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SURVEY

1993

ECONOMIC SURVEY

1993

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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 went through a weak recovery in 1992. The Gross National Product (GNP) of the Organization of Economic Cooperation and Development (OECD) recorded a low per cent rise in 1992.

In the domestic scene, the country's annual growth rate of the real Gross Domestic Product (GDP) declined from 4.3 per cent in 1990 to 2.3 per cent in 1991 and to a mere 0.4 per cent in 1992. This poor GDP performance arose from a decline of 4.2 per cent in the agricultural sector, while manufacturing grew by only 1.2 per cent. In the Government budget, low current revenue realisation, coupled with expanded expenditure led to widening of fiscal deficit in 1992/93. There was no improvement in Kenya's international trade sector with poor prices for the primary export crops of coffee and tea. The suspension of foreign aid by donors led to foreign exchange crisis and the Kenya Shilling continued to depreciate against the major currencies. As money supply rose by an unprecedented 35 per cent, inflation rate rose from 19.6 in 1991 to 27.5 per cent in 1992, leading to an erosion of real wages by 12 per cent.

International Scene

The world economy in 1992 went through a weak recovery. GNP growth in the Organisation of Economic Cooperation and Development (OECD). area grew by only 1.5 per cent. There was deterioration in job prospects with unemployment rate reaching 8 per cent. There was however a welcome fall in the inflation rate, from 4.3 per cent in 1991 to 3.5 per cent in 1992, with prospects for further fall in 1993.

World trade grew by 4.7 per cent but the terms of trade for developing countries continued to fall. Oil prices stabilised, implying a fall in real terms. The GATT Uruguay Round negotiations have so far defied conclusion, acting as a constraint to faster growth in world trade.

The African region and especially sub-saharan Africa, continued to perform poorly. There has been little growth in GDP since 1989. In 1992 GDP growth fell below 2 per cent, and there was stagnation in agricultural output. This, coupled with an average annual rate of population growth of 3 per cent has meant no improvement in income per capita. For the region as a whole, resource transfers in real terms peaked in 1989 but have since fallen in the period 1990 - 92. With low aid disbursements and hardly any private foreign investment, African economies are facing a stiff challenge; recovery and growth will come from mobilisation of domestic resources and intra-Africa trade through regional trading associations.

Domestic Economy

The year 1992 experienced events of historical importance for the Kenyan economy. By registering a minimal increase of 0.4 per cent in 1992, growth rate of the

real gross domestic product (GDP) was at its lowest level since independence in 1963. Inflation rose to all time high level of 27.5 per cent. Dramatic political reforms resulted in re-introduction of multi-party political system, which was accompanied by economic uncertainty, especially towards the general election. In some parts of the country, eruption of ethnic clashes, caused economic disruption and a fall in output levels in the affected areas; bad weather conditions led to poor GDP performance in the agricultural sector; there was uncertainty in the financial markets especially during the last half of the year; the worsening of the aggregate real incomes and decreasing capacity utilisation had a dampening effect on the economy; and lastly, the continuing weakness of growth in the industrial economies had negative impact on Kenya's export trade; the withholding of foreign aid by donor countries caused a foreign exchange crisis. In view of these factors, the ability of the private sector to invest fell markedly. Growth rate of the overall real gross fixed capital formation fell to negative 9.3 per cent in 1992, compared to the rate of negative 2.9 witnessed in the previous year.

National Household Welfare Monitoring and Evaluation Survey

The National Household Welfare Monitoring and Evaluation Survey, NHWMES was launched towards the end of 1992 and was conducted in all but Turkana, Marsabit and Samburu Districts. It was undertaken to provide accurate, timely and relevant information necessary for developing, measuring and monitoring movements of indicators of socio-economic welfare in order to facilitate the analysis of welfare dimensions of adjustment. The NHWMES collected information on household composition, incomes and expenditure, assets and amenities. The survey registered a 96 per cent response rate which for all practical purposes was satisfactory enough to guarantee reliable and representative estimates of welfare variables.

Preliminary results indicated a national average household size of five persons. The majority of the households were male headed accounting for 72 per cent of all households. Western and Nyanza Provinces however, recorded the highest number of female headed households.

Survey results also indicate that with the exception of Nairobi, Coast and North Eastern Provinces, the majority of households are engaged in subsistence farming. The informal sector is however, a prominent source of livelihood in the urban areas.

The main source of household income include proceeds from the sale of goods and services, transfer payments and valuation of non-marketed goods and services produced by the households. As expected, mean household incomes are however, generally higher in urban areas such as Nairobi.

Expenditures on food generally constitute a large share of household expenditures. The overall expenditure-income ratio was 0.76 indicating that on average, households spend the bulk of their incomes on consumption and largely on food.

Welfare of households also depend on the quality and quantity of assets they own and accessibility to social amenities. Results indicated that households are generally worse off on the basis of asset ownership, with only the radio being the single asset owned by a fairly sizeable number (56 per cent) of households.

Quality of housing is generally low. About 74 per cent of households used mud or wood'' in the construction of walls, 67 per cent used the same materials in the construction of floors while 36 per cent used grass thatched roofs.

The proportion of households deriving water from protected sources were in excess of 50 per cent during the wet and dry season. Overall, 71 per cent of all households used pit latrines, while about 16 per cent did not own any form of toilet.

Of the 15 per cent who reported illness, about 88 per cent attended a health facility or purchased medicine, 5 per cent used herbs or consulted traditional healers, while 7 per cent did not go for any treatment.

Employment, Earnings and Consumer Prices

An estimated 2.1 million persons were engaged outside small scale agriculture in 1992, with a total of 91,300 new jobs being created. Growth in persons engaged decelerated from 5.4 per cent in 1990 to 5.1 per cent in 1991, and finally to 4.6 per cent in 1992; largely due to a significant slowdown in the growth in wage employment in the modern sector. Wage employment in the sector stood at 1,462,600 persons in 199.2, representing an increase of 20,900 jobs. In line with the Government objective to achieve budgetary savings and reduce public wage bill, growth in employment in the public sector decelerated from 2.2 per cent in 1991 to 1.2 per cent in 1992. The informal sector created 68,800 additional jobs, representing 75.4 per cent of all jobs created and accounting for 27.2 per cent of total persons engaged in 1992.

The overall nominal wage bill rose from K£ 2,649 million in 1991 to K£ 3,013 million in 1992, expanding by 13.7 per cent. Average earnings per person increased from K£ 1,837.4 per annum in 1991 to K£ 2,059.7 per annum in 1992, increasing by 12.1 per cent, slightly higher than 9.7 per cent annual growth rate recorded in 1991. Despite the noted improvement in nominal average earnings, real average earnings continued to be eroded by the inflationary pressures, declining by 8.3 per cent in 1991 and by a further 12.0 per cent in 1992. A total of 331 collective wage agreements were registered compared with 379 and 372 agreements registered in 1990 and 1991, respectively

Inflationary pressures intensified during the year under review. The inflation rate estimated by the revised Nairobi Consumer Price Indices rose significantly from 19.6 per cent in 1991 to 27.5 per cent in 1992, the highest inflation rate ever recorded since independence. The first quarter of 1993 was marked by a general increase in consumer prices. As a result the month-on-month rate of inflation was recorded at 32.4 per cent

in January 1993 rising to 41.9 per cent in February 1993. Among the factors contributing to the high inflationary pressures were: price decontrols on 72 items in the course of 1992, withholding of donor aid to Kenya, use of Forex certificates in importing goods and services, increases in administered prices, devaluation of the Shilling and high monetary expansion.

Money, Banking and Finance

Despite the monetary authorities effort to contain monetary expansion and liquidity creation in the domestic economy, money supply grew by 35 per cent in 1992 compared with 24 per cent growth rate registered in 1991. This is higher than the inflation rate which stood at 27.5 per cent in 1992. Due to a significant expansion of commercial banks liquid assets, liquidity ratio of commercial banks rose to 31 per cent in 1992. Net foreign assets increased by K£ 107 million while domestic credit increased by K£ 628 million or 15 per cent in 1992. Improvement in net foreign assets reflected the balance of payments position which recorded a surplus in 1992. Despite their de-regulation in July 1991, both the level and spread of most interest rates recorded modest increases in 1992, and remained negative in real terms.

During the year, the Central Bank made more use of indirect instruments in the form of Open Market Operations (OMO) to regulate the reserve assets of the commercial banks and their capacity to extend credit. The minimum cash reserve ratio of 6 per cent imposed on commercial banks in 1986 was maintained during the year. Other developments include the establishment of Pre-Export Finance Scheme to assist small scale exporters and foreign exchange retention schemes for exporters of non-traditional exports. In December 1992, there were 31 commercial banks, 59 non-bank financial institutions and 39 insurance companies registered and operational.

Public Finance

Provisional results indicate increased challenges on the Government's efforts in fiscal consolidation through improved tax administration and budget rationalisation. The increase in current revenue in nominal terms is expected to fall marginally from K£ 432 million in 1991/92 to K£ 410 million in 1992/93. Current expenditure increased significantly by K£ 711 million and as a result current deficit expanded to rise to K£ 243 million in the same period. There was an increase in development spending relative to recurrent spending, imposing further major stresses on the budget. Thus, capital expenditure is expected to reach K£ 830 million in 1992/93 from a low K£ 454 million the previous year. A major feature of Government expenditure was extended support of the National Cereals and Produce Board (NCPB).

Earlier expectation of a reduction in the fiscal deficit was not realised. The rapid growth in Government expenditure coupled with a lower increase in revenue is expected to widen the fiscal deficit to K£ 636 million or 4.7 per cent of GDP in 1992/93.

Total combined internal and external unfunded debt rose from K£ 4,203 million in June 1990 to K£ 7,830 million in June 1992. Internal unfunded debt expanded more rapidly during the period as the Government increased its borrowing from domestic sources to bridge the gap left by donor withdrawal of financial support.

Total expenditure by local authorities is set to rise to K£ 389 million in 1992/93 as demographic developments continue to exert extra pressure on limited infrastructure. The aim of improving public services and facilities has however continued to be elusive owing to an inadequate revenue base aggravated further by management problems.

International Trade and Balance of Payments

There was a mixed performance in the international trade and balance of payments sector in 1992. If the accumulation of arrears of foreign debt servicing is adjusted for, there was a deficit of K£ 433 million in the overall balance of payments position, which was the worst in the recent past. Otherwise there was an overall surplus of K£ 158 million. The current account showed remarkable improvement from a deficit of K£ 295 million in 1991 to that of K£ 157 million in 1992. This was assisted mainly by increased inflows in services and grants, in particular tourism, transportation and inflows related to Foreign Exchange Bearer Certificates.

The trade balance of K£ 1,213 million was the worst since 1990. It was K£ 1,302 million and K£ 1,094 million in 1990 and 1991, respectively. This scenario could be attributed to the foreign exchange crunch resulting from suspension of disbursements to Kenya in November 1991 by international institutions such as the International Monetary Fund, the World Bank and the bilateral donor community in general. Inadequate rainfall and the influx of refugees into Kenya led to substantial imports of food to supplement domestic production, resulting in a 12 per cent growth in imports.

The depreciation of the Kenya shilling against major currencies in 1992 and the export promotion programmes such as establishment of Export Processing Zones (EPZs) in 1991, effectively encouraged exports while making our imports more expensive. Exports of coffee and tea which are the traditional exports still led, but the impact of exports of cement, petroleum products was substantial. The result was a rise in exports by 12 per cent. The balance of trade deficit grew by 11 per cent.

Agriculture

Performance of the Agriculture sector continued to be depressed by poor rains, high input costs and tribal clashes during 1992. Consequently, production of major commodities declined. Unfavourable local environment and' reduced transport capacity hampered growth in horticultural exports. Output of milk products by Kenya Co-operative Creameries Limited dropped owing to a reduction in raw milk deliveries to the plant. National slaughter off-take rates for cattle, sheep, goats and pigs dropped

slightly, though remaining generally higher than in 1990. The real Gross Domestic Product of the sector dropped by 4.2 per cent from K£ 1,178.9 million in 1991 to K£ 1,129.7 million.

Continued implementation of reform programmes, especially in the cereal sector, limited the National Cereals and Produce Board to strategic reserve purchases. Commodity purchases by the board dropped by 10.4 per cent. Permanent crops including coffee, tea and sisal performed poorly although farmers earned increased revenue owing to improved producer prices. The livestock sector also experienced a decline in recorded sales as farmers disposed of output through alternative market outlets. Quantum indices of major categories of agricultural commodities displayed a general drop during 1992.

The general inflationary pressure on input prices and other farm operational costs, and depreciation of the Kenya Shilling combined to push up production costs, thus necessitating an upward adjustment of producer prices to compensate farmers. However, despite producer price reviews, farmers still experienced hardships in procuring inputs whose prices remained a dis-incentive to farmers. The general price index of inputs shot from 216.1 during 1991 to 235.1 during 1992 while value of purchased inputs rose only slightly by 1.3 per cent, reflecting a reduction in consumption in quantity terms.

Environment and Natural Resources

The Ministry of Water Development recorded a significant increase in total development expenditure of over 57 per cent in 1992/93 fiscal year compared with 1991/92. This was largely due to increment in funds channeled to National Water Conservation and Pipeline Corporation (NWCPC).

In fish farming subsector there was negligible change in quantity of fish landed in 1992 compared with 1991. Overall, the country realised 198.5 thousand tonnes in fish catches in 1992 compared with 198.6 thousand the previous year, with a drop in fresh water fish and increases in marine fish and other marine products. The total value from the sale of fish increased by only 4.5 per cent in 1992.

Overall forest cover continued to reduce for the second year with total forest plantation area which stood at 164.9 thousand hectares in 1991 reducing to 159.5 thousand hectares in 1992. This was attributable to the results of the recently concluded forestry inventory project and also forest fires caused by ethnic clashes in some parts of the country.

Energy

Weak crude oil prices at US$19 per barrel caused by over-production continued into 1992. Various OPEC meetings failed to curtail production and fix a favourable price level. Daily production stood at 24 million barrels per day, way above 22 million barrels ceiling.

Kenya's total petroleum import bill increased from K£ 478 million in 1991 to K£ 609 million in 1992, an increase of 27 per cent, while exports earnings fell from K£ 265 million in 1991 to K£ 220 million in 1992. Quantity imported stood at 2,235 thousand tonnes in 1992 up from 2,059 thousand tonnes in 1991, while quantity exported increased marginally to 649 thousand tonnes in 1992.

Generation of electricity fell by 22 GWH from 3237 GWH in 1991 to 3215 GWH in 1992. Installed capacity decreased by 3 per cent due to reduction of thermal bases capacity while rehabilitating Kipevu Power Plant. Demand for electricity increased marginally as a result of power rationing, while the number of consumers under Rural Electrification Programme increased by 16 per cent from 24,491 to 28,490.

Manufacturing

The downward trend in growth of domestic manufacturing sector over the last four years continued through 1992, when only a modest growth of physical output of 1.2 per cent. This steep decline in growth, was attributed to both domestic and international macro-economic difficulties, which severely inhibited growth in the sector. As a'result of the poor performance in domestic manufacturing in the year 1992, employment in manufacturing was 189,596 persons, only 0.4 per cent above the 1991 employment level.

Inflationary pressures experienced by the economy in the year under review led to a 29.6 per cent rise in manufacturing sales revenue. Significant declines in stocks of manufactured goods were recorded between the fourth quarters of 1990, 1991 and 1992. A marginal rise was recorded in the value of manufactured exports in 1992.

Building and Construction

The performance of the building and construction sector deteriorated further in 1992. The unsatisfactory performance of the sector was due to generally adverse economic conditions prevailing in the country during the last two years, coupled with the Governments financial austerity measures. Both building and 'other' construction sub-sectors performed poorly as shown by the sector's major indicators. In terms of employment creation, the sector performed poorly in 1992 compared with the previous year. The sector registered a marginal growth of only 1.4 per cent in employment in 1992. Cement consumption stagnated in 1992, while indices of Government expenditure on roads and reported public buildings continued to show a downward

trend. Total value of receipts for work done by private contractors rose by only 4 per cent in 1992.

Tourism

The continued recession in major tourist generating regions notably, Europe and the Americas, stiff competition for tourists from traditional competitors and newly emerging democracies in Eastern Europe, the removal of trade and travel restrictions against South Africa and the unfavourable propaganda campaigns directed against tourism in Kenya, all combined contributed to a lower level of tourism activity in 1992.

Visitor departures decreased by 2 per cent, from the 1991 level. Hotel bed-night occupancy of 5.5 million recorded in 1992 was 15 per cent lower than in 1991. National parks and game reserves, museums and sites all registered fewer visitors than the previous year. Foreign exchange earnings of K£ 713 million in 1992 was not impressive performance viewed against the depreciation of the Kenya Shilling against the major currencies.

Transport, Storage and Communications

The transport, storage and communications sector recorded slow growth in 1992. The value of output at current prices increased by 12.5 per cent from K£ 1,712.1 million in 1991 to K£ 1,925.8 million in 1992. The sector was hit mainly by lack of foreign exchange and depressed demand occasioned by high transport costs. The worst hit subsector was the motor vehicle assembly industry which significantly curtailed production due to lack of foreign exchange to import Completely Knocked Down (CKD) kits used in the assembly. This has led to a record low registration of new motor vehicles for the last five years.

Value of output of passenger transport by road and rail rose by 17.2 per cent while earnings from freight transport by both modes grew by 7.4 per cent. Pipeline throughput of white petroleum products increased marginally, while the Port of Mombasa had a busy year handling 791 thousand tonnes more than the cargo handled in 1991. Air passengers handled by the major airports recorded a decline of 1.3 per cent.

The performance of Posts and Telecommunications during the year under review improved slightly while the number of new radios and television sets sold dropped. There was a decline in readership of daily newspapers while that of their weekly counterparts experienced a marginal growth.

Social Scene

Government expenditure on social services rose significantly by 15.1 per cent to stand at K£ 980.9 million in the period under review. Education sector had the largest share of expenditure by accounting for 76.7 per cent and 59.1 per cent of the recurrent and development expenditure, respectively.

Both primary and secondary school enrolment increased slightly by 1.3 per cent and 1.2 per cent, respectively in 1992. Enrolment in government primary teacher training colleges rose by 8.5 per cent in the same period while that of first year undergraduates in all the four public universities also went up by 7.7 per cent in 1992/93 academic year to reach 10,189. The total primary and secondary teaching force increased by 1.7 per cent and 4.2 per cent to reach 176,359 and 36,560, respectively. The untrained staff constituted 23.2 per cent and 24.9 per cent of the total primary and secondary school teaching force, respectively.

The number of health institutions increased by 12.4 per cent in the period under review while registered medical personnel in all categories also went up. However the registered medical personnel to population ratio did not improve significantly except for enrolled nurses and public health technicians.

The Census of Women Groups

The census of Women Groups carried out in 1991 revealed that there were 23,614 groups with a total membership of 969,000 or an average of 41 members per group. While the Western province had the largest number of groups, the Coast province reported the largest membership and the Rift Valley province the largest number of members per group. Male membership in the Women Groups was low at only 11 per cent. Major activities undertaken by the Women Groups were farming/livestock, sales and services, handicrafts and social welfare. Women Groups were handicapped by poor management attributable largely to illiteracy.

Outlook

Various indicators suggest that the Kenyan economy may record a further decline in the first half of 1993. This decline will be due to several factors: the continuing sluggish growth of the world economy; insufficient rainfall during March-May, 1993; the slow resumption of supply of donor funds for bridging the deficits in the current account and overall balances in the balance of payments; worsening of business income situation resulting from higher demand for wages; and falling capacity utilisation. This scenario dampens the private sector's ability to invest in gross fixed capital formation; hence gross fixed investment, in real terms, is also expected to grow at a lower pace in 1993 than in 1992.

The results of the recently announced 17 per cent increase in the minimum general wages for workers, and the announced July 1993 increase for Civil Servants point towards higher demand for wage increases for workers in the middle and upper income groups. This phenomenon is expected to lead to rising trend in labour costs. Import prices are also expected to keep the upward trend due to the depreciation of the Shilling. The on-going price decontrol measures have contributed greatly to the rise in prices of domestic consumer goods. Prices of agricultural commodities may rise further owing to insufficient supply of long-rains during the first half of 1993. The upward

growth in wages, coupled with expected domestic and import price increases, are likely to contribute to a higher rate of inflation in 1993 over 1992.

Real agricultural value added is expected to grow at a less favourable rate in 1993 than in 1992. Due to inadequate and irregular rainfall during the first half of 1993, production of principal crops, such as maize coffee, tea and sugar, is expected to fall considerably. Low agricultural output may entail increased food imports.

The economic slowdown in manufacturing, which was observed in 1992, is expected to continue into 1993 due to depressed demand in both foreign and domestic markets. The expected decline in agricultural output will also affect food and beverage processing industries. Nevertheless, the recent liberalizations in the foreign exchange and removal of import controls could ensure essential inflow of intermediate inputs. The building and construction, transport and communication sectors are also expected to perform less favourably in 1993.

Due to on-going tight fiscal policy, public sector expenditure is expected to contract somewhat in 1993. However, the announced general increases in Civil Service salaries in 1993 will increase public sector expenditure. Much of the expanded public expenditure in 1992 was on general elections, security measures, maintenance of refugees from neighbouring countries, and famine relief activity in some parts of the country. The situation in the neighbouring countries is gradually improving, with some refugees already moving back to their original countries. Hence, the Kenya Government is likely to incur less expenditure on security and refugees than in 1992. The reduced fiscal expenditure is expected to impose a restraining impact on aggregate public consumption in 1993.

Volume of merchandise exports are expected to fall on account of reduced coffee and tea production because of the poor state of coffee and tea industries and insufficient harvests. Earnings from tourism are expected to increase substantially given that uncertainties which prevailed during most of 1992 are gradually being removed and hence restoration of confidence. However, the rise in tourist earnings is not expected to be high enough to compensate for the balance of trade deficit. The recently announced liberalization will lead initially to higher imports. For this reason, the overall balance deficit is expected to be larger than the K£ 433 million recorded in 1992.

In the circumstances, the country's real gross domestic product is expected to register a zero growth in 1993.

KEY ECONOMIC AND SOCIAL INDICATORS. 1988 - 1992 *

Table 1.

			1988	1989	1990	1991	1992**	
1	Population	(million)	22.4	23.2	24	24.8	25.70	
2	Growth of GDP at constant prices	(per cent)	5.1	5	4.3	2.3	0.40	
3	GDP at market prices	(K£mn)	7,560	8,643	9,939	11,316	13,421	
4	Net cost of petroleum products	(K£mn)	128	224	318	251	389	
5	Trade balance	(K£mn)	-813	-1,219	-1,302	-1,094	1,213	
6	Money Supply	(K£mn)	2,141	2,418	2,902	3,587	4,827	
7	Total domestic credit	(K£mn)	2,591	2,771	3,509	4,291	4,919	
8	Balance of payments (current account)	(K£mn)	-408	-596	-596	-295	-157	
9	Coffee marketed production	(000 tonnes)	125	113	112	87	88	
10	Tea marketed production	('000 tonnes)	164	181	197	204	188	
11	Maize marketed centrally	('000 tonnes)	503	649	528	304	324	
12	Wheat marketed centrally	('000 tonnes)	220	233	79	199	126	
13	Sugar-cane production	('000 tonnes)	3,835	4,261	4,200	4,046	3,657	
14	Milk sold centrally	(mn litres)	359	353	392	359	220	
15	Manufacturing output	(K£mn)	6,103	7,283	8,816	10,818	11,877	
16	Construction output	(K£mn)	653	798	927	1,203	1,697	
17	Cement Consumption	('000 tonnes)	854	1,003	1,182	1,119	1,118	
18	Petroleum Consumption	(000 tonnes)	1,943	2,052	2,261	1,755	1,840	
19	Electricity consumption	(mn Kwh)	2,443	2,537	2,732	2,854	2,915	
20	Tourism earnings	(K£mn)	349	432	533	594	713	
21	New registration of vehicles	(number)	19,524	18,405	18,023	15,516	14,784	
22	Rail freight	(mn tonnes-Km)	1,755	1,910	1,808	1,865	1,627	
23	Air passengers handled	(000)	2,522	2,649	2,654	2,617	2,582	
24	Wage employment	(000)	1,341	1,368	1,409	1,442	1,463	
25	Education-primary enrolment	('000)	5,124	5,389	5,392	5,456	5,530	
26	Education-secondary enrolment	(000)	540	641	618	614	621	
27	Education-post secondary enrolment	(000)	41	63	79	82	81	
28	Hospital beds and cots	(number)	31,983	35,534	33,086	33,926	34,360	
29	Registered doctors and dentists	(number)	3,703	3,827	3,953	4,088	4,218	
	INDEX NUMBERS: (1982=100)							Annual % Rate of change 1988-92
	Export volumes		116	115	122	126	126	2.1
	Import volumes		119	125	119	111	107	-2.6
	Terms of trade		88	79	71	82	79	-2.7
	Consumer prices		124	141	163	195	248	18.9
	Real wages		99	96	90	83	73	-7.3
	Agricultural terms of trade		99	98	95	93	90	-2.4

* More precise measures are given in individual chapters.

** Provisional.

*** Weighted Revised Index (Feb/March 1986=100)

CHAPTER I - INTERNATIONAL SCENE

Introduction

1.1. The World economy in 1992 went through a weak recovery. In the Organisation for Economic Co-operation and Development (OECD) area, the profile of the current recovery is characteristic of the weak recoveries that have occurred in the last two decades. After a brief spurt of rapid growth in the first quarter in 1992, OECD economic activity decelerated in the second quarter. For the year as a whole GDP growth did not exceed 1.5 per cent. Unemployment continued to rise, with the average OECD rate reaching 8 per cent in the second half 1992. The deterioration in job prospects affected nearly all OECD countries. On the other hand, the average inflation rate as measured by the GDP deflator, fell from 4.3 per cent in 1991 to 3.5 per cent. Indicators suggest that the rate of inflation in OECD will continue to fall in 1993.

1.2. The weakness of the recovery resulted from different reasons across countries. In the USA, Japan, and the UK, continuing adjustment to the steep rise in debt in the 1980's and decline in asset prices appear to have weighed against economic activity more heavily and far longer than expected. The persistence of high interest rates in Europe has been retarding growth. Further, workers who have lost their jobs or who fear being laid off appear to have been unusually cautious in their spending. This is typical behaviour in a weak recovery and may have been exacerbated by a wider spread in lay-offs among sectors and occupations, thus putting a bigger proportion of the workforce at risk than in previous downswings.

1.3. World trade has been surprisingly resilient in the face of weak OECD economic activity. Total world trade accelerated by 4.7 per cent in 1992, from 3.5 per cent in 1991. It is projected to increase to 4.9 per cent in 1993. While the terms of trade of the industrial countries improved, those of the developing countries as a group fell further as a result of the weak prices of primary commodities. Against this background, trade in the dynamic Asian Newly Industrial Economies (NIE's - Korea, Taiwan, Hong Kong., Singapore, Thailand and Malaysia) grew by 9 per cent.

Analysis by Country/Region

1.4. *The USA:* Table 1.1 gives details of performance and projections in the major OECD countries. In the USA, the recovery of economic activity since the 1990-91 recession continues to be rather weak, despite further reductions in interest rates, a lower value of the Dollar, and a modest stimulus from fiscal policy. The momentum of output growth has been constrained under the influence of private sector debt reduction, military spending cutbacks, substantial excess capacity in commercial real estate and waning export market growth. GNP growth in 1992 was estimated at only 1.8 per cent.

1.5. The large U.S. federal government budget deficit has limited the scope for fiscal policy to help the economy come out of the recession. Substantial defence spending cuts since the first quarter of 1991 have slowed the pace of recovery. However, during

the fourth quarter the U.S. economy grew very fast at an annual rate of 4.8 per cent, a rate which could not be sustained. The unemployment rate had reached 7 per cent by

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

Table 1.1

	1991	1992	1993	1994
	(percentage changes from preceding period)			
Real GNP -				
United States	-0.5	1.8	2.4	3.1
Japan	4.5	1.8	2.3	3.1
Germany***	3.2	1.4	1.2	2.9
OECD Europe	1.2	1.0	1.2	2.5
Total OECD	1.1	1.5	1.9	2.9
Real total domestic demand -				
United States	-1.8	2.2	2.5	3.1
Japan	3.0	1.2	2.3	3.1
Germany***	3.1	2.2	0.9	2.7
OECD Europe	-	0.7	1.2	2.5
Total OECD	0.2	1.5	1.9	2.8
Inflation (GNP/GDP deflators)				
United States	4.0	2.7	2.3	1.9
Japan	1.9	1.9	1.7	1.7
Germany***	4.5	5.5	4.6	3.3
OECD Europe	5.4	4.2	4.2	3.7
Total OECD	4.3	3.5	3.2	2.8
	(US $billion)			
Current balances-				
United States	4	-56	-65	-75
Japan	73	119	133	138
Germany***	-20	-26	-25	-25
OECD Europe	-54	-61	-50	-44
Total OECD	-20	-32	-17	-15
OPEC	-48	-31	-32	-33
	(per cent of labour force)			
Unemployment-				
United States	6.7	7.4	7.3	6.9
Japan	2.1	2.2	2.3	2.4
Germany***	6.7	7.6	8.3	8.1
OECD European members	9.6	10.5	11.3	10.9
Total OECD membership	7.2	7.9	8.2	8.1
	(percentage changes from preceding period)			
World Trade**	3.5	4.7	4.9	6.1

Source: OECD Outlook no. 52, December, 1992.

* *Assumptions underlying the 1993 and 1994 projections include:*
- *no change in actual and announced policies;*
- *unchanged exchange rates from 3rd November 1992, in particular $1 = Y 123.50, DM 1.57;*
- *Dollar price (OECD fob imports) for internationally traded oil of US$18.00 per barrel*
- *for 92.11 and constant in real terms thereafter.*

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

*** *The Federal Republic of Germany after unification is referred to as 'Germany'.*

February 1993. Prospects for 1993 are only a little brighter, with projected GNP growth of 2.4 per cent, compared with 1.8 per cent in 1992. However, inflation performance has been the best for over a quarter century, the rate having moderated to 2.7 per cent in 1992 with further reductions in prospect for 1993.

1.6. ***Japan*** : In Japan GNP growth slowed down. The weakness in the economy which emerged in the final quarter 1991-continued into 1992, with real GNP growth falling to 1.8 per cent. Slower growth of consumer spending has accentuated the slow-down in activity caused by weaker corporate investment. The appreciation of the Yen has helped the inflation rate to stay at 1.9 per cent in 1991 and 1992. In March 1993, the Yen further appreciated against the Dollar, acting as deterrent to further Japanese export - led growth in its GNP. Nonetheless, its current account surplus balance is expected to rise further in 1993, exacerbating the debate between her trading partners (especially the USA) on the need to give concessions to bring about its reduction. In February 1993, the Bank of Japan cut the bank rate to a record low of 2.5 per cent. It remains to be seen whether the cut in the bank rate will rally the economy to bring sustainable growth. GNP growth in 1993 is projected at 2.3 per cent.

1.7. ***Germany:*** The German economy is estimated to have grown very slowly in 1992. The overall growth in GNP is estimated at 1.4 per cent in 1992. This is a reflection of the combined effects of tight monetary policy, the strength of the Deutschemark, weak foreign demand, and still a very hesitant recovery in the eastern Lander. Inflationary pressures have persisted, from a rate of 4.5 per cent in 1991 to estimated 5.5 per cent in 1992. The unemployment situation has worsened in western Germany in 1992 and did not improve in the eastern Lander. Prospects for growth are projected at about one per cent in 1993. Most demand components may record little growth - with consumption depressed by a higher VAT rate and lower capacity utilization. Even pick-up in world trade is not likely to support real output, in view of losses in competitiveness coming from the strong Deutsche Mark.

1.8. ***Central and Eastern Europe:*** In Central and Eastern Europe and the newly independent states of the former USSR, macro economic stabilisation is proving more difficult than previously envisaged. Poland, Hungary, Czech and Slovak, are among the countries most advanced with reform. There are signs that in these countries, output has stopped declining while inflation is continuing to fall under a regime of inadequate foreign exchange reserves. In the former USSR States, the year was characterised by output decline and rampant inflation while policy does not seem to be either in place or effective. The range of problems encountered in these economies does not suggest any easy solutions. Tight monetary and fiscal policies are clearly necessary, but they are not, by themselves, likely to lead to economic stabilization.

1.9. ***Asia:*** Growth in the dynamic Asian economies (Korea, Taiwan, Hong Kong, Singapore, Thailand and Malaysia) is estimated to have been around 6.5 per cent in 1992, following policy of tightening in 1991 in response to labour shortages and acceleration of' inflation. In China, market - oriented reforms helped accelerate economic expansion to an estimated 11 per cent. The depth and speed of economic reform in India have exceeded expectations. The Rupee was devalued while export

subsidies and import duties were reduced. GDP growth is estimated at 3 per cent in 1992. However, inflation remains in double digits while fiscal deficit was measured at 6.5 per cent of GDP.

1.10. ***Latin America:*** Economic performance in Latin America varied among countries. Colombia's output grew by only 2 per cent in 1992, while in Chile and Argentina, the growth rate exceeded 7 per cent. Mexico's growth is estimated at 3 per cent, while Brazil continued to suffer from political uncertainty and weak fiscal discipline.

1.11. ***Africa:*** The African region and specifically Sub-Saharan Africa, continued to perform poorly. There has been little growth in GDP after 1989. While the period 1986 - 89 witnessed average GDP growth of 2.6 per cent in Sub-Saharan Africa, in 1991 and 1992 growth fell below 2 per cent. There has been stagnation in agricultural output. This, coupled with the exceptionally high average annual rate of population growth of 3 per cent has meant no improvement in income per capita and nutritional status. The dismal performances in African economies have also emanated from grave internal armed conflicts and social disturbances in a number of countries. Further, the refugee problem has overwhelmed some countries, while terrible drought has afflicted many countries since 1991, especially those in southern and eastern Africa.

1.12. Many African countries have embarked on far - reaching IMF/IBRD structural adjustment programmes (SAPs). However, these economies continue to suffer from several deficiencies. The weakness in world primary commodity prices continued to adversely affect their balance of payments in the wake of little progress in diversification of production and export structures. Capital formation has averaged only 15 - 16 per cent of GDP in the decade ending in 1992. Another weakness has come from excessive military expenditure contributing to depressing savings rates. An estimated 4.8 per cent of GDP is used for defence in Sub-Saharan Africa, compared with 3.6 per cent in South Asia and 1.6 per cent in Latin America. For these reasons, there has been no significant improvement in economic indicators in the decade the SAPs have been in place.

1.13. The above scenario is worrisome with regard to future growth of the African region. For the region as a whole, net resource transfers in real terms peaked in 1989 but have since fallen during 1990 - 92. This has taken place despite diplomatic assurances which continue to come from the western industrialised countries that their preoccupation with central and eastern European economies will not divert resources from the African continent. While concessional rescheduling of external debt has provided some relief, many countries pursuing satisfactory economic reforms continue to suffer from debt overhang. The international community needs to take urgent and forceful action to reverse the current socio-economic trends which are causing manifold human suffering. In this context, the "Paris Club" rules need to be more flexible and more concessionary than they have been to-date.

1.14. ***Commodity Prices:*** World oil prices remained virtually unchanged between 1991 and 1992. Non-fuel primary commodities have continued to fare badly; their

average prices fell further in 1992. While coffee prices fell by 25 per cent, tea prices rallied by 8.4 per cent to almost reach the 1985 levels. Table 1.2 gives details of selected commodity price indices.

SELECTED WORLD COMMODITY PRICE INDICES, 1988-1992
(1985=100)

Table 1.2

Year	"Other milds" Coffee*	Tea**	Sisal***	Sugar*	Petroleum++	All+++ Commodities	Industrial Countries	Developing Countries
1988	92.8	90.2	104.9	147.7	52.5	128.1	134.8	120.0
1989	73.5	101.4	124.5	141.1	63.7	127.4	135.6	117.3
1990	61.2	102.4	135.8	164.1	81.7	117.5	124.4	108.9
1991	58.4	92.9	136.3*	172.2	67.8	112.2	117.8	105.4
1992	43.7	100.7		173.9	67.8	112.0	119.5	103.0

Source: IMF, International Financial Statistics, (April, 1993).

Indices are based on prices in US dollar.

* Other milds (New York).
** Average Auction (London).
*** East African (Europe).
\+ E.E.C. Import Price.
++ Average crude price(Spot) (US $ per barrel).
+++ World (non-fuel commodities).
*+ First Quarter, 1991.

Outlook

1.15. The outlook for the world economy indicates a slow and moderate recovery over 1993 and 1994. GNP in the OECD may grow by 1.9 per cent in 1993, accelerating to around 2.9 per cent in 1994. Consumer spending remains cautious. The relatively weak recovery implies a further rise in unemployment rate to 8.2 per cent by 1993. Prospects on the inflation front are better with a projected fall to around 3 per cent in 1993. In Europe, high interest rates have been retarding growth. The role of the Deutschemark as the anchor currency of Exchange Rate Mechanism (ERM) of the European Monetary System means that the German interest rates provide a floor to rates in other ERM countries. In time the high German interest rates have become an increasing drag on activity in the rest of Europe. This effect of the German interest rates has been so great, that when in March, 1993 the Bundesbank lowered the rate to 7 per cent, prices in share markets in Europe surged higher, indicating hopes of increased economic recovery. It is projected that this will result in sharp interest rate cuts in Europe.

1.16. Elsewhere in the international scene, the inability to conclude the Uruguay Round negotiations has hindered investment plans and has created general uncertainty about international rules of the game. The African economies can only expect their economic recovery to trail those of the industrialised world. With low aid disbursements and hardly any private foreign investment, African economies are facing a stiff challenge in the next few years. Rehabilitation and recovery will basically come through the mobilization of domestic resources, focusing on agricultural growth and the strengthening of intra-African trade through the regional trading associations.

CHAPTER 2 - DOMESTIC ECONOMY

Overview

The year 1992 experienced events of historical importance for the Kenyan economy. By registering a minimal increase of 0.4 per cent in 1992, the growth rate of the real Gross Domestic Product (GDP) was at its lowest level, since independence in 1963. Inflation rose to all time high level of 27.5 per cent. Dramatic political reforms resulted in the re-introduction of multi-party political system, which was accompanied by economic uncertainty, especially as the general elections of December, 1992 approached. In some parts of the country, eruption of ethnic clashes, caused severe economic disruption and a fall in output levels in the affected areas; bad weather conditions led to poor GDP performance in the agricultural sector; there was uncertainly in the financial markets especially during the last half of the year. The continuing weakness of growth in the industrial economies had negative impact on Kenya's export trade and lastly, the withholding of foreign aid by donor countries caused a foreign exchange crisis. In view of these factors, the ability of the private sector to invest fell markedly. Growth rate of the overall real gross fixed capital formation fell to negative 9.3 per cent in 1992, compared to a negative of 2.9 per cent witnessed in the previous year.

2.2. The continuing decline in the growth rates of world trade and world income which began in 1989, also adversely affected Kenya's economic progress. The country's annual growth rate of the real (GDP) declined from about 4.3 per cent in 1990 to 2.3 per cent in 1991, and further to 0.4 per cent in 1992. This falling trend of the GDP was similar to that of the Gross National Product (GNP) of the OECD countries, which are Kenyas's main trading partners. The real GNP growth rate of the OECD, which peaked at 4.0 per cent in 1988, slowed down continuously to 3.2 per cent, 2.6 per cent and to 1.1 per cent during the years 1989, 1990 and 1991; but rose slightly to 1.5 per cent in 1992.

Inflation

2.3. One of the most worrying aspects of the recent economic situation in the country is continued rapid acceleration of inflation. The rate of inflation, as measured by the Nairobi Consumer Price Index (CPI), rose continuously from around 15.8 per cent in 1990^(0 about 19.6 per cent in 199U and at the end of 1992, it had risen to 27.§,per cent. There were several economic factors behind this high inflationary trend:

(i) The rate of growth of aggregate money supply registered rapid upswing from an annual growth rate of 20 per cent at the end of December, 1990 to 23 per cent by December, 1991 and further to about 35 per cent at the end of December, 1992. These growth rates were far in excess of the respective increases of 15.0 per cent and 18.6 per cent observed in nominal GDP (at market prices) in 1990 and 1992.

(ii) Beginning from about mid-1992, a substantial share of business imports were financed by the use of foreign exchange originating from the Foreign Exchange Bearer Certificates (Forex-Cs) and the foreign exchange retention accounts in commercial banks. The market rate for foreign exchange from these sources was considerably higher than the official exchange rate. Even the official foreign exchange rate rose considerably in 1992 compared with the previous two years. The average shilling value to one U.S. dollar in the official market fell from 24 shillings at the end of December, 1990 to around 28 shillings in December 1991 and later to 36 shillings in December, 1992. The sharp depreciation of the shilling reflects the foreign exchange shortage prevailing in 1992 together with Government policy of progressive liberalisation of the exchange control regime. The appreciation of the dollar in both the official and the Forex-C markets substantially raised the unit cost of imports. These high import costs were fed into domestic inflation through intermediate inputs in various sectors of the economy.

(iii) Short supply of essential food items due to a large extent to erratic weather, coupled with price decontrol measures, contributed a large share of the sharp increases in the food component of the CPI. During April-June 1992, the food index rose by 27 per cent, 8 per cent and 7 per cent for the lower, middle and upper income CPI, respectively. These increases came at the time of acute maize and sugar shortages; prices of these products doubled during that period.

(iv) Expectations of continued high inflation, which emanated from foreign exchange shortages, price decontrol measures and increased multi-party political activity in 1992, resulted in higher demand for upward wage adjustments as defence mechanism against expected declines in real incomes.

(v) A strong rise in consumer demand caused by the expenses incurred during the period of campaigning, preparation and actual conduct of the general elections in December, 1992.

International Trade

2.4. In a normal agricultural year, Kenya is generally more than self-sufficient in maize so that some proportion of domestic output is exported. However, the weak maize crop harvest in the last two years has forced importation of huge quantities of the commodity. While virtually no maize imports were recorded in 1990 and 1991, nearly 415 thousand metric tonnes of it was imported in 1992. This high increase in maize imports explains the very sharp rise of 88 per cent in food imports in 1992. As a consequence, the share of food imports as a percentage of total merchandise imports surged from about 4.5 per cent in 1991 to 7.6 per cent in 1992 (see Table 7.9). The

impact of the maize imports on the current account of the balance of payments in 1992 was approximately K£ 112.5 million.

2.5. Quantity of imported petroleum products rose by about 9 per cent in 1992, in contrast with a fall of nearly 6 per cent in the previous year. The increase in imports of petroleum products was apparently due to increased transportation of imported maize and the increased refugee monitoring and famine relief activities in the northern parts of the country. The increased oil imports may also be attributed to the refuelling facilities granted to the U.S. aircrafts transporting troops, medical supplies and food to the war-torn areas of a neighbouring country. This latter exercise, brought about exceptionally high demand for jet fuel which contributed to a steep rise of 23 per cent as shown in Table 10.4.

2.6. In 1992, volume of exports of coffee and tea (the main foreign exchange earners) declined by 7.2 per cent and 5 per cent, respectively. As explained elsewhere, this decrease is mainly attributable to the weak performance in the domestic agricultural sector.

2.7. The balance of payments statistics registered an overall deficit of K£433 million in 1992, which was nearly K£ 290 million worse than in 1991. This deficit resulted from increased unit cost of imports and reduced volume of exports. Another factor which contributed considerably to the worsening of the overall balance was the sharp fall in external capital inflow caused by the donor community's suspension of foreign aid to the country in November, 1991.

Sectoral Contributions

2.8. On a sectoral basis, actual decreases in real GDP in 1992 were observed in major sectors such as agriculture and building and construction, while in others such as manufacturing, commerce, transport and the general government, the growth rate decelerated sharply. The growth rate in real value added was, however, maintained in the financial sector.

Agriculture

2.9. Since 1988, when the agricultural sector achieved a favourable growth rate of about 4.4 per cent, it has slowed down progressively, growing at the annual rates of 3.9 per cent, and -1.1 per cent in 1989, and 1991, respectively. Growth rate of real GDP for the agricultural sector fell steeply to negative 4.8 per cent in 1992. Major reasons for the decline were bad weather conditions, the declining use of fertilizer inputs, delays by agricultural crop marketing authorities to remit payments to farmers and the low international prices of coffee and tea exports.

2.10. A number of other factors also served to reduce output in the agricultural sector. Real investment spending in the sector has been generally declining since 1988, falling

GROSS DOMESTIC PRODUCT, 1988- 1992

Table 2.1 K£million

	Current Prices					Constant (1982) Prices				
	1988	1989	1990	1991	1992*	1988	1989	1990	1991	1992*
A. NON-MONETARY ECONOMY										
Forestry	52.60	59.27	62.83	68.04	71.95	29.53	30.46	31.37	32.19	33.04
Fishing	2.11	2.85	3.01	3.28	3.42	1.53	1.54	1.49	1.39	1.27
Building and Construction	90.98	88.87	90.78	92.67	98.59	68.24	71.50	72.93	74.39	75.45
Water Collection	40.73	44.47	46.13	49.04	53.04	22.56	23.44	24.14	24.87	25.33
Ownership of Dwellings	162.29	199.00	218.93	245.42	256.35	92.89	96.41	99.71	101.70	102.34
TOTAL NON-MONETARY ECONOMY	348.71	394.46	421.68	458.45	483.35	214.75	223.35	229.64	234.54	237.43
MONETARY ECONOMY										
1. Enterprises and Non-Profit Institutions										
Agriculture**	1,902.69	2,088.39	2,235.46	2,366.34	2,681.94	1,109.25	1,152.51	1,192.04	1,178.93	1,129.70
Forestry	61.60	93.42	107.43	131.07	168.61	36.47	40.62	42.65	46.23	48.16
Fishing	20.09	27.39	32.59	37.48	44.70	12.27	12.83	13.39	13.10	12.58
Mining and Quarrying	15.69	18.62	22.96	28.03	30.28	10.15	10.62	11.25	11.97	11.01
Manufacturing	752.96	855.36	987.40	1,167.40	1,309.91	502.80	532.47	560.34	581.63	588.61
Building and Construction	284.13	386.93	539.38	749.20	1,056.63	121.68	128.25	135.10	138.21	134.54
Electricity and Water	57.63	64.03	79.40	100.20	100.33	36.47	39.53	43.69	45.97	45.11
Trade, Restaurants and Hotels	712.03	829.07	947.63	1,133.37	1,412.59	436.27	455.47	465.95	472.05	478.94
Transport, Storage& Communications	433.74	517.95	598.17	681.91	908.70	234.02	241.06	249.74	259.10	263.60
Finance, Insurance, Real Estate and Business Services	501.83	594.82	686.69	806.86	913.94	291.27	313.11	333.15	353.47	377.94
Ownership of Dwellings**	355.62	393.87	480.52	545.97	575.95	212.20	220.63	229.35	235.31	238.98
Other Services**	197.92	228.00	251.48	292.22	368.65	119.72	127.86	135.93	141.11	144.50
Less:Imputed Bank Service Charges	-245.95	-281.62	-262.50	-296.19	-337.13	-121.81	-129.12	-134.03	-138.59	-142.03
TOTAL	5,049.98	5,816.23	6,706.61	7,743.86	9,235.10	3,000.76	3,145.84	3,278.55	3,338.49	3,331.64
2.PRIVATE HOUSEHOLDS (DOMESTIC SERVICES)	83.94	97.49	113.56	132.40	154.57	55.30	62.36	70.52	78.28	85.26
3. Producers of Government Services										
Public Administration	211.39	270.18	317.07	363.98	420.52					
Defence	27.54	32.48	42.03	40.59	35.36					
Education	479.59	528.19	590.31	661.13	848.15					
Health	96.93	114.35	134.79	154.44	171.59					
Agricultural Services	53.55	54.50	59.34	55.27	53.30					
Other Services	128.99	143.46	154.97	163.34	203.18					
TOTAL	997.99	1,143.16	1,298.51	1,458.75	1,732.10	586.16	618.40	645.72	669.10	685.43
TOTAL MONETARY ECONOMY	6,131.91	7,056.88	8,118.68	9,335.01	11,121.77	3,642.22	3,826.60	3,994.79	4,085.87	4,102.33
TOTAL NON-MONETARY AND MONETARY ECONOMY	6,480.62	7,451.34	8,540.36	9,793.46	11,605.12	3,856.97	4,049.95	4,224.43	4,320.41	4,339.76
GROSS DOMESTIC PRODUCT PER CAPITA K£	289.45	321.55	356.09	394.53	451.70	172.27	174.77	176.14	174.05	168.91

** Adjusted on account of the results of the 1988 "Kenya Demographic and Health Survey

* Provisional.

GROWTH OF GROSS DOMESTIC PRODUCT, 1988 - 1992

Table 2.2 Percentages

	Current Prices						Constant (1982) Prices					
	1987-88	1988-89	1989-90	1990-91	1991-92*	1988-92**	1987-88	1988-89	1989-90	1990-91	1991-92*	1988-92**
A. NON-MONETARY ECONOMY												
Forestry	20.4	12.7	6.0	8.3	5.7	8.2	3.2	3.1	3.0	2.6	2.7	5.1
Fishing	14.1	35.1	5.6	8.9	4.3	13.0	2.0	0.7	-3.0	6.7	-8.7	0.3
Building and Construction	18.0	-2.3	2.2	2.1	6.4	1.9	0.9	4.8	2.0	2.0	1.4	2.6
Water Collection	13.8	9.2	3.7	6.3	8.2	6.8	3.9	3.9	3.0	3.0	1.8	2.9
Ownership of Dwellings	16.8	22.6	10.0	12.1	4.5	12.1	4.0	3.8	3.4	2.0	0.6	2.4
TOTAL NON-MONETARY ECONOMY	17.3	13.1	6.9	8.7	5.4		2.8	4.0	2.8	2.1	1.2	2.6
B. MONETARY ECONOMY												
1.Enterprises and Non-Profit Institutions												
Agriculture**	14.0	9.8	7.0	5.9	13.3	9.0	4.4	3.9	3.4	-1.1	-4.2	0.5
Forestry	24.3	51.7	15.0	22.0	28.6	28.7	8.4	11.4	5.0	8.4	4.2	1.2
Fishing	14.8	36.3	19.0	15.0	19.3	22.1	12.3	4.6	4.4	-2.2	-4.2	1.0
Mining and Quarrying	18.2	18.7	23.3	22.1	8.0	17.9	11.3	4.6	5.9	6.4	-8.0	1.9
Manufacturing	15.4	13.6	15.4	18.2	12.2	14.9	6.0	5.9	5.2	3.8	1.2	4.0
Building and Construction	34.8	36.2	39.4	38.9	41.0	38.9	4.3	5.4	5.3	2.3	-2.7	2.6
Electricity and Water	4.3	11.1	24.0	26.2	0.1	14.9	8.5	8.4	10.5	5.2	-1.9	5.5
Trade, Restaurants and Hotels	13.3	16.4	14.3	19.6	24.6	18.6	5.8	4.4	2.3	1.3	1.5	2.4
Transport, Storage and Communications	10.3	19.4	15.5	14.0	33.3	20.4	4.1	3.0	3.6	2.5	1.7	3.1
Finance, Insurance, Real Estate and Business Services	19.9	18.5	15.5	17.5	13.3	16.2	6.1	7.5	6.4	6.1	6.9	6.8
Ownership of Dwellings	17.1	10.8	22.0	13.6	5.5	12.8	3.2	4.0	4.0	2.3	1.6	3.1
Other Services***	9.0	15.2	10.3	16.2	26.2	16.8	7.1	6.8	6.3	3.8	2.4	4.9
Less:Imputed bank service charges	42.2	14.5	-6.8	12.8	13.8		7.4	6.0	3.8	3.4	2.5	
TOTAL	14.2	15.2	15.3	15.5	19.3	8.2	5.0	4.8	4.2	1.8	-0.2	4.0
2.Private Households (Domestic Services)	16.9	16.1	16.5	16.6	16.7	16.5	13.5	12.8	13.1	11.0	8.9	11.4
3.Producers of Government Services												
Public Administration	25.5	27.8	17.4	14.8	15.5	18.8						
Defence	8.0	17.9	29.4	-3.4	-12.9	6.4						
Education	16.5	10.1	11.8	15.4	24.5	15.3						
Health	11.2	18.0	17.9	14.6	11.1	15.3						
Agricultural Services	9.0	1.8	8.9	-6.9	-3.6	0.3						
Other Services	10.8	11.2	8.0	5.4	24.4	12.1						
TOTAL	16.3	14.6	13.6	12.3	18.7	14.8	5.8	5.5	4.4	3.6	2.4	4.0
TOTAL MONETARY ECONOMY	14.6	15.1	15.1	15.0	19.1	16.0	5.3	5.1	4.4	2.3	0.4	3.1
TOTAL NON-MONETARY AND MONETARY ECONOMY	14.7	15.0	14.6	14.7	18.5	15.7	5.1	5.0	4.3	2.3	0.4	3.1
GROSS DOMESTIC PRODUCT PER CAPITA	10.8	11.1	10.8	10.8	14.5	11.8	1.5	1.5	0.8	-1.3	-2.9	0.3

* Provisional

** Cummulative

*** Adjusted account on the results of the 1988 "Kenya demographic and health survey"

from K£59 million in 1988 to K£50 million in 1992. Recent delays by various agricultural marketing authorities to remit payments to farmers, may have brought about reduced investment spending in the sector. Temporary political disturbances in late 1991 and early 1992 resulted in ethnic clashes which led to the abandonment of farming activities in certain parts of Rift Valley and Western Provinces.

2.11. As a result of the weakened agricultural activity, growth in the principal farm products declined appreciably in 1992. Maize production of 23.4 million bags in 1992 was 3.9 million bags below average. The drop in maize production resulted in the country experiencing the first serious maize deficit since the severe drought in 1984. While insufficient rainfall was basically responsible for the fall in the last two years, ethnic violence in the maize growing zones was another important factor. These factors also affected tea output which declined by about 7.6 per cent in 1992. Tea production was also adversely affected by small holders who, for some time, boycotted tea harvest in demand for higher advance payments upon tea deliveries. Gross output of processed tea fell from 203,600 tonnes in 1991 to 188,100 tonnes in 1992, a decline of 7.6 per cent.

2.12. Coffee production has remained sluggish since the collapse of the International Coffee Quotas in 1989. Declining producer prices, partly caused by low world prices, coupled with late payments to farmers and increasing input costs, have greatly impaired production incentives. These factors explain the fall of nearly 32 per cent in the volume of coffee exports between 1990 and 1992.

2.13. The dismal performance of the agricultural sector had adverse impact on the overall growth of the economy. This is mainly because of the forward and backward linkages which are known to exist between the agricultural sector and the other sectors of the economy.

2.14. On the forward linkage side, the agricultural sector was expected to deliver sufficient volumes of raw materials to the manufacturing sector - particularly to food processing and manufacture of textiles. However, poor agricultural performance reduced the supply of these raw materials. Consequently, output of food processing and textile sub-sectors recorded declines of 5.7 per cent, and zero growth rates in 1992. The international trade sector also suffered reduced supply of coffee and tea for export. Resulting from this trend, the relative importance of agricultural exports in overall merchandise exports shrunk from about 60 per cent in 1990 to 54 per cent in 1992.

2.15. The backward linkages of agriculture with other sectors emerge from the fact that the farmers are important purchasers of goods and services of other sectors. The importers of agricultural machinery and manufacturers of livestock feed, fertilizers and insecticides are heavily dependent on sales to agricultural sectors. Consequently, the poor output of the agricultural sector in the recent past, negatively influenced importation of agricultural machinery and equipment, and also domestic production and sales of fertilizers and insecticides.

Manufacturing

2.16. The manufacturing sector in Kenya is highly vulnerable to fluctuations in agricultural activities. In response to favourable agricultural output during 1988-1989, real value added in manufacturing grew at an annual rate of about 6.0 per cent. However, the rate declined to 3.8 per cent in 1991 partly due to poor farm harvest. The rate of growth of real value added in the manufacturing sector fell further to 1.2 per cent in 1992. The rapid deterioration of manufacturing activities could be attributed to a number of reasons: the unfavourable weather conditions which occasioned power rationing and water shortage during the second quarter of 1992, the on-going slowdown of growth in the economies of developing countries, the insufficient availability of foreign exchange to import raw materials and the rapid acceleration of input prices.

2.17. In addition food processing industries, in particular, encountered a significant shortage of raw material inputs due to a substantial fall in the agricultural output over the last two years. Poor agricultural performance was also responsible for reduced supply of milk and beef cattle. Consequently, output of meat and dairy products dropped considerably. Production of grain mills went down by 4.3 per cent. Overall production in the food manufacturing sub-sector in 1992 was 5.7 per cent below that of the corresponding period in the previous year.

2.18. In 1992, output of electrical and transport equipment declined by 3.2 per cent and 8.8 per cent, respectively. Production activity in these industries **was** impaired by sluggish demand in both domestic and foreign markets. Further strain in production **was** caused by the foreign exchange crisis which prevailed during that period.

2.19. Production in the "Beverage and Tobacco" sub-sector recorded an impressive increase of 13.1 per cent in 1992, which sharply contrasts the fall of 3.2 per cent observed a year earlier. The favourable performance of this sub-sector may be attributed to the increased demand of the Kenyan beer in the export market, since the total quantity of beverages and tobacco exports in 1992 was 87 per cent above the previous year's level.

2.20. In quantity terms, production in the clothing industry improved modestly in 1992 compared to the previous year. The quantum index for textile fell by a modest 1 per cent, which was 5.7 percentage points above the 1991 growth rate. The improvement in the garment industry may partly be attributed to the decline in the importation of "second hand" clothing mainly due to the rising costs of imports and reduced availability of foreign exchange in 1992.

Financial Sector

2.21. The financial sector has undergone major policy reforms in the recent past. The objective of these reforms has been to improve the political climate, devise better methods of allocating available resources and effect a gradual shift of the economy

towards competition, openness and disciplined market operations. Majority of the policy measures centred on liberalisation of interest rates, establishment of new and modernised legislation in the banking and security markets, closure of several insolvent financial institutions and introduction of money market instruments for management of liquidity and other monetary transactions. These measures resulted in increased financial activity which has been responsible for the continuous rise in the real GDP for the sector in the recent years.

2.22. In 1992, nominal interest rates went up slightly but failed to keep pace with the rate of growth of inflation. At the end of the year, all interest rates were negative in real terms. The fact that real interest rates remained negative in 1992 implies that the money market was unable to adjust to the recent measures of interest rate liberalisation. This inability may have been a consequence of the following factors:

Despite the high inflation expectations, the market has had very few alternative assets which are as well known to the public as the bank deposits. For this reason, commercial banks were able to attract deposits even when their average saving interest deposit rate of 12.5 percent per annum was less than half the rate of inflation in 1992.

Many depositors have had no experience with high inflation and therefore, may have been slow to adjust their portfolios to inflationary hedges.

The introduction of Forex-C's in the financial market, coupled with the shilling depreciation, considerably pushed production costs upwards in 1992. The concomitant rise in the financing requirements for the goods producing sectors, coupled with increased maize and sugar imports and the increased expenditure on preparation for the general elections put pressure on the growth of money supply. Consequently, aggregate money supply accelerated appreciably in 1992.

Against the above background, growth rate of the financial sector's real GDP recorded 6.9 per cent in 1992, which compares favourably with the rate of 6.1 per cent observed in the previous year.

Building and Construction

2.23. The prevailing difficulties of the economic situation and the continuous increase in cost of construction materials had adverse effects on the Building and Construction sector. Growth rate of the sector's real value added fell from 5.2 per cent in 1990 to 3.8 per cent in 1991 and further to negative 2.6 per cent in 1992. The decline in 1992 in the real GDP for the construction industry followed a negative growth of nearly 20 per cent in real investment in residential buildings. Depressed investment in this area is a direct result of high cost of construction materials and other inputs. Annual growth rate of prices of building materials rose sharply from 8.1 per cent in 1991 to 20.6 per

cent in 1992. The high price increases originated from the fact that the manufacturers and suppliers of building materials (e.g. wood processing industries, and suppliers of steel and other metallic products) and the contractors themselves had encountered dramatic cost increases owing to high interest rates, inflation and depreciation of the shilling against major currencies.

