	2,882	2,964
of which imports from Uganda	215	235	176	110	112
Net generation	2,109	2,258	2,563	2,772	2,852

* *Provisional.*

Energy Balance

10.12. Table 10.10 depicts details of total domestic energy demand and supply. After a decline in the consumption of liquid fuels in 1988, consumption rose again in 1989 to reach 1,900 thousand tonnes of oil-equivalent. Total consumption of hydro and geothermal energy also increased to reflect improved performance in the modern sector. After declining by 4 per cent in 1988, coke and coal consumption increased by 16 per cent in 1989. Total energy consumption in 1989 was 2,688 thousand tonnes of oil-equivalent of which local production was 670 thousand tonnes. In 1989, 1,944 thousand tonnes of oil-equivalent were imported compared to 1,547 thousand tonnes in 1985.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY EXPRESSED IN TERMS OF PRIMARY SOURCES, 1985-1989**

Table 10.10 *'000 Tonnes Oil Equivalent*

	1985	1986	1987	1988	1989*
COAL AND COKE CONSUMPTION OIL:-	59.9	67.9	82.2	79.0	91.6
Imports of crude oil	1,980.7	2,006.0	2,130.5	2,041.8	2,100.9
Net exports of petroleum	-544.9	-699.0	-479.6	-583.1	-275.2
Stock changes and balancing item	129.8	347.1	180.7	350.4	74.1
TOTAL CONSUMPTION OF LIQUID FUELS	1,565.6	1,654.1	1,831.6	1,809.1	1,899.8
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	403.2	416.7	435.1	557.5	592.6
Local production of geothermal power	80.6	88.6	89.8	77.5	77.3
Imports of hydro power	51.6	56.4	50.6	26.4	26.9
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	535.4	561.7	575.5	661.4	696.8
TOTAL LOCAL ENERGY PRODUCTION	483.8	505.3	524.9	635.0	669.9
TOTAL NET IMPORTS	1,547.3	1,428.4	1,783.7	1,564.1	1,944.2
TOTAL ENERGY CONSUMPTION	2,160.9	2,280.9	2,489.3	2,549.5	2,688.2
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	22.4	22.2	21.1	24.9	24.9
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	107	108	113	115	117

** Provisional.*

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

Household Energy Use

10.13. Woodfuel which is largely consumed as fuelwood and charcoal is the most important source of energy accounting for nearly 72 per cent of all energy use. There is a growing imbalance between supply and demand for wood, particularly in the high potential areas; an imbalance made worse by the unprecedented population growth rate plus inefficiencies in conversion and end use of woodfuel. A number of wood energy strategies are being pursued to ensure that demand for wood energy is met without damaging the environment. These include, on-farm wood energy production which entails the agro-forestry approach where there is inter-cropping of trees for wood with agricultural crops; dissemination of information and education programmes on advantages of using improved jikos and cookstoves; plus better charcoal burning methods using modern improved kits.

Renewable. Energy Resources

10.14. Due to the escalating prices of oil, it has become necessary to develop domestically produced alternative sources of energy to counteract the impact of imported oil on development strategy. Such sources of energy include solar, wind, biogas, power alcohol and geothermal. Solar water heating using flat plate collectors has been gaining widespread use especially in urban residential estates, schools, hospitals and hotels. Wind energy for small scale

water pumping is used mainly for household use and livestock watering in the rural areas.

10.15. The other two important renewable sources of energy have been power alcohol and geothermal. In case of power alcohol Kenyan's venture started with the commissioning of the Agro-Chemical and Food Company (ACFC) in Muhoroni in 1983. Its alcohol has since been blended with regular and premium gasolines to obtain gasohol. Generation of geothermal electricity has been located in the Rift Valley at Olkaria, Eburru and lake Bogoria. To date, geothermal generation stands at 322 GWH, with most of it being generated at Olkaria geothermal field.

Energy Conservation

10.16. The Kenya Industrial Energy Management Project (KIEMP), which is a joint project between Ministry of Energy and Kenya Association of Manufacturers, continues to ensure that energy is used in the most efficient manner so that rising demands are adequately met. In addition, activities by Transport Energy Management Programme (TEMP), whose major goal is to conserve petroleum fuel in transportation, is to be intensified. At the household level, use of low cost stove-energy saving (jikos) and alternative fuels such as agricultural and animal waste are being encouraged.

CHAPTER 11 - MANUFACTURING

Overview

The upward trend in the output of the manufacturing sector was sustained in 1989. The sector grew by 5.9 per cent, which was marginally lower than the 6.0 per cent recorded in 1988. Several factors accounted for the slight down-turn in the sector's performance. Earnings from coffee exports declined as coffee prices in the world market remained depressed in 1989, leading to reduced aggregate income which dampened local demand for manufactured goods. Growth in demand for manufactured goods was further dampened by price increases of several consumer products.

11.2. The sector continued to suffer from the weakening of the Kenya Shilling against major international trade currencies and global inflationary trends, which led to increased prices of imported raw materials, machinery and parts. Upward trends in domestic interest rates and tightness of credit affected local borrowing by manufacturing enterprises. Despite these adverse factors, several positive influences enabled the manufacturing sector to continue growing. Firstly, as a result of favourable weather conditions, adequate supply of raw materials for the agro-based manufacturing industries was sustained. Secondly, increases in producer prices provided greater incentives for increased supplies of raw materials to processing plants. Thirdly, in the 1989 Budget, many conducive measures were announced to help boost manufacturing production. Finally, continued liberalisation of import licensing helped sustain the availability of imported inputs for the sector.

11.3. Generation of employment is an important aspect of any sector's contribution to the well being of the nation. The manufacturing sector engaged a total of 182,300 persons in 1989, compared with the revised figure of 177,400 persons in 1988; a low 2.8 per cent growth in employment. However, since the sector grew by 5.9 per cent, this suggests a rate of growth of average labour productivity in manufacturing of 3.0 per cent, which is fairly satisfactory.

11.4. Estimated sales value of locally manufactured goods stood at K£3,568 million in 1989 compared to a revised figure of K£3,127 million in 1988. This represented a slightly faster increase of 14.1 per cent compared with 13.4 per cent registered in 1988; although, as already indicated earlier, the rise in value of sales may be a reflection of increases of nominal prices of some manufactured goods. The value of stocks of manufactured goods grew rapidly by 15.3 per cent from a revised figure of K£616 million in 1988 to K£710 million in 1989. Both imports and exports of manufactured goods grew during the period under review; with imports growing faster.

Industrial Output

11.5. Details on the estimated values of output, intermediate consumption, value added, and wages paid in the manufacturing sector for the period 1985 through 1989 are given in Table 11.1. The values of the four indicators maintained an upward trend, with wages rising by about 17.4 per cent in 1989 compared to 1988. The other three, output, intermediate consumption and value added registered increases of 19.3 per cent, 20.2 per cent and 13.7 per

cent, respectively, compared with corresponding figures of 19.9 per cent, 20.6 per cent and 15.6 per cent recorded in 1988. For the third year running, the value of intermediate consumption, the bulk of which constitutes imports of raw materials and machinery, grew faster than output and value added.

MANUFACTURING SECTOR - OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES, 1985 - 1989

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	266.68
1989**	7,282.57	6,375.66	906.91	313.19

* ***Revised.***

** ***Provisional.***

Quantum Indices

11.6. Quantum indices of real output of the sector for the period 1985 to 1989 detailed in Table 11.2 reveal mixed performances; ranging from a high growth rate of 16.2 per cent in the metal products industry to a significant decline of 21.9 per cent in the grain mill products industries. Petroleum and other chemical products industry continued to perform well. Other industries that registered notable increases in output were clay and glass products, basic industrial chemicals and canned vegetables, fruits, edible oils and fats.

11.7. The food processing sub-sector, with an overall growth rate of 2.1 per cent in 1989, recorded the lowest increase in the last five years. With the exception of sugar and confectionary, and canned vegetables, fish, oils and fats, most industries within the sub-sector recorded either negative or sluggish growth.

11.8. After an impressive growth of 10.9 per cent recorded in 1988, the meat and dairy products industry registered a slower 2.4 per cent rise in 1989. In spite of an increase in producer prices of milk during in the first quarter of 1989, the output of recorded liquid milk by the Kenya Co-operative Creameries (KCC), dropped by 10.0 per cent from 500 million litres in 1988 to 450 million litres in 1989. Several factors contributed to the observed decline including: cash-flow and management problems experienced by the KCC, and reduced output of butter and ice cream. With the restructuring of the KCC, the production of dairy products is expected to increase considerably in the future. Milk production at Kitinda Dairy Co-operative in Bungoma and the Meru Co-operative Union also declined from 6.2 million litres in 1988 to 5.7 million litres in 1989. These two co-operatives account for less than 2 per cent of total milk processed. Apart from private abattoirs, the Kenya Meat Commission (KMC) re-opened in the second half of 1989 thus boosting beef and mutton output. An estimated 373 tonnes of canned beef worth KShs.24 million was exported in 1989.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1985-1989

Table 11.2 *1976=100*

INDUSTRY	1985	1986	1987	1988	1989*	Percentage Change 1989/1988
Meat and Dairy Products	81.0	97.0	115.3	127.9	130.9	2.4
Canned Vegetables, Fish, Oils and Fats	194.9	228.2	268.1	267.7	291.1	8.7
Grain Mills Products	177.4	192.2	198.3	224.7	175.5	-21.9
Bakery Products	120.9	134.6	151.5	155.4	155.1	-0.1
Sugar and Confectionery	177.6	180.1	189.5	201.5	210.0	4.2
Miscellaneous Foods	142.8	169.0	189.7	224.7	225.6	0.4
Food Manufacturing	135.7	144.9	157.8	167.5	171.0	2.1
Beverages	141.9	166.8	196.9	207.9	210.3	1.2
Tobacco	151.8	156.2	170.8	178.1	178.6	0.2
Beverages and Tobacco	144.6	166.0	194.3	201.9	204.1	1.1
Textiles	174.3	186.5	192.5	197.2	202.3	2.5
Clothing	352.5	354.8	359.8	368.3	378.6	2.8
Leather and Footwear	80.1	81.9	83.5	88.1	94.7	7.5
Wood and Cork Products	66.4	67.1	68.1	66.4	68.1	2.7
Furniture and Fixtures	71.6	72.7	73.5	72.7	72.9	0.3
Paper and Paper Products ..	147.1	157.1	170.0	189.3	194.7	2.8
Printing and Publishing	330.8	350.4	372.2	389.1	392.9	1.0
Basic Industrial Chemicals ..	163.3	166.5	170.0	182.1	198.1	8.8
Petroleum and Other Chemicals ..	257.2	279.0	303.5	342.9	396.0	15.5
Rubber Products	247.2	262.3	277.0	286.3	308.7	7.8
Plastic Products	198.0	205.7	212.3	202.8	219.1	8.0
Clay and Glass Products	289.1	289.7	291.7	306.5	338.1	10.3
Non-Metallic Mineral Products ..	121.9	135.0	142.7	140.7	147.0	4.5
Metallic Products	94.8	104.4	116.2	133.1	154.6	16.2
Non-Electrical Machinery	109.6	118.4	127.9	138.7	132.8	-4.3
Electrical Equipments	154.5	162.9	168.4	189.3	193.8	2.4
Transport Equipments	674.8	593.7	547.4	612.4	638.0	4.2
Miscellaneous Manufactures ..	202.1	260.1	336.0	405.1	421.7	4.1
TOTAL MANUFACTURING	178.2	188.7	199.4	211.3	223.8	5.9

* *Provisional*

11.9. There were large increases in output of some products in the canned vegetables, fish, oils and fats category in 1989 that enabled the industry to register a substantial growth of 8.7 per cent. Good weather led to the output of canned fruits expanding by 24.4 per cent in 1989 from 180 thousand tonnes in 1988 to 224 thousand tonnes in 1989. The output of edible oils increased from 2.9 million litres in 1988 to 3.3 million litres in 1989. While impressive growths were recorded in output of squashes, cotton seed oil and edible fats, there were marginal declines in production of jams and marmalades, coconut oil and canned vegetables.

11.10. Substantial declines in output of maize-meal and wheat flour were recorded in 1989. Details on selected grain mill products for the period 1985 to 1989 are shown in Table 11.3. Output of maize-meal declined by 15.7 per cent

in 1989 while that of wheat flour declined by 29.1 per cent. As shown in Chapter 8, delivery *of* maize and wheat to the marketing boards increased in 1989. Mills, however, received reduced supplies for processing. Production of both whole rice and broken rice rose in 1989. There was a marginal decline in output of bakery products, mainly as a result of decline in wheat flour.

PRODUCTION *OF* GRAIN MILLING PRODUCTS, 1985-1989

Table 11.3 ***'000 tonnes***

YEAR	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
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
1989*	220.3	189.0	16.2	1.9

** Provisional*

11.11. Despite the continued non-operation of two sugar factories, closed in 1988, the output of sugar and confectionery industry recorded a 4.2 per cent increase. This growth was, however, lower than the 6.3 per cent recorded in 1988. Output of sugar grew from 413 thousand tonnes in 1988 to 431 thousand tonnes in 1989. The increase reflects increased efficiency by the operational mills. This industry will get a major boost as one of the mills is planning to expand its crushing capacity by establishing a new plant. To meet local demand, 48 thousand tonnes of sugar were imported in 1989.

11.12. The miscellaneous foods industry, which has been growing substantially in recent years, recorded a marginal growth of 0.4 per cent in 1989 compared to 18.5 per cent recorded in 1988. Output of black tea rose from 164 thousand tonnes in 1988 to 181 thousand tonnes in 1989, an increase of 10.4 per cent. The increase is attributed partly to favourable weather conditions in 1989 and partly due to the substantial growth in export demand, particularly with the recovery of the Pakistan market. Other products in this industry that recorded gains in output included: cocoa, milo, poultry and horse feeds. These increases were, however, offset by relatively large declines in output of coffee, cashew nut kernels and cattle feeds. Declining coffee prices in the world market had an adverse effect on local production. Hence, local output of milled coffee declined to 91 thousand tonnes in 1989 from a revised figure of 109 thousand tonnes in 1988; while roasted coffee and instant coffee fell less markedly by 9.8 per cent and 8.7 per cent, respectively.