Transport and Communications

2.24. The growth of 33 per cent in the transport and communication sector at current prices in 1992 was not a result of higher productivity but rather a consequence of inflationary trend in the economy. Revenues earned from both rail and road resulted from increased tariffs which led to the rise in transportation costs thereby raising output margins.

2.25. In real terms the sector experienced a growth of only 1.7 per cent compared to 3.7 per cent in 1991. The passenger and road transport subsector recorded marginal growths. There was a significant increase in freight transport, partially because of the operation of ferrying food and medical facilities to some neighbouring countries which were hit by famine and civil strife. This growth was also reflected in the airline industry which was fully involved in the same operation.

2.26. As a result of insufficient rains last year and the consequent fall in domestic production, especially of sugar and maize, the Kenya Ports Authority experienced a busy year handling large amounts of sugar and maize imports. The port handled about 800 thousand tonnes more cargo than the previous year.

2.27. The Kenya Railways had a poor performance during the year with a drop of 73 per cent in real terms. Passengers using this mode of transport decreased and so did freight. This in turn reduced the passenger and freight kilometres made during the year. The constantly rising cost of this mode of transport has led to this scenario.

Electricity and Water

2.28. After recording a high growth rate of over 10.5 per cent in 1990, the real GDP for the "Electricity and Water" sector declined to 5.2 per cent in 1991 and further to negative 1.9 per cent in 1992. This decline was attributed to inadequate rainfall which lowered the water levels in electricity and water generating rivers. The aggregate electricity consumption fell following the power rationing which took place in April-May and October, 1992.

The General Government

2.29. A marked acceleration in the growth rate of nominal GDP for the general government was observed during 1992. This growth rate had declined from 16.3 per cent in 1988 to 12.3 per cent in 1991, but rose to 18.7 per cent in 1992. This higher

than expected increase was mainly related to the expenditure on the preparation and conduct of the general elections, public management of the famine/drought relief effort and the administrative and security costs of managing influx of refugees fleeing from the civil wars in some of the neighbouring countries. These factors were responsible for the high growth rate of 24.4 per cent observed in the nominal value added for "Other Services" sub-sector of the General Government sector in 1992, compared with 5.4 per cent in 1991.

2.30. The Production accounts for various sectors of the economy are given in Table 2.3. It may be observed that the ratio of intermediate inputs to gross output in agriculture fell continuously from about 13.1 per cent in 1988 to 11.3 per cent and 10.6 per cent in 1990 and 1992, respectively. This decline results from reduced use of fertilizers and insecticides. Due to high prices of fertilizer and delay in payments to farmers, volume of fertilizer purchased by farmers has declined substantially in the past few years. The ratio of labour costs to gross output of the financial sector has declined from 42.3 per cent in 1991 to 35.5 per cent in 1992, as a result of widespread computerization of services in the sector.

2.31. Percentage contribution of various sectors to the overall GDP are shown in Table 2.4. The consequences of poor performance of the agricultural real value added in the past two years may clearly be seen in this Table. Poor weather and other factors already detailed above severely affected agricultural output. As a result, the share of agriculture in the overall real GDP declined from 28.2 per cent in 1990 to 27.3 per cent in 1991 and further to 26.0 per cent in 1992. In contrast, the share of financial activity in the economy has increased steadily from 7.6 per cent of the overall real GDP in 1988 to about 8.7 per cent in 1992. This is the result of financial reform process which has been introduced recently.

Terms of Trade Effects

2.32. As shown in Table 2.5, growth rate of unadjusted real GDP per capita remained unchanged at 1.5 per cent in 1988 and 1989. The rate fell to 0.8 per cent and -1.2 per cent in 1990 and 1991, respectively. It fell further to -2.9 per cent in 1992. After adjustment for movement of trade, growth rate of per capita incomes was -3.8 per cent in 1990 and -3.0 per cent in 1992. The negative growth rates in per capita incomes may be ascribed to three major factors. First, the annual population growth rate of about 3.5 per cent in 1992 exceeded that of the real GDP by about 3.1 percentage points. Second, due to the high fertility rate and low mortality rate, the country's dependency ratio is high suggesting that a relatively small proportion of the entire population is engaged in GDP generating activities. Third, the country's terms of trade worsened following increased import costs compared with the low prices of primary commodity exports.

PRODUCTION ACCOUNTS, 1991 AND 1992

Table 2.3 K£million

	1991					1992*				
			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**
NON-MONETARY ECONOMY	551.43	92.98	458.45	1.40	457.05	581.73	98.38	483.35	1.51	481.84
MONETARY ECONOMY										
1 .Enterprises and Non-Profit Institutions										
Agriculture	2,646.46	280.12	2,366.34	199.99	2,166.35	2,998.72	316.78	2,681.94	224.70	2,457.24
Forestry	143.09	12.02	131.07	65.73	65.34	184.07	15.46	168.61	84.55	84.06
Fishing	38.45	0.97	37.48	11.46	26.02	45.66	0.96	44.70	11.97	32.73
Mining and Quarrying	89.50	61.47	28.03	14.55	13.48	99.76	69.48	30.28	15.75	14.53
Manufacturing	10,346.25	9,178.85	1,167.40	424.73	742.67	2,366.06	1,056.15	1,309.91	467.09	842.82
Building and Construction	1,203.22	454.02	749.20	418.07	331.13	1,696.95	640.32	1,056.63	589.62	467.01
Electricity and Water	244.37	144.17	100.20	74.46	25.74	240.33	140.00	100.33	82.26	18.07
Trade, Restaurants and Hotels	1,558.02	424.65	1,133.37	438.18	695.19	1,939.86	527.27	1,412.59	546.13	866.46
Transport, Storage and Communications	1,473.99	792.08	681.91	288.80	393.11	1,867.30	958.60	908.70	321.60	587.10
Finance, Insurance. Real Estate and Business Services	1,023.21	216.35	806.86	286.33	520.53	1,195.26	281.32	913.94	325.23	588.71
Ownership of Dwellings	606.61	60.64	545.97	0.00	545.97	634.36	58.41	575.95	0.00	575.95
Other Services	551.44	259.22	292.22	208.22	84.00	695.67	327.02	368.65	262.68	105.97
Less: Imputed Bank Service Charges	-296.19	0.00	-296.19	0.00	-296.19	-337.13	0.00	-337.13	0.00	-337.13
	19,628.42	11,884.56	7,743.86	2,430.52	5,313.34	13,626.87	4,391.77	9,235.10	2,931.58	6,303.52
2.Private Households (Domestic Services)	132.40	0.00	132.40	132.40	0.00	154.57	0.00	154.57	154.57	0.00
3.Producers of Government Services	2,211.46	752.71	1,458.75	1,452.99	5.76	2,522.96	790.86	1,732.10	1,726.08	6.02
TOTAL MONETARY ECONOMY	21,972.28	12,637.27	9,335.01	4,015.91	5,319.10	16,304.40	5,182.63	11,121.77	4,812.23	6,309.54
TOTAL MONETARY AND NON-MONETARY ECONOMY	22,523.71	12,730.25	9,793.46	4,017.31	5,776.15	16,886.13	5,281.01	11,605.12	4,813.74	6,791.38

* 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, 1988 - 1992

Table 2.4 Percentage

	1988	1989	1990	1991	1992*
A. NON-MONETARY ECONOMY					
Forestry	0.8	0.8	0.7	0.7	0.8
Fishing	0.0	0.0	0.0	0.0	0.0
Building and Construction	1.8	1.8	1.7	1.7	1.7
Water Collection	0.6	0.6	0.6	0.6	0.6
Ownership of Dwellings	2.4	2.4	2.4	2.4	2.4
TOTAL NON-MONETARY ECONOMY	5.6	5.6	5.4	5.4	5.5
B. MONETARY ECONOMY					
1. Enterprises and Non-Profit Institutions					
Agriculture	28.8	28.5	28.2	27.3	26.0
Forestry	1.0	1.0	1.0	1.1	1.1
Fishing	0.3	0.3	0.3	0.3	0.3
Mining and Quarrying	0.3	0.3	0.3	0.3	0.3
Manufacturing	13.0	13.1	13.3	13.5	13.6
Building and Construction	3.2	3.2	3.2	3.2	3.1
Electricity and Water	1.0	1.0	1.0	1.1	1.0
Trade, Restaurants and Hotels	11.3	11.3	11.0	10.9	11.0
Transport, Storage and Communications	6.1	6.0	5.9	6.0	6.1
Finance, Insurance, Real Estate and Business Services	7.6	7.7	7.9	8.2	8.7
Ownership of Dwellings	5.5	5.5	5.4	5.5	5.5
Other Services	3.1	3.2	3.2	3.3	3.3
Less: Imputed Bank Service Charges	-3.2	-3.2	-3.2	-3.2	-3.3
TOTAL	77.8	77.7	77.6	77.3	76.8
2. Private Households (Domestic Services)	1.4	1.5	1.7	1.8	2.0
3. Producers of Government Services					
Public Administration					
Defence					
Education					
Health					
Agricultural Services					
Other Services					
TOTAL	15.2	15.3	15.3	15.5	15.8
TOTAL MONETARY ECONOMY	94.4	94.5	94.6	94.6	94.5
TOTAL MONETARY & NON-MONETARY ECONOMY	100.0	100.0	100.0	100.0	100.0

* Provisional

IMPACT OF COMMODITY TERMS OF TRADE ON PER CAPITA GDP, 1988 - 1992

Table 2.5

	1988	1989	1990	1991	1992*
1 Unadjusted GDP at constant Factor Cost (K£mn.)	3857.0	4050.0	4224.4	4320.4	4339.8
2 Adjustment for changes in terms of trade (K£mn.)	-160.9	-332.9	-5236	-306.6	-310.3
3 Adjusted GDP (K£mn.)	3696.0	3717.1	3700.8	4013.8	4029.4
4 Growth in unadjusted per capita GDP	1.5	1.5	0.8	-1.2	-3.0
5 Growth in adjusted per capita GDP	2.9	-2.8	-3.8	4.8	-3.0

* Provisional.

Resource Allocation

2.33. Table 2.6 presents the total available resources and their application during the last five years. The Kenyan economy had access to 17.9 per cent more resources in current prices in 1992 compared with 1991. The GDP at market prices rose by 18.6 per cent in 1992 compared with 13.8 per cent growth in 1991. On the other hand changes in stocks recorded a further decline of -4.4 per cent.

TOTAL USE OF RESOURCES AT CURRENT PRICES. 1988 - 1992

Table 2.6 K£million

	1988	1989	1990	1991	1992*
G.D.P. at Factor Cost	6,480.62	7,451.34	8,540.36	9,793.46	11,605.12
Of which:					
Non-Monetary	348.71	394.46	421.68	458.45	483.35
Monetary	6,131.91	7,056.88	8,118.69	9,335.01	11,121.77
Indirect Taxes	1,079.19	1,191.68	1,399.14	1,522.22	1,815.72
Subsidies	0.10	0.05	0.10	0.06	0.05
G.D.P. at Market Prices	7,559.71	8,642.97	9,939.40	11,315.62	13,420.79
Import of goods and services**	2,054.30	2,612.37	3,069.35	3,174.02	3,557.89
Export of goods and services	1,664.85	1,977.68	2,559.28	3,022.91	3,464.37
Import Surplus	389.45	634.69	510.07	151.10	93.52
Total Resources available for Domestic Investment and Consumption	7,949.16	9,277.66	10,449.47	11,466 73	13,514.31
Gross Fixed Capital Formation	1,517.96	1,657.81	2,028.00	2,133.54	2,122.01
Change in Stocks	370.87	460.43	345.32	217.55	44.89
Gross Investment	1,888.83	2,118.24	2,373.32	2,351.09	2,166.90
Public Consumption	1,364.64	1,538.46	1,831.00	1,889.51	2,101.95
Private Consumption	4,695.69	5.620.96	6,245.15	7,226.13	9,245.46
TOTAL CONSUMPTION	6,060.33	7,159.42	8,076.15	9,115.64	11,347.41

* Provisional.

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

2.34. Total consumption registered growth of 24.5 per cent in 1992, up from 12.9 per cent in 1991. The growth rates here only reflect the extent to which inflation had led to increase to nominal expenditures in the economy. The percentage share of public consumption in GDP at market prices fell from 18.4 in 1990 to 15.7 in 1992. This is attributable to the reduction of government expenditure on recurrent activities such as recruitment into the public service and efforts geared towards divestiture of loss making parastatals. The share of private consumption, on the other hand, rose to 68.9 per cent in 1992 compared with 63.9 per cent in 1991. The foregoing scenario represents a shift from investment to consumption which is worrying. The investment sector suffered a setback recording a share of 16.1 per cent, the lowest in the last five years.

FINANCING OF CAPITAL FORMATION, 1988 - 1992

Table 2.7 K£million

	1988	1989	1990	1991	1992*
GROSS CAPITAL FORMATION:					
Gross fixed Capital Formation	1,517.96	1,657.81	2,031.32	2,137.97	2,215.32
Changes in Stocks	370.87	460.43	345.32	217.55	44.89
TOTAL	1,888.83	2,118.24	2,376.64	2,355.52	2,260.21
FINANCING:					
Grants from Abroad	205.27	266.57	296.10	330.12	352.40
Net borrowing from Abroad	408.05	596.00	572.53	317.64	294.77
Domestic Saving	1,275.51	1,255.67	1,508.01	1,707.76	1,613.04
TOTAL	1,888.83	2,118.24	2,376.64	2,355.52	2,260.21

* Provisional.

Factor Incomes and National Products

2.35. It may be observed from Table 2.8 that the annual rate of growth of total nominal factor income rose from 14.3 per cent in 1990 to 18.5 per cent in 1992. The increase may be attributed to the considerable rise in the growth rate of renumeration to employees, in nominal terms. The gross operating surplus continued to increase at a relatively slow rate, growing by 19.5 per cent and 20.1 per cent in 1991 and 1992, respectively.

GROSS NATIONAL PRODUCT AT CURRENT PRICES 1988 - 1992

Table 2.8 K£million

	1988	1989	1990	1991	1992*
FACTOR INCOMES:					
A. Non-Monetary Economy	348.71	394.46	421.68	458.45	483.35
B. 1. Remuneration of Employees					
Enterprises	1,689.38	1,963.35	2,244.07	2,430.52	2,931.58
Private Households	83.94	97.49	113.56	132.40	154.57
Producers of Government Services	992.79	1,136.56	1,286.44	1,452.99	1,726.08
TOTAL	2,766.11	3,197.40	3,644.07	4,015.91	4,812.23
2. Rental Surplus (including depreciation)	355.62	393.87	480.52	545.97	575.95
3. Other Operating Surplus (including depreciation)	3,010.18	3,465.61	3,994.09	4,773.13	5,733.59
TOTAL MONETARY ECONOMY	6,131.91	7,056.88	8,118.69	9,335.01	11,121.77
TOTAL FACTOR INCOMES = GROSS DOMESTIC PRODUCT (AT FACTOR COST)	6,480.62	7,451.34	8,540.36	9,793 46	11,605.12
Add:Indirect Taxes	1,079.19	1,191.68	1,399.14	1,522.22	1,815.72
Deduct:Subsidies	0.10	0.05	0.10	0.06	0.05
GROSS DOMESTIC PRODUCT AT MARKET PRICES	7,559.72	8,642.97	9,939.40	11,315.62	13,420.79
Add: Factor Incomes Received From Abroad	7.20	12.32	5.54	7.90	2.75
Deduct: Factor Incomes Paid Abroad	327.81	367.17	514.69	632.08	731.60
GROSS NATIONAL PRODUCT	7,239.11	8,288.12	9,430.25	10,691.44	72,691.94

* Provisional.

2.36. The rate of increase of overall renumeration of employees went up from 15.0 per cent in 1991 to 19.1 per cent in 1992. This acceleration in total expenditure on labour costs was noticeable in most sectors, but was more conspicuous in the building and construction sector. The high growth of total renumeration was related to the nominal increase in salaries and wages as employees' unions negotiated for higher wages to counteract the rapid increase in inflation. However, these labour cost increase of 19.1 per cent was below the 27.5 per cent inflation rate recorded in 1992.

2.37. Acute foreign exchange shortage and sluggish economic growth were responsible for the observed decline in the growth rate of net outflow of factor incomes paid abroad. The rate of growth of factor income remitted to non-resident foreign investors was 22.8 and 15.7 per cent in 1991 and 1992, respectively.

2.38. Details on overall gross capital formation and origin of funds used in financing it are presented in Table 2.7. The percentage share of the gross investment in the overall GDP at market prices declined from nearly 15.2 per cent in 1990 to about 12.0 per cent in 1992. The low level of gross investment is a reflection of reduced aggregate real income, combined with political uncertainty and ethnic clashes which prevailed during the formative period of the multi-party activity, and acute shortage of foreign exchange in 1992. The other reason for the fall in gross investment is the substantial drop in the general government's expenditure on this item in the recent past. The ratio of gross fixed investment to the total GDP has had a continuously declining trend over the past few years, declining from 20.4 per cent in 1990 to 18.8 per cent in 1991. This ratio receded further to 16.5 per cent in 1992.

Trends in Capital Formation

2.39. Information on Gross Fixed Capital Formation (GFCF) by type of asset is provided in Table 2.9. As a result of the poor performance of the economy, the rate of real fixed investment declined considerably in the past few years. The fall affected both public and private sectors. In 1991, real fixed investment in private and public sectors had respective annual rates of growth of -4.5 per cent and -14.1 per cent; these rates were significantly below the growths of -0.1 per cent and -5.8 per cent recorded for the same sectors in 1991.

2.40. Sectoral developments in the country's gross fixed capital formation are presented in Table 2.10. Changes in sectoral investment have roughly followed growth trends in the real GDP, mostly declining since the peak in 1990. This declining trend is not surprising given the current slowdown in the economic activity. Producers will generally tend to raise their output production capacity when sales and profits are increasing, and investment in GFCF is the principal means by which capacity may be increased. Annual growth rate in overall gross fixed investment declined steeply from 3.3 per cent in 1990 to negatives 2.9 and 9.3 per cent in 1991 and 1992, respectively. This declining trend is worrying since a prolonged fall in investment activity could result in further deterioration of the country's economic growth in the future.

GROSS FIXED CAPITAL FORMATION BY TYPE OF ASSET, 1988 - 1992

Table 2.9. K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1988	1989	1990	1991	1992*	1988	1989	1990	1991	1992*
DWELLINGS:										
PRIVATE:										
Non-Monetary	99.62	109.49	114.51	101.45	109.14	53.37	53.93	48.55	39.63	35.90
Monetary	69.98	73.48	53.48	69.32	51.11	27.99	36.19	22.66	27.08	16.81
TOTAL	169.60	182.97	167.99	170.77	160.25	81.36	90.13	69.31	66.71	52.71
PUBLIC	44.50	48.95	94.93	75.55	69.84	17.80	24.11	40.22	29.51	22.98
TOTAL	214.10	231.92	262.92	246.32	230.09	99.17	114.24	109.53	96.22	75.69
NON-RESIDENTIAL BUILDINGS:										
PRIVATE	84.93	110.41	56.77	64.21	53.19	47.34	55.95	23.85	24.89	17.73
PUBLIC	151.70	138.56	188.21	203.54	179.27	84.56	70.21	79.08	78.89	59 76
TOTAL	236.63	248.97	244.98	267.75	232.46	131.90	126.16	102.93	103.78	77.49
OTHER CONSTRUCTION WORKS:										
PRIVATE	15.92	27.00	47.00	40.02	28.53	8.47	13.24	20.89	16.74	10.80
PUBLIC	247.31	256.06	355.01	406.41	447.08	131.55	125.53	157.78	170.04	169.45
TOTAL	263.24	283.06	402.01	446.43	476.21	140.02	138.77	178.67	186.78	180.25
LAND IMPROVEMENT AND PLANTATION DEVELOPMENT										
PRIVATE	12.19	12.33	18.99	15.51	11.18	6.37	6.37	9.41	8.08	8.08
PUBLIC	0.06	0.15	1.68	0.09	0.07	0.02	0.02	0.02	0.03	0.03
TOTAL	12.25	12.48	20.68	15.60	11.25	6.39	6.39	9.43	8.11	8.11
TRANSPORT EQUIPMENT:										
PRIVATE	169.29	166.13	181.37	226.49	246.06	65.92	63.61	61.27	61.88	61.67
PUBLIC	73.84	68.22	133.95	84.24	80.28	28.75	26.12	45.25	23.02	20.12
TOTAL	243.13	234.35	315.32	310.73	326.34	94.67	89.74	106.52	84.90	81.79
MACHINERY AND OTHER EQUIPMENT:										
PRIVATE	436.60	459.26	595.92	656.48	717.03	233.14	200.86	209.09	218.10	226.91
PUBLIC	107.33	182.37	182.41	187.67	126.56	57.36	79.76	64.00	62.35	40.05
TOTAL	543.93	641.63	778.33	844.15	843.59	290.50	280.62	273.09	280.45	266.96
BREEDING STOCK AND DAIRY CATTLE:										
PRIVATE	4.70	5.42	3.77	2.58	2.07	4.07	4.07	3.05	2.09	1.05
TOTAL:										
Non-Monetary Dwellings -	99.62	109.49	114.51	101.45	109.14	53.37	53.93	48.55	39.63	35.90
Other	793.61	854 03	957.30	1,074.61	1,109.17	393.29	380.29	350.22	358.86	343.05
TOTAL PRIVATE	893.23	963.52	1,071.81	1,176.06	1,218.31	446.67	434.22	398.77	398.49	378.95
TOTAL PUBLIC**	624.74	694.30	956.19	957.50	903.70	320.05	325.76	386.35	363.84	312.39
TOTAL PRIVATE AND PUBLIC	1,517.97	1,657.82	2,028.00	2,133.56	2,122.01	766.71	759.98	785.12	762.33	691.34

* Provisional.

** Includes Central Government,Municipalities, Councils and Parastatals.

GROSS FIXED CAPITAL FORMATION BY INDUSTRY, 1988 - 1992

Table 2.10 K£million

	CURRENT PRICES					CONSTANT (1982) PRICES				
	1988	1989	1990	1991	1992*	1988	1989	1990	1991	1992*
A. NON-MONETARY ECONOMY:										
Non-Monetary Dwellings	97.62	109.49	114.53	101.45	109.14	53.37	53.93	49.93	39.63	35.90
B. MONETARY ECONOMY:										
Enterprises and Non-Profit Institutions:										
Agriculture	111.37	117.56	142.83	140.99	141.62	59.34	54.45	55.11	51.18	49.14
Forestry	1.66	1.08	1.54	2.63	6.40	0.78	0.50	0.55	0.87	2.28
Fishing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining and Quarrying	10.19	10.15	15.67	14.16	13.15	5.43	4.44	5.50	4.70	4.15
Manufacturing	218.27	253.86	363.28	341.64	318.98	112.35	110.52	130.90	111.47	97.86
Building and Construction	81.70	121.12	173.29	254.07	209.32	43.40	58.79	75.19	98.67	75.64
Electricity and Water	70.54	85.22	111.64	90.63	121.98	37.10	37.15	40.26	32.18	40.17
Trade, Restaurants and Hotels	37.47	26.00	40.21	136.60	86.65	19.42	11.50	14.65	47.24	28.17
Transport,Storage and Communications	259.19	280.80	321.48	420.65	484.17	115.69	117.20	113.62	138.43	148.56
Finance,Insurance.Real Estate and Business Services	44.64	54.50	69.07	69.49	52.94	23.17	25.48	27.26	26.60	18.24
Ownership of Dwellings	115.85	123.98	154.18	146.37	124.81	46.34	60.98	64.91	57.09	41.01
Other Services	104.84	124.28	72.87	44.39	67.99	57.40	59.99	27.22	15.74	21.44
TOTAL	1,055.72	1,198.55	1,466.06	1,661.62	1,628.01	520.42	541.00	555.17	584.17	526.66
Producers of Government Services										
Public Administration	56.98	128.19	162.05	170.26	169.74	29.50	58.85	62.23	62.76	56.68
Defence	0.05	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Education	87.41	54.33	88.64	80.19	83.66	47.92	26.33	36.42	30.38	27.83
Health	21.48	12.38	20.08	30.20	32.46	11.63	5.76	8.08	10.90	10.51
Agricultural Services	19.49	21.38	28.07	30.31	36.30	9.97	9.78	11.11	11.22	11.95
Other Services	177.21	133.47	148.55	59.49	62.68	93.89	64.33	63.57	23.26	21.78
TOTAL	362.62	349.77	447.41	370.47	384.86	192.93	165.06	181.43	138.53	128.76
NON-MONETARY ECONOMY	97.62	109.49	114.53	101.45	109.14	53.37	53.93	48.53	39.63	35.90
MONETARY ECONOMY	1,420.34	1,548.32	1,913.47	2,032.09	2,012.87	713.35	706.06	736.60	722.70	655.42
TOTAL	1,517.96	1,657.81	2,028.00	2,133.54	2,122.01	766.72	759.99	785.12	762.33	691.32
C. PERCENTAGE RATES OF GROWTH:										
Non-Monetary Economy	9.06	12.16	4.60	-11.42	7.58	-3.77	1.05	-7.42	-18.30	-9.41
Monetary Economy	18.63	9.01	23.58	6.20	-0.95	9.32	-1.02	4.33	-1.89	-9.31
TOTAL	17.97	9.21	22.33	5.20	-0.54	8.30	-0.88	3.49	2.91	-9.31

* Provisional.

2.41. The yearly rate of increase of real GFCF in agriculture fell continuously from 8.9 per cent in 1989 to 1.2 per cent in 1990 and further to negative 4.0 per cent in 1992. This sustained decrease in agricultural real GFCF may be attributed to the poor performance of the sector during the recent years. The worsening financial position of the farming community, brought about by poor harvest and other factors already mentioned above were responsible for this disturbing trend.

CHAPTER 3 - NATIONAL HOUSEHOLD WELFARE MONITORING AND EVALUATION SURVEY

Introduction

3.1. Following the first oil price shock of the early 1970s, the pace of growth of Kenya's economy slowed down. The economy has never completely recovered because of the exacerbation of this unfavourable process by inter-alia, decline in prices of primary exports, increase in interest rates, the foreign debt repayment obligations and decline in official development aid; and more recently, the partial withholding and pegging of aid to economic and political reforms.

3.2. The experience of the 1970s and early 1980s called for action to halt economic stagnation, revitalize growth prospects and restore internal and external macro-economic equilibria. In response to this need, and especially since 1980, the Government, with assistance from donors, initiated the implementation of Structural Adjustment Programme (SAP), with the long term objective of redressing economic imbalances, stimulating growth and restoring sustainable development.

3.3. The adoption and implementation of SAP, however, has not proceeded without a price. The demand and supply management policies that have since been adopted and implemented have had mixed results and in some cases have impacted negatively on the population; for example, demand management policies specifically aimed at restoration of internal and external balances and the stabilization of price level have included measures that affect the public such as cuts in public expenditure, cost-sharing arrangements in financing basic services, cuts in subsidies, etc. By the same token, supply side policies such as devaluation, liberalization of markets and prices, etc, have in the short run had unfavourable consequences on the well-being of the consumer.

3.4. The adverse short-term effects on the population, especially the vulnerable group, called for urgent attention. But to establish and implement an ameliorative policy measures, it is necessary to collect accurate, timely and relevant information on how the various elements of SAP are affecting the welfare of the people. Such information may be used to develop indicators of socio-economic welfare as well as to monitor movements in them over time. In this way, it is possible for policy makers and planners to study trends in the indicators and recommend relevant intervention measures.

3.5. The National Household Welfare Monitoring and Evaluation Survey (NHWMES) programme was undertaken to provide the required information for the analysis of welfare dimensions of adjustment. The NHWMES is a comprehensive effort aimed at providing data for welfare policy analysis. The main areas covered by NHWMES are household composition, income, expenditure, assets and amenities.

Coverage and Objectives

3.6. The NHWMES was conducted in November and December, 1992 in 44 districts, excluding Turkana, Marsabit and Samburu. In North Eastern Province the survey was conducted in urban areas only. The specific objectives of the survey were: to establish an information system that would provide indicators of living standards for different socio-economic groups as adjustment took place; to monitor and inform policy makers of changes in living standards of particularly the most vulnerable segments of the population; and to develop analytical capability to relate changes in living standards to national policies and programmes.

3.7. The NHWMES was conducted using four sets of questionnaires, on: household composition, household incomes, household expenditures, agricultural holdings and assets and amenities owned and available to the households. This chapter is, however, only a brief presentation of the highlights of preliminary findings on a limited number of welfare variables. Detailed findings of the survey will be published in a separate and more comprehensive report.

Sample Size and Response Rates

3.8. NHWMES covered a total of 1,205 clusters from which 12,050 households were sampled. Out of the 12,050 households sampled 11,568 households responded. The 96 per cent response rate was satisfactory for providing reliable and representative estimates of welfare variables. As mentioned earlier, data for North Eastern Province was obtained from urban clusters only. Consequently, the results do not represent rural areas of the province. Table 3.1 below provides information on the distribution of sampled households and response rates realised in the NHWMES survey by province.

DISTRIBUTION OF SAMPLED HOUSEHOLDS AND RESPONSE RATES

Table 3.1

Province	Number of Clusters	Households Sampled	Responding Households	Response Rate (%)
Nairobi	119	1190	1181	99.2
Central	168	1680	1654	98.5
Coast	159	1590	1489	93.6
Eastern	147	1470	1435	97.6
North Eastern*	4	40	32	80.0
Nyanza	187	1870	1818	97.2
R/Valley	312	3120	2888	92.6
Western	109	1090	1071	98.3
Total	1205	12050	11568	96.0

* Urban only

Demographic Characteristics

3.9. Demographic characteristics of households are important for understanding household peculiarities and welfare patterns. Table 3.2 provides information on the distribution of household size by provinces. The data indicate a national average household size of 5 persons. Households with 6 persons and more constitute 37.3 per cent of the total, with the highest proportion of 48.6 per cent recorded in Western Province and 48.1 per cent in Eastern Province. Nairobi, North Eastern and Central provinces, which respectively reported 61.3 per cent,'46.7 per cent and 43.8 per cent of the households with 3 persons or less are also the provinces with small household sizes.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY SIZE

Table 3.2

	Household Membership/Size							
Province	1	2	3	4	5	6	7+	Total
Nairobi	27.9	17.4	16.0	13.4	11.3	5.8	8.3	100.0
Central	21.3	10.0	12.5	13.4	10.5	10.8	21.6	100.0
Coast	18.6	11.3	10.8	11.7	10.0	10.0	27.7	100.0
Eastern	8.8	7.6	10.0	11.7	13.9	13.4	34.7	100.0
N/Eastern*	20.0	16.7	10.0	13.3	6.7	6.7	26.7	100.0
Nyanza	13.2	11.4	11.5	12.1	12.6	12.3	27.0	100.0
R/Valley	16.0	7.3	10.0	11.2	13.0	11.4	31.3	100.0
Western	9.8	7.6	10.7	11.0	12.4	12.4	36.2	100.0
National	16.8	10.3	11.5	12.1	12.0	10.8	26.5	100.0

* Urban only

3.10. Headship of a household is also an important demographic variable. Equally important are such characteristics as sex, educational attainment, occupation etc. of the head since these characteristics have social and economic implications for the household. Results presented in Table 3.3 indicate that over two-thirds of households (71.9 per cent) were male headed, while female headed households accounted for 28 per cent. Western and Nyanza provinces reported the highest number of female headed households, although Central, North Eastern and Eastern Provinces also reported that about a third of their households are female headed.

PERCENTAGE DISTRIBUTION OF HOUSEHOLD HEADS BY SEX

Table 3.3

Province	Males	Females	Not stated	Total
Nairobi	79.3	20.4	0.4	100.0
Central	65.1	34.6	0.3	100.0
Coast	77.1	22.6	0.3	100.0
Eastern	70.4	29.4	0.2	100.0
N/Eastern*	64.7	35.3	-	100.0
Nyanza	63.5	36.3	0.2	100.0
R/Valley	78.8	21.1	0.1	100.0
Western	63.3	36.3	0.4	100.0
National	71.9	28.0	0.2	100.0

* Urban only

Incomes and Consumption

3.11. The welfare of a household is a function of the economic status of household members, particularly of the head of the household. Household incomes and consumption and expenditure patterns will largely depend on the economic status of the head of the household. Table 3.4 provides information on the distribution of households by economic status of household head. From the results it is evident that, with the exception of Nairobi, Coast and North-Eastern Provinces, the majority of household heads and, consequently households, are engaged in food and subsistence farming activities. The informal sector also appears to be a prominent source of livelihood in urban areas: Nairobi, North Eastern and Coast Provinces. Nairobi and Mombasa are major urban centres with relatively well developed informal sector activities, which provide employment opportunities for the labour force outside the modern sector.

3.12. Average household monthly expenditures by province are presented in Table 3.5. Expenditure on food constitute a large share of household expenditure in all provinces. Transfers and health are not important items of household expenditures.

3.13. Table 3.6 provides information on mean household incomes by socio-economic status of the household head. Mean incomes are high for households whose heads are public sector workers, private sector workers, or pastoralists. Mean household incomes are higher in Nairobi and Coast than in most other provinces, reflecting the urban influence where incomes are generally higher.

3.14. The major sources of household income include proceeds from the sale of goods and services, transfer payments and valuation of non-marketed goods and

services produced by the household. Total income accruing to a household is subsequently expended on purchases of goods and services. Not all consumption, however, is based on purchases as part of consumption comes from own production by households. As a limiting case therefore, expenditure - income ratios should approach . unity. Table 3.7 provides information on these ratios. The overall expenditure/income ratio is 0.76, that is the households on average spend 76 per cent of their incomes on consumption of goods and services. The rest of the income is either saved and/or utilised for purposes other than consumption expenditure.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY ECONOMIC STATUS OF HOUSEHOLD HEAD

Table 3.4

Economic Status of Household Head	Nairobi	Central	Coast	Eastern	North Eastern*	Nyanza	Rift Valley	Western
Export Oriented	0.4	3.1	0.5	1.9		0.8	1.1	0.7
Cash Crop	-	6.6	1.7	3.7	-	3.5	3.8	5.9
Food/Subsistence farming	0.6	40.6	26.3	59.6		68.4	48.3	56.8
Pastoralist#	0.2	0.5	5.8	0.4	8.8	0.1	7.6	0.1
Casual Worker	4.5	9.0	4.0	0.8	-	1.2	4.4	0.7
Skilled Public Sector Worker	20.2	7.3	11.8	7.9	32.4	5.0	10.2	12.2
Unskilled Public Sector Worker	9.0	3.0	3.6	3.0	8.8	2.0	4.5	3.1
Private Sector Worker	26.6	11.7	16.5	7.3	5.9	4.5	5.4	6.1
Informal Private Sector Worker	30.6	11.5	21.6	12.2	20.6	9.0	9.6	9.9
Un-employed	6.1	3.6	6.6	1.7	17.7	2.9	2.2	2.4
Student	0.4	0.2	0.7	0.5		0.5	0.5	0.3
Not Stated	1.7	1.0	1.0	1.1	5.9	2.3	2.3	1.8

* Urban only

MEAN MONTHLY HOUSEHOLD EXPENDITURE BY MAJOR GROUPS OF COMMODITIES

Table 3.5

(Kshs)

Item of expenditure	Nairobi	Central	Coast	Eastern	N/E*	Nyanza	R/V	Western	TOTAL
Foods	2300	1194	1631	1383	5063	960	826	900	1782
Education	288	167	95	147	338	153	127	208	160
Health	13	28	11	15	-	14	22	15	15
Consumer Durables	833	2133	-	1042	-	833	-	-	605
Transfers	46	30	37	39	-	25	23	16	27
Clothing	1720	-	1647	1500		-	3100	1000	1121
Salaries	454	868	1527	1118	2355	1490	1060	813	1211
Transportation	443	795	683	645	2024	1359	838	1092	945
Recreation	2299	634	760	500		3363	5940	1439	1867
Others	100	-	292	-	-	-	92	-	61

* Urban only

MEAN MONTHLY HOUSEHOLD INCOMES BY SOCIO-ECONOMIC STATUS OF HOUSEHOLD HEAD

Table 3.6

(Kshs)

Economic Status	Nairobi	Central	Coast	Eastern	N/E*	Nyanza	R/V	Western	National Total
Export Oriented	2580	1495	2780	2183	-	614	2076	588	1540
Cash Crop	-	1876	2319	2153	1449	1636	1831	1948	1652
Food Sub-Farming	4187	1848	2056	1034		1179	1895	1255	1682
Pastoralist	-	2989	2822	2574	2617		2275	3700	2425
Casual Worker	2320	1012	2407	1015	1150	1156	1044	597	1338
Skilled Public Sector Worker	3446	3904	3981	3199	0.0	2614	3537	3496	3453
Unskilled Public Sector Worker	2834	2277	2734	1917	1150	2753	2422	1677	2221

MEAN MONTHLY HOUSEHOLD INCOMES BY SOCIO-ECONOMIC STATUS OF HOUSEHOLD HEAD

Table 3.6 (Cont'd)

(Kshs)

Economic Status	Nairobi	Central	Coast	Eastern	N/E*	Nyanza	R/V	Western	National Total
Private Sector Worker	3740	3343	4062	3598	1133	2897	2303	2437	2940
Informal Private Sector Worker	3420	2496	3048	2284	5358	2638	2170	2174	2949
Unemployed	2865	1098	1514	601	-	694	1275	260	1041
Student	3916	1000	0	2105	-	532	2971		1315

* Urban only

MEAN EXPENDITURE/INCOME RATIOS BY PROVINCE

Table 3.7

Province	Mean Expenditure (Kshs)	Mean Incomes (Kshs)	Expenditure/Income Ratio
Nairobi	3175.0	3332.4	0.95
Central	1673.1	2116.1	0.79
Coast	2007.1	2678.4	0.75
Eastern	1718.5	2145.0	0.80
N/Eastern*	2457.7	2507.9	0.98
Nyanza	1399.9	1632.3	0.86
R/Valley	1258.3	2361.3	0.53
Western	1344.5	1897.0	0.71
Overall	1755.0	2307.5	0.76

* Urban only

3.15. Table 3.8 provides a similar comparison but this time against a national average calculated from the same data. Again a similar trend as in Table 3.7 is evident except the ratios are now comparatively lower than in the previous table. This is because a constant national average is compared to individual provincial expenditure figures some of which are lower or higher than the national mean income.

MEAN PROVINCIAL EXPENDITURES TO MEAN (OVERALL) INCOME RATIOS

Table 3.8

Province	Mean expenditure (Kshs)	Mean income (overall) (Kshs)	Expenditure/income ratios
Nairobi	3175.0	2307.5	1.3
Central	1673.1	2307.5	0.73
Coast	2007.1	2307.5	0.87
Eastern	1718.5	2307.5	0.74
N/Eastern*	2457.7	2307.5	1.07
Nyanza	1399.3	2307.5	0.61
R/Valley	1258.3	2307.5	0.58
Western	1344.5	2307.5	0.58
National	1755.0	2307.5	0.76

*Urban only

3.16. Table 3.9 provides a comparative analysis of mean incomes and expenditures by province and rural versus urban households. Mean expenditure by urban households are twice as high as those of rural households. Similarly, mean incomes for the urban households are also almost twice as high as for rural households. The overall expenditure-income ratio for both urban and rural follow the same pattern although the urban ratio is slightly higher. There is however, marked variability in the mean monthly incomes and expenditures across the provinces. These results are not surprising since the urban areas are characterised by better opportunities to earn higher incomes necessary for sustaining a higher level of consumption.

MEAN MONTHLY INCOMES AND EXPENDITURES - RURAL VERSUS URBAN HOUSEHOLDS

(Expenditure-income ratios in brackets)

Table 3.9

(Kshs)

	Rural Households		Urban Households	
Province	Mean Incomes	Mean Expenditures	Mean Incomes	Mean Expenditures
Nairobi*	-	(-)	3334.0	3172.2(95.1)
Central	2028.3	1639.5(80.8)	3329.3	1995.7(59.9)

MEAN MONTHLY INCOMES AND EXPENDITURES - RURAL VERSUS URBAN HOUSEHOLDS

(Expenditure-income ratios in brackets)

Table 3.9 (Cont'd)

(Kshs)

	Rural Households		Urban Households	
Province	Mean Incomes	Mean Expenditures	Mean Incomes	Mean Expenditures
Coast	2209.9	1606.0(72.7)	3571.7	2731.5(76.5)
Eastern	1944.9	1627.1(83.7)	3832.8	2401.6(62.7)
North Eastern*	-	(-)	2507.1	2457.7(98.0)
Nyanza	1460.4	1216.6(83.3)	3134.5	2688.7(85.8)
Rift Valley	2125.1	1174.9(55.3)	3993.8	2199.5(55.1)
Western	1587.0	1181.5(74.4)	4319.2	2677.0(62.0)
National	1897.7	1376.5(72.5)	3506.7	2903.3(82.8)

* Urban only

3.17. Table 3.10 provides information on mean monthly household income and expenditure by sex of household head. It is evident that mean incomes for male headed households are generally (nearly 60 per cent on average) higher than those for female headed households. Similarly, the mean monthly household expenditures are higher for male headed households. Female headed households are therefore generally disadvantaged in terms of income and consumption opportunities and are consequently, more susceptible to poverty.

MEAN MONTHLY INCOMES AND EXPENDITURES - MALE VERSUS FEMALE HEADED HOUSEHOLDS

Table 3.10

(Kshs)

Province	Male Headed H/Hold		Female Headed H/Hold	
	Mean Incomes	Mean Expds.	Mean Incomes	Mean Expds.
Nairobi	3588.0	3418.8	2583.5	2332.9
Central	2436.3	1883.6	1579.1	1329.5
Coast	3155.5	2265.2	2200.1	1649.3
Eastern	2435.8	1844.5	1502.8	1535.8

MEAN MONTHLY INCOMES AND EXPENDITURES - MALE VERSUS FEMALE HEADED HOUSEHOLDS

Table 3.10 (Cont'd)

(Kshs)

Province	Male Headed H/Hold		Female Headed H/Hold	
	Mean Incomes	Mean Expds.	Mean Incomes	Mean Expds.
N/Eastern*	2402.0	2354.0	971.7	952.3
Nyanza	1743.1	1449.3	1118.0	960.8
R/Valley	2253.6	1307.1	1844.1	1176.5
Western	2346.9	1504.4	1258.1	1067.4
National	2600.2	1959.5	1644.1	1395.6

* Urban only

3.18. Table 3.11 provides information on the distribution of households in relation to mean overall income. About 63 per cent of all the households covered in the NHWMES have incomes below the national average. There is however, considerable variation in percentage distribution of households below or above the mean national income across the provinces. In Nyanza and Western provinces, for example, mean household incomes are largely below mean national income while in Nairobi Province, over 50 per cent of the households have incomes above the mean national income. Other provinces that have relatively more households below mean national income are Central, Eastern, Rift Valley and Coast in that order. The figure for Coast is heavily influenced by urban household incomes particularly in Mombasa. The sample for North Eastern Province was not large enough to warrant any conclusive interpretation of this ratio.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BELOW/ABOVE MEAN NATIONAL INCOME

Table 3.11

Province	Below	Above or equal to
Nairobi	49.2	50.8
Central	65.2	34.8
Coast	54.4	45.6
Eastern	64.0	36.0
N/Eastern*	40.0	60.0

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BELOW/ABOVE MEAN NATIONAL INCOME

Table 3.11 (Cont'd)

Province	Below	Above or equal to
Nyanza	74.6	25.4
R/Valley	60.7	39.3
Western	71.4	28.6
National	62.7	37.3

*Urban only

3.19 Table 3.12 provides monthly per capita income and expenditure by province for both urban and rural areas and relates these to mean household sizes. The per capita incomes/expenditures were obtained by dividing total incomes/expenditure by total household members. Overall, it is evident that per capita incomes and expenditures are low suggesting a rather high incidence of vulnerability to changes in macro-economic variables such as prices. As mentioned earlier, figures for North Eastern Province exclude income data for rural areas and hence the high per capita income and expenditure figures for the province. As mentioned earlier, figure for North Eastern Province exclude income data for rural areas and hence the high per capita income and expenditure figure for the province.

MEAN HOUSEHOLD SIZES, MONTHLY PER CAPITA INCOMES AND PER CAPITA EXPENDITURES BY PROVINCE - (RURAL AND URBAN)

Table 3.12

Province	Mean Household sizes	Per capita income (Kshs)	Per capita expenditure (Kshs)
Nairobi	4	2339.8	1139.8
Central	5	1300.3	512.3
Coast	5	1088.7	612.25
Eastern	6	818.8	436.9
N/Eastern*	5	1414.6	2608.8
Nyanza	5	479.3	355.5
Rift Valley	6	931.4	347.8
Western	6	538.9	288.2
National	5	1108.6	538.4

*Urban only

Assets and ammenities

3.20. Welfare of the population is also assessed by the quality and quantity of assets owned by the households and the availability and accessibility to social amenities. The ownership of land for example, by a household can provide the necessary collateral to secure financial resources for further investment, while the benefits to the society of well established social infrastructure in the form of clean water, education, health facilities etc, are tremendous. Unfortunately, the existence of social infrastructure is a necessary and not a sufficient condition for the use of these facilities. Table 3.13 provides information on the prevalence of illness and choice of treatment. Of the 15 per cent of the respondents who reported being sick at the time of interview, about 7 per cent did not go for any treatment, while about 5 per cent either used herbs or consulted traditional and/or faith healers. About 88 per cent of the sick either attended a health facility or purchased medicine.

PREVALENCE OF ILLNESS AND CHOICE OF TREATMENT

Table 3.13

Treatment option (% of respondents)

Province	(N)	% Sick	Consulted Health Facility	Used Medi-cine purch-ased	Used Herbs	Consulted Tradit-ional or faith Healer	Did Noth ing	Not Sick
Nairobi	(423)	12.0	5.8	5.4	0.1	0.3	0.3	88.0
Central	(516)	11.0	6.8	3.5	0.1		0.7	89.0
Coast	(745)	17.1	10.1	5.0	0.5	0.4	1.2	82.9
Eastern	(841)	15.9	8.1	6.3	0.3	0.1	1.0	84.1
N/E*	(37)	26.8	18.1	8.0	-		0.7	73.2
Nyanza	(1267)	20.4	8.9	7.9	1.1	0.5	2.0	79.6
R/Valley	(1095)	11.8	6.7	3.6	0.6	0.2	0.8	68.2
Western	(823)	20.8	8.9	8.8	0.9	0.4	1.8	79.2
National	(5747)	15.4	7.9	5.6	0.5	0.3	1.1	84.7

* Urban only

3.21. Table 3.14 provides information on the percentage distribution ofhouseholds with main house constructed using different building materials. About 74 per cent of households used either mud or wood in the construction of walls, while 67 per cent used the same materials in constructing floors of their houses. Households, however, seem to use increasingly better quality building materials for roofs. About 64 per cent of all roofs were constructed using either ironsheets, cement, blocks or tiles. There is generally a marked variability across the provinces however, in the use of building materials of different quality. Nyanza, Western, and to some extent, Eastern and Coast provinces stand out as relatively worse off, in that they use low quality building materials in construction, especially of walls and floors.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS WITH MAIN HOUSE CONSTRUCTED USING VARIOUS BUILDING MATERIALS

Table 3.14

	Wall type				Floor type			
	Mud	Cement	Wood	Others	Mud	Cement	Wood	Others
Nairobi	30.2	54.1	9.9	5.8	28.6	70.3	0.5	0.6
Central	46.3	19.1	30.5	4.1	64.8	32.2	1.8	1.3
Coast	67.2	25.4	1.0	6.4	60.3	37.2	0.2	2.4
Eastern	61.8	16.8	12.3	9.1	70.6	28.4	0.4	0.6
N/Eastern*	18.8	78.1	-	3.1	15.6	84.4	-	-
Nyanza	83.0	14.2	0.9	1.9	80.1	17.5	0.1	2.3
R/Valley	66.8	14.1	16.1	2.9	74.6	21.8	1.1	2.5
Western	83.0	16.3	0.2	0.6	82.5	17.1	0.2	0.1
National	62.9	21.9	11.0	4.3	66.7	31.0	0.7	1.6

* Urban only

	Roof type						
	Iron sheets	Cement/ blocks	grass/ makuti	tiles	mud	tinned	Others
Nairobi	69.7	12.3	1.5	14.2	0.4	0.9	1.0
Central	84.7	2.0	6.8	3.3	0.2	2.9	0.3
Coast	37.3	4.1	52.6	4.7	-	0.7	0.7
Eastern	63.3	0.7	33.3	2.1	-	0.3	0.3
N/Eastern*	84.4	3.1	12.5	-	-	-	-
Nyanza	49.2	0.4	48.1	1.2	0.1	-	0.8
R/Valley	53.3	0.6	40.8	2.0	1.9	0.1	1.5
Western	45.0	0.9	52.6	0.6	-	0.1	0.9
National	57.5	2.7	34.0	3.7	0.6	0.7	0.9

* Urban only

3.22. Table 3.15 provides information on the distribution of households by type of assets owned. Judged by the measure of asset ownership, the majority of households in Kenya enjoy a low level of welfare. The one asset that appears to be common to majority of households is the radio which is owned by about 56 per cent of all households in the country.

PERCENTAGE DISTRIBUTION OF HOUSEHOLD BY TYPE OF ASSETS OWNED

Table 3.15

Assets Owned	Nai-robi	Cen-tral	Coa-st	East-em	N/E*	Nyan-za	R/V	West-em	Natio-nal
M/Cycle	1.7	0.4	0.5	0.4	3.1	0.3	0.5	0.3	0.9
Car	10.4	2.6	1.5	1.5	3.1	0.9	2.1	2.0	3.0
Radio	77.7	61.0	48.3	48.7	59.4	45.7	50.1	54.4	55.7
T.V.	29.4	5.5	5.3	4.2	3.1	2.8	3.6	5.1	7.4
Plough	3.9	2.6	1.1	22.5	-	15.0	9.6	19.9	9.3
Bicycle	14.3	15.3	16.7	19.7	15.6	21.0	17.5	36.2	19.5
Boat/Canoe	0.2	-	1.8	-	-	0.6	0.1	0.7	0.4

* Urban only

3.23. Table 3.16 provides information on water sources during the wet and dry seasons. Most households depend on either piped water or the river in both the wet and dry seasons. There is marked variability in availability of water across provinces and between seasons. The proportion of households deriving their water from protected sources, including roof catchment, protected springs and wells, boreholes and piped sources are in excess of 50 per cent during both seasons; about 57 per cent and 52 per cent of households draw their water from protected sources during the wet and dry seasons, respectively. At the provincial level, Nyanza, Western and to some extent Coast and Eastern are worse than other provinces.

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY WATER SOURCES DURING THE WET AND DRY (IN BRACKETS) SEASONS

Table 3.16

Water Source	Nairo-bi	Central	Coast	Eas-tern	N/E*	Nyan-za	Rift Valley	Western	National
River	1.12 (1.04)	24.62 (38.76)	15.78 (16.56)	33.42 (41.88)	18.75 (18.75)	25.93 (29.72)	35.52 (42.66)	14.08 (13.97)	21.15 (25.42)
Lake/ pond	0.43 (0.09)	1.03 (2.07)	11.04 (6.57)	7.20 (3.85)	(-)	9.59 (9.86)	5.59 (6.00)	1.86 (1.42)	4.59 (3.73)
Roof Catch-ment	0.17 (-)	21.21 (2.38)	4.65 (0.35)	14.07 (1.68)	(-)	9.17 (0.62)	8.55 (0.5)	2.18 (-)	7.5 (0.69)
Protected Spring	(-)	1.03 (3.49)	0.44 (3.45)	1.42 (7.71)	(-)	10.28 (11.93)	2.73 (3.14)	11.24 (12.45)	3.39 (5.27)
Unprotected Spring	(-)	3.34 (3.49)	2.02 (2.45)	9.38 (7.71)	(-)	16.00 (16.55)	10.41 (9.87)	20.74 (22.05)	7.74 (7.77)
Protected well	(-)	3.26 (3.57)	9.11 (9.73)	1.68 (3.27)	21.87 (21.87)	5.17 (5.03)	714 (6.96)	524 (5.46)	6.68 (6.99)

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY WATER SOURCES DURING THE WET AND DRY (IN BRACKETS) SEASONS

Table 3.16

Water Source	Nairobi	Central	Coast	Eastern	N/E*	Nyanza	Rift Valley	Western	National
Unprotected well	0.09 (0.09)	2.78 (5.16)	2.54 (4.21)	5.19 (5.78)	(-)	2.90 (2.97)	4.37 (4.09)	7.21 (6.99)	3.14 (3.66)
Borehole	0.09 (0.17)	4.21 (5.88)	4.12 (5.00)	0.75 (2.85)	(-)	3.72 (6.83)	2.77 (4.55)	17.69 (18.67)	4.17 (5.49)
Piped water	95.25 (97.76)	36.93 (36.54)	49.69 (54.60)	25.46 (28.81)	59.37 (59.37)	12.97 (13.59)	21.28 (20.6)	19.21 (18.67)	40.02 (41.24)
Others	2.65 (0.86)	1.59 (0.79)	0.61 (0.09)	1.42 (2.01)	(-)	4.28 (2.90)	1.64 (1.64)	6.55 (0.33)	2.37 (1.08)

* Urban only

3.24. Adequate sanitation is an important requirement for the attainment of a healthy environment and the reduction of environmental pollution. Like water, availability of sanitation facilities can contribute greatly to the achievement of sound environmental health care and hence, improved welfare of the population. Table 3.17 provides information on the proportion of households by type of toilet used. Overall, 71 per cent of all households use pit latrines. However about 16 per cent of the households do not own any form of toilet. Majority of these households are to be found in Rift Valley, Coast, Eastern and Nyanza provinces in that order.

PERCENTAGE DISTRIBUTION OF HOUSEHOLD BY TYPE OF TOILET USED

Table 3.17

Province	Pit latrine	VIP	Water closet	Flush	Bucket	None	Total
Nairobi	46.5	1.5	21.7	27.4	2.9		100.0
Central	90.2	2.5	1.4	5.5	-	0.3	100.0
Coast	65.8	1.3	5.9	1.8	-	25.2	100.0
Eastern	71.9	3.4	0.9	2.1	0.1	21.6	100.0
N/Eastern*	53.1	6.3	3.1	6.3	28.1	3.1	100.0
Nyanza	77.0	1.0	2.0	1.2	0.1	18.6	100.0
R/Valley	66.5	2.3	1.3	2.1	0.6	27.2	100.0
Western	87.0	0.4	2.8	3.9	0.3	5.5	100.0
National	71.4	1.9	4.6	5.7	0.6	15.7	

* Urban only

Future work on Welfare Analysis

3.25. The purpose of conducting the NHWMES is to supplement the district welfare monitoring and evaluation surveys which were conducted earlier to develop a data base for monitoring trends in indicators of welfare so that policy makers can

formulate appropriate policies to redress any perceived deterioration in the welfare of the population.

3.26. The NHWMES is therefore a monitoring and evaluation tool that will have to be sustained by a continuous flow of relevant data. In subsequent years, NHWMES will be used to provide information needed for monitoring trends and changes in welfare status of the population over time. The next round of this survey is planned for August/September 1993.

3.27. In the meantime complete analysis of the 1992 NHWMES is underway to produce a comprehensive report. A more analytical and detailed discussion of findings of the NHWMES will be presented in that report. The report will include among others, detailed discussion of poverty profiles and methodologies used in their construction.

CHAPTER 4 - EMPLOYMENT, EARNINGS AND CONSUMER PRICES

Overview

As a result of adverse external and domestic developments during the period 1990 - 1992, the labour market performed poorly in job creation in 1992. The economy generated a total of 91,300 additional jobs, less than the 98,000 and 96,900 jobs created in 1990 and 1991, respectively. During the year under review, a large proportion of the additional employment was generated in the expanding informal sector as modern sector wage employment became increasingly scarce.

4.2. Inflationary pressures intensified due to adverse effects of the continuing decontrol of consumer prices, the depreciation of the Kenya Shilling, rapid growth in money supply, increase in retail price of oil and rise in unit wage costs. The inflation rate estimated by the revised Nairobi Consumer Price Indices rose significantly from 19.6 per cent in 1991 to 27.5 per cent in 1992. Despite an improvement of 12.1 per cent in nominal average earnings, real average earnings continued to be eroded by inflationary pressures, declining by 8.3 per cent in 1991 and by a further 12.0 per cent in 1992.

Employment

4.3. An estimated 2.1 million persons were engaged outside small scale agriculture in 1992, with a total of 91,300 new jobs being created. The overall growth rate of 4.6 per cent recorded for 1992 was slightly lower than 5.1 per cent growth recorded in 1991, largely due to a slowdown in the growth of wage employment in the modern sector. As shown in Table 4.1, the rate of growth of total wage employment in the modern sector decelerated from 2.3 per cent in 1991 to 1.4 per cent in 1992. On the other hand, the informal sector created 68,800 new jobs, representing 75.4 per cent of all the new jobs created outside small scale agriculture. The informal sector accounted for 27.2 per cent of total persons engaged outside small scale agriculture in 1992. The corresponding share was 20.0 per cent in 1988. This trend reflects the potential of the informal sector to absorb growing proportions of the labour force. Self-employed and unpaid family workers within the modern sector, usually engaged in agricultural and trade activities, stood at 53,800 persons in 1992, representing an increase of 1,600 jobs or 3.1 per cent growth compared with additional 4,000 jobs or 8.3 per cent growth recorded for 1991.

PERSONS ENGAGED: RECORDED TOTALS, JUNE, 1988 - 1991

Table 4.1 '000's

	1988	1989	1990	1991	1992*
Modern Establishments - Urban and Rural Areas:					
Wage Employees	1,345.9	1,368.4	1,409.4	1,441.7	1,462.6
Self-employed and unpaid family workers	43.9	44.3	48.2	52.2	53.8
Informal Sector	346.4	383.5	436.6	497.2	566.0
TOTAL	1,736.2	1,796.2	1,894.2	1,991.1	2,082.4

* Provisional.

4.4. Modern Sector - The declining performance of the domestic economy coupled with the withholding of donor aid and restructuring of the public sector constrained growth in employment within the modern sector. As shown in Table 4.2, wage employment stood at 1,462,600 persons in 1992, representing an increase of 20,900 jobs. The table depicts a declining trend in the growth of employment in the modern sector during the last three years. The growth decelerated from 3.0 per cent in 1990 to 2.3 per cent in 1991, and finally to 1.4 per cent in 1992.

WAGE EMPLOYMENT BY INDUSTRY AND SECTOR. 1988 - 1991

Table 4.2 '000's

	1988	1989	1990	1991	1992*
PRIVATE SECTOR:					
Agriculture and Forestry	198.4	195.1	202.4	200.9	201.4
Mining and Quarrying	3.3	3.4	3.4	3.6	3.7
Manufacturing	141.1	141.8	146.1	149.8	
Electricity and Water	0.2	0.2	0.5	0.5	1.0
Building and Construction	31.1	33.4	36.8	40.7	42.2
Wholesale and Retail Trade, Restaurants and Hotels	98.0	101.4	104.6	108.8	110.9
Transport and Communications	23.2	24.5	26.1	27.3	28.8
Finance,Insurance, Real Estate and Business services	44.2	45.3	47.1	47.3	47.7
Community, Social and Personal Services	137.1	137.7	142.5	147.7	153.2
TOTAL PRIVATE SECTOR	676.6	682.8	709.5	726.6	739.2
PUBLIC SECTOR:					
Agriculture and Forestry	68.4	66.7	67.3	71.1	70.9
Mining and Quarrying	0.6	0.6	0.7	0.8	0.7
Manufacturing	39.1	41.0	41.6	39.1	39.3
Electricity and Water	20.9	22.2	21.9	21.9	21.3
Building and Construction	38.4	35.3	34.6	31.7	31.2
Wholesale and Retail Trade, Restaurants and Hotels	8.4	8.9	9.3	7.9	7.5
Transport and Communications	50.4	51.3	48.4	48.9	48.1
Finance, Insurance, Real Estate and Business services	17.1	18.4	18.2	19.0	19.2
Community, Social and Personal Services	426.0	441.2	457.8	474.7	485.2
TOTAL PUBLIC SECTOR	669.3	685.6	699.8	715.1	723.4

* Provisional.