11.13. The output of the beverages and tobacco industry experienced a sluggish growth in 1989. Details of the output of beverages and tobacco are shown in Table 11.4. A large increase of 33.3 per cent was recorded in the output of spirits in 1989. The output of mineral waters recorded a significant decline of 9.1 per cent. Marginal increases in production of beer and cigarettes account for the small positive gain in output of this industry. Increases in prices

of these commodities and beverages during 1989 affected domestic demand. Export sales for beer declined in 1989, further aggravating domestic production.

PRODUCTION OF BEVERAGES AND TOBACCO, 1985- 1989

Table 11.4

YEAR	COMMODITY			
	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
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
1989*	1,274.1	315.4	169.8	6,661

** Provisional*

11.14. Although two textile firms which were closed in the previous year remained so in 1989, the textile industry maintained its upward trend with output growing by 2.5 per cent in 1989. The increase in some textile products could be partly explained by the increase in local production of cotton, as reported in Chapter 8, which was supplemented by relatively large imports of textile and synthetic fibres, suitable for spinning. Notable rates of growth were achieved in the output of blankets from 3.3 million in 1988 to 5.2 million in 1989; and bed-sheets from 322 thousand square metres in 1988 to 431 thousand square metres in 1989. Marginal declines occurred in the production of cotton woven fabrics and polyester viscose fabrics. Output of ropes and twines recorded substantial decline.

11.15. The clothing industry improved on its 1988 performance; recording an increase of 2.8 per cent in 1989 from 2.4 per cent in 1988. The high tariffs on imported wearing apparel contributed to this performance. Output of trousers, men's and boys' suits, uniforms and overalls recorded increases ranging from 27 per cent to 36 per cent above their 1988 levels. These increases offset marginal decreases in production of shirts, dresses and vests.

11.16. Apart from finished leather and P.V.C. leather cloth, all other products in the leather and footwear industry recorded significant increases in 1989, enabling the industry to record a faster growth of 7.5 per cent in 1989. Production of unfinished leather grew by 38.5 per cent and the number of leather shoes by 14.3 per cent. Increased local demand accounts for the increase in output of shoes. Similarly, there was a marked improvement in output of sporting balls.

11.17. In 1989, wood and cork products and furniture and fixtures industries recorded positive growth rates. Sawn timber, a major indicator in the wood and cork products industry, recorded an increase of 3.3 per cent from 90 thousand cubic metres in 1988 to 93 thousand cubic metres in 1989. Increased construction activities during the year partly explain the positive growth, which also led to increased employment in the industry.

11.18. Paper and paper products and printing and publishing industries grew at slower rates of 2.8 per cent and 1.0 per cent, respectively in 1989 - compared to growth rates of 11.4 per cent and 4.5 per cent recorded in 1988. During the second quarter of 1989, the prices of paper and other paper products went up, dampening growth of demand for products of this industry, which explains the sluggish growth in output. Modest increases occurred in the production of duplicating paper, wrapping paper, locally made paper and exercise books. The increase in the latter two is partly due to removal of sales tax on paper announced during the 1989 Budget. Marginal increases in output of paper bags and sacks, corrugated pack containers and carton cardboard, coupled with a relatively big decline in output of kraft paper board, account for the slower increase in the paper and paper products. Output of kraft paper board stood at 6.5 thousand tonnes in 1989 compared with 7.7 thousand tonnes in 1988. This was the lowest production recorded in the recent past. Employment in the printing and publishing industry increased from 5,919 persons in 1988 to 5,983 persons.

11.19. The output of basic industrial chemicals grew faster by 8.8 per cent in 1989 compared with 7.1 per cent recorded in the previous year. Relatively large increases in output of vaccines, herbicides, pyrethrum extract, oxygen, nitrogen, hydrogen and acetylene account for the rise. World demand for pyrethrum products remained steady, partly explaining the increase in local production of pyrethrum extract, which recorded 203 thousand tonnes in 1989 up from 161 thousand tonnes in 1988. Removal of duty on active ingredients used in the preparation of some chemicals as fungicides and pesticides announced during the 1989 Budget could have contributed to the growth of production in this industry. Herbicides grew by 7.4 per cent, while production of vaccines tripled in 1989. Oxygen, nitrogen and hydrogen together recorded 4.1 million litres in 1989 up from 3.7 million litres recorded in 1988.

11.20. A significant increase of 15.5 per cent was recorded in the petroleum and other chemicals industry. This compares with 13.0 per cent recorded in 1988. Increases of over 30 per cent were recorded in output of resin emulsion, tablet drugs, paints, both laundry and washing soap, hair oils and tonic. The boost in output of drugs may have come from removal of duty on imports of active ingredients used in their preparation announced during the 1989 Budget. In 1989 output of laundry soap, washing soap, and resin emulsion stood at 22,056 tonnes, 19,993 tonnes and 4,014 tonnes, respectively. While the corresponding figures for 1988 were 16,920 tonnes, 14,698 tonnes and 2,368 tonnes. Similarly, production of paints and liquid drugs rose from 6,029 thousand litres and 205 thousand litres, respectively, in 1988, to 7,499 thousand litres and 254 thousand litres in 1989. Except for bitumen, residue diesel and Liquified Petroleum Gas (LPG), all other petroleum products registered increases in output.

11.21. The rubber products industry performed markedly better in 1989 with output rising by 7.8 per cent compared with 3.4 per cent registered in 1988. Due to high prices of new tyres, local consumers appear to prefer retread tyres to new ones. Retread tyres rose by over 50 per cent in 1989 from 195 thousand in 1988 to 345 thousand; while new motor vehicle tyres increased by

3.7 per cent to 452 thousand in 1989. Output of rubber shoes increased to 7.2 million pairs in 1989 compared to 6.3 million pairs in 1988. Output of both new bicycle tyres and tubes declined substantially as a major company assembling bicycles stopped operating during the year. Further increase in price of tyres in the domestic market towards the close of 1989 may adversely affect domestic demand for this product. However, this may not affect total output since these products enjoy good export demand, particularly in neighbouring countries.

11.22. Production of plastic shoes rose by 30 per cent from 1.0 million pairs in 1988 to 1.3 million pairs in 1989; while output of plastic crates grew by 14.2 per cent. This impressive performance in output of plastic shoes and plastic crates coupled with more modest increases in output of polythene film bags, P.V.C. floor tiles and P.V.C. pipes accounts for the faster growth of 8.0 per cent recorded for the plastic products industry. This compares favourably with a decline of 4.5 per cent registered in 1988.

11.23. All products in the clay and glass products industry grew substantially in the year under review to give an overall growth of 10.3 per cent compared with a 5.1 per cent rise achieved in 1988. Output of window screens and glass bottles grew by 33 per cent and 18 per cent, respectively. Floor and wall tiles also grew in response to increased activity in the building and construction sector.

11.24. The non-metallic mineral products industry recorded a growth of 4.5 per cent in 1989 due to increased construction activity during the year. Recorded roofing tiles production rose by 18.4 per cent above its level in 1988; while output of concrete pipes and blocks registered a marginal increase. Substantial increase occurred in output of clinker, which recorded 913 thousand tonnes in 1989 up from 847 thousand tonnes in 1988. The recorded figure for cement production of 1,316 thousand tonnes was the highest in the last ten years, as was its domestic consumption. Exports of cement to Uganda and Tanzania also grew faster in 1989, while exports to all other countries has continued declining since 1986. Cement production and utilization for the period 1985-1989 is shown in Table 11.5.

CEMENT PRODUCTION AND UTILIZATION, 1985-1989

Table 11.5 ***'000 tonnes***

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
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
1989*.. ..	1,316.4	0.9	1,014.5	78.3	224.5

* ***Provisional.***

11.25. Local demand for products of the metal products industry has been increasing, as indicated by the steady rise in rate of output growth of the sub-sector, from 14.5 per cent in 1988 to 16.2 per cent in 1989. This has strongly been supported by continued liberal import policy for materials required in the industry coupled with strong linkage effects with the engineering industries. Significant increases were recorded in output of barbed wire, nails, sufurias, and iron rods and bars. Modest increases were registered in output of sheet metal, metal cans and tins, welded mesh and galvanized iron sheets. There were, however, marginal declines in output of padlocks, gas cylinders and exhaust pipes.

11.26. The non-electrical and electrical machinery industry performed poorly. Production of wheel-barrows which is the main indicator in the non-electrical industry registered a decrease of 4.3 per cent. The electrical machinery industry similarly experienced a drop of 2.4 per cent compared with an impressive 12.4 per cent growth recorded in 1988. Output of radio cassettes grew significantly from 30 thousand in 1988 to 38 thousand in 1989; while, output of gramaphone records declined substantially from 1,061 thousand in 1988 to 617 thousand in 1989. The former is partly explained by the growing popularity of radio cassettes while the latter may be attributed to discontinued production by one firm. Assembly of radios declined by 22.2 per cent in 1989. Marginal increases were recorded in output of dry cells, motor vehicle batteries and battery plates.

11.27. The transport equipment industry maintained its upward trend in 1989. The growth of 4.2 per cent achieved in 1989 was, however, lower than the 11.9 per cent recorded in 1988. Inspite of incentives provided for the industry by way of reduction of duty and sales tax on locally assembled vehicles during the last budget, local assembly of motor vehicles grew marginally in 1989. This may be partly explained by the high cost of locally assembled vehicles compared to imported completely built-up units. The number of assembled vehicles rose from 13,094 in 1988 to 13,184 in 1989. Production of coaches and buses showed marked improvement; while the output of lorry bodies increased from 182 in 1988 to 275 in 1989.

Industrial Credit

11.28. Development finance institutions have been the main channels for both public and private financing of industrialization in Kenya. Their credit assistance has been geared towards promotion of rural industrialization aimed at reducing rural-urban migration. Table 11.6 shows that a total of 147 projects were approved by the institutions down from 238 and 209 approved during 1988 and 1987, respectively. The relatively unchanged financial commitment in 1988 and 1989 and the steep decline in the number of projects approved is attributed to inflationary pressures, the unattractiveness of foreign currency denominated loans from these institutions, and the general tight credit policy prevailing in the economy.

11.29. During 1989, the Industrial Development Bank (IDB) approved 8 new projects. Although about 69 per cent of total financial resources was committed to projects located within Nairobi, small rural projects were also approved in the fields of chemical, pharmaceutical and textile industries.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 1985 -1989

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
Industrial Development Bank Limited (I.D.B.)	6	10	18	15	8	3.3	5.7	11.3	6.5	3.3
Development Finance Company of Kenya (D.F.C.K.)	13	10	12	4	2	6.6	4.2	6.1	0.7	0.5
Kenya Industrial Estates Limited (K.I.E.)	229	411	164	205	131	2.1	4.3	2.4	3.3	2.5
Industrial and Commercial Development Corporation (I.C.D.C.)	9	12	15	14	6	1.9	6.1	7.6	3.1	7.0*
TOTAL	257	443	209	238	147	13.8	20.2	27.5	13.6	13.3

• Provisional.

11.30. The Development Finance Company of Kenya (DFCK) approved 2 new manufacturing projects in 1989 with a financial outlay of K£0.50 million. This compares poorly with 12 and 4 projects approved in 1987 and 1988, respectively. Some factors identified as constraining financial assistance to potential industrial entrepreneurs included unviable project proposals, and, as already mentioned, loan facilities denominated in foreign currency.

11.31. Data on project approvals by the Kenya Industrial Estates (K.I.E) indicate that 131 projects were approved and funded by the institution in 1989 at a total cost of K£2.5 million compared to 205 projects in 1988 with a financial outlay of K£3.31 million. The composition of industrial activities being funded by K.I.E indicates the concerted effort by the Government to create economic linkages between local small scale manufacturing and rural sources of labour and raw materials. Of the 131 projects approved in 1989, only 11 were established in both Nairobi and Mombasa, leaving more than 90 per cent of the funds to the rural based small scale projects. Food processing accounted for roughly 40 per cent, while furniture, metal works, electrical works and textile manufacturing were each allocated between 15 per cent and 16 per cent of the funds available. The total additional employment to be created by the projects funded by K.I.E when they become fully operational will be 715 jobs.

11.32. The I.C.D.C. promoted six new projects with a total capital expenditure of K£7 million, more than double the 1988 commitment. A fruit processing plant in Malindi will generate employment for 200 persons; a tube and tyre patch project at either Ruiru or Athi River will create 51 jobs; a pre-press project to render services to the printing industry is expected to create 30 new jobs. The I.C.D.C. also participated in a motor and pedal cycle assembly project taking 40 per cent of share holding. An integrated vegetable oil project located in Mombasa to process raw beans is expected to employ 209 persons while an integrated machine tools project, to manufacture machine tools required by local industries, is expected to employ 2,000 persons.

11.33. As shown in Table 11.7, growth of output in the manufacturing sector has fluctuated at around 5.6 per cent per year over the last five years, while total employment in the sector has grown at roughly 3.0 per cent. With Kenyan manufacturing wage costs at 34.5 per cent of the gross product, there is good potential for reinvestment of the significantly high operating surplus.

INDICATORS OF LABOUR COST AND PRODUCTIVITY IN MANUFACTURING, 1985 - 1989

Table 11.7

INDICATOR	1985	1986	1987	1988	1989*
1. Change in the quantum index of manufacturing ..	+ 4.6	+ 5.9	+ 5.7	+ 6.0	+ 5.9
2. Change in numbers employed in manufacturing ..	+ 3.7	+ 3.8	+ 2.3	+ 2.6	+ 2.8
3. Implicit change in labour productivity	+ 0.9	+ 2.1	+ 3.4	+ 3.4	+ 3.1
4. Wage cost as percentage of gross output	5.3	4.8	4.6	4.1	4.3
5. Wage cost as percentage of value added	34.7	33.8	33.8	30.7	34.5

* ***Provisional.***

CHAPTER 12 - BUILDING AND CONSTRUCTION

Building and Construction sector continued to perform well in 1989 as shown by increases in the sector's major indicators namely: employment, total receipts for work done by private contractors, plans approved by major towns and estimated cement consumption. The continued growth in the sector's activities was attributable to 34 per cent increase in credit extended by commercial banks to private sector building and construction in 1989, as shown in Table 5.9. Public sector also contributed to the sector's growth through increased expenditure in road development, housing and the expansion of educational facilities for the 8-4-4 education system.