4.5. Sectoral analysis shows that the private sector wage employment was 739,200 persons, expanding by 1.7 per cent in 1992. The sector created 12,600 additional jobs in 1992 compared with 17,100 jobs created in 1991. The decline in job creation is largely a consequence of depressed levels of activities in some leading industries within the private sector. Wage employment in agriculture and forestry was 201,400 persons in 1992, compared with 200,900 persons in 1991. The slow-down in the growth of employment in agricultural activity was due to adverse weather conditions, increased cost of inputs and poor world commodity prices. The activity, the largest in the private sector, absorbed 27.2 per cent of the total employment in the private sector in 1992. Employment in manufacturing activity rose from 149,800 persons in 1991 to 150,300 in 1992, representing a dismal growth of 0.3 per cent compared with 2.5 per cent in 1991. The deceleration in growth of employment in manufacturing was largely attributed to a decline in the rate of growth of output as discussed in chapter 11. In particular, the growth of employment in the manufacture of rubber products dropped by 0.5 per cent in 1992 compared with a growth of 4.7 per cent in 1991, while

growth of employment in the manufacture of electrical appliances declined from 9.4 per cent in 1991 to 6.9 per cent in 1992.

4.6. In line with Government's objective of achieving budgetary savings and reducing rate of growth of the public sector wage bill, wage employment in the public sector was constrained to 723,400 persdns in 1992. Consequently the rate of growth of employment in the sector declined from 2.2 per cent in 1991 to 1.2 per cent in 1992 and the public sector's share in total employment declined albeit marginally from 49.6 per cent in 1991 to 49.5 per cent in 1992. The deceleration in the annual rate of growth of employment in the public sector was more pronounced in the agricultural activities, which registered a decline of 0.3 per cent in 1992. Also, electricity and water activities recorded a negative growth rate of 2.7 per cent in 1992. Mining and quarrying, building and construction, trade, and transport activities recorded lower employment levels in 1992 compared with 1991. On the other hand, manufacturing and financial activities recorded slightly higher employment levels in 1992. Community and social services, constituting the highest share of public sector employment, recorded a growth of 2.2 per cent in 1992, the highest rate of growth in employment within the public sector. The growth of employment in this activity is attributed to the steady expansion of student enrollment in educational institutions and expansion of medical services.

4.7. Table 4.3 presents data on employment in the public sector by type of employer. As a result of implementation of Structural Adjustment Programs (SAP) in recent years, employment in the Civil Service declined from 273,700 persons in 1991 to 270,900 persons in 1992, registering a negative growth rate of 1.0 per cent. Owing to the restructuring and privatization program, employment in the parastatals declined by 1.0 per cent while employment within institutions in which the public sector holds a majority control declined by 2.2 per cent in 1991 and further by 4.5 per cent in 1992. Employment in the local authorities declined by 900 jobs in 1992 compared with an increase of 400 jobs in 1991. On the other hand, wage employment in the Teachers Service Commission (TSC) registered a positive growth rate of 7.1 per cent, mainly due to expansion in primary and secondary education.

4.8. Table 4.4 gives distribution of wage employment among the eight provinces. Nairobi Province, with the highest share in total employment, had wage employment of 376,200 persons in 1992, representing a marginal increment of 0.5 per cent. The province's share in total employment declined slightly from 26.0 per cent in 1991 to 25.7 per cent in 1992. This was largely due to the decline in wage employment in the public sector noted before, given that majority of Central Government and parastatal employees are based in Nairobi. Rift Valley Province with a share of 21.5 per cent of total employment in 1992, recorded moderate rates of growth in employment of 2.3 per cent and 2.0 per cent in 1991 and 1992 respectively. In 1992, 6,300 additional jobs were created in this province, which was the highest among the provinces. Wage employment in Coast Province was 184,500 persons in 1992, representing 2,900 additional jobs. The province's share of total employment stood at 12.6 per cent in both 1991 and 1992. Despite their small share in total wage employment, both North Eastern and Eastern provinces registered the highest growth rates in employment among the province, viz. of 3.9 per cent and 3.2 per cent, respectively.

WAGE EMPLOYMENT IN THE PUBLIC SECTOR, 1988 - 1991

Table 4.3 '000's

	1988	1989	1990	1991	1992*	Annual Percentage Change 1990 1991
Central Government	270.6	277.6	273.7	273.7	270.9	-1.0
Teachers Service Commission	185.1	195.1	203.0	219.2	234.8	7.1
Parastatal Bodies**	103.9	107.9	117.4	117.3	116.1	-1.0
Majority Control by the Public Sector	45.3	50.5	54.0	52.8	50.4	-4.5
Local Government	64.4	54.4	51.7	52.1	51.2	-1.7
TOTAL	669.3	685.5	699.8	715.1	723.4	1.2

* Provisional.

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

WAGE EMPLOYMENT BY PROVINCE, 1989-1992

Table 4.4 '000's

Province	1969	1990	1991	1992*	Percentage Change 1992/1991
Nairobi	367.8	370.4	374.4	376.2	0.5
Coast	170.1	177.6	181.6	184.5	1.6
North Eastern	12.2	12.5	12.9	13.4	3.9
Eastern	111.5	116.2	123.4	127.4	3.2
Central	199.3	203.2	205.8	207.7	0.9
Rift Valley	296.0	300.8	307.6	313.9	2.0
Nyanza	127.9	136.3	142.3	145.1	2.0
Western	81.6	92.4	93.7	94.4	0.7
TOTAL	1,368.4	1,409.4	1,441.7	1,462.6	1.4

* Provisional

4.9. Table 4.5 presents wage employment in major towns by the six dominant industries for both 1987 and 1992. Over the last five years some 73,100 jobs were generated in the urban areas, giving an overall increase of 11.2 per cent. High employment growth rates were recorded in Thika, Kisumu, Kericho and Eldoret with 34.8 per cent, 27.0 per cent, 24.4 per cent and 21.3 per cent, respectively. The growth in employment in Thika is attributed to setting up of new establishments in manufacturing, trade, restaurant and hotels activities. The growth in employment in Kisumu for the period 1987 to 1992 is largely due to expansion in community services. Only Malindi town registered a negative growth rate in employment of 10 per cent between 1987 and 1992, which is largely attributable to a decline in wage employment within community and social services sector. Among the main activities represented in the major towns, wage employment in the manufacturing activity increased by 13.5 per cent between 1987 and 1992. Over the same period, construction and distributive trade recorded impressive increases in wage employment of 17.8 per cent and 15.2 per cent, respectively. On the other hand, employment in the financial sector stagnated at 62,300 persons between 1987 and 1992.

WAGE EMPLOYMENT BY MAJOR TOWNS AND SELECTED INDUSTRIES, 1987 AND 1992

Table 4.5

Towns	Manufacturing		Building and Construction		Trade, Restaurants and Hotels		Transport and Communica-tions		Finance, Insurance, Real Estate and Business Services		Community, Social and Persona Services		'000's Total Six Industries	
	1987	1992*	1987	1992*	1987	1992*	1987	1992*	1987	1992*	1987	1992*	1987	1992*
Nairobi	63.7	66.6	30.1	36.3	43.2	47.3	29.4	27.8	38.5	41.3	117.5	136.8	322.4	356.1
Mombasa	21.8	25.0	4.8	5.8	16.1	16.9	24.7	25.4	7.5	9.2	32.3	40.9	107.2	123.2
Kisumu	4.5	5.0	2.0	2.5	2.4	3.2	1.5	1.5	1.8	2.1	11.9	16.3	24.1	30.6
Nakuru	6.0	6.3	2.2	1.6	3.9	4.1	1.2	1.1	1.0	1.3	8.7	8.8	23.0	23.2
Thika	9.6	12.7	0.4	0.5	1.3	2.1	0.2	0.3	0.6	1.2	3.4	4.1	15.5	20.9
Eldoret	7.7	97	1.1	1.0	1.4	3.5	0.7	0.7	1.2	2.2	4.8	3.4	16.9	20.5
Malindi	0.2	0.4	0.1	0.1	1.7	2.1	0.2	0.2	0.3	0.3	3.6	2.4	6.1	5.5
Kericho	2.4	2.9	0.6	1.4	0.6	0.5	0.1	0.1	0.2	0.2	4.3	5.1	8.2	10.2
Others	14.5	19.4	11.5	13.0	11.0	14.3	3.5	5.2	11.2	4.5	75.4	77.0	127.1	133.4
TOTAL	130.4	1480	52.8	62.2	81.6	94.0	61.5	62.3	62.3	62.3	261.9	294.8	650.5	723.6

* Provisional.

4.10. Table 4.6 gives sectoral analysis of wage employment by sex. Educational services remained a major female employer with 25.0 per cent, while agricultural sector absorbed 18.3 per cent of the total number of women employed in 1992. The corresponding proportions for male employment in the two sectors were 15.9 per cent and 18.7 per cent, respectively. However, the number of females employed in mining and quarrying, electricity and water, domestic services and construction activities remained largely static between 1991 and 1992. Further analysis of employment status shows that regular employment increased by 2.5 per cent, while the number of casual employees declined by 5.6 per cent, mainly due to the reduction of casual workers in the public sector. In addition, the proportion of female casuals to total casual employees went down marginally from 23.9 per cent in 1991 to 22.8 per cent in 1992.

WAGE EMPLOYMENT BY INDUSTRY AND SEX, 1991 AND 1992

Table 4.6 '000's

INDUSTRY	MALES		FEMALES		TOTAL	
	1991	1992*	1991	1992*	1991	1992*
Agriculture and Forestry	207.0	208.0	65.0	64.4	272.0	272.4
Mining and Quarrying	3.4	3.5	0.9	0.9	4.3	4.4
Manufacturing	167.5	167.6	21.4	22.0	188.9	189.6
Electricity and Water	19.2	19.1	3.2	3.2	22.5	22.3
Building and Construction	68.3	69.1	4.1	4.3	72.4	73.4
Trade, Restaurants and Hotels	97.8	98.3	18.9	20.0	116.8	118.3
Transport and Communications	65.2	66.2	11.0	10.7	76.2	76.9
Finance, Insurance, Real Estate and Business Services	51.5	51.8	14.8	15.0	66.3	66.8
Community, Social and Personal Services-						
Public Administration	144.6	142.3	42.0	42.6	186.7	184.9
Education Services	172.3	176.5	78.6	88.1	250.9	264.6
Domestic services	0.6	73.7	0.3	0.4	72.7	74.1
Other Services	126.3	34.2	57.8	80.7	112.1	114.9
TOTAL	1,123.7	1,110.3	318.0	352.3	1,441.8	1,462.6
Of which: Regular	983.9	976.3	274.0	312.7	1,257.9	1,289.0
Casual	139.8	134.0	44.0	39.6	183.9	173.6

* Provisional

4.11. Wage Earnings in the Modern Sector - Total wage payments by industry and sector are set out in Table 4.7. The overall nominal wage bill rose from K£2,649 million in 1991 to K£3,013 million in 1992, expanding by 13.7 per cent, compared with an expansion of 12.2 per cent in 1991. The growth is partly due to rise in wage employment but mainly due to rise in average earnings. Total wage payments in the private sector expanded from K£l,296 million in 1991 to K£l,496 million in 1992, representing a growth rate of 15.4 per cent. In 1992, a high growth in wage bill of 81.8 per cent was recorded for electricity and water activities within the private sector. Other notable rates of growth in wage bills of 22.0 per cent, 18.8 per cent and 21.0 per cent were recorded respectively for transport and communications, building and construction, and community services activities in the sector.

ESTIMATED TOTAL WAGE PAYMENTS BY INDUSTRY AND SECTOR, 1989-1992

Table 4.7 K£million

	1989	1990	1991	1992*
PRIVATE SECTOR:				
Agriculture and Forestry	99.5	115.4	130.1	149.8
Mining and Quarrying	3.6	3.9	4.7	5.4
Manufacturing	243.4	276.3	308.3	344.7
Electricity and Water	0.4	1.0	1.1	2.0
Building and Construction	44.5	52.1	64.3	76.4
Wholesale and Retail Trade, Restaurants and Hotels	227.5	260.0	291.9	332.2
Transport and Communications	62.6	73.7	84.2	102.7
Finance, Insurance .Real Estate and Business Services	150.7	174.4	194.0	220.0
Community, Social and Personal Services	170.0	191.4	217.3	262.9
TOTAL PRIVATE SECTOR	1,002.2	1,148.2	1,295.9	1,496.1
PUBLIC SECTOR:				
Agriculture and Forestry	56.6	60.3	69.9	74.9
Mining and Quarrying	1.7	1.9	2.0	2.1
Manufacturing	65.4	68.8	68.4	75.5
Electricity and Water	53.0	59.4	64.7	67.9
Building and Construction	37.8	44.8	49.6	55.3
Wholesale and Retail Trade, Restaurants and Hotels	19.5	22.0	20.2	21.6
Transport and Communications	117.6	117.4	131.3	136.6
Finance, Insurance .Real Estate and Business Services	76.4	90.0	100.1	107.1
Community, Social and Personal Services	673.8	747.4	847.0	975.7
TOTAL PUBLIC SECTOR	1,101.8	1,212.0	1,353.2	1,516.7
TOTAL PUBLIC AND PRIVATE	2,104.0	2,360.2	2,649.1	3,012.8

* Provisional.

4.12. Public sector wage payments expanded from K£1,353 million in 1991 to K£ 1,517 million in 1992, representing a growth rate of 12.1 per cent compared with 11.7 per cent recorded in 1991. Due to its large share in the public sector, community services accounted for 64.3 per cent of total public sector wage bill in 1992. This share has averaged 62.5 per cent over the period 1989 to 1992. In addition, community services registered the highest growth in wage bill within the public sector of 15.2 per cent in 1992 compared with a growth of 13.3 per cent in 1991. Construction and manufacturing activities in the public sector recorded growth rates in wage bills of 11.5 per cent and 10.4 per cent, respectively. The other activities within the public sector recorded marginal growths in wage payments in 1992.

4.13. Table 4.8 summaries the total wage payments in the public sector by employer. The TSC recorded the highest increase in total wage bill of 19.0 per cent in 1992; while wage bill for Central Government increased by 11.4 per cent. The growth in wage bill for the two employers was largely attributed to an upward salary revision resulting from implementation of

TOTAL WAGE PAYMENTS IN THE PUBLIC SECTOR, 1989 - 1992

Table 4.8 K£million

	1989	1990	1991	1992*
Central Government	502.0	512.1	556.2	619.8
Teachers Service Commission	241.1	271.5	334.1	397.5
Parastatal Bodies**	199.0	246.1	260.0	281.7
Majority Control by the Public Sector	91.4	109.3	119.2	128.5
Local Government	68.3	73.1	83.6	89.1
TOTAL	1,101.8	1,212.1	1,353.1	1,516.6

* Provisional.

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

the second phase of the recommendations of the Mbithi Salary Review Commission. The growth in wage bill of TSC was also partly attributable to expansion in primary and secondary education. Wage bill for local Government grew by 6.6 per cent in 1992. Wage payments for parastatals and corporations controlled by the public sector rose by 8.3 per cent and 7.8 per cent in 1992, respectively, mainly due to increases in average earnings.

4.14. Table 4.9 shows that average earnings per person increased by 12.1 per cent, from K£l,837.4 per annum in 1991 to K£2,059.7 per annum in 1992. This was slightly higher than 9.7 per cent annual growth rate recorded in 1991. Average earnings per person in the private sector expanded from K£l,783.5 per annum in 1991 to K£2,023.7 per annum in 1992, or by 13.5 per cent in 1992 compared with 10.2 per cent in 1991. Analysis across different activities in the private sector reveals significant wage differentials. Average earnings in the financial and transport and communications activities were higher than those in the other activities. On the other hand, average earnings per person in agriculture and forestry, mining and quarrying, building and construction, and community services were lower than the overall average earnings per person. The wage differences in the private sector are generally attributed to profitability of activities, level of skills and the strength of collective bargaining.

4.15. Average earnings in the public sector rose from K£l,892 per annum in 1991 to K£2,097 per annum in 1992, representing a 10.8 per cent increase in 1992 compared with 9.2 per cent in 1991. The slight acceleration in growth of average earnings per person was largely due to an upward salary revision in some institutions within the public sector. Further analysis shows that in 1992, agriculture had the highest wage disparity in general with K£l,056.6 per annum in the public sector compared with K£ 743.4 per annum in the private sector.

4.16. Of the public sector employers, average earnings per person in companies with majority control by public sector had highest growth rate of 12.9 per cent in 1992. Central Government and TSC employees recorded growth rate in average earnings of 12.6 per cent and 11.1 per cent, respectively. The growth in average earnings per person for the two employers was also largely due to an upward salary revision resulting from implementation of the second phase of the recommendations of the Mbithi Commission. The parastatal bodies and

Local Government recorded lower rates of growth in average earnings of 9.5 per cent and 8.5 per cent respectively, in 1992.

AVERAGE WAGE EARNINGS PER EMPLOYEE, 1989 - 1992

Table 4.9 K£ per annum

	1989	1990	1691	1992*
PRIVATE SECTOR:				
Agriculture and Forestry	510.0	570.3	647.8	743.4
Mining and Quarrying	1,064.3	1,139.5	1,297.4	1,465.9
Manufacturing	1,717.0	1,890.8	2,058.5	2,293.7
Electricity and Water	1,790.2	1,987.1	2,122.3	2,016.1
Building and Construction	1,331.8	1,414.9	1,580.2	1,808.1
Trade. Restaurants and Hotels	2,242.5	2,484.9	2,682.0	2,996.4
Transport and Communications	2,557.8	2,829.1	3,088.7	3,562.2
Finance, Insurance .Real Estate and Business Services	3,326.3	3,703.6	4,100.0	4,616.2
Community, Social & Personal Services	1,234.6	1,343.2	1,470.8	1,716.8
TOTAL PRIVATE SECTOR	1,467.7	1,618.3	1,783.5	2,023.7
PUBLIC SECTOR:				
Agriculture and Forestry	848.8	896.0	982.1	1,056.5
Mining and Quarrying	2,573.4	2,596.6	2,655.6	2,773.6
Manufacturing	1,593.9	1,656.0	1,749.4	1,921.0
Electricity and Water	2,388.6	2,709.7	2,953.8	3,192.7
Building and Construction	1,070.8	1,296.4	1,564.2	1,773.8
Trade. Restaurants and Hotels	2,207.9	2,351.7	2,548.9	2,894.4
Transport and Communications	2,291.7	2,424.5	2,683.7	2,839.7
Finance, Insurance ,Real Estate and Business Services	4,162.9	4,957.4	5,265.6	5,589.3
Community, Social & Personal Services	1,527.2	1,632.6	1,784.3	2,010.6
TOTAL PUBLIC SECTOR	1,607.2	1,731.9	1,892.1	2,096.6
TOTAL PRIVATE AND PUBLIC SECTOR	1,537.6	1,674.7	1,837.4	2,059.7
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,808.7	1,871.2	2,032.2	2,287.6
Teachers Service Commission	1,235.8	1,337.5	1,523.7	1,693.0
Parastatal Bodies**	1,843.0	2,096.6	2,216.5	2,426.8
Majority Control by the Public Sector	1.808.3	2,021.3	2,257.3	2,549.6
Local Government	1,256.1	1,412.7	1,605.0	1,741.3
TOTAL PUBLIC SECTOR	1,607.2	1,731.9	1,892.1	2,096.6

* Provisional.

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

4.17. Table 4.10 presents percentage changes in employment and average earnings for the period 1987 to 1992. Total employment rose by 13.5 per cent during the five-year period. Employment in the private sector grew by 14.1 per cent, while that for the public sector grew by 12.9 per cent between 1987 and 1992. Impressive growth rates within the private sector were recorded over the same period, in the building and construction, and mining and

quarrying activities with growth rates of 56.5 per cent and 55.8 per cent, respectively. Employment in the Central Government declined by 1.3 per cent over the last five years, while employment in the TSC rose by 35.6 per cent over the same period.

PERCENTAGE CHANGES IN WAGE EMPLOYMENT AND AVERAGE EARNINGS, 1992/87 - 1992/91

Table 4.10

	EMPLOYMENT		AVERAGE EARNINGS	
	1992*/1987	1992*/1991	1992*/1987	1992*/1991
PRIVATE SECTOR:				
Agriculture and Forestry	2.4	0.3	78.9	14.8
Mining and Quarrying	55.8	2.1	79.4	13.0
Manufacturing	12.5	0.3	61.7	11.4
Electricity and Water	0.0	88.8	0.0	-5.0
Building and Construction	56.5	3.8	69.9	14.4
Trade, Restaurants and Hotels	19.7	1.9	64.8	11.7
Transport and Communications	15.6	5.7	66.6	15.3
Finance, Insurance,Real Estate and Business Services	14.7	0.7	78.4	12.6
Community, Social & Personal Services	18.8	3.7	65.7	16.7
TOTAL PRIVATE SECTOR	14.1	1.7	72.7	13.5
PUBLIC SECTOR:				
Agriculture and Forestry	7.4	-0.3	53.8	7.6
Mining and Quarrying	-46.1	-1.7	50.4	4.4
Manufacturing	2.1	0.6	49.6	9.8
Electricity and Water	8.0	-3.0	72.0	8.1
Building and Construction	-11.6	-1.8	102.9	13.4
Trade, Restaurants and Hotels	-9.7	-5.8	54.1	13.6
Transport and Communications	6.7	-1.7	42.3	5.8
Finance, Insurance,Real Estate and Business Services	17.4	0.7	58.2	6.1
Community, Social and Personal Services	18.3	2.2	61.7	12.7
TOTAL PUBLIC SECTOR	12.9	1.1	60.3	10.8
TOTAL PUBLIC AND PRIVATE	13.5	1.4	66.2	12.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	-1.3	-1.0	77.4	12.6
Teacher's Service Commission	35.6	7.1	49.0	11.1
Parastatal Bodies**	19.3	-1.0	46.3	9.5
Majority Control by the Public Sector	28.5	-4.6	61.4	12.9
Local government	-9.6	-1.8	53.9	8.5
TOTAL PUBLIC SECTOR	12.9	1.1	60.3	10.8

*Provisional.

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

4.18. Average earnings in general rose by 66.2 per cent between 1987 and 1992, partly due to the indexing of wages to inflation. Average earnings in the private sector grew at slower rate of 72.7 per cent over the period 1987 to 1992, compared with 87.9 per cent recorded between 1986 and 1991. Over the same period, notable increases in average earnings within the private sector were recorded in transport and communication, and mining and quarrying with 86.6 per cent and 79.4 per cent, respectively. The average earnings in the public sector

increased by 60.3 per cent between 1987 and 1992, 12.4 percentage points short of the growth rate in private sector during the same period. Within the public sector, building and construction recorded the highest growth rate of 102.9 per cent during the period under review.

ESTIMATED REAL AVERAGE WAGE EARNINGS* PER EMPLOYEE, 1989 - 1992

Table 4.11 K£ per annum

	1989	1990	1991	1992**
PRIVATE SECTOR:				
Agriculture and Forestry	361.7	349.6	332.0	299.2
Mining and Quarrying	754.8	698.6	664.9	590.0
Manufacturing	1,217.7	1,159.2	1,055.0	923.2
Electricity and Water	1,269.6	1,218.2	1,087.7	811.5
Building and Construction	944.5	867.4	809.9	727.8
Trade, Restaurants and Hotels	1,590.4	1,523.4	1,374.6	1,206.1
Transport and Communications	1,814.0	1,734.4	1,583.0	1,433.8
Finance, Insurance .Real				
Estate & Business Services	2,359.0	2,270.7	2,101.3	1,858.1
Community, Social & Personal Services	875.6	823.5	753.8	691.0
TOTAL PRIVATE SECTOR	1,040.9	992.1	914.1	814.6
PUBLIC SECTOR:				
Agriculture and Forestry	602.0	549.3	503.3	425.3
Mining and Quarrying	1,825.1	1,591.9	1,361.0	1,116.4
Manufacturing	1,130.4	1,015.2	896.6	773.2
Electricity and Water	1,694.0	1,661.2	1,513.9	1,285.1
Building and Construction	759.4	794.8	801.7	714.0
Trade, Restaurants and Hotel	1,565.9	1,441.7	1,306.3	1,165.0
Transport and Communications	1,625.3	1,486.4	1,375.4	1,143.0
Finance, Insurance .Real				
Estate & Business Services	2,952.4	3,039.2	2,698.7	2,249.8
Community, Social & Personal				
Services	1,083.1	1,000.9	914.5	809.3
TOTAL PUBLIC SECTOR	1,139.8	1,061.8	969.7	843.9
TOTAL PRIVATE AND PUBLIC	1,090.5	1,026.7	941.7	829.1
MEMORANDUM ITEMS IN PUBLIC SECTOR:				
Central Government	1,282.7	1,147.2	1,041.5	920.8
Teacher's Service Commission	876.4	820.0	780.9	681.5
Parastatal Bodies***	1,307.1	1,285.4	1,136.0	976.8
Majority Control by the Public				
Sector	1,282.5	1,239.2	1,156.9	1,026.2
Local government	890.8	866.1	822.6	700.9
TOTAL PUBLIC SECTOR	1,139.9	1,061.8	969.9	843.9

* Average current earnings adjusted for the rise in consumer prices. Real Earnings and the consumer price indices, are based on January-June. 1986. Revised Series.

** Provisional.

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

4.19. Real average earnings by sector and industry are presented in Table 4.11 while changes in real average earnings are shown in Table 4.12. Increased inflationary pressures continued to erode the purchasing power of nominal earnings. Consequently, real average earnings declined by 12.0 per cent in 1992 compared with a decline of 8.3 per cent recorded in 1991. In general, real average earnings were higher in the public sector than in the private sector. Real average earnings in the private sector declined by 10.9 per cent, activities within the sector recorded significant declines with all averaging 12.3 per cent in 1992. In particular, electricity and water recorded the highest decline of 25.4 per cent. Real average earnings in the public sector declined by 13.0 per cent in 1992, while the average decline across all activities was 14.4 per cent during the same period.

CHANGES IN WAGE EMPLOYMENT, PRICES AND REAL EARNINGS, 1989 - 92

Table 4.12 Percentage

	1989	1990	1991	1992*
Wage employment	1.7	3.0	2.3	1.4
Average earnings at current prices	9.5	8.9	9.7	12.1
Consumer prices (Inflation rates)**	13.3	15.8	19.6	27.5
Real average earnings	-3.5	-5.9	-8.3	-12.0

* Provisional.

** Inflation rates are derived from revised Nairobi consumer price indices and are a weighted average of the three income groups

4.20. Informal Sector - The informal sector has played a vital role in the creation of employment in the country in the recent past. Total persons engaged in the sector rose from 497,157 in 1991 to 566,028 in 1992. During the past three years, the annual growth rate of employment in the sector remained high but unchanged at about 14.0 per cent. The continuation of the high expansion of the sector is attributable to the diminishing supply of employment in the formal sector, use of simple and cheap technology suitable for less specialized personnel and little capital required at initial stages.

4.21. Table 4.13 provides the distribution of persons engaged in the informal sector in seven provinces. As in the previous two years, urban areas accounted for about two-thirds of total employment in the informal sector. Geographical distribution of employment shows that Nairobi province had 141,877 persons engaged in 1992 compared with 122,308 persons in 1991, representing the highest growth rate among the provinces of 16.0 per cent. The province absorbed the largest proportion of persons engaged among the provinces, representing 25.1 per cent of employment in the informal sector in 1992. The high growth in informal employment in Nairobi is a consequence of increased demand for goods and services affordable by the low income workers. Rift Valley province had the second highest employment of 108,155 persons in 1992, expanding by 15.0 per cent from the 1991 level. Western Province had the smallest share of 6.7 per cent of persons engaged, with an annual growth rate of 13.0 per cent. Eastern and Central provinces had 53,776 persons and 87,646 persons respectively, and recorded corresponding low growth rates of 11.1 per cent and 11.9

per cent. The low growth in employment in Central and Eastern provinces are attributable to inadequate market opportunities.

INFORMAL SECTOR, 1989 - 1992

NUMBER OF PERSONS ENGAGED BY PROVINCE

Table 4.13 Number

Province	1989	1990	1991	1992
Nairobi	89,856	104,952	122,308	141,877
Central	61,949	69,949	78,325	87,646
Nyanza	47,756	53,917	61,034	68,907
Western	26,422	29,936	33,675	38,053
Rift Valley	71,674	81,852	94,048	108,155
Eastern	39,609	43,639	48,403	53,776
Coast	46,245	52,349	59,364	67,614
TOTAL	383,511	436,594	497,157	566,028
Of which				
Urban	245,636	284,812	331,542	373,747
Rural	137,875	151,782	165,615	192,281

4.22. Distribution of informal employment by activity is given in Table 4.14. In the commercial sector (i.e. wholesale and retail trades, hotels and restaurants) employment rose from 308,455 persons in 1991 to 351,185 persons in 1992, representing growth rate of 13.9 per cent compared to 12.3 per cent registered the previous year. The sector contributed 62.0 per cent of total employment in the informal sector during the year under review. Manufacturing activity in the informal sector engaged 115,116 persons in 1992, with its growth in employment dropping from 19.1 per cent in 1991 to 13.9 per cent in 1992. The sector's share of persons engaged stood at 20.3 per cent. Declining employment growth rate in manufacturing resulted from increased prices of inputs coupled with declining aggregate demand. The latter is due to reduced purchasing power of the low income wage earners resulting from intensified inflationary pressures.

INFORMAL SECTOR. 1989 - 1992

NUMBER OF PERSONS ENGAGED BY ACTIVITY

Table 4.14 Number

Activity	1989	1990	1991	1992
Manufacturing	73,167	84,876	101,109	115,116
Construction	144	170	200	228
Wholesale and Retail Trade. Hotels and Rest.	242,574	274,585	308,455	351,185
Transport and Communications*	6,187	7.047	8,015	9,125
Community, Social and Personal Services	61,439	69,916	79,378	90,374
TOTAL	383,511	436,594	497,157	566,028

* Includes mainly support services to transport activity

Wage Guidelines and Awards

4.23. In May 1992, the Government raised the minimum monthly wage for workers in the private sector who fall under the Wages and General Order by 12 per cent, and by 11 per cent for those who fall under Agricultural Industrial Wages Order. It has been the Government's objective that employees received uniform consideration in wage increments irrespective of the economic strength of the employer.

4.24. In 1992 a total of 331 collective wage agreements were registered. The number was lower than the 379 and 372 agreements registered in 1990 and 1991, respectively. During the year, the 331 collective agreements benefitted some 99,554 unionisable employees, mostly from Kenya Chemical and Allied Workers Union, compared with 94,894 and 105,611 who benefitted from previous agreements registered in 1990 and 1991, respectively. The agreements registered in 1992 offered an average basic wage of Kshs. 2,116 per month against Kshs. 1,553 per month, and Kshs. 1,793 per month offered by previous agreements in 1990 and 1991 respectively. On average, the overall housing allowance increased by Kshs. 398.1 in 1992 compared with Kshs. 389.3 per month and Ksh. 375.2 per month in 1991 and 1990, respectively.

Consumer Prices

4.25. As shown in Table 4.15, inflation rate, measured by the revised Nairobi Consumer price indices, has steadily accelerated since 1989. The rate of inflation, measured on an annual weighted average indices for the three income groups for the calendar year, went up significantly from 19.6 per cent in 1991 to 27.5 per cent in 1992, being the highest inflation rate ever recorded since Independence.

PERCENTAGE INCREASES IN NAIROBI CONSUMER PRICES*, 1988/87 - 1992/91

Table 4.15

Income Group **	1988/87	1989/88	1990/89	1991/90	1992/91
Nairobi Lower Income Index	11.2	12.9	15.6	19.8	29.5
Nairobi Middle Income Index	15.9	14.6	16.5	18.9	21.1
Nairobi Upper Income Index	15.8	14.9	14.5	19.9	16.3
Weighted Average Increases for 12 Months (Inflation rates)***	12.3	13.3	15.8	19.6	27.5

* The figures are derived from Revised Nairobi Consumer Price Indices.

** The Income Groups are re - defined as :

1. The lower income group comprises households with monthly earnings below KSh 1,999.
2. The middle income group comprises households with monthly earnings between KSh 2,000 - KSh 7,999.
3. The upper income group comprises households with monthly earnings KSh 8,000 and above.

*** The annual average increases are weighted as 0.768, 0.209 and 0.023 for lower, middle and upper income groups, respectively.

4.26. A number of factors were responsible for the unprecedented rise in inflation during 1992. Under the Structural Adjustment Program, price decontrols were effected on 72 items during the year. Among the items decontrolled and which affected the consumer's budget

directly were: fats and edible oils, tyres and tubes, rice, tea and milk. Withholding of donor aid to Kenya, coupled with financing of imports using Forex certificates rather than the official allocation subsequently pushed up prices of imports leading to a rise in general price level for final consumer items. Other factors included increases in administered prices, devaluation of the Shilling and monetary expansion of 35 per cent in the course of 1992.

4.27. The first quarter of 1993 was marked by a general increase in consumer prices following the floating of the Kenya Shilling which led to its devaluation by 50 per cent. As a result, the month-on-month rate of inflation which was recorded at 32.37 per cent in January, rose to 41.88 per cent in February. However, the Government reversed the decision to float the Shilling early in March, pushing the high rate of inflation recorded in February down to 34.32 per cent by the close of the first quarter of 1993.

4.28. Tables 4.16, 4.17 and 4.18 show a six year series of the revised Nairobi consumer price indices for lower, middle and upper income groups, respectively. In 1992, consumer price indices for all income groups more than doubled from their 1987 levels. In particular, the Lower Income Group Index rose from 190.20 in 1991 to 246.40 in 1992, representing an increase of 56.2 points, with the highest percentage increase recorded for the month of June, 1992. The Middle Income Group Index rose from its 1991 level by 44.9 points, with the highest percentage increase being recorded for the month of March, 1992.

NAIROBI REVISED LOWER INCOME GROUP CONSUMER PRICE INDEX. 1987-1992

Table 4.16

Base: Feb/March 1986=100

Months	1987	1988	1989	1990	1991	1992
January	105.39	114.53	129.23	146.99	175.01	203.90
February	106.40	115.19	129.92	147.95	180.50	205.39
March	107.51	116.34	132.42	151.21	183.74	224.17
April	107.65	117.71	133.90	153.22	183.36	226.36
May	108.03	118.65	135.73	154.11	188.61	235.06
June	109.01	121.20	137.00	156.98	189.77	265.74
July	109.37	121.98	138.10	157.13	192.61	261.84
August	109.68	124.31	138.76	158.91	193.40	262.51
September	110.97	126.14	141.22	163.98	197.81	267.00
October	111.78	126.77	142.92	166.83	198.05	262.62
November	112.59	127.73	143.66	172.57	199.41	267.10
December	113.76	128.55	145.12	174.97	200.15	275.13
Annual average	159.35	121.59	137.33	158.74	190.20	245.40

4.29. Table 4.19 sets out the revised Nairobi indices for food, rent and all other groups combined. There was a substantial increase in the food index during the second quarter of the year. The significant increase in the food index during the year largely affected both lower and middle income groups, largely because the cost of food items for the two income groups forms a major component of household expenditures. The overall food index was pushed upwards due to the prolonged drought conditions and the resulting shortage of some consumer staples. Also, price liberalization of some items such as milk, cooking fats and edible oils, rice, and tea, led to increased prices of these commodities. Of the few food items whose prices were still controlled in 1992, an increase in the price of maize meal was announced in July and subsequent increases in the prices of bread and wheat flour were announced in October, 1992.

NAIROBI REVISED MIDDLE INCOME GROUP CONSUMER PRICE INDEX, 1987-1992

Table 4.17 Base: Feb/March 1986=100

Months	1987	1988	1989	1990	1991	1992*
January	109.49	124.37	144.46	166.94	196.45	228.91
February	110.58	125.09	145.15	168.05	198.63	232.64
March	111.73	127.84	148.04	170.49	202.89	250.80
April	112.31	129.38	149.42	172.09	204.58	251.54
May	112.79	130.19	151.03	172.88	208.33	255.47
June	114.16	132.82	153.47	176.32	211.91	259.93
July	114.56	133.41	154.24	176.51	213.09	259.37
August	115.23	135.45	154.96	177.62	213.38	261.87
September	116.75	138.17	156.76	182.68	221.78	266.13
October	118.27	139.43	157.65	186.58	222.16	266.67
November	119.52	140.28	158.88	189.71	222.36	269.60
December	123.66	142.86	165.31	196.01	224.81	276.26
Annual average	114.92	133.27	153.28	177.99	211.70	256.60

*Provisional

NAIROBI REVISED UPPER INCOME GROUP CONSUMER PRICE INDEX, 1987-1992

Table 4.18 Base: Feb/March 1986=100

Months	1987	1988	1989	1990	1991	1992
January	107.77	123.51	142.26	163.46	195.14	223.61
February	108.37	124.27	143.43	165.39	196.25	224.33
March	110.53	128.22	145.92	166.16	199.45	233.95
April	111.67	129.06	147.88	167.05	201.08	235.65
May	112.36	129.65	149.02	167.83	207.76	239.53
June	114.20	131.48	152.37	171.57	211.12	244.27
July	114.99	132.08	153.39	171.97	211.27	246.02
August	115.41	133.88	154.36	173.49	211.84	246.36
September	116.71	137.19	156.61	178.83	214.99	250.73
October	118.38	138.15	157.49	183.91	215.72	251.81
November	119.09	138.94	160.01	185.79	217.78	254.54
December	121.24	140.68	161.66	192.85	221.52	262.86
Annual average	114.23	132.26	152.03	174.03	208.66	242.80

4.30. Housing rental costs, which account for 25 per cent of the household total expenditures for the lower income group, increased substantially during the year. The index for this income group was estimated at 324.31 at the end of the second quarter of 1992, representing an increase of 50.7 points during the quarter, the highest quarterly rental increase among the income groups. Rent index for the middle income group, which account for 30 per cent of total expenditure, recorded the highest increase of 33.0 points during the first quarter of 1992.

4.31. As shown in Table 4.19, the highest quarterly price increases for all item groups combined (composite index) were felt by both the lower and middle income groups during the second and first quarter, respectively. Further analysis shows marked increases in the item group indices for drinks and tobacco, household equipment, transport and communication and miscellaneous goods and services items groups. The increase in transport and communication index was due to increases in postal and telephone charges announced in January, 1992, and increases in transport costs resulting from an increase in the cost of fuel announced in July,

1992. Drinks and tobacco index was pushed upwards by increase in the price of soft drinks announced in January, price increases of beer announced during the June Budget and price increases of cigarettes announced in December, 1992.

REVISED NAIROBI CONSUMER PRICE INDICES

TABLE 4.19 Base: Feb/March 1986=100

Year	Income Group		Food	Rent	Others	All Groups
	LOWER INCOME	Weights	0.442	0.250	0.308	1.000
1992		March	212.03	273.58	203.00	224.17
		June	274.87	324.31	211.00	265.74
		September	268.21	325.85	219.60	267.00
		December	276.70	335.78	228.00	275.13
1991		March	171.92	224.24	167.84	183.74
		June	179.51	231.60	170.55	189.77
		September	191.59	241.42	171.35	197.81
		December	192.44	244.27	175.41	200.15
	MIDDLE INCOME	Weights	0.21	0.30	0.48	1.00
1992		March	222.45	318.38	218.96	250.80
		June	240.91	329.98	222.94	259.93
		September	243.23	337.84	230.66	266.13
		December	259.42	350.70	238.50	276.25
1991		March	184.29	257.56	179.24	202.89
		June	190.44	269.02	188.11	211.91
		September	200.64	281.54	196.26	221.78
		December	202.23	285.39	199.47	224.81
	UPPER INCOME	Weights	0.14	0.32	0.54	1.00
1992		March	202.46	273.29	223.02	233.95
		June	223.34	285.34	229.30	244.27
		September	225.03	292.88	236.31	250.73
		December	243.60	307.05	246.89	262.86
1991		March	172.35	232.99	186.23	199.45
		June	179.69	246.62	197.84	211.12
		September	181.30	251.13	201.89	214.99
		December	184.78	258.77	208.55	221.52

4.32. The "Old Consumer Price Indices" for the three urban centres of Mombasa, Kisumu and Nakuru are given in Table 4.20. Inflation rates of 17.8 per cent, 18.3 per cent and 23.9 per cent were recorded for Mombasa, Kisumu and Nakuru, respectively. Further analysis of Mombasa CPI shows that there were marked increases in item group indices for food; drinks and tobacco; furniture and furnishing equipment; health and personal care; and recreation, entertainment and education item groups. In Kisumu, high increases were recorded in the item group indices for drinks and tobacco; transport and communication; and recreation, entertainment and education item groups. In Nakuru, there were marked increases in item

group indices for food; drinks and tobacco; clothing and footwear; health and personal care and recreation and education item groups.

CONSUMER PRICE INDICES* FOR MOMBASA.,KISUMU AND NAKURU, 1987-1990

Table 4.20 Base: 1976 = 100

YEAR		Mombasa	Kisumu	Nakuru
1987	Annual Average	316.5	327.2	301.6
1988	Annual Average	352.2	356.1	331.6
1989	Annual Average	393.2	378.2	361.9
1990	Annual Average	454.6	429.2	411.9
1991	Annual Average	503.6	476.2	461.6
1992	March	539.6	511.3	516.7
	June	552.8	537.4	544.5
	September	623.8	585.2	599.5
	December	656.8	619.6	627.7
	Annual Average	593.2	563.4	572.1

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

CHAPTER 5 - MONEY, BANKING AND FINANCE

Overall Trends

Despite the central monetary authorities' efforts to contain monetary expansion and liquidity creation in the domestic economy, the annual growth in money supply accelerated to 35 per cent in 1992, quite above the growth in nominal GDP. The holding of net foreign assets with the banking system increased by K£ 107 million. The average liquidity ratio of commercial banks rose by 9 percentage points from 22 per cent in December, 1991 to 31 per cent at the close of 1992. Most interest rates remained negative in real terms during the year as the inflation rate rose to 27.5 per cent at the end of 1992.

5.2. Table 5.1 summarizes the main monetary indicators and illustrates some of the above mentioned trends. Net foreign assets improved from negative K£361 million registered at the end of 1991 to a negative value of K£255 million at the end of 1992. This improvement reflected the balance of payments position which recorded a surplus in 1992 compared with a deficit recorded in 1991. The holdings of net foreign assets over the last five years remained negative mainly due to the fall in gross foreign reserves of the banking system.

MONETARY INDICATORS, 1988 - 1992

Table 5.1

Date		Net Foreign Assets Kmn	DOMESTIC CREDIT K£m			Money** Supply K£mn	Commer-cial Bank Liquidity Ratio per cent	Advances/ Deposits Ratio Per cent
			Private*	Gover-nment	Total			
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
1990	December	-231.51	2,147.15	1,361.95	3,509.10	2,901.80	30	82
1991	December	-361.44	2,702.77	1,588.07	4,290.84	3,587.07	22	85
1992	December	-254.88	3,377.34	1,541.79	4,919.13	4,827.28	31	79
1992	March	-313.67	2,819.48	1,576.41	4,395.89	3,505.09	24	83
	June	-415.37	2,954.61	1,493.67	4,448.28	3,794.55	17	90
	September	-265.59	3,156.40	1,615.90	4,772.30	4,369.97	25	82
	December	-254.88	3,377.34	1,541.79	4,919.13	4,827.28	31	79

Source: Central Bank of Kenya.

* Includes parastatal bodies.

** See Table 5.2 for Coverage

5.3 Total credit extended to the economy by the banking system rose from K£4,291 million in 1991 to K£4,919 million in 1992. The growth in credit shows a significant contraction from 27 per cent and 22 per cent in 1990 and 1991, respectively, to a growth rate of 15 per cent in 1992. The deceleration in the annual growth rate reflects largely reduced borrowing by the Government and other public sector organizations from the banking system. The banking system credit to the Government declined by 3

per cent from the 1991 level, compared with 17 per cent increase reported for 1991. On the other hand, credit to the private sector expanded from K£2,703 million in 1991 to K£3,377 million in 1992, representing 25 per cent increase, almost similar to the 26 per cent increase recorded in 1991. The share of private sector in total credit from the banking system has steadily increased in the past three years; rising from 61 per cent in 1990 to 63 per cent in 1991 and 69 per cent in 1992, as the Government shifted its borrowing from the banking system to non-inflationary sources.

5.4. The average liquidity ratio of commercial banks dropped from 22 per cent at the end of 1991 to 17 per cent at the end of the second quarter of 1992. Thereafter, it rose sharply to 31 per cent in the fourth quarter of 1992, 11 percentage points above the minimum statutory requirement. This is the highest commercial banks' liquidity ratio since 1987, and as shown in Table 5.10, reflected rapid growth in total liquid assets and liabilities of the Central Bank during the second half of the year. The advance/deposit ratio rose steadily over the first half of the year under review, recording a peak of 90 per cent in June, it then dropped to a low level of 79 per cent at the end of 1992, the level attained in 1986. The December level was 6 percentage points lower than the rate observed in the corresponding period of the previous year.

5.5. The annual growth in money supply accelerated to 35 per cent rising from K£3,587 million in 1991 to K£4,827 million in 1992. This was higher than any monetary growth rate recorded in the recent past. The expansion in money supply was partly due to improvements in the holding of net foreign assets. However, the major source of this growth in money supply was in "other items (net)" which was in turn due to increase in advances and discounts by the Central Bank and increase in its assets revaluation account. Increase in domestic credit during the year was only K£628 million compared with K£782 million in 1991. Much of the increase in money supply occurred during the second half of the calendar year, when increases of 15 per cent and 10 per cent were recorded for the third and fourth quarters, respectively.

5.6. Movements in the major components of money supply are shown in Table 5.2. The noted growth in money supply was mainly in narrow money (M1) which registered a sharp growth of 50 per cent in 1992, compared with 28 per cent and 15 per cent growth rates in 1990 and 1991, respectively. On the other hand, growth in Quasi-money decelerated from 35 per cent in 1991 to 16 per cent in 1992. The share of narrow money in total money supply rose to 60 per cent in 1992, compared with 58 per cent and 54 per cent recorded in 1990 and 1991, respectively.

5.7. Table 5.3 presents the consolidated accounts of the banking system. Total liabilities of the banking system rose from K£3,929 million at the close of 1991 to K£4,664 million as at December, 1992. The 19 per cent growth in the liabilities, almost similar to 20 per cent rate recorded in 1991 depicts stagnation in the performance of the banking system during the year. The structure of liabilities shows that the noted growth in money supply was mainly in demand deposits and currency outside banks components of M1; which expanded by 55 per cent and 35 per cent, respectively

compared with corresponding modest growth rates of 13 per cent and 18 per cent recorded in 1991. The "other items" category, that reflects the net balance of non-monetary assets and liabilities of the banking system together with discrepancies arising from reconciliation of cheques and other items in transit and the timing differences that may exist in the recording of transactions, recorded a negative value for the first time since 1991.

MONEY AND QUASI-MONEY SUPPLY, 1988 - 1992

Table 5.2 K£million

As at end of		Money*	Quasi-Money**	Total
1988	December	1,211.47	929.38	2,140.85
1989	December	1,315.78	1,101.85	2,417.63
1990	December	1,678.17	1,223.63	2,901.80
1991	December	1,935.21	1,651.86	3,587.07
1992	December	2,902.93	1,924.35	4,827.28
1992	January	1,966.30	1,683.98	3,650.28
	February	2,091.26	1,708.36	3,799.62
	March	1,996.19	1,708.90	3,705.09
	April	2,012.30	1,708.09	3,720.39
	May	2,041.17	1,710.27	3,751.44
	June	2,040.09	1,754.46	3,794.55
	July	2,136.27	1,796.37	3,932.64
	August	2,351.25	1,748.49	4,099.74
	September	2,637.31	1,732.66	4,369.97
	October	2,696.51	1,757.16	4,453.67
	November	2,798.02	1,825.30	4,623.67
	December	2,902.93	1,924.35	4,827.28

Source: Central Bank of Kenya.
* Currency outside banks 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

5.8. Analysis of changes in the money supply and the sources of these changes is presented in Table 5.4. As stated earlier, the increase in net foreign assets reflected the positive overall balance of K£158 million. However, this positive balance was achieved mainly through accumulation of large arrears of external debt service payments. The growth in total domestic credit was accounted for entirely by growth in credit to the private sector, while credit to the Government actually declined. The most unusual development was the very large change in the other items (net) category, which was due to rapid growth in advances and discounts and assets revaluation account of the Central Bank.

5.9 Real values of selected financial aggregates obtained by deflating the nominal values by weighted average Consumer Price Indices are set out on Table 5.5. Narrow Money (M1) registered real growth rate of 18 per cent while Quasi-Money and total

CONSOLIDATED ACCOUNTS OF THE BANKING SYSTEM, 1988 - 1992

Table 5.3 K£Million

	AS AT THE END OF							
					1992			
	1988	1969	1990	1991	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
LIABILITIES-								
1. Money:								
1.1 Demand Deposits	532.34	603.01	836.95	949.71	981.92	1,054.13	1,429.46	1,472.58
Call and 7 days deposits	252.32	230.04	299.75	347.48	382.15	349.67	525.43	570.08
1.2 Currency outside banks	426.81	482.73	541.47	638.02	632.10	636.29	682.42	860.27
Sub-Total	1,211.47	1,315.78	1,678.17	1,935.21	1,996.17	2,040.09	2,637.31	2,902.93
2. Quasi-Money:								
2.1 Savings Deposits .	618.25	705.29	796.79	891.19	927.32	964.91	970.51	1,090.70
2.2 Time Deposits	311.13	396.56	426.84	760.67	781.58	789.55	762.15	833.65
Sub-Total	929.38	1,101.85	1,223.63	1,651.86	1,708.90	1,754.46	1,732.66	1,924.35
3. Other Items (Net)	256.59	265.21	375.79	342.33	377.14	238.36	136.74	-163.03
TOTAL	2,397.44	2,682.84	3,277.59	3,929.40	4,082.21	4,032.91	4,506.71	4,664.25
ASSETS								
4. Net Foreign Assets	-193.73	-87.92	-231.51	-361.44	-313.67	-415.37	265.59	-254.88
5. Domestic Credit								
5.1 Central Govern-ment(Net)	883.50	857.32	1,361.94	1,588.07	1,576.41	1,493.67	1,615.90	1,541.79
5.2 Private Sector	1,535.75	1,775.58	1,985.70	2,499.41	2,591.34	2,763.64	2,951.23	3,177.43
5.3 Other Public Bodies	171.92	137.86	161.46	203.36	228.13	190.97	205.17	199.91
TOTAL	2,397.44	2,682.84	3,277.59	3,929.40	4,082.21	4,032.91	4,506.71	4,664.25

Source: Central Bank of Kenya.

CHANGES IN MONEY SUPPLY AND SOURCES OF CHANGES, 1988, 1992

Table 5.4 K£million comparing year-end values

	1988	1989	1990	1991	1992
MONEY SUPPLY—					
1. Currency plus demand deposits	+67.06	+104.31	+362.38	+257.04	+967.72
2. Quasi-money	+90.48	+172.47	+121.78	+428.23	+272.49
3. Total money supply	+157.54	+276.78	+484.16	+685.27	+1,240.21
SOURCES OF CHANGES—					
4. Net foreign assets	-129.58	+105.81	-143.59	-129.94	+106.56
5. Domestic credit —					
(a) to Central Government(net)	-84.23	-26.18	+504.61	+226.13	-46.28
(b) to other public sector	-5.01	-34.05	+23.60	+41.90	-3.45
(c) to private sector	+251.34	+239.81	+210.12	+513.71	+678.02
(d) all domestic credit	+162.10	+179.58	+738.33	+781.74	+628.29
6. Other Items (Net)	+125.02	-8.61	+110.58	-33.46	-505.36
7. Total sources of changes	+157.54	+276.78	+484.16	+685.27	+1,240.21

liabilities of the banking system declined by 9 per cent and 7 per cent, respectively. In real terms, commercial banks credit to private sector almost remained at the 1991 level, while total commercial bank credit declined by 6 per cent. Total liabilities of the non-bank financial institutions in real terms dropped by 9 per cent as a result of the high inflation rate observed in 1992.

Interest Rates

5.10. Table 5.6 depicts movements in principal interest rates for the last three years. Interest rates were fully liberalized in July 1991 to ensure that funds flow to the most productive sectors of the economy. Both the level and the spread of most interest rates recorded modest increases in 1992, contrary to the general view that the rates were likely to sky-rocket following the deregulation. The discount rate on Treasury bills and other Government securities and the discount rate on direct advances to commercial banks against Government securities remained almost at their 1991 levels; gaining only 0.19 percentage points in 1992. The coupon rates for Treasury Bonds remained unchanged in 1992.

TRENDS IN THE REAL VALUE OF CERTAIN FINANCIAL AGGREGATES*. 1988 - 1992

Table 5.5 K£million at constant (1986) prices

	1988	1989	1990	1991	1992
1. Money	938.8	891.8	985.7	991.8	1,168.4
2. Quasi-money	720.2	746.8	718.7	846.6	774.5
3. Total liabilities of banking system	1,857.9	1,818.3	1,924.6	2,013.8	1,877.3
4. Commercial bank credit to private sector	1,059.9	1,100.4	1,055.5	1,184.1	1,192.5
5. Total commercial bank credit	1,221.4	1,262.8	1,217.7	1,356.3	1,294.9
6. Total liabilities of non-bank financial institutions	1,048.2	1,124.9	1,249.1	1,251.9	1,142.8
Memorandum Item:					
7. Line 6 as per cent of lines 3 and 6	36.1	38.2	39.4	38.3	37.8

* Deflated by average Consumer Price Indices.

5.11. Some interest rates registered modest growth while some other rates remained unchanged from the 1991 levels, reflecting smooth operation of the market forces. Commercial banks time deposits interest rates ranged between 8.50 per cent and 22.0 per cent, while maximum interest on saving deposits and loans and advances increased marginally from their 1991 levels. With the exception of interest rate on seasonal crop loans from Agricultural Finance Corporation which increased by 3.0 percentage points, other interest rates offered by other financial institutions remained unchanged for the third consecutive year.

5.12. Interest rates adjusted for the inflation rate are presented in Table 5.7. The Governments aim of maintaining positive real interest rates so as to encourage mobilization of savings was compromised by an unexpected jump in inflation from 19.6

per cent in 1991 to 27.5 per cent in 1992. Consequently, with the exception of commercial bank's loans and advances, all other tabulated interest rates remained negative in real terms in 1992. In particular, real interest rates on commercial banks and Post Bank savings deposits were seriously affected by intensified inflationary pressures. This development is likely to affect the level of domestic savings.

PRINCIPAL INTEREST RATES, 1990 - 1992

Table 5.6 Percentage

	AS AT 31st DECEMBER		
	1990	1991	1992
CENTRAL BANK OF KENYA			
Discount Rate for Treasury Bills	15.93	16.77	16.96
Advances against Treasury Bills	18.43	19.27	19.46
Bills and Notes under Crop Finance Scheme:			
Discounts	19.43	20.27	20.46
Advances	19.43	20.27	20.46
Other Bills and Notes:			
Discounts	19.43	20.27	20.46
Advances	19.43	20.27	20.46
Treasury Bonds (Coupon Rates):			
One Year	15.00	15.00	15.00
Two Years	16.50	16.50	16.50
Five Years	17.00	17.00	17.00
KENYA COMMERCIAL BANKS			
Time Deposits:			
0 - 3 Months	10.00 - 17.50	8.50 - 22.00	8.50 22.00
3-6 Months	9.00 - 17.75	9.00 - 19.50	9.00 - 22.00
6 - 9 Months	9.00 - 17.75	9.00 - 19.50	9.00 - 22.00
9 - 1 2 Months	9.00 - 18.00	9.00 - 20.00	9.00 21.00
Over 12 Months	9.00 - 18.00	9.00 - 20.00	9.00 - 21.00
Savings Deposits	13.50 - 14.50	13.50 - 16.50	12.50 - 17.00
Loans and Advances(Maximum)*	19.00	29.00	30.00
OTHER FINANCIAL INSTITUTIONS			
Kenya Post Office Savings Bank deposits	11.00	11.00	11.00
Agricultural Finance Corporations, Loans:			
(a) Land Purchase	12.00	12.00	12.00
(b) Seasonal Crop Loan	14.00	14.00	17.00
(c) Other	13.00	13.00	13.00
HIRE-PURCHASE COMPANIES AND MERCHANT BANKS			
Deposits(time)	13.50 - 18.00	13.50 - 19.00	13.50 - 19.00
Loans	19.00	19.00 - 21.00	19.00 - 21.00
Building Societies:			
Deposits	13.50 - 15.00	13.50 - 15.00	13.00 - 15.00
Loans	19.00	19.00	21.00

Source: Central Bank of Kenya.

*Loans and advances for less than 3 years.

Central Bank of Kenya - Assets and Liabilities

5.13. Table 5.8 presents assets and liabilities of the Central Bank of Kenya. The Bank's assets expanded steadily during the last two years; registering growth rates of 19 per cent and 31 per "cent in 1991 and 1992, respectively. Under assets, foreign exchange holdings improved significantly, increasing by 19 per cent in 1992 compared with a decline of 22 per cent in 1991. The acceleration in the growth in assets was mainly due to 27 per cent increase in balances with external banks. Securities issued or guaranteed by Kenya Government, advances and discounts recorded a remarkable growth, and almost quadrupled from their 1991 level. The large increase is mainly as result of Pre-Export Finance Scheme introduced in 1992 by the Central Bank of Kenya to assist small scale exporters. On the other hand, advances to Kenya Government declined by 47 per cent. Holding of other assets, including Kenya Treasury Bills and Bonds almost doubled from their 1991 levels, largely due to intensified open market operations.

TRENDS IN SELECTED REAL INTEREST RATES. 1988 - 1992

Table 5.7 Percentage

	Year	Nominal Interest	Inflation Rate*	Real Interest**
1. Commercial bank savings deposits (min)				
	1988	10.0	12.3	-2.3
	1989	12.5	13.3	−0.8
	1990	13.5	15.8	2.3
	1991	13.5	19.6	-6.1
	1992	12.5	27.5	-15.0
2. Commercial bank loans and advances (max)				
	1988	15.0	12.3	2.7
	1989	15.5	13.3	2.2
	1990	19.0	15.8	3.2
	1991	29.0	19.6	9.4
	1992	30.0	27.5	2.5
3. POSB deposits***				
	1988	11.0	12.3	-1.3
	1989	11.0	13.3	-2.3
	1990	11.0	15.8	-4.8
	1991	11.0	19.6	-8.6
	1992	11.0	27.5	-16.5
4. Building society loans (max)				
	1988	14.5	12.3	2.2
	1989	18.0	13.3	4.7
	1990	19.0	15.8	3.2
	1991	19.0	19.6	−0.6
	1992	21.0	27.5	-6.5

* 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

5.14. On the liabilities side, currency in circulation and total deposits recorded remarkable growth rates of 34 per cent and 35 per cent in 1992, respectively compared with 17 per cent and 16 per cent in 1991. Capital and General Resources Fund remained at the same level in 1991 during the first quarter of 1992 before increasing to K£103 million, a level maintained for the rest of the year. Other liabilities fluctuated over the period to peak at K£239 million in the third quarter before levelling down to K£117 million at the end of December, 1992.