12.2. Data on real trends of the major indicators for building and construction sector for the period 1985-1989 are presented in Table 12.1. Cement consumption which declined by 4 per cent in 1988, recorded a growth of 19 per cent from 854.0 thousand tonnes in 1988 to estimated 1,014.5 thousand tonnes in 1989. Employment rose from a revised 62,600 people in 1988 to 67,400 people in 1989, an increase of 7.7 per cent. The index of Government expenditure on roads registered a growth of 33 per cent in 1989, slightly higher than the 31 per cent recorded the previous year, mainly due to continued Government effort in improving the country's road network. The index of reported private building work completed in main towns registered an increase from 72.2 in 1987 to 77.9 in 1988, while that of public building works completed declined from 16.3 in 1987 to 14.6 in 1988.

REAL TRENDS IN BUILDING AND CONSTRUCTION*, 1985 - 1989

Table 12.1 ***1982=100***

	1985	1986	1987	1988	1989**
"Index" of reported private building work completed in main towns***	59.8	64.3	72.2	77.9	
"Index" of reported public building work completed in main towns***	31.7	12.1	16.3	14.6	
"Index" of government expenditure on roads ..	66.1	55.1	49.8	65.2	86.6
Cement consumptoin ('000 tonnes)	610.1	702.4	890.3	854.0	1,014.5
"Index"	105.3	121.2	149.3	147.3	175.0
Employment ('000).. ..	49.9	55.9	58.1	62.6	67.4
"Index"	82.6	92.2	96.2	103.6	111.6

* *Actual deflated by various building or construction cost indices*

** *Provisional.*

*** *The average of two succeeding years is taken in each case for reported completion of building.*

12.3. The provisional data from the Business Expectations Enquiry (B.E.E.) show that the sector recorded a growth of 11 per cent in total receipts for work done by private contractors in 1989. Total receipts increased from K£238 million in 1988 to K£264 million in 1989, with building construction recording a growth of 27 per cent in receipts, from K£111 million in 1988 to K£141 million in 1989.

12.4. Table 12.2 presents data on annual percentage changes in building and construction cost indices for the period 1987-1989. On average, the overall construction indices have gone up by about 10 per cent over the last five years,

with labour and material cost rising by about 11 per cent and 10 per cent, respectively. The overall building and construction index rose by 9.9 per cent in 1989 as compared with 11.9 per cent and 10.3 per cent in 1987 and 1988, respectively. Labour costs rose by 11.5 per cent, with 13 per cent, 11 per cent and 10 per cent increases in unskilled, semi-skilled and skilled labour,in that order. Construction materials costs rose by 9.3 per cent,lower than the 12.7 per cent recorded in 1988. During 1989, the price of cement rose by 10 per cent pushing up the prices of concrete products. Other inputs whose prices increased during the year included timber, fuel, steel and paints.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1987- 1989

Table 12.2 .

	MATERIALS			LABOUR			TOTAL COST		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Residential Buildings ..	10.3	14.8	10.9	17.7	4.6	11.5	11.7	12.7	11.0
Non-Residential Buildings	12.3	13.7	9.8	17.7	4.6	11.5	13.7	11.3	10.2
Ail Buildings	11.2	14.3	10.4	17.7	4.6	11.5	12.6	12.1	10.6
"Other" Construction ..	6.8	9.3	6.7	17.7	4.6	11.5	10.9	7.5	8.5
TOTAL COST INDEX	9.7	12.7	9.3	17.7	4.6	11.5	11.9	10.3	9.9

** From December to December.*

12.5. The total value of plans approved by Nairobi City Commission (NCC) and other major towns recorded a growth of 7 per cent in 1989 as compared with 22 per cent recorded in 1988. The slower growth in total value of plans was partly attributable to a decline in value of reported plans by other towns as shown in Table 12.3. While other towns recorded a decline in 1989, Nairobi registered a 34 per cent rise, slightly above the 33 per cent recorded in 1988. The value of plans approved by NCC increased from K£ 148.4 million in 1988 to K£ 198.4 million in 1989, increase being in the commercial and industrial activities. The plans approved by NCC in 1989 include the Kenya Pipeline Company office block, Nairobi Golf Hotel, shops and offices for Unga Group Ltd, office block for Asili Co-operative Society , and Kenya Commercial Bank Training Centre. The value of reported plans approved by other towns declined from K£98.9 million in 1988 to K£65.6 million in 1989.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1985 - 1989

Table 12.3 *K£million*

YEAR	NAIROBI	. OTHER TOWNS	TOTAL
1985	57.60	54.53	112.13
1986	78.44	65.38	143.82
1987	111.82	90.81	202.63
1988	148.38	98.93	247.31
1989*	198.36	65.63	263.99

** Provisional.*

12.6. A comparison of value of private plans approved and building completions in main urban centres is presented in Table 12.4. In 1985, the value of reported building works completed was about 24 per cent of the approvals but this level declined to around 16 per cent for each year, during 1986-1989 period. Whereas the value of plans approved continued to show an upward trend since 1985, reported completions showed mixed performance.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1985-1989

Table12.4 *K£million*

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1985	110.70	26.57
1986	141.82	21.80
1987	202.15	33.49
1988	247.31	40.74
1989*	263.99	40.38

* *Provisional.*

12.7. Trend analysis of value of reported private completions by five main towns for the last five years is shown in Table 12.5. Nairobi continued to lead in value of completion, accounting for over 50 per cent of the total value. Nairobi and Nakuru recorded marginal increases while Mombasa recorded a decline from K£14.4 million in 1988 to K£11.9 million in 1989.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS, 1985- 1989

Table12.5 *K£million*

Year	Nairobi	Mombasa	Kisumu	Nakuru	Eldoret	Total
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	26.24	14.35	1.10	3.85	0.38	45.92
1989**	26.50	11.89	2.54	3.87	-	44.80

* *Including the value of extension.*

** *Provisional.*

12.8. Details of number and estimated value of reported completions of new private buildings in main towns are set out in Table 12.6. Private sector continued to play a key role in the provision of both residential and non-residential houses in main towns. Since 1985, over 5,500 units were completed by private developers of which 93 per cent were residential units, mainly to meet increasing demand for residential units. In 1989 alone, a total of 1,111 units were reported complete as compared to 1,551 units the previous year. Due to the price increases the corresponding estimated value showed a marginal decline of 1 per cent.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS, 1985 - 1989

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
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	1,466	85	27.10	13.64	40.74
1989**	1,019	92	26.13	14.25	40.38

* *Excluding the value of extensions.*

** *Provisional.*

12.9. New public buildings excluding extensions shown in Table 12.7 indicate that there was a slight drop in number of completed units, from 189 units in 1988 to 182 in 1989, while the corresponding cost declined by 11 per cent. Public buildings in progress during 1989 included Makueni, Vihiga and Nyamira district offices, extension to the National Social Security Fund (NSSF) building and Nyayo Buses' workshop, both in Nairobi.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS, 1985-1989

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
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
1989**.. ..	158	24	1.98	0.80	2.78

* *Including the value of extensions.*

** *Provisional.*

12.10. Approved and actual Central Government expenditure on housing development for the period 1985/86 - 1989/90 is presented in Table 12.8. Actual expenditure increased from K£7.5 million in 1987/88 to K£19.2 million in 1988/89, partly due to increased funding to National Housing Corporation for the completion of the Kibera and Pumwani high rise flats in Nairobi. However, during 1989/90 approved expenditure is estimated to decline by K£6.76 million.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1985/86- 1989/90

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
1985/86	9.03	8.46	2.30
1986/87	8.41	7.16	2.20
1987/88	7.33	7.48	1.20
1988/89	19.18	19.18	2.00
1989/90*	12.42		1.30

* *Provisional.*

12.11. In its effort to alleviate housing problem in most urban centres the National Housing Corporation (NHC), completed a total of 1,005 units at a cost of K£6.5 million in 1989. This was an increase of 776 units over those completed in 1988, reversing a downward trend discernible since 1985. Analysis of housing units completed by the Corporation during the last five years is presented in Table 12.9. Major housing schemes completed during the year included: 83 units at Nairobi Uhuru Garden Phase II, 284 units at Pumwani Low Cost Flats Phase I, 150 units at Siaya Tenant Purchase, 50 units at Kiboko Phase I and 30 units at Kajiado Rental Scheme. In addition to the schemes completed, 15 housing schemes were under construction in 13 towns.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1985 - 1989

Table 12.9

	1985	1986	1987	1988	1989
Units completed					
PROVINCE-					
Nairobi	-	-	85	-	367
Coast	50	-	50	-	-
North-Eastern	-	-	-	-	-
Eastern	-	253	248	-	-
Central	45	95	111	166	149
Rift valley	745	115	41	63	105
Nyanza	169	152	40	-	384
Western	-	-	-	-	-
TOTAL NUMBER	1,009	615	575	229	1,005
Of which site and service	882	276	50	-	234
Value of units completed K£'000				-	-
Nairobi	-	-	1,350	-	4,288
Coast	302	-	116	-	-
North-Eastern	-	-	-	-	-
Eastern	-	1,013	1,095	-	-
Central	618	186	349	1,010	930
Rift valley	1,737	506	240	524	399
Nyanza	210	268	604	-	878
Western	-	-	-	-	-
TOTAL VALUE	2,867	1,973	3,754	1,534	6,495

12.12. Through "The Rural Housing Loans Scheme" which has been in existence for over twenty years, NHC has advanced loans amounting to K£12.4 million to 7,263 beneficiaries for the construction of rural residential houses. The amount advanced since 1985/86 shows a downward trend from K£1.8 million to K£0.3 million in 1988/89, with the corresponding number of beneficiaries declining from 731 to 96 during the period. The decline was attributable to limited funds allocated for the scheme.

12.13. Under the 'site and service scheme' the Corporation completed only one scheme comprising of 234 units in Kisii town in 1989. No other project is being considered under the scheme.

12.14. Table 12.10 highlights the details of total classified road network by surface type in 1985 and 1989. By July 1989, the total classified road network covered approximately 61,700 kilometres with 7,700 kilometres, 25,300 kilometres and 28,700 kilometres under bitumen, gravel and earth surface types, respectively. International trunk roads covered about 3,600 kilometres, while minor and special purpose roads areas covered about 36,600 kilometres with 59 per cent and 39 per cent under earth and gravel surface, respectively.

KILOMETRES OF ROAD AS AT 1st JULY, 1985 AND 1st JULY, 1989 BY TYPE AND CLASSIFICATION

Table 12.10 ***'000Km***

Type of Road	1985		1989	
	Bitumen*	Earth/ Gravel**	Bitumen*	Earth/ Gravel**
A- International Trunk ..	**2.3**	**1.2**	**2.6**	**1.0**
B- National Trunk	**1.2**	**1.5**	**1.2**	**1.6**
C- Primary	**1.9**	**5.9**	**2.2**	**5.5**
D- Secondary	**0.7**	**10.3**	**1.0**	**10.0**
E- Minor	**0.4**	**25.8**	**0.6**	**33.4**
F- Special Purpose.. ..	**0.2**	**2.8**	**0.1**	**2.5**
TOTAL	**6.7**	**47.5**	**7.7**	**54.0**

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

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

12.15. Expenditure on road development and recurrent expenditure by Ministry of Public Works from 1987/88 to 1989/90 fiscal year is presented in Table 12.11. In an effort to improve the country's road network, the Government spent about K£66.0 million in 1988/89 on road development compared to K£41.6 million spent in 1987/88. Recurrent expenditure on maintenance and repair increased by 7 per cent from K£21.9 million to K£23.4 million during the same period. Total expenditure is projected to rise to K£128.4 million in 1989/90 with increases in both development and recurrent expenditure. The rise in expenditure was attributed to upgrading, repair and resealing of roads in various parts of the country.

TOTAL EXPENDITURE ON ROADS, 1987/88 - 1989/90

Table 12.11 *K£million*

	1987/88	1988/89	1989/90*
DEVELOPMENT-			
Trunk Roads	8.9	17.5	53.3
Primary Roads	6.7	16.8	20.7
Secondary Roads	8.0	3.1	9.0
Unclassified Roads.. ..	-	-	-
Miscellaneous Roads.. ..	18.0	28.6	22.3
TOTAL	41.6	66.0	105.3
RECURRENT (maintenance and repair)	21.9	23.4	23.5
TOTAL	63.5	89.4	128.8

* *Provisional*

12.16. Major roads completed during 1989/90 fiscal year included the construction of Kakuma-Lokichogio and Lodwar-Kakuma covering a total of about 240 kilometres; repair and recarpeting of Kisii-Sotik road covering 51 kilometres. Roads under construction include Bungoma-Chwele-Kimilili, Kiganjo-Nanyuki, Eldama Ravine-Tenges-Emining, Kagio-Baricho-Kerugoya and Kalanga - Garissa roads - all when completed will improve the country's road network.

12.17. In order to improve communication and transportation especially in the rural areas, the Ministry of Public Works continued to be involved in the Rural Access Road Programme (RARP), the Minor Roads Programme (MRP), and the Gravelling Bridging and Culverting Programme (GBCP) - all with aim of facilitating rural development activities. Under these programmes, the Ministry spent about K£28.6 million in 1988/89 but the expenditure is projected to decline to K£22.3 million during 1989/90 fiscal year.

CHAPTER 13 - TOURISM

Overview

The tourism industry performed generally well during 1989. Several trends which attest to this conclusion include: higher number of visitors coming to Kenya; a rise in bed-night occupancy; increased visitors to national parks, game reserves and historical sites; more delegates coming for international conferences; and a continued growth in the level of foreign exchange earnings.