CENTRAL BANK OF KENYA - ASSETS AND LIABILITIES, 1988 - 1992

Table 5.8 K£million

ASSETS	1988	1989	1990	1991	1992			
					1st Qr	2nd Qr	3rd Qr	4th Qr
1. Foreign Exchange-								
1.1 Balances with External Banks	224.32	288.73	268.85	185.70	224.64	181.59	281.86	235.02
1.2 Treasury Bills	11.98	2.25	3.41	13.16	1.69		3.96	1.74
1.3 Other Investments	22.13	32.79	24.30	30.28	30.06	32.89	34.14	33.04
1.4 Special Drawing Rights	0.65	11.50	4,22	4.50	5.43	4.33	5.46	8.73
TOTAL	259.08	335.27	300.78	233.64	261.82	218.81	325.42	278.53
2. Securities issued or Guaranteed by Kenya Government, Advances & Discounts	272.76	212.54	172.00	204.82	325.34	478.65	638.88	788.71
3. Advances to Kenya Government	497.54	410.27	814.34	945.45	629.47	597.41	774.53	503.70
4. Other Assets including Kenya Treasury Bills & Bonds	89.14	346.38	305.59	512.63	779.58	871.75	615.39	922.31
TOTAL ASSETS	1,118.52	1,304.46	1,592.71	1,896.54	1,996.21	2,166.62	2,354.22	2,493.25
LIABILITIES :								
1. Capital and General Resources Fund	41.41	50.42	62.95	79.97	79.98	102.88	102.88	102.88
2. Currency in Circulation-								
2.1 Notes	474.96	545.67	620.23	729.90	709.15	714.79	772.79	981.66
2.2 Coins	14.37	17.25	17.49	19.15	19.40	19.98	20.03	21.24
TOTAL CURRENCY	489.33	562.92	637.72	749.05	728.55	734.77	792.82	1,002.90
3. Deposits-								
3.1 Kenya Government								
3.2 Kenya Banks	110.23	126.95	149.09	151.20	213.23	171.51	257.18	283.74
3.3 External Banks	405.35	446.15	563.72	666.06	638.51	750.03	709.94	707.51
3.4 Other	18.70	35.26	94.43	121.18	163.05	173.49	252.60	278.85
TOTAL	534.28	608.36	807.24	938.44	1,014.79	1,095.03	1,219.72	1,270.10
4. Revaluation Account								
5. Other Liabilities	53.50	82.76	84.80	129.08	172.89	233.95	238.80	117.37
TOTAL LIABILITIES	1,118.52	1,304.46	1,592.71	1,896.54	1,996.21	2,166.63	2,354.22	2,493.25

Source: Central Bank of Kenya.

Commercial Ranks - Credit and Liquidity

5.15. The Government's policy of assigning a greater role to market forces in credit allocation produced mixed results in 1992. As shown in Table 5.9, growth in commercial bank's total lending in the form of bills, loans and advances decelerated to

22 per cent in 1992 from 28 per cent increase in 1991. Lending to the Public sector declined by 24 per cent from K£336 million in 1991 to K£254 million in 1992. The decrease was mainly due to 48 per cent decline in the Central Government borrowing and a marginal decline in lending to other public entities. Lending to the local Government more than doubled from the 1991 level, while lending to the other public entities declined marginally over the year.

COMMERCIAL BANKS - BILLS, LOANS AND ADVANCES*, 1988 - 1992

Table 5.9 K£million

	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec.
PUBLIC SECTOR:					
Central Government	0.04	59.09	58.98	137.25	71.21
Local Government	3.84	2.47	3.12	3.22	7.40
Enterprises, Parastatal bodies and other Public entities	167.32	135.49	157.50	195.48	175.69
TOTAL PUBLIC SECTOR	171.20	197.05	219.60	335.95	254.30
PRIVATE ENTERPRISES:					
Agriculture	256.02	291.73	300.73	336.24	412.19
Mining and Quarrying	5.82	9.67	9.80	23.58	18.51
Manufacturing	360.66	420.16	450.97	556.81	581.03
Building and Construction	78.96	105.97	121.71	142.77	212.42
Transport, Storage and Communication	55.75	63.65	84.01	82.75	115.34
Trade	285.23	323.79	355.68	431.96	491.16
Financial Institutions	15.45	37.72	49.75	108.55	63.70
Other Business	309.15	369.56	422.88	559.37	975.41
TOTAL PRIVATE ENTERPRISES	1,367.04	1,622.25	1,795.53	2,242.03	2,869.76
COMMUNITY AND PERSONAL SERVICES** (including non-profit making institutions)	37.90	43.97	57.95	68.42	93.04
TOTAL BILLS, LOANS AND ADVANCES	1,576.14	1,863.27	2,073.08	2,646.40	3,217.10

Source: Central Bank of Kenya.

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

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

5.16. Lending to private sector rose by 28 per cent in 1992, up from 25 per cent growth in 1991; increasing from K£2,242 million to K£2,870 million. Out of the total private sector borrowing, the shares received by agriculture, manufacturing and trade declined to 14 per cent, 20 per cent, and 17 per cent respectively in 1992, compared with corresponding shares of 15 per cent, 25 per cent and 19 per cent in 1991. Lending to financial institutions in the private sector dropped sharply from K£109 million in

1991 to K£64 million in 1992. On the other hand, the share of bank credit extended to non-financial trade increased sharply from 25 per cent in 1991 to 34 per cent in 1992.

COMMERCIAL BANKS DEPOSIT LIABILITIES AND LIQUID ASSETS* 1989 1902

Table 5.10

		Deposit Liabilities K£mn	Liquid Assets** K£mn	Current Liquidity Ratio per cent
1989	December	1,896.30	490.68	
1990	December	2,116.94	633.06	30
1991	December	2,763.19	607.11	22
1992	December	3,642.21	1,128.25	31
1992				
	January	2,714.01	521.34	19
	February	2,823.98	575.47	20
	March	2,834.47	683.75	24
	April	2,772.39	584.96	21
	May	2,783.13	522.46	19
	June	2,774.27	484.37	17
	July	2,898.40	507.58	18
	August	2,998.54	510.98	17
	September	3,138.98	780.28	25
	October	3,245.98	856.92	26
	November	3,382.62	1,010.89	30
	December	3,644.21	1,128.25	31

Source: Central Bank of Kenya

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

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

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

5.17. As shown in Table 5.10. deposit liabilities of commercial banks increased from K£2,763 million in 1991 to K£3,642 million in 1992 or by 32 per cent compared with 31 per cent increase registered in 1991. Liquid assets on the other hand almost doubled in the course of 1992. and expanded more rapidly during the last quarter of the year. The expansion in the banks' liquid assets was mainly due to substantial increases in holding of Government securities by commercial banks and balances with banks abroad Consequently, the liquidity ratio rose steadily during the last quarter of the year, to peak at 31 per cent in December 1992, which was 11 percentage points above the minimum statutory requirement of 20 per cent.

Non-bank Financial Institutions

5.18. The performance of the Non-Bank Financial Institutions (NBFIs), constituted as merchant or investment banks, is presented in Table 5.11. Total Assets and Liabilities of NBFIs increased by 16 per cent from K£2,443 million in 1991 to K£2,839 million in 1992, compared with 15 per cent increase recorded in 1991. Total deposits placed with NBFIs increased from K£1,837 million in 1991 to K£2,084 million in 1992, representing 13 per cent increase in 1992 compared with 11 per cent increase in 1991. Deposits from (Central and Local Government declined from K£46 million in 1991 to K£36million in 1992, or a decline of 21 per cent. On the other hand, deposits from other public sector and other depositors both increased by 14 per cent. Other liabilities increased by 25 per cent from K£606 million in 1991 to K£755 in 1992. NBFIs continued to play an important role in the mobilization of resources as indicated by the ratio of the total liabilities of the NBFIs to total liabilities of the banking system, which stood at 61 per cent in 1992 as shown in Table 5.5

ASSETS AND LIABILITIES OF NON-BANK FINANCIAL INSTITUTIONS. 1986 - 1992

Table 5.11 K£million

	AS AT END OF				1992			
	1986	1989	1990	1991	1st Qr	2nd Qr*	3rd Qr*	4th Qr*
LIABILITIES:								
Deposits-								
Central & Local Government	30.22	32.75	62.34	45.93	46.52	37.52	35.50	36.38
Other Public Sector	144.28	190.53	296.95	330.03	351.24	340.79	417.89	375.06
Other Depositors	863.36	1,051.00	1,302.30	1,460.86	1,489.14	1,426.79	1,522.47	1,672.50
Other Liabilities	314.68	385.52	465.02	605.79	625.96	656.87	700.02	755.39
TOTAL LIABILITIES	1,352.54	1,659.80	2,126.61	2,442.61	2,512.86	2,461.97	2,675.88	2,839.33
ASSETS:								
Cash and Banks	114.33	142.25	201,65	209.80	221.14	164.55	211.83	278.26
Other Financial Institutions	91.82	140.47	145.06	158.53	180.73	122.57	142.81	168.05
Associated Companies	12.65	21.95	58.20	59.37	86.79	62.60	75.09	50.35
Investments. Bills,								
Loans & Advances:-								
Public Sector	160.82	184.36	189.45	262.67	296.87	343.07	369.42	401.42
Private Sector	897.15	1,079.13	1,423.71	1,594.51	1,574.38	1,624.39	1,719.47	1,773.69
Other Assets	75.77	91.64	108.52	157.73	152.95	144.79	157.26	167.56
TOTAL ASSETS	1,352.54	1,659.80	2,126.61	2,442.61	2,512.86	2,461.97	2,675.88	2,839.33

Source: Central Bank of Kenya.
* Provisional

5.19. Assets in the form of cash in hand and balances with banks increased by 33 per cent from K£210 million in 1991 to K£278 million in 1992. Balances with other financial institutions increased by 6 per cent while those in other associated companies declined by 15 per cent. Loans and advances to public sector increased from K£263 million in 1991 to K£401 million in 1992, an increase of 53 per cent compared with 39 per cent increase recorded in 1991. This development reflects a substantial increase in holding of Government securities by NFBIs as a result of the Government shifting its

borrowing from the banking system to non-bank sources. Private sector borrowing from NBFIs registered a growth rate of 11 per cent, which was almost the same as last year, increasing from K£1,595 million in 1991 to K£1,774 million in 1992. Other assets grew by 6 per cent compared with 45 per cent growth recorded last year.

Developments in The Financial Sector in 1992

5.20. The stability of the financial sector continued to receive considerable attention during 1992. To achieve this, measures taken included raising of the prescribed minimum capital to assets ratio, from 5.5 per cent to 7.5 per cent in January 1992 for both commercial banks and specified financial institutions. The Central Bank also prepared prudential guidelines meant to encourage self regulation among banking institutions. These measures included:- code of conduct for directors, chief executives and other employees; duties and responsibilities of directors, chief executives and management; appointment, duties and responsibilities of external auditors; and provisions for bad and doubtful advances and loans.

5.21. The year 1992 witnessed some developments towards total liberalization of the exchange control. In August 1992, the Government established a foreign exchange retention scheme for exporters of non-traditional exports. Under the scheme, exporters of non-traditional exports may retain 100 per cent of their export proceeds in foreign currency accounts at authorized banks in Kenya. Also for the first time, coffee and tea auctions are now carried out in foreign currency.

5.22. In April 1992, the first secondary market for the foreign exchange bearer certificates (Forex-C's) was established. The Forex-C's market registered the lowest and highest premiums of Sh.8.35 per dollar in August 1992 and Sh.21.35 in November 1992, respectively. Although the cost of obtaining Forex-C's in the secondary market is high, the market remains the only alternative source of foreign exchange.

5.23. During the year, rules and regulations of the Capital Market Authority (CMA), under whose umbrella Nairobi Stock Exchange (NSE) falls, were gazetted. A total of 14,810,890 shares worth K£19.2 million were traded in the NSE in 1992. A total of 1,300,000 deals were recorded in December 1992 and the Market Capitalization stood at K£4.4 million. Under Government privatization programme which started in 1991, two state enterprises successfully floated 34 million ordinary shares worth K£17.9 million through NSE in 1992. The NSE price index rose from 958.3 in December 1991 to 1,167.3 in December 1992.

5.24. The year 1992 saw the repealing of Section 197A of the Insurance Act and imposition of premium tax on gross direct premiums written by all insurance companies operating in Kenya and reinsurance premiums ceded to reinsurance business outside Kenya. Also Preferential Trade Area (PTA) member countries agreed to establish their own reinsurance company to be known as the PTA Reinsurance Company Ltd with its headquarters in Nairobi.

CHAPTER 6 - PUBLIC FINANCE

Cautious and pragmatic fiscal operations play a significant role in overall development strategies and in the achievement of economic stability. In line with these objectives, the budget for the fiscal year 1992/93 was geared towards speedier implementation of further structural reforms under the theme "Enhanced economic reforms for renewed growth".

6.2. Taking note of a decline in external resources, appropriate measures were adopted to control the overall deficit so as to limit the growth of other adverse imbalances in the economy. Towards this goal, there was an across-the-board adjustment of both recurrent and development votes of Government ministries. This called for appropriate reallocation of total expenditure, with emphasis laid on projects of high priority or at fairly advanced stages of implementation. Tight controls were also imposed on the growth of civil-service employment aimed at reducing expenditure on wages and salaries. However, substantial additional expenditure commitments became unavoidable in course of the year. As a result, total nominal expenditure is likely to increase by 32 per cent from K£4,412 million in 1991/92 to K£5,825 million in 1992/93; this is 24 percentage points above the 8 per cent rise recorded in 1991/92 The substantial increase in expenditure is likely to result in an expanded fiscal deficit of K£ 636 million in 1992/93 compared with K£187 million in the previous year. The Government's borrowing from the banking system remains substantial. This is likely to accelerate aggregate monetary expansion resulting in a push up in general price levels, unless strong corrective measures are taken on the monetary policy front.

Overall Results

6.3. Table 6.1 details the budget out-turn from 1988/89 to 1992/93. Provisional figures indicate that the Government's tax modernization programme continues to bear positive results. Current revenue increased by 73 per cent from K£1,887 million to K£ 3,262 million over the period. This is partly attributed to the impressive performance by the Value Added Tax (VAT) introduced in 1990 to replace Sales Tax especially on imports. During the same period current expenditure increased by 78 per cent from K£ 1,967 million to K£ 3,505 resulting in a higher current account deficit of K£243 million. The increase in current expenditure during the current year 1992/93 was necessitated by several factors. These included, the increased costs on public debt servicing as is reflected in Consolidated Fund Services (CFS) commitments, the implementation of the second phase of civil servants salary increase, costs incurred in catering for an influx of refugees fleeing instability in neighbouring countries, costs on drought relief measures undertaken in some parts of the country, and the expenditure for the holding of the general-elections in December 1992.

6.4. The trend in capital expenditure has been erratic increasing from K£525 million in 1989/90 to K£555 in 1990/91 and then falling drastically to K£454 million in 1991/92. It is expected to rise sharply to K£ 830 million in 1992/93. The recovery

underlies the declared Government policy of allocating more resources to development oriented activities in anticipation of increased domestic resources mobilization. Projects earmarked for implementation in the current year include, the National Cereals and Produce Board (NCPB) grain storage and handling programme, Kenya Health Rehabilitation Project, Nairobi and Coast water supply, the construction of the Export Processing Zone (EPZ) at Athi river, wild-life preservation programme, forestry development and the small-holder coffee improvement project. Others include the Strengthening of Primary Education Project (SPRED), the ongoing construction works in Universities and other institutes of learning especially Teachers Training Colleges.

CENTRAL GOVERNMENT OUT TURN Of REVENUE AND EXPENDITURE*. 1988/89 - 1992/93

Table 6.1 K£million

	1988/89	1989/90	1990/91	1991/92**	1992/93**	Percentage Increases 1988/89 to 1992/93
Current Revenue	1,887.39	2,049.96	2,420.63	2,852.25	3,262.13	72.84
Current Expenditure***	1,967.24	2,210.21	2,722.96	2,793.84	3,504.69	78.15
Current Surplus	-79.85	160.25	302.33	58.41	-242.56	203.77
Capital Revenue	31.16	6.15	16.19	0.71	1.33	-95.73
Capital Expenditure***	418.94	525.38	554.86	454.11	829.63	98.03
Net Lending***	61.72	70.82	79.28	24.13	78.77	27.62
External Grants	186.65	217.25	208.25	232.35	513.40	175.06
OVERALL DEFICIT	342.70	-533.05	-712.03	-186.77	-636.23	85.65
FINANCING OF DEFICIT:						
External Loans (Net)	200.00	301.20	206.50	11.50	177.25	-11.38
Total Domestic Borrowing	88.00	265.25	530.05	344.90	795.00	803.41
Long-term(net)	119.10	96.25	248.75	346.45	414.40	247.94
Short-term(net)	-31.10	169.00	281.30	-1.55	380.60	1,323.79
CHANGES IN CASH BALANCES:						
Increase = +	54.70	33.40	24.52	169.63	336.02	-714.30
MEMORANDUM ITEMS:						
Public Debt Redemption	502.83	453.34	741.74	1,140.11	1,411.70	180.75
(a) External	212.27	212.15	391.25	360.05	432.46	103.73
(b) Internal	290.56	241.19	350.49	780.06	979.24	237.02

* This Table details Kenya Government's 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 memorandum items equals total Expenditure in Table 6.9.

** Provisional.

*** For details, see Table 6.9.

6.5. The large nominal value of overall fiscal deficit of K£ 712 million experienced in 1990/91 fell sharply to K£ 187 million in 1991/92 and is expected to rise to K£636 million in 1992/93. This is on account of rising public demand on services and the need to maintain the real value of services against rising costs. Consequently, the Government resorted to various instruments to bridge the gap. External loans on net basis are expected to improve from a low K£12 million in 1991/92 to K£177 million in

1992/93. The bulk of the financing is nevertheless expected to come from domestic sources accounting for 82 per cent of total Government borrowing. The provisional out-turn for 1991/92 including the rare surplus on the current account of K£58 million should be taken with caution as arrears in Public Debt interest payments amounting to K£79 million plus other accumulated bills incurred in the same year were carried forward to 1992/93. The out-turns for 1991/92 on an accrual or commitment basis would consequently show a higher fiscal deficit, and a deficit on the current account.

6.6. Highlights on some key fiscal indicators over the last five years ending 1992/93 appear in Table 6.2. Total deficit as a percentage of current revenue is expected to drop from a high 29.4 per cent in 1990/91 to 19.5 per cent in 1992/93. Similarly the ratio of total deficit to total expenditure is expected to decelerate to 10.9 per cent in 1992/93 from a peak 17.4 per cent registered in 1990/91. While current revenue has steadily maintained as average of 24.6 per cent of GDP between 1988/89 and 1992/93, total expenditure is expected to rise to 43.4 per cent of GDP in the current year principally as a result of a sharp increase in capital expenditure. Consequently, the budget deficit as a per cent of GDP is projected to rise to 4.7 per cent; 2.7 percentage points above the 1992/93 budget target of 2.0 per cent.

ANALYSIS OF KEY FISCAL TRENDS. 1988/86 - 1992/93

Table 6.2

	1988/89	1989/90	1990/91	1991/92*	1992/93*
1. Current surplus/deficit as % of Current Revenue	4.2	-7.8	-12.5	2.0	-7.4
2. Current surplus/deficit as % of Capital Expenditure plus Net Lending	-16.6	26.9	47.7	12.2	26.7
3. Ratio of Capital Expenditure to Current Expenditure	21.3	23.8	20.4	16 3	23.7
4. Overall deficit as % of Current Revenue	-18.2	26.0	-29.4	-6.5	-19.5
5. Overall Deficit as % of Total Expenditure	11.6	-16.4	-17.4	-4.2	-10.9
6. External Grants and Loans as % of Capital Expenditure plus Net Lending	80.5	87.0	65.4	5 . 0	76.0
7. Net Short-Term Borrowing as % of Capital Expenditure plus Net Lending	-6.5	28.4	44.4		41.0
8. Current Revenue as % of GDP at Current Market Prices	25.0	24.2	24.4	25.2	24.3
9. Total Government Expenditure as % of GDP at Current Market Prices	39.0	38.4	41.2	40.0	43.4
10. Overall Deficit as % of GDP at Current Market Prices	4.5	4.3	-7.2	-1.7	-4.7

* Provisional

6.7. Budget estimates and actual out-turns for the period 1989/90 to 1992/93 are detailed in Table 6.3. Provisional results indicate that recurrent receipts will fall marginally below the estimates in 1992/93. There is likely to be an upward adjustment on both recurrent and development issues so as to offset mounting inflationary pressures. The trend in net-external financing is likely to remain uncertain depending on donor disbursements.

6.8. As shown in Table 6.4, recurrent receipts are expected to register a rise of 14 per cent in 1992/93 which is below the 19 per cent and 17 per cent registered in 1990/91 and 1991/92, respectively. However the increase in real terms is not very significant considering the double digit inflation rates registered during that period. Of the total expected revenue of K£3,263, million in 1992/93, the combined receipts from Value Added Tax (VAT) on both domestic and imported manufactures is expected to yield 33 per cent, a level similar to that of 1991/92. The. emergence of VAT as a leading source of revenue is attributed to trade liberalization measures and the depreciation of the shilling against major currencies resulting in an increase of revenue in nominal terms. Excise duty receipts have more than doubled from K£185 million in 1990/91 to K£388 million in 1992/93, mainly as a result of the conversion of excise duty on beer and related products from a specific to *ad volrem* basis in 1991.

6.9. Table 6.5 summarizes import duty receipts on various imported merchandise. Import duty receipts declined by 11 per cent and 22 per cent in 1991 and 1992 respectively. In particular, import duty collections on machinery, chemicals and transport equipment decreased by 5 per cent, 19 per cent and 54 per cent, respectively in 1992. Import duty from basic materials however increased by 66 per cent in 1992 over 1991. The general decline in import duty revenue could be attributed to the rationalization of tariffs aimed at encouraging trade liberalization to make exports more rewarding through economic competitiveness. In addition, the volume of imports of machinery, chemicals, transport equipment and other manufactured goods fell due to a severe shortage of foreign exchange experienced during the period.

CENTRAL GOVERNMENT
IMPORT DUTY COLLECTIONS. 1988 - 1992

Table 6.5 K£million

END-USE CATEGORY	1988	1989	1990	1991	1992*
Food, drinks and tobacco	9.22	16.94	12.63	6.82	5.59
Basic materials	14.72	13.31	13.30	20.17	33.41
Fuels	30.14	29.53	34.00	32.19	1.51
Chemicals	54.52	58.31	60.57	62.73	50.83
Textiles	5.28	14.35	6.04	5.63	4.97
Semi-manufactures	25.16	25.66	24.86	26.14	20.49
Metals	34.78	32.68	34.58	30.10	29.34
Transport Equipment	42.61	42.70	53.79	41.20	19.08
Machinery	59.97	63.20	65.94	50.19	47.84
Miscellaneous commodities	11.08	12.34	12.04	9.16	9.63
TOTAL	287.48	309.02	317.75	284.33	222.69

* Provisional.

6.10. A breakdown of Excise revenue receipts for some commodities between 1988 and 1992 is outlined in Table 6.6. Beer and Spirits overtook cigarettes as the main source of excise revenue accounting for more than half of the total K£364 million

CENTRAL GOVERNMENT

GROSS RECEIPTS ON RECURRENT ACCOUNT*, 1988/89 - 1992/93

Table 6.4 K£million

	1988/89	1989/90	1990/91	1991/92**	1992/93**
DIRECT TAXATION:					
Income Tax	512.02	599.15	713.08	851.39	921.96
Other					
Total	512.02	599.15	713.08	851.39	921.96
INDIRECT TAXATION:					
Sales Tax/VAT on Domestic Manufactures	351.30	323.74	421.85	335.63	365.05
Sales Tax /VAT on imports	236.98	316.61	344.22	597.53	709.74
Import Duties***	300.28	347.96	334.68	329.04	425.56
Excise Duties	137.45	149.36	185.16	330.07	388.45
Export Duties	26.55	0.73	0.07	0.06	0.06
Trading Licences	8.69	9.05	10.25	13.57	10.18
Licences and Fees Under Traffic Act	16.62	16.61	16.09	16.31	18.83
Other Taxes. Licences and Duties	54.58	67.42	77.48	70.28	47.96
TOTAL	1,132.45	1,231.48	1,389.80	1,692.49	1,965.83
OTHER REVENUE AND INCOME:					
Compulsory Fees, Fines and Penalties	40.47	20.86	43.82	35.36	35.18
Income From Property	94.87	104.09	149.51	186.24	220.55
Current Transfers	12.91	12.39	18.02	10.76	6.10
Sales of Goods and Services	76.52	57.98	83.11	71.00	93.46
Other	49.31	30.16	39.48	5.72	20.38
TOTAL	274.08	225.48	333.94	309.08	375.67
TOTAL	1,918.55	2,056.11	2,436.82	2,852.96	3,263.46
MEMORANDUM ITEM:					
Loan Repayments to Government	15.97	3.40	7.53	12.41	12.05

* 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.

earned in 1992. The share of cigarettes in total revenue declined from 54 per cent in 1991 to 32 per cent in 1992 even though its contribution increased from K£ 91 million to K£ 118 million over the same period. Excise duty collections therefore more than doubled in 1992 compared with 1991 after a marginal decline in 1990. The remarkable increase in excise revenue is attributed to the demand inelasticity of the excisable goods, shift of excise duties to an ad valorem basis, and buoyant consumer spending especially in the last quarter of 1992 leading to the general elections.

CENTRAL GOVERNMENT
EXCISE REVENUE BY COMMODITIES. 1988-1992

Table 6.6 K£'000

	1988	1989	1990	1991	1992*
Beer and spirits	25.075	27.929	23.781	54.581	194.849
	18.894	30.590	19.392	17.844	16.150
Cigarettes	89.803	95.711	108.540	91.321	117.651
Other commodities**	1.511	1.572	252	6.335	35.832
TOTAL	136.183	155.802	151.965	170.131	364.482

Provisional

** Includes transfer adjustment not allocated by commodity

6.11. Details on the sources of financing the development expenditure including of the deficit on the current account are give given in Table 6.7. Total capital expenditure and net-lending increased by 89 per cent from K£481 million in 1988/89 to K£908 million in 1992/93. Capital expenditure grew faster and almost doubled during the period while net-lending increased marginally as the Government accelerated divestment of public enterprises. Total domestic borrowing is expected to provide K£795 million against K£691 million from external loans and grants. This will enable the Government to build-up cash balances of K£336 million to be spent mainly on external debt service obligations.

CENTRAL GOVERNMENT
FINANCING OF CAPITAL EXPENDITURE AND NET LENDING. 1988/89 1992/93

Table 6.7 K£million

	1988/89	1989/90	1990/91	1991/82*	1992/93*
EXPENDITURE:					
	418.94	525.38	554.86	454.11	829.63
	61.72	70.82	79.28	24.13	78.77
TOTAL	480.66	596.20	634.14	478.24	908.40
FINANCING:					
Surplus on Current Account	-79.85	160.25	-302.33	58.41	-242.56
	31.16	6.15	16.19	0.71	1.33
External Loans (Net)	200.00	301.20	206.50	111.50	177.26
	186.65	217.25	208.25	232.35	513.40
Long-Term Domestic Borrowing (Net)	119.10	96.25	248.75	346.45	414.40
SHORT TERM BORROWING					
Cereals and Sugar Finance Corporation *(Net)*	11.30	-0.35			
Treasury Bills (Met)	-37.15	-107.75	-168.50	21.50	603.75
Other Short-Term Borrowing (Net)	-5.25	277.10	449.80	-23.05	-223.15
Change in Cash Balances (decrease	54.70	-33.40	-24.52	-169.63	336.02
TOTAL	480.66	596.20	634.14	478.24	908.40

* Provisional

Analysis of Government Expenditure

6.12. Table 6.8 broadly outlines expenditure outlays by the Government in the provision of diverse public services. Total expenditure on main services rose by 79 per cent from K£ 3,263 million in 1989/90 to K£ 5,837 million in 1992/93. Education took a share of 16 per cent of the total in 1992/93 despite cost-sharing measures taken in recent years. Other significant outlays include those on agriculture, health, defence and energy taking shares of 9 per cent. 5 per cent. 4 per cent and 2 per cent, respectively. As stated earlier, among major projects expected to benefit from the increased expenditure are, the National Cereals and Produce Board (NCPB) grain storage and handling programme. Nairobi water supply project, the construction of the Export Processing Zone (EPZ) at Athi river, coast Water supply project, geothermal energy project, wild-life preservation programme, forestry development and the Smallholder Coffee Improvement Project (SCIP). A big proportion of Government expenditure continues to go to the provision of administrative services, internal security and honouring of public debt obligations.

6.13. Economic classification of expenditure and net-lending is presented in Table 6.9. Total expenditure is expected to rise appreciably by 32 per cent from K£ 4,412 million in 1991/92 to K£ 5,825 in 1992/93. The combined share of current expenditure and public debt redemptions remained high and accounted for 84 per cent of total Government spending leaving little allocation for capital stock increase. The share of development expenditure did not increase significantly. Efforts being taken to ease the recurrent burden include divestiture from public enterprises, imposition of moratoria on recruitment into the public service and improvement in the management of the existing debt stock,

Public Debt.

6.14. Table 6.10 presents total internal and external debt stock, both funded and unfunded. Total indebtedness more than doubled from K£ 3,855 million in June 1988 to K£ 8,304 million in June 1992. Total debt accumulation however grew fastest between June 1990 and June 1992 increasing by about 75 per cent. This is mainly attributed to the rapid depreciation of the shilling against currencies in which the debts are designated and the suspension of donor assistance over that period.

6.15. As indicated in Table 6.11, total domestic and external unfunded debt reached K£ 7,830 million in June 1992 compared with K£3,159 million in June 1988. While total external unfunded debt increased slightly more than twice, domestic unfunded debt in the form of medium and long-term securities increased almost fourfold during the same period, Among bilateral donors, Japan maintained its lead for the fourth consecutive year with a 31 per cent share of all bilateral assistance in 1992. Other major donors were, the Netherlands and France contributing 13 per cent and 7 per cent, respectively over the same period. Major multilateral lenders were the World Bank sister institutions (IBRD and IDA) whose combined share of multilateral assistance

CENTRAL GOVERNMENT EXPENDITURE ON MAIN SERVICES, 1989/90 - 1992/93

Table 6.8

K£million

	1989/90			1990/91			1991/92*			1992/93*		
	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	116.48	173.92	290.40	156.20	166.08	322.28	178.11	149.72	327.83	324.99	289.48	614.47
External Affairs	42.68	3.31	45.99	51.40	2.24	53.64	61.27	1.34	62.61	40.93	5.49	46.42
Public Order and Safety	146.11	16.19	162.30	160.94	23.67	184.61	182.88	15.41	198.29	214.33	19.34	233.67
TOTAL	305.27	193.42	498.69	368.54	191.99	560.53	422.26	166.47	588.73	580.25	314.31	894.56
Defence	243.89	25.37	269.26	261.57	33.92	295.49	206.52	25.86	232.38	210.79	27.88	238.67
Education	523.09	41.84	564.93	619.96	66.99	686.95	643.29	59.09	702.38	799.84	106.01	905.85
Health	119.37	24.96	144.33	133.39	39.52	172.91	152.44	37.58	190.02	181.55	113.37	294.92
Housing and Community Welfare	3.27	9.37	12.64	4.17	13.09	17.26	4.66	9.49	14.15	6.43	3.06	9.49
Social Welfare	38.38	30.84	69.22	42.41	38.91	81.32	46.88	31.41	78.29	62.14	75.34	137.48
ECONOMIC SERVICES:												
General Administration	39.05	147.82	186.87	23.01	121.19	144.20	26.60	75.36	101.96	32.96	60.86	93.82
Agriculture, Forestry and Fishing	96.07	72.80	168.87	91.05	104.88	195.93	100.91	110.77	211.68	138.98	398.90	537.88
Mining,Manufacturing & Construction	42.34	45.03	87.37	38.63	40.23	78.86	40.83	8.82	49.65	33.84	23.00	56.84
Electricity, Gas, Steam and Water	23.50	71.17	94.67	- 25.81	57.84	83.65	27.46	41.01	68.47	33.63	58.53	92.16
Roads	11.41	88.16	99.57	13.25	94.20	107.45	15.34	84.16	99.50	18.92	131.77	150.69
Other Transport & Communications	11.93	7.26	19.19	11.43	18.61	30.04	8.12	0.21	8.33	36.85	17.41	54.26
Other Economic Services**	51.12	4.64	55.76	106.59	6.76	113.35	106.02	1.46	107.48	115.75	2.62	118.37
TOTAL ECONOMIC SERVICES	275.42	436.88	712.30	309.77	443.71	753.48	325.28	321.79	647.07	410.93	693.09	1,104.02
OTHER SERVICES; INCLUDING PUBLIC DEBT	991.78		991.78	1,538.43		1538.43	1,971.58		1971.58	2,251.85		2,251.85
TOTAL***	2,500.47	762.68	3,263.15	3,278.24	828.13	4,106.37	3,772.91	651.69	4,424.60	4,503.78	1,333.06	5,836.84

* Provisional.

** Includes Export Compensation.

***Total as shown in this table minus loan repayment to the Government equals total expenditure in Table 6.9

remained at 83 per cent as in 1991. Lending from the African Development Bank has increased substantially from K£86 million in 1988 to K£291 million in 1992 underscoring its increasing role in Kenya's economic development.

6.16. Total funded debt as shown in Table 6.12 declined by 10 per cent from K£ 525 million in 1991 to K£ 474 million in 1992. Although the National Social Security Fund (NSSF), the Central Bank and the Central Government remain the major holders of this

CENTRAL GOVERNMENT
ECONOMIC ANALYSIS OF EXPENDITURE, 1988/89 - 1992/93

Table 6.9 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
CURRENT EXPENDITURE:					
CONSUMPTION EXPENDITURE ON GOODS AND SERVICES:					
Labour Costs	541.48	575.61	635.92	691.58	815.3
Other Goods and Services	526.27	618.47	726.32	615.43	912.3
TOTAL	1,067.75	1,194.08	1,362.24	1,307.01	1,727.60
SUBSIDIES**	31.10	46.20	82.82	78.2	79.51
INTEREST:					
Foreign	156.55	160.89	223.00	238.85	265.65
Domestic	306.87	339.33	523.12	546.02	607.24
TRANSFERS TO:					
Households and Unincorporated Enterprises					
including Private Non-profit Institutions	41.96	70.76	72.87	56.95	
Financial and Non-Financial Enterprises		0.01			
General Government	353.50	386.22	444.39	553.48	822.69
Rest of the World	7.00	7.22	11.05	9.14	
Funds	2.29	4.83	2.61	4.16	
TOTAL TRANSFERS	404.75	469.04	530.92	623.73	822.69
OTHERS	0.22	0.67	0.86	0.03	2.00
1. TOTAL CURRENT EXPENDITURE	1,967.24	2,210.21	2,722.96	2,793.84	3,504.69
2. CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	374.46	490.59	495.38	391.91	615.41
Capital Transfers	44.48	34.79	59.48	62.2	214.22
TOTAL	418.94	525.38	554.86	454.11	829.63
3. NET LENDING:					
Purchase of Equity in Enterprises	16.72	9.37	4.60	3.78	6.85
Loans to Households. Enterprises and General Government Agencies	60.97	64.85	82.21	32.76	83.97
Less Loan Repayments to Government	-15.97	-3.40	-7.53	-12.41	-12.05
TOTAL	61.72	70.82	79.28	24.13	78.77
4. PUBLIC DEBT REDEMPTION	502.83	453.34	741.74	1,140.11	1,411.70
5. Total Expenditure (1+2+3+4)	2,950.73	3,259.75	4,098.84	4,412.19	5,824.79
MEMORANDUM ITEM:					
Export Compensation	31.00	46.15	82.80	78.10	79.51

* Provisional.

** Includes Export Compensation.

CENTRAL GOVERNMENT

PUBLIC DEBT. 1988 - 1992

Table 6.10 K£million

AS at 30th June	Public Debt*								
	Funded			Unfunded			Total		
	External	Internal	Total	External	Internal**	Total	External	Internal	Total
1988		696.39	696.39	2,690.93	468.00	3,158.93	2,690.93	1,164.39	3,855.32
1989		572.55	572.55	2,676.26	668.45	3,344.71	2,676.26	1,241.00	3,917.26
1990		555.59	555.59	3,419.00	783.55	4,202.55	3,419.00	1,339.14	4,758.14
1991		525.10	525.10	4,458.95	1066.79	5,525.74	4,458.95	1,591.89	6,050.84
1992		474.12	474.12	6,070.09	1759.50	7,829.59	6,070.09	2,233.62	8,303.71

* Excludes Short-term borrowing.

** Includes Treasury bonds.

CENTRAL GOVERNMENT

SOURCES OF UNFUNDED DEBT. 1988 - 1992

Table 6.11 K£million

Outstanding as at 30th June	1988	1989	1990	1991	1992 *
EXTERNAL DEBT:					
Lending Countries:					
West Germany	279 56	0.00	15.44	30.74	50.12
Japan	235.61	299.62	428.03	702.38	932.70
France	201.19	163.41	61.91	25.97	213.22
U.S.A	149.58	76.10	120.42	126.46	165.76
Netherlands	87.18	93.74	120.94	133.84	389.70
Denmark	38.61	55.81	74.99	85.68	99.77
Finland	4.16	2.13	5.89	6.74	6.53
Other	546.16	731.98	771.05	877.75	1,158.31
Total	1,542.05	1,422.79	1,598.67	1,989.56	3,016.11
International Organizations:					
I.D.A	515.06	628.66	1,018.17	1,519.04	2,039.63
I.B.R.D	391.89	398.82	493.20	526.55	482.83
African Development Bank	86.10	105.75	156.28	233.42	291.41
O.P.E.C	11.31	13.77	16.19	20.01	33.82
E.E.C.	50.45	63.34	74.06	91.58	107.77
I.M.F	65.80	4.73	0.41		
Arab League	2.39	2.53	2.50	2.75	2.91
Badea	3.57	3.96	5.01	5.87	4.54
I.F.A.D	3.12	6.58	9.27	16.14	28.37
C.D.C	7.83	7.44	7.90	7.21	3.73
A.D.F	11.36	17.89	37.34	46.82	58.97
Total	1,148.88	1,253.47	1,820.33	2,469.39	3,053.98
Total External	2,690.93	2,676.26	3,419.00	4,458.95	6,070.09
INTERNAL DEBT:					
Central Bank of Kenya	10.00	10.00	10.00	10.00	10.00
Other	458.00	658.45	773.55	1,056.79	1,749.50
TOTAL INTERNAL	468.00	668.45	783.55	1,066.79	1,759.50
TOTAL UNFUNDED DEBT	3,158.93	3,344.71	4,202.55	5,525.74	7,829.59

debt, their holdings decreased by 14 per cent, 5 per cent and 6 per cent, respectively in 1992. In the continuing efforts to control credit creation and the resultant inflationary pressures and to avoid adversely affecting private sector investment, government debt exposure to commercial banks remained low at a level similar to 1991.

ANALYSIS OF PUBLIC FUNDED DEBT AT BOOK VALUE BY HOLDERS
ON LOCAL REGISTER AS AT 30TH JUNE. 1986 - 1992

Table 6.12 K£million

	1988	1989	1980	1881	1992
PUBLIC BODIES:					
National Social Security Fund	294.77	276.97	263.28	245.08	211.57
Central Government	75.79	74.46	72.20	69.42	65.36
Local Government	0.40	0.25	0.25	0.22	0.22
Kenya Post Office Savings Bank	8.86	5.12	4.47	4.37	4.37
Former E.A.Community Instilutions*	20.84	15.37	15.37	15.37	14.77
Central Bank	262.76	162.76	162.76	162.76	154.41
Other Public Sector	1.16	1.16	1.11	1.10	1.10
OTHER INTERNAL:					
Commercial Banks	5.43	5.43	5.43	5.03	5.03
Insurance Companies	8.20	9.11	8.84	8.46	7.47
Other Companies	18.08	21.83	21.79	13.20	9.74
Private Individuals	0.10	0.09	0.08	0.09	0.08
TOTAL	696.39	572.55	555.58	525.10	474.12

* And their successors

Source: Central Bank of Kenya.

6.17. Table 6.13 provides information on debt servicing charges (interest and redemption) between June 1988 and June 1992. Total net debt servicing charges increased almost fourfold from K£ 539 million to K£ 1,905 million over the same period. The rise was particularly apparent in the cost of internal debt accounting for 69 per cent of the total in 1992 alone. This is attributable to two factors; the enhanced sale of medium-term bonds to the non-bank sector at very attractive interest rates and the

CENTRAL GOVERNMENT
DEBT SERVICING CHARGES*. 1988 -1992

Table 6.13 K£million

Year ending	ANNUAL DEBT SERVICING CHARGES			INTEREST AND LOAN REPAYMENT RECEIPTS			NET SERVICING CHARGES		
30th June	External	Internal	Total	External	Internal	Total	External	Internal	Total
1988	283.85	266.70	550.55		11.17	11.17	283.85	255.53	538.38
1989	368.82	597.43	966.25		25.68	25.68	368.82	571.75	940.57
1990	373.04	580.52	953.56		7.01	7.01	373.04	573.51	946.55
1991	614.25	873.61	1,487.86		30.85	30.85	614.25	842.76	1,457.01
1992	598.90	1,326.08	1,924.98		20.24	20.24	598.90	1,305.84	1,904.74

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

fact that the Government had to resort to increased domestic borrowing to finance its activities as external assistance plummeted.

6.18. The extent of foreign exchange used by relating debt servicing costs to export earnings is shown in Table 6.14. The ratio registered a modest decline from a peak of 20 per cent in 1990/91 to 17 per cent in 1991/92. The appreciable drop is attributable to a modest 2 per cent decrease in external debt service charges despite some buoyancy in export earnings registered in a similar period.

CENTRAL GOVERNMENT
DEBT SERVICE CHARGES ON EXTERNAL DEBT RELATED TO EXPORT OF GOODS AND SERVICES, 1988 - 1992

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	
1988	283.85	1,664.85	17.05
1989	368.82	1,997.68	18.46
1990	373.04	2,559.28	14.58
1991	614.25	3,022.91	20.32
1992**	598.90	3,464.40	17.29

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

Local Authorities.

6.19. There are currently a total of 137 gazetted urban centres in Kenya including the City of Nairobi. Local authorities being an essential extension of the Central Government are mandated to address basic urban needs and services through the development of local financial sources and by devising innovative and cost-efficient methods. However, their performance has often been inadequate on account of general administrative and financial problems.

6.20. An analysis of total expenditure by different Municipalities, Town councils, Urban councils and the City of Nairobi from 1988/89 to 1992/93 is shown in Table 6.15. Expenditure by Municipal councils is expected to increase slightly from K£298 million in 1991/92 to K£319 million in 1992/93 representing 82 per cent of the total expenditure by Local authorities. Expenditure by the City of Nairobi is expected to grow only marginally from K£124 million to K£143 million in the same period as the Third Nairobi water project at Ndakaini in Murang'a district nears completion. The share of the rest of the local authorities remain small in comparison and is expected to decline from 19 per cent in 1991/92 to 18 per cent in 1992/93.

EXPENDITURE ON LOCAL AUTHORITIES. 1988/89 - 1992/93

Table 6.15 K£million

	MUNICIPALITIES				
	Nairobi City Council	Other Municipal Councils	Sub-Total	Town. Urban and County Councils	Total
1988/89	72.02	49.26	121.28	25.19	146.47
1989/90	208.79	69.33	278.12	33.86	311.98
1990/91	179.39	100.65	280.04	57.05	337.09
1991/92 *	123.71	174.62	298.33	72.22	370.55
1992/93*	142.97	175.65	318.62	69.91	388.53

Provisional.

6.21. As detailed in Table 6.16, total expenditure on main services by Municipal councils almost trebled between 1988/89 and 1992/93. Expenditure on economic services is expected to increase by 18 per cent from K£106 million in 1991/92 to K£125 million in 1992/93 as a result of growth in expenditure on water and housing projects being undertaken by various large towns like Nairobi, Mombasa, Kisumu and Eldoret. A decrease of 27 per cent in expenditure on health and a marginal increase in expenditure on education is expected to reduce the outlay on social services by 14 per

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES. 1988/89 - 1992/93

Table 6.16 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
ADMINISTRATION	27.31	29.91	42.57	48.33	54.42
COMMUNITY SERVICES:					
Roads	8.72	11.12	30.33	52.81	52.65
Sanitation	11.10	84.65	39.50	43.04	48.11
Other	1.52	17.60	3.10	15.87	10.41
Total	21.34	113.37	72.93	111.72	111.17
SOCIAL SERVICES					
Education	7.75	8.81	9.68	10.08	11.21
Health	13.21	17.26	15.04	21.24	15.42
Other	1.56	0.60	0.89	0.83	0.92
Total	22.52	26.67	25.61	32.15	27.55
ECONOMIC SERVICES:					
General Administration	2.40	3.17	3.69	4.55	4.12
Water Undertaking	20.05	64.89	95.01	55.38	71.53
Housing Estates(including staff housing)	15.86	4.45	32.53	24.02	40.27
Other	11.80	35.66	7.70	22.18	9.56
Total	50.11	108.17	138.93	106.13	125.48
TOTAL EXPENDITURE	121.28	278.12	280.04	298.33	318.62

*Provisional

cent in 1992/93. Similarly, expenditure on community services is likely to decline slightly owing to reduced expenditure on roads.

MUNICIPAL COUNCILS: CURRENT AND CAPITAL EXPENDITURE ON MAIN SERVICES. 1988/89 - 1992/93

Table 6.16 K£ million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
ADMINISTRATION	27.31	29.91	42.57	48.33	54.42
COMMUNITY SERVICES:					
Roads	8.72	11.12	30.33	52.81	52.65
Sanitation	11.10	84.65	39.50	43.04	48.11
Other	1.52	17.60	3.10	15.87	10.41
Total	21.34	113.37	72.93	111.72	111.17
SOCIAL SERVICES					
Education	7.75	8.81	9.68	10.08	11.21
Health	13.21	17.26	15.04	21.24	15.42
Other	1.56	0.60	0.89	0.83	0.92
Total	22.52	26.67	25.61	32.15	27.55
ECONOMIC SERVICES					
General Administration	2.40	3.17	3.69	4.55	4.12
Water Undertaking	20.05	64.89	95.01	55.36	71.53
Housing Estates(including stall housing)	15.86	4.45	32.53	24.02	40.27
Other	11.80	35.66	7.70	22.18	9.56
Total	50.11	108.17	138.93	106.13	125.48
TOTAL EXPENDITURE	121.28	278.12	280.04	298.33	318.62

*Provisional

6.22. Table 6.17 provides information on the expenditure incurred by Municipal councils by economic categories. The share of current expenditure has stagnated at

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF EXPENDITURE. 1988/89 1992/93

Table 6.17 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
CURRENT EXPENDITURE:					
Labour Cost	42.32	41.54	61.08	65.03	70.18
Other Goods and Services	28.83	32.32	44.55	40.72	45.99
Transfer to Households & Enterprises	1.80	3.67	0.59	3.32	0.28
Transfer to Funds (Current)	0.29	0.24	0.01	0.52	0.45
Interest .					
Total	73.24	77.77	106.23	109.59	116.90
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	31.08	182.41	167.51	167.54	183.59
Loan Repayment**	16.72	16.72	6.49	17.59	17.13
Transfer to Funds (capital)	0.24	1.22	0.17	3.61	1.00
Total	48.04	200.35	174.17	188.74	201.72
TOTAL EXPENDITURE	121.28	278.12	280.40	298.33	318.62

* Provisional.

** Includes interest.

about 37 per cent of total expenditure between 1990/91 and 1992/93 as a result of a general decline in wage employment and the need to release more resources towards development of infrastructure. Overall, total expenditure nearly trebled from K£ 121 million to K£ 319 million between 1988/89 and 1992/93 as Local Authorities took advantage of "service charge" to finance increased demand for services.

6.23. As per details in table 6.18 total revenue is expected to increase by 7 per cent in 1992/93 over 1991/92 with sale of goods and services making up for more than 39 per cent of the total K£262 million. Other dominant revenue sources are rates and loans from both domestic and foreign agencies. Comparing Table 6.18 and Table 6.17, it is evident that while Municipal councils have realised continuous surpluses on their current accounts, it has been more than offset by large deficits on their capital accounts necessitating further borrowing.

MUNICIPAL COUNCILS: ECONOMIC ANALYSIS OF REVENUE. 1988/89 - 1992/93

Table 6.18 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
CURRENT REVENUE:					
Direct Taxes (Rates**)	33.11	34.02	32.83	40.94	41.49
Indirect Taxes (Licences and cesses)	1.61	2.38	2.17	4.07	8.88
Income from Property	0.85	2.20	9.16	3.02	12.04
Current Transfers	0.29	0.00	0.19	0.08	0.02
Sale of Goods and Services***	63.06	69.73	56.16	95.94	103.40
TOTAL	98.92	108.33	100.51	144.05	165.83
CAPITAL REVENUE:					
Loans Raised	13.78	31.92	118.71	101.40	96.40
Loan Repayment	0.91	0.12	0.00	0.28	0.06
TOTAL	14.69	32.04	118.71	101.68	96.46
TOTAL REVENUE	113.61	140.37	219.22	245.73	262.29

* Provisional.

** Paid by households and enterprises.

*** Includes service charge from 1988/89 onwards.

6.24. Sources of revenue and expenditure patterns for County, Town and Urban councils are shown in Table 6.19. As indicated there, total revenue is expected to fall by 12 per cent in 1992/93, from K£69 million in 1991/92 to K£60 million in 1992/93 with total expenditure decreasing only marginally by 3 per cent over the same period. This can be attributed to erosion of the revenue base as rural real-incomes fall as a result of generally depressed economic activities.

TOWN. URBAN AND COUNTY COUNCILS:

ECONOMIC ANALYSIS OF EXPENDITURE AND REVENUE. 1988/89 - 1992/93

Table 6.19 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93*
CURRENT EXPENDITURE:					
Labour Cost	14.83	18.24	22.06	29.89	30.83
Other Goods and Services	5.05	9.68	10.80	16.79	15.35
Transfer to households & Enterprises	0.06	0.35	0.02	0.10	0.01
Transfer to Funds (Current)	0.03	0.24	0.25	0.35	0.49
Interest					
Total	19.97	28.51	33.13	47.13	46.68
CAPITAL EXPENDITURE:					
Gross Fixed Capital Formation	4.21	4.50	23.42	24.09	22.51
Loan Repayments**	0.71	0.36	0.50	1.00	0.83
Transfer to Funds (capital)	0.30	0.00	0.00	0.00	0.00
Total	5.22	4.86	23.92	25.09	23.34
TOTAL EXPENDITURE	25.19	33.37	57.05	72.22	70.02
CURRENT REVENUE:					
Direct Taxes (Rates***)	2.27	1.39	1.78	6.10	3.91
Indirect Taxes (Licences and cesses)	9.75	8.10	6.13	9.10	10.22
Income from Property	7.87	0.35	0.23	0.82	0.70
Current Transfers	0.84	1.30	0.10	2.00	0.32
Sale of Goods and Services +	24.62	23.07	26.73	39.47	34.74
Total	45.35	34.21	34.97	57.49	49.89
CAPITAL REVENUE:					
Loans Raised	1.91	2.41	2.50	11.14	10.58
Loans Repayments	0.01	0.00	0.01	0.00	0.00
Total	1.92	2.41	2.51	11.14	10.58
TOTAL REVENUE	47.27	36.62	37.48	68.63	60.47

* Provisional.

** Includes Interest.

*** Paid by households and enterprises.

\+ Includes Service Charge from 1988/89 onwards.

CHAPTER 7 - INTERNATIONAL TRADE AND THE BALANCE OF PAYMENTS

Overview

The international trade and balance of payments data show a mixed performance in 1992. On accrual-basis, the overall balance of payments position was a deficit of K£433 million, which was the worst ever. However, on cash basis there was an overall surplus of K£158 million. The current account showed remarkable improvement. The trade balance of K£1,213 million was worse than in 1991 (K£1094 million), but considerably better than in 1990 (K£ 1302 million). This scenario could be attributed to the foreign exchange crunch resulting from suspension of disbursements to Kenya in November 1991 by the International Monetary Fund, the World Bank and the bilateral donor community in general.

7.2. Further depreciation of the Kenya shilling against major currencies in 1992 and the export promotion programmes such as establishment of Export Processing Zones in 1991, effectively encouraged exports. Traditional exports like coffee and tea were still leading, but the impact of exports of cement and petroleum products was substantial. Inadequate rainfall and the influx of refugees into Kenya led to substantial imports of food to supplement domestic production. Overall, both aggregate imports and exports increased by about 12 per cent, and the balance of trade deficit grew by 11 per cent.

Balance of Trade

7.3. The existence of Foreign Exchange Bearer Certificates which were used, in part, to finance imports, raised the issue of proper valuation procedures. It is noteworthy, however, that all imports were valued at the official exchange rate. Political instability in neighboring countries led to an increase in refugees into Kenya. This, coupled with inadequate rainfall, put a strain on available stocks of food. Consequently, imports of food grew by 53 per cent and in particular, maize and sugar imports rose by over K£112 million and K£61 million, respectively. Higher imports of palm oil caused a 53 per cent increase in imports of animal, vegetable oils and fats. The privatization of parastatals slowed down government imports by 13 per cent while commercial imports grew by 13.1 per cent. The overall outurn was a 12 per cent growth in imports.

7.4. The combination of various export promotion measures and further depreciation of the Kenya shilling in 1992, encouraged domestic exports which grew by 11 per cent over the 1991 level. The bulk of this growth may be attributed to exports of minerals like cement, petrol and fluorspar as well as beer, tea, fruits and vegetables. The downward trend observed for re-exports in the last three years was reversed in 1992 with a growth in re-exports of machinery, beverages, cement, iron and steel. In the aggregate, there were similar rates of growth in both imports and exports leading to 11 per cent growth in the balance of trade deficit as shown in Table 7.1.

BALANCE OF TRADE. 1988 1992

Table 7.1 K£million

	1988	1989	1990	1991	1992*
EXPORTS (f. o. b) :					
Domestic Exports	917.72	999.84	1,232.36	1,533.83	1,708.06
Re-exports	34.16	19.90	11.65	18.29	34.18
Total	951.88	1,019.74	1,244.01	1,552.12	1,742.26
IMPORTS (c. i. f):					
Commercial	1,654.45	2,097.27	2,397.55	2,500.91	2,828.85
Government	110.70	141.70	148.08	145.00	126.01
TOTAL	1,765.15	2,238.97	2,545.63	2,645.91	2,954.86
BALANCE OF TRADE	-813.27	1,219.23	1,301.62	1,093.79	1,212.60

* Provisional

Price Changes

7.5. Prices of all major exports rose during 1992. Notable exceptions were sisal, wool, and hides and skins on the tanning side and some types of petroleum products and fluorspar on the mineral side. Table 7.2 sets out the export and import price indices since 1988. During 1992, all export categories recorded some rowth with the least

PRICE INDICES. 1988 1992

Table 7.2 1982 =100

	1988	1989	1990	1991	1992
EXPORTS:					
Food and live animals	171	162	167	218	240
Beverages and tobacco	185	209	256	300	327
Crude materials, inedible	138	198	213	244	260
Mineral fuels	84	104	136	184	207
Animal and vegetable oils and fats	137	205	284	323	325
Chemicals	161	178	212	234	264
Manufactured goods	129	154	155	213	265
Machinery and transport equipment	293	314	365	368	404
Miscellaneous manufactured articles	184	200	224	257	431
All Exports	145	156	169	216	244
Non-oil Exports	165	171	178	227	254
IMPORTS:					
Food and live animals	150	171	176	188	331
Beverages and tobacco	269	322	381	484	456
Crude materials, inedible	164	220	237	262	300
Mineral fuels	79	106	144	163	211
Animals and vegetable oils and fats	147	192	179	243	327
Chemicals	256	308	357	393	444
Manufactured goods	216	262	329	340	371
Machinery and transport equipment	208	239	289	321	341
Miscellaneous manufactured articles	193	202	278	307	318
All imports	164	198	238	265	307
Non-oil Imports	209	246	287	318	359

growth in animal and vegetable oils and fats and the fastest growth in miscellaneous articles. The 68 per cent rise in miscellaneous manufactures was caused by high export prices for footwear, sacks and bags of polymers and artificial flies. Higher prices of pneumatic tyres were behind the 24 per cent rise in the index for manufactured goods. Resulting from this performance was a 13 per cent rise in the overall export price index and a 12 per cent growth in non-oil price index.

7.6. The depreciation of the Kenya shilling and some rise in international prices pushed import prices up with the overall index going up by 16 per cent while non-oil import index rose by 13 per cent. A general decline of import prices for wines, beverages and tobacco resulted in the 6 per cent fall in the sectional index. Higher import prices for maize, wheat, hops, infant foods, milk powder, cheese and curd pushed the food index sharply up by 76 per cent. Palm oil import prices rose by nearly 50 per cent, making the index for animal and vegetable oils and fats grow by 35 per cent. The price of crude petroleum fell but the prices of petroleum products rose pushing the index up by 29 per cent.

Terms of Trade

7.7. Exports made up 33 per cent of total trade while the balance of 67 per cent went to imports. With the lower growth in export prices, relative to import prices, the terms of trade for all items deteriorated by 4 per cent from the 1991 level. However, the non-oil terms of trade remained virtually unchanged from 1991 to 1992.

TERMS OF TRADE. 1988 - 1992

Table 7.3 1982=100

	1988	1989	1990	1991	1992
All Items	88	79	71	82	79
Non-oil ltems	79	70	62	71	71

Volume Changes

7.8. Although agriculture led all other sectors in foreign exchange earnings, there was a general decline in the quantities of principal agricultural exports in 1992 as indicated in Table 7.6. Exports of coffee, tea and horticultural products declined by 7 per cent 5 per cent and 9 per cent, respectively, while those of sisal as well as hides and skins rose by 15 per cent and 49 per cent. This, however, is not reflected in Table 7.4 where the quantum index for food rose marginally by 2 per cent. The quantum index of exports of animal and vegetable oils more than doubled because of exports of vegetable fats and oils to Somalia. Moderate rates of growths were registered in crude inedible materials and manufactured goods. Higher export quantities for beer, mineral- waters and cigarettes resulted in a growth of 87 per cent in the beverages and tobacco index. Other areas recorded declines. Overall quantum index for all exports was unchanged, but the index for non-oil exports rose by a little over 4 per cent.

QUANTUM-INDICES, 1988 - 1992

Table 7.4 1982 =100

	1988	1989	1990	1991	1992
EXPORTS:					
Food and live animals	120	133	154	132	134
Beverages and tobacco	180	186	275	302	565
Crude materials, inedible	153	113	111	120	125
Mineral fuels	96	76	75	96	80
Animal and vegetable oils and fats	150	250	146	183	428
Chemicals	88	108	100	137	131
Manufactured goods	130	133	170	162	180
Machinery and transport equipment	53	59	25	34	67
Miscellaneous manufactured articles	122	130	181	233	118
All Exports	116	115	122	126	126
Non-oil Exports	121	127	143	135	141
IMPORTS:					
Food and live animals	69	107	217	148	211
Beverages and tobacco	63	59	62	85	85
Crude materials, inedible	178	157	158	176	194
Mineral fuels	98	101	104	94	91
Animals and vegetable oils and fats	165	141	150	154	175
Chemicals	126	118	97	113	115
Manufactured goods	125	127	108	112	99
Machinery and transport equipment	134	152	135	95	92
Miscellaneous manufactured articles	107	128	98	114	112
All imports	119	125	119	111	107
Non-oil Imports	128	135	126	119	114

7.9. Reduced imports of refined petroleum, manufactured goods mainly rubber and its products, paper and paper products and chemical products offset .the 43 per cent growth recorded for the 'food and live animals' index due to increased imports of milk and cream, wheat, rice and maize. As a result, there was a 4 per cent decline in the overall quantum index of imports. Machinery and transport equipment index declined by 3 per cent which was an improvement over the 30 per cent drop recorded in the previous year. The non-oil quantum index fell by 4 per cent as a result of the fall recorded for manufactured goods, miscellaneous manufactured articles, and machinery and transport equipment.