13.2. On the international scene, several developments did not favour international travel. The most important were the rise in oil prices, inflation level and interest rates. These factors resulted in upward adjustment of air fares and a general rise in costs of travel. A rise in interest rates in the tourist generating countries had the effect of reducing borrowing which, coupled with rising home mortgage rates, lowers the level of disposable income, thus diminishing the capacity for foreign travel. This is clearly indicated by the reduction in the number of days foreign visitors stayed abroad, a feature evident on the Kenyan scene during 1989. The implications for Kenya and other developing countries which are keen on developing their tourism sector is to improve facilities, remove any bottlenecks hindering the industry's growth and carry out enhanced promotional activities.

13.3. The upward trend in the industry's growth is shown by several indicators. Tourist earnings rose from K£349 million recorded in 1988 to K£432 million in 1989; a fast pace of almost 23.8 per cent compared to 19.5 per cent recorded in 1988. But, as shown in Chapter 7, part of this rise was due to the depreciation of the Kenya Shilling against major currencies, by 22 per cent. Arriving international visitors grew by 5 per cent during 1989 relative to 1988; while departures rose by 5.5 per cent over the same period. Total days stayed decreased slightly from 10.8 million registered in 1988 to 9.9 million or by 9 per cent. Overall hotel occupancy increased by 3.5 per cent, with bed-nights occupancy rate rising from 52.9 per cent in 1988 to 55.2 per cent in 1989. Game Lodges occupancy by both foreign and East African residents rose in 1989. The number of visitors to national parks rose by a considerable 12.9 per cent in 1989, despite the closure of the Nairobi's Animal Orphanage for renovations and improvement in April, 1989. The performance of Kenyatta International Conference Centre (KICC) continued to be mixed. There was a rise in both the number of international conferences and attending international delegates; with the former rising from 19 in 1988 to 32 during 1989, while the latter rose from 3,915 to 5,510. However, occupancy level, based on international conferences, recorded its lowest level in 5 years from 54.0 per cent in 1985 to 30.4 per cent in 1989.

International Tourism

13.4. Total international arrivals, as shown in Table 13.1, indicate a continuing pattern of most visitors coming in the first and fourth quarters. While this pattern was continued in 1989, the total number of visitors rose to 730 thousand from 695 thousand recorded in 1988. A breakdown for the year shows faster growth in holiday makers, while business and transit visitors declined by 24 and 56 per cent, respectively. Overall visitors on holiday rose

remarkably by recording an increase of 16 per cent. There was a decline in arriving visitors in the third quarter.

Table 13.1 QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1985 - 1989 '000

Quarter/	Purpose	1985	1986	1987	1988	1989*
1 st Qr.	Holiday	115.9	130.3	138.6	155.1	193.5
	Business	15.2	17.9	18.0	20.2	15.8
	Transit	12.0	12.0	13.0	13.0	5.8
	Other	3.1	3.6	2.0	2.1	1.0
	TOTAL	146.2	163.8	171.6	190.4	216.1
2nd Qr.	Holiday	73.2	83.3	100.4	102.6	125.1
	Business	16.0	18.0	18.1	20.4	14.0
	Transit	14.5	16.7	16.9	17.1	6.5
	Other	3.3	3.8	1.8	2.0	0.7
	TOTAL	107.0	121.8	137.2	142.1	146.3
3rd Qr.	Holiday	104.4	119.9	134.0	158.7	160.4
	Business	13.4	14.0	14.1	14.8	9.6
	Transit	14.0	16.8	14.6	17.3	9.7
	Other	2.9	3.4	1.4	2.0	0.7
	TOTAL	134.7	154.1	164.1	192.8	180.4
4th Qr.	Holiday	124.5	143.1	156.1	139.5	167.2
	Business	14.9	15.8	15.9	14.1	13.5
	Transit	11.5	13.6	14.4	14.0	5.2
	Other	1.8	2.0	2.0	2.0	1.0
	TOTAL	152.7	174.5	188.4	169.6	186.9
Year	Holiday	418.0	476.6	529.1	555.9	646.2
	Business	59.5	65.7	66.1	69.5	52.9
	Transit	52.0	59.1	58.9	61.4	27.2
	Other	11.1	12.8	7.2	8.1	3.4
	TOTAL	540.6	614.2	661.3	694.9	729.7

* *Provisional.*

13.5. Table 13.2 shows the. trend in visitor departures, which was somehow similar to that of international arrivals. Visitor departures increased from 677 thousand in 1988 to 714 thousand in 1989 or by 5.5 per cent. The growth is attributable to a rise in visitors on holiday and those on business; categories which increased by 11.5 and 2.8 per cent, respectively. The categories "transit" and "other" recorded declines.

13.6. A breakdown of the number of visitor departures by country of residence is shown in Table 13.3. The leading industrial countries continued to be Kenya's foremost tourist generating areas. West Germany which recorded 107 thousand visitors continued to dominate the countries in Europe, followed by United Kingdom, Italy, and France. Europe, however, recorded a decline of 3 per cent owing mainly to a small drop in visitors from West Germany, Switzerland and "other" Europe. Similarly, Asia recorded a marginal fall in total number of visitor departures. The decreases were compensated for by the rapid growth in the number of visitors from Africa which rose by 29.3 per cent from 133 thousand in 1988 to 172 thousand in 1989.

Table 13.2 QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1985 - 1989 *'000*

Quarter/	Purpose	1985	1986	1987	1988	1989*
1 st Qr.	Holiday	120.9	134.2	146.6	155.2	165.5
	Business	14 0	15.1	16.4	17.3	22.7
	Transit	13.0	13.9	14.2	15.0	13.8
	Other	3.0	2.6	3.4	3.6	1.0
	TOTAL	150.9	165.8	180.6	191.1	203.0
2nd Qr.	Holiday	77.1	87.5	95.6	92.7	99.6
	Business	15.5	17.1	17.9	17.3	17.8
	Transit	15.6	17.8	19.2	18.6	13.0
	Other	3.2	3.5	3.1	3.0	0.5
	TOTAL	111.4	125.9	135.8	131.6	130.9
3rd Qr.	Holiday	104.2	117.3	136.8	145.0	148.0
	Business	11.5	12.3	18.1	19.2	9.2
	Transit	15.4	17.0	18.8	19.9	14.0
	Other	1.8	2.2	2.7	2.9	0.4
	TOTAL	132.9	148.8	176.4	187.0	171.6
4th Qr.	Holiday	111.7	125.5	131.4	129.7	169.8
	Business	17.3	19.3	17.4	17.2	23.3
	Transit	14.5	15.9	17.9	17.7	14.2
	Other	2.5	2.8	2.6	2.6	1.0
	TOTAL	146.0	163.5	169.3	167.2	208.3
Year	Holiday	413.9	464.5	510.4	522.6	582.9
	Business	58.3	63.8	69.8	71.0	73.0
	Transit	58.5	64.6	70.1	71.2	55.0
	Other	10.5	11.1	11.8	12.1	2.9
	TOTAL	541.2	604.0	662.1	676.9	713.8

* *Provisional*

13.7. As has already been observed, total length of stay by visitors was generally reduced in 1989. The average length of stay dropped from 16.0 days in the period 1987-1988 to 14.4 days in 1989. The decline was recorded in both visitors on holiday and those on business, while it rose among the visitors on transit. As noted, this decline reflects the reaction of visitors to increased costs of travel and maintenance. Overall, visitor days fell from 10.8 million days to 9.9 million days or by 9 per cent.

Tourist Hotel Occupancy

13.8. The total number of hotel bed-nights occupied continued to show an upward trend by rising from 5.1 million in 1988 to 5.3 million in 1989. Hotel bed-nights available, however, recorded a marginal decline by registering a fall of 0.8 per cent, from 9.7 million in 1988 to 9.6 million in 1989. These trends led the occupancy level to rise from around 53 per cent in the period after 1985 to 55 per cent in 1989. All the regions recorded increases in occupancy except Africa which registered a slight decline of 1 per cent. The level of permanent occupants remained unchanged at 191 thousand as has been the case since 1987. Occupancy level by Kenyans also decreased for the first time since 1985. Hotel bed-nights occupancy by country of residence is set-out in Table 13.5.

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1988-1989

Table 13.3 *'000*

Country of Residence	Holiday		Business		Transit		Total**	
	1988	1989*	1988	1989*	1988	1989*	1988	1989*
West Germany	112.1	104.4	2.8	1.3	4.5	1.6	121.5	107.4
United Kingdom	68.7	85.3	12.1	5.5	7.5	3.9	89.7	94.9
Switzerland	50.1	36.2	1.2	0.5	1.4	0.8	53.7	37.5
Italy	38.8	43.6	1.4	1.1	2.0	1.6	43.6	46.4
France	29.6	36.9	2.2	1.2	1.8	1.3	34.2	39.4
Scandinavia	13.0	25.1	1.7	1.7	1.6	2.1	16.7	29.0
Other Europe	36.9	33.1	3.4	1.8	2.9	2.0	44.0	36.9
TOTAL EUROPE	349.2	364.6	24.8	13.1	21.7	13.3	403.4	391.5
U.S.A	56.1	75.0	6.5	3.7	5.8	5.4	69.5	84.3
Canada	7.4	11.7	1.2	0.7	1.0	1.0	9.7	13.4
TOTAL NORTH AMERICA ..	63.5	86.7	7.7	4.4	6.8	6.4	79.2	97.7
Uganda	17.0	12.1	7.8	23.9	3.7	5.2	28.9	41.4
Tanzania	18.1	53.4	5.6	10.3	1.6	5.2	25.9	69.4
Other Africa	32.5	26.3	17.8	16.4	26.3	17.7	77.9	60.8
TOTAL AFRICA	67.6	91.8	31.2	50.6	31.6	28.1	132.7	171.6
India	6.6	7.8	1.5	1.3	4.3	2.2	12.6	11.3
Japan	7.2	7.5	1.8	1.2	0.7	0.7	9 8	9.4
Israel	4.3	3.9	0.2	0.2	0.5	0.4	5.0	4.5
Other Asia	16.6	9.0	2.5	1.5	4.4	3.0	23.4	13.6
TOTAL ASIA	34.7	28.2	6.0	4.2	9.9	6.3	50.8	38.8
Australia and New Zealand	3.8	8.7	0.5	0.4	0.5	0.5	5.4	9.6
All Other Countries	3.8	2.7	0.8	0.3	0.7	0.4	5.4	4.6
TOTAL	522.6	582.7	71.0	73.0	71.2	55.0	676.9	713.8

* *Provisional.*

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

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT, 1985 -1989

Table 13.4 *'000*

Purpose	1985	1986	1987	1988	1989**
Holiday	7,480.3	8,569.2	9,364.3	9,747.4	8,814.9
Business	758.1	659.9	822.0	855.6	729.4
Transit	185.4	198.0	218.5	227.5	374.7
TOTAL	8,423.8	9,427.1	10,404.8	10,830.5	9,919.0
Average length of stay in days	15.9	15.9	16.0	16.0	14.4

* *Excludes days stayed by 'Other Visitors' Category.*

** *Provisional.*

13.9. Hotel occupancy by region is shown in Table 13.6. Occupancy in coastal region, excluding the beaches, fell for the third year in a row. Bed-night occupancy in Coastal Beach, Coastal Hinterland, Central, Nyanza Basin and the Northern Zone continued to rise; while occupancy in Nairobi and Western Zone continued to pick-up, even though it remained below the 1985 level.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1985 -1989

Table 13.5 *'000*

	1985	1986	1987	1988	1989*
Permanent Occupants**	261.4	210.4	191.4	191.0	191.1
West Germany	1,161.9	1,229.7	1,215.9	1,274.2	1,370.2
Switzerland	522.1	501.8	467.8	475.3	474.6
United Kingdom	480.5	512.2	513.0	547.6	628.4
Italy	211.7	261.4	298.7	299.7	252.8
France	176.0	218.7	205.5	223.2	238.0
Scandinavia	80.3	87.5	87.2	82.5	90.5
Other Europe	228.4	227.1	223.3	222.9	244.0
EUROPE	2,860.9	3,038.4	3,011.4	3,125.4	3,298.5
Kenya Residents	819.9	837.1	847.5	853.9	829.4
Uganda	58.0	61.6	55.7	55.1	51.2
Tanzania	37.5	40.6	41.9	42.8	43.3
East and Central Africa	85.2	86.9	88.2	41.4	51.9
West Africa	33.8	29.9	30.9	12.7	14.0
North Africa	16.0	18.9	18.9	7.9	10.9
Other Africa	17.8	17.9	18.1	82.1	81.4
AFRICA	1,068.2	1,092.9	1,101.2	1,095.9	1,082.1
U.S.A	380.9	396.5	449.2	443.1	456.0
Canada	41.2	43.1	46.1	49.3	47.3
Other America	6.5	19.5	18.8	21.5	22.2
AMERICA	428.6	459.1	514.1	513.9	525.5
Japan	10.9	19.1	27.3	25.8	29.2
India	7.7	11.7	16.5	17.4	22.1
Middle East	13.1	17.6	20.2	22.9	24.4
Other Asia	76.8	62.2	55.5	52.2	47.6
ASIA	108.5	110.6	119.5	118.3	123.3
Australia and New Zealand	8.9	11.9	16.0	21.4	30.2
All Other Countries	82.0	86.7	77.7	68.6	65.8
TOTAL- OCCUPIED	4,818.5	5,010.0	5,031.3	5,134.5	5,316.5
TOTAL -AVAILABLE	9,024.8	9,371.2	9,479.2	9,704.3	9,630.8
Occupancy rate % ..	53.4	53.5	53.1	52.9	55.2

** Provisional.*

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

13.10. The growth in visitors in Coastal Beach, Nairobi high class and to some extent Masailand and Central shows Kenya's hotels continued reliance on foreign residents. Both Tables 13.5 and 13.6, suggest that increased international visitors are likely to boost hotel occupancy first in the established tourist circuit. The fact that permanent occupants, residents of East Africa, and Kenya residents did not take up increased occupancy is a reflection of rising domestic costs.