Composition of Exports

7.10. Table 7.5 gives the classification of exports by Broad Economic Categories (BEC). The value of exports of food and beverages for household consumption grew from K£580 million in 1991 to K£708 million in 1992 or by 22 per cent. This was brought about by the increased exports of mineral waters, beer, coffee and tea.

TOTAL EXPORTS * BY BROAD ECONOMIC CATEGORY. 1988 1992

Table 7.5 K£million

	1987	1988	1989	1990	1991	1992**
1. FOOD AND BEVERAGES	451.85	546.37	598.18	744.06	817.73	929.12
Primary	402.81	492.58	525.16	637.74	678.06	758.14
For Industry	196.97	248.00	208.70	226.27	228.93	210.51
For Household Consumption	205.84	244.58	316.46	411.47	449.13	547.63
Processed	49.04	53.79	73.03	106.32	139.67	170.98
For Industry	3.03	5.49	4.98	4.41	9.26	10.14
For Household Consumption	46.01	48.30	68.05	101.91	130.41	160.64
2. INDUSTRIAL SUPPLIES (Non-Food)	147.20	194.38	219.49	245.59	320.58	371.51
Primary	85.04	113.71	110.47	118.59	121.46	127.99
Processed	62.16	80.66	109.02	127.00	199.12	243.52
3. FUEL AND LUBRICANTS	101.20	118.34	114.47	150.42	266.09	246.50
Primary	0.03	-	0.03	0.03	0.01	0.02
Processed	101.18	118.34	114.45	150.39	266.08	246.48
Motor Spirit	24.56	25.45	9.06	18.24	28.82	34.09
Other	76.62	92.89	105.39	132.15	237.26	212.39
4. MACHINERY & OTHER CAPITAL EQUIPMENT	4.06	5.61	6.53	6.90	10.52	13.76
Machinery & Other Capital Equipment	3.36	4.55	5.94	5.79	9.34	12.14
Parts and Accessories	0.70	1.06	0.59	1.11	1.18	1.63
5. TRANSPORT EQUIPMENT	4.14	5.34	4.52	2.62	4.35	8.06
Passenger Motor Vehicles	0.38	0.09	0.06	0.15	0.40	0.08
Other	0.89	1.63	2.12	0.39	0.26	1.44
For Industry	0.78	1.61	2.07	0.36	0.20	1.39
Non-Industrial	0.11	0.02	0.05	0.03	0.06	0.05
Parts and Accessories	2.87	3.63	2.34	2.07	3.69	6.54
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED.	44.72	47.52	56.54	82.23	113.45	139.13
Durable	1.30	1.36	1.31	9.11	1.68	2.07
Semi-Durable	9.13	12.71	12.15	18.54	28.61	35.76
Non-Durable	34.29	33.45	43.07	54.57	83.15	101.31
7. GOODS NOT ELSEWHERE SPECIFIED	0.24	0.18	0.10	0.56	1.11	
TOTAL	753.41	917.74	999.83	1,232.38	1,533.83	1,708.08
PERCENTAGE SHARES:						
1. Food and Beverages	59.97	59.53	59.84	60.36	53.31	54.40
2. Industrial Supplies (Non-Food)	19.54	21.18	21.95	19.93	20.90	21.75
3. Fuel and Lubricants	13.43	12.90	11.45	12.21	17.35	14.43
4. Machinery and other Capital Equipment	0.54	0.61	0.65	0.56	0.70	0.81
5. Transport Equipment	0.55	0.58	0.45	0.21	0.28	0.47
6. Consumer Goods not elsewhere specified	5.94	5.18	5.65	6.67	7.40	8.14
7. Goods not elsewhere specified	0.03	0.02	0.01	0.05	0.06	
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

* Excluding Re-exports.

** Provisional.

Resulting from this performance in exports of food and beverages, their total share of export earnings rose marginally from 53 per cent in 1991 to 54 per cent in 1992. The

non-food industrial supplies exports rose from K£321 million in 1991 to K£372 million in 1992. This 16 per cent growth resulted mainly from growth in exports of tobacco, wool, hides and skins. The share of this group in total export earnings rose, marginally from 21 per cent to 22 per cent in 1992.

QUANTITIES OF PRINCIPAL EXPORTS. 1988 - 1992

Table 7.6

Commodity	unit	1988	1989	1990	1991	1992*
Coffee	Tonnes	90,831	98,041	114,384	84,191	78,147
Tea		138,201	163,279	166,405	175,557	166,518
Petroleum Products	Mn. Lt	828	646	638	767	769
Pyrethrum Products	Tonnes	488	540	453	442	241
Meat products		71	401	1,585	2,153	401
Sisal		30,937	32,856	30,125	27,743	32,026
Hides and Skins		17,580	10,153	1,093	274	410
Soda Ash		228,384	206,812	185,179	197,427	163,521
Fluorspar		98,105	81,204	88,229	55,679	66,538
Cement		346,640	313,884	329,539	304,917	392,144
Maize(raw)		167,237	110,241	159,883	18,720	417
Horticulture **		161,754	134,178	188,825	169,292	154,112
Butter and ghee		225	262	418	49	75
Cotton (raw)						
Wool		795	445		2	983
Animal feeds		7,532	11,238	7,938	34,692	14,219

* Provisional.

** Horticulture includes cut flowers, fruits and vegetables, both fresh and processed.

7.11. Exports of consumer goods not elsewhere specified increased by 23 per cent. This was caused mainly by increased exports of wood carvings in the semi-durable goods category, which grew by 25 per cent from the 1991 level, and exports of cigars and cigarettes in the non-durable category, which increased by 22 per cent. Other notable growth rates were recorded for machinery and transport equipment whose combined value rose from K£15 million in 1991 to K£22 million in 1992, mostly because of exports of tyres to Uganda. Their share in total earnings increased marginally to 1 per cent.

7.12. Prices of refined petroleum products in Kenya remained relatively high, thereby dampening demand from the traditional markets in Uganda, Rwanda and Burundi. The result was that export earnings from fuels and lubricants declined by 7 per cent, with a fall in its share in total export earnings from 17 per cent in 1991 to 11 per cent in the year under review.

Unit Prices

7.13. There was a general rise in the domestic export prices of major agricultural commodities as shown in Table 7.7. Coffee price rose by 2 per cent to settle at shillings

EXPORT PRICES. 1988 - 1992

Table 7.7 KSh./Unit

Commodity	Unit of Quantity	1988	1989	1990	1991	1992*
Coffee, unroasted	Kg.	53.89	41.62	38.64	51.94	52.81
Tea	Kg.	26.81	33.30	37.80	43.48	57.04
Petroleum Products	1,000 Lt.	2,664.42	3,155.53	4,398.86	6,644.80	6,130.00
Maize(raw)	100Kg.	259.13	282.40	258.56	513.23	3,631.22
Meat and meat products	Kg.	52.64	63.47	70.45	39.67	104.70
Pyrethrum Extract	Kg.	693.59	1,619.75	1,936.82	2,214.15	3,035.76
Sisal	100Kg.	771.48	989.66	1,257.49	1,273.51	1,089.04
Hides and Skins(undressed)	Kg.	29.70	26.76	21.71	46.22	46.07
Wattle extract	Kg.	12.98	14.38	17.52	21.77	24.63
Soda Ash	100Kg.	163.00	213.92	263.04	313.72	333.35
Fluorspar	100Kg.	119.29	156.08	190.88	251.01	212.11
Cement	100Kg.	60.02	69.77	76.60	106.65	124.60
Horticulture	Kg.	14.14	16.72	16.94	21.84	27.15
Wool	Kg.	48.75	57.26		93.84	29.06
Animal feeds	100Kg.	164.50	199.70	189.31	193.05	282.86
Cotton(raw)	Kg.	39.04		38.00	25.41	60.00
Butter and ghee	Kg.	30.05	34.34	32.15	32.33	49.55
Wattle bark	100Kg.	878.33	320.40	339.29	403.67	

* Provisional.

EXPORT CHANGE IN VALUE. QUANTITY AND PRICE * 1991-1992

Table 7.8

Commodity	VALUE K£'000			PERCENTAGE CHANGE IN		
	1991	1992**	Changes	Value	Quantity	Price
Coffee, unroasted	218,428.4	206,339.0	-12,089.4	5.54	-7.18	1.68
Tea	381,630.5	474,907.6	93,277.1	24.44	-5.15	31.19
Petroleum products	254,959.4	235,928.2	-19,031.2	7.46	0.23	-7.75
Meat and meat products	4,269.6	2,096.9	-2,172.7	-50.89	-81.39	163.93
Pyrethrum extract	32,239.2	36,568.6	4,329.4	13.43	17.27	37.11
Sisal	17,665.3	17,438.6	-226.7	-1.28	15.44	14.49
Hides and skins (undressed)	633.8	944.5	310.7	49.02	49.52	-0.32
Wattle extract	7,375.6	9,931.3	2,555.5	34.65	-88.10	13.14
Soda ash	30,969.2	27,255.1	-3,714.1	-11.99	-17.18	6.26
Fluorspar	6,988.0	7,056.6	68.6	0.98	19.50	5.50
Cement	16,260.7	24,431.4	8,170.7	50.25	28.61	16.83
Horticulture	184,833.6	209,203.0	24,369.4	13.18	-8.97	24.31
Animal feeds	3,348.8	2,011.0	-1,337.8	39.95	-59.01	46.52
Cotton (raw)	0.1	0.1	0.0			136.13
Wood carvings	2,760.9	4,222.8	1,461.9	52.95	35.44	12.85
Metal scrap	3,723.9	6,453.4	2,729.5	73.30	86.12	-6.88
All other Commodities	367,743.7	443,296.6	75,552.9	20.55		
TOTAL	1,533,830.9	1,708,084.7	174,253.8	11.36		

* Excluding Re-exports

** Provisional

52.81 per kilogram which is 14 per cent below the peak price during the 1986 coffee boom. The price of tea has maintained an uninterrupted growth since it last faltered in 1987, with a rise of 31 per cent in 1992, mostly because of the good quality of Kenya tea. A similar trend has been maintained for pyrethrum products, wattle extract and horticulture. For the first time in history, tea and horticultural earnings ranked higher than coffee earnings despite the fall in export quantity for all the three products.

7.14. There was mixed fortune for mineral exports where cement and soda ash registered price rises of 17 per cent and 6 per cent, respectively, while fluorspar and petroleum products recorded price drops of 15 per cent and 8 per cent in that order. The unit price for a 100 kilogram of soda ash and cement has maintained uninterrupted growth since 1986, with both having doubled since 1988. Much of the price rise for these products, is due, of cause, to depreciation of the Kenya Shilling over the period.

Composition of Imports

7.15. Table 7.9 depicts composition of imports by BEC, while Table 7.10 highlights some selected commodity imports. The 27 per cent rise in the import value for fuels and lubricants was occasioned by increased imports of crude petroleum and coal, while imports of motor spirit and lubricating oils account for the 41 per cent rise in imports of processed fuels. Fuels and lubricants have taken the second spot in share of total spending for imports from capital equipment, whose decline by 13 per cent may be attributed to completion of major projects requiring capital investment. Transport was affected by a reduction of imports of motor vehicle spares and accessories, motor vehicle chassis as well as passenger motor cars.

7.16. Industries and households imported raw as well as processed products, resulting in a rise of 88 per cent most of which was palm oil for industrial use. The increased importation of crude inedible material, mainly iron and steel were behind the K£115 million growth in non-food industrial imports. This is the most dominant section in imports, showing that there is continued dependence on foreign inputs for local industries.

Direction of Trade

7.17. Kenya has maintained her traditional trading partners, with Western Europe being dominant in both imports and exports. Political instability in parts of Europe, however, adversely affected trade between Kenya and Europe. While exports to EEC countries grew by 9 per cent, exports to non-EEC Western Europe and Eastern Europe declined by 11 per cent and 67 per cent respectively. Europe imports foods and industrial raw materials from Kenya while exporting machinery, chemicals and various manufactured goods to Kenya.

7.18. Kenya exported 40 per cent of all meat and 38 per cent of coffee to Germany, 41 per cent of tea and 19 per cent of horticultural products to UK and 44 per cent of all leather exports to Italy. Italy exported to Kenya telephone sets and milling machinery;

TOTAL IMPORTS BY BROAD ECONOMIC CATEGORY, 1988 - 1992

Table 7.9 K£million

	1988	1989	1990	1991	1992*
1. FOOD AND BEVERAGES	100.97	141.30	179.58	119.76	225.07
Primary	28.82	30.33	68.74	54.38	49.42
For Industry	13.95	28.00	68.32	53.44	47.13
For Household Consumption	14.87	2.34	0.42	0.94	2.29
Processed	72.14	110.97	110.84	65.39	175.65
For Industry	60.21	70.77	77.85	24.51	107.44
For Household Consumption	11.93	40.20	32.98	40.87	68.21
2. INDUSTRIAL SUPPLIES (Non-Food)	641.60	757.80	812.68	994.98	1,109.97
Primary	21.86	29.50	33.84	43.85	173.71
Processed	619.74	728.30	778.83	951.13	936.26
3. FUEL AND LUBRICANTS	245.91	346.68	489.74	494.66	627.59
Primary	215.75	305.42	430.90	449.25	563.64
Processed	30.17	41.27	58.84	45.41	63.95
Motor Spirit	5.93	3.04	5.83	9.09	12.28
Other	24.24	38.22	53.01	36.31	51.67
4. MACHINERY AND OTHER CAPITAL EQUIPMENT	414.27	476.48	634.14	608.65	599.65
Machinery and Other Capital Equipment	259.57	342.20	476.14	460.77	453.15
Parts and Accessories	154.70	134.28	158.00	147.88	146.50
5. TRANSPORT EQUIPMENT	267.19	393.92	315.50	293.03	237.98
Passenger Motor Vehicles	43.24	62.74	69.57	80.46	79.36
Other	137.98	237.49	142.89	118.73	92.57
Industrial	132.44	231.88	136.01	108.73	82.28
Non-Industrial	5.54	5.61	6.88	10.00	10.29
Parts and Accessories	85.98	93.69	103.04	93.84	66.05
6. CONSUMER GOODS NOT ELSEWHERE SPECIFIED	93.91	116.86	110.51	132.55	149.07
Durable	20.96	28.62	22.13	24.11	20.68
Semi-Durable	16.66	17.68	19.63	20.20	22.50
Non-Durable	56.29	70.55	68.75	88.25	105.90
7. GOODS NOT ELSEWHERE SPECIFIED	1.30	5.93	3.49	2.28	5.53
TOTAL	1,765.14	2,238.97	2,545.64	2,645.91	2,954.86
PERCENTAGE SHARES:					
1. Food and Beverages	5.72	6.31	7.05	4.53	7.62
2. Industrial Supplies (Non-Food)	36.35	33.86	31.93	37.60	37.56
3. Fuel and Lubricants	13.93	15.48	19.24	18.70	21.24
4. Machinery and other Capital Equipment	23.47	21.28	24.91	23.00	20.29
5. Transport Equipment	15.14	17.59	12.39	11.07	8.05
6. Consumer Goods not elsewhere specified	5.32	5.22	4.34	5.01	5.05
7. Goods not elsewhere specified	0.07	0.26	0.14	0.09	0.19
TOTAL	100.00	100.00	100.00	100.00	100.00

* Provisional.

France sold parts of electric machines, solar cells, lubricating oils, motor vehicles and fungicides; UK exported goods like lifting machinery, tanning machines, tractors, insecticides, tar sands and books, while Germany sold various machinery, iron and steel products, motor vehicles and fungicides. Elsewhere in Europe, medicine was imported from Belgium, Netherlands and Switzerland; fertilizers were imported from Finland and Norway; machinery for extraction of animal and vegetable oils and fats came from Belgium, extruding machines from Austria and dairy machinery from Finland.

SELECTED IMPORTS. 1988 - 1992

Table 7.10 K£million

	1988	1989	1990	1991	1992*
Crude Petroleum	210.43	299.10	421.97	441.71	549.39
Industrial Machinery (including Electrical)	395.45	460.20	596.77	569.97	506.35
Iron and Steel	120.64	151.96	164.82	177.2	182.87
Motor Vehicle and Chassis	138.06	174.96	195.16	184.46	144.51
Petroleum Products refined	30.02	40.14	55.61	44.12	62.49
Artificial Resins and Plastic Materials and Cellulose Esters and Ethers	80.92	75.66	83.46	105.90	108.98
Pharmaceauticals	43.73	56.18	57.61	75.38	96.95
Fertilizers	49.18	69.41	33.28	62.63	75.13
Agricultural Machinery and Tractors	29.48	26.92	27.99	33.83	37.09
Wheat	10.00	22.81	62.68	48.70	34.09
Paper and Paper Products	36.22	47.60	40.95	46.38	48.03
Rice	2.71	10.54	9.03	29.36	28.46

* Provisional

7.19. Trade with African countries has remained low. Exports to African countries have steadily improved since 1990 when they were 22 per cent of total exports to 27 per cent in 1992. However, imports have remained around 3 per cent which may be explained by the fact that most African countries are producers of raw materials for use in industries in developed countries. Some notable commodities of trade with African countries were fertilizer imports from Morocco and tea exports to Egypt. Increased exports to the PTA countries, however, were the main thrust behind the 23 per cent expansion in exports to African countries. Although imports from Africa grew by 19 per cent, Kenya has continued to enjoy favorable trade with other African countries.

7.20. Exports to PTA countries grew by 29 per cent. All countries recorded some rise except for Rwanda, Malawi and Swaziland. There was decline in exports of soda ash to Swaziland and petroleum products to Rwanda. Famine and factional war in Somalia caused a threefold increase in exports to Somalia, mostly food and medicine. Kenya has maintained favorable trade with most PTA members because of exports of cement, medicaments, essential oils, chemicals, and iron and steel. Zambia and Zimbabwe continued to enjoy favorable balance of trade with Kenya. Zambia exported non-alloy zinc to Kenya while Zimbabwe exported iron, steel and their products. Swaziland has maintained her exports of coal to Kenya with trade in her favour.

DESTINATION OF TOTAL EXPORTS *. 1988 1992

Table 7.11 K£million

	1988	1989	1990	1991	1992**
EEC:					
United Kingdom	186.93	198.71	218.34	266.88	319.22
West Germany	114.65	88.75	137.87	123.54	113.32
Italy	32.76	27.07	27.83	39.20	55.51
France	17.54	21.36	30.37	40.35	46.23
Netherlands	48.82	49.74	69.92	66.38	70.94
Other	52.56	61.78	67.07	96.27	86.09
TOTAL	453.26	447.41	551.40	632.62	691.31
Other Western Europe, Total	43.64	42.01	52.80	59.42	53.36
Eastern Europe, Total	5.97	20.12	19.78	29.2	0.97
U.S.A	46.24	49.38	42.60	57.83	63.29
CANADA	8.61	10.02	10.85	10.33	11.49
AFRICA					
Tanzania	24.28	27.48	32.26	54.13	80.99
Uganda	83.70	65.92	64.04	107.25	122.84
Zambia	5.58	2.82	3.29	4.02	5.76
Other	130.32	130.91	170.24	214.89	259.90
TOTAL	243.88	227.13	269.83	380.29	469.49
MIDDLE EAST:					
Saudi Arabia	9.73	8.93	10.51	11.04	11.91
United Arab Emirates	2.15	2.71	5.67	5.04	4.69
Iran	0.23	0.72	3.40	5.01	0.82
Other	11.46	16.90	28.67	25.76	33.14
TOTAL	23.57	29.26	48.25	46.85	50.56
FAR EAST AND AUSTRALIA:					
Australia	4.73	5.68	4.35	6.84	6.63
Japan	13.72	12.17	15.13	15.05	23.77
India	5.46	6.59	19.46	9.07	11.25
China(Mainland)	2.63	2.68	0.46	1.12	3.13
Other	50.40	97.54	116.29	142.00	191.47
TOTAL	76.94	126.66	155.69	174.88	236.25
ALL OTHER COUNTRIES	0.75	0.67	1.77	6 72	11.84
Aircraft and Ships Stores	49.04	67.09	91.04	180.26	153.70
ALL EXPORTS	951.90	1,019.75	1,244.01	1,552.12	1,742.26

* Excluding gold and currency but including Re-Exports

** Provisional.

7.21. The rise in exports to the Middle East stemmed from exports of animal feeds and cut flowers to the United Arab Emirates, fish to Israel and soda ash to Saudi Arabia. Imports of palm oil from Malaysia, rubber from Indonesia, electric machinery, electronic components, motor vehicles and spares from Japan, caused a 12 per cent

growth in imports. The only notable exports were fluorspar to Japan. There was, however, a 35 per cent rise in exports to the Far East, but Kenya registered adverse trade with these countries.

ORIGIN OF TOTAL IMPORTS. 1988 - 1992

Table 7.12 K£million

	1988	1989	1990	1991	1992*
E.E.C:					
United Kingdom	333.69	351.04	466.71	430.33	338.37
West Germany	167.31	198.77	199.69	228.99	199.66
France	108.87	196.66	141.79	150.71	154.95
Italy	63.92	100.13	119.59	91.92	87.83
Netherlands	86.22	64.78	87.48	60.43	75.23
Other	82.20	101.51	129.10	148.99	139.39
TOTAL	842.21	1,012.89	1,144.36	1,111.37	995.43
Other Western Europe, Total	98.22	121.05	138.33	111.06	124.82
Eastern Europe, Total	18.75	25.57	17.95	24.09	18.18
U.S.A	88.31	164.21	114.36	132.06	243.43
CANADA	8.80	5.64	15.71	24.41	21.30
AFRICA:					
Tanzania	6.04	13.26	12.51	11.29	14.45
Uganda	1.27	1.06	1.31	2.65	7.77
Zambia	3.80	8.89	10.42	11.03	15.65
Other	41.72	49.96	51.42	54.04	56.19
TOTAL	52.83	73.17	75.66	79.01	94.06
MIDDLE EAST:					
United Arab Emirates	201.44	253.33	339.24	328.84	482.08
Saudi Arabia	15.66	42.45	123.35	133.03	71.51
Iran	14.90	0.13	36.16	39.84	53.16
Other	21.32	53.79	25.39	26.63	37.85
TOTAL	253.32	349.70	524.14	528.34	644.60
FAR EAST AND AUSTRALIA:					
Japan	216.56	245.53	228.51	303.55	278.49
Australia	7.83	11.30	8.15	9.75	10.53
India	28.76	41.76	44.99	50.35	85.55
China(Mainland)	19.72	19.53	22.15	24.85	29.36
Other	123.22	159.70	160.33	209.19	272.02
TOTAL	396.09	477.82	464.13	597.69	675.95
ALL OTHER COUNTRIES	6.61	8.93	50.99	37.88	137.09
Parcel Post and Special Transactions				-	-
TOTAL	1,765.14	2,238.98	2,545.63	2,645.91	2,954.86

* Provisional.

7.22. The share of exports to the USA remained low at 3 per cent while imports from the same country stood at 9 per cent of the total. In addition to the many manufactured imports from the USA, cereals, sugar, agricultural inputs like chemical fertilizers, insecticides and fungicides, paper and books were particularly important in explaining the doubling of imports from there. Fluorspar was the major export to the USA.

TRADE WITH AFRICAN COUNTRIES, 1988 - 1992

Table 7.13 K£'000

	EXPORTS					IMPORTS				
	1988	1989	1990	1991	1992*	1,988	1989	1990	1991	1992*
Preferential Trade Area**										
Uganda	83,696	65,919	64,043	107,250	122,844	1,266	1,063	1,314	2,651	7,765
Tanzania	24,284	27,476	32,264	54,126	80,985	6,044	13,263	12,508	11,286	14,448
Zambia	5,584	2,822	3,292	4,023	5,763	3,803	8,894	10,419	11,034	15,647
Ethiopia	6,355	8,993	11,762	14,192	18,581	1.278	153	57	72	136
Burundi	11,643	6,344	7,938	14,548	10,875	3,043	365	1,050	139	1,104
Somalia	6,988	7,996	23,433	17,554	49,124	68	1,002	62	69	226
Rwanda	23,405	16,865	18,259	29,347	22,468	9,961	1,584	431	59	30
Malawi	2,495	1,032	1,667	2,425	2,421	286	57	743	217	54
Mauritius	2,327	2,867	8,823	6,258	9,847	325	285	373	2,585	1,624
Swaziland	1,355	1,320	1,280	2,437	268	4,836	5,694	9,167	8,173	14,377
Zimbabwe	9,337	10,706	12,566	6,796	14,086	16,291	26,945	26,839	19,545	25,671
Comoros	481	401	2,385	5,952	6,960	-	-	-	-	26
Djibouti	1,096	1,025	1,089	4.899	5,914	55	1	1,095	183	10
Mozambique	9,065	2,239	1,378	2,132	506	2,163	409	4,321	1,667	37
Angola	1,019	860	8,649	28	434		3	-	1	3
Lesotho	11	262	47	48	271	-	1	1,561	37	13
TOTAL P.T.A	189,141	157,127	198,875	272,015	351,347	49,419	59,719	69,940	57,718	81,171
Other African Countries:										
Sudan	21,774	20,970	20,110	28,848	20,382	62	7	62	83	2,531
Zaire	10,734	6,742	6,365	16,251	13,086	586	150	419	3,177	1,189
Egypt	10,045	10,844	27,224	46,151	66,901	524	374	69	8,549	169
Algeria and Libya	227	206	400	367	32	10	1	5	63	-
Ghana and Nigeria	1,436	2,117	3,060	3,563	6,485	753	197	4,450	537	1,016
Reunion	5,795	7,477	7,024	5,521	5,445	-	-	139	-	1
Madagascar and Seycelles	1,860	17,838	2,659	2,711	3,065	23	117	145	244	153
All Other African Countries	2,869	3,814	4,109	4,859	2,749	1,451	12,606	429	8,642	7,835
TOTAL	54,740	70,008	70,951	108,271	118,145	3,409	13,452	5,718	21,295	12,894
TOTAL AFRICA	243,881	227,135	269,826	380,286	469,492	52,828	73,171	75,658	79,013	94,065
Percentage of all Exports/Imports	25.6	22.3	21.7	24.5	26.9	3.0	3.3	3.0	3.0	3.2

* Provisional.

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

Balance of payments

7.23. Despite the Central Bank of Kenya(CBK) records showing a surplus of K£158 million in the balance of payments position in 1992, a large deficit was registered after making adjustments for arrears in debt servicing. Thus the overall balance used here is

*KENYA BALANCE OF PAYMENTS, 1990 -1992

Table 7.14 K£million

	1990+			1991*			1992*		
	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net	Debits/ Assets	Credits/ liabilities	Net
A. -CURRENT ACCOUNT									
1. Merchandise (f.o.b.)	2,297.61	1,157.75	Dr.1,139.86	2,334.94	1,449.44	Dr. 885.50	2,568.51	1,617.31	Dr. 951.20
2. Shipment	367.83	58.37	Dr. 309.46	373.81	66.77	Dr. 307.04	411.20	88.48	Dr. 322.72
3. Other Transportation	122.13	322.83	200.70	162.75	442.37	279.62	168.23	474.64	306.41
4. Foreign Travel	43.86	533.30	489.44	33.06	593.80	560.74	46.06	712.71	666.65
5. International Investment Income	480.09	5.30	Dr. 424.79	593.15	7.90	Dr. 585.25	573.40	2.75	Dr. 570.65
6. Other goods, services and income : Government	116.88	417.80	300.92	124.95	378.33	253.38	124.83	473.30	348.47
7. Other goods, services & income Private	155.64	63.44	Dr. 92.20	183.43	92.20	Dr. 91.23	187.26	97.93	Dr. 89.33
8. Unrequited transfers-Government	6.03	243.03	237.00	6.35	287.65	281.30	7.30	352.40	345.10
9. Unrequited transfers-Private	58.07	250.47	192.40	64.43	263.00	198.57	305.01	415.00	109.99
TOTAL CURRENT ACCOUNT	3,648.14	3,052.29	Dr. 595.85	3,876.87	3,581.46	Dr.295.41	4,391.80	4,234.52	Dr 157.28
of which: Visible Balance	2,297.61	1,157.75	Dr.1,139.86	2,334.94	1,449.44	Dr. 885.50	2,568.51	1,617.31	Dr. 951.20
Invisible Balance	1,350.53	1,894.54	544.01	1,541.93	2,132.02	590.09	1,823.29	2,617.21	793.92
B. -CAPITAL ACCOUNT									
10.Government Long-term	-	105.13	105.13		115.30	115.30		Dr.104.35	Dr. 104.35
11.Private Long-term	3.26	81.18	77.92	6.05	59.59	53.54	5.11	Dr.19.52	Dr. 24.63
12.Parastatals Long-term	-	72.64	72.64		19.25	19.25		Dr.132.15	Dr. 132.15
13. Short-term	-	170.70	170.70		Dr. -23.7	Dr. 23.70		Dr. 6.90	Dr. 6.90
TOTAL CAPITAL ACCOUNT	3.26	429.65	426.39	6.05	170.44	164.39	5.11	Dr .262.92	Dr. 268.03
C. -ERRORS AND OMISSIONS			0.52			Dr. 12.27			Dr. 7.71
D. -OVERALL BALANCE			Dr. 168.94			Dr. 143.29			Dr. 433.02
E. -MONETARY MOVEMENTS									
14. Change in reserves**	Cr 25.16		25.16	Cr.45.17		45.17	240.17		Dr. 240.17
15.Transactions with I.M.F		117.00	117.00		120.52	120.52		41.65	41.65
16.Change in other liabilities		26.78	26.78		Dr. 22.40	Dr. 22.40		631.54	631.54
TOTAL MONETARY MOVEMENTS	Cr 25.16	143.78	168.94	Cr.45.17	98.12	143.29	Cr 351.23	673.19	433.02

* Provisional.

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

* Revised.

on accrual basis and not on cash basis. The CBK has used the latter. The deficit was recorded due to heavy debt service payment obligation, not-withstanding increased earnings from exports of goods and services such as other transportation and tourism, substantial foreign inflows as grants and financial inflows related to Foreign Exchange Bearer Certificates (Forex-c) introduced towards the end of 1991.

7.24. Table 7.14 and 7.15 show the details of the balance of payments changes in the last three years. A deficit of K£433million on overall balance was recorded in 1992 compared to a deficit of K£143 million in 1991. The current account deficit has continued to contract since 1989. Over 1992, it contracted by £138 million, from K£295 million in 1991 to K£157 million . Merchandise export earnings registered an increase of K£168 million from K£1,449 million in 1991 to K£1,617 million in 1992. Tourism earnings increased by 20 per cent from K£594 million in 1991 to K£713 million in 1992. This increase can largely be accounted for by the depreciation of the Kenya shilling.

7.25. The balance of invisible transactions improved by registering a net surplus of K£794 million in 1992 compared with that of K£590 million in 1991.

7.26. Table 7.15 shows continuing decline in public and private long term capital. The deterioration reflects substantial public debt redemption payments and decline in capital inflows during the year 1992.

CHANGES IN KENYA BALANCE OF PAYMENTS MAGNITUDES*, 1990 - 1992

Table 7.15 K£million

		1990	1991	1992
1.	Exports (f.o.b.)* *	+205.10	+291.69	+167.87
2.	Imports(f.o.b.) **	277.99	-37.33	-233.57
3.	Services(net)	+37.18	-4.38	+228.61
4.	Transfers (net)	+35.86	+50.47	-24.78
5.	Change on current account	+0.15	+300.44	+138.13
6.	Private long term capital (net)	+15.33	-24.38	-78.17
7.	Public long term capital (net)	-378.67	-43.22	-371.05
8.	Change on basic balance (net balance on lines 5-7)	-363.19	+232.84	-311.09
9.	Short term capital, errors and omissions (net)	+113.73	-207.19	+21.36
10.	Net change on all above items (Monetary movements)	-249.46	+25.65	-289.73

* 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.

7.27. As indicated in Table 7.16, net foreign reserves holding at the Central Bank increased by 20 per cent during 1992 to K£272 million from K£227 million in 1991. However, the position as shown in Table 7.14, indicating monetary movements, is that the country recorded an increase in reserves equivalent to K£240 million.

CENTRAL MONETARY AUTHORITIES:FOREIGN EXCHANGE RESERVES, 1988 - 1992

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
1988	0.65	258.42	4.16	254.91	3.64	258.55	177.02	540.43	-363.41	46.11
1989	11.50	323.76	24.08	311.18	12.20	323.38	202.94	479.36	-276.42	52.87
1990	4.22	296.56	24.65	276.13	9.23	280.31	241.67	441.08	-199.41	62.95
1991	4.50	229.15	6.47	227.18	11.39	231.95	284.83	461.49	-176.66	74.20
1992										
January	4.81	249.42	6.17	248.06	11.18	253.33	286.26	445.83	-157.57	74.57
February	9.04	239.61	6.18	242.47	10.40	247.00	287.69	444.29	-156.60	74.94
March	5.43	256.39	5.98	255.84	10.50	260.42	292.10	443.05	-150.95	76.09
April	7.45	266.20	6.77	266.88	11.97	272.46	307.02	446.40	-138.01	79.98
May	12.60	214.84	6.13	221.31	11.97	227.04	312.89	452.61	-139.72	81.51
June	4.33	214.49	7.77	211.05	9.40	217.19	329.47	461.95	-132.48	85.83
July	7.97	187.83	7.14	188.66	9.61	190.10	333.81	447.08	-113.27	86.96
August	9.06	219.32	7.74	220.64	12.53	224.74	345.32	462.49	-117.17	89.95
September	5.46	319.96	7.39	318.03	12.53	321.80	348.78	457.51	-108.73	90.85
October	7.94	315.49	6.02	317.41	10.96	323.50	352.27	437.51	-85.07	91.76
November	14.61	284.23	6.26	292.58	11.22	294.92	352.27	437.34	-85.07	91.76
December	8.73	269.80	6.28	272.25	11.35	274.48	497.14	570.22	-73.08	92.22

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.

International Liquidity

7.28. Table 7.16 shows that liabilities other than to the International Monetary Fund (IMF) fell slightly from K£6.47 million in 1991 to K£6.28 million at the end of 1992. Special Drawing Rights (SDR) fluctuated throughout 1992 with peaks in May and November. The IMF holding of the Kenya currency rose from K£461 million in 1991 to K£570 million in 1992. Table 7.14 shows credit in transactions with the IMF. This is mainly due to change in valuation since there was net repayment to IMF of SDR 58.7 million. (K£ 84.1 million). The growth in reserves was due mainly to the accumulation of debt service arrears. In addition, changes in the value of the shilling against foreign currencies in which the reserves are held affected the value of the reserve holdings in local currency.

FOREIGN EXCHANGE RATES OF KENYA SHILLING FOR SELECTED CURRENCIES. 1987 - 1992

Table 7.17

CURRENCY	MEAN RATES IN KENYA SHILLINGS					
	31st Dec. 1987	31st Dec. 1988	31st Dec. 1989	31st Dec. 1990	31st Dec. 1991	31st Dec. 1992
1 US Dollar	16.515	18.599	21.601	24.084	28.074	36.216
1 Pound Sterling	30.685	33.302	34.670	46.470	52.428	54.705
1 Deutsche Mark	10.357	10.408	12.812	16.131	18.466	22.381
1 French Franc	3.059	3.051	3.747	4.743	5.410	6.568
1 Swiss Franc	12.802	12.293	14.036	18.904	20.711	24.721
1 Dutch Guilder	9.203	9.217	11.341	14.298	16.401	19.924
1 Swedish Kroner	2.830	3.023	3.485	4.288	5.060	5.124
1 Norwegian Kroner	2.632	2.825	3.286	4.115	4.697	5.235
1 Zambian Kwacha**	2.912		1.033	0.509	0.314	0.102
1 Austrian Schilling	1.472	1.480	1.821	2.287	2.627	3.191
1 Belgian Franc	0.493	0.496	0.608	0.781	0.897	1.090
1 Danish Kronor	2.683	2.694	3.289	4.175	4.752	5.793
1 Canadian Dollar	12.686	16.606	18.681	20.764	24.246	28.553
1 Finish Marka	4.158	4.447	5.352	6.673	6.788	6.923
1 Australian Dollar	11.911	15.897	17.162	18.598	21.331	24.971
100 Japanese Yen	13.400	14.800	15.032	17.860	22.352	29.066
100 Italian Lira	1.404	1.414	1.710	2.134	2.441	2.455
1 Indian Rupee	1.286	1.240		1.326	1.085	1.399
1 Pakistan Rupee						
100 Burundi Francs**	16.475	17.615	12.552	14.663	14.691	15.371
100 Rwanda Francs**	22.474	24.032	27.829	19.885	23.436	24.760
Overall Weighted Index*						
1982=100	165.3	177.6	199.0	243.6	281.7	314.6

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

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

7.29. Foreign exchange rates of the Kenya shilling for selected currencies are shown in Table 7.17. The Shilling depreciated against all the foreign currencies except the Zambian Kwacha. It depreciated by 22 per cent against the US Dollar, 4 per cent

7.30. The shilling depreciated by 17 per cent from 1 SDR = 37.729 at the end of 1991 to 1 SDR=45.401 at the end of 1992. That was the same change against the Unit of Account in the Preferential Trade Area (UAPTA). The premium on Forex-C s per US Dollar varied from Ksh 8.50 at the time of the first auction in May, 1992 to Ksh 22 in December, 1992. Therefore average market exchange rates of Kenya Shillings per US Dollar were Ksh.40.03 and Ksh 58.41 at the end of the respective two periods(adding exchange rates to corresponding premium). This was a depreciation of about 31 per cent over the eight months period. This scenario could be attributed to the foreign exchange crunch resulting from suspension of donor disbursements to Kenya.

CHAPTER 8 - AGRICULTURE

Overview

Performance of the agricultural sector continued to be depressed by adverse factors during 1992. The 1992 long rains Were generally poor, while high input costs made it particularly difficult for farmers to purchase adequate fertilizers and chemicals for planting, top-dressing and spraying. Production in Rift Valley and certain parts of Western province was hampered by tribal clashes leading to abandonment of farm activities at critical periods of land preparation, weeding and harvesting. Consequently, the aggregate output of all major commodities including tea, sisal, pyrethrum, cotton and sugar-cane registered a decline. Horticultural exports fell due to unfavourable local environment and reduced transport capacity to overseas destinations. Milk deliveries to Kenya Co-operative Creameries Ltd. (K.C.C) suffered a further decline, with an adverse consequence on the level of output of milk products such as cream, butter and cheese. A rather sharp cut-back in animal slaughters by the Kenya Meat Commission (K.M.C) occasioned by operational difficulties did not have significant impact on the national slaughter off-take. K.M.C's role in the livestock industry has shrunk substantially over the years due to deregulation of livestock marketing in 1987.

8.2. Table 8.1 shows that while total output at current prices rose substantially, output at constant prices dropped by 4.0 per cent. As a result of the poor performance in terms of actual output volumes, value added in real terms, deteriorated further by 4.2 per cent, from K£ 1,178.9 million to K£ 1,129.7 million; the drop being worse than the negative 1.1 per cent recorded in 1991.

AGRICULTURAL OUTPUT AND INPUT, 1988 1992

Table 8.1 K£million

	1988	1989	1990	1991	1992*
AT CURRENT PRICES-					
Total Output	2,189.03	2,381.57	2,519.32	2,646 46	2,998.72
Less Inputs	286.34	293.18	289.66	308.77	316.78
Value Added	1,902.69	2,088.39	2,229.66	2,337.69	2,681.94
AT CONSTANT (1982) PRICES-					
Total Output	1,297.84	1,345.14	1,347.19	1,321.81	1,269.57
Less inputs	188.59	192.63	155.15	142.88	139.87
Value Added	1,109.25	1,152.51	1,192.04	1,178.93	1,129.70

* Provisional

Marketed Production

8.3. Government relaxation of market controls and the generally unfavourable production environment had a major impact on the pattern of agricultural activity during 1992. Quantity of cereals marketed centrally declined by 10.4 per cent from 614 thousand tonnes in 1991 to 550 thousand tonnes during 1992. Major permanent crops performed poorly during the year. Coffee deliveries to Kenya Planters' Co-operative Union (KPCU) stores recorded a marginal increase during 1992 while tea and sisal

deliveries declined by 7.6 per cent and 12.1 per cent, respectively as observed from Table 8.11. However, farmers' revenue from crop sales continued to rise due to higher producer prices announced by the Government. Turnover from recorded sales of livestock and livestock products noted a slight decline partly as a result of depressed operational capacity of the major processing plants, and partly due to disposal of animals and animal products by farmers to alternative market outlets for quick and more profitable returns. Recorded milk production fell from 359 million litres to 220 million litres.

RECORDED MARKETED PRODUCTION AT CURRENT PRICES, 1988 - 1992

Table 8.2 K£million

	1988	1989	1990	1991	1992*
CEREALS-					
Maize	54.18	69.89	56.87	46.37	76.93
Wheat	35.12	39.96	31.97	49.93	35.25
Others	10.23	6.98	2.07	35.09	40.78
Total	99.53	116.83	90.91	131.39	152.96
TEMPORARY INDUSTRIAL CROPS-					
Sugar-cane	68.77	78.41	91.40	107.37	115.2
Pyrethrum	6.63	10.05	12.60	16.54	14.89
Others	18.04	14.15	22.67	15.71	20.83
Total	93.44	102.61	126.67	139.62	150.92
OTHER TEMPORARY CROPS	11.90	24.04	18.71	13.22	7.95
PERMANENT CROPS-					
Coffee	278.11	243.90	203.35	202.70	218.25
Tea	203.72	245.32	346.86	390.02	446.67
Sisal	13.76	16.63	18.05	18.84	16.73
Others	6.02	3.82	3.10	3.34	4.14
Total	501.61	509.67	571.36	614.90	685.79
TOTAL CROPS	706.48	753.15	807.65	899.13	997.62
LIVESTOCK AND PRODUCTS					
Cattle and Calves	138.88	148.98	164.03	193.80	207.12
Dairy Produce	60.67	66.21	84.33	78.89	63.75
Others	39.71	34.86	43.06	48.31	49.33
Total	239.26	250.05	291.42	321.00	320.20
GRAND TOTAL	945.74	1,003.20	1,099.07	1,220.13	1317.83

* Provisional.

8.4. The quantum index of gross marketed production during 1992 dropped further from 119.1 in 1991 to 109.3 in 1992, occasioned by an overall slump in commodity purchases by the National Cereals and Produce Board (NCPB) and other marketing boards. A sharp reduction in purchases of pulses, particularly beans by NCPB, contributed to a lower index of temporary industrial crops while low purchases of wheat, sorghum and millet pushed the cereals index in 1992 below its level in 1991. Reduced demand for slaughter animals by Kenya Meat Commission (KMC) and the fall in tea output depressed indices of livestock and permanent crops in 1992.

8.5. The general inflationary pressures in 1992 had a direct impact on inputs and other farm operational costs. Depreciation of the Kenya Shilling has constantly pushed up the import costs of intermediate inputs used in manufacture of plant chemicals, thus necessitating an upward adjustment of domestic and export prices of outputs to compensate farmers and exporters, to ensure sustained profitability in production. Table 8.4 indicates improvement in prices of all major commodities. Prices of made-tea and processed coffee continued to rise reflecting movements in the international market prices of these two export commodities and in the exchange rate. Average monthly auction prices of coffee rose steadily from Ksh. 4,252 per 100Kg in January 1992 to Ksh. 5,198 per 100Kg by end of the year. Tea prices have showed a remarkable improvement since 1988, averaging Ksh. 4,750 per 100Kg in 1992. Recently the Government effected partial liberalization of marketing of a number of commodities including maize, wheat and seed cotton, thereby allowing farmers to negotiate prices above the set floor price.

VOLUME AND PRICE INDICES OF SALES TO MARKETING BOARDS. 1988 - 1992

Table 8.3 1982=100

	1988	1989	1990	1991	1992*
QUANTUM INDICES-					
Cereals	86.5	97.0	67.9	72.3	59.9
Temporary Industrial Crops	90.9	100.1	99.3	95.7	86.1
Permanent Crops	149.4	149.5	155.9	143.2	137.3
TOTAL CROPS	129.8	134.3	131.4	124.0	116.6
Livestock and Products	83.6	85.8	94.9	98.9	79.5
TOTAL GROSS MARKETED PRODUCTION	120.8	124.7	125.0	119.1	109.3
PRICE INDICES-					
Cereals	193.6	198.8	246.9	294.2	396.9
Temporary Industrial Crops	173.9	189.8	242.2	253.4	290.4
Permanent Crops	146.6	150.2	154.3	181.1	205.9
TOTAL CROPS	158.1	163.9	184.2	211.2	250.9
Livestock and Products	157.4	181.0	197.6	211.6	276.7
TOTAL GROSS MARKETED PRODUCTION	157.7	164.5	193.5	215.8	256.0

* Provisional.

8.6. The bulk of agricultural production is accounted for by small farms. As indicated in Table 8.5 the market share of output from small farms currently stands at above 60 per cent indicating the growing importance of the sub-sector. This is a result of the policy of subdivisions of large farms into smallholdings which has been in operation for a number of years.

8.7. Table 8.6 presents evidence that use of fertilizers has declined for the fifth year running since 1988. Consumption of other inputs has fluctuated. Overall use of factor inputs declined as shown by the drop in the quantum index from 134.0 in 1991 to 124.5 during 1992. This is explained mainly by a rapid price increase of inputs, - particularly fertilizers and chemicals, and by the shortage of foreign exchange to import the

commodities. Freeing of prices of fertilizers and upward adjustment of fuel prices pushed up the overall level of input prices, raising the general price index from 216.1 to 235.1 during 1992.

AVERAGE GROSS COMMODITY PRICES* TO FARMERS. 1988 - 1992

Table 8.4 KSh. per stated unit

	UNIT	1988	1989	1990	1991	1992**
Coffee	100kg	4.465.00	4,312.00	3,636.00	4,654.00	4936.60
Tea		2,037.19	2,717.00	3,521.00	3.848.00	4750.00
Sisal		744.80	892.00	918.20	944.00	980.00
Sugar-cane	tonne	358.30	368.00	447.50	521.06	630.00
Pyrethrum(extract equivalent)	Kg	1.250.00	1,675.00	1,800.00	1.800.00	1800.00
Seed Cotton	100Kg	585.89	570.50	981.00	998.00	990.00
Maize		216.11	274.44	261.67	305.56	474.70
Wheat		340.57	342.80	450.00	500.00	560.26
Rice Paddy +		388.00	388.00		-	-
Beef(third grade)		2,300.00	2,380.00	2,200.00	2.500.00	2600.00
Bacon Pigs		2,200.00	2,275.00	2,345.20	2,911.25	3916.84
Milk	100 litres	340.00	375.00	435.00	440.00	580.00

* The prices are for calendar year & 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.

+ No purchases of Paddy by NCPB in 1990, 1991 and 1992.

8.8. Though prices of inputs rose rather sharply in 1992, the reduction in input use occassioned a downward pull in the total value of inputs consumed. The value rose slightly by 1.3 per cent from K£219.73 million in 1991 to K£222.67 million in 1992 as shown in Table 8.7.

SALE TO MARKETING BOARDS FROM LARGE AND SMALL FARMS, 1988 -1992

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
1988	500.41	15.80	445.33	15.50	945.74	15.70	47.09
1989	508.32	1.58	494.88	11.13	1,003.20	6.07	49.33
1990	481.77	5.20	617.30	24.73	1,099.07	9.60	56.17
1991	489.53	1.61	730.60	18.35	1,220.13	11.01	59.88
1992*	496.21	1.36	821.63	12.45	1,317.83	8.00	62.34

***Provisional.**

8.9. The sector's terms of trade worsened further in 1992. Prices received for agricultural output rose by 18.0 per cent while the general index of prices paid rose by 23.1 per cent, as shown in Table 8.8. Thus the situation worsened for farmers who strived to sustain farming enterprises while faced with increased costs of production as well as increased cost of living as reflected by the increase in the index of purchased consumer goods.

AGRICULTURAL INPUT INDICES*, 1968 - 1992

Table 8.6 1982=100

	1988	1989	1990	1991	1992**
QUANTUM INDICES-					
Fertilizers	271.7	158.4	146.6	144.7	93.9
Fuel and Power	128.3	103.6	121.1	114.9	109.9
Bags	109.9	97.3	94.1	96.2	99.7
Manufactured Feeds	257.4	258.7	260.1	269.4	265.2
Purchased Seeds	92.9	125.6	107.4	98.8	115.7
Other Material Inputs	106.5	90.5	92.2	93.5	96.9
Total Material Input	165.0	133.3	134.9	134.0	124.5
Service Inputs	121.6	118.0	105.2	106.7	110.6
TOTAL INPUTS	159.9	131.6	131.0	130.8	122.8
PRICE INDICES-					
Fertilizers	155.7	167.2	202.3	212.4	233.6
Fuel and Power	140.7	147.3	224.1	252.7	303.6
Bags	159.8	158.8	162.4	171.0	197.9
Manufactured Feeds	151.6	176.6	188.3	226.6	254.5
Purchased Seeds	266.0	222.1	238.2	279.1	336.6
Other Material Inputs	117.6	129.4	154.6	173.7	201.1
TOTAL MATERIAL INPUT	147.2	154.3	188.8	222.1	244.5
SERVICE INPUTS	132.2	136.2	153.2	160.3	164.9
TOTAL INPUTS	145.5	152.2	186.7	216.1	235.1

* Coverage is more limited than for Table 6.1 because labour and other factor inputs are excluded.

** Provisional.

PURCHASED AGRICULTURAL INPUTS*. 1988-1992

Table 8.7 K£million

	1968	1989	1990	1991	1992**
MATERIAL INPUTS-					
Fertilizers	53.51	69.23	48.47	51.40	38.48
Other Agricultural Chemicals	12.03	13.50	11.13	12.90	12.39
Livestock Drugs and Medicines	16.11	19.57	18.82	20.44	18.73
Fuel and Power	30.17	25.49	34.58	36.21	45.04
Bags	11.15	11.86	11.47	12.64	13.87
Manufactured Feeds	20.63	23.39	31.18	32.07	33.78
Purchased Seeds	26.03	25.40	27.09	29.25	34.76
Other Material Inputs	9.89	8.08	8.47	9.07	9.36
Total	179.52	196.52	191.21	203.98	206.41
SERVICE INPUTS	17.11	15.87	14.18	15.75	16.26
TOTAL INPUTS	196.63	212.39	205.39	219.73	222.67

* Except labour.

* Provisional.

PRICE AND TERMS OF TRADE INDICES FOR AGRICULTURE, 1988 - 1992

Table 8.8 1982=100

	1988	1989	1990	1991	1992*
General Index of Agricultural Output Prices**	168.7	177.0	187.0	200.2	236.2
PRICE PAID-					
Purchased Inputs	145.5	152.2	186.7	216.1	235.1
Index of Purchased Consumer Goods-Rural Areas	178.6	188.4	205.9	228.6	280.9
INDICES OF PRICES PAID	170.5	181.2	196.5	214.4	263.9
Agricultural Sector terms of Trade	98.9	97.7	95.2	93.4	89.5

* Provisional.

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

8.10. The 1992 long rains were generally unfavourable as indicated by returns from most of the agrometeorological stations, all of which recorded below normal rainfall. Total rainfall amounts from eleven key stations west of Rift Valley reported 11 per cent decline during the months of January to June 1992, compared to the same period in 1991. A similar phenomenon was observed in nine stations east of Rift Valley which recorded a 15 per cent decline. Crop reports from the twenty agrometerological stations, with continuous rainfall records extending over 10 years, indicated that crop performance was poor in Rift Valley, Eastern and Nyanza provinces during the long rains due to the insufficient precipitation. The 1992 short rains were however normal to above normal in certain areas except for the main pastoral areas of the North and North-Eastern province which did not receive substantial precipitation. Crop forecast reports and farmers' assessments indicated a much better crop compared to the 1991 short rains season. Although the short rains were good for maize, potatoes, livestock and other cash crops, beans were seriously affected by excessive rains leading to logging, rotting and infection by diseases particularly in Eastern and Central provinces. Overall, the 1992 aggregate rainfall amounts showed a 13 per cent decline compared with 1991, attributed mainly to the late onset of the rains and to the deficits recorded during the long rains. Further a comparison of rainfall totals from the twenty stations indicated that in 1992 the rains were 5.6 per cent below the long term average precipitation. A similar percentage decline was recorded in 1991.

ESTIMATED PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES IN AGRICULTURAL YEARS, 1988/89 - 1992/93

(Based on Crop Forecast Surveys)

Table 8.9 million bags

CROP	1988/89	1989/90	1990/91	1991/92	1992/93*
Maize	30.68	29.23	25.44	22.05	23.40
Beans	2.70	2.85	2.34	2.10	2.39
Potatoes	2.55	2.59	2.13	1.95	2.26
Sorghum	1.18	0.99	0.88	0.82	0.95
Millet	0.49	0.57	0.40	0.35	0.45

* Provisional.

8.11. Estimated production of maize, beans, potatoes, sorghum and millet from bi-annual crop forecast surveys are presented in Table 8.9. Maize production in 1992 is estimated at 23.4 million bags, 6.1 per cent increase over 1991, but some 3.9 million bags below average and the third poor crop year in succession. Comparison of maize outputs from crop forecast surveys indicates that between 1990 and 1992, production declined in all the provinces with the largest decline of 12 per cent being recorded in Rift Valley and the smallest of 2.7 per cent in Nyanza province. The shortfall in maize production in recent years is mainly attributed to poor weather as indicated by the reduced precipitation, low usage of fertilizers and other chemicals, reduced hectarage and erratic disruption of agricultural activities by ethnic clashes in the main cereal producing districts of Rift Valley and Western provinces.

8.12. Production of beans increased by 13.8 per cent, from 2.10 million bags to 2.39 million bags in 1992, but the output was still some 410,000 bags below normal. Farmers' expectations from the short rains were good except for the reduced harvest resulting from excess rains at the harvesting period. Potato production went up by 15.9 per cent, from 1.95 million bags to 2.26 million bags in 1992, some 340,000 bags below average. Local varieties of sorghum and millet, which are more drought resistant and have better storage quality against insect damage, require on average between 160 millimeters and 500 millimeters of rainfall during the growing season. The two crops performed satisfactorily in 1992, with sorghum output rising from 820,000 bags to 950,000 bags while production of millet went up by 28.6 per cent, from 350,000 bags to 450,000 bags. Almost an equal proportion of millet output was obtained from the two rainy seasons which is an indication that the rains were quite favourable for the two commodities. Analysis of crop forecast data shows that between 25 per cent and 55 per cent of the total sales of sorghum and millet are delivered to the National Cereals and Produce Board (NCPB). In 1992, NCPB purchased only a limited amount of the two commodities from producers and stockists. The constraints experienced in marketing the commodities are likely to affect their production and stocking levels by the private sector. Table 8.10 shows a comparison of provincial retail prices for maize, beans and potatoes during the months of March and September over the period 1989 to 1992. It is evident that since 1989 retail prices for these commodities have maintained an upward trend which became steeper in the latter part of 1992 when in some of the provinces two to three-fold price increases were recorded. Noticeable among these are maize prices which more than doubled between September 1991 and September 1992, in the Coast, Rift Valley and Central Provinces and nearly trebled in the Eastern Province.

8.13. The situation for beans was similar but with lower rates of price rise, with most of the provinces retailing beans in September, 1992 at more than 50 per cent their September 1991 price levels. By September 1992 bean prices in Eastern, province had increased by about 94 per cent over their levels in 1991. In September 1992, beans were retailing more cheaply in Nyanza than in Eastern and Central provinces, the two major bean producing provinces. A comparison of the prices for the same month shows that Rift valley and Nyanza provinces were retailing beans at 50 per cent or more above the price recorded in September, 1991, with Western province depicting even much higher price increase of 80 per cent. With the exception of Central province, which recorded a 5.1 per cent decline in potato prices, all other provinces registered price increases of 15

per cent or more above their September, 1991 levels. In Rift Valley potato prices had more than doubled. The above account indicates that the supply of these commodities in 1992 fell short of the domestic requirements and this, coupled with other extraneous inflationary pressures, led to spiralling prices for the commodities.

RURAL MARKET PRICES FOR SELECTED FOOD CROPS
BY PROVINCE. 1969 - 1992

Table 6.10 KSh. per Kg.

CROP	Province	1969		1990		1991		1992	
		March	Sep-tember	March	Sep-tember	March	Sep-tember	March	Sep tember
Maize	Coast			3.75	3.80	3.80	4.50	8.25	9.50
	Eastern	2.67	2.74	2.86	3.00	3.05	3.70	4.50	11.05
	Central	2.75	3.27	3.44	3.30	3.60	4.78	5.70	11.63
	Rift Valley	2.66	2.63	2.56	3.02	3.70	5.39	7.50	11.35
	Nyanza	2.64	2.85	2.89	2.60	3.10	3.88	5.20	7.50
	Western	3.42	2.78	3.06	2.76	3.20	4.80	5.42	7.60
Beans	Coast	11.28	9.11	11.71	12.67	12.70	12.90	14.50	18.40
	Eastern	6.02	4.74	5.29	6.10	6.50	6.50	7.40	12.60
	Central	7.54	8.33	7.60	7.44	8.11	9.00	10.70	12.70
	Rift Valley	7.66	6.67	7.75	7.54	8.00	10.60	15.50	15.90
	Nyanza	7.27	6.91	6.65	7.55	7.22	7.60	9.60	11.45
	Western	7.16	7.14	7.38	6.94	7.26	7.21	10.15	12.98
Potatoes	Coast	5.98	11.00	7.73	7.68	8.05	8.45	13.90	18.20
	Eastern	4.14	4.03	3.78	3.57	3.80	4.20	3.90	5.00
	Central	5.12	4.64	3.48	5.56	3.65	5.90	4.68	5.60
	Rift Valley	3.37	2.62	2.56	3.48	3.00	3.20	8.98	8.30
	Nyanza	6.78	4.96	7.91	7.66	8.20	8.35	8.75	9.65
	Western	4.03	3.71	3.25	3.53	3.70	4.35	6.20	6.50

Production by Crop

8.14. The poor crop performance obtained in 1992 is attributed to a multiplicity of factors. First, the rains were below average. Second, the high input prices led to substantial reduction in quantities of fertilizers and other chemicals used. Third, total hectarage planted to a number of food crops particularly by smallholders has been declining since 1-989. Fourth, the gradual liberalization of grain and livestock markets has motivated farmers to seek outlets alternative to marketing boards at fairly competitive prices. This initiative, however, requires sending proper and consistent signals to minimize risks undertaken by producers, investors and traders. In 1992 market regulations for certain commodities continued to operate introducing uncertainties in production, investment and stocking decisions of the private sector, particularly after their initial decontrol. Fifth, ethnic clashes in Rift Valley and parts of Western province led to almost total abandonment of economic activities for rather long periods during 1992. As indicated in Table 8.11, the net effect of the internal and external influences contributed to substantial fall in deliveries of sales to marketing boards.

8.15. ***Maize*** - Procurement by the NCPB in 1992 picked up from 303.5 thousand tonnes during 1991 to 324.1 thousand tonnes, an increase by 6.8 per cent. The increase is explained by stepped up domestic purchases as well as external purchases to replenish

shrinking stock requirements. The NCPB's role still remains crucial to maize marketing in the country as it sets the price structure in the market. Estimated overall production of maize rose from 22.05 million bags during the 1991/92 crop year to 23.40 million bags in 1992/93.

SALE OF SOME MAJOR CROPS TO MARKETING BOARDS, 1988 - 1992

Table 8.11

CROP	UNIT	1988	1989	1990	1991	1992*
Maize	'000 tonnes	502.5	648.7	527.7	303.5	324.1
Wheat		220.6	233.2	78.5	199.0	125.9
Rice Paddy +		31.7	31.5	-	12.9	14.2
Cotton		10.9	13.8	18.8	8.4	2.8
Coffee		124.6	113.1	111.9	87.1	88.4
Tea		164.0	180.6	197.0	203.6	188.1
Sisal		36.9	37.4	39.3	38.8	34.1
Sugar-cane	mn. tonnes	3.8	4.3	4.2	4.0	3.7
Pyrethrum (Extract Equivalent)	tonnes	102.0	124.1	136.4	183.8	165.4

* Provisional.

\+ No purchases of paddy by NCPB in 1990.

8.16. ***Wheat*** - Table 8.12 indicates a drop in local production of wheat from 195 thousand tonnes in 1991 to 125.9 thousand tonnes in 1992. This fell far short of expected output, creating the need for additional imports to supplement domestic supplies. However, total available quantities could not support consumption demands resulting in escalating flour prices. Millers were also faced with closure due to lack of the raw material.

PRODUCTION AND IMPORTS OF WHEAT, 1988 - 1992

Table 8.12 '000 Tonnes

YEAR	PRODUCTION*	IMPORTS	TOTAL
1988	234.0	75.6	309.6
1989	244.2	123.5	367.7
1990	190.1	322.6	512.7
1991	195.0	450.0	645.0
1992**	125.9	382.6	508.5

* Includes rentention for seed.

** Provisional.

8.17. ***Coffee*** - Output of coffee stagnated as indicated on Table 8.13, registering a decrease of 1.3 per cent. The auction prices remained higher during 1992 compared to prices offered during 1991. Average monthly prices peaked to Ksh. 5,272 per 100Kg in October, 1992 reflecting a strong preference for Kenyan coffee in the world market. Despite adequate rains during the second half of 1992, output of coffee declined to 85.3 thousand tonnes during 1991/92 crop year compared to 86.4 thousand tonnes in 1990/91. Coffee production is likely to increase if the current marketing problems in the domestic scene can be further alleviated.

COFFEE PRODUCTION BY AREA, EXPORT QUOTA AND AVERAGE YIELD PER GROWER, 1987/88 - 1991/92

Table 8.13

	1987/88	1988/89	1989/90	1990/91	1991/92*
AREA'(Ha) '000-					
Co-operatives	117.7	116.4	116.4	117.4	116.7
Estates	38.6	36.7	36.7	36.0	37.1
TOTAL	156.3	153.1	153.1	155.4	153.8
Production (tonnes) '000-					
Co-operatives	84.3	78.3	69.5	51.3	51.0
Estates	44.4	38.6	34.4	35.1	34.3
TOTAL	128.7	116.9	103.9	86.4	85.3
Quota (tonnes) '000	72.0	80.0		-	-
Average yield (kg./Ha.)-					
Co-operatives	710.0	673.0	595.0	569.3	440.0
Estates	1,150.0	1,054.0	937.0	930.0	925.1

* Provisional.

8.18. ***Tea*** - Table 8.14 indicates a drop in gross production of made tea by 7.6 per cent from 203.6 thousand tonnes to 188.1 thousand tonnes during 1992. Whereas the total area under the crop expanded, a major drop in average yields from smallholder farms led to a fall in aggregate output. Disruption of farming activities in Rift Valley led to prolonged shortages of manpower at critical periods. Inspite of the problems, shortages in the international market helped to raise prices in the local auction centres to an all time high level of Ksh. 4,750 per 100 Kg in 1992.

TEA PRODUCTION BY AREA. PRODUCTION AND AVERAGE YIELD, 1988 - 1992

Table 8.14

	1968	1989	1990	1991	1992*
AREA (HA)'000					
Smallholder	57.70	57.90	67.00	68.80	70.60
Estates	29.10	29.50	30.00	31.00	32.00
Total	86.80	87.40	97.00	99.80	102.60
PRODUCTION(Tonnes)'000					
Smallholder	84.70	100.60	110.00	112.70	99.80
Estates	79.30	80.00	67.00	90.90	88.30
Total	164.00	180.60	197.00	203.60	188.10
AVERAGE YIELD (KG/HA)					
Smallholder	1,499.00	1,779.80	1,945.30	1,981.70	1,729.80
Estates	2,952.30	2,929.30	3,123.80	3,184.40	3,033.40

* Provisional

8.19. ***Cotton*** - Subsequent to reforms affecting cotton marketing, the Cotton Lint and Seed Marketing Board recently lost substantial share of cotton marketing to co-operative societies. In addition, ginneries were allowed to purchase cotton directly from farmers at prices above the controlled prices which are constantly reviewed by Government, and at the same time disbursing payments on delivery. The Government withdrawal of credit

advance and assistance to farmers has particularly affected output in the Board's zones. Table 8.11 shows a decline by 66.7 per cent in cotton deliveries to the Board in 1992 over 1991. However, overall production levels have remained about normal although falling short of domestic requirements. Supplementary imports will continue to bridge the gap. Furthermore, irrigation activities will need to be stepped up especially in Tana River district to boost production.

8.20. *Sugar-cane* - Projected sales to factories were expected to be normal. However, the sales decreased from 4.0 million tonnes in 1991 to 3.7 million tonnes in 1992. Although the weather was favourable for sugar-cane growers, farmers' demand for better and prompt payments have led to fall in harvesting and ferrying of cane to factories particularly in Chemelil, Muhoroni and Miwani areas. Non-payments and prolonged delays have prompted some farmers to shift from cane growing to some other profitable enterprises. In 1992 sugar factories closed down for routine maintenance for unusually long durations compared to the previous years.

SUGAR CANE PRODUCTION BY TYPE OF GROWER, 1988 - 1992

Table 8.15 '000 tonnes

TYPE OF GROWER	1988	1989	1990	1991	1992*
Factory Estates	695.7	728.2	547.6	561.6	638.0
Large Farms	630.0	699.9	172.8	227.1	147.1
Small-Holders	1,891.9	2,185.7	3,108.3	3,016.8	2613.8
Co-operative Societies	327.6	363.9	149.1	65.3	115.2
Settlement Schemes	290.0	283.6	222.2	177.1	142.5
TOTAL	3,835.2	4,261.3	4,200.0	4,047.9	3656.6

* Provisional.

PRODUCTION, IMPORTS, CONSUMPTION AND EXPORTS OF SUGAR, 1988 - 1992

Table 8.16 '000 Tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION	EXPORTS
1988	412.90	42.00	454.90	
1989	442.22	80.00	489.54	
1990	434.00	64.10	498.10	
1991	426.49	42.49	468.98	
1992 *	353.60	61.12	414.72	

* Provisional.

8.21. The sugar supply situation worsened further during 1992 as a result of the drop in cane deliveries to factories. Reduced harvests and unusually long closure of factories hampered cane processing, thus adversely affecting industrial output of sugar. Production of sugar dropped to 353.6 thousand tonnes, the lowest in six years, necessitating increased imports to meet domestic requirements. However,severe shortage of the commodity was experienced, forcing consumption down to 414.72 thousand tonnes compared to 468.98 thousand tonnes during 1991.

8.22. ***Horticulture*** - The horticultural sector continues to suffer the adverse effects of high jet fuel costs which have reduced air traffic available for transportation of outward-bound produce. In 1992 the sector experienced difficulties as airlines tended to overfly Jomo Kenyatta Airport, creating an uncertain situation among exporters of the produce. However, the recent reduction of jet fuel prices may help reverse the declining trend in the industry. The year also noted a decline in export volumes by 9.9 per cent which was due entirely to a sharp fall in exports of fresh vegetables. Nonetheless, total value of exports rose by 13.0 per cent.

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 1988 - 1992

Table 8.17

YEAR	VOLUME '000 Tonnes	VALUE K£million
1988	151.5	94.8
1989	134.2	112.1
1990	188.8	159.9
1991	169.3	184.8
1992*	152.6	208.8

* Provisional.

8.23. ***Pyrethrum*** - Despite a sustained demand for pyrethrum extract in the world market, production of the crop suffered a decline after an impressive performance during 1991. Domestic extract prices remained static while production declined due to neglect of farms as a result of sporadic clashes in Rift Valley province. The decline in deliveries contributed to a 10.0 per cent reduction in manufacture of extract equivalent.

8.24. *Sisal* - Total production recorded a fall of 12.1 per cent, from 38.8 thousand tonnes in 1990 to 34.1 thousand tonnes in 1992.

Irrigation

8.25. Irrigation activities developed and financed by the National Irrigation Board (NIB) in various parts of the country have contributed to a steady growth in production of paddy rice and other crops. However, due to changes in economic factors such as input pricing and availability, the NIB has been unable to extend maximum support to farmers leading to a general decline in acreage under irrigated crops. Total number of plot holders has fluctuated around 7,700. Table 8.18 indicates that, while gross value of output increased by 21.7 per cent from K£8.3 million in 1990/91 crop year to K£10.1 million in 1991/92, total payment to plot holders increased by 15.9 per cent from K£4.4 million to K£5.1 in 1991/92, implying that farmers are receiving a lower share of the value of output. This phenomenon is more pronounced in Mwea where farmers' gross income rose by 31.2 per cent while gross value of output rose by 42.6 per cent during 1991/92. Performance of the cotton industry relies substantially on improved irrigation facilities. Production of cotton will therefore still be adversely affected by continued under-utilization of Bura and Tana Irrigation Schemes.

PROGRESS AND PRODUCTION AT SEVEN IRRIGATION SCHEME AREAS, 1987/88 - 1991/92

Table 8.18

	1987/88	1988/89	1989/90	1990/91	1991/92*
MWEA-					
Area cropped-Hectares	5,795	5,818	5,820	5,802	5,815
Plot-holders-Number	3,236	3,238	3,248	3,240	3,240
Gross value of output-K£'000	4,643	5,366	5,605	5,668	8,083
Payments to plot-holders-K£'000	2,701	3,225	3,239	3,099	4,066
ALL (7) SCHEME AREAS-					
Area cropped-Hectares	11,422	10,789	10,893	9,365	9,867
Plot-holders-Number	7,949	7,602	7,776	7,688	7,676
Gross value of output-K£'000	8,017	8,913	9,108	8,256	10,103
Payments to plot-holders-K£'000	4,345	5,044	5,056	4,413	5,079
CROPS PRODUCED - Tonnes					
Mwea-Paddy	27,163	27,555	26,713	25,504	29,274
Ahero-Paddy	4,213	2,983	2,783	2,986	2,800
W.Kano-Paddy	1,728	2,387	2,124	3,890	2,546
Bunyala-Paddy	1,379	1,379	941	403	1,000
Total Paddy	34,483	34,304	32,561	32,783	35,620
W. Kano - Sugar-cane	16,995	3,339			
Tana-Cotton	1,952	1,938	1,324	—	-
Bura-Cotton	5,500	5,519	1,425	1,678	926
Pekera-Onions	254	939	1,218	1,630	1,152
-Chillies	68		234	368	157

* Provisional.

Livestock and Livestock Products

8.26. Liberalization of milk pricing and marketing has prompted an enhanced diversion of raw milk from Kenya Co-operative Creameries (K.C.C.) to other market outlets. Table 8.19 shows a fall by 38.7 per cent in deliveries to K.C.C. Overall milk

PRODUCTION AND SALE OF LIVESTOCK AND DAIRY PRODUCTS, 1988 - 1992

Table 8.19

	UNIT	1988	1989	1990	1991	1992*
KENYA CO-OPERATIVE CREAMERIES						
Recorded Milk Production**	Mn. Litres	359	353	392	359	220
Milk Processed:						
Wholemilk and cream	Mn. Litres	346	373	340	321	207
Butter and ghee	Tonnes	4,187	4,195	4,550	3,479	3143
Cheese		247	215	172	250	172
Dried wholemilk powder		1,717	1,030	1,396	975	468
Dried skim-milk powder		2,387	3,200	2,992	3,035	2917
Other products		451	610	399	387	1056
Livestock slaughtered						
Cattle and Calves	'000 Head	701	752	828	969	921
Sheep and Goats		942	998	1,206	1,345	1278
Pigs		63	73	84	83	81
KENYA MEAT COMMISSION						
Intake of:						
Cattle and Calves	'000 Head	10	27	68	59	25
Sheep and Goats				10	6	

* Provisional.

** Including sale licensed by the Kenya Dairy Board.

derivatives registered a general downturn in production as less milk was available for processing.

8.27. Cattle slaughters during 1992 recorded a lower level compared to 1991. This was partly due to increased retention by farmers owing to improved pasture availability. Kenya Meat Commission's intake has fallen since 1990 as a result of inadequate funds to purchase stock which in turn hampers its meat processing capacity. Table 8.19 shows that in 1992 slaughters at the factory declined by 57.6 per cent, a significant drop compared to the previous two years. Pig intake by Farmers Choice Limited registered a fall of 4.3 per cent over 1991, while national intake declined by 2.4 per cent.

Agricultural Training

8.28. The Ministry of Agriculture has maintained an education programme which offers certificate level training for middle level pre-service recruits. The programme

ENROLMENT IN AGRICULTURAL TRAINING INSTITUTIONS* . 1988 - 1992

Table 8.20 Number

	1988	1989	1990	1991	1992**
CERTIFICATE LEVEL-					
Bukura Institute of Agriculture	400	400	400	400	400
Embu Institute of Agriculture	400	400	400	200	200
Kilifi Institute of Agriculture	400	400	400	400	400
Animal Health & Industry Training Institutes-					
Kabete	292	294	233	186	322
Nyahururu	207	200	161	137	116
Ndomba	396	400	324	328	322
SHORT-TERM VOCATIONAL COURSES					
Naivasha Dairy Training School	111	80	135	143	156
Athi River M.T. School	87	69	61	112	64

* Institutions under the Ministries of Agriculture and Livestock Development

** Provisional.

aims at equipping graduates with talents vital for passing agricultural information to farmers. However, of late, the Government has laid greater emphasis on training in-service staff through re-structuring training as a whole, thereby reducing pre-service intake from 1,200 students in 1990 to 1,000 in 1991 and 1992 at the three Agricultural Training Institutions. Annual intake for animal health related training has fluctuated between 895 and 650 since 1988. The Naivasha Dairy Training School has had a steadily increasing student number while Athi River Meat Training School enrolled only 64 students during 1992 compared to 112 the previous year.

Co-operatives

8.29. The co-operative movement has recorded an impressive expansion over the last five years. The importance of the sector lies in promoting economic activity while intensifying efficient resource utilization through reduction of unit costs. Benefits also

accrue for members in the form of credit facilities, produce marketing and price determination. Last year saw an overall increase in the number of societies from 5,594 in 1991 to 5,767, largely accounted for by an increase in the number of Savings and Credit societies. The declining performance of the agricultural sector is likely to inhibit growth in new registrations. In 1992 only multi-produce co-operatives registered some significant increase in new registrations.

8.30. Although there has been a remarkable growth in the number of co-operative societies the agricultural sector is yet to realize the full benefits of co-operative approach to farming. Table 8.22 shows a minor improvement in the contribution of societies engaged in coffee and sugar-cane activities. Dairy societies have stepped up production after a slump in 1991. Cotton farming is still strongly dominated by co-operative societies.

NUMBER OF SOCIETIES AND UNIONS BY TYPE, 1988 - 1992

Table 8.21 Number

TYPE OF SOCIETY	1988	1969	1990	1991	1992
Coffee	203	206	207	208	209
Sugar-cane	85	89	91	91	91
Pyrethrum	53	56	56	56	56
Cotton	60	81	81	81	81
Dairy	157	190	192	194	197
Multi-produce	561	905	942	971	1,028
Farm Purchase	218	198	198	212	212
Other Agricultural Societies	395	500	522	539	556
Fisheries	57	61	62	64	66
TOTAL	1,789	2,286	2,351	2,416	2,496
Savings and Credit	1,723	2,141	2,251	2,339	2,470
Other Non-Agricultural Societies	445	680	722	763	725
TOTAL	2,168	2,821	2,973	3,102	3,195
Unions & Country-wide Co-operatives*	67	66	76	76	76
TOTAL	4,024	5,183	5,400	5,594	5,767

* Includes KCC and KGGCU

SALE OF SELECTED AGRICULTURAL PRODUCE BY CO-OPERATIVE AND THEIR CONTRIBUTION TO GROSS FARM REVENUE * 1988 - 1992

Table 8.22

YEAR	COFFEE	SUGAR-CANE	PYRETHRUM	COTTON	DAIRY PRODUCTS	TOTAL
	Sale K£million					
1988	177.99	44.01	3.18	3.20	49.14	277.52
1989	162.84	52.15	6.40	3.93	56.95	282.27
1990	131.00	44.47	8.22	8.90	48.65	241.24
1991	112.65	11.30	7.00	2.75	21.75	155.45
1992	102.51	10.50	8.50	1.40	46.70	171.21
	Percentage Share					
1988	64.00	64.00	47.96	100.00	81.00	67.00
1989	66.77	66.51	63.68	100.00	86.01	71.00
1990	64.42	48.65	65.24	100.00	57.69	60.21
1991	61.50	37.27	44.74	100.00	26.78	48.06
1992**	62.00	9.11	57.08	100.00	37.00	35.44

* Marketed Production in Table 8.2.

** Provisional.

CHAPTER 9 - ENVIRONMENT AND NATURAL RESOURCES

The government recognizes that economic development and protection of the environment are inextricably linked. This underlines the need to integrate considerations of economic development and status of the environment in order to bring about sound and sustainable economic growth. Towards this end, various government departments and non-governmental organizations work in concert in monitoring and protecting the environment.

Water supplies

9.2. The Ministry of Land Reclamation, Regional and Water Development in conjunction with Local Authorities is charged with the responsibility of conservation, development and maintenance of water supplies. To achieve this objective, the ministry has been involved continuously in the construction of water supply projects, dams, conservation structures, bore-holes and shallow wells. It has also been involved in the protection of springs, roof catchment, water research, treatment of water supplies, sewerage and pollution control.

9.3. Due to scarcity of financial resources and in compliance with budget rationalization requirements, the government has had to reallocate funds to high priority projects and completion of on-going projects. As a result, the number of projects has declined by 31.0 per cent from 400 in 1991/92 to 276 in 1992/93, while water supply projects under operation and maintenance fell by about 11 per cent from 769 to 683 during the same period . A total of over 800 water supply systems were being run either by community or NGO's or by donor funds.

9.4. Table 9.1 shows development expenditure on water supplies and related services for the fiscal years 1988/89 to 1992/93. Total development expenditure on water supplies increased by 57.4 per cent in 1992/93 compared to 1991/92. This was largely due to an increment in funds channeled to the National Water Conservation and Pipeline Corporation (NWCPC), to undertake and service the increased activities of the rural water supply programme in accordance with the Government's commitment to the provision of clean potable water to most household by the year 2000. The decline in development expenditure available to County Councils and Urban Water Supplies from 1990/91 onwards was due to reallocation of financial resources to NWCPC. The NWCPC which has a broad rural coverage is currently undertaking the following projects: Second Mzima, Kalanzoni, Kajiado, Ol -Arabel, Baricho Water Supply, the two greater Nakuru Water Projects (East and West), Ndia, Mashuru Pipeline, Mathira, Kandara, Embu and the building of dams in some parts of the country for example, Kiserian, Kiambaa, Kipkaren and Muoni.

DEVELOPMENT EXPENDITURE ON WATER SUPPLIES AND RELATED SERVICES, 1988/89 - 1992/93

Table 9.1 K£'000

	1988/89	1989/90	1990/91	1991/92	1992/93*
Water Development	86	102	1,410	2,141	5,986
Training of Water Development Staff	1,255	250	229	258	156
Rural Water Supplies	26,397	47,456	18,101	15,136	16,387
Sett-Help Water Supplies**	709	365	106	96	79
County Council and Urban Water Supplies	18,525	14,464	1,543	2,293	3,547
Miscellaneous and Special Water Programmes	7,519	7,993	3,537	5,856	5,848
Water Conservation and Pipeline Corporation		544	35,821	20,557	40,944
TOTAL	54,491	71,174	60,747	46,337	72,947

Source: Ministry of Water Development, National Water Conservation and Pipeline Corporation

* Provisional.

** Includes contributions by the Ministry of Water Development.

Fisheries

9.5. The fisheries sector continued to play an important role in the overall management and exploitation of the fisheries resources on an environmentally sustainable basis. Overall, there was negligible change in quantity of fish landed in 1992 compared to 1991. However, there was a slight decline of 1.3 per cent in 1992 in the quantity of fish landed in the fresh water lakes.

9.6. Table 9.2 shows the quantity and value of both fresh and marine water fish landed during 1988 to 1992. It is notable that Lake Victoria Fish Landings declined by 1.4 per cent, in 1992 compared to the previous years when it registered increases in output. This was chiefly a result of over fishing in the lake. Between 1990 and 1992, Lake Turkana declined significantly in fish output by 69 per cent. This has been primarily a result of withdrawal of donor funding which had been assisting fishermen. Another reason is the drying up of the Ferguson Gulf which is an important breeding ground for fish in that region. Fish farming in 1992 recorded only a marginal 8 metric tonnes increase over the 1991 level of 1,009 metric tonnes.

9.7. The quantity and value of marine fish output in 1992 recorded 37.9 per cent and 83.7 per cent increases respectively over 1991. This record growth was due to the high export demand for marine fish. A total of 11,763 metric tonnes of both marine and fresh water fish were exported which earned over K£ 1.7 million. Total revenue generated by the fisheries sector increased by 4.5 per cent from K£ 90.6 million in 1991 to K£ 94.7 million in 1992. This was largely a result of increased demand of fish both for local consumption and exports.

QUANTITY AND VALUE OF FISH LANDED, 1988 - 1992

Table 9.2

	1988	1989	1990	1991	1992*
Quantities - Tonnes:					
Freshwater fish-					
Lake Victoria	125,071	135,431	185,101	186,366	183,779
Lake Turkana	4,128	990	3,180	1,078	987
Lake Naivasha	52	236	223	299	304
Lake Baringo	96	233	380	130	196
Lake Jipe	99	93	110	107	112
Fish Farming	1,149	922	973	1,009	1,017
Other areas	434	861	1,839	2,109	2,224
TOTAL	131,029	138,766	191,806	191,098	188,619
Marine fish	6,027	6,708	9,031	6,434	8,871
Crustaceans	887	915	733	766	780
Other marine products	185	187	208	264	213
GRAND TOTAL	138,128	146,576	201,778	198,562	198,483
Value - K£'000:					
Freshwater fish	27,080	35,016	80,174	83,306	83,714
Marine fish	2,497	3,760	5,824	3,765	6,918
Crustaceans	2,481	1,834	3,189	3,019	3,522
Other marine products	352	343	345	536	514
TOTAL	32,410	40,953	89,532	90,626	94,668

* Provisional.

Source : Fisheries Department

9.8. Against this background, the fisheries department is determined to boost the production of fish through regulation of mesh sizes of nets, regulating the number of fishermen through licensing and increasing fish farming extension services. Other measures envisaged include a massive training programme for fishermen coupled with improved fishing technology, high quality control programmes aimed at enhancing the quality of fish for export and a reduction of the lengthy procedures involved in processing fish exports.

Forestry

9.9. The forestry sector has continued to provide valuable inputs for varied economic and industrial use. To ensure sustenance of the forest resources, the Forestry Department has continued to emphasize the principle of exploitation for sustainable development through prudent management of the sector. To this end, the Department has continued to co-ordinate forestry resource management to ensure optimal exploitation and replenishment of forestry resources. Chief among its concerns are ensuring that regeneration through replanting, restoration of productivity in vulnerable zones and desertification control are maintained.

9.10. Table 9.3 presents the status of recorded forest plantation area since 1988 and shows a decline of 3.3 per cent in the total area under forest plantation in 1992. This decline was in part attributed to forest fires occasioned by ethnic clashes which hit some parts of the country. Forest area under indigenous softwood decreased remarkably by 27.1 per cent from 11.8 thousand hectares in 1991 to 8.6 thousand hectares in 1992. Also on the decline is the cypress exotic softwood.

FOREST PLANTATION AREA, 1988 - 1992

Table 9.3 '000 Hectares

Type of Forest	1988	1989	1990	1991	1992*
Indigenous softwood	10.2	11.0	11.0	11.8	8.6
Indigenous hardwood	7.4	8.0	8.0	6.4	8.1
Exotic softwoods-					
Cypress	75.2	75.6	79.5	78.4	74.5
Pines	58.2	57.0	53.7	54.2	54.2
Exotic hardwoods-					
Timber	4.0	4.9	4.9	4.6	5.1
Fuel	12.2	11.8	11.9	9.5	9.0
TOTAL AREA	167.2	168.3	169.0	164.9	159.5

* Provisional.

Source : Ministry of Environment and Natural Resources

9.11. Table 9.4 gives changes in plantation area between 1988 and 1992. The total plantation area dropped by 3.3 per cent from 164.9 thousand hectares in 1991 to 159.5 thousand hectares in 1992. A Forest Stand Inventory Project funded by United Nations Development Programme (UNDP) and the New Zealand government in August 1992, revealed a lot of discrepancy in the forested area between what is shown on the maps and what appears on the ground. The discrepancies arise because, previously quoted areas had been excised and others not replanted after clear felling. As a result of this, Photomap (K) Ltd was given a mapping contract to fully update maps from aerial photographs so as to provide reliable current information on forest plantation areas.

CHANGES IN PLANTATION AREA, 1988 - 1992

Table 9.4 '000 Hectares

	1988	1989	1990	1991	1992*
Previous Plantation Area	165.2	167.2	168.3	169.0	159.2
Area Planted	5.5	4.7	4.1	3.6	3.6
Total	170.7	171.9	172.4	172.6	162.8
Area Clear felled	3.5	3.6	3.4	7.7	3.3
Total Area	167.2	168.3	169.0	164.9	159.5

* Provisional

Source : Ministry of Environment and Natural Resources.

9.12. Table 9.5 presents recorded sales of forestry products by the Forestry Department for the period 1988 to 1992. The sale of soft and hardwoods increased dramatically with that of hardwood doubling in 1992 compared to 1991. This was a result of allowing the excision of dead hardwood in the forests. The sale of fuelwood and charcoal fell drastically by 178 thousand cubic metres over the same period chiefly as a result of the ban imposed on the sale of fuelwood and charcoal.

RECORDED SALE OF FOREST PRODUCTS, 1988 - 1992

Table 9.5

Forest Product	1988	1989	1990	1991	1992*
Timber - '000 true cu. metres-					
Softwood	462	446	437	430	545
Hardwood	8	4	3	2	4
TOTAL	470	450	440	432	549
Fuel - '000 stacked cu. metres-					
PeelsWeener logs	79	80	85	80	82
Pulpwood	341	340	350	355	321
Fuelwood /Charcoal Numbers	210	215	200	215	37
Power &Telegraph Poles	30,060	32,000	32,800	33,800	34,765

* Provisional.

Source : Ministry of Environment and Natural Resources.

Mining

9.13. Table 9.6 shows the quantity and value of mineral production during the period 1988 to 1992. Total mineral production registered a significant decline of 8.2 per cent in 1992 compared to 1991. This was largely attributed to a decline in the output of soda ash and limestone products in 1992 by 17.4 per cent and 4.2 per cent, respectively. Fluorspar production recorded an increase of 4.2 per cent from 77.4 thousand tonnes in 1991 to 80.6 thousand tonnes in 1992.

9.14. The remarkable rise of 11.6 per cent in the total revenue from the sale of minerals was largely due to an increase in the value of soda ash output from K£ 42.4 million in 1991 to K£ 48.4 million in 1992. Fluorspar recorded a relatively marginal rise of 3.4 per cent in revenue from K£ 7.8 million in 1991 to K£ 8.1 million in 1992.

9.15. A total of 145,900 tonnes of soda ash were exported in 1992 while fluorspar recorded 81,305 metric tonnes. The export earnings from soda ash and fluorspar were K£23.8 million and K£7.9 million, respectively. Table 9.7 shows the average export prices for soda ash and fluorspar for the period 1988 to 1992. The average export price for soda ash increased by 3.2 per cent to K£163.0 per tonne in 1992 while the price of fluorspar went down by 4.3 per cent to K£97.1 per tonne. The increase in average export price of soda ash was due to increased cost of production, while the decline in

that of fluorspar was caused by poor price in the world market prompted by the low price offered for the Chinese fluorspar.

QUANTITY AND VALUE OF MINERAL PRODUCTION, 1988 - 1992

Table 9.6

Mineral	1988	1989	1990	1991	1992*
Quantities - Tonnes:					
Minerals-					
Soda Ash	220,300	242,900	231,900	219,500	181,330
Fluorspar	67,351	95,625	80,529	77,402	80,630
Salt	88,193	66,830	70,318	72,449	72,494
Limestone Products**	28,601	32,167	35,733	32,017	30,656
Other	38,459	38,921	39,388	39,963	40,150
TOTAL	442,904	476,443	457,868	441,331	405,260
Value - K£'000:					
Soda Ash***	18,950	30,000	34,900	42,453	48,425
Fluorspar***	3,399	5,594	8,018	7,849	8,117
Salt	2,900	2,568	3,938	4,057	4,426
Limestone Products	924	1,241	1,556	1,394	1,449
Other	1,783	1,865	1,951	1,979	2,029
TOTAL	27,956	41,268	50,363	57,732	64,446

Source : Department of Mines and Geology
* Provisional.
** Excluding limestone used as input into cement product.
*** Including Export Value.

AVERAGE EXPORT PRICES OF SODA ASH AND FLUORSPAR. 1988 - 1992

Table 9.7 K£ per tonne

Mineral	1988	1989	1990	1991	1992*
Soda Ash	90.10	125.00	127.00	158.00	163.00
Fluorspar	67.60	82.20	99.20	101.40	97.08

* Provisional

9.16. Magadi Soda company has taken measures to ensure that the extraction of minerals goes hand in hand with reduced environmental pollution. These include fitting oil traps to drains at the power station to prevent oil spillage into the lake and fitting dust extractors and scrubbers at rail - loading points to eliminate dust when loading.

Wildlife conservation

9.17. The tourism industry is largely dependent on wildlife. The Government fully appreciates the economic importance of the tourism industry and has continued to direct more attention and financial support towards conservation activities through Kenya

Wildlife Services (KWS) and the Department of Resource Surveys and Remote Sensing (DRSRS). The DRSRS has continued to collect information geared towards formulation of conservation strategies of the country's natural resources including wildlife.

9.18. As is evident from Table 9.8, the elephant population shows a significant recovery by about 12.9 per cent from 17,000 in 1991 to 19,200 in 1992. Other species showing an upward trend include the impala, gerenuk, wildebeest and kongoni. These are the fruits of effective anti- poaching measures undertaken by KWS. Decline of the gazelles, zebra, and oryx species was due to prolonged drought in Northern and North-Eastern Kenya.

WILDLIFE POPULATION IN THE KENYA RANGELANDS, 1988 - 1992

Table 9.8 '000 Number

SPECIES	1988	1989	1990	1991	1992*
Elephant	17.3	17.2	17.1	17.0	19.2
Buffalo	39.4	42.2	45.1	48.2	51.1
Giraffe	48.2	52.1	56.4	60.5	59.3
B. Zebra	156.9	174.3	193.7	215.1	197.0
G. Zebra	4.9	5.5	6.2	7.0	72
Topi	104.9	107.3	109.8	112.3	107.7
Kongoni	20.8	22.0	23.3	24.7	26.0
Wildebeest	77.1	87.9	100.2	114.2	120.1
Oryx	29.2	33.3	38.1	43.5	35.6
Eland	20.8	25.5	31.3	38.4	32.5
H. Hartbeest	21.0	234	2.6	2.9	2.6
Waterbuck	7.1	6.5	6.0	5.5	6.7
Kudus	9.1	11.0	13.2	15.9	14.1
Gerenuk	24.1	23.5	23.0	22.5	24.4
Impala	109.1	106.8	104.5	102.3	110.8
G.Gazelle	143.5	162.6	184.3	206.6	166.0
T.Gazelle	104.2	101.4	98.7	96.0	69.2
Warthog	14.5	17.9	22.0	27.1	21.9
Ostrich	29.2	334	38.3	43.8	36.7

Source : DRSRS

* Provisional

Resource assessment and monitoring activities

9.19. The DRSRS continued with its agricultural and natural resources monitoring programmes. These included the use of ecological monitoring techniques, land use, crop production forecasting and forest mapping programmes designed for detecting land use preferences and trends for long term agricultural production and natural resources conservation. The Department is also in the process of initiating the National Land Degradation Project whose aim will be to assess and map on a nationwide basis the status, risks and causes of land degradation.

Refuse management

9.20. Refuse accumulation has over time assumed alarming proportions in Nairobi and other urban centres. It is estimated by the Nairobi City Council (NCC) that annual refuse generation was approximately 339.5 thousand tonnes in 1992. Out of this, the Council managed to dispose 86.4 thousand tonnes. The rest was disposed of by private means, natural decomposition and individual arrangements such as burning. Vegetable materials constituted over 70 per cent of the total refuse generated. Currently, refuse is being disposed off by semi-controlled tipping at Dandora refuse tip which is not adequate in view of the huge amount of garbage. The situation is set to improve due to the recent acquisition of 6 high ratio compactors that will deliver more volume of refuse.

9.21. Table 9.9 indicates the approved expenditure by the NCC between 1987/88 and 1991/92 financial years. Total expenditure on garbage collection increased by over 20.2 per cent between 1990/91 and 1991/92. However, the expenditure on garbage collection is disproportionately inadequate in view of the fact that only 25 per cent of the garbage generated is disposed.

EXPENDITURE ON REFUSE COLLECTION BY THE NAIROBI CITY COMMISSION, 1987/88 - 1991/92

Table 9.9 K£'000

	1987/88	1988/89	1989/90	1990/91	1991/92
Total Expenditure	83.3	104.9	161.7	449.2	539.8

Source: Nairobi City Commission

CHAPTER 10: ENERGY

Overview

During 1992, production uncertainties that beset the Organisation of Petroleum Exporting Countries (OPEC) after Iraq's invasion of Kuwait in 1990 continued. Consequently, various member countries did not adhere to production quotas as each endeavoured to take advantage of the shortfall brought about by the United Nations' embargo on Iraq. This resulted in overproduction. Several meetings had been held with the aim of curtailing production and fixing a favourable price level, but this was not easy to achieve. During the first quarter of 1992 production target was set at 22.98 million barrels per day; but instead 23.46 million barrels per day were produced. Daily average production for the year stood at 24 million barrels, which exceeded the OPEC ceiling while prices remained relatively weak at US$ 19 per barrel. At the same time OPEC strongly opposed the proposed European Community Environment Tax at the rate of US$ 3 per barrel to finance conservation of the environment.

Petroleum

10.2. In Kenya about 80 per cent of commercial energy consumed is derived from oil with electricity and coal accounting for the balance. Oil, therefore, constitutes a major source of commercial energy supply in the country. Unfortunately, Kenya has no known commercial deposits of oil and, therefore, has to rely on imported oil, thus draining the reserves of foreign exchange.

10.3. Table 10.1 shows imports and exports of crude petroleum and products. Crude petroleum imports rose from 2,059 thousand tonnes in 1991 to 2,235 thousand tonnes in 1992, while the value increased by 24 per cent from K£442 million to K£549 million in 1992. The overall imports of crude and refined petroleum products rose by 12 per cent from 2,114 thousand tonnes in 1991 to 2,363 thousand tonnes in 1992, the highest total imports since 1988. Total import bill increased from K£478 million in 1991 to K£609 million in 1992 as a result of the depreciation of the Kenya Shilling against major trading currencies. Crude petroleum imports accounted for 95 per cent of total oil imports and 90 per cent of total import bill in 1992. This compares respectively with 97 per cent and 93 per cent recorded in 1991. Imports of petroleum fuels and lubricating oils recorded substantial increases in both volume and value while lubricating greases recorded some decrease.

10.4. Export earnings from petroleum products fell from K£265 million in 1991 to K£220 million in 1992. As in previous years petroleum fuels accounted for most of the earnings. The quantity exported increased marginally from 643 thousand tonnes to 649 thousand tonnes in 1992. While there was increase in the exports of petroleum fuels, decreases were recorded in exports of lubricating oils and greases. Exports of the latter two products were 7.4 thousands tonnes in 1991 and 6.6 thousands tonnes in 1992, which compare unfavourably with 17.1 thousands tonnes exported in 1989. The decline in export is attributed to direct importation by our traditional markets: - notably Uganda, Burundi and Rwanda.

QUANTITY AND VALUE OF IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS, 1988 - 1992*

Table 10.1

	Quantity ('000 Tonnes)					Value (K£' Mn)				
	1988	1989	1990	1991	1992**	1988	1989	1990	1991	1992**
IMPORTS:										
Crude Petroleum	2,010.84	2,102.56	2,178.28	2,059.38	2,235.26	210.43	299.10	421.97	441.71	549.39
Petroleum Fuels	106.80	45.15	132.64	35.14	92.97	18.43	11.16	39.09	18.32	34.68
Lubricating Oils	38.20	31.69	13.09	19.63	34.43	12.77	13.77	6.62	17.32	24.31
Lubricating Greases	0.10	0.21	0.07	0.24	0.08	0.95	0.37	0.13	0.87	0.33
TOTAL	2,155.94	2,179.61	2,324.08	2,114.39	2,362.74	242.58	324.40	467.81	478.22	608.71
EXPORTS:										
Petroleum Fuels	689.90	515.89	534.16	635.17	642.84	109.16	88.79	141.13	255.41	209.86
Lubricating Oils	6.90	16.38	9.01	7.11	6.40	5.38	10.52	8.57	9.35	9.34
Lubricating Greases	0.50	0.68	0.34	0.32	0.19	0.51	0.76	0.46	0.58	0.37
TOTAL	697.30	532.95	543.51	642.60	649.43	115.05	100.07	150.16	265.34	219.57
NET BALANCE	1,458.64	1,646.66	1,780.57	1,471.79	1,713.31	127.53	224.33	317.65	212.88	389.14

* Excludes other light and medium petroleum oils and preparations and residual petroleum products n.e.s.. which are included in Chapter 7.

** Provisional

10.5. Table 10.2 shows crude oil intake by type during the period 1988-1992. As can be seen, crude intake at the refinery rose by 7 per cent to reach 2,231 thousand tonnes in 1992. This was the highest crude intake since 1988. Murban and Zakum, from United Arab Emirates, accounted for 78 per cent and 10 per cent respectively, of the refinery intake. For the first time in the last five years, 267 thousand tonnes of Iranian heavy was imported replacing a variety of crude, among them Arabian heavy, Iranian light and Iranian medium.

CRUDE OIL INTAKE AT THE REFINERY BY TYPE. 1988 - 1992

Table 10.2 '000 Tonnes

Crude intake	A.P.I. Gravity	1988	1989	1990	1991	1992*
Arabian Light	33.4	-				-
Arabian Medium	31.0	-	-	-	-	-
Arabian Heavy	27.9		45.2	55.4	76.5	-
Arabian Light Berri	-	-	0.1	-	-	-
Iranian Light	33.9	65.0	-	108.8	50.5	-
Iranian Medium	-	69.1	87.0	86.2	139.7	
Iranian Heavy**	-	-	-	-		267.2
Qatar Marine	36.7		-		-	
Qatar Durkhan	41.2	-	-			-
Kuwait	32.0					-
Zakum	40.1	227.7	262.8	201.6	249.0	230.4
Murban	39.6	1,659.8	1,468.5	1,772.4	1,561.9	1,732.7
Dubai	32.4	-	68.2	-	-	-
Oman	-	-	-	-	-	-
Marib Light	-	-	212.8	0.1	-	-
Slop		0.4	0.9	0.3		0.3
TOTAL		2,022.0	2,145.5	2,224.8	2,077.6	2,230.6

* Provisional.

** Iranian Heavy is imported for the first time

10.6. Table 10.3 gives details of throughput and output of finished petroleum products. There was an increased refinery output of 7 per cent from 2,078 thousand tonnes in 1991 to 2,231 thousand tonnes in 1992. After the rehabilitation of the plant in 1991, the output of liquified petroleum gas and kerosene which had decreased in 1991, increased once again by 7 per cent and 8 per cent, respectively. This was a welcome increase as the two are useful urban and rural fuels. Bitumen production rose by 10 per cent from 24.0 thousand tonnes in 1991 to 26.5 thousand tonnes in 1992 as resealing and recarpeting of the roads called for more bitumen production.. Production of motor spirits (premium and regular) increased by 6 per cent as demand from the transport sector increased. Production of light diesel oil and fuel oil also recorded increases, while production of export residues and marine diesel oil fell.

OIL REFINERY : THROUGHPUT AND OUTPUT OF FINISHED PETROLEUM PRODUCTS **, 1988 - 1992

Table 10.3 '000 Tonnes

	1988	1989	1990	1991	1992*
OUTPUT-					
Liquefied petroleum gas	27.7	27.6	28.4	26.4	28.3
Motor gasoline premium	135.3	159.0	143.9	145.8	161.0
Motor gasoline regular	192.7	202.9	190.9	182.3	186.9
Illuminating kerosene and Jet/turbo fuel	410.1	454.0	492.2	420.5	454.7
Light diesel oil	516.7	534.8	533.0	512.1	553.8
Heavy diesel oil and Marine diesel oil	32.6	26.8	30.1	29.9	26.4
Fuel oil	392.2	369.6	411.3	391.7	437.3
Export residues	228.3	261.2	258.2	256.7	233.4
Bitumen	5.9	21.3	31.2	24.0	26.5
Intermediates	1.8	-5.2	4.2	-3.8	3.0
Refinery usage	78.7	93.3	101.1	91.9	119.4
THROUGHPUT=TOTAL OUTPUT	2,022.0	2,155.7	2,224.5	2,077.5	2,230.7

* Provisional.

** Excludes lubricants.

10.7. Petroleum supply and demand balance sheet in Table 10.4 reveals that domestic demand has been increasing over the years despite the Governments' efforts at energy conservation. Table 10.4 shows that total domestic sales of petroleum products increased by 5 per cent from 1,755 thousand tonnes in 1991 to 1,840 thousand tonnes in 1992. Except for 1991, there has been a continuous growth in total domestic sales. Significant increases in sales were recorded in liquified petroleum gas, aviation spirit and jet turbo fuel. On the other hand, sales of heavy diesel oil declined, while sales of kerosene and motor spirit remained almost at the same level as in 1991. Although most airlines stopped fueling in Nairobi except for precautionary measures due to high prices, demand for aviation spirit increased from 7 thousand tonnes to 8 thousand tonnes in 1992 due mainly to relief flights operating from Kenya. Demand for illuminating kerosene increased despite its high cost.

PETROLEUM SUPPLY AND DEMAND BALANCE. 1988 - 1992

Table 10.4 '000 Tonnes

	1988	1989	1990	1991	1992*
DEMAND-					
Liquefied petroleum gas	26.9	26.4	27.4	25.0	27.4
Motor spirit (premium and regular)	325.0	376.7	339.9	339.3	346.8
Aviation spirit	6.5	6.7	7.1	6.8	7.7
Jet/turbo fuel	254.6	274.3	302.4	253.5	312.5
Illuminating kerosene	154.7	181.1	184.2	174.5	175.1
Light diesel oil	537.3	543.6	555.4	559.9	571.1
Heavy diesel oil	32.7	26.8	36.5	30.5	27.9
Fuel oil	392.7	371.0	377.4	365.6	370.9
TOTAL	1,730.4	1,806.6	1,830.3	1,755.1	1,839.4
Refinery usage	78.7	93.3	101.1	91.9	119.4
TOTAL DOMESTIC DEMAND	1,809.1	1,899.9	1,931.4	1,847.0	1,958.8
Exports of petroleum fuels	669.9	515.9	534.2	635.2	642.8
TOTAL DEMAND**	2,499.0	2,415.8	2,465.6	2,482.2	2,601.6
SUPPLY-					
Imports:					
Crude oil	2,041.8	2,100.9	2,178.3	2,059.4	2,235.3
Petroleum fuels	106.8	45.2	132.6	35.1	93.0
TOTAL	2,148.6	2,146.1	2,310.9	2,094.5	2,328.3
Adjustment***	350.4	269.7	154.7	387.7	273.4
TOTAL SUPPLY**	2,499.0	2,415.8	2,465.6	2,482.2	2,601.7

* Provisional.

** Difference is due to rounding.

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

10.8. Table 10.5 shows net domestic sales of petroleum fuels by consumer category. The transport sector (rail, road, marine and aviation) accounted for 1462 thousand tonnes or 79 per cent of total sales: - the highest consumption by any sector. Notable increases in the transport sector were recorded in retail pump outlets and road transport by 14 per cent, marine 9 per cent, and aviation 24 per cent, while rail transport decreased by about 21 per cent. Sales to power generation increased by 9 per cent from 35 thousand tonnes in 1991 to 38 thousand tonnes in 1992, which was way below the 25 per cent increase recorded in 1991. The slower growth was as a result of the Kipevu Plant remaining closed most of the year. Sales to the aviation industry rose as a result of the various flight missions refueling from Kenya such as "Operation Restore Hope" for Somalia, and "Operation Lifeline" for Sudan. Consumption by the agricultural sector increased by 16 per cent over 1991.

10.9. Detailed information on wholesale price of petroleum products at Mombasa with 1973 as the base year is shown in Table 10.6. With the exception of liquified petroleum gas, all other wholesale prices increased more than tenfold with the highest increase being for fuel oil which increased twenty-six times. The continuous increase in wholesale prices is attributed to the general inflation and the devaluation of the Kenya Shilling against major trading currencies.

NET DOMESTIC SALE OF PETROLEUM FUELS BY CONSUMER CATEGORY. 1988-1992

Table 10.5 '000 Tonnes

User	1988	1989	1990	1991	1992*
Agriculture	72.7	63.5	64.9	55.7	64.9
Retail pump outlets & road transport	781.0	847.3	863.5	857.1	977.4
Rail transport	22.2	26.0	35.3	38.8	30.6
Tourism**	11.6	12.4	13.0	11.7	12.5
Marine (excl. Naval Forces)	106.3	158.4	215.3	128.1	139.7
Aviation (excl. Government)	255.1	273.2	302.0	253.7	314.2
Power Generation	50.1	39.8	27.9	35.0	38.2
Industrial, Commercial and Other	489.8	459.5	452.9	454.4	453.5
Government	47.7	49.0	70.8	44.1	45.3
Balancing Item	-106.1	-122.6	-215.4	-123.5	-236.8
TOTAL	1,942.6	2,051.7	2,261.0	1,755.1	1,839.5

* Provisional

* Comprises sales to tour operators

WHOLESALE PRICES* OF PETROLEUM PRODUCTS AT MOMBASA. 1973 -1992

Table 10.6 KSh. per tonne

	30-9-73	30.9.89	9.8.90	29.11.91	1.2.92	Ratio 1992/73 (per cent)
Liquefied petroleum gas	2,060	7,820	14,129	14,843	16,643	807.9
Premium motor gasoline	1,551	13,441	18,715	20,535	23,327	1,504.0
Regular motor gasoline	1,468	13,551	18,533	20,375	23,201	1,580.4
Illuminating kerosene	736	5,033	9,053	10,052	11,211	1,523.2
Light diesel oil	892	7,227	11,764	12,929	14,599	1,636.7
Industrial diesel oil	471	4,688	9,034	10,369	12,033	2,554.8
Fuel oil	334	3,164	5,405	6,628	8,851	2,650.0

* Including duties and VAT.

NAIROBI RETAIL PRICES, 1987 - 1992

Table 10.7 KSh. per litre

Date	MOTOR SPIRIT		Gas Oil
	Premium/ Gasohol*	Regular	
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
8-9-90	14.41	14.11	10.90
29-11-91	15.79	15.49	11.96
1-2-92	17.88	17.58	13.46

* Gasohol was introduced from 1983

10.10. Retail prices of premium and regular motor spirit and gas oil in Nairobi are shown in Table 10.7. These prices were increased twice in 1987, once each year in

1988 and 1989, and twice again in 1990. A further increase was effected in November 1991. In February 1992, they were increased yet again to stand at Ksh. 17.88, Ksh. 17.58 and Ksh. 13.46 for premium, regular and gas oil respectively. Early in 1993 prices were once again increased to pass the Ksh. 20.00 per litre mark for motor spirit.

Electricity

10.11. Depressed economic conditions coupled with the failure of rains and rehabilitation of the Kipevu plant resulted in decreased electricity consumption in 1992. In April and May, power rationing was introduced due to the failure of rains which led to a drop in water level at the Masinga dam. In October, 1992, power was again rationed during peak consumption period between 6.30 p.m. - 8.30 p.m., due to inspection and repairs of power generation machines and also to test the turbines at Turkwell Station. As a result, revenue collection by Kenya Power and Lighting Company increased by only 19 per cent compared to the 32 per cent increase in 1991, while sales rose by 2 per cent in 1992, compared to 4 per cent in 1991.

10.12. Table 10.8 depicts installed capacity and generation of electricity between 1988-1992. As can be seen there was a decrease of 3 per cent in installed capacity in 1992, compared to 15 per cent increase in 1991. This decrease was brought about by the reduction of thermal based installed capacity occasioned by the rehabilitation of Kipevu Power Plant. This led to a fall in thermal generated electricity by 8 per cent. Hydro and geothermal based electricity remained at the same level of 604 MW and 45 MW, respectively.

INSTALLED CAPACITY AND GENERATION OF ELECTRICITY, 1988 - 1992

Table 10.8

	INSTALLED CAPACITY * MW "				GENERATION * GWH ***			
	Hydro	Ther-mal Oil	Geo-ther-mal	Total	Hydro	Ther-mal Oil	Geo-thermal	Total
1988	353.5	160.2	45.0	558.7	2,323.0	198.0	323.0	2,844.0
1989	497.5	180.1	45.0	722.6	2,469.0	109.0	322.0	2,900.0
1990	497.5	180.1	45.0	722.6	2,537.0	171.0	336.0	3,044.0
1991	603.5	180.1	45.0	828.6	2,780.0	159.0	298.0	3,237.0
1992+	603.5	156.3	45.0	804.8	2,796.0	147.0	272.0	3,215.0

* Includes estimates for industrial establishment with generation capacity.

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

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

\+ Provisional

10.13. Total generation of electricity fell by 22 Gwh from 3,237 Gwh in 1991 to 3,215 Gwh in 1992. This decrease was as a result of general decrease in generation of thermal and geothermal based electricity by 12 Gwh and 26 Gwh, respectively. Production of hydro-based electricity increased only marginally as a result of failure of long rains.

10.14. Electricity energy supply and demand balance is shown in Table 10.9. The demand for electricity increased marginally in 1992 from 2,854 million Kwh in 1991 to 2,915 million Kwh in 1992, an increase of 2 per cent which is slightly lower than the 4 per cent increase recorded in 1991. This decline was due to reduced consumption by

various categories of consumers as a result of the power rationing by Kenya Power and Lighting Company in April, May and October, 1992. Demand for electricity by domestic and small commercial consumers increased by 7 per cent from 823 million Kwh in 1991 to 877 million Kwh in 1992, while that of large commercial and industrial consumers increased by 3 million Kwh in 1992 compared to 78 million Kwh, 122 million Kwh and 58 million Kwh in 1991, 1990 and 1989, respectively. The proportion of total sales accounted for by large commercial and industrial consumers was 63 per cent of total sales in 1992 compared to 64 per cent in 1991.

ELECTRICITY ENERGY SUPPLY AND DEMAND BALANCE, 1988 - 1992

Table 10.9 Million KWH

	1988	1989	1990	1991	1992*
DEMAND-					
Domestic and Small Commercial	709	729	780	823	877
Large Commercial and Industrial	1,574	1,632	1,754	1,832	1,835
Off-peak	110	113	117	109	104
Street Lighting	14	14	14	14	14
Rural Electrification	36	49	67	76	85
TOTAL	2,443	2,537	2,732	2,854	2,915
Transmission losses and unallocated demand	475	482	486	507	540
TOTAL DEMAND = TOTAL SUPPLY	2,918	3,019	3,218	3,361	3,455
of which imports from Uganda	110	112	174	134	240
Net generation	2,808	2,907	3,044	3,227	3,215

* Provisional.

10.15. Off-pick consumption fell by 5 million Kwh from 109 million Kwh in 1991 to 104 million Kwh in 1992. Since the year 1988, demand for street lighting has remained at the level of 14 million kwh. Out of the 3,455 million Kwh supplied to the economy, 240 million Kwh or 7 per cent was imported from Uganda compared to 4 per cent imported in 1991. Imports from Uganda increased by 79 per cent in 1992. This increase was due to a fall in generation of electricity. Transmission losses have been increasing over the years and stood at 540 million Kwh in 1992, which was 6 per cent the above 1991 level.

Rural Electrification Programme

10.16. The number of consumers of electricity in rural areas rose by 16 per cent from 24,491 to 28,450 in 1992 while revenue collected rose by 35 per cent. This was, however, below the 45 per cent increase recorded in 1991. Over the years demand for rural electrification has continued to rise, from 36 million Kwh in 1988 to 85 million Kwh in 1992, an increase of 49 million Kwh within the last 5 years.

Total Energy Supply and Demand Balance

10.17. Table 10.10 gives figures on consumption of fuels other than fuelwood and charcoal in terms of oil equivalent. Local energy production has over the years been 30 per cent below total energy consumption, the balance being imported mainly in the form of crude petroleum. The consumption of coal and coke which fell in 1991 increased once again in 1992 by 5 per cent. Domestic demand for coal is influenced by fuel oil prices, and as the price continues to rise, it is expected that the usage of coal will increase. Currently coal is imported from Swaziland and is mainly used in the cement industry.

PRODUCTION, TRADE AND CONSUMPTION OF ENERGY** EXPRESSED IN TERMS OF PRIMARY SOURCES, 1988 - 1992

Table 10.10 '000 Tonnes Oil Equivalent

	1988	1989	1990	1991	1992*
COAL AND COKE CONSUMPTION	79.0	91.6	105.8	93.7	98.6
Imports of crude oil	2,041.8	2,100.9	2,178.3	2,059.4	2,235.3
Net exports of petroleum	-583.1	-470.8	-425.7	-692.0	-669.4
Stock changes and balancing item	350.4	269.7	77.7	387.7	273.4
TOTAL CONSUMPTION OF LIQUID FUELS	1,809.1	1,899.8	1,830.3	1,755.1	1,839.3
HYDRO AND GEOTHERMAL ENERGY:-					
Local production of hydro power	557.5	592.6	608.9	667.2	671.0
Local production of geothermal power	77.5	77.3	80.6	71.5	65.3
Imports of hydro power	26.4	26.9	41.8	32.2	57.6
TOTAL CONSUMPTION OF HYDRO AND GEOTHERMAL ENERGY	661.4	696.8	731.3	770.9	793.9
TOTAL LOCAL ENERGY PRODUCTION	635.0	669.9	689.5	738.7	736.3
TOTAL NET IMPORTS	1,564.1	1,748.6	1,9002	1,493.3	1,722.3
TOTAL ENERGY CONSUMPTION	2,549.5	2,688.2	2,667.4	2,619.7	2,732.0
LOCAL PRODUCTION AS PERCENTAGE OF TOTAL	24.9	24.9	25.8	28.2	27.0
PER CAPITA CONSUMPTION IN TERMS OF KILOGRAMS OF OIL EQUIVALENT	115.0	117.0	111.0	103.5	104.1

* Provisional.

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

Extension of Kenya Pipeline

10.18. The construction of the Western Kenya Oil Pipeline commenced in January, 1991. This pipeline will have terminals at Nakuru, Eldoret and Kisumu. The Nairobi-Eldoret section of the extension is scheduled to be commissioned by October 1993, while the Nairobi-Nakuru-Kisumu is planned to be completed by the second quarter of 1994. The existing pipeline runs from Mombasa to Nairobi and only white oils, such as motor spirit (premium and regular), illuminating kerosene, jet fuel and automated gasoil are transported through it.

Woodfuel Resources

10.19. Woodfuel has been a major source of energy for heating and lighting for most of the country's rural population. About 70 per cent of the country's total domestic energy requirement is in the form of fuelwood and charcoal. Government policy on woodfuel is to ensure that adequate supplies of wood are available to satisfy demand through sustained yields, while at the same time conserving the environment. This is being done by encouraging the use of energy saving cooking stoves which would reduce charcoal and woodfuel consumption.

Alternative Sources of energy

10.20. Increasing cost of fossil fuels (oil and coal) are forcing consumers to look for alternative sources of energy. These sources of energy in Kenya include solar energy, power alcohol and biogas. Currently available alternative sources of energy in Kenya are not fully exploited and as a result their contribution to total energy supply is limited. Exploitation of some of these alternative sources have been hampered by lack of appropriate technologies and high capital costs as well as lack of effective promotional campaign.

Energy Conservation

10.21. The serious impact of petroleum imports on the country's balance of payments, the high cost of generating electrical power and the negative enviromental effect of use of woodfuel, call for effective use of the meagre resources available. The policy on energy conservation is expected to rely on the reduction of the cost of using imported and domestic energy, by eliminating wasteful consumption and maximizing the efficiency with which energy is used throughout all sectors of the economy; and promotion of usage of domestic, low cost instead of imported high cost energy resources where appropriate and economically justifiable.

CHAPTER 11 - MANUFACTURING

Overview

The downward trend in domestic manufacturing sector, .vhich started in 1989, continued to reach the lowest ever level in 1992, when a physical output growth of 1.2 per cent was recorded compared to growth rates of 5.3 per cent and 3.8 per cent in 1990 and 1991, respectively. Continued global economic recession, poor weather conditions, shortage of foreign exchange, inflationary pressures, and political uncertainties during the phase of transition to multi-party democracy contributed to the sharp drop. Throughout the year, there were intermittent shortages of raw materials, spare parts and other imported inputs needed to sustain activities in the manufacturing sector. Against the slow down, however, the Government and a variety of international support groups continued to assist the manufacturing sector venture into export markets, through various export promotion strategies. Prolonged drought in the year 1992 and structural bottlenecks led to a negative growth rate in the food manufacturing sub-sector. Substantial improvements in output were however recorded in the other sectors like beverages and tobacco; leather and footwear; and cement, which cushioned the manufacturing sector from further decline.

Employment

11.2. The poor performance in domestic manufacturing experienced in the year 1992 resulted in extremely low growth in employment in 1992, with an employment rise of only 0.4 per cent, lower than the 0.6 per cent recorded in the previous year. Total number of employed persons in the manufacturing sector was 189,596, slightly above the 188,873 persons engaged in the sector in 1991. Significant employment losses were registered in the textiles and clothing industry, chiefly as a result of competition from imported fabrics. Marginal losses of employment, were similarly recorded in the dairy processing industry; wood and cork products; and transport equipment industry. Marginal employment gains were registered in the pharmaceutical industry due to capacity expansion in a major drugs manufacturing company.

Manufacturing sale and stocks

11.3. Effects of high price rises experienced in the Kenya economy during the year 1992 led to a 29.6 per cent increase in sales revenue generated by the manufacturing sector over the previous year. Data from the Business Expectations Enquiries (B.E.E.) shows that sales of manufactured goods in 1992 was K£8,249 million, against the K£5,041 million generated in 1991. Stock levels of manufactured goods decreased by three times between the fourth quarters of 1990, 1991 and 1992. This is a reflection of the slow down in the manufacturing sector, contributing towards the significant amount of manufacturing de-stocking in 1992. Value of manufactured exports in 1992 was 2.3 per cent above the exports of 1991.

Industrial output

11.4. The sluggish growth in domestic manufacturing sector during the year 1992 is shown in Table 11.1. While value of output grew by an average of 20 per cent per annum between 1987 and 1991, only a 10 per cent growth in output was achieved in 1992. Similarly, while manufacturing value added increased at about 15 per cent between 1987 and 1991, it only rose by 6 per cent in 1992.

MANUFACTURING SECTOR - OUTPUT, WAGES AND PRODUCT, AT CURRENT PRICES, 1988 - 1992

Table 11.1 K£million

YEAR	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1988	6,102.68	5,305.12	797.56	266.68
1989*	7,282.57	6,375.66	906.91	309.62
1990	8,816.31	7,774.96	1,041.35	345.12
1991	10,817.57	9,583.31	1,234.26	376.71
1992**	11,877.06	10,568.15	1,308.91	420.23

* Revised.