13.11. Overall hotel bed-night occupancy by country of residence is shown in Table 13.7. Coastal hotels continued to lead in occupancy, and as has been the case in the past, most of the visiting occupants were from West Germany,

HOTEL BED-NIGHTS OCCUPIED BY ZONE, 1985- 1989

Table 13.6 *'000*

Zone	1985	1986	1987	1988	1989*
Coastal-Beach	2,127.8	2,353.0	2,316.5	2,404.2	2,521.3
- Other	3162	336.0	314.0	308.3	298.4
Coast Hinterland	121.6	132.0	141.5	142.4	158.6
Nairobi-High Class	612.0	548.9	564.8	577.5	605.1
-Other	874.9	841.6	864.9	843.3	831.8
Central	338.2	359.8	376.0	391.4	430.2
Masailand	241.6	248.6	259.8	268.2	270.6
Nyanza Basin	95.1	104.8	108.1	111.5	112.0
Western	83.1	76.7	77.0	78.9	79.6
Northern	7.9	8.6	8.7	8.8	8.9
TOTAL-OCCUPIED-	4,818.4	5,010.0	5,031.3	5,134.5	5,316.5
TOTAL-AVAILABLE	9,024.8	9,371.2	9,479.2	9,704.3	9,630.8

* *Provisional.*

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1989*

Table 13.7 *'000*

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	139.7	36.0	0.5	14.9	191.1
West Germany	71.7	1,180.2	104 6	13.7	1,370.2
Switzerland	31.3	385.4	49.6	8.3	474.6
United Kingdom	173.0	323.7	96.8	34.9	628.4
Italy	34.4	182.4	28.8	7.2	252.8
France	55.9	101.4	62.0	18.7	238.0
Scandinavia	41.5	30.6	9.2	9.2	90.5
Other Europe	56.2	141.3	37.1	9.4	244.0
Kenya	253.7	296.0	40.1	239.6	829.4
Uganda	38.9	9.0	0.3	3.0	51.2
Tanzania	30.3	10.5	0.4	2.1	43.3
Other East and Central Africa	47.0	3.6	0.4	0.9	51.9
West Africa	12.2	0.5	0.2	1.1	14.0
North Africa	9.7	0.5	0.3	0.4	10.9
Other Africa	61.8	15.3	1.9	2.4	81.4
U.S.A	220.7	47.4	146.6	41.3	456.0
Canada	21.5	9.6	11.5	4.7	47.3
Other America	15.8	1.3	3.5	1.6	22.2
Japan	18.5	3.1	4.6	3.0	29.2
India	16.1	1.8	1.9	2.3	22.1
Middle East	12.7	3.7	5.9	2.1	24.4
Other Asia	29.8	8.4	4.8	4.6	47.6
Australia and New Zealand	14.2	3.6	8.1	4.3	30.2
All Other Countries	30.3	24.4	6.9	4.2	65.8
TOTAL	1,436.9	2,819.7	626.0	433.9	5,316.5

* *Provisional.*

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

United Kingdom, Switzerland, Italy, France and other parts of Europe. Visitors from USA continued to lead in their occupancy level in lodges, although the majority still took up bed-night occupancy in Nairobi. This trend continues to show their preference for Safaris, which can be combined with business at the capital. With the West Germany economy doing well, increased hotel occupancy by visitors from that country has not only been confined to the Coast, but has also picked up in Nairobi and in lodges.

13.12. Better hotel bed-night occupancy registered in 1989 is also reflected in the occupancy levels in hotels located in Game reserves and national parks. This category of hotels recorded improved occupancy by both foreign residents as well as those from East Africa. Occupancy in game reserves and national parks continued to rise. Most visitors preferred full catering to self service. The number of East African residents opting for self service actually declined marginally. Foreign residents bed-night occupancy in game lodges rose by 8.3 per cent, while that of E.A. residents rose by 1.4 per cent; with the former taking up 93.0 per cent of total bed-night occupancy.

Table 13.8 GAME LODGES** OCCUPANCY, 1987-1989 *'000*

Lodge locality/Type	BEDNIGHTS OCCUPIED					
	Foreign Residents			E.A. Residents		
	1987	1988	1989*	1987	1988	1989*
Game Reserves	262.8	257.0	266.6	14.2	12.1	13.9
National Parks	252.5	280.3	315.5	31.1	31.2	30.0
TOTAL	515.3	537.3	582.1	45.3	43.3	43.9
Of which full catering -	476.7	493.8	534.4	36.2	36.3	37.1
Self Service	38.6	43.5	47.7	9.1	7.1	6.8

* Provisional.

** Lodges in National Parks and Game Reserves only.

Tourist Receipts

13.13. The rapid expansion in foreign exchange earnings witnessed over the recent past was continued in 1989. The level of earnings rose substantially from K£349 million in 1988 to K£432 million in 1989 or by 24 per cent. This implies that on average foreign visitors spent K£605 compared with K£516 and K£441 in 1988 and 1987, respectively. These increases are largely due to the depreciation of the Kenya Shilling against major currencies, but in part reflects the normal domestic inflation.

Domestic Tourism

13.14. The Domestic Tourism Council (DTC), travel agents and hoteliers continued to promote domestic tourism among the residents during the year. The DTC held exhibitions at the KICC in 1989 and in early 1990; while another one, dubbed *"Exhibition 90,"* was organised at the Sarit Centre in Nairobi. Both events were described as successful.

Other Tourist Attractions

13.15. ***National Parks:-*** Visitors to national parks continued to rise for the fourth year in a row. The only exception to this being the drop in visitors to

national parks in the Central and Mount Kenya region. Overall visitors rose by 13 per cent from 1.063 million registered in 1988 to 1.201 million in 1989. The increase in the number of visitors to parks, coupled with a rise in hotel bed-nights occupancy, is an indicator that the Government's assurance of good and improved security in the parks was well received by operators within the industry following a few isolated criminal cases which resulted in adverse publicity abroad. It should be noted that visitors to the Animal Orphanage dropped due to its closure for renovations and improvements between April and December, 1989.

Table 13.9 **NUMBER OF VISITORS TO NATIONAL PARKS,** 1985-1989 *'000*

	1985	1986	1987	1988	1989*
Nairobi	110.6	91.6	99.8	125.5	155.2
Animal Orphanage *** ..	102.5	73.0	82.1	84.8	43.3
Amboseli	151.5	157.0	148.5	137.7	140.4
Tsavo (West)	96.5	82.9	80.6	85.4	96.8
Tsavo (East)	73.3	- 75.3	89.6	87.3	101.1
Aberdare	43.1	42.5	54.0	59.9	57.5
Buffalo Springs.. ..	46.1	41.4	43.4	64.0	70.4
Lake Nakuru	135.5	127.9	127.9	138.6	167.4
Masai Mara	110.7	94.8	95.9	118.8	196.2
Malindi Marine.. ..	25.4	36.1	38.6	39.2	40.7
Lake Bogori	23.8	25.6	31.2	32.8	46.2
Meru	18.9	20.4	26.8	23.7	17.4
Shimba Hills	13.0	10.9	13.4	16.7	21.5
Mount Kenya	13.2	16.6	19.2	18.0	13.3
Samburu	6.1	5.1	4.3	3.6	4.0
Kisite/Mpunguti.. ..	6.4	12.2	11.0	17.9	18.2
Mount Elgon	4.5	4.7	4.5	3.6	3.9
Ol-Donyo Sabuk.. ..	2.6	1.7	1.9	2.1	3.3
Marsabit	2.0	3.2	2.2	2.0	2.0
Saiwa Swamp	0.7	1.2	1.7	1.7	2.0
TOTAL	986.4	924.1	976.6	1,063.3	1,200.8

** Provisional.*

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

*****Data for 1989 available for the period January to April and December.**

13.16. ***Museums and sites:-*** Visitors to the major museums and sites indicated an upward trend similar to that recorded in other sectors of the industry. The declines in Kitale, Gedi, Meru and the Karen Blixen Museum were as a result of a drop in school parties, who normally form the bulk of visitors to Kenya's Museums and sites. The top three, National Museum (Main Gate), the Snake Park and Fort Jesus combined, recorded a growth rate of 12 per cent by registering 640,500 visitors during 1989 compared with 573,800 visitors in 1988; with the Snake parks' tally rising by 25.8 per cent. Details are set-out in Table 13.10.

Conference Tourism

13.17. It has already been noted that the performance of Kenyatta International Conference Centre during 1989 was mixed. While both the number of international conferences and delegates increased, occupancy fell to

111 days compared to 180 days the year before; thus reducing the occupancy rate to 30.4 per cent compared to 49.3 per cent recorded in 1988. The Centre remained a focal point of local activities both by private and Government institutions. These institutions recorded a total of 85 conferences comprising of 154,240 delegates and taking up 131 conferences days. This compares with 114 local conferences with 98,365 delegates in attendance in 1988. Details on international conferences are shown in Table 13.11.

Table 13.10 VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1985 - 1989 *'000*

	1985	1986	1987	1988	1989*
National Museum: (Main Gate)	194.4	204.3	185.7	217.2	224.3
National Museum: (Snake Park)	177.0	188.1	163.6	167.0	210.1
Fort Jesus	171.0	168.8	187.6	189.6	206.1
Kisumu Museum	48.6	56.3	69.5	38.1	38.8
Kitale Museum **	20.6	37.8	34.7	35.1	15.9
Gedi	28.6	32.8	46.5	47.0	35.6
Meru Museum **	20.9	29.5	25.2	25.5	12.4
Lamu	13.7	28.0	18.1	13.3	13.0
Jumba la Mtwala	8.8	8.4	14.6	14.8	14.2
Olorgessaile	9.0	6.5	2.5	2.5	3.4
Kariandusi	7.3	4.1	2.8	4.3	5.8
Hyrax Hills	5.1	2.7	4.3	2.7	2.8
Karen Blixen				51.0	48.6
TOTAL	705.0	767.3	755.1	808.1	831.0

* *Provisional.*

** Excludes school parties.

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE, 1985 - 1989"

Table 13.11

	1985	1986	1987	1988	1989*
Number of conferences	35	30	58	19	32
Number of conferences days	197	202	176	180	111
Attendance (Number of Delegates)	28,844	6,487	7,411	3,915	5,510
Percentage of occupancy	54.0	55.3	48.2	49.2	30.4

* *Provisional*

** International conferences/delegates only.

Development of Tourism

13 18 The tourism industry continued to be promoted and improved by both the private sector and various Government Ministries and institutions. Apart from the local exhibitions, the Ministry of Tourism and the private sector attended international fairs and exhibitions, the most notable being the International Tourism Fair held in Berlin; the world's largest. It should be noted that the Ministry maintains tourist offices in major tourist generating countries. The Ministrv of Transport and Communications also signed an agreement with the Japanese Government, under which the runway at the Moi International Airport,

Mombasa, will be repaired and expanded, hence facilitating the landing of charter flights directly from Europe.

13.19. The Kenya Tourist Development Corporation (KTDC) made more efforts to play its vital role within this dynamic industry by providing funds for both improvements and expansion of facilities and services. Under the Corporation's loan programme a total of K£10.4 million was made available for these purposes during 1988/89 compared with K£9.4 million in 1987/88 or an increase of 10.6 per cent. Of the total, K£7.8 was given under its commercial loans programme, while K£2.6 million was provided under the Kenyanisation loans programme. The Corporation further assisted in refurbishment and renovations of hotels in efforts to rehabilitate or modernise them. Hotels which benefited in 1989 included the Nairobi Inter-Continental, Nairobi Serena, and the Samburu Serena Lodge. The African Tours and Hotels (AT&H), a KTDC subsidiary, developed and opened the 38 bed Olkurruk Lodge in Masai Mara National Reserve. On KTDC's immediate investment agenda, is the development of the Mombasa Island hotel with a capacity of 320 beds, and the extensions to add 150 beds at Sunset Hotel in Kisumu.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

During the period under review, transport, storage, and communications sector continued to perform moderately. The key indicator, value of output grew by 11.3 per cent in 1989 relative to the previous year. Other pointers of the improved trend during the year include: new motor vehicles registrations, which increased by 3.5 per cent; combined revenue from rail and road transportation, which rose by 6 per cent; and notable growths in postal and communication services; freight handling at the port of Mombasa as well as the performance of Kenya Pipeline Company.

14.2. The sector's performance in terms of value of output at current prices is shown in Table 14.1. Value of output increased from K£910.2 million in 1988 to K£1,013.0 million in 1989. Significant growths of 24.3 per cent and 18.5 per cent were recorded in air and water transport subsectors, respectively. Road transport subsector continued to contribute the largest share to the sector's output, although it recorded the lowest growth of 4 per cent from K£355.2 million in 1988 to K£369.6 million in 1989. Communications subsector recorded a 13.1 per cent growth rate; while services incidental to transport experienced a 4 per cent decline.

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT*, 1985 - 1989

Table 14.1 *K£million*

	1985	1986	1987	1988	1989**
Road Transport	225.6	288.1	311.7	355.2	369.6
Railway Transport	57.7	59.5	60.7	64.4	75.4
Water Transport	89.0	72.6	75.5	72.4	85.8
Air Transport	86.8	102.2	131.3	155.0	192.6
Services Incidental to Transport	33.8	39.0	45.6	55.2	52.8
TOTAL	492.9	561.4	624.8	702.2	776.2
Pipeline	23.5	26.5	26.8	27.7	30.7
Communications	114.6	141.3	145.8	182.3	206.1
TOTAL	631.0	729.2	797.4	912.2	1,013.0

** Revised figures.*

***Provisional.*

14.3. Table 14.2 depicts the earnings recorded in the rail and road traffic from 1985 to 1989. Total recorded earnings from both rail and road traffic grew by 6.0 per cent from K£419.6 million in 1988 to K£445.0 million in 1989. The share of total road traffic maintained an impressive performance rising from 79.6 per cent in 1985 to 85 per cent in 1988, but declined slightly to 83 per cent in 1989. Rail experienced 16 per cent and 24 per cent increases in passenger and freight ferried, respectively. The increase in freight was the highest over the period under review.

14.4. In 1989, the Nyayo Bus Corporation increased its fleet of buses by 22 to reach 166. This increase conforms with the Corporation's policy of improving inter and intra city passenger transportation. The Corporation operates buses in Nairobi, Mombasa, Kisumu, Nakuru, Eldoret, Kisii and Meru. At the close of year the Corporation had 753 employees and recorded a turnover of K£3.5 million compared to K£2.6 million in 1988.

EARNINGS FROM ROAD AND RAIL TRAFFIC*, 1985 -1989

Table 14.2 *K£million*

	1985	1986	1987	1988	1989**
Passenger Traffic-					
Road	155.9	197.0	200.7	212.4	221.6
Rail	4.8	5.7	6.3	7.0	8.1
Total	160.7	202.7	207.0	219.4	229.7
Freight Traffic-					
Road	69.7	91.1	111.0	142.8	148.0
Rail**	52.9	53.8	54.4	57.4	67.3
Total	122.6	144.9	165.4	200.2	215.3
Total Road Traffic	225.6	288.1	311.7	355.2	369.6
Total Rail Traffic	57.7	59.5	60.7	64.4	75.4
Total	283.3	347.6	372.4	419.6	445.0

* *Revised figures.*

** *Provisional*

Road Transport

14.5. Data on registration of new motor vehicles covering the period 1985 to 1989 is shown in Table 14.3. The total number of newly registered vehicles has been increasing at 24.4 per cent, 10.2 per cent, 4.8 per cent and 3 per cent in 1986, 1987, 1988, and 1989 respectively. Saloon cars, wagons, panel vans and pickups together accounted for 68 per cent of all registered vehicles in 1989. About 75 per cent of the vehicles registered were locally assembled.

NEW REGISTRATION OF ROAD VEHICLES, 1985 -1989

Table 14.3 *Number*

Type of Vehicle	1985	1986	1987	1988	1989*
Saloon Cars	2,096	3,229	4,914	5,561	6,293
Station Wagons	1,821	3,092	3,008	2,795	2,597
Panel Vans, Pick-ups, etc.	4,652	4,751	4,720	4,783	4,847
Lorries/Trucks	1,421	1,906	1,759	1,790	1,822
Buses and Coaches	791	680	761	1,075	1,075
Mini Buses	426	368	569	509	509
Special Purposes Vehicles	39	43	46	32	22
Trailers	477	565	619	643	668
Rollers, Graders, Cranes	15	79	54	26	26
Wheeled Tractors	876	1,038	1,124	1,172	1,222
Crawler Tractors	3	5	3	4	5
Motor and Auto Cycles ..	1,046	1,196	1,146	1,131	1,116
Three Wheelers	0	3	4	3	4
All Vehicles	13,663	16,955	18,727	19,524	20,206

* *Provisional.*

14.6. Table 14.4 shows the licences issued for both freight and passenger vehicles on hire for the period 1985-1989. Passenger vehicles on hire had risen from 3,281 in 1985 to 4,652 in 1987 before declining to 3,343 in 1989. On the other hand, licensed freight vehicles have risen steadily by over 40 per cent during the same period.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1985 -1989

Table 14.4 *Number*

	1985	1986	1987	1988	1989*
Passenger Service Vehicles ..	3,281	4,553	4,652	3,850	3,343
Freight Transport Vehicles ..	5,532	4,459	6,050	7,200	7,752
Total	8,813	9,012	10,702	11,050	11,095

* *Provisional.*

14.7. Current estimates indicate that there were 11,588 registered matatus employing about 29,000 persons in 1989. Revenue accrued from these matatus amounted to K£151 million. The sub-sector not only contributed immensely to the movement of the passengers but also contributed 41 per cent of the road transport total output.

Railway Transport.

14.8. Information on passengers and freight ferried by the Kenya Railways for the last five years is summarized on Table 14.5. Total revenue earned from both activities rose by 22.8 per cent from K£60.4 million in 1988 to K£74.2 million in 1989. This increase is mainly explained by the corporation's decision to revise both passenger and freight tariff rates upwards during the year. Freight tonnage went up by 2 per cent in 1989.

RAILWAY TRAFFIC, 1985 -1989

Table 14.5

	Unit	1985	1986	1987	1988	1989*
Freight:						
Tonnes	'000	3,269	3,230	3,002	3,255	3,331
Tonne/km	million	1,860	1,831	1,702	1,755	1,910
Revenue	K£million	50.70	50.21	49.28	53.31	66.05
Revenue per tonne/Km..	cts	55	55	58	61	69
Passenger:						
Journeys	'000	2,102	3,563	3,757	4,037	3,549
Passenger/Km	million	587	693	752	828	752
Revenue	K£million	4.82	5.68	6.28	7.09	8.12
Revenue per passenger/Km.	cts	16	16	17	17	22

* *Provisional.*

14.9. Although passenger revenue has nearly doubled since 1985, it still remains a small percentage of the total Corporation's income. Passenger journeys declined from 4,037 thousand in 1988 to 3,549 thousand in 1989. This decline is attributable to the steep rise in passenger tariffs effected in May, 1989.

Harbours and Shipping.

14.10. Table 14.6 gives a summary of the freight handled at the port of Mombasa since 1985. The overall port's performance improved significantly to register an 8 per cent growth after decline in "both 1987 and 1988. While tonnage of exports grew by a noticeable 12 per cent to nearly reach the 1987 level of 2 million tonnes, imports realised a growth rate of 7 per cent, accounting for 72 per cent of the total freight.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1985 - 1989

Table 14.6 *'000 Tonnes*

	1985	1986	1987	1988	1989*
Loaded-					
Dry Cargo	1,482	1,600	1,656	1,486	1,466
Bulk Liquids	396	388	354	297	529
Total	1,878	1,988	2,010	1,783	1,995
Landed-					
Dry Cargo	2,256	2,070	2,134	1,980	2,096
Bulk Liquids	2,181	2,839	2,747	2,887	3,104
Total	4,437	4,909	4,881	4,867	5,200
Total Freight Handled	6,315	6,897	6,891	6,650	7,195

* *Provisional.*

14.11. Dry cargo exports experienced a slight decline from 1,486 thousand tonnes handled in 1988 to 1,466 thousand tonnes in 1989. Bulk liquid exports showed a significant growth of 78 per cent, largely due to growth in the re-exports of residual fuel oils.

14.12. Transit traffic handled rose significantly by 53 per cent from 360,135 tonnes in 1988 to 549,565 tonnes in 1989. Concessionary preferences and special remover facilities led the neighbouring countries and those along the northern corridor to intensify their use of the port in 1989.

Pipeline Transport.

14.13 The performance of the Kenya Pipeline Company between 1985 and 1989 is highlighted in Table 14.7. The overall performance of the company was modest during the year. Throughput of white petroleum products registered a 5 per cent rise in 1989 over the previous year. Illuminating kerosene registered the highest growth of 26 per cent while jet fuel rose by a commendable 9 per cent partly due to the downward revision in minimum prices of the product.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1985 - 1989

Table 14.7 *'000 Cubic Metres*

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illuminating Oil	Light Diesel Oil	Jet fuel	Total
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	269.0	158.0	650.7	244.1	1,621.6
1988	334.3	273.0	187.6	677.8	245.7	1,718.4
1989*.. ..	337.0	281.0	237.3	684.3	268.0	1,807.6

* *Provisional*

Air Transport.

14.14. Table 14.8 depicts the performance of Kenya Airways between 1986 and 1989. In 1989 the number of passengers handled on both domestic and

KENYA AIRWAYS TRAFFIC PERFORMANCE, 1986 -1989

Table 14.8

	1986		1987		1988		1989*	
	Domestic	International	Domestic	International	Domestic	International	Domestic	International
PASSENGERS								
(a) Number of Revenue Passengers carried ..	281,539	355,345	294,354	356.458	361,611	362,156	375,736	384,725
(b) Available- Seat Kilometres (Million)	148.6	1,882.3	165.6	2,142.2	182.5	1,997.6	204.7	2,146.4
(c) Revenue Passenger- Kilometres (Million)	105.4	1,113.3	118.1	1,242.0	133.9	1,188.5	142.7	1,255.9
(d) Cabin Factor - c/b per cent	70.9	59.1	71.3	58.0	73.4	59.5	69.7	58.5
(e) Passenger Revenue KShs. (million)	146.0	1,291.5	176.4	1,559.4	206.0	1,687.5	223.9	1.812.0
(f) Revenue per passenger Kilometre (KShs.)	1.4	1.2	1.5	1.3	1.5	1.4	1.6	1.4
FREIGHT								
(a) Revenue Freight carried (Tonnes)	1,172.0	7,689.0	1,173.0	10,414.0	1,423.0	11,119.0	1,046.0	10,649.0
(b) Available Freight Tonne-Kilometres ('000)	3,997	69,077	4.426	103,214	5,094	96,917	5,674	93,748
(c) Freight Tonnes Kilometres ('000)	445	38,603	395	54,237	591	54,627	447	47,278
(d) Load Factor =c/b per cent	11.1	55.9	8.9	52.5	11.6	56.4	7.9	50.4
(e) Freight Revenue KSh (Million)	4.5	135.0	4.8	197.5	6.1	248.0	5.5	273.5
(f) Revenue Per Tonne - Kilometre (KShs.)	10.2	3.5	12.1	3.6	10.2	4.5	12.3	5.0

* Provisional

international flights stood at 760.4 thousand representing a 5 per cent growth over 1988. On the other hand freight handled declined by 7 per cent. There was a general decline of 4 and 1 percentage points on the domestic and international routes on cabin factor while load factor experienced a corresponding decline of 1 and 6 percentage points, respectively.

14.15. Commercial traffic at both Jomo Kenyatta and Moi International Airports continued to grow, as shown in Table 14.9 and Table 14.10. The number of passengers handled at Jomo Kenyatta International Airport (JKIA), grew to 2.07 million or by 5 per cent over the 1.97 million recorded in 1988, while those handled at Moi International Airport grew by 4.9 per cent. The total volume of freight handled at both airports rose from 61.9 thousand tonnes in 1988 to 66.4 thousand tonnes in 1989, the highest recorded figure since 1985.

COMMERCIAL TRAFFIC AT JOMO KENYATTA INTERNATIONAL AIRPORT NAIROBI, 1985 - 1989

Table 14.9

	1985	1986	1987	1988	1989*
Passengers-000's					
Landed	571.7	633.7	681.4	749.5	809.5
Embarked	565.6	620.1	666.1	712.7	762.6
In Transit	578.3	540.1	527.7	511.8	502.3
Total	1,715.6	1,793.9	1,875.2	1,974.0	2,074.4
Freight -'000 tonnes					
Cargo: Landed	10.1	11.0	12.1	13.2	17.3
Loaded	32.8	35.4	35.5	35.6	35.2
Mail: Landed	1.5	1.3	1.4	1.5	1.5
Loaded	0.8	0.8	0.7	0.8	0.9
Total	45.2	48.5	49.7	51.1	54.9

* ***Provisional***

COMMERCIAL TRAFFIC AT MOI INTERNATIONAL AIRPORT, MOMBASA, 1985 -1989

Table 14.10

	1985	1986	1987	1988	1989*
Passengers-000's					
Landed	204.7	226.0	234.6	243.2	252.1
Embarked	211.2	236.8	255.6	274.4	293.0
In Transit	27.0	32.4	31.3	30.3	29.4
Total	442.9	495.2	521.5	547.9	574.5
Freight -'000 tonnes					
Cargo: Landed	8.93	4.64	4.81	4.98	5.01
Loaded	7.87	5.26	4.62	4.06	4.03
Mail: Landed	0.09	0.07	0.55	1.03	1.56
Loaded	0.05	0.04	0.40	0.76	0.85
Total	16.94	10.01	10.38	10.83	11.45

* ***Provisional.***

14.16. To cope with the increasing air traffic flow, several new projects were undertaken by -both the Aerodromes department and the Kenya Airways Corporation. The major ones included the installation of the Private Automatic Branch Exchange, the leasing of two new aircrafts and the commissioning of a new route to Copenhagen via Rome. Repair work on the taxiways at JKIA and Moi International Airport and Kitale airstrip were also undertaken besides the construction of access road for specialized freight areas at the JKIA.

Posts and Telecommunications.

14.17. Tables 14.11 and 14.12 show details of various postal and telecommunication services and facilities for the period 1985 - 1989. The various indicators show that the Corporation's operations have been substantially expanded during the period. Full fledged post offices grew by 4.2 per cent while private letter boxes grew by 7 per cent in 1989. Parcels handled rose by 9 per cent, while total correspondence handled increased by 11 per cent.

POSTAL AND TELECOMMUNICATION SERVICES, 1985 - 1989

Table 14.11

	Unit	1985	1986	1987	1988	1989*
Post Offices	No	829	848	929	972	1,013
Private Letter Boxes	'000	189	198	207	216	231
Registered and Insured Items Posted	million	3.1	3.1	3.3	3.7	3.7
Total correspondence handled	million	234	246	258	259	287
Parcels handled	'000	334	313	347	288	303
Telephone Exchange connections ..	'000	118	129	145	157	169
Public Call boxes	No	2,189	2,659	3,571	3,723	3,981
Manual Telephone Calls made	million	13.7	14.1	15.0	12.5	11.9
Subscriber Dialed Units	million	949	943	1,075	1,294	1,746
Telex Subscribers	'000	2.1	2.1	2.4	2.4	2.3
Telegrams Handled	'000	1,172	1,181	1,189	1,189	1,748
Money Orders	No.(million)	1.6	1.8	1.8	2.0	1.9
Postal Orders	No.('000)	118	98	124	105	92

* ***Provisional.***

EXTERNAL **TELECOMMUNICATIONS** TRAFFIC, **1985- 1989**

Table 14.12

	1985	1986	1987	1988	1989*
Telephone service-million paid minutes-					
Outgoing	9.8	9.4	10.7	11.6	18.4
Incoming	12.8	13.7	16.7	12.9	13.9
Telex service-million paid minutes-					
Outgoing	3.5	3.6	3.9	3.3	3.0
Incoming	3.7	3.7	4.0	3.0	2.2
Telegraph service-million paid words-					
Outgoing	2.7	1.9	1.9	1.9	1.2
Incoming	2.7	1.9	1.6	1.6	0.5

* ***Provisional.***

14.18. Domestic telephone demand has been growing rapidly. The number of telephone exchange connections went up by 12 thousand in 1989 while public call boxes grew by 7 per cent from 3,723 in 1988 to 3,981 in 1989. Subscriber Dialled Units have almost doubled between 1984 and 1989.