** Provisional.

Quantum Indices

11.5. As shown in Table 11.2, the various manufacturing sub-sectors displayed mixed economic performance in the year 1992, against the backdrop of an overall weak growth in the sector. Dry weather conditions in milk production districts led to further drop in output in the meat and dairy products industry from negative 10 per cent in 1991 to negative 24.8 per cent in 1992. Structural bottlenecks in the sugar milling industry led to a sharp drop in growth of the sugar industry, to negative 7.1 per cent after the modest recovery recorded in 1991. These led to an overall deterioration in the performance of the food manufacturing industry. Foreign exchange constraints, inhibited growth in the transport equipment, petroleum and other chemicals and the metal products industries. Significant output gains were however registered in the beverages and tobacco industries; paper and paper products sub-sector; leather and footwear; and cement manufacturing.

11.6. The modest recovery recorded in the grain milling industry in the year 1991 was reversed in 1992 when the sub-sector recorded a negative growth rate of 4.3 per cent. Despite normal deliveries of maize to the National Cereals and Produce Board (N.C.P.B.) as shown in Chapter 8, the main maize milling factories in the country operated below optimum capacities. Consequently, output of sifted maize meal declined from 227.3 thousand tonnes in 1991 to 119.6 thousand tonnes in 1992. Further decline in the grain milling industry was however, substantially offset by increases in production of wheat flour and whole rice, as shown in Table 11.3. During the year 1992, production of wheat flour was 222.4 thousand tonnes, 19.9 per cent above 185.5 thousand output of 1991. Similarly, output of milled rice increased by 19.1 per cent in the same period. While increased costs of packaging materials adversely affected the

grain milling industry's performance, efforts to liberalize the price structure of both maize and wheat flour helped cushion the industry from further decline. 418 thousand tonnes of maize were imported in the year under review.

QUANTUM INDEX OF MANUFACTURING PRODUCTION, 1988 - 1992

Table 11.2 1976=100

INDUSTRY	1988	1989	1990	1991	1992*	Percentage Change 1992/1991
Meat and Dairy Products	127.9	130.9	139.9	125.1	94.1	-24.8
Canned Vegetables. Fish, Oils and Fats	267.7	291.1	320.9	363.4	338.9	-6.7
Grain Mills Products	224.7	175.5	177.9	178.1	170.5	-4.3
Bakery Products	155.4	155.1	158.1	166.1	166.9	0.5
Sugar and Confectionery	201.5	210.0	203.1	205.2	190.6	-7.1
Miscellaneous Foods	224.7	225.6	226.8	227.9	236.7	3.9
Food Manufacturing	167.5	171.0	173.2	174.8	164.8	-5.7
Beverages	207.9	210.3	218.0	210.8	231.8	10.0
Tobacco	178.1	178.6	178.2	173.5	201.6	16.2
Beverages and Tobacco	201.9	204.1	210.7	203.9	230.7	13.1
Textiles	197.2	202.3	227.8	218.5	218.5	0.0
Clothing	368.3	378.6	347.2	323.9	320.6	-1.0
Leather and Footwear	88.1	94.7	99.2	90.8	97.2	7.0
Wood and Cork Products	66.4	68.1	70.2	73.1	74.0	1.2
Furniture and Fixtures	72.7	72.9	73.7	70.8	71.0	0.3
Paper and Paper Products	189.3	194.7	203.9	214.6	225.1	4.9
Printing and Publishing	389.1	392.9	401.8	405.8	411.2	1.3
Basic Industrial Chemicals	182.1	198.1	211.3	233.9	234.0	0.0
Petroleum and Other Chemicals	342.9	396.0	457.8	510.7	481.1	-5.8
Rubber Products	286.3	308.7	325.9	322.4	307.8	-4.5
Plastic Products	202.8	219.1	227.4	262.2	286.0	9.1
Clay and Glass Products	306.5	338.1	367.2	359.8	378.5	5.2
Non-Metallic Mineral Products	140.7	147.0	167.1	170.5	201.1	17.9
Metallic Products	133.1	154.6	177.0	205.5	186.0	-9.5
Non-Electrical Machinery	138.7	132.8	103.8	101.0	95.4	5.5
Electrical Equipment	189.3	193.8	190.3	193.4	187.3	-3.2
Transport Equipment	612.4	638.0	673.5	662.0	603.7	-8.8
Miscellaneous Manufactures	360.3	375.0	406.1	441.0	442.9	0.4
TOTAL MANUFACTURING	211.3	223.8	235.6	244.6	247.5	1.2

* Provisional

PRODUCTION OF GRAIN MILLING PRODUCTS. 1988- 1992

Table 11.3 '000 tonnes

YEAR	COMMODITY			
	Sifted Maizemeal	Wheat Flour	Whole Rice	Broken Rice
1988	261.2	266.6	14.7	0.1
1989	220.3	189.0	16.2	1.9
1990	241.4	171.9	19.8	2.4
1991	227.3	185.5	15.2	2.2
1992*	119.6	222.4	18.1	2.4

* Provisional

11.7. Despite efforts by the Government to revitalize the dairy industry through price decontrol of dairy products, the downward trend in the industry continued in 1992, a factor attributed to prolonged drought conditions. During the year 1992, output of liquid milk was 198 thousand litres, less than half the 429 thousand litres processed in 1991. Production of cheese and butter was 45 per cent and 28 per cent below their respective levels in 1991. The Government however continued in its efforts to streamline the dairy industry by formulation of a reform programme for the Kenya Cooperative Creameries (K.C.C.).

11.8. Structural reform measures in the beef production industry, and substantial de-stocking by farmers of beef stock, during the drought season of 1992 enhanced output of beef by 5.3 per cent over the 1991 production. Similarly, streamlined production of pigs yielded an increased output of pork from 927 metric tonnes in 1991 to 1,241 tonnes in 1992. Production of sausages increased by 12 per cent, while output of hides and skins was up by about 5 per cent. Production uncertainties inherent in the poultry industry,however, led to a marked fall in output of processed chicken in the year 1992.

11.9. Rising costs of raw materials and packaging materials had a very adverse impact on the growth of the canned vegetables, fish, oils and fats sub-sector. Production of jams and marmalades in 1992 was 1.1 thousand metric tonnes, about the same level as in 1991. Output of fruits and vegetable juices was 5.3 thousand metric tonnes, marginally above the level of 5.2 thousand achieved during the previous year. Manufacture of squashes, however, fell by more than 56 per cent on account of rising production constraints. Production of edible fats and margarine was 71,709 metric tonnes in 1992, a significant 30 per cent fall from the 102,252 tonnes recorded in 1991. Output of both edible oils and cotton seed oil declined significantly. Substantial de-regulation of the edible fats and oils industry were consequently implemented to enhance growth in the sub-sector.

11.10. Operational problems in the local sugar industry experienced by the five sugar mills supplying the domestic sugar market retarded growth in the industry, following a significant recovery in 1991. Production of milled sugar in 1992 was 377 thousand metric tonnes, 11.6 per cent below the 426.5 thousand tonnes produced in 1991, while production of molasses declined steeply by 28 per cent. A marked fall was also registered in production of confectionery and chocolate. The rehabilitation process in the domestic sugar industry continued in 1992, with plans to open a sixth factory in Busia to enhance production of sugar.

11.11. Despite low international tea and coffee prices, which led to lower output of these products from the factories, the miscellaneous food processing sub-sector recorded a substantial recovery of 3.9 per cent in 1992. Output of milled coffee decreased by a significant 19 per cent while production of black tea remained largely unchanged. However, output of both instant coffee and common salt more than doubled. Production of cattle feeds increased by a significant 15 per cent, while manufacture of pig feeds and horse feeds remained at about the same level as in 1991.

11.12. Strong growth in demand for beverages and tobacco, both locally and in the export markets, helped the sub-sector to record a growth rate of 13.1 per cent, despite raw material production constraints. As shown in Table 11.4 production of beer and stout in 1992 was 369 million litres, which was 17.5 per cent above the 314 million output of 1991. Similarly, while manufacture of spirits and mineral waters declined by 12.3 per cent and 7.8 per cent respectively, production of cigarettes increased by a significant 8.6 per cent.

PRODUCTION OF BEVERAGES AND TOBACCO, 1988 - 1992

Table 11.4

	COMMODITY			
YEAR	Spirits '000 Litres	Beer Million litres	Mineral Waters Million litres	Cigarettes Million sticks
1988	956.0	314.4	186.7	6642
1989	1,274.1	315.4	169.8	6661
1990	1,192.9	331.1	150.0	6648
1991	1,688.3	314.0	144.5	6473
1992*	1,480.3	368.6	133.3	7031

* Provisional

11.13. Increased competition from imported fabrics have consistently dampened growth in the textiles and clothing sub-sector for the last five years. However, substantial increases in production efficiency in 1992 helped to contain the decline in the clothing industry. Production of cotton woven fabrics in 1992 was 31.4 million square metres, about 15 per cent above the 27.3 million square metres produced in 1991. Manufacture of woollen woven fabrics in the same period was 8.6 million square metres, 3 times above the production of previous year. While production of polyester viscose fabrics declined by 35 per cent, output of toweling materials increased by 68 per cent, and that of nylon fabrics remained unchanged. Production of shirts, sports shirts, T- shirts and trousers decreased marginally, while that of vests, singlets and underwear increased by about 22 per cent.

11.14. Following a significant decline in 1991, the leather and footwear sub-sector managed a substantial recovery in 1992 by recording a growth rate of 7.0 per cent thanks to adequate availability of raw materials. During the period under review, output of unfinished leather was 1.9 million square metres, 64 per cent above that of 1.2 million square metres in 1991. Production of finished leather was 21 per cent above that of 1991, while output of sole leather largely remained unchanged. Production of leather shoes in 1992 was 1.5 million pairs, about 24 per cent above the production level of 1.1 million pairs in 1991. Output of sporting balls increased by 3 per cent in the period under review.

11.15. Significant loosening of restrictions on deforestation by the Government, and increasing raw material substitution by paper manufacturing firms in the last two years, sustained growth of output in the wood and paper products sub sectors. During the year 1992, output of sawn timber was 85 thousand cubic metres, marginally above the level of 82 thousand cubic metres in 1991. Manufacture of Kraft paper board was 7,259

tonnes, 10.6 per cent above the output of 6,561 tonnes in the previous year, while that of wrapping paper rose by a significant 32 per cent. During the period under review, production of paper bags and sacks was 10,783 tonnes compared with an output of 7,684 tonnes made in 1991. While production of toilet paper rolls and paper corks increased significantly,, notable declines were registered in output of corrugated paper containers and paper corks. In an effort to streamline production of packaging paper in 1992, a leading paper converting firm sold it's paper converting line to a major maize milling user of packaging materials. Similarly, the Webuye-based paper production plant expanded its capacity for using traditional raw materials and sugar industry by-products for manufacture of paper.

11.16. During the year 1992, no growth was recorded in the manufacture of basic industrial chemicals. This may be attributed to general domestic macro-economic constraints. However, to sustain output in the sub-sector substantial efforts were made to encourage use of locally available raw materials and spare parts. Production of industrial gases in 1992 was 3.3. million cubic metres, which was marginally below the 3.45 million of 1991. Output of electrodes and acetylene gas, rose by 19 per cent and 2 per cent respectively, while that of pyrethrum extract and powder, rose respectively by 6.8 per cent and 13 per cent. Production of both insecticides and herbicides fell significantly, while that of vaccines remained at the 1991 level of 6 million doses.

11.17. After growing at an average rate of 11.3 per cent between 1988 and 1989, the petroleum and other chemicals sub-sector declined sharply by a negative 5.8 per cent in 1992, a development largely attributed to its imported input dependency and domestic inflation. Production of paints in 1992 was 4.8 million litres, significantly below the 7.9 million litres produced in 1991, while output of varnishes and lacquers;and thinners, increased by modest rates of 4 per cent and 3 per cent, respectively. Output of laundry soap in 1992 was 23 thousand tonnes, 8 per cent below the 25 thousand tonne in 1991. Production of washing soap rose by 13 per cent, while that of both detergent powder and liquid fell by a significant 15 per cent. Output of liquified petroleum gas (L.P.G.), kerosene and gas oil, increased by 10 per cent, 9 per cent and 30 per cent respectively.

11.18. Rapid technological changes in the plastics product industry have sustained growth of output in the sub-sector by an average of 9.1 per cent per annum since 1988. Similarly, good effective demand for plastic products has helped sustain increased production of plastic manufactures. In the year 1992, production of plastic shoes was 1.1 million pairs, 25 per cent above the 0.88 million pairs made in 1991. Production of PVC pipes was 4,899 tonnes an 18 per cent rise over the 4,149 tonnes output of 1991. Output of film bags increased by 22 per cent in the period under review, while there was a significant 24 per cent decline in output of PVC floor tiles. Manufacture of new motor vehicle tyres in 1992 was 493,067 units, 15.7 per cent above the 426,116 units made in 1991. Production of new motor vehicle tubes in the review year was 407,429 units, 12.7 per cent below the 466,843 units made in 1991. Output of retreaded tyres, rubber shoes and rubber soles fell by 11 per cent, 27 per cent and 20 per cent, respectively.

11.19. As shown in Table 11.5, production growth trends of cement have been declining since 1990 on account of the slow-down in the building industry. After rising by an average of 12.2 per cent per annum between 1988 and 1990, output of cement has fallen to an average decline of 0.1 per cent, between 1990 and 1992. Similarly, average consumption of cement has risen by 7.5 per cent per annum from 1988 to 1992. Total exports of cement have in the same period, increased by an average of 4.1 per cent per annum.

CEMENT PRODUCTION AND UTILIZATION, 1988 - 1992

Table 11.5 '000 tonnes

YEAR	PRODUCTION	IMPORTS	CONSUMPTION AND STOCKS	EXPORT TO	
				Uganda and Tanzania	All Other Countries
1988	1,200.7	0.0	854.1	62.6	284.0
1989	1,316.4	0.9	1,003.4	60.7	253.2
1990	1,511.5	0.0	1,182.0	44.6	285.0
1991	1,422.6	1.5	1,119.2	54.1	250.8
1992*	1,507.3	2.7	1,118.2	54.1	337.7

* Provisional.

11.20. The metallic products industry was adversely affected by the shortage of foreign exchange. Similarly, below capacity production by an important producer of galvanized sheets led to the negative 9.6 per cent decline in the sub-sector, the lowest in the last five years. Production of galvanized iron sheets in 1992 was 69,706 tonnes, about 21 per cent below the 88,276 tonnes produced in 1991. Output of iron bars and rods in 1992 was 43,932 tonnes, 6 per cent below the 46,706 tonnes output of 1991. Production of metal cans and tins was 270 thousand tonnes marginally above the 1991 output level. Production of barbed wire and exhaust pipes rose by 7.5 per cent and 13 per cent respectively, while output of nails and welded mesh fell by 8 per cent and 3 per cent respectively, in 1992.

11.21. Shortages of imported raw materials had an adverse impact on the growth of the electrical equipment industry, as shown in Table 11.2. Production of dry cells in 1992 was 1.3 million units, which was 13.3 per cent below the 1.5 million output level of 1991. Manufacture of motor vehicle batteries in the same period was 169,972 units, 9.5 per cent below the 1991 output of 187,860 units. Production of electric lamps and battery plates declined by a significant 35 per cent and 11 per cent, respectively.

11.22. Low capacity utilization attributed to an acute shortage of foreign exchange in 1992 had an adverse impact on the local motor vehicle assembly industry. Similarly, successive devaluations of the Kenya shilling against international currencies significantly raised the prices of imported completely knocked down components (CKDs), aggravating the problems in the industry further. Production of assembled vehicles in 1992, was 6,542 units, 15.6 per cent below the 7,750 vehicles assembled in 1991.

Industrial Credit

11.23. Global economic decline experienced in 1992, together with competition for investment funds, and restrictive domestic lending, significantly constrained the availability of finance for new industrial projects in the year under review. As shown in Table 11.6 industrial project investments by the Industrial Development Bank (I.D.B.); Development Finance Corporation of Kenya (D.F.C.K.); Kenya Industrial Estates (K.I.E.) and Industrial and Commercial Development Corporation (I.C.D.C),almost doubled in both 1990 and 1991 as compared to their respective numbers in 1989. At the same time total investment value of the projects approved remained fairly low, except in 1991 when domestic inflationary effects increased investment costs significantly. During the year 1992, however, there was a steep decline in number of funded industrial ventures, from 205 in 1991 to 140 projects in the year under review. However, the total approved expenditure declined only marginally from K£42.8 million in 1991 to K£ 41.2 million in 1992. This reflects heavy inflationary pressure on costs of investments experienced by the industrial development banks in 1992. This retarded promotion of industrial activity.

11.24. During the year ended December 1992, the I.D.B. approved 4 industrial projects compared with 7 funded in the previous year. Motor vehicle battery manufacture, production of aluminuim sheets and coils and making of corrugated cartons were the three new industrial ventures involving participation of the I.D.B. The fourth was an expansion project for manufacture of glass bottles. The four projects were to be located in Nairobi, Mombasa, Athi River and Nairobi, respectively, and were expected to generate a total of 877 new employment opportunities.

INDUSTRIAL PROJECTS APPROVED BY SELECTED GOVERNMENT OR QUASI-GOVERNMENT INSTITUTIONS, 19B8 - 1992

Table 11.6

INSTITUTION	NUMBER OF PROJECTS					APPROVED EXPENDITURE K£ MILLION				
	1988	1989	1990	1991	1992*	1988	1989	1990	1991	1992*
Industrial Development Bank Limited (I.D.B.)	15	8	8	7	4	6.5	3.3	3.4	9.6	7.1
Development Finance Company of Kenya (D.F.C.K.)	4	3	9	9	21	0.7	0.8	5.3	8.9	22.5
Kenya Industrial Estates Limited (K.I.E.)	205	131	219	169	105	3.3	2.5	4.0	3.7	2.9
Industrial and Commercial Development Corporation (I.C.D.C.)	14	6	12	20	10	3.1	7.0	4.0	20.6	8.7
TOTAL	238	148	248	205	140	13.6	13.6	16.7	42.8	41.2

* Provisional.

11.25. During the year 1992, ten industrial ventures obtained funding assistance from the I.C.D.C the number was down from 20 projects in 1991. The amount of loans commitment and disbursements fell to less than half from K£20.6 million in 1991 to K£8.7 million in 1992. During the year 1992, the I.C.D.C's loan portfolio was mainly

targeted towards rehabilitation of existing projects. Participation in new industrial ventures was insignificant.

11.26. Economic growth constraints afflicting the Kenyan economy over the last two years significantly affected the KlE's lending capacity, leading to a drop of loan approvals from 169 projects in the year 1991 to 105 projects in 1992. At the same time, the value of loans commitment declined by a significant 22 per cent, from K£3.7 in 1991 to K£2.9 million in 1992. The relatively small size of industrial investments encouraged by the K.I.E. in industrial promotion is demonstrated by the fairly low average capital labour ratio of Ksh 67,438 per person; and employment of 8 person per project. The investment funding profile allocated 19 per cent, 11 per cent and 10 per cent of the loans to food processing, metal working, chemical and furniture industries respectively; the rest was mainly invested in printing, plastics and garments manufacture. The K.I.E. continued to direct its industrialization efforts towards small towns, where 60 per cent of the projects are located. The other 40 per cent of the physical projects are located in main towns.

11.27. In the year ended December 1992, the DFCK approved loans for 21 projects, against 9 industrial projects approved in each of the previous two years. The loan commitment of K£22.6 million in 1992 was the highest over the last five years. The funding portfolio was highest in food processing, chemical works and paper manufacture, with allocations of 25 per cent, 15 per cent and 14 per cent of the funds respectively; the remaining 46 per cent of the funds were spread out in plastics, glass, electrical, textiles and clothing industries respectively. The enhanced business prospects of DFCK in 1992 was on account, among others, of the Foreign Exchange Risk Assumption Scheme, which enabled the loan approvals to be contracted in risk free local currency. High cost of basic and intermediate industrial inputs however, continued to affect those projects which had high imported input requirements. Much effort by the D.F.C.K was directed towards rehabilitation of under performing projects.

Labour cost and productivity

11.28. As shown in Table 11.7, decline in the rates of change in the quantum index of manufacturing output over the last five years has corresponded with decline in employment growth rates in the manufacturing sector. Similarly while changes in

INDICATORS OF LABOUR COST AND PRODUCTIVITY IN MANUFACTURING. 1988 1992

Table 11.7

INDICATOR	1988	1989	1990	1991	1992*
1. Change in the quantum index of manufacturing	+6.0	+5.9	+5.3	+4.1	+1.2
2. Change in numbers employed in manufacturing	+2.6	+2.8	+2.7	+0.6	+0.4
3. Implicit change in labour productivity	+3.4	+3.1	+2.6	+3.5	+0.8
4. Wage cost as percentage of gross output	4.1	4.3	3.9	+4.1	+3.5
5. Wage cost as percentage of value added	30.7	34.5	33.1	35.7	32.1

* Provisional.

manufacturing labour productivity have been around 3.3 per cent in the last four years, it fell steeply in 1992 to 0.8 per cent. The data also show that the proportion of wage cost in the value added have remained at roughly 30 per cent, leaving 70 per cent of operating surplus for potential re-investment.

Developments

Export Promotion Council (E.P.C.)

11.29. An export promotion council was established in the year 1992 alongside introduction of foreign exchange retention scheme for the export of non-traditional goods. The objectives of the council include continual review of export performance and an advisory role to the government on policy measures towards export promotion; attraction of investment and finance to the export sector; identification of new export markets and the creation of public awareness on export expansion. The main issues to be addressed by the council included, optimal foreign exchange rate management, import liberalization, and specific export promotional measures and incentives, such as Export Processing Zones (EPZ's) and Manufacturing Under Bond (MUB).

Kenya Export Development Support (KEDS)

11.30. During the year 1992, the Kenya Export Development Support (KEDS) was launched with an objective of assisting manufacturers to develop export markets to boost the country's export industry and generate employment.

Kenya Exporters Assistance (KEAS)

11.31. The Kenya Government with assistance of international financial institutions set up an export promotional scheme to assist manufacturers in developing strong and sustainable export base. This programme is known as Kenya Export Assistance (KEAS). It is designed to help Kenyan exporters by investigating into customs procedures, VAT and duty remission to increase export efficiency. Firms within the Export Promotion Zones (EPZs) are exempted from this assistance programme. The beneficiaries of this assistance programme are required to provide significant value added in the domestic economy.

CHAPTER 12 - BUILDING AND CONSTRUCTION

The performance of the building and construction sector deteriorated further in 1992 compared with 1991. The unsatisfactory performance of the sector was due to generally adverse economic conditions prevailing in the country during the last two years, coupled with the Government's financial austerity measures, reduction of aid flows from the donors and escalating material and labour costs. Both building and "other" construction sub-sectors performed poorly in 1992.

12.2. Table 12.1 shows data series on real trends on the sectors major indicators. In terms of employment creation the sector performed poorly in 1992 compared with the previous year. The sector engaged a total of 73.4 thousand people in 1992, a rise from 72.4 thousand the previous year representing a marginal growth of only 1.4 per cent, which was nearly same growth recorded in 1991. Cement consumption stagnated in 1992, while indices on Government expenditure on roads, and reported public buildings continued to show a downward trend. Deflated index of Government expenditure on roads showed a drop from 73.0 in 1991 to 55.4 in 1992. The drop was partly attributable to the cut in public expenditure on roads and the ever rising construction costs.

REAL TRENDS IN BUILDING AND CONSTRUCTION*. 1988 1992

Table 12.1 1982=100

	1988	1989	1990	1991	1992**
"Index" of reported private building work completed in main towns***	81.3	89.9	91.2	74.5	
"Index" of reported public building work completed in main towns***	15.5	12.2	11.6	9.6	
"Index" of government expenditure on roads	65.2	77.1	67.0	73.0	55.4
Cement consumption ('000 tonnes)	854.0	1,003.4	1,182.0	1,119.2	1,118.2
"Index"	147.4	173.2	204.0	193.2	193.1
Employment ('000)	62.6	68.7	71.4	72.4	73.4
"Index"	103.6	113.7	118.2	119.9	121.5

* Actual deflated by various building or construction cost indices.

** Provisional.

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

12.3. Provisional data from the Business Expectation Enquiry (BEE) indicate a marginal increase in the total value of receipts for work done by private contractors in 1992. The total value of receipts rose marginally by only 4 per cent from K£695 million in 1991 to about K£ 721 million in 1992. The total value of stocks similarly declined to K£ 105 million in 1992 from K£ 133 million in the previous year.

12.4. Annual percentage changes in building and construction cost indices are presented in Table 12.2. The overall building and construction cost index rose significantly by 15.0 per cent in 1992 compared with a much lower 7.7 per cent during the previous year. Residential and non-residential buildings recorded a rise of 18.7 per cent and 16.3 per cent, respectively, while "other' construction showed a modest growth of 10.3 per cent in 1992. Materials, an input in construction sector, rose by 17.0 per cent due to price increases in construction materials including cement, sand, concrete products, glass material, roofing materials, electrical installations, and plumbing and sanitary fixtures.

ANNUAL PERCENTAGE INCREASE IN BUILDING AND CONSTRUCTION COST INDICES*, 1990 - 1992

Table 12.2

	MATERIALS			LABOUR			TOTAL COST		
	1990	1991	1992**	1990	1991	1992**	1990	1991	1992**
Residential Buildings	24.7	8.1	20.6	12.4	9.7	9.6	22.4	8.4	18.7
Non-Residential Buildings	30.8	8.1	18.2	12.4	9.7	9.6	26.2	8.5	16.3
All Buildings	27.4	8.1	19.5	12.4	9.7	9.6	24.2	8.4	17.6
"Other" Construction	22.0	4.4	10.8	12.4	9.7	9.6	18.2	6.4	10.3
TOTAL COST INDEX	25.7	7.0	17.0	12.4	9.7	9.6	21.9	7.7	15.0

* From December to December.

** Provisional.

12.5. Labour cost remained relatively stable in 1992 recording a modest rise of 9.6 per cent, slightly below the 9.7 per cent recorded during the previous year. The rise in labour costs was attributable to Regulation of Wages (General) (Amendment) order of 1992.

12.6. Data on value of building plans approved by Nairobi City Commission (NCC) and other towns shown in Table 12.3 indicate that after recovery in 1991, the value of the plans declined in 1992 to its lowest level since 1989. The decline was due entirely to a fall in building plans approved in Nairobi, which contributed over 50 per cent of the total value of the plans approved in all towns. The value of plans approved by NCC declined from K£193.4 million in 1991 to K£156.4 million in 1992. The other towns recorded marginal increase from K£105.6 million to K£106.5 million during the period under review. Mombasa, Kisumu and Eldoret reported declines, while Nakuru and Malindi showed improvements in 1992. Major building projects approved in 1992 in Nairobi included; casualty ICU extension for Mater Misericordia Hospital; shop, Bank and flats for Kenya Commercial Bank; Co-operative Bank -internal extension and alteration, village market along Limuru road; and primary school - Nairobi West.

VALUE OF BUILDING PLANS APPROVED BY NAIROBI AND OTHER TOWNS, 1988 - 1992

Table 12.3 K£million

YEAR	NAIROBI	OTHER TOWNS	TOTAL
1988	148.38	98.93	247.31
1989	212.85	69.26	282.11
1990	186.24	85.44	271.68
1991	193.45	105.64	299.09
1992*	156.40	106.49	262.89

* Provisional.

12.7. A comparison between value of plans approved and buildings completed in main urban areas is presented in Table 12.4. The value of completed buildings expressed as a percentage of plans approved show that in 1991, 21.2 per cent of the plans approved were completed while in 1992 it dropped to only 15.1 per cent. This reflected the general depression in the building sub-sector.

COMPARISON OF VALUE OF PRIVATE PLANS APPROVED AND BUILDINGS COMPLETED IN MAIN URBAN AREAS, 1988 - 1992

Table 12.4 K£million

YEAR	PLANS APPROVED	BUILDING WORK COMPLETED
1988	247.31	40.74
1989	262.11	48.59
1990	271.68	66.02
1991	299.09	63.52
1992*	262.89	39.78

* Provisional.

12.8. Table 12.5 presents analysis of value of reported private buildings works completed in main towns. The total value of completions continued to show a downward trend since 1990. As stated before, the depressed activity in the building sub-sector was attributable to adverse economic factors prevailing in the country in 1991 and 1992. The total value of reported completions showed a significant decline from K£ 68 million in 1991 to K£ 41 million in 1992. Nairobi, Mombasa, Nakuru and Malindi all reported declines. In 1992, a number of buildings were under construction in various towns. These included: inland containers depot in Kisumu and Central Bank Headquarters, Afya Towers and Komorock Housing Estate-extension - all in Nairobi.

12.9. An analysis of reported completions of private buildings by residential and non-residential category shown in Table 12.6 indicates a decline in the total number and the estimated cost of both categories. The total number of units declined by 35 units while the estimated cost declined by K£23.7 million in 1992. Despite this fall, private sector continued to support public effort in the provision of dwelling units and other buildings required for the development of other sectors. Among the reported buildings include dwelling houses along Outering, off Muhoho road and along Olc-Sangale road-all in Nairobi.

VALUE OF REPORTED PRIVATE BUILDING* WORKS COMPLETED IN MAIN TOWNS. 1988 - 1992

Table 12.5 K£million

Year	Nairobi	Mombasa	Kisumu	Nakuru	Malindi	Total
1988	26.24	14.35	1.10	3.85		45.54
1989	31.19	13.28	4.36	3.90		52.73
1990	30.15	23.61	8.09	6.55	3.53	71.93
1991	41.24	21.58		3.02	2.14	67.98
1992**	25.98	10.75		2.00	2.10	40.83

Including the value of extension.

Provisional.

REPORTED COMPLETIONS OF NEW PRIVATE BUILDINGS* IN MAIN TOWNS. 1988 - 1992

Table 12.6

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total
1988	1,466	85	27.10	13.64	40.74
1989	1,296	124	31.81	16.78	48.59
1990	1,148	94	39.02	27.00	66.02
1991	1,264	71	40.90	22.62	63.52
1992**	1,275	25	31.57	8.21	39.78

* Excluding the value of extensions.

** Provisional.

12.10. As shown in Table 12.7 the total number of units and value of reported public buildings in main towns continued to decline in 1992. Total number of units declined from 197 units in 1991 to 186 units in 1992 while the value of buildings completed similarly declined by k£0.21 million during the similar period.

REPORTED COMPLETIONS OF NEW PUBLIC BUILDINGS* IN MAIN TOWNS. 1988 - 1992

Table 12.7

YEAR	NUMBER		ESTIMATED COST K£million		
	Residential	Non-Residential	Residential	Non-Residential	Total*
1988	167	22	2.31	0.81	3.12
1989	169	28	2.54	1.18	3.72
1990	156	32	2.97	1.60	4.57
1991**	177	20	2.89	1.10	3.99
1992**	167	19	2.73	1.05	3.78

* Including the value of extensions.

** Provisional.

12.11. Data series a approved and actual Central Government expenditure on housing during the last five fiscal years is shown in Table 12.8. Actual amount spent on housing declined from K£14.7 million during 1990/91 to K£9.5 million during 1991/92. The downward trend in expenditure was partly due to a cut in Government expenditure

experienced during the last two fiscal years. The approved expenditure during the same period continued to show a. similar downward trend reaching its lowest level during the 1992/93 fiscal year. Despite financial austerity measures taken during the period, the government continued with its effort in the provision of adequate shelter and housing through the following on-going programmes; District pool housing programme, urban pool housing and loans and grants to National Housing Corporation.

APPROVED AND ACTUAL CENTRAL GOVERNMENT EXPENDITURE ON HOUSING, 1988/89 - 1992/93

Table 12.8

YEAR	K£ Million		Approved Expenditures as Percentage of Development Expenditure
	Approved	Actual	
1988/89	19.18	19.18	2.00
1989/90	12.42	10.01	1.30
1990/91	11.50	14.66	1.18
1991/92	6.03	9.50	0.55
1992/93*	4.16		0.35

* Provisional.

12.12. In 1992, the Government continued to sponsor housing programmes through the National Housing Corporation (NHC) middle income and low-cost housing programmes such as tenant purchase, mortgage and rental schemes. The programmes are aimed at alleviating shortage of houses in urban areas. In its effort to re-develop all the old housing estate and slum settlement in town, the corporation embarked on urban renewal programme in 1987 with the enacting of the Sectoral Properties Act.

12.13. During the period under review, the Corporation completed three schemes comprising 182 units at a cost of K£1.1 million while 10 schemes comprising 1,860 units at a cost of K£26.5 million were at various stages of construction in various towns. This represented a drop in both number and value of units completed as compared with the previous year as shown in Table 12.9. The depressed corporation housing activity during the year was attributable to harsh economic situation prevailing in the country coupled with Government financial austerity measures. Schemes completed during 1992 included, Kerugoya (USAID) tenant purchase, Busia (USAID) tenant purchase and Kajiado low-cost mortgage schemes, while schemes under various construction stages include; Kibera High rise phase II, including extension of Malindi mortgage phase II, and Vihiga (USAID) Tenant Purchase Scheme - all when completed will ease the excess demand for houses in towns.

12.14. Total amount advanced to individuals in rural areas under the Rural Housing Loan Scheme improved to K£0.8 million during 1991/92 from K£0.6 million during the previous fiscal year-despite a cut in government expenditure in housing during the same period. The number of beneficiaries remained almost the same during the two years.

The growth in expenditure is attributable to Government effort in improving the quality of housing in the rural areas. Since its inception the programme has benefitted 7,709 people.

HOUSING UNITS COMPLETED BY THE NATIONAL HOUSING CORPORATION, 1988 - 1992

Table 12.9

	1988	1989	1990***	1991***	1992*
Units completed					
PROVINCE-					
Nairobi		367	1,069	2	
Coast				68	
North-Eastern					
Eastern				128	
Central	166	149**	357**		40
Rift valley	63	105	25		40
Nyanza		384			
Western			212	90	102
TOTAL NUMBER	229	1,005	1,663	288	182
Of which site and service		234			
Value of units completed KE'000					
Nairobi		4,288	14,011	140	
Coast				551	
North-Eastern					
Eastern				389	
Central	1,010	930**	588**		154
Rift valley	524	399	98		639
Nyanza		878			
Western			644	319	307
TOTAL VALUE	1,534	6,495	15,311	1,399	1,100

* Provisional

** Include upgrading of squatter settlement in Nyeri Town.

*** Revised

Roads

12.15. The development of good road network stimulates growth in road transport in terms of both passenger and freight traffic. Analysis of Kilometres of roads by type and classification presented in Table 12.10 shows significant improvement on road network between July 1988 and July 1992. This is to support various development activities. During the five-year period 1988 to 1992, bitumen roads recorded a growth of 1200 kilometres or 16.0 per cent which was lower that the 23.9 per cent rise recorded between 1987 and 1991. All categories of roads registered increases except special purpose roads. This is in line with the Government effort in up-grading all categories of roads to bitumen standard. Major roads up-graded to bitumen standard between 1988 and 1992 and which contributed to the growth in bitumen roads included; Katito-Kendu-Bay; Kabarnet-Tabach Section A and B; Mugumo-Njambini and Kiganjo-Nanyuki roads. Earth/gravel roads which recorded a drop between 1987 and 1991 rose marginally during the period under-review with increases recorded in minor and special purpose roads.

KILOMETRES OF ROAD AS AT 1st JULY. 1988 AND 1st JULY. 1992 BY TYPE AND CLASSIFICATION

Table 12.10 '000Km

	Type of Road	1988		1992	
		Bitumen	Earth/ Gravel	Bitumen	Earth/ Gravel
A-	International Trunk	2.5	1.0	2.7	1.0
B-	National Trunk	1.2	1.6	1.4	1.3
C-	Primary	2.2	5.6	2.5	5.4
D-	Secondary	0.9	10.1	1.2	10.0
E-	Minor	0.5	25.4	0.7	25.8
F-	Special Purpose*	0.2	10.6	0.2	10.8
	TOTAL	7.5	54.3	8.7	54.5

* Special purpose roads include Government access, settlement, rural access,sugar. tea and wheat roads.

12.16. Government financial austerity measures and reduction of financial inflow from the donors affected road construction activities during the 1991/92 fiscal year. Total Government expenditure on roads during the fiscal year dropped as compared with the previous year as shown in Table 12.11. However, total expenditure is expected to grow by 30 per cent during the 1992/93 fiscal year. Development expenditure which accounts for over 70 per cent of the expenditure recorded a decline from K£92.7 million during 1990/91 to K£83.5 million during 1991/92, with mixed performance in various categories of roads. Recurrent (Repair and maintenance costs) continued to show positive trend, recording a rise by about K£3 million during 1991/92 and is projected to rise by about K£4 million during 1992/93. The growth in recurrent expenditure over the years is partly due to the Government's commitment in repairing and maintaining the roads which are already in place, which is an important ingredient of the budget rationalisation programme.

TOTAL EXPENDITURE ON ROADS. 1990/91 1992/93

Table 12.11 K£million

	1990/91	1991/92	1992/93*
DEVELOPMENT:			
Trunk Roads	49.2	40.1	40.8
Primary Roads	8.4	11.4	21.2
Secondary Roads	16.6	10.9	6.9
Unclassified Roads			
Miscellaneous Roads	18.5	21.0	43.8
TOTAL	92.7	83.5	112.7
RECURRENT (maintenance and repair)	25.2	28 1	31.7
TOTAL	117.9	111.5	144.4

* Provisional

12.17. Rural Access Road Programme (RARP) and Minor Road Programme (MRP) continued to play vital roles in improving the rural road network and stimulating

economic exchange between rural markets, distribution channels and urban market centres. As at the end of June 1992, the two programmes covered a total of 31 districts-mainly in Nyanza, Western, Coast, Central, Eastern and Rift valley provinces. Over the 18 - year period from 1974 to 1992, the RARP covered a total of about 8,100 kilometres, out of which 6,975 kilometres have been gravelled. Under the MRP, a total of 296 kilometres of earth roads were improved in the period June 1991 to June 1992 out of a target of 328 kilometres. For gravelling of the same earth roads a total of 425 kilometres were covered out of a target of 552 kilometres.

CHAPTER 13 - TOURISM

Overview

The continued recession in major tourist generating regions, notably, Europe and the Americas, stiff competition for tourists from traditional competitors as well as newly emerging countries as a result of recent democratization of Eastern Europe, the removal of trade and travel restrictions against South Africa and the unfavourable propaganda campaigns directed against tourism in Kenya all together, contributed to a lower level of tourism activity in 1992.

13.2. International arrivals and departures decreased by 13.2 per cent and 2 per cent, respectively from the 1991 level. The hotel bed night occupancy of 5.5 million was 15 per cent lower than the 1991 level of occupancy. Museums and sites and national parks received fewer visitors than in the previous year. Foreign exchange earnings were K£ 713 million in 1992. This is an underestimate of tourism earnings, since a part of the foreign exchange earned through tourism is known to have come in the form of sale of Foreign Exchange Bearer Certificates. However, even after making a reasonable adjustment for the factor,and keeping in view the depreciation of the Kenya Shilling against the major currencies of our trading partners, - there is little doubt that there was a significant contraction in the volume of tourism in 1992.

International Tourism

13.3. The number of international visitor arrivals decreased by 13.2 per cent from 805 thousand in 1991 to 699 thousand in 1992. Table 13.1 shows that only the first quarter of the year recorded an increase of 5 per cent in visitor arrivals with the third quarter recording the highest decline of 30 per cent over the 1991 level of visitor arrivals. Adverse media publicity combined with worldwide economic recession outweighed concerted efforts at tourism promotion to produce the lower level of tourism out-turn. The distribution of visitors by purpose of visit remained largely unchanged with holiday, business, transit and 'other' accounting for 84 per cent, 10 per cent, 5 per cent and 1 per cent respectively. About 50 per cent of the holiday visitors arrived during the first and fourth quarters, the period corresponding to the cold season in the northern hemisphere from where most visitors originate.

13.4. International departing visitors decreased by 2 per cent over the 1991 level. Table 13.2 outlines details of departing visitors by purpose of visit. As in the case of arriving visitors, departing visitors on holiday formed the bulk of departures of close to 82 per cent.

13.5. Further analysis of departing visitors is shown in Table 13.3. As has been observed in the previous years, Europe continued to dominate the scene in that slightly over 57 per cent of all departures headed in that direction. There was, however a decrease in the number of departing visitors from Europe and North America by 4.1 per cent and 2.2 per cent, respectively in 1992 compared to 1991. During the same period, Africa, Asia and Australia and New Zealand recorded increases of 2.6 per cent, 2.7 per cent and 1.1 per cent, respectively.

QUARTERLY VISITOR ARRIVALS BY PURPOSE OF VISIT, 1988 1992

Table 13.1 '000

Quarter/	Purpose	1988	1989	1990	1991	1992*
1st Qr.	Holiday	155.1	192.6	186.1	149.6	158.6
	Business	20.2	15.8	22.3	17.9	17.4
	Transit	13.0	5.8	9.3	7.5	7.4
	Other	2.1	1.4	1.2	1.0	1.0
	TOTAL	190.4	215.6	218.9	176.0	184.4
2nd Qr.	Holiday	102.6	124.5	158.1	149.4	148.7
	Business	20.4	13.8	17.1	16.6	16.1
	Transit	17.1	6.5	5.4	5.1	5.0
	Other	2.0	1.0	2.5	2.4	2.1
	TOTAL	142.1	145.8	183.1	173.5	171.9
3rd Qr.	Holiday	158.7	158.9	184.6	215.9	149.2
	Business	14.8	9.6	19.8	23.1	18.2
	Transit	17.3	9.5	11.2	13.2	9.2
	Other	2.0	1.3	3.5	4.1	3.3
	TOTAL	192.8	179.3	219.1	256.3	179.9
4th Qr.	Holiday	139.5	166.1	166.8	158 4	131.6
	Business	14.1	14.6	14.5	20.0	17.5
	Transit	14.0	12.7	9.7	12.5	10.9
	Other	2.0	0.6	2.3	7.9	2.4
	TOTAL	169.6	194.0	193.3	198.8	162.4
Year	Holiday	555.9	642.1	695.6	673.3	588.1
	Business	69.5	53.8	73.7	77.6	69.2
	Transit	61.4	34.5	35.6	38.3	32.5
	Other	8.1	4.3	9.5	15.4	8.8
	TOTAL	694.9	734.7	814.4	604.6	698.6

* Provisional.

13.6. The number of days stayed in Kenya by purpose of visit and the average length of stay is presented in Table 13.4. The total length of stay by departing visitors declined from 9.3 million visitor days in 1991 to 8.9 million visitor days in 1992 a drop of nearly 4 per cent. Further analysis reveals that average, visitors on holiday, business, and in transit stayed for 15, 10 and 4 days per visitor, respectively. The overall average length of stay by all the three categories of departing visitors was 13.4 days, the shortest period of stay for the last four years.

Hotel Occupancy.

13.7. The number of hotel bed-nights available and occupied by country of residence of visitor are shown in Table 13.5. Hotel bed-nights available in 1992 recorded an increase of nearly 4 per cent over the previous year. There were 11.5 million hotel beds available in 1992 compared with 11.0 million beds in 1991. However, bed-night occupancy declined by 15 per cent from 6.5 million bed-nights in 1991 to 5.5 million bed-nights in 1992; consequently the occupancy rate dropped to 48.2 per cent compared with 59.1 per cent recorded in 1991.

QUARTERLY VISITOR DEPARTURES BY PURPOSE OF VISIT, 1988 - 1992

Table 13.2 '000

Quarter/	Purpose	1988	1989	1990	1991	1992*
1st Qr.	Holiday	155.2	165.5	187.3	149.3	151.3
	Business	17.3	22.7	20.6	16.4	16.9
	Transit	15.0	13.8	14.8	11.8	11.9
	Other	3.6	1.0	2.3	1.8	1.8
	TOTAL	191.1	203.0	225.0	179.3	181.9
2nd Qr.	Holiday	92.7	99.6	118.0	111.2	118.3
	Business	17.3	17.8	19.0	17.9	18.9
	Transit	18.6	13.0	11.8	11.1	11.7
	Other	3.0	0.6	1.3	1.2	1.3
	TOTAL	131.6	131.0	150.1	141.4	150.2
3rd Qr.	Holiday	145.0	140.8	166.4	156.2	138.6
	Business	19.2	9.1	19.0	17.8	17.6
	Transit	19.9	14.0	12.5	11.7	9.7
	Other	2.9	0.5	2.3	2.2	2.0
	TOTAL	187.0	164.4	200.2	187.9	168.1
4th Qr.	Holiday	129.7	142.5	126.3	142.8	136.4
	Business	17.2	12.5	16.1	16.4	16.0
	Transit	17.7	13.3	9.0	12.6	14.1
	Other	2.6	0.7	1.6	1.1	0.9
	TOTAL	167.2	169.0	153.0	172.9	169.4
Year	Holiday	522.6	548.4	598.0	559.5	546.8
	Business	71.0	62.1	74.7	68.5	69.4
	Transit	71.2	54.1	48.1	47.2	47.4
	Other	12.1	2.8	7.5	6.3	6.0
	TOTAL	676.9	667.4	728.3	681.5	669.6

* Provisional

DEPARTING VISITORS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT, 1991 - 1992

Table 13.3 '000

Country of Residence	Holiday		Business		Transit		Total**	
	1991	1992*	1991	1992*	1991	1992*	1991	1992*
West Germany	122.5	114.9	0.9	0.8	1.6	1.5	125.0	117.2
United Kingdom	93.9	92.2	4.1	3.8	3.9	3.8	101.9	99.8
Switzerland	30.1	28.1	0.5	0.5	0.6	0.6	31.2	29.2
Italy	32.0	32.6	0.6	0.6	1.4	1.3	34.0	34.5
France	35.7	34.3	0.9	0.9	1.1	1.2	37.7	36.4
Scandinavia	15.2	14.2	0.9	0.9	1.6	1.6	17.7	16.7
Other Europe	44.7	42.3	1.4	1.3	1.8	1.8	47.9	45.4
TOTAL EUROPE	374.1	358.6	9.3	8.8	12.0	11.8	395.4	379.2
U.S.A	35.4	34.7	2.3	2.3	3.0	2.9	40.7	39.9
Canada	8.3	8.1	0.5	0.5	0.9	0.8	9.7	9.4
TOTAL NORTH AMERICA	43.7	42.8	2.8	2.8	3.9	3.7	50.4	49.3
Uganda	15.0	16.4	26.2	27.6	4.9	4.9	46.1	48.9
Tanzania	62.5	62.5	10.5	10.6	5.7	5.9	78.7	79.0
Other Africa	25.8	27.1	15.9	15.9	14.7	15.0	56.4	58.0
TOTAL AFRICA	103.3	106.0	52.6	54.1	25.3	25.8	181.2	185.9
India	8.6	8.9	0.9	0.9	2.2	2.1	11.7	11.9
Japan	7.2	7.3	0.8	0.8	0.4	0.4	8.4	8.5
Israel	3.5	3.8	0.2	0.2	0.5	0.5	4.2	4.5
Other Asia	9.0	9.4	1.4	1.4	2.3	2.3	12.7	13.1
TOTAL ASIA	28.3	29.4	3.3	3.3	5.4	5.3	37.0	38.0
Australia and New Zealand	8.3	8.4	0.3	0.3	0.5	0.5	9.1	9.2
All Other Countries	1.8	1.7	0.2	0.2	0.2	0.2	2.2	2.1
TOTAL	559.5	546.9	68.5	69.5	47.3	47.3	675.3	663.7

* Provisional.

** The Total does not include "Other Visitors" Category

NUMBER OF DAYS STAYED* BY PURPOSE OF VISIT. 1968 1992

Table 13.4 '000

Purpose	1988	1989	1990	1991	1992**
Holiday	9,747.4	8,255.7	9,276.8	8,366.2	8,004.8
Business	855.6	647.7	770.3	700.7	711.3
Transit	227.5	177.9	179.6	198.0	195.4
TOTAL	10,830.5	9,081.3	10,226.7	9,264.9	8,911.5
Average length of stay in days	16.0	13.6	14.4	13.7	13.4

* Excludes days stayed by "Other Visitors" Category.

** Provisional.

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1988 - 1992

Table 13.5 '000

	1988	1989	1990	1991	1992*
Permanent Occupants"	191.0	191.1	168.0	158.7	123.2
West Germany	1,274.2	1,370.2	1,610.7	1,755.4	1,488.5
Switzerland	475.3	474.6	494.9	502.3	324.5
United Kingdom	547.6	628.4	847.8	1,222.0	1,073.7
Italy	299.7	252.8	275.1	273.8	366.2
France	223.2	238.0	298.9	359.4	339.2
Scandinavia	82.5	90.5	122.7	114.8	91.4
Other Europe	222.9	244.0	346.2	359.3	301.5
EUROPE	3,125.4	3,298.5	3,996.3	4,587.0	4,108.2
Kenya Residents	853.9	829.4	875.5	938.0	655.8
Uganda	55.1	51.2	44.6	37.1	33.0
Tanzania	42.8	43.3	42.6	49.5	35.9
East and Central Africa	41.4	51.9	48.5	63.4	36.9
West Africa	12.7	14.0	16.0	40.9	30.1
North Africa	7.9	10.9	14.0	14.4	12.4
Other Africa	82.1	81.4	84.4	106.9	90.9
AFRICA	1,095.9	1,082.1	1,125.6	1,250.2	895.0
U.S.A	443.1	456.0	442.6	248.9	276.4
Canada	49.3	47.3	53.6	47.6	47.0
Other America	21.5	22.2	28.5	16.4	14.0
AMERICA	513.9	525.5	524.7	312.9	337.4
Japan	25.8	29.2	33.5	35.4	34.9
India	17.4	22.1	28.6	30.6	28.0
Middle East	22.9	24.4	26.9	27.8	32.0
Other Asia	52.2	47.6	45.8	28.9	23.8
ASIA	118.3	123.3	134.8	122.7	118.7
Australia and New Zealand	21.4	30.2	39.3	31.2	29.0
All Other Countries	68.6	65.8	57.2	55.8	37.5
TOTAL- OCCUPIED	5,134.5	5,316.5	6,045.9	6,518.5	5,525.8
TOTAL -AVAILABLE	9,704.3	9,630.8	10,494.7	11,036.7	11,464.5
Occupancy rate %	52.9	55.2	57.6	59.1	48.2

* Provisional.

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

13.8. The proportion of bed-nights occupied by foreign residents (non-Kenyans) has increased steadily since 1988. European residents accounted for 74 per cent of total bed-nights occupied in 1992.

13.9. Table 13.6 gives the distribution of hotel occupancy by major geographical zones. The coastal zone accounted for 68.9 per cent occupancy, up from 66.5 per cent recorded in 1991. The proportion of visitors venturing into non-traditional tourist circuits is increasing steadily. This view is confirmed by the growth in proportion of hotel occupancy in the Nyanza and Western basins. The continued growth in these regions is an encouraging pointer to the potential of the areas for development of tourist attractions and facilities.

HOTEL BED-NIGHTS OCCUPIED BY ZONE 1988 - 1992

Table 13.6 '000

Zone	1986	1989	1990	1991	1992*
Coastal-Beach	2,404.2	2,521.3	3,200.3	3,881.7	3.482.5
- Other	308.3	298.4	304.3	269.7	181.8
Coast Hinterland	142.4	158.6	175.2	184.9	142.7
Nairobi-High Class	577.5	605.1	649.9	544.0	569.1
-Other	843.3	831.8	780.2	733.1	385.6
Central	391.4	430.2	423.5	407.7	307.7
Masailand	268.2	270.6	291.4	273.2	272.4
Nyanza Basin	111.5	112.0	123.1	100.7	91.6
Western	78.9	79.6	81.3	85.3	85.0
Northern	8.8	8.9	10.0	38.3	7.4
TOTAL-OCCUPIED	5,134.5	5,316.5	6,039.2	6,518.5	5,525.8
TOTAL-AVAILABLE	9,704.3	9,630.8	10,494.7	11,036.7	11,464.5

* Provisional.

13.10. Details of the number of bed-nights occupied by country of residence and area during 1992 are shown in Table 13.7. Although the number of bed-nights have

HOTEL BED-NIGHTS OCCUPIED BY COUNTRY OF RESIDENCE, 1962*

Table 13.7 '000

Country of Residence	Nairobi	Coast	Lodges	Others	Total
Permanent Occupants**	85.8	17.2	6.3	13 9	123.2
West Germany	57.6	1,326.1	75.0	29.8	1.488.5
Switzerland	18.5	275.2	23.5	7.3	324.5
United Kingdom	108.1	808.7	108.9	47.9	1,073.7
Italy	32.1	300.2	25.1	8.8	366.2
France	51.0	199.6	50.9	37.7	339.2
Scandinavia	26.7	45.2	10.2	9.3	91.4
Other Europe	65.7	178.0	41.7	16.0	301.5
Kenya	131.1	298.5	33.9	192.4	655.9
Uganda	18.4	5.4	2.5	6.7	33.0
Tanzania	22.2	11.8	0.4	1.5	35.9
Other East and Central Africa	22.8	12.2	0.4	1.5	36.8
West Africa	15.0	12.5	0.6	1.7	30.0
North Africa	9.9	1.7	0.4	0.4	12.4
Other Africa	62.4	20.1	2.6	5.8	90.9
U.S.A	104.8	86.1	54.4	31.1	276.4
Canada	25.8	7.3	7.8	6.1	47.0
Other America	7.2	2.5	2.5	1.9	14.0
Japan	17.6	4.6	9.1	3.6	34.9
India	18.4	4.4	2.6	2.5	28.0
Middle East	16.4	6.1	6.0	3.6	32.0
Other Asia	13.9	4.4	2.7	2.8	23.8
Australia and New Zealand	13.5	5.8	6.0	3.7	29.0
All Other Countries	9.9	22.7	2.6	2.3	37.5
TOTAL	954.7	3,656.3	476.5	438.3	5,525.8

* Provisional.

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

dropped in 1992 compared with the previous two years, the proportion of visitors preferring the coastal hotels has continued to rise. In the year under review, slightly over 66 per cent of the visitors occupied the coastal hotels. Europeans prefer the coastal hotels while the North Americans and Africans go for Nairobi hotels.

13.11. Table 13.8 presents details of hotel occupancy by residence of visitor in lodges located in game reserves and national parks. Visitors' preference for the lodges in game reserves is evidenced by the high proportion of occupancy; which in 1992 was nearly 57 per cent compared with 64 per cent in 1991. Most visitors prefer to stay in lodges which offer full catering to those that are self-service.

GAME LODGES** OCCUPANCY, 1990 - 1992

13.8 BEDNIGHTS OCCUPIED

Lodge locality/Type	Foreign Residents			EA Residents		
	1990	1991	1992*	1990	1991	1992*
Game Reserves	323.7	331.4	250.1	23.4	63.8	19.9
National Parks	346 9	199.2	189.6	24.5	26.4	16.9
TOTAL	670.6	530.6	439.7	47.9	90.2	36.8
Of which full catering -	625.4	488.6	401.6	39.0	73.7	27.1
Self Service	45.2	42.0	38.1	6.9	16,6	9.7

* Provisional.

** Lodges in National Parks and Game Reserves only.

Other Tourist Attractions.

13.12. National Parks and Game Reserves: The number of visitors to national parks and game reserves in 1992 were 1.37 million, a 10 percent decrease over the 1.52

NUMBER OF VISITORS TO NATIONAL PARKS AND GAME RESERVES, 1988 - 1992

Table 13.9 '000

	1988	1989	1990	1991	1992*
Nairobi	125.5	155.2	152.8	168.8	156.4
Animal Orphanage	64.8	43.3	213.8	217.6	173.2
Amboseli	137.7	140.4	237.2	189.2	168.3
Tsavo (West)	85.4	96.8	78.6	119.3	103.1
Tsavo (East)	87.3	101.1	127.7	135.9	125.5
Aberdare	599	57.5	66.6	56.3	63.6
Buffalo Springs	64.0	70.4			
Lake Nakuru	138.6	167.4	174.2	174.4	139.8
Masai Mara	118.8	196.2	180.5	143.3	138.1
Malindi Marine	39.2	40.7	35.6	33.0	44.2
Lake Bogoria	32.8	46.2	53.8	53.0	39.4
Meru	23.7	17.4	11.1	9.1	7.1
Shimba Hills	16.7	21.5	60.0	38.2	31.9
Mount Kenya	18.0	13.3	18.7	14.6	15.5
Samburu	3.6	4.0			
Kisite/Mpunguti	17.9	18.2	27.1	33.1	28.0
Mombasa Marine		16.5	29.1	546	57.8
Watamu Marine	16.9	17.3	20.5	22.0	27.0
Hell's Gate	14.5	18.2	31.1	41.3	34.2
Other**	10.5	13.4	13.8	14.8	14.0
TOTAL	1,095.6	1.255.0	1,532.2	1,518.5	1,367.1

* Provisional.

** Other includes Mount Elgon, Ol-Donyo Sabuk, Marsabit, Saiwa Swamp, Sibiloi, Ruma National Park, Mwea National Reserve. Central Island National Park and Nasolot National Reserve.

million recorded in 1991. Animal orphanage, lake Bogoria and Meru National Park recorded decreases of 20.4 per cent, *J.5.7* per cent and 22.0 per cent respectively. There was however a marked improvement on the number of visitors to Aberdare and Mt. Kenya National Parks and to the marine national parks located at Malindi, Mombasa and Watamu, which recorded increases of 13.0 per cent, 6.2 per cent, 33.9 per cent, 5.9 per cent and 22.7 per cent respectively. Details of the number of visitors to the different national parks and game reserves are set out in Table 13.9.

13.13. Museums and Sites: In 1992 there were 813,000 visitors to museums and sites-an increase of 3.0 per cent over the recorded number in 1991. National Museum (Main Gate and Snake Park) remained the main attractions on the up-country scene while Gedi Ruins are attracting more visitors along the Coastal belt. The National Museum (Main Gate and Snake Dark) accounted for 55 per cent of the total number of visitors as presented in Table 13.10.

VISITORS TO MUSEUMS, SNAKE PARK AND SITES, 1988-1992

Table 13.10 '000

	1988	1989	1990	1991	1992*
National Museum: (Main Gate)	217.2	224.3	234.5	213.9	237.6
National Museum: (Snake Park)	167.0	210.1	220.6	176.3	209.6
Fort Jesus	189.6	206 1	2266	187.0	187.4
Kisumu Museum	38.1	38.8	28.6	35.1	29.5
Kitale Museum	35.1	15.9	21.9	30.2	15.2
Gedi	47.0	35.6	71.1	41.5	58.5
Meru Museum	25.5	12.4	28.4	29.5	19.6
Lamu	13.3	13.0	11.4	13.3	10.3
Jumba la Mtwala	14.8	14.2	9.4	14.0	7.8
Olorgessaile	2.5	3.4			
Kariandusi	4.3	5.8		3.1	1.2
Hyrax Hills	2.7	2.8			
Karen Blixen	51.0	48.6	53.3	45.8	35.2
Kilifi Mwarani			1.1		1.1
TOTAL	808.1	831.0	906.9	789.7	813.0

* Provisional.

13.14. Conference Tourism: Conference tourism as measured by the performance of Kenyatta International Conference Centre (KICC) detailed in Table 13.11, continued to be erratic. In 1992 the number of international conferences fell to 8

CONFERENCES HELD AT KENYATTA INTERNATIONAL CONFERENCE CENTRE. 1988 - 1992**

Table 13.11

	1988	1989	1990	1991	1992*
Number of conferences	19	32	36	14	8
Number of conferences days	180	111	128	149	23
Attendance (Number of Delegates)	3,915	5,510	6,160	9,750	11,250
Percentage of occupancy	49.2	30.4	35.1	40.8	6.3

* Provisional

** International conferences/delegates only

from 14 which took place in 1991. There was however an increase on the number of delegates which was 11,250 in 1992 compared to 9,750 in 1991. It is of interest to note that these conferences lasted for very short periods. A total of 23 days were spent, giving an occupancy rate of 6.3 per cent. Conferences which were hosted in other venues in the country are not covered here and hence there is an element of under-reporting of conferences when KICC is used as the sole source of the information.