14.19. While telephone services on the international arena showed substantial growth, telegraphic and telex services continued to decline. Total telex services in million paid words declined from 6.3 in 1988 to 5.2 in 1989 while telegraph service dropped by 51 per cent over the same period.

Information and Mass-media.

14.20. Table 14.13 depicts the number of new radios and television sets sold and licensed during the period 1985 - 1989. Radio purchases rose by 3 per cent from 218 thousand in 1988 to 225 thousand in 1989. Television purchases which has had consistent growth up to 1988, experienced a decline of 10 per cent in 1989. By the close of 1989 over 4.2 million radios and 320 thousand television sets had been licensed.

14.21. The Kenya Institute of Mass Communication has four main training departments namely: Engineering Training Department, Production Department, Information Department and Film Training Department. In 1989 a total of 101 trainees registered in various in-service courses while 330 enrolled in pre-service courses. The various courses offered are aimed at equipping the trainees with specialized skills for effective dissemination of information.

14.22. The average daily/weekly local newspaper circulation is presented in Table 14.14. Whereas the English newspapers have commanded wider readership, their Kiswahili counterparts, which picked up slightly in 1989, continued to be less popular. Overall circulation of English newspapers grew by 6.3 per cent while the Kiswahili versions grew by 8.7 per cent.

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1985 - 1989

Table 14.13 *'000*

	1985	1986	1987	1988	1989*
Radios	128.2	175.3	208.4	217.8	224.5
Television Sets	11.8	14.1	18.7	22.8	20.5

* *Provisional.*

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1985 - 1989

Table 14.14 *'000 Copies*

	1985	1986	1987	1988	1989*
Morning Newspapers-					
English	204.2	214.2	243.3	256.4	271.1
Swahili	64.4	65.8	56.9	52.2	54.2
Other Newspapers-					
English Weeklies	208.5	220.3	254.9	280.4	299.5
Swahili	93.6	92.9	78.5	50.4	57.3

* *Provisional.*

CHAPTER 15 - THE SOCIAL SCENE

Total Government expenditure on social services is estimated to have increased by 15.5 per cent from K£657.80 million during the 1988/89 fiscal year to K£759.72 million in 1989/90. Recurrent expenditure estimated at K£646.68 million accounted for 85 per cent of the total expenditure. Details on the Government expenditure on social services, between 1986/87 and 1989/90 fiscal years, are presented in Table 15.1.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1986/87 - 1989/90

Table 15.1 *K£million*

	1986/87	1987/88	1988/89*	1989/90**
RECURRENT EXPENDITURE-				
Ministry of Education	336.27	404.02	450.28	521.17
Ministry of Health	96.50	101.01	104.83	107.30
Ministry of Labour	5.66	4.57	3.27	3.26
Ministry of Culture and Social Services	12.40	11.33	14.03	14.95
DEVELOPMENT EXPENDITURE-				
Ministry of Education	21.14	23.41	36.76	59.56
Ministry of Health	14.73	12.94	44 51	46.74
Ministry of Labour	0.64	.	0.09	0.30
Ministry of Culture and Social Services	29.55	11.34	4.03	6.44
TOTAL EXPENDITURE	516.89	568.62	657.80	759.72

* *Provisional.*

** *Estimates excluding supplementaries.*

15.2. The Local Authorities, as detailed in Table 15.2, are expected to incur an estimated expenditure of K£20.70 million on social services during 1989/90, marginally higher than in 1988/89.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1985/86 - 1989/90

Table 15.2 *K£million*

	1985/86	1986/87	1987/88	1988/89*	1989/90**
Education	10.71	7.80	7.87	7.97	8.10
Health	8.42	6.22	9.00	10.92	11.00
Other Social Services	0.85	1.76	1.49	1.59	1.60
TOTAL EXPENDITURE	19.98	15.78	18.36	20.48	20.70

* *Provisional.*

** *Estimates.*

Education

15.3. Table 15.3 gives details of the expenditure of the Ministry of Education for the period the 1986/87 to 1989/90. The table also includes the estimated expenditure of the Ministry of Technical Training and Applied Technology in respect of technical and polytechnic education. Primary education continues to account for the largest share of about 50 per cent of the total recurrent expenditure. However, with the introduction of cost sharing in the

education system, the proportion of recurrent expenditures that goes to primary education is on the decline, from 56 per cent in 1986/87 to 50 per cent in 1989/90. The estimated development expenditure rose from K£36.76 million in 1988/89 to K£64.01 million in 1989/90; an increase of 74 per cent. Higher education accounted for the highest proportion of 61.9 per cent, which became necessary as a result of the Government's commitment to expand and establish facilities in institutions of higher education in readiness for the admission of the first under-graduates in the 8-4-4 education programme.

EXPENDITURE OF THE MINISTRY OF EDUCATION, 1986/87 - 1989/90

Table 15.3 *K£million*

	1986/87	1987/88	1988/89*	1989/90**
RECURRENT EXPENDITURE-				
General Administration and Planning	35.44	41.38	56.92	54.68
Pre-Primary Education	0.22	0.30	0.58	-
Primary Education	189.24	221.40	224.29	265.96
Secondary Education	48.23	57.32	74.05	87.58
Technical Education +	2.87	3.12	3.22	7.73
Teacher Training	12.80	15.08	13.90	13.82
Special Schools	1.85	2.73	3.37	3.49
Polytechnic Education + ...	2.84	2.94	3.58	4.53
Higher Education** *	41.40	58.42	68.61	93.21
Miscellaneous	1.38	1.33	1.76	2.43
TOTAL	336.27	404.02	450.28	533.43
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	4.21	2.88	3.17	7.04
Pre-Primary Education	-	-	-	-
Primary Education	0.81	0.62	0.90	1.65
Secondary Education	1.67	2.18	2.50	-
Technical Education +	-	0.08	-	2.10
Teacher Training	1.69	1.67	8.75	6.90
Special Schools	0.32	0.30	0.36	0.41
Polytechnic Education + ...	1.21	0.21	1.84	2.35
Higher Education** *	10.61	15.01	18.88	39.60
Miscellaneous	0.62	0.46	0.36	3.96
TOTAL	21.14	23.41	36.76	64.01

* *Provisional.*

** *Estimates Excluding supplementaries.*

*** *Includes expenditure on Universities of Nairobi, Moi, Kenyatta and Egerton.*

\+ *Currently the Ministry of Technical Training and Applied Technology.*

15.4. Details on the number of educational institutions by category from 1985 to 1989 are shown in Table 15.4. The number of primary schools increased by 2.8 per cent in 1989 to 14,691; while the number of secondary schools fell by 2.3 per cent from 2,717 in 1988 to 2,654 in 1989. There were 15 fully Government maintained primary teacher training colleges and two private ones (Kamagambo in South Nyanza and the newly established St. Paul's College in Kisii). Kenya Technical Teachers College, one of the seven secondary teacher training colleges, falls under the Ministry of Technical Training and Applied Technology.

15.5. Enrolment in primary schools increased by 5.3 per cent to 5.39 million in 1989. Girls constituted 48.7 per cent of the total enrolment, slightly higher

than the 48.5 per cent recorded in 1988. A transition rate of the pupils from Standard 7 proceeding to Standard 8 of 76.4 per cent was observed in 1989; 7 percentage points higher than the 69.2 per cent recorded in 1988. From a total of 414,600 pupils enrolled in Standard 8, 389,330 sat for the Kenya Certificate of Primary Education (KCPE) examination. Details on enrolments by standard between 1986 and 1989 are set out in Table 15.5.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1985-1989

Table 15.4

Category	1985	1986	1987	1988	1989*
Schools:					
Primary	12,936	13,392	13,849	14,288	14,691
Secondary	2,413	2,485	2,592	2,717	2,654
Training Colleges:					
Primary	16	16	16	16	17
Secondary	6	6	6	7	7
TOTAL	15,371	15,899	16,463	17,028	17,369

* *Provisional.*

PRIMARY SCHOOL ENROLMENT BY STANDARD, 1986-1989

Table 15.5 *'000*

	1986		1987		1988		1989*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	473.0	439.0	476.0	442.3	491.6	461.2	482.2	457.3
Standard 2	372.8	346.4	400.2	373.6	402.9	382.6	424.1	397.3
Standard 3	337.6	318.3	351.4	326.9	358.4	337.4	385.3	363.5
Standard 4	319.0	306.5	328.0	313.5	331.3	319.3	351.3	334.0
Standard 5	290.2	282.3	295.8	290.2	294.5	290.5	312.9	305.5
Standard 6	269.6	258.2	273.3	267.3	273.8	269.3	290.6	285.8
Standard 7	255.3	230.4	271.5	253.2	279.4	263.0	295.5	289.4
Standard 8	195.1	149.8	207.8	160.4	206.6	161.8	224.1	190.5
TOTAL ..	2,512.6	2,330.9	2,604.0	2,427.4	2,638.5	2,485.1	2,766.0	2,623.3

* *Provisional.*

15.6. Secondary education forms the Second Phase of the 8-4-4 education programme. The first group of 131,500 Form IV candidates, under this programme, sat for their Kenya Certificate of Secondary Education (KCSE) examination in 1989. Over 43,000 candidates registered for the last Kenya Advanced Certificate of Education (KACE) examination under the old system of education of 7-4-2-3. Details of secondary schools enrolment by sex and form are shown in Table 15.6. Total enrolment rose significantly by 18.6 per cent, from 540,192 in 1988 to 640,735 in 1989. Girls constituted just about 40 per cent of the total secondary schools' enrolment.

15.7. The total teaching force in both primary and secondary schools, of whom 86 per cent were primary teachers, rose by nearly 6 per cent from 181,595 in 1988 to 191,665 in 1989. The pupil-teacher ratio in primary schools has been steady at around 33 pupils per teacher; but for secondary schools the student teacher ratio fell from 21 to reach 23 pupils. Untrained teachers

constituted about 30 per cent and 39 per cent in primary and secondary schools, respectively. The total female teaching force in primary schools was 59,305 accounting for 36 per cent of the total; while in secondary schools, female teachers were 8,756 or 31 per cent of the total. Overall female teachers constituted 35.5 per cent of the teaching force. Table 15.7 gives the details of the number of teachers by qualification and school level.

15.8. The Government's concern for the welfare of the less fortunate members of society was demonstrated by a massive funds drive held in April, 1989, when KShs.77 million was raised for the disabled. At the Kenya Institute of Special Education (KISE), 77 special education teachers were awarded diplomas in special education. Currently, the institute has enrolled 80 (67 males

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX, 1985-1989

Table 15.6

	1985		1986		1987		1988		1989*	
FORM	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
FORM 1	-	-	94,383	68,865	95,528	69,719	99,822	73,783	97,725	69,023
FORM 2	89,111	60,651	-	-	93,340	66,825	92,166	67,245	93,866	65,109
FORM 3	81,010	52,792	80,678	60,158	-	-	91,491	63,533	85,471	58,955
FORM 4	72,909	43,244	70,407	48,154	88.961	61,963	-	-	84,655	54,346
FORM 5	13,502	5,914	12,341	6.386	13,799	7,882	17,705	9,305		-
FORM 6	13,501	4.573	11,509	5.831	14.416	7,828	16,817	8.325	21,418	10,167
TOTAL	270.033	167,174	269,318	189.394	308.044	214,217	318.001	222,191	383,135	257,600
TOTAL	437, 207		458, 712		522, 261		540, 192		640, 735	

* *Provisional.*

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1987-1989

Table 15.7 *Numbers*

	PRIMARY			SECONDARY		
	* 1987	1988	1989*	1987	1988	1989*
TRAINED-						
Graduate	25	16	34	7,044	7,569	7,315
Approved +	345	443	519	1,007	1,170	1,186
S1	3,273	3,752	4,275	6,723	7,669	8,419
P1	58,861	63,005	69,106	175	203	219
P2	28,610	28,607	28,309	-	-	-
P3	13,162	12,395	11,790	-	-	-
P4	124	206	54	-	-	-
Others	-	-	-	-	-	-
TOTAL	104,400	108,424	114,087	14,949	16,611	17,139
UNTRAINED-						
Graduate	-	-	-	1,376	936	938
K.A.C.E	4,366	4,314	4,391	7,593	7,902	9,199
K.C.E	31,697	34,812	36,890	59	23	71
K.J.S.E	6,893	6,404	6,543	-	-	
C.P.E	1,656	1,688	1,523	-	-	-
Other	139	52	175	274	429	709
TOTAL	44,751	47,270	49,522	9,302	9,290	10,917
GRAND TOTAL	149,151	155,694	163,609	24,251	25,901	28,056

* *Provisional.*

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

and 13 females) students in various departments for a two-year diploma course. Two in-service training programmes, lasting three months each and attended by 69 teachers, were held at the institute. The institute had also offered other short courses where 870 teachers benefited.

15.9. Details of students enrolment in all primary teachers training colleges by qualification are shown in Table 15.8. Enrolment in teachers training colleges rose by 7 per cent from 14,445 in 1988 to 15,456 in 1989. Female trainees increased more rapidly by 13.4 per cent. The student population in the diploma colleges rose from 4,000 in 1988 to 4,569 in 1989. Female trainees were 1,564 or 34 per cent of the total.