Tourism Promotion.

13.15. Tourism promotional activities were carried out by both the private sector and the Government through the Ministry of Tourism and Wildlife (local and overseas offices), Kenya Embassies, some Kenya Airways offices as well as some travel agents based abroad. These promotional activities included active participation in a number of exhibitions, fairs and tours abroad; namely, WTM in London, BIT in Milan, ITB in Berlin, ASTA in Egypt, BTF in Belgium, Gothenburg Tourism Trade, Indaba in South Africa, Expo in Zimbabwe and Australia Tour.

13.16. Tourism is subject to seasonal fluctuations which create excess capacity. In recognition of this fact, domestic tourism was promoted alongside international tourism to help sustain the industry in the long run. Domestic promotional activities included participation in seminars and workshops organized for the purpose and participation in a number of important Agricultural Society of Kenya shows designed to create awareness among the general public and to encourage more travel within the country. With the help of the private sector, the Ministry organized and participated in the Domestic Tourism Council seminar held in Masinga Tourist Lodge, a workshop in Eco-Tourism held in Nakuru and a seminar held at the Coast to discuss the beach boys menace with a view to finding a lasting solution.

Development of Tourism.

13.17. The Kenya Government continued to participate in the development of the tourist industry through the Kenya Tourist Development Corporation (KTDC). Loans totalling Kshs.9 million were approved and disbursed during the 1991/1992 fiscal year. The Corporation paid the Government a total of Kshs. 4.08 million in respect of the Revolving Fund Programme and Kshs. 6.88 million with regard to the Commercial banks Programme.

13.18. A total of 1,533 people attended courses and seminars offered at the Kenya Utalii College during 1992, compared with 1,481 participants in 1991. The 1992 enrolment figure included 763 full-time course participants while 770 participants had attended seminars and refresher courses offered by the institution. These training programmes have contributed tremendously to capacity building in the hotel industry.

CHAPTER 14 - TRANSPORT, STORAGE AND COMMUNICATIONS

OVERVIEW

The slow recovery from the world recession among other factors had a stagnating effect on the transport, storage and communication sector. Although the value of output in monetary terms recorded a substantial growth, output in quantitative terms declined. A fall in demand for the services of this sector appears to have been the main reason for this relatively poor performance.

14.2. Reduced economic activity, high inflation and lack of foreign exchange plagued this sector, along with other sectors of the economy. Motor vehicle registration fell again to reach its lowest level in the period under review. High transport costs occasioned by price increases of fuel during the year depressed the demand for transport services. As a result the growth in the value of output of road transport dropped by about 11 percentage points from 25.2 per cent in 1991 to 14.4 per cent in 1992.

14.3. Table 14.1 presents the value of output for the sector. The gross output, at current prices, increased by 12.5 per cent from K£l,712.1 million in 1991 to K£l,925.8 million in 1992 . The passenger and freight road transport sub sector experienced a growth in output while contributing a substantial 35.5 per cent share of the output in the sector. Pipeline transport and the communications sub-sectors recorded growth rates of 26.1 per cent and 17.4 per cent, respectively. The other sub-sectors experienced growth rates of between 2 per cent and 14 per cent.

TRANSPORT AND COMMUNICATIONS - VALUE OF OUTPUT, 1988 1992

Table 14.1 K£million

	1988	1989	1990	1991	1992*
Road Transport	355.2	421.5	477.7	597.9	684.0
Railway Transport	67.9	73.7	96.3	114.2	116.7
Water Transport	79.9	111.1	134.4	154.6	175.0
Air Transport	155.0	192.6	286.9	341.0	365.6
Services Incidental to Transport	50.3	61.2	72.7	78.9	82.4
TOTAL	708.3	860.1	1,068.0	1,286.6	1,423.7
Pipeline	27.7	29.2	31.1	30.3	38.2
Communications **	194.0	217.7	288.9	395.2	463.9
TOTAL	930.0	1,107.0	1,388.0	1,712.1	1,925.8

* Provisional

** Includes KBC and KTN from 1990

14.4. A comparison between output of road and rail transport is shown in Table 14.2. Earnings from passengers transported by road and rail rose by 17.5 per cent and 7.7 per cent, respectively. Total earnings from passengers increased by 17.2 per cent. Road transport represented 85.4 per cent of the total earnings from the two modes of

EARNINGS FROM ROAD AND RAIL TRAFFIC', 1988 • 1992

Table 14.2 K£million

	1988	1989	1990	1991	1992**
Passenger Traffic:					
Road	212.4	244.9	285.9	358.8	421.5
Rail	7.0	8.1	10.3	11.7	12.6
Total	219.4	253.0	296.2	370.5	434.1
Freight Traffic:					
Road	142.8	176.6	193.0	239.1	262.5
Rail***	60.9	65.6	86.0	102.5	104.1
Total	203.7	242.2	279.0	341.6	366.6
Total Road Traffic	355.2	421.5	478.9	597.9	684.0
Total Rail Traffic	67.9	73.7	96.3	114.2	116.7
Total	423.1	495.2	575.2	712.1	800.7

Railway figures have been adjusted to read calendar year from 1986

** Provisional

*** Includes other Revenue.

transport. Freight traffic output from both transport modes experienced a growth of 7.3 per cent. These increases are not attributable to more passengers or freight ferried but are due to an upward revision of tariffs which resulted from increases in fuel prices in 1991 and 1992.

Road Transport

14.5. The Nyayo Bus Service Corporation which had been part of the National Youth Service since its inception in 1986 became autonomous from July 1992. The Corporation operates passenger transport on both inter and intra urban routes, thereby complementing other passenger transport modes. Its fleet totalled 297 with a labour force of 710 people as at the end of 1992. The Corporation realized an estimated revenue of K£ 6.9 million in 1992 compared with K£ 6.0 million recorded in 1991.

14.6. New registration of road vehicles between 1988 and 1992 is depicted in Table 14.3(a). The number of newly registered vehicles, which had dropped by 13.9 per cent

NEW REGISTRATION OF ROAD VEHICLES, 1988 • 1992

TvDe of Vehicle	1988	1989	1990	1991	1992*
Saloon Cars	5,561	5,007	4,703	4,124	4,247
Station Wagons	2,795	2,898	2,452	2,558	2,081
Panel Vans, Pick-ups, etc.	4,783	4,899	4,996	3,943	3,728
Lorries/Trucks	1,790	1,477	1,611	1,272	1,105
Buses and Coaches	1,075	785	914	762	718
Mini Buses	509	465	525	394	447
Special Purposes Vehicles	32	29	35	39	37
Trailers	643	618	419	423	299
Rollers, Graders, Cranes	26	13	42	49	68
Wheeled Tractors	1,172	1,111	1,127	700	687
Crawler Tractors	4	6	10	6	1
Motor and Auto Cycles	1,131	1,095	1,188	1,246	1,364
Three Wheelers	3	0	1	0	2
All Vehicles	19,524	18,405	18,023	15,516	14,784

*Provisional.

in 1991, dropped by a further 4.7 per cent in 1992. Compared with 1990, the number of vehicles registered in 1992 was lower by over 3,000 vehicles. The drop in 1991 and 1992 is attributable to lack of foreign exchange and the continued depreciation of the Kenya Shilling against the major world currencies, making vehicles more costly for Kenyans. Saloon cars continued to lead in new registrations followed by Panel Vans and Pick-ups. It may be noted that the registration of new saloon cars, mini buses, and motor and auto cycles went up from 1991 to 1992, while the registration of other vehicles went down.

14.7. Table 14.3 (b) provides details of the performance of the local motor vehicle assembly industry for the last five years. The industry recorded an upward trend between 1988 and 1990. During the years 1991 and 1992, the industry experienced an acute shortage of foreign exchange to import Completely Knocked Down (CKD) kits used in the assembly. As a result, production went down significantly by 44.9 per cent in 1991. In 1992 production declined by a further 15.6 per cent to a level which is 53.5 per cent below the 1990 performance.

LOCALLY ASSEMBLED VEHICLES, 1988 - 1992

Table 14.3 (b) Number

Type of Vehicles	1988	1989	1990	1991	1992*
Commercial Vehicles:					
Trucks and Lorries	2,086	1,679	1,701	1,296	1,054
Pick - Ups	5,606	3,843	4,354	2,552	1,879
Buses and Mini - buses	323	464	601	364	415
Total Commercial	8,015	5,986	6,656	4,212	3,348
Non Commercial Vehicles	5,199	7,872	7,400	3,538	3,194
TOTAL VEHICLES ASSEMBLED	13,214	13,858	14,056	7,750	6,542

* Provisional

14.8. The 'matatu' sub-sector continued its important role of complementing other modes of passenger transportation throughout the country. The estimated revenue generated increased by 23.4 per cent from K£222.7 million in 1991 to K£274.8 million in 1992. The market share of "matatus', measured in terms of percentage of revenue generated from passengers transported by road, has grown from 46.5 per cent observed in 1985 to 65.2 per cent in 1992. The sub-sector had an estimated labour force of 30,894 in 1992.

14.9. The number of licenses issued for passenger and freight transport vehicles on hire is given in Table 14.4. Overall total licences issued increased by 16.3 per cent from 11,183 in 1991 to 13,006 in 1992. The number of licensed passenger service vehicles is estimated to have stagnated at 3,362 in 1992, while licensed commercial freight transport vehicles increased by 1,823, representing a growth of 23.3 per cent between 1991 and 1992.

LICENCES ISSUED FOR VEHICLES ON HIRE, 1988 1992

Table 14.4 Number

	1988	1989	1990	1991	1992*
Passenger Service Vehicles	3,850	3,343	2,881	3,362	3,362
Freight Transport Vehicles	7,200	7,752	7,604	7,821	9,644
Total	11,050	11,095	10,485	11,183	13,006

*Provisional.

Railway transport

14.10. The operations of the Kenya Railways Corporation in passenger and freight transportation over the last five years are summarized in Table 14.5. Freight tonnage handled which had dropped by 8.2 per cent in 1991 experienced a further decline of 14.2 per cent in 1992. Freight - tonne Kilometres performance declined by 12.8 per cent. However, an upward revision of tariffs during the year resulted in an 11.2 per cent growth in freight revenue in 1992. The decline in freight traffic is attributed to reduced economic activity and the increased competition from lorries, trucks, and the oil pipeline. Competition in quality of services offered has played a major role in reducing rail freight traffic.

RAILWAY TRAFFIC, 1988 - 1992

Table 14.5

	Unit	1988	1989	1990	1991	1992*
Freight:						
Tonnes	'000	3,255	3,317	3,581	3,286	2,821
Tonne-km	million	1,755	1,910	1,808	1,865	1,627
Revenue**	K£million	55.69	66.94	81.78	92.11	102.46
Revenue per tonne-Km	cts	63	70	90	99	126
Passenger:						
Journeys	'000	4,037	3,347	3,109	2,635	2,563
Passenger-Km	million	828	732	699	658	557
	K£million	6.99	8.09	10.30	11.73	12.57
Revenue per passenger-Km.	cts	17	22	29	36	45

* Provisional.

** Revised to calendar year from 1986 and includes "other coaching"

14.11. Passengers handled dropped by 2.7 per cent. This is attributable to the suspension of the city commuter train in the months of February, March and April, 1992, the depressed demand as tariffs were revised upwards, and the increased competition from passenger service vehicles. Consequently, Passenger-Kilometres dropped by 15.3 per cent. On the other hand, passenger revenue earned rose by 7.7 per cent from K£11.7 million in 1991 to K£12.6 million in 1992.

Harbours and Shipping

14.12. Table 14.6 summarizes the performance of the Port of Mombasa for the last five years. Volume of exports handled in 1992 was 16.2 per cent higher than that recorded in 1991. The increase was as a result of increased exports of tea, canned fruits, cement and bulk oils. Volume of imports increased by 9.4 per cent from 5.3 million tonnes in 1991 to 5.8 million tonnes in 1992. This increase is attributed to higher importation of liquid gas, lubricating oils, wheat, maize, palm oils, sugar and fertilizers. Overall freight handled went up by 11.1 per cent.

FREIGHT HANDLED AT MOMBASA HARBOUR, 1968 - 1992

Table 14.6 — 000 Tonnes

	1988	1989	1990	1991	1992*
Loaded:					
Dry Cargo	1,486	1,466	1,907	1,483	1,692
Bulk Liquids	297	529	390	309	391
Total	1,783	1,995	2,297	1,792	2,083
Landed:					
Dry Cargo	1,980	2,096	2,193	2,082	2,829
Bulk Liquids	2,887	3,104	2,999	3,228	2,981
Total	4,867	5,200	5,192	5,310	5,810
Total Freight Handled	6,650	7,195	7,489	7,102	7,893

* Provisional.

Pipeline transport

14.13. Details of the volume of white petroleum products delivered by the Kenya Pipeline company for the last five years are provided in Table 14.7. The depressed domestic demand for petroleum products observed in 1991 continued into 1992. Total pipeline throughput indicated a marginal increase of 1.6 per cent in 1992., This level of throughput was nevertheless lower than the 1990 level. The sharp decline from 1990 is attributable to reduced demand for transport due to depressed economic activity and high transport costs.

PIPELINE THROUGHPUT OF WHITE PETROLEUM PRODUCTS, 1988 - 1992

Table 14.7 — '000 Cubic Metres

Year	Motor Spirit Premium	Motor Spirit Regular	Kerosene Illumin-atinq Oil	Light Diesel Oil	Jet Fuel*	Aviation Turbo	Total
1988	334.3	273.0	187.6	677.8	245.7	79.7	1,798.1
1989	337.0	281.0	237.3	684.3	268.0	69.3	1,876.9
1990	351.8	271.9	235.1	692.9	372.2	59.5	1,983.4
1991	328.5	256.3	218.3	661.8	308.9	57.3	1,831.1
1992**	322.0	255.1	213.1	640.0	383.5	46.6	1,860.3

* Includes Jet fuel in Mombasa from 1988

** Provisional

Air transport

14.14. Table 14.8 gives details of commercial traffic handled at both Jomo Kenyatta International Airport (JKIA) and Moi International Airport (MIA). The sub-sector continued to experience the decline observed in 1991. Passengers handled by both airports dropped slightly by 1.3 per cent from the number recorded in 1991. This represents a drop of 2.7 per cent below the 1990 level. This performance was partly because of negative publicity the country received during 1992 and the slow recovery from the world recession. Freight handled increased by 11 per cent in 1992.

COMMERCIAL TRAFFIC AT JOMO KENYATTA AND MOI INTERNATIONAL AIRPORTS, 1988 - 1992

Table 14.8

	1988	1989	1990	1991	1992*
Passengers-000's:					
Landed	992.7	1,061.6	1,122.9	1,109.2	1,125.9
Embarked	987.1	1,055.6	1,056.4	1,119.2	1,147.8
In Transit	542.1	531.7	474.2	388.5	308.1
Total	2,521.9	2,648.9	2,653.5	2,616.9	2,581.8
Freight -'000 tonnes:					
Cargo: Landed	18.2	22.3	13.9	13.4	15.9
Loaded	39.7	39.2	42.0	41.1	44.7
Mai': Landed	2.5	3.1	1.3	1.2	1.3
Loaded	1.6	1.8	0.9	0.7	0.7
Total	62.0	66.4	58.1	56.4	62.6

* Provisional

Postal services and communications

14.15. The various postal and telecommunications services and facilities offered by the Kenya Posts and Telecommunications Corporation arc outlined in Tables 14.9 and 14.10. Despite some difficulties encountered by the Kenya Posts and Telecommunications (which included lack of foreign exchange to import spare parts) the performance of the corporation improved, though marginally. The number of fully fledged post offices and private letter boxes increased by 1.8 per cent and 3.6 per cent, respectively in 1992, while total correspondence and parcels handled recorded increases of 4.7 and 1.5 per cent, respectively over the same period.

14.16. The use of domestic telephone services continued to increase with the number of telephone lines connected growing from 200 thousand in 1991 to 207 thousand in 1992. The number of public call offices recorded a marginal growth of 0.5 per cent in 1992 compared with growth rates of 29.0 and 7.6 per cent experienced in 1990 and 1991 respectively. Subscriber dialled telephone calls increased by 25 million units while manual telephone calls dropped by 600 thousand calls. The drop in manual telephone calls made is due to a deliberate effort being made by the corporation to replace manual telephones with automatic ones. Telegrams handled in 1992 were 83 thousand less than those handled in 1991.

POSTAL AND TELECOMMUNICATION SERVICES, 1966 1992

Table 14.9

	Unit	1988	1989	1990	1991	1992*
Post Offices	No	972	1,013	1,055	1.076	1,096
Private Letter Boxes	'000	216	231	243	252	261
Registered and Insured Items Posted	million	3.7	3.7	3.0	3.6	3.3
Total correspondence handled	million	259	287	318	297	311
Parcels handled	'000	406	427	378	409	415
Telephone Exchange connections	'000	157	169	183	200	207
Public Call boxes	No	3,723	3,981	5,135	5,525	5,552
Manual Telephone Calls made	million	12.5	11.9	10.9	9.2	8.6
Subscriber Dialed Units	million	1,294	1,746	1.805	2,416	2,441
Telex Subscribers	000	2.4	2.3	2.2	2.0	1.8
Telegrams Handled	000	1,189	1,748	1,772	1,672	1,589
Money Orders	No. (million)	2.0	1.9	2.1	2.0	1.9
Postal Orders	No.('000)	105	92	73	74	75

* Provisional.

EXTERNAL TELECOMMUNICATIONS TRAFFIC. 1986 - 1992

Table 14.10

	1988	1989	1990	1991	1992*
Telephone service-million paid minutes-					
Outgoing	11.6	18.4	21.4	22.5	21.7
Incoming	12.9	13.9	26.6	30.6	38.3
Telex service-million paid minutes-					
Outgoing	3.3	3.0	2.7	2.2	1.7
Incoming	3.0	2.2	1.5	1.6	2.1
Telegraph service-million paid words-					
Outgoing	1.3	1.2	1.2	0.9	0.4
Incoming	1.6	0.6	1.2	0.7	0.4

* Provisional.

14.17. External telecommunications recorded a mixed trend. A substantial increase was observed on incoming telephone and telex services in paid minutes. These increased by 25.2 per cent and 31.3 per cent respectively. Outgoing telephone and telex services in paid minutes dropped by 3.6 per cent and 22.7 per cent, respectively. The demand for telegraph facility continued to decline. Paid words for both incoming and outgoing telegraphs dropped by 55.6 and 42.9 per cent respectively. The continued decline in demand for telegraph services is attributable to the increased competition from superior substitute services such as facsimile.

Radio, Television and Newspapers

14.18. Data on new radios and television sets sold and licensed from 1988 to 1992 are presented in Table 14.11. Compared with 1991, the number of new radios sold and

NEW RADIOS AND T.V. SETS SOLD AND LICENSED, 1988 - 1992

Table 14.11 Number

	1988	1989	1990	1991	1992*
Radios - '000	217.8	224.5	265.7	235.9	155.9
Television Sets - '000	22.8	20.5	34.3	33.2	24.7

* Provisional.

licensed dropped by 80,000 units in 1992. This represents a drop of 33.9 per cent compared with a drop of 11.2 per cent recorded between 1990 and 1991. New television sets sold and licensed also dropped by 25.6 per cent in 1992 compared with 1991. The continued decline in sale and licensing of radios and television sets was a result of depressed demand due to lower income growth and high inflation in prices of these commodities.

14.19. Table 14.12 provides details of weekly and daily English and Kiswahili newspapers readership. Weekly English newspapers continued to enjoy more readership than their daily counterparts. Readership of weekly newspapers increased marginally by 2.2 per cent while that of daily newspapers dropped by 11.5 per cent. Circulation of Kiswahili newspapers increased by 1.8 per cent and 3.4 per cent for daily and weekly issues, respectively.

DAILY/WEEKLY AVERAGE LOCAL NEWSPAPER CIRCULATION, 1988 - 1992

Table 14.12 '000 Copies

	1988	1989	1990	1991	1992*
Morning Newspapers-					
English	256.4	287.7	318.6	304.4	299.9
Swahili	52.2	79.5	81.9	77.7	79.1
Other Newspapers-					
English Weeklies	280.4	331.7	356.7	338.8	346.4
Swahili	50.4	87.6	90.5	75.5	78.1

*Provisional.

CHAPTER 15 - SOCIAL SCENE

Government expenditure on social services for the fiscal years 1989/90 to 1992/93 is shown in Table 15.1. Expenditure increased significantly by 15.1 per cent from K£852.4 million in 1991/92 to K£980.93 million in 1992/93; a significant improvement over the 3.9 per cent increase recorded in 1991/92. Recurrent expenditure accounted for 83.5 per cent of the 1992/93 total expenditure. The education sector continued to enjoy the largest share of expenditure in social services accounting for 76.7 per cent and 59.1 per cent of the recurrent and development expenditures, respectively, for the year.

CENTRAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES. 1989/90 - 1992/93

Table 15.1 K£million

	1989/90	1990/91	1991/92*	1992/93**
RECURRENT EXPENDITURE-				
Ministry of Education	479.09	570.95	588.53	628.21
Ministry of Health	115.03	128.81	147.83	166.20
Ministry of Labour	3.09	2.95	3.44	3.54
Ministry of Culture and Social Services	14.72	15.18	18.23	21.00
DEVELOPMENT EXPENDITURE-				
Ministry of Education	36.36	62.66	54.60	95.72
Ministry of Health	24.24	37.62	36.52	59.78
Ministry of Labour	0.21	0.16	0.06	0.10
Ministry of Culture and Social Services	3.37	2.45	3.19	6.38
TOTAL	64.18	102.89	94.37	161.98
TOTAL EXPENDITURE	676.11	820.78	852.40	980.93

*Provisional.

** Estimates excluding supplementaries.

15.2. Local government expenditures on social services for the period 1988/89 to 1992/93 are presented in Table 15.2. Estimated expenditure declined from K£35.96 million in 1991/92 to K£32.35 million in 1992/93, a 10 per cent drop. Health services continued to lead by accounting for 48.6 per cent of the total local government expenditure on social services for 1992/93.

LOCAL GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, 1988/89 - 1992/93

Table 15.2 K£million

	1988/89	1989/90	1990/91	1991/92*	1992/93**
Education	9.90	11.13	13.05	13.41	15.24
Health	12.49	17.40	15.08	21.36	15.71
Other Social Services	0.61	1.47	1.39	1.19	1.40
TOTAL EXPENDITURE	23.00	30.00	29.52	35.96	32.35

*Provisional.

**Estimates.

Education

15.3. Details of expenditure of the Ministry of Education for the years 1989/90 to 1992/93 are shown in Table 15.3. Recurrent and development expenditure on education, excluding technical and polytechnic education which is now under Ministry of Technical Training and Applied Technology, rose by 6.7 per cent and 60.7 per cent respectively to reach K£629.82 million and K£96.05 million respectively in 1992/93 fiscal year. Primary education took the largest share of the estimated recurrent expenditure, while higher education led in development expenditure estimates.

EXPENDITURE OF THE MINISTRY OF EDUCATION. 1989/90 - 1992/93

Table 15.3 K£million

	1989/90	1990/91	1991/92*	1992/93**
RECURRENT EXPENDITURE-				
General Administration and Planning	46.79	48.89	22.82	48.19
Pre-Primary Education	0.60	.	0.67	0.65
Primary Education	246.97	292.52	348.36	346.33
Secondary Education	78.60	68.20	98.27	97.24
Technical Education-	3.54	6.10	7.22	7.38
Teacher Training	17.45	14.97	14.85	12.87
Special Education	3.82	3.44	5.11	4.84
Polytechnic Education-	3.65	3.62	4.99	4.15
HigherEducation***	86.54	122.21	97.93	118.62
Miscellaneous	1.78	2.17	2.49	1.08
TOTAL	489.74	582.12	602.71	641.35
DEVELOPMENT EXPENDITURE-				
General Administration and Planning	0.90	4.18	1.68	24.22
Pre-Primary Education				
Primary Education	1.02	0.69	3.56	1.80
Secondary Education	1.99	5.28	5.16	2.94
Technical Education-	0.23	0.28	0.81	4.69
Teacher Training	8.84	10.09	20.23	9.76
Special Education	0.37	0.69	5.62	0.70
Polytechnic Education +	0.02	0.20	0.26	1.35
Higher Education***	23.14	41.74	23.54	56.63
Miscellaneous	0.17	0.08		
TOTAL	36.68	63.23	60.86	102.09
TOTAL RECURRENT & DEVELOPMENT EXPENDITURE	526.42	645.35	663.57	743.44

* Provisional.

** Estimates excluding suppiementaries.

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

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

15.4. Table 15.4 details the number of education institutions by category during the period 1988 to 1992. The total number of schools and training colleges increased by 1.4 per cent from 17,869 in 1991 to 18,126 in 1992. Primary schools increased from 15,196 in 1991 to 15,465 in 1992 while the number of secondary schools fell slightly by

0.6 per cent to stand at 2,632 in 1992. Primary Teachers Training colleges, including 5 private colleges, increased by 3 to reach 25, while the number of Secondary Teachers Training colleges remained the same as in 1991.

NUMBER OF EDUCATIONAL INSTITUTIONS, 1968 - 1992

Table 15.4 Numbers

Category	1988	1989	1990	1991	1992*
Schools:					
Primary	14,288	14,691	14,664	15,196	15,465
Secondary	2,717	2,654	2,678	2,647	2,632
Training Colleges					
Primary	16	17	17	22	25
Secondary	7	7	7	4	4
TOTAL	17,028	17,369	17,566	17,869	18,126

* Provisional.

15.5. As shown on Table 15.5 primary school enrolment rose by 1.3 per cent from 5.46 million in 1991 to 5.53 million in 1992 with girls forming 49.3 per cent of the total enrolment compared with 48.7 per cent recorded in 1989. After dropping to 924,000 in 1991 from 942,000 in 1990, Standard 1 enrolment went up slightly to 932,700 in 1992 . Standard 8 had the lowest enrolment compared to the other classes. There was a marginal drop of boys enrolment from 207,300 in 1991 to 195,000 in 1992, while girls enrolment rose by 14 per cent in the same period.

PRIMARY SCHOOL ENROLMENT BY STANDARD. 1989 - 1992

Table 15.5 000

	19 89		19 90		19 91		19 92*	
Class	Boys	Girls	Boys	Girls	Boys	Girls	Boys	Girls
Standard 1	482.2	457.3	484.6	457.2	476.2	447.8	479.6	453.1
Standard 2	424.1	397.3	411.4	389.4	409.3	384.9	423.8	399.4
Standard 3	385.3	363.5	382.6	364.2	390.9	369.3	393.0	374.0
Standard 4	351.3	334.0	358 4	344.1	360.9	353.6	376.4	366.8
Standard 5	312.9	305.5	313.5	305.1	322.5	317.8	330.0	329.4
Standard 6	290.6	285.8	292.1	286.5	302.6	302.2	299.1	299.2
Standard 7	295.5	289.4	313.3	305.4	327.4	309.7	309.9	302.7
Standard 8	224.1	190.5	210.4	174.1	207.3	173.7	195.0	198.8
TOTAL	2,766.0	2,623.3	2,766.3	2,626.0	2,797.1	2,659.0	2,806.8	2,723.4
GRAND TOTAL	5, 38 9 .3		5, 39 2 .3		5, 45 6 .1		5,5 3 0 .2	

* Provisional.

15.6. Enrolment in Secondary schools by form and sex is shown in Table 15.6. Secondary school enrolment increased by 1.2 per cent from 614,161 in 1991 to 621,443 in 1992, with females forming 42.9 per cent of total enrolment. Female enrolment in secondary school was lower by 6.4 percentage points as compared to that of primary

school. Total enrolment for males rose by 2.7 per cent to reach 355,079 in 1992 while that of females dropped marginally from 268,373 in 1991 to 266,364 in 1992. Form 1 enrolment fell by nearly 7.5 per cent from 171,637 in 1991 to 158,796 in 1992. A total of 138,702 candidates sat for the 1992 Kenya Certificate of Secondary Education (KCSE) as compared to 136,755 in 1991, which is 1.4 per cent increase. Out of the total, 16,438 or 11.9 per cent got the minimum University entry requirement (grade C+); an increase of 1.8 percentage points from 1991.

ENROLMENT IN SECONDARY SCHOOLS BY FORM AND SEX. 1988 - 1992

Table 15.6 Numbers

	1988		1989		1990		1991		1992*	
FORM	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
FORM 1	99,822	73,783	97,725	69,023	96,079	74,992	95,511	76,126	93,727	65,069
FORM 2	92,166	67,245	93,866	65,109	91,482	69,615	89,181	70,651	93,476	78,519
FORM 3	91,491	63,533	85,471	58,955	83,334	60,172	82,749	64,139	86,260	67,471
FORM 4			84,655	54,346	82,800	59,987	78,347	57,457	81,616	55,305
FORM 5	17,705	9,305								
FORM 6	16,817	8,325	21,418	10,167						
TOTAL	318,001	222,191	383,135	257,600	353,695	264,766	345,788	268,373	355,079	266,364
GRAND TOTAL	540,192		640,735		618,461		614,161		621,443	

Provisional.

15.7. Table 15.7 gives the number of teachers in schools by qualification and school level for 1990 to 1992. The total primary school teaching force increased by 1.7 per cent from 173,370 in 1991 to 176,359 in 1992 while that of secondary school went up by 4.2 per cent to reach 36,560. The untrained staff constituted 23.2 per cent and 24.9 per cent of the total primary and secondary teaching force, respectively. However, it is important to note the continuous drop of Untrained Teachers while the total teaching force has been increasing. The pupil - teacher ratio for primary schools remained constant at 31 pupils per teacher for the third year consecutively while that of secondary school remained at 17 students per teacher for 1991 and 1992.

15.8. The Kenya Institute of Special Education (KISE) enrolls diploma students biannually. Currently there are 83 diploma students belonging to the 1991/93 class who are expected to graduate this year. In 1991, the college launched a distant education course on introduction to special education in 3 districts of Nairobi, Kiambu and Machakos. The course has trained 500 teachers.

15.9. Details of enrolment in all government primary teachers training colleges for 1992/93 are shown in Table 15.8. Total enrolment rose by 8.5 per cent from 17,504 in 1991 to 18,992 in 1992. Female students constituted 46.5 per cent of total enrolment. Male students were more in all the certification categories except for P3 where female students were slightly more.

NUMBER OF TEACHERS IN SCHOOLS BY QUALIFICATION AND SCHOOL LEVEL, 1990 - 1992

Table 15.7 Numbers

	PRIMARY			SECONDARY		
	1990	1991	1992*	1990	1991	1992*
TRAINED-						
Graduate	13	25	62	7,812	9,694	11,364
Approved-	617	658	755	1,346	1,488	1,658
S1	4,919	5,495	6,204	9,424	12,244	12,947
Technical	-	-	-	474	519	713
P1	75,748	82,024	88,155	375	526	409
P2	28,670	29,579	29,713	-	-	-
P3	11,454	11,393	10,508	-	-	-
P4	40	55	9	-	-	-
Others						356
TOTAL	121,461	129,229	135,405	19,431	24,471	27,447
UNTRAINED-						
Graduate	-	-	-	989	1,410	2,013
Technical	-	-	-	263	374	664
K.A.C.E	4,170	4,281	4,538	9,515	8,458	6,124
K.C.E	39,088	33,650	30,646	46	114	153
K.J.S.E	7,001	5,028	4,714	-	-	-
C.P.E	1,337	1,105	951	-	-	-
Other	60	77	105	377	270	159
TOTAL	51,656	44,141	40,954	11,190	10,626	9,113
GRAND TOTAL	173,117	173,370	176,359	30,621	35,097	36,560

* Provisional.

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

STUDENT ENROLMENT IN ALL GOVERNMENT PRIMARY TEACHERS TRAINING COLLEGES , 1992/93*

Table 15.8 Numbers

	1ST YEAR		2ND YEAR		TOTAL	
CERTIFICATION	Male	Female	Male	Female	Male	Female
P1	4,251	3,385	5,428	4,989	9,679	8,374
P2	200	130	210	236	410	366
P3	20	14	60	69	80	83
TOTAL	4,471	3,529	5,698	5,294	10,169	6,823

* Provisional.

15.10. The in-service teachers training for primary school teachers continue to be offered in 16 Government primary teacher training colleges. The total enrolment for 1991/92 is 5,804 students where 3,106, 2,514 and 184 are PI, P2 and P3 students, respectively. However, this excludes the 1990/93 special intake which is being conducted in 3 of the primary teachers colleges with a total of 1,062 students.

15.11. There are three polytechnics in Nairobi, Mombasa and Eldoret, 18 technical training institutes and 17 institutes of technology offering technical training. The three polytechnics enrolled a total of 9,029 students in 1992 compared to 8,843 in 1991 with 28.5 per cent of the enrolment being female students. Enrolment in the institutes of technology declined by 6.3 per cent from 6,013 in 1991 to 5,633 in 1992 with female students accounting for 24.5 per cent of the total. A total of 7,654 students were enrolled in technical training institutes in 1992 as compared to 6,849 students in 1991.

15.12. First year undergraduate enrolment in the four public universities for 1991\92 and 1992/93 academic year is presented in Table 15.9. First year enrolment rose by nearly 7.7 per cent to reach 10,189. The proportion of first year female students enrolled in all the universities was 27.2 per cent, a slight increase from the 21.9 per cent recorded in 1991/92 enrolment. Most of the students continued to take arts subjects compared to science as evidenced by the large number of students registered for Bachelor of Education and Bachelor of Arts, besides other arts courses.

15.13. Nairobi University had a total of 13,055 students enrolled in the 1992/93 academic year which indicates a 12.0 per cent drop from the previous enrolment. Third year enrolment with a total of 6,046 students had the highest number of students admitted due to double intake of the 8-4-4 and A-Level classes in which the A-Level constituted 52.3 per cent of the total. In the same academic year the university enrolled a total of 3,408 first year students compared to 3,161 first year students admitted in 1991/92.

15.14. The 1992/93 enrolment in Kenyatta University (excluding Jomo Kenyatta University College of Agriculture and Technology) rose by 4.2 per cent to reach 9,525 students. First year students were 2,693 compared to 2,341 students registered in 1991/92 academic year.

15.15. Jomo Kenyatta University College of Agriculture and Technology had a total enrolment of 1,433 undergraduate students in 1992/93 academic year, of whom 412 were first year students. Female students constituted 22.6 per cent of the first year intake.

15.16. There were a total of 7,999 students enrolled in Egerton University in 1992/93, an increase of about 8.3 per cent from the 1991/92 enrolment. First year enrolment rose by 6.4 per cent from 1,888 in 1991/92 to 2,009 in 1992/93 where 24.7 per cent were females.

15.17. Moi University enrolled a total of 1,767 first year students in 1992/93 academic year compared to 1,683 students enrolled in 1991/92. Female students constituted 27.8 per cent of the total first year intake.

FIRST YEAR UNDERGRADUATE ENROLMENT IN PUBLIC UNIVERSITIES, 1991/92 - 1992/93

Table 15.9

COURSE	1991/92			1992/93*		
	Male	Female	Total	Male	Female	Total
Agriculture Education				73	42	115
Agriculture **	635	179	814	248	110	358 ***
Horticulture	88	26	114	91	33	124
Fisheries	23	2	25	22	5	27
Forestry	28	6	34	32	5	37
Wildlife Management****	23	1	24	58	4	62
Wood Science Technology	21	3	24	22	1	23
B. Tech (Production)	57	1	58	26	1	27
Architecture	60	6	66	50	5	55
Building Economics	28	3	31	33	3	36
Land Economics	23	3	26	20	7	27
Design	21	9	30	19	10	29
Arts	1,467	426	1,893	1,440	564	2,024
Anthropology	137	55	192	151	67	218
Fine Art	10	6	16	15	8	23
B. Ed. (Arts)	1,932	723	2,655	1,913	851	2,764
B. Ed. (Science)	430	84	514	447	116	563
B.Ed. (Home Economics)	3	106	109	1	98	99
B. Ed. (Technology)	37	3	40	36	3	39
B. Ed. (Home Science Technology)	6	28	34	6	36	42
Environmental Studies	56	4	60	45	15	60
Information Science	34	16	50	45	5	50
Tourism	20	4	24	22	4	26
Business Management	40	6	46	54	11	65
Law	113	45	158	105	43	148
Commerce	369	118	487	386	98	484
Science	1,064	117	1,181	969	273	1,242
B. Tech (Electrical & Communication Technology)	30	1	31	26	2	28
Engineering*****	390	22	412	380	33	413
Veterinary Medicine	70	28	98	86	14	100
Medicine	120	25	145	129	19	148
Dental Surgery	8	7	15	11	1	12
Pharmacy	25	2	27	30	3	33
B.Sc. Nursing	18	12	30	13	15	28
Natural Resources	-			87	15	102
Diary & Food Technology	-			19	16	35
Animal Production	-			62	33	95
Agriculture & Home Economics				54	33	87
Computer Science				17	7	24
B. Tech (Chemical)	-			12	3	15
B. Tech (Textile)	-			13	3	16
B. Tech (Civil & Str. Eng)				11	2	13
Home Science Technology	-			8	14	22
Cultural Studies				131	120	251
Total	7,386	2,077	9,463	7,418	2,771	10,189

* Provisional

Incudes courses on Food Science and Technology, Range Management and allied Agricultural studes (1991/92)

*** Includes BSc Agri. Food Science Tech and Agri. Economics (1992/93)

**** Includes Range Management (1992/93)

***** Includes civil, mechanical, electrical, agricultural and building construction

Health

15.18. The Government's commitment to health services has been demonstrated by the increased proportion of expenditure on health despite the introduction of cost-sharing. Table 15.1 gives the Government expenditure on social services of which Development Expenditure on health increased from 27.6 per cent of the total Development Expenditure in the financial year 1988/89 to over 36.9 per cent in 1992/93. Health absorbed approximately 20 per cent of the total recurrent expenditure on social services.

15.19. ***Health Institutions:*** Table 15.10 details available health institutions and hospital beds and cots by province. The number of health institutions increased by 12.4 per cent over 1991. This increment was due to a number of factors including the setting up of district administrative centres and upgrading the health centres to hospital status. In addition non-Governmental organizations such as missions and private companies and/or individuals have put up hospitals, health centres and dispensaries.

HEALTH INSTITUTIONS AND HOSPITAL BEDS AND COTS BY PROVINCE, 1992

Table 15.10

Province	HEALTH INSTITUTIONS				HOSPITAL BEDS & COTS	
	Hospitals	Health Centres	Health sub-centres and Dispensaries	Total	No. of Beds and Cots	No. Per 100,000 Population
Nairobi	38	75	134	247	6,162	398
Coast	33	47	219	299	3,613	177
Eastern	42	47	328	417	4,803	117
North-Eastern	6	10	36	52	491	132
Central	44	58	239	341	5,170	153
Rift Valley	63	130	621	814	6,729	122
Nyanza	46	64	194	304	4,403	113
Western	29	46	88	163	2,969	107
TOTAL 1992	301	477	1,859	2,637	34,360	145
TOTAL 1991	277	357	1,712	2,346	33,926	148

15.20. Beds and Cots increased by 1.3 per cent. This low increment is due to emphasis by Government on promotive and preventive services in the control of diseases which are community based rather than curative services. The increasing population also contributed to a decline in the number of beds and cots per 100,000 population.

15.21. ***Maternal Health:*** Maternal and child health care has been a major concern to the Government. The number of Service Delivery Points (SDPs) increased due to the extension to rural catchment areas. To meet this increase, an initiative has been concentrated on the training of medical personnel on maternal and child health care. The number of trained staff has been declining since 1989 as depicted in Table 15.11 due to financial constraints on the number of workshops conducted. It is expected that

during 1993 the number of trainees is going to increase as a new curriculum is going to be tested by absorbing the medical staff serving in the dispensaries.

STAFF TRAINED ON THE MATERNAL HEALTH CARE 1988 - 1992

Table 15.11 . Number

Type of Personnel	1988	1989	1990	1991	1992
Enrolled Community Nurses	560	741	734	382	66
Kenya Registered Nurses/Midwife	96	94	88	66	18
Clinical Officers	39	43	29	31	
Total	695	878	851	479	84

15.22. ***Medical Personnel:*** The number of registered medical personnel in all categories increased between 1991 and 1992 as depicted in Table 15.12, although the registered medical personnel to population ratio has not changed significantly except for the Enrolled Nurses and Public Health Technicians. The ratio of doctors per 100,000 population which has stagnated at around 15 is likely to change when the large number of doctors who are receiving training at present graduate. Note should be taken also of the recent fall in population growth rate as recorded in the 1988/89 Kenya Demographic and Health Survey I.

REGISTERED MEDICAL PERSONNEL 1991 - 1992

Table 15.12 Number

	1 99 1		1 9 9 2		IN TRAINING	
Type of Personnel	Number	No. Per 100.000 Popu-lation	Number	No. Per 100,000 Popu-lation	1991-92 Number	1992-93 Number
Doctors	3,457	15.1	3,554	15.0	1,162	1,254
Dentists	631	2.8	664	2.8	150	150
Pharmacists	472	2.1	542	2.3	230	245
Pharmaceutical Technologists	644	2.8	680	2.9	145	132
Registered Nurses	5,664	24.8	5,879	24.9	1,074	1,165
Enrolled Nurses	18,674	81.7	19,604	82.9	3,587	4,292
Clinical Officers	2,665	11.7	2,786	11.8	565	694
Public Health Officers	620	2.7	686	2.9	140	105
Public Health Technicians	2,628	11.5	3,452	14.6	560	560
TOTAL	35,455		37,847		7,613	8,597

15.23. Among the infectious diseases, Aids has been a matter of serious concern to the Government. Despite the increased public awareness, its prevalence has been increasing at a significant rate across population groups, irrespective of social, economic and cultural backgrounds. Community involvement and participation still remains the focus for the control of infectious diseases.

15.24.*National Hospital Insurance Fund:* The total number of National Hospital Insurance Fund contributors during the year 1991/92 was 1.2 million while the total investment held by the Fund was K£ 40.06 million. As shown in the Table 15.13, the annual contribution realised by the Fund during the year was K£39.61 million. Total Benefits paid out during the year 1991/92 increased tremendously from K£15.60 million in 1990/91 to K£30.6 million in 1991/92. This trend is a consequence of the settling down of the accelerated increases of both contributions and benefits following the introduction of the graduated scale during 1990/91.

NATIONAL HOSPITAL INSURANCE FUND. 1987/88 -1991/92

Table 15.13 K£million

YEAR	Receipts	Benefits	Contribution Net of Benefits
1987/88	9.47	8.86	0.61
1988/89	9.52	8.80	0.72
1989/90	9.72	7.94	1.78
1990/91	36.80	15.60	21.20
1991/92	39.61	30.60	9.01

Other Social Services

15.25. ***National Youth Service:*** Table 15.14 shows the National Youth Service recruitment from 1989 to 1992. The total service strength both of servicemen and service women as at December, 1992 was 6,770, from 2,848 recruits in 1991. The rapid increase occurred despite the fact that the service no longer recruits pre-university students. Little development activities have been reported in the year under review. This is indicated by fall in income from K£5.05 million in 1991 to K£1.84 million in 1992. A total of K£0.40 million came from sale of farm produce and livestock while K£1.44 million was as a result of rendering services such as hiring of vehicles and other miscellaneous activities.

NATIONAL YOUTH SERVICE RECRUITMENT AND INCOME EARNED, 1991

Table 15.14

	Recruits(Numbers)					Income
	Service men		Service women		Total	K£
	Regular	Pre-University	Regular	Pre-University		
1989	-	4,878	-	2,878	7,756	
1990	2,890	-	450	-	3,340	5,895,622
1991	2,418	-	430	-	2,848	5,047,220
1992	5,715		1,055		6,770	1,839,368

15.26. ***National Social Security Fund:*** Table 15.15 gives the number of employers and employees registered with the Fund which have respectively risen to 41,400 and 2,066,000 in 1992. However, there was a slight decrease in the number of employers

and employees in agricultural sector registered with the Fund due to poor performance in the general economy, and drought which made the sector weak, thereby occasioning the sector to reduce its work force. Total investments held by the Fund was K£17.30 million.

NATIONAL SOCIAL SECURITY FUND, 1988 - 1992

Table 15.15

	1988	1989	1990	1991	1992
Employers registered '000	39.0	39.0	39.9	40.2	41.4
Employees registered 000	1,679.9	1,795.1	1,887.7	1,987.1	2,066.1
Annual contribution K£mn	55.2	58.0	59.2	55.1	67.9
Annual benefits paid K£mn	8.1	10.6	11.2	12.9	15.0

15.27. ***Adult Education:*** There has been a decline in the enrolment of adult learners both males and females. As indicated in Table 15.16, the total number of adult learners was 109,474 in 1992 compared to 139,576 in 1991, a drop of 22 per cent. The percentage female enrolment, however, rose from 75.1 in 1991 to 76.8 per cent in 1992.

ADULT EDUCATION ENROLMENT BY SEX 1988 - 1992

Table 15.16

Year	Male	Female	Total	% of Female enrolment
1988	52,744	105,490	158,234	67.0
1989	33,548	100,383	133,931	75.0
1990	32,696	105,458	138,154	76.3
1991	34,709	104,867	139,576	75.1
1992	25,425	84,049	109,474	76.8

15.28. ***Vocational Rehabilitation Centres:*** There are twelve Government run vocational rehabilitation centres within the country, two of which are under construction. There is also one Industrial Rehabilitation Centre (IRC) and one Orthopaedic Workshop. The courses offered in the centres range from Tailoring/Dressmaking to Woodwork, Leatherwork, Metal work and Agriculture. The total appropriation in aid from all these courses rose from Ksh 106 thousand in 1990 to Kshs 126 thousand in 1991. Total enrolment at Government rehabilitation centres has steadily declined from 531 students during 1987/88 to 359 students in 1991/92, a significant 32.4 per cent decline.

15.29. ***Youth Polytechnics:*** In 1990/91, the total number of Government assisted youth Polytechnics was 360 while in 1991/92 the number increased to 372. The total number of trainees increased significantly from 22,303 in 1990/91 to 40,000 in 1991/92.

CHAPTER 16 - THE CENSUS OF WOMEN GROUPS

Overview

The Government has continued to coordinate and support Women's Programmes through the Women's Bureau in the Ministy of Culture and Social Services. It has also been disbursing grants to Women Groups through field officers. However,the disbursement of funds to Women Groups registered a steep decline in the past year. Table 16.1 shows that government grants to Women Groups which amounted to Kshs 522,000 in 1991, fell by 60.5 per cent to Kshs 206,000 in 1992, while the number of groups assisted dropped by 43.3 per cent. During the period, a sum total of Kshs. 15,000,000 was allocated to the then KANU Maendeleo ya Wanawake Organization for disbursement to women's activities through Women Groups. The New Zealand Government also gave grants amounting to Ksh. 803,000 for women's micro-enterprises.

GOVERNMENT GRANTS TO WOMEN'S GROUPS, 1991- 1992

Table 16.1

PROVINCE	NUMBER OF GROUPS ASSISTED		AMOUNT GRANTED Kshs '000'	
	1991	1992	1991	1992
Nairobi	7	1	62	10
Coast	10	8	90	40
Eastern	9	6	75	25
Central	6	4	30	40
Rift Valley	16	9	160	36
Nyanza	8	5	50	30
Western	5	3	25	15
North Eastern	6	2	30	10
TOTAL	67	38	522	206

The Census

16.2. Activities of Women Groups are the most significant indicators of the extent of involvement of women in socio-economic development in the country. They also act as "entry points" into the community for various government programmes, notably health, sanitation and income generating activities. To evaluate the contribution of Women Groups in terms of resource mobilization and capital formation, a census of the groups was carried out by the Women's Bureau in 1991. The census was aimed at collecting data and informaiion on the number of Women Groups in each province, district, division, location/ward and sub-location and membership by sex; the types of activities undertaken by the groups to help establish the range of projects/businesses and enterprises being undertaken by groups; the types of resources available to the Groups and development agencies working with and supporting them;and the problems/constraints Groups face in the process of project implementation.

The Sample and Methodology

16.3. The data on the census of Women Groups was collected through the group as unit of enumeration. The census aimed at covering all Women Groups in the country, including groups registered by the Department of Social Services and by other bodies like churches, as well as unregistered groups. It excluded all self-help groups which are not managed by women. Interviewers, who comprised Social Development Officers, conducted the survey by canvassing all groups within their respective districts. A questionnaire was administered to a representative sub-group of members from each group and the interviewer recorded information on various characteristics of the groups. On the average, about 80 per cent of the Women Groups were covered providing an up-to-date register of Women Groups in the country.

The Results

16.4. The census revealed that there were 23,614 Women Groups in the country, both registered and unregistered, with a membership of 968,941 as shown in Table 16.2. Out of all the groups examined, about 1 per cent had been formed in the 1950s, about 4 per cent in the 1960s, while over 80 per cent of enumerated groups were formed during the following two decades of the 1970s and 1980s. The census confirmed documented literature which shows that there are relatively few Women Groups in the nomadic region of the country.

DISTRIBUTION OF WOMEN'S GROUPS BY PROVINCE AND MEMBERSHIP, 1991

Table 16.2

PROVINCE	NUMBER OF GROUPS	%	NUMBER OF MEMBERS	%
Nairobi*	1,357	5.80	42,094	4.30
Coast	5,077	21.50	201,658	20.80
Eastern	225	1.00	5,173	0.50
Central	3,783	16.00	166,918	19.30
Rift Valley	568	2.40	29,793	3.10
Nyanza	4,568	19.30	187,904	19.40
Western	5,120	21.70	199,586	20.60
North Eastern	2,916	12.30	115,815	12.00
TOTAL	23,614	100.00	968,941	100.00

* Nairobi Province Census was conducted in 1990.

16.5. Table 16.3 shows the distribution of membership by sex. Analysis of the census data by sex indicated that male membership amounts to 11.0 per cent of total membership. Male participation in Women Groups was found to be high in North Eastern, Nyanza, Western, and Coast Provinces. The census revealed that only a small proportion of all eligible women i.e women aged 15-65 years, have joined the groups. A comparison between the 1990 projected population of eligible women and of the enumerated women members of Women Groups indicates that only 7.3 per cent of the eligible women were members.

DISTRIBUTION OF MEMBERS BY SEX

Table 16.3

PROVINCE	FEMALE	MALE	TOTAL	% FEMALE
Nairobi*	40,500	1,594	42,094	96.20
Coast	180,073	21,585	201,658	89.30
Eastern	5,046	127	5,173	74.40
Central	174,320	12,598	186,918	93.30
Rift Valley	28,099	1,694	29,793	94.30
Nyanza	171,027	16,877	187,904	91.00
Western	166,339	33,247	199,586	83.30
North Eastern	97,230	18,585	115,815	84.00
TOTAL	862,634	106,307	968,941	89.03

* Nairobi Province Census was conducted in 1990.

16.6. Analysis of the activities shows that 28 per cent of the groups engage in only one activity while the majority of the groups undertake more than three activities simultaneously. The four major activities which the groups engage in, as shown on Table 16.4 were Farming/Livestock, sales and services, and handicrafts and social welfare. Out of the 23,614 Women Groups enumerated, 15,839 were engaged in the four activities which accounted for 67.0 per cent of the total range of activities the groups engaged in countrywide.

PERCENTAGE DISTRIBUTION OF WOMEN GROUPS BY ACTIVITIES AND BY PROVINCE

Table 16.4

Activity	Coast	Eastern	N/Eastern	Central	R/Valley	Nyanza	Western	Nairobi
Farming/Livestock	33.60	41.80	29.30	26.70	34.00	69.00	50.90	4.80
Sales & Services	21.10	11.30	49.40	11.80	11.20	9.70	18.60	6.60
Handicraft	9.00	6.70	12.40	4.90	5.30	5.60	7.30	39.80
Light Manufacturing	8.70	1.30	0.40	1.70	8.30	3.80	3.80	0.50
Financial Activities	6.70	5.00	0.90	23.30	12.00	3.00	8.60	0.60
Labour and Construction	6.00	0.50	0.10	10.80	8.70	2.90	2.40	0.00
Real Estate	4.80	32.60	0.40	8.20	7.40	0.90	1.10	14.90
Social/Welfare	2.40	0.30	0.00	3.60	0.40	0.60	2.10	24.30
Educational Activities	2.40	0.20	0.00	2.20	2.50	0.10	0.30	5.00
Transport Business	0.30	0.10	0.40	0.40	0.90	1.90	0.20	0.20
Other Activities	5.00	0.20	5.80	6.50	9.10		4.70	3.40
Total %	100.00	100.00	99.10	100.10	99.80	97.50	100.00	100.10
TOTAL	1,357	5,077	225	3,783	4,568	5,120	2,916	568

16.7. Farming and livestock production' was the major activity, and included activities like food and cash crops production, fish, sheep, goat, pig, bee-keeping, and poultry farming. In Western and Nyanza provinces 51 per cent and 69 per cent of the groups respectively reported being engaged in these activities. Only 29 per cent of the groups in North Eastern stated that they were involved in farming. The second main activity was 'sales and services' including trading in foodstuff, and other essentials for the household. In North Eastern Province, sales/services and handicraft activities

featured more prominently as the major activities engaging 49 per cent and 12 per cent of the groups, respectively. Financial activities like *merry-go-round,* members contributions, buying of utensils was second dominant activity in Central Province, while Eastern Province had the largest number of groups involved in real estate activities like buying of plots and building/renting of residential houses. In all provinces except Nairobi which had 24 per cent, not many groups mentioned social/welfare activities (wedding, funerals, volunteer work, religious activities, traditional singing and dancing) as their main activities. Women Groups management capability is manifest in the various undertakings they perform. These undertakings include activities like calling for meetings, holding of elections,keeping records and keeping accounts of cash/equipment. The census asked questions in relation to the above activities to help build a data base which can help in evaluating the groups organisational ability in management. Record keeping by groups was used as a measure of management capability of group members. The census revealed that out of the 23,614 groups, 22,515 groups or 95 per cent keep records. Groups who reported that they do not keep records are given in Table 16.5.

DISTRIBUTION OF WOMEN GROUPS BY REASONS RECORD NOT KEPT BY PROVINCE

Table 16.5 Percentage

PROVINCE	Illiteracy	Lack of Skills	Lack of Awareness	Lack of Supplies	Lack of Motivation	Others	Total
Nairobi	5.20	3.80	4.60	5.00	5.20	2.10	4.30
Coast	12.20	1.90	9.20	5.00	12.30	26.40	12.30
Eastern	13.70	63.90	39.60	35.00	3.10	0.50	25.80
Central	7.00	0.00	3.00	5.00	5.20	21.30	7.20
Rift Valley	32.20	16.50	22.80	35.00	38.10	0.00	22.30
Nyanza	3.10	2.50	6.30	10.00	16.50	22.80	6.60
Western	5.80	8.20	12.90	5.00	18.60	22.80	12.20
North Eastern	20.70	3.20	1.60	0.00	1.00	4.10	7.90
TOTAL	99.90	100.00	100.00	100.00	100.00	100.00	100.60

16.8. As shown in Table 16.6 groups with bank accounts varied from 44 per cent in North Eastern, 50 per cent in Eastern and 74 per cent in Western province. The most common bank was the Kenya Commercial Bank due to its use by the Government to channel grants.

16.9. The Census data also indicated that there has been support to Women Groups by development agencies, NGOs, and voluntary organizations. This support/assistance was categorized into five areas; cash, equipment, training, supplies and technical. Table 16.7 illustrates the distribution of Women Groups by province who had received support/assistance. It is notable that, out of 23,614 Women's groups only 6,957 or 29.5 per cent received assistance. About 20 per cent of the groups have received some kind of financial assistance, 0.5 per cent benefitted from training courses.

DISTRIBUTION OF WOMEN'S GROUPS WITH BANK ACCOUNTS BY PROVINCE

Table 16.6

PROVINCE	Number of Groups			Total
	With Bank Accounts	No Bank Accounts	Not Stated	
Nairobi	910	410	37	1,357
Coast	2,555	2,098	424	5,077
Eastern	99	120	6	225
Central	2,807	884	92	3,783
Rift Valley	395	173	-	568
Nyanza	3,131	1,300	137	4,568
Western	3,058	1,982	80	5,120
North Eastern	1,586	1,292	38	2,916
% Total	61.60	35.00	3.40	100.00
TOTAL NUMBER OF GROUPS	14,541	8,259	814	23,614

DISTRIBUTION OF WOMEN'S GROUPS BY TYPE OF ASSISTANCE AND BY PROVINCE

Table 16.7

PROVINCE	Cash	Equipment	Training	Supplies	Technical	Others	Total
Nairobi	145	24	8	15	15	21	228
Coast	269	62	1	57	1	45	435
Eastern	250	1,012	68	272	33	53	1,688
Central	361	113	1	173	3	691	1,342
Rift Valley	955	424	29	159	45	61	1,673
Nyanza	310	289	4	296	5	71	975
Western	259	98	0	125	0	29	511
North Eastern	87	15	0	0	1	2	105
TOTAL	2,636	2,037	111	1,097	103	973	6,957

16.10. The range of activities that women groups engaged in were conditioned by the interests of persons and institutions interested in the groups. In spite of the women groups falling directly under the Department of Social Services within the Ministry of Culture and Social Services, other ministries get involved in women groups programmes either to assist them or use them to reach a target population. This is because the groups are widespread at grassroots level. Table 16.8 shows the number of groups visited by various extension officers as revealed by the census.The majority of the groups,67.5 per cent, have been visited. The various extension officers who visited the groups were, Agricultural Officers,Social Development Officer, Livestock Officer, Co-operative Officer,Trade Officer and Health Officer.

16.11. The census revealed the problems facing Women's groups. First among the problems mentioned as shown in Table 16.9 was lack of finance or materials which featured prominently with 58.9 per cent of the groups reporting this problem. Among other problems, 9.7 per cent reported leadership squabbles; 6.3 per cent lack of social amenities and 5 per cent lack of skills, training and management.

DISTRIBUTION OF WOMEN'S GROUPS VISITED BY EXTENTION OFFICERS BY PROVINCE

Table 16.8

PROVINCE	Number of Groups			Total
	Visited	Not Visited	Not Stated	
Nairobi	398	150	20	568
Coast	824	496	37	1,357
Eastern	3,621	1,390	66	5,077
Central	2,403	1,246	134	3,783
Rift Valley	3,125	1,411	32	4,568
Nyanza	3,552	1,438	130	5,120
Western	1,881	1,004	31	2,916
North Eastern	134	90	1	225
% Total	67.50	30.60	1.90	100.00
TOTAL NUMBER OF GROUPS	15,938	7,225	451	23,614

DISTRIBUTION OF WOMEN GROUPS BY PROBLEMS FACED BY PROVINCE

Table 16.9

Problems	Coast	Eastern	North Eastern	Central	Rift Valley	Nyanza	Western	Nairobi	No. of Groups	% of Total
Finance and Materials	687	3,343	101	2,274	2,349	3,155	1,730	260	13,899	58.90
Skills/Management	83	361	38	143	183	217	163	8	1,176	5.00
Marketing	40	113	12	89	171	117	158	167	879	3.70
Ifrastructure	63	300	25	88	531	546	86	21	1,300	5.50
Leadership Squabbles	251	258	14	296	393	541	396	5	2,292	9.70
Social Amenities	72	298	12	403	35	152	72	92	1,494	6.30
Lack of Awareness	5	52	7	30	30	40	139	7	315	1.30
Environmental Hardships	45	97	8	28	713	129	33	-	370	1.60
Others	111	255	8	432		223	139	8	1,889	8.00
TOTAL	1,357	5,077	225	3,783	4,405	5,120	2,916	568	23,614	100.00