STUDENT ENROLMENT IN ALL PRIMARY TEACHERS TRAINING COLLEGES BY QUALIFICATIONS, 1989/90*

Table 15.8 ***Numbers***

	1ST YEAR		2ND YEAR		TOTAL	
QUALIFICATION	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
K.A.C.E	36	30	27	26	63	56
K.C.E	3,844	2,721	4,372	3,306	8,216	6,027
K.J.S.E	488	313	96	105	584	418
C.P.E	27	6	16	43	43	49
TOTAL	4,395	3,070	4,511	3,480	8,906	6,550

** Provisional.*

15.10. The bulk of technical training programmes have been transferred to the Ministry of Technical Training and Applied Technology. Among the institutions offering these programmes are: the three national polytechnics (Kenya, Mombasa and Eldoret), 19 Technical Training Institutes (TTIs) and 17 Harambee Institutes of Technology (HITs). These institutions had a student population of 15,142, of whom 3,500 or 22 per cent were females. In the polytechnics, 52 per cent and 20 per cent of the students were registered in the departments of engineering and business studies, respectively. In the TTIs and HITs, the corresponding proportions were 30 per cent and 23 per cent. Other courses pursued included carpentry and joinery, masonry, plumbing, chemical technology, textile and clothing technology and general agriculture.

15.11. During the 1989/90 academic year, the four public universities, including the Jomo Kenyatta University College of Agriculture and Technology (JKUCAT) (a constituent college of Kenyatta University), admitted over 7,400 undergraduate students to bring the total student population in 1989/90 academic year to 27,572 of whom 1,533 are pursuing diploma courses, 24,264 undergraduate courses and 1,775 pursuing postgraduate courses. Details of university enrolment by course and level are shown in Table 15.9.

15.12. The total student population, enrolled at the University of Nairobi was 12,428 compared with 11,277 in 1988/89 academic year, a 10 per cent increase. Undergraduates and diploma students were 11,026. Only Advanced Nursing registered more females than males.

15.13. During the period under review, a new course leading to the award of Bachelor of Education in Technology, was established at Moi University.

STUDENT ENROLMENT IN NATIONAL PUBLIC UNIVERSITIES, 1988/89-1989/90

Table 15.9

COURSE	1988/89			1989/90*		
	Male	Female	Total	Male	Female	Total
(a) Diploma Programmes						
Agriculture**	254	88	342	214	91	305
Horticulture	85	44	129	81	48	129
Animal Health	92	27	119	82	24	106
Animal Husbandry	55	18	73	23	8	31
Diary Technology	56	16	72	49	14	63
Irrigation and Water Resources	113	25	138	57	7	64
Farm Management	92	28	120	78	24	102
Agricultural Engineering	129	17	146	171	20	191
Electrical Engineering	52	7	59	46	5	51
Mechanical Engineering	97	15	112	122	9	131
Electronics	45	16	61	38	14	52
Architecture	149	4	153	88	3	91
Advanced Nursing	5	50	55	-	60	60
Education and Home Economics	105	117	222	74	83	157
Total	1,329	472	1,801	1,123	410	1,533
(b) Undergraduate						
Agriculture **	1,008	361	1,369	1,101	600	1,701
Horticulture	120	47	167	210	72	282
Forestry	134	29	163	162	27	189
Wildlife Management	77	7	84	94	11	105
Wood Science Technology	69	12	81	74	13	87
Production Technology	76	2	78	80	3	83
Architecture	213	5	218	215	9	224
Building Economics	96	5	101	94	4	98
Land Economics	79	43	122	84	43	127
Design	52	43	95	60	40	100
Arts	3,343	1,288	4,631	4,215	1,395	5,610
Anthropology	224	66	290	248	82	330
Fine Art	12	13	25	15	16	31
B. Ed. (Art)	2,530	2,475	5,005	3,209	3,063	6,272
B. Ed. (Science)	816	259	1,075	1,019	295	1,314
B. Ed. (Home Economics)	14	246	260	5	255	260
B. Ed. (Technology)	-	-	-	71	1	72
B. Ed. (Art-External Degree)	381	115	496	381	115	496
Information Science	42	14	56	80	30	110
Law	362	• 233	595	429	203	632
Commerce	748	213	961	955	311	1,266
Science	1,495	285	1,780	1,822	318	2,140
Electrical Communication and Technology	91	4	95	92	6	98
Engineering***	955	40	995	1,082	46	1,128
Veterinary Medicine	357	55	412	393	60	453
Medicine	541	139	680	581	150	731
Dental Surgery	64	56	120	77	54	131
Pharmacy	133	32	165	152	42	194
Total	14,032	6,087	20,119	17,000	7,264	24,264

Table 15.9 Cont.

COURSE	1988/89			1989/90*		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
(c) **Postgraduate**						
Agriculture	141	53	194	168	63	231
Forestry	1	-	1	1	-	1
Architecture, Design and Development	49	18	67	59	23	82
Arts	187	95	282	220	114	334
Education	207	85	292	249	98	347
Law	6	-	6	9	2	11
Commerce	31	14	45	44	25	69
Science	178	31	209	218	33	251
Engineering* **	58	-	58	67	-	67
Veterinary Medicine	47	4	51	61	8	69
Medicine	121	31	152	146	36	182
Journalism	17	7	24	16	9	25
Computer Science	15	4	19	17	6	23
African Studies	5	7	12	13	10	23
Population Studies	33	13	46	43	17	60
Total	1,096	362	1,458	1,331	444	1,775

** Provisional*

*** Includes courses on Food Science and Technology, Range Management and allied Agricultural studies*

**** Includes civil, mechanical, electrical, agricultural and building construction*

There are 27 students enrolled for postgraduate courses. Total enrolment has more than trebled from 970 students in 1987/88 to 3,173 in 1989/90.

15.14. During the 1989/90 academic year Kenyatta University enrolled 7,360 students of whom 346 were pursuing postgraduate courses. More female than male students were registered in Fine Arts and Bachelor of Education - Home Economics and Arts.

15.15. In 1989/90 academic year, Egerton University had a total of 3,841 students of whom 815 were pursuing diploma courses. This compares with total enrolment of 1,825 students in 1988/89.

15.16. Jomo Kenyatta University College of Agriculture and Technology had an undergraduate student population of 112, in 1989/90 academic year and 658 diploma students.

15.17. The eleven (11) registered private Universities had a total student population of 1,659 during the 1989/90 academic year. Most of the courses offered in these universities were of theological nature.

Health

15.18. The Government's goal is to provide health services of a level that will enable Kenyans to lead an economically and socially productive life. Towards this end, significant progress has been made in developing a sound and viable health infrastructure with a view to increasing accessibility to health services.

This improvement in health has been accompanied by a high population growth rate which has put a lot of pressure on the available Government health resources to the extent of dampening their efficiency and effectiveness. It is against this background that effective from 1st December, 1989 the Government introduced the policy of cost sharing in the health service delivery system. The major objective of the policy is to improve the quality of health care and to increase the efficiency of the health services. Revenue raised through cost sharing will supplement budgetary provisions. Although Government hospitals and health centres are charging fees, procedures have been worked out to ensure access to health care for patients who may be unable to pay.

15.19. The Government has continued to build new hospitals and to expand and improve some of the existing ones. Construction of Lamu Island, Webuye, and Sikowet hospitals was completed in 1989. At the same time, extension of Msambweni hospital was undertaken. Extension of the out-patient departments and the installation of voluntary surgical contraceptive service equipments in 10 hospitals continued during 1989. In Nairobi, Pumwani Nyayo wards are near completion.

15.20. The number of hospitals, health centres dispensaries and hospital beds by province is given in Table 15.10. The number of beds and cots rose from 31,983 in 1988 to 32,534 in 1989. Due to rapid population growth the number of beds and cots per 100,000 population declined from 141 in 1988 to 138 in 1989.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1989

Table 15.10

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	137	185	5,696	399
Coast	26	32	162	220	3,276	159
Eastern	42	42	224	308	4,745	113
North-Eastern ..	3	6	31	40	414	68
Central	43	46	232	321	5,030	142
Rift Valley	60	63	455	578	6,330	123
Nyanza	42	48	252	342	4,259	102
Western	18	39	62	119	2,784	102
TOTAL 1989	264	294	1,555	2,113	32,534	138
TOTAL 1988	260	294	1,553	2,107	31,983	141

15.21. The distribution of doctors, dentists, pharmacists, nurses and other medical personnel in Kenya is set out in Table 15.11. Increases in all categories of medical personnel are encouraging development.

15.22. During 1989 primary health care programme continued its extension services in educating the population on some basic environmental and sanitation measures. This programme also emphasizes the training of traditional birth attendants and village health workers. Under the control of diarrhoeal diseases

programme seminars to retrain health workers in the management and control of diarrhoea particularly among the children under five years of age were conducted. Through the Acquired Immune Deficiency (AIDs) Programme various educational campaigns were carried out throughout the country on the prevention of the disease.

15.23. There were no significant increases in the contributions to the National Hospital Insurance Fund and the benefits paid out by the Fund during 1988/89 as shown in Table 15.12. However, the net balance increased slightly by 18.0 per cent from K£0.6 million in 1987/88 to K£0.7 million in 1988/89.

REGISTERED MEDICAL PERSONNEL 1988-1989

Table 15.11 *Number*

Type of Personnel	1988		1989		IN TRAINING	
	Number	No Per 100,000 Population	Number	No Per 100,000 Population	1988-89 Number	1989-90 Number
Doctors	3,176	14	3,266	14	832	913
Dentists	527	2	561	2	120	131
Pharmacists	388	2	413	2	165	194
Pharmaceutical Technologists	526	2	559	2	145	147
Registered Nurses	10,009	44	10,289	44	1,172	1,169
Enrolled Nurses	14,078	61	15,200	65	7,632	7,604
Clinical Officers	2,464	11	2,534	11	472	470
Public Health Officers	515	2	550	2	120	124
Public Health Technicians	2,263	10	2,393	10	665	668

NATIONAL HOSPITAL INSURANCE FUND, 1984/85 -1988/89

Table 15.2 *K£million*

YEAR	Receipts	Benefits	Contribution Net of Benefits
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
1988/89	9.52	8.80	0.72

Other Social Services

15.24. ***National Youth Service*** - National Youth Service did not conduct fresh recruitments of regular servicemen and servicewomen in 1989. As a result the number of regular servicemen and servicewomen remained at 5,156 and 1,230, respectively. However, 4,878 pre-university male students and 2,878 female students were recruited into the service during 1989 as shown in Table 15.13.

15.25. The National Youth Service was involved in diverse development and economic activities. In particular, it was involved in the construction of Tana Basin Road, Thika/Garissa Road, Kerio Valley Road; transportation of maize in Rift Valley, Western, Nyanza and Central Provinces, sugarcane in Kisumu and the operation of Nyayo Bus services and farming in most parts of the country.

All these activities earned the service a total annual income of K£5.9 million; more than double that realized in 1988. Nyayo Bus Corporation contributed about 60 per cent of total income.

NATIONAL YOUTH SERVICE RECRUITMENT AND INCOME EARNED, 1986-1989

Table 15.13

	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
1989	.	4,878	.	2,878	.	5,895,622

15.26. ***National Social Security Fund*** - As shown in Table 15.14, the National Social Security Fund continued to grow with the number of employees ever registered increasing by 6.9 per cent, in 1989, compared with 4.6 per cent in 1988. The number of employers ever registered by the fund remained unchanged at 39,000. Annual benefits paid increased by 30.9 per cent as compared to 26.6 per cent in 1987/88 period. Total investments in 1989 increased by 18.0 per cent compared with the growth of 36.3 per cent recorded in 1988.

NATIONAL SOCIAL SECURITY FUND, 1985-1989

Table 15.14

	1985	1986	1987	1988	1989
Employers registered '000	35.4	36.8	38.1	39.0	39.0
Employees registered '000	1,471.6	1,527.8	1,606.1	1,679.9	1,795.1
Annual contribution K£mn	43.8	47.4	54.2	55.2	58.0
Annual benefits paid K£mn	11.4	6.1	6.4	8.1	10.6
Total Investment K£mn	121.6	212.3	338.6	461.5	544.7

15.27. ***Women in Development*** - The Women's Bureau has embarked on various programmes on women in development in the country. Projects on food preservation techniques have been started in six centres; namely Siaya, Baringo, Muranga, Machakos, Kwale and Nairobi. In addition the Bureau is developing a curriculum for training women groups in the country. Funding of women's groups is one of the major pre-occupations of the Bureau. Table 15.15 shows numbers of women groups by province. It shows that the amount of funds granted declined rapidly between 1987 and 1988, but recovered in 1989.

15.28. ***Adult education*** - In 1989 overall enrolment in adult classes dropped by 155 over 1988. This drop resulted from 36.4 per cent and 4.9 per cent decline in enrolment of males and females, respectively. Table 15.16 shows enrolment in adult education by sex, from 1985 to 1989

15.29. The Literacy rate in the rural areas has risen from 47 per cent in 1981 to 54 per cent in 1988. Males have continued to lead females in literacy levels. In 1981 male literacy rate was 61 per cent compared to 38 per cent for females; while in 1988, males recorded 63 per cent while females recorded 47 per cent. Therefore, between 1981 and 1989 level of females increased by 23.7 per cent as opposed to an increase of only 3.3 per cent for males.

GOVERNMENT GRANTS TO WOMEN GROUPS BY PROVINCE, 1987-1989

Table 15.15

Province	Number of Groups Assisted			Amount Granted KSh.'000		
	1987	1988	1989	1987	1988	1989
Nairobi	22	10	10	90	61	61
Coast	61	60	60	382	226	238
Eastern	74	60	60	372	201	213
North-Eastern ..	25	30	30	156	93	99
Central	42	50	50	288	200	210
Rift Valley	131	130	130	796	468	494
Nyanza	41	40	40	268	154	162
Western	32	30	30	206	118	124
Total	428	410	410	2,558	1,521	1,601

ADULT EDUCATION ENROLMENT BY SEX 1985-1989.

Table 15.16

Year	Male	Female	Total	% of Female enrolment
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
1989	33,548	100,383	133,931	75.